



# STATEMENT OF ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2022

(Audited)



Version 1  
Version 2

31 May 2022  
24 January 2023

Draft Statement of Accounts  
Audited Statement of Accounts

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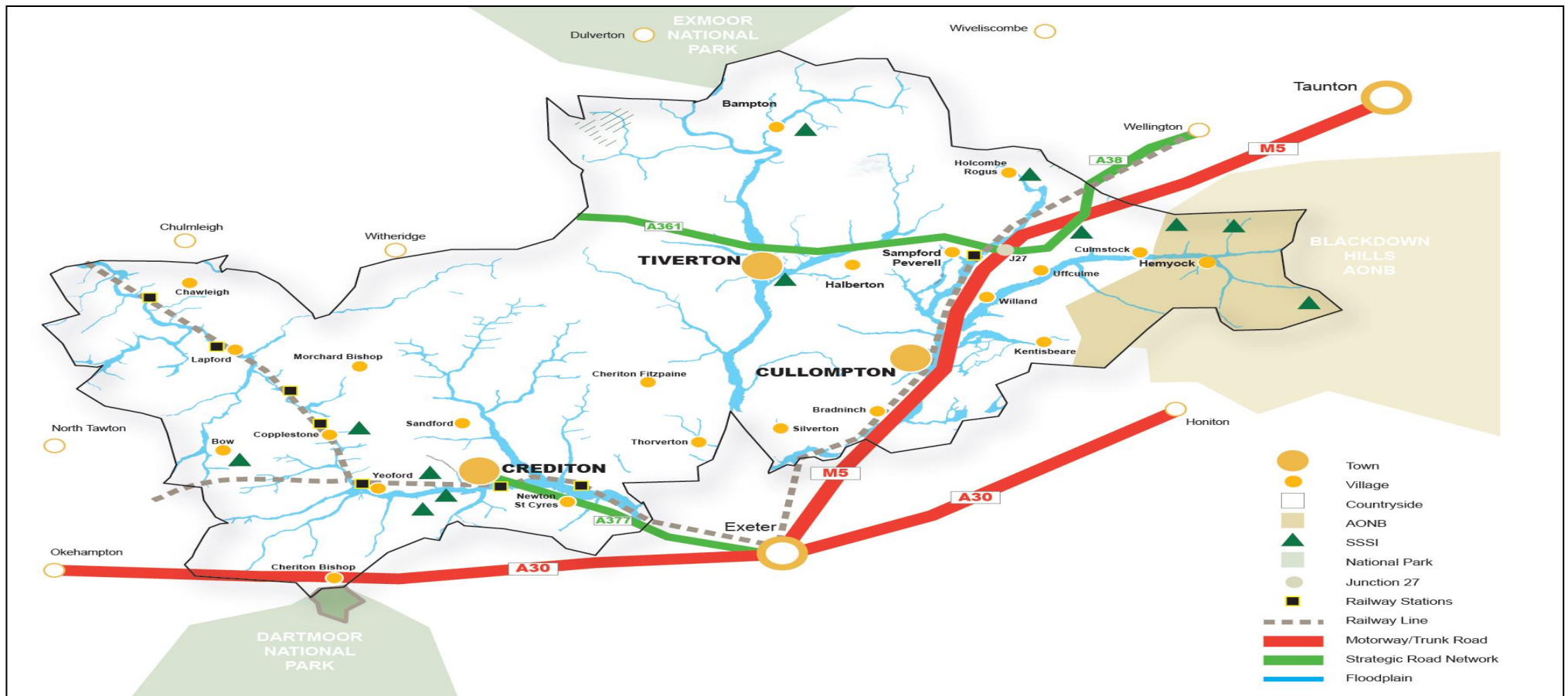
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# 1 Introduction to Mid Devon District Council

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

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

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





## Council Structure

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

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

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

## Link to the Corporate Plan

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

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

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

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

Priority	Strand	Aims
Economy	Sustainable and prosperous communities	Work with developers to secure our ambitious plans for the J27 'Devon Gateway' development site
		Consider acquiring or creating new business parks to accelerate economic growth, and creating new opportunities for incubator and start-up space
		Identify strategic and tactical interventions to create economic and community confidence and pride in the places we live. This includes a continued focus on Town Centre Regeneration
		Facilitate the creation of exciting new commercial opportunities within strategic developments at Culm Garden Village and Tiverton Eastern Urban Extension
		Produce business plans for the creation of a commercial Economic Development function perhaps in partnership with other agencies
		Explore commercial opportunities that deliver new or innovative services for customers that can generate revenue for the council
	A sustainable planet	Promote zero carbon exemplar sites within commercial settings
		Use car park pricing mechanism to effectively balance the needs of vehicular access with those of reducing car use
	Sustainable participation	Promote the development of the farming economy and local food production. Working in partnership with farmers to develop and grow markets on the principle of reducing carbon emissions and sustainability
		Support the creation of South West Mutual Bank and seek opportunities to encourage new branches being opened in areas that aren't well-served by existing banking services providers
		Develop and deliver regeneration plans for all three main towns in partnership with town and parish councils, private and third sector and communities

## Core Values

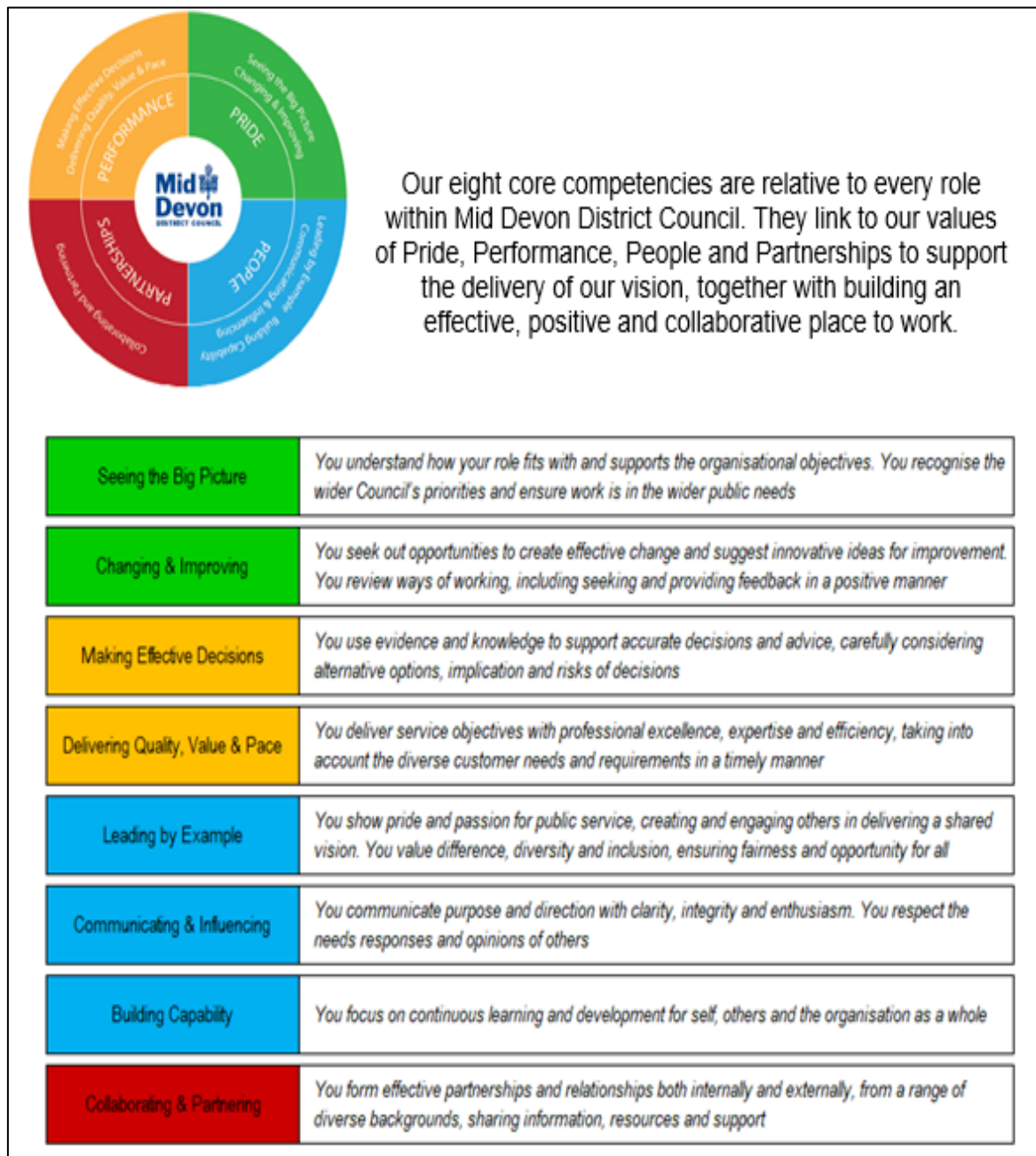
The organisation has an agreed set of core values that underpin the way we work and how we fulfil our aspirations. These values are known as the four Ps and set out what we believe should be the basis for the type of organisation we are. These values are:

### The Medium Term Financial Plan (MTFP)

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

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

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



## 2 Introduction by the Leader of the Council:



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

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

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

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

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

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

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

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

**Robert Deed, Leader of the Council**



## Views from the Chief Executive:



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

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

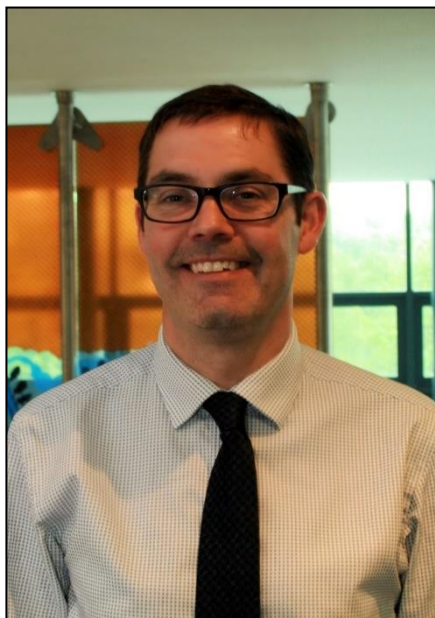
As the year progressed, we learnt that the wider economic recovery would be swifter than feared and that the economic forecasts and modelling of Mid Devon's recovery were, fortunately, more pessimistic than the reality. Nevertheless, the recovery was unequal and its legacy continues to be felt today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

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

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

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

## Financial Commentary by Deputy Chief Executive (S151)



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

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

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

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

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

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

## 2021/22 Financial Highlights

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

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

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

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

A further £113k was spent on the Cullompton High Street Heritage Action Zone (HAZ) project out of the Historic England £1,103k grant offer, and £746k was spent out of the £18,200m of Housing Infrastructure Grant to enable new housing sites across the District. £85k of Welcome Back funding has been spent to help boost tourism, improve green spaces and provide more outdoor seating areas, markets and food stall pop-ups, all to encourage the post Covid-19 economic recovery. Covid-19 Business Government funded Recovery Grants totalling over £8,000k was distributed.

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

### The Movement in Reserves Statement

This statement is the key to establishing the aggregate financial position of the Council, as it produces a summary of all the “cash backed” reserves that the Council holds. It shows that the Council’s usable reserves have increased by £3,416k to £56,745k in 2021/22. This is largely related to planned increases in the HRA Housing Maintenance Reserve and Capital Receipts raised from the sale of Council Houses.

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

The Comprehensive Income and Expenditure Statement (CIES) shows an overall surplus of £16,250k. However, this position also includes the consolidation of the Council’s HRA. In addition, there are a number of technical accounting adjustments made to the final accounts which need to be “reversed out” in order to reflect the final cash position. These entries are included in the Adjustments between Accounting Basis and Funding Basis under Regulations. Once all of these adjustments are accounted for, the overall outturn is a £29k surplus on the General Fund and a £67k surplus on the HRA and these amounts have adjusted the General Reserve and HRA Earmarked Reserves accordingly.

### Balance Sheet

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

### Cash Flow Statement

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

### The Collection Fund

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

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

The Local Authorities (Collection Fund: Surplus and Deficit) (Coronavirus) (England) Regulations 2020 came into force on 1 December 2020. The regulations implement the announcement made by the Secretary of State on 2 July 2020 that “the repayment of collection fund deficits arising in 2020/21, will be spread over the next three years rather than the usual period of a year, giving councils breathing space in setting budgets for next year.” The Council accounted for the full deficit in 2020/21 and therefore in 2021/22 has benefitted by the release of £3,171k



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

## **The Financial Outlook**

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

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

The financial future is still a challenging one, with a Medium Term Financial Plan deficit of £2,165k by 2026/27 compounded by the continued uncertainty generated by further delays in the Government's reviews of Fair Funding, New Homes Bonus and Business Rates Retention. Further pressure from the emerging cost of living crisis will no doubt push that funding deficit further. However, by ensuring a sensible level of reserves and with ongoing careful financial stewardship, we will ensure that the Council is in a strong position to react to any/all future challenges.

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

## **3 Narrative and Performance Report 2021/22**

### **3.1 Introduction**

The Council's Narrative Report sets out the overall financial position and details the financial transactions relating to the District Council's activities for the year ended 31 March 2022. The purpose of the Narrative Report is to provide a commentary on the main financial highlights and to identify any significant events that may affect the reader's interpretation of the Accounts. It also provides non-financial highlights to provide a more holistic view of the performance of the Council.

## **Financial Performance**

### **3.2 In year forecast position**

During the year regular monthly financial monitoring information has been produced and reported to Senior Management and Elected Members. Each monitoring report declared forecasts of varying amounts dependent on the information known at each point in time during the year. The month 9 monitoring report tabled at the 8 March 2022 Cabinet meeting forecast Service expenditure to be an estimated £983k under budget.

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

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

### **3.3 Outturn Summary**

The table below shows the summary of Service expenditure against budget. There are some material variances at individual service level, for example Car Parking and Leisure where income was significantly lower than budget due to the national lockdowns and restrictions imposed and a slower return to "normality" than expected. Additional expenditure was incurred in services such as Waste where additional agency costs were incurred to maintain services while staff suffered, or isolated from, Covid-19. There was also a national pay award for employees which was not expected at the time of setting the budget.

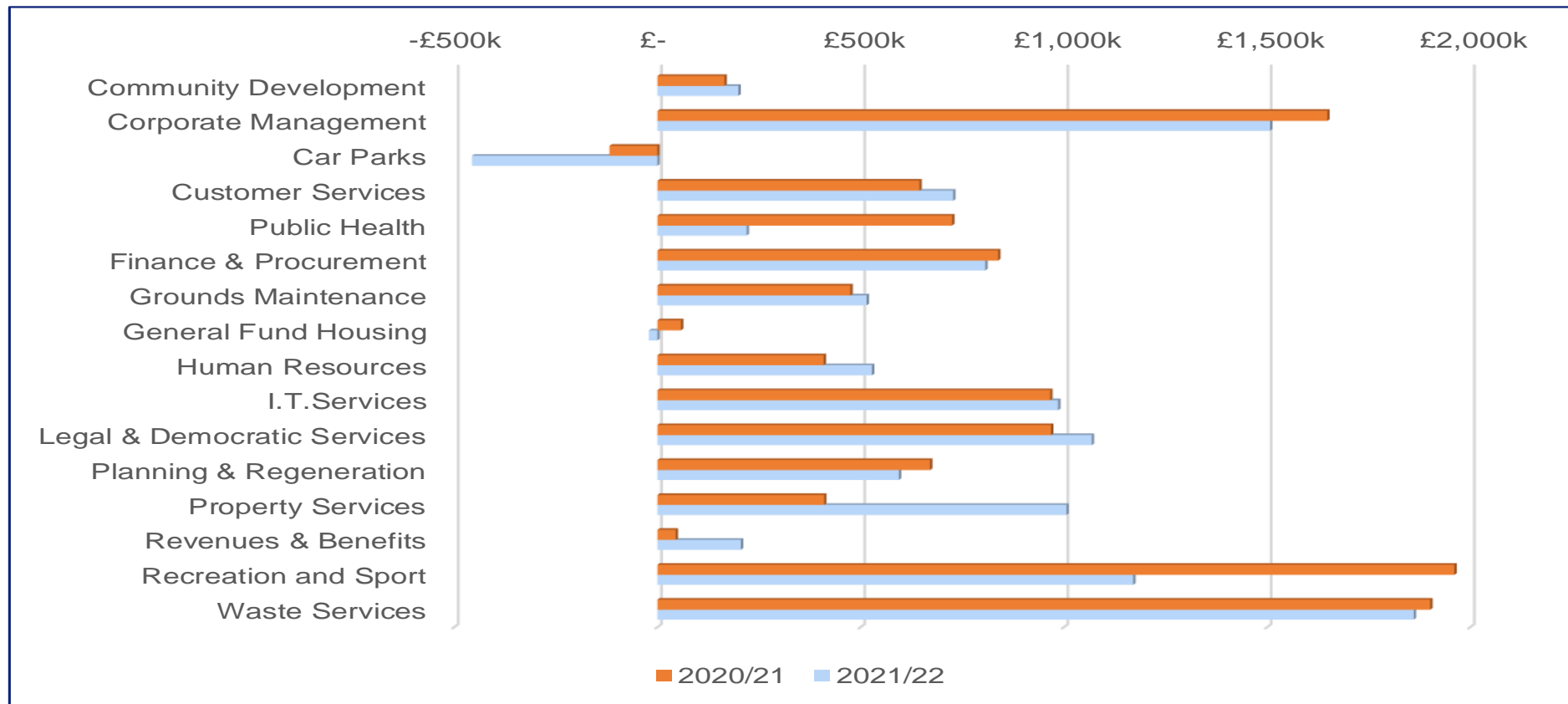
The Council took steps wherever possible to minimise the impact of this, redirecting staff where possible or furloughing if not. Other savings were made on costs such as utilities where the buildings were closed, not filling vacancies as they arose or by reducing service provision such as Grounds Maintenance.

### **3.4 Significant Service Variances**

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

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

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



Some of the key variance explanatory narrative is as follows:

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



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

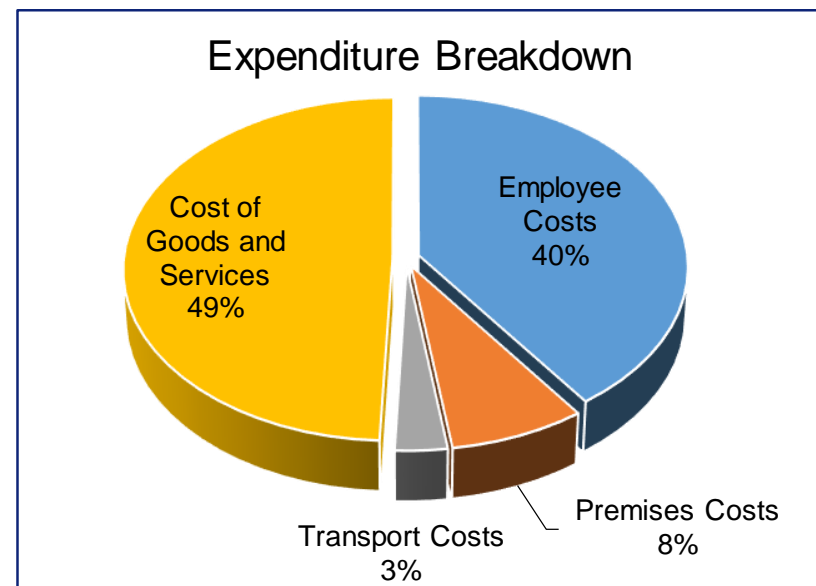
The overall General Fund position delivered in 2021/22 reflects the continued efforts of both Officers and Elected Members to provide high quality services at an affordable cost. It demonstrates the Council's ongoing commitment to reducing operational cost to mitigate against cuts in Central Government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

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

### 3.5 Types of Expenditure

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

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

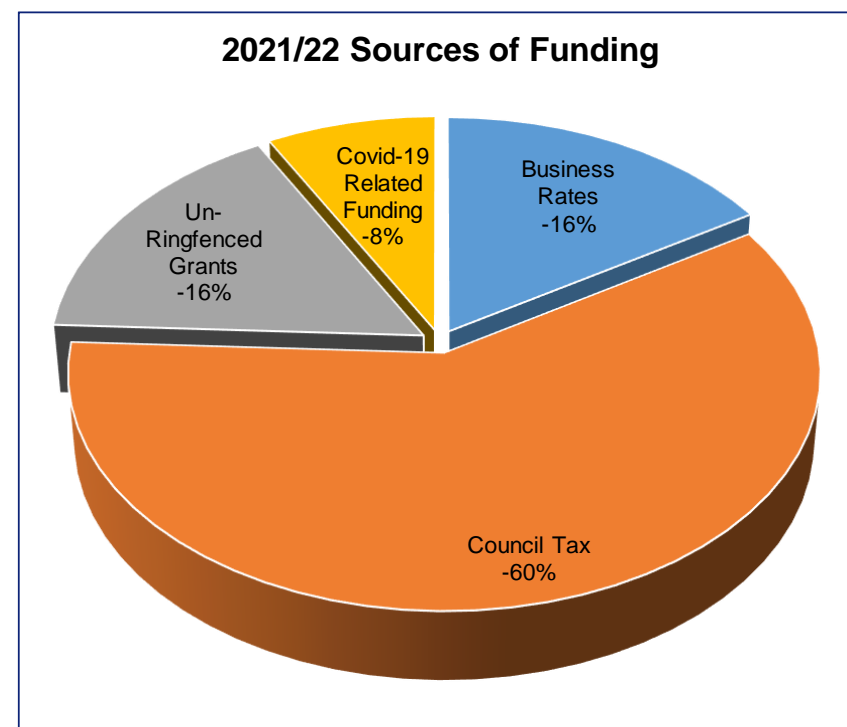


### 3.6 Sources of Income

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

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

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



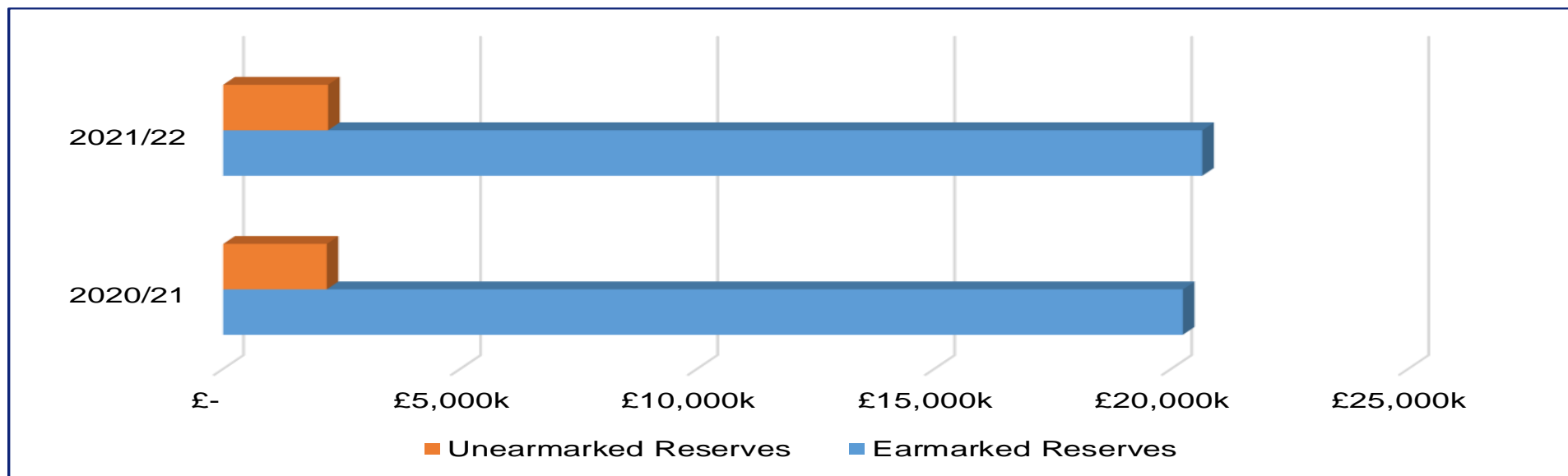
### 3.7 Revenue Reserves

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

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

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

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



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



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

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

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

The Net Budget for the HRA is £Nil, reflecting the self-financing nature of the account. However, financial performance is measured against the Gross Income budget, which is £13,081k for the year. The HRA has reported a net surplus of £67k for 2021/22, which is 0.5% of gross income. The surplus is retained within the HRA and relates mainly to savings made within staffing due to unfilled vacancies. The surplus will increase the Renewable Energy Fund and the Affordable Rent Surplus so that the HRA reserve will remain at £2,000k. When the surplus is added to the budgeted transfers to reserves, the HRA Earmarked Reserves will then total £22,583k (of which £21,166k is revenue and £1,417k capital). These reserves are committed in a number of areas including long term major works to dwellings, new house building, the HRA's debt premium deficit, renewable energy projects and sewage treatment plant upgrades.

#### Major Repairs Reserve (MRR)

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

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

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

### 3.9 Capital Expenditure

In addition to our spending on day-to-day service provision, the Council spends money on assets such as buildings, leisure equipment and other projects which are capital in nature. Capital expenditure in the year totalled £11,623k (£7,054k 2020/21). Capital expenditure comprised £7,427k in General Fund schemes and £4,196k on HRA capital works, as summarised in the table below.

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

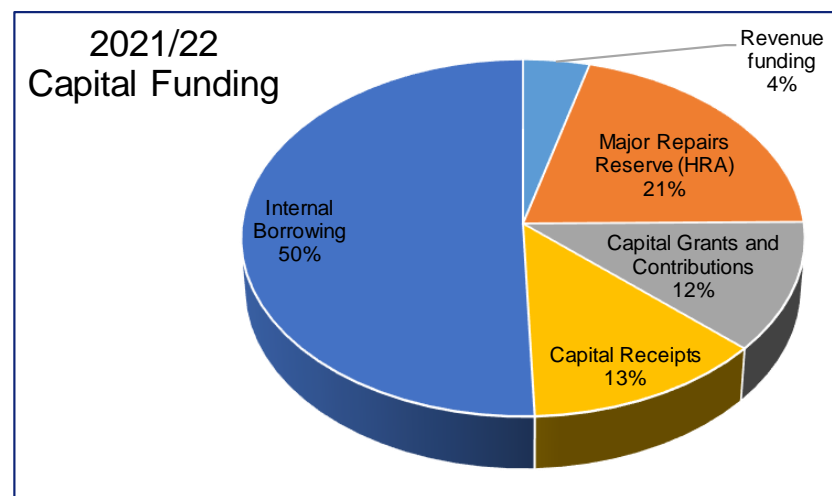
Within the HRA, £2,411k was spent on maintaining housing standards, including replacing kitchens, bathrooms, windows, doors, heating systems and other related works. Alongside that, £325k of Disabled Facilities Grant was also spent enabling tenants to remain in their homes longer before needing to go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

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

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

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

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

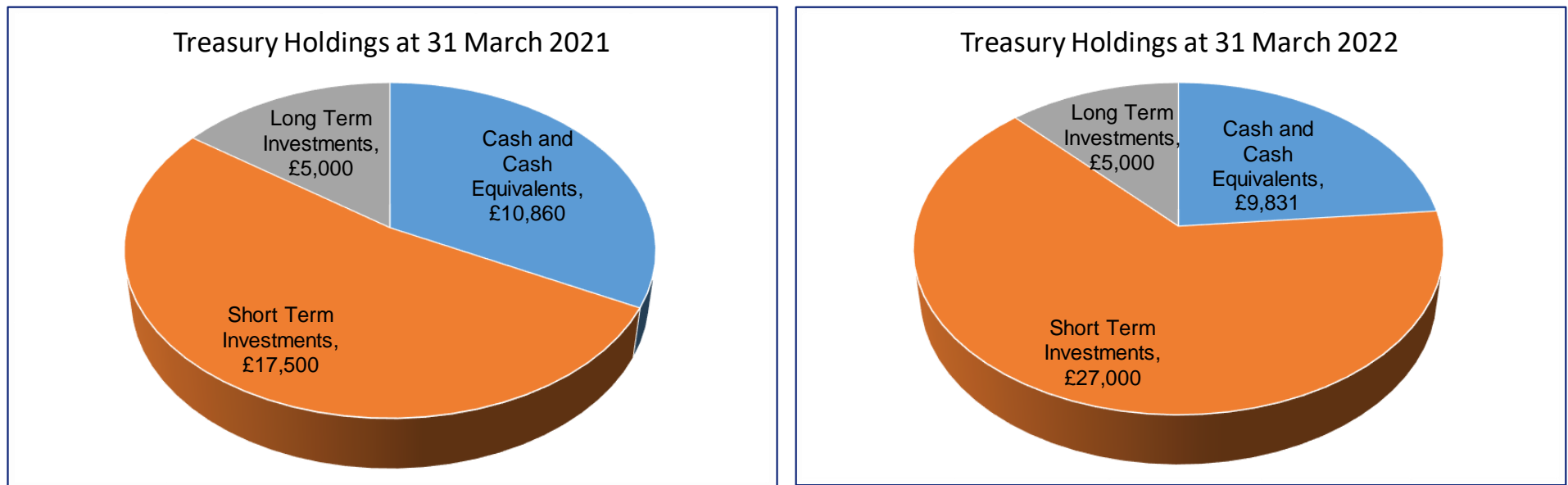


### 3.10 Borrowing

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

### 3.11 Treasury Activities

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



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

### Non-Financial Performance

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

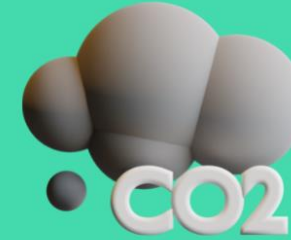


# Non-Financial Performance 2021/22



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

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

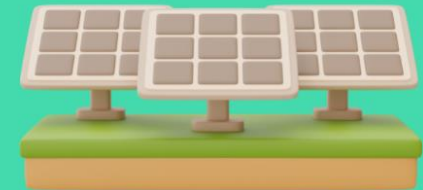


**347tCO<sub>2</sub>e**  
reduction in  
carbon footprint

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



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



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



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

**96.6%** of Council  
Tax collected



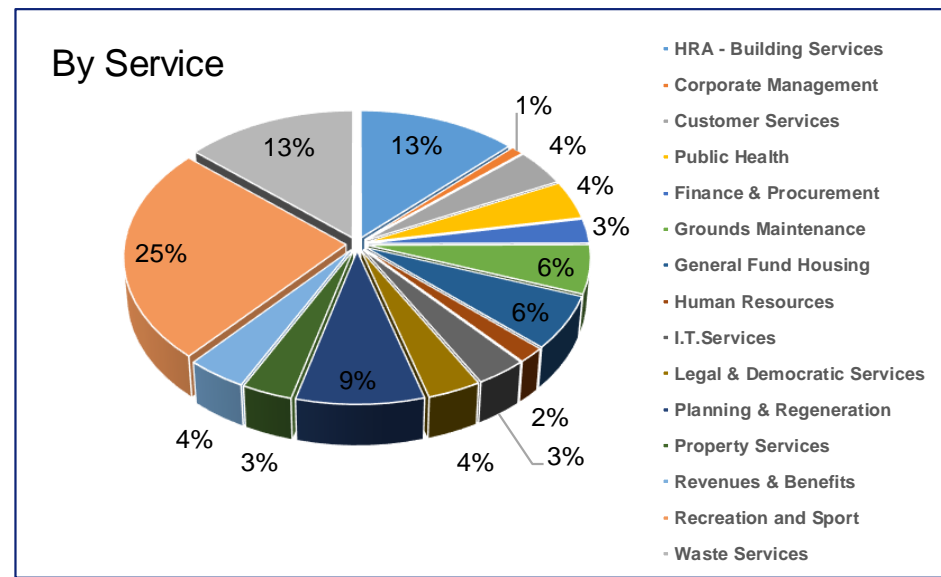
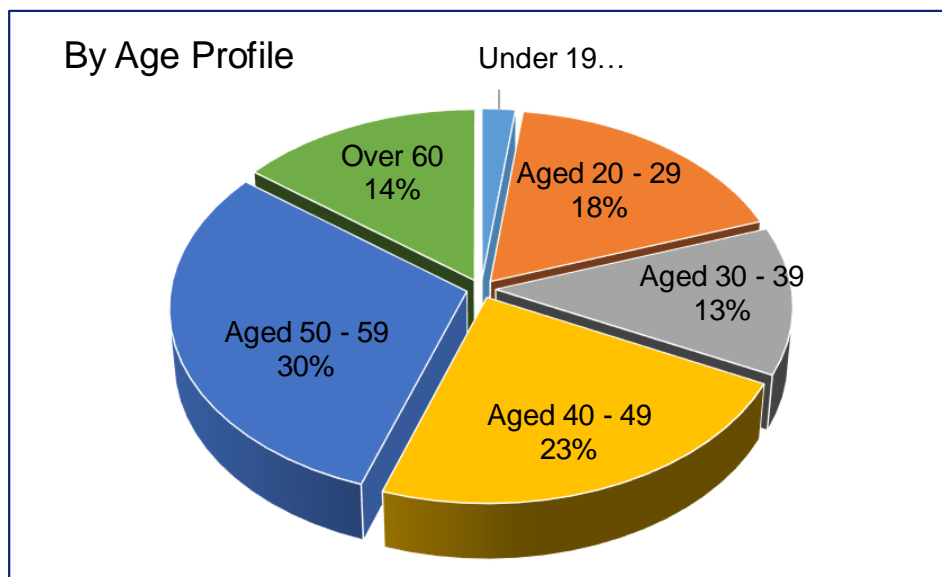
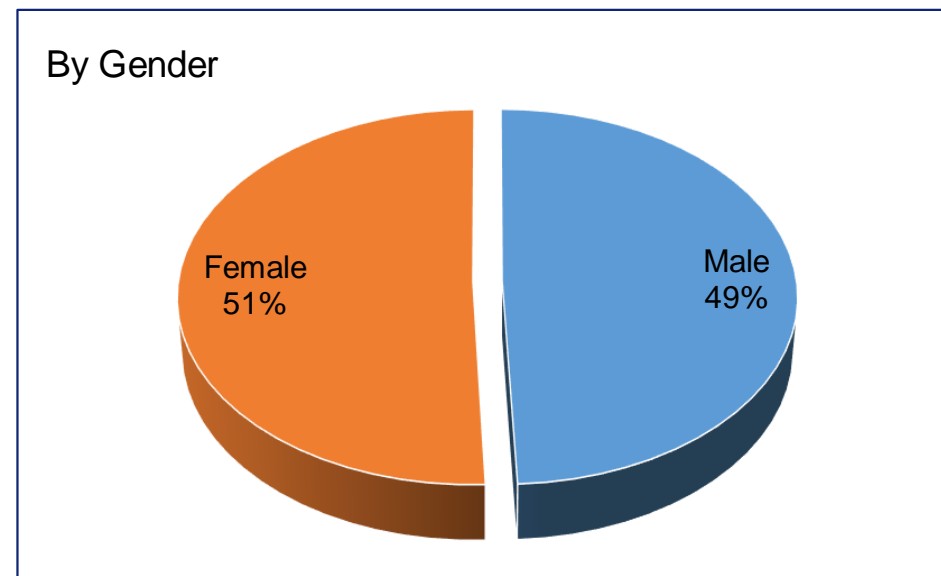
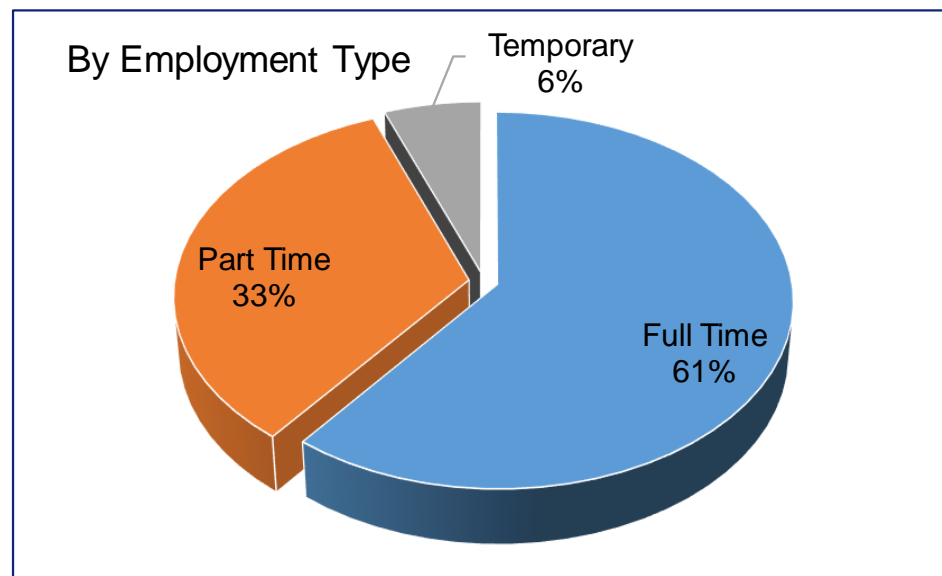
**98.6%** of Business  
Rates collected



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

### 3.12 Workforce Data

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



### **3.13 Principal Risks and Uncertainties**

A risk and opportunity management strategy is in place to identify and evaluate risks. There are clearly defined steps to support better decision making through the understanding of risks, whether a positive opportunity or a threat and the likely impact.

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

The key areas of corporate risk at March 2022 centred on:

- Budgetary implications arising from the Covid-19 pandemic and the economic recovery;
- Cost of complying with the Authority's own climate change declaration approved by Full Council 26 June 2019;
- Transformation of service delivery and embedding the new ways on working;
- Ensuring that our ICT infrastructure provides robust defence against cyber security and avoids breaches of confidential information, damaged or corrupted data;
- Having sufficient resources to support an increased homeless population;
- Ensuring the Council has the resources to deliver key transport infrastructure and unlock opportunities to maximise economic growth;
- The continuation of the Council's subsidiary company, 3 Rivers Developments Ltd

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

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

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

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

### **3.15 Covid-19 Pandemic**

The Covid-19 pandemic continues to have a notable impact on the public's and businesses' behaviour and consequently has had a considerable impact on the Council. The Government's national lockdowns and restrictions have meant that many businesses have suffered significantly, impacting on the local economy which in turn impacts on the Council's income. Furthermore, the Council has incurred additional expense ensuring that the homeless are safe during this period and that the most vulnerable in our community are cared for through our shielding hub. One of the most significant tasks undertaken over the last year has been the payment of varying grants to residents and businesses that have suffered financial hardship resulting from the pandemic or imposed restrictions. Over £8,000k has been paid out which has had a significant impact on the Council's staffing.

#### Financial Impact

These additional costs and reductions in income continue to have a significant impact on the financial outturn for 2021/22. The Council experienced substantial losses across many of its largest income streams, most notably Leisure Centres which were closed in the beginning of the year and along with Car Parks which have not recovered to pre-Covid-19 levels of usage. This, along with reduced interest on investments, substantial relief payments to businesses and increased benefit claimants has had a cash flow impact on the Council's treasury position creating further pressure on the Council's finances. However, collection levels of Council Tax, Business Rates and Housing Rent have remained better than forecast. Similarly, planning applications and building control notices remained buoyant, while the Garden Waste service increased its customer base and income generated.

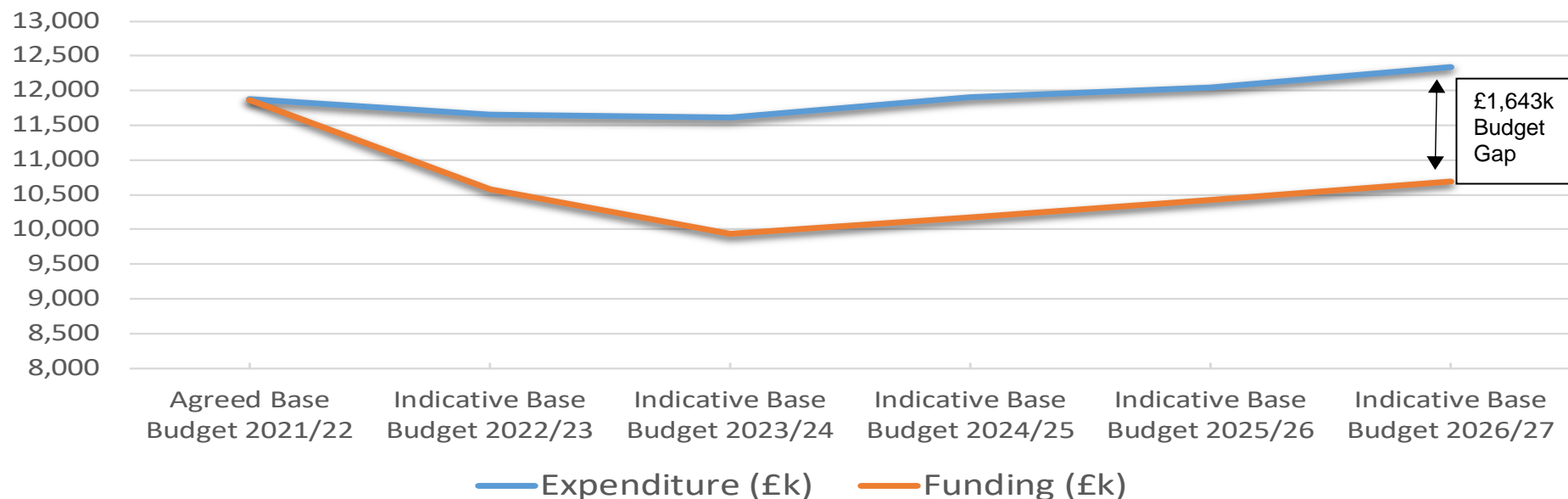
Helping to offset this impact, the Council has received £408k emergency Covid-19 funding and a further £363k from the Sales, Fees and Charges Compensation Scheme. The Council has prudently sought to build up the General Fund balance and Earmarked Reserves in recent years to ensure the Council is financially resilient. The Council is therefore in a position to draw upon its General Fund reserve balance should it need to but clearly this could have longer term solvency implications.

Throughout 2021/22, the Council adopted a pro-active approach to ensure that it responded to the emerging needs of residents and businesses. Regular financial monitoring will continue to ensure the Council takes all necessary remedial action, where practicable, with a continued focus on delivering key services against the backdrop of considerably reduced available resources.

### **3.16 Medium Term Forecast Expenditure and Funding**

The Medium Term Financial Plan (MTFP) update report to Cabinet in October 2021, shows that delivering our existing range and level of services, without any remedial action, would result in the Council's expenditure exceeding the available resources by approximately £1,643k by 2026/27.

## Projected Budget Gap 2021/22 to 2026/27



Funding is expected to dip after 2023/24 largely due to the reduction in Business Rates expected following the combination of the Revaluation and Reset of growth. New Homes Bonus is expected to be phased out by 2023/24, leaving the Rural Services grant as the only grant funding received from Government. With the increasing demands on services this puts increased pressure on our ability to generate Business Rates and Council Tax or income from Fees and Charges as the only remaining funding streams. These expectations will also undoubtedly be affected by the ongoing Covid-19 crisis whose ultimate long-term impacts are yet to be fully seen and understood. Rising inflation will also impact on the position, particularly as increases in income is not expected to keep pace with increases in costs. The movement to and from Earmarked Reserves lessens as time progresses through the MTFP timeframe as to be expected.

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

### 3.17 The Financial Future of Mid Devon

2021/22 was yet another successful year for the Council which saw our General Fund Services and Housing Revenue Account delivered within budget. Importantly, this was also linked to achieving the vast majority of our performance targets. This was an excellent result when set against the impact of a global pandemic and the backdrop of a Central Government instigated austerity programme that has seen our overall funding significantly reduced since 2010/11.

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

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

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

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



## 4 Statement of Accounting Policies

### 4.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year ending 31 March 2022. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ("the Code"), supported by International Financial Reporting Standards (IFRS).

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

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

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. These statements have been compiled on the basis of the Council remaining a going concern and all amounts have been rounded to the nearest £1,000.

### 4.2 Accruals and Prepayments of Income and Expenditure

Activity is accounted for in the year in which it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser, and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services provided (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument, rather than the cash flows fixed or determined by the contract.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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

### **4.3 Overheads and Support Services**

The actual costs of overheads and support services are charged to those users that benefit from the supply or service as required by the Code.

### **4.4 Employee Benefits**

#### **Benefits Payable during Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as; wages and salaries, paid annual leave and sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees, and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu) earned by employees but not taken before the year-end, which employees carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the accounting year. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

#### **Termination Benefits**

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

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

#### **Post-Employment Benefits**

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

### **4.5 The Local Government Pensions Scheme (LGPS)**

The LGPS is accounted for as a defined benefits scheme:

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

The change in the net pension liability is analysed into the following components:

Service cost comprising:

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

Remeasurements comprising:

- The return on plan assets - excluding amounts included in net interest on the net defined benefit liability - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the LGPS - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

### **Discretionary Benefits**

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

#### **4.6 Government Grants and Contributions**

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as either short term or long term creditors, depending upon their nature. When conditions are satisfied, the grant or contribution is credited to the relevant service in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. When it has been applied it is posted to the Capital Adjustment Account.

#### **4.7 Revenue Expenditure Funded from Capital under Statute (REFCUS)**

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

#### **4.8 Value Added Tax (VAT)**

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

#### **4.9 Minimum Revenue Provision**

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

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

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

#### **4.10 Events after the Balance Sheet Date**

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

- Those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period - the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

#### **4.11 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change, and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices, or if the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. When a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

There are no adjustments to prior period figures.

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

##### **Recognition**

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

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

### **Measurement**

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

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

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

Where decreases in value are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

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

### **Componentisation**

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

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

### **Impairment**

Assets are assessed at year-end as to whether there is any indication that an asset may be impaired. Where indications exist, and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:



- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

The Council had the District Valuer estimate current values of approximately 1/5th of the property portfolio at 31 March 2022.

### **Depreciation**

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

Depreciation is calculated on the following bases:

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

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

Examples of time scales are given below:

Plant	Expected asset life of 10 years
Vehicles	Expected asset life of 3 to 7 years
ICT Equipment	Expected asset life of 3 to 5 years
Specialist equipment	Expected asset life of 3 to 10 years
Phoenix House boilers	Expected asset life of 15 years
Pool filters at LMLC	Expected asset life of 20 years
CVSC Boilers & Solar Panels	Expected asset life of 25 years

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

Revaluation gains are also depreciated with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

#### **4.13 Disposals and Non-Current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value, less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure in the CIES. Gains or losses on sale are posted to the Other Operating Expenditure line in the CIES. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale, adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for sale. When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for sale) is written off to the Other Operating Expenditure in the CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Sales proceeds in excess of £10k are categorised as capital receipts. A proportion of receipts relating to housing disposals and other assets, net of statutory deductions and allowances, is payable to the Government. Part of the retained balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow, and part is

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

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

#### **4.14 Heritage Assets**

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

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

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment. Where an impairment loss has been determined, and a revised valuation obtained, the impairment loss is charged to the Surplus or Deficit on the Provision of Services. The charge is then reversed out and charged to the Capital Adjustment account.

##### **Art Collection**

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

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

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

##### **Acquisition, Preservation and Management**

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

## 4.15 Leases

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

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

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent upon the use of specific assets.

### **The Authority as Lessee**

#### **Finance Leases**

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

Lease payments are apportioned between:

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

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

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

#### **Operating Leases**

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

## **The Authority as Lessor**

### **Finance Leases**

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

Lease rentals are apportioned between:

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

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

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

### **Operating Leases**

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

#### **4.16 Investments including Cash on Deposit with Banking Institutions**

Where investments are held at the balance sheet date they are treated as long term if, at the initial contract date, their term is more than twelve months. If, at the initial contract date, their term is more than three months but less than twelve months they are regarded as short term investments.

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition, and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

#### **4.17 Council Tax and Non-Domestic Rates**

Billing authorities act as agents, collecting Council Tax and Non-Domestic Rates (NDR) on behalf of the major preceptors (including Government for NDR) and, as principals, collecting Council Tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of Council Tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and Central Government share proportionately the risks and rewards that the amount of Council Tax and NDR collected could be less or more than predicted.

##### **Accounting for Council Tax and NDR**

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

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

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

#### **4.18 Inventories**

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

#### **4.19 Financial Instruments**

##### **Financial Assets**

Financial assets are based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

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



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

### **Financial Assets Measured at Amortised Cost**

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

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

### **Expected Credit Loss Model**

The Authority recognises expected credit losses on all of its financial assets held at amortised cost, or where relevant FVOCI, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Authority.

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

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

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

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

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

## **4.20 Provisions**

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

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

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

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

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

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

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

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

#### **4.22 Interests in Companies and Other Entities**

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

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

#### **4.23 General Fund Reserve**

Council has approved a policy whereby the level of the General Fund balance should not fall below £2,000k of the net General Fund budget. The balance at 31 March 2022 was £2,215k.

#### **4.24 Housing Revenue Account (HRA)**

Council has approved a policy of the HRA maintaining a reserve balance of £2,000k and this has been maintained throughout 2021/22.

5 The Statement of Responsibilities for the Statement of Accounts

5.1 The Authority’s Responsibilities

The Authority is required to:

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

5.2 The Deputy Chief Executive (S151)’s Responsibilities

The Deputy Chief Executive (S151) is responsible for the preparation of the Authority’s Statement of Accounts in accordance with the proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Deputy Chief Executive (S151) has:

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

The Deputy Chief Executive (S151) has also:

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

5.3 Opinion

In my opinion the Statement of Accounts gives a true and fair view of the financial position of the Authority at the reporting date and its income and expenditure for the year ended 31 March 2022.

.....  
Signature

.....  
Date

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

6 Chief Finance Officer’s Certificate

I certify that the accounts set out in the following pages, give a true and fair view of the financial position of the Council at 31 March 2022.

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

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

Approved by the Deputy Chief Executive (S151)

.....	.....
Andrew Jarrett CPFA	Dated

Approved by the Chairman of the Audit Committee

.....	.....
Cllr Neil Davey	Dated

Approved by the Leader of the Council

.....	.....
Cllr Robert Deed	Dated

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

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

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## Introduction to the Core Financial Statements

Below is a list of the Core Financial Statements and other key areas within the Accounts along with a brief description that outlines the purpose of each component. The financial statements have been prepared in accordance with the requirements of the “Code of Practice on Local Authority Accounting in the United Kingdom for 2021/22”.

- **Movement in Reserves Statement**

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

- **Comprehensive Income and Expenditure Statement**

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

- **The Balance Sheet**

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

- **Cash Flow Statement**

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

- **The Housing Revenue Account (HRA) Income and Expenditure Account**

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

- **Collection Fund**

This account reflects the statutory requirement for the Council to maintain a separate Collection Fund which shows its transactions in relation to Non Domestic Rates and Council Tax, and illustrates how these have been distributed to Devon County Council, Devon and Cornwall Police and Crime Commissioner, Devon and Somerset Fire Authority, Central Government and the Council itself. The Balance Sheet and the Cash Flow Statement only reflect the Council’s share of any Collection Fund surplus or deficit.

- **Group Accounts**

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

## Movement in Reserves Statement

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

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

## Movement in Reserves Statement (Continued)

2020/21	Note	USABLE RESERVES								Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		REVENUE RESERVES						CAPITAL RESERVES				
		General Fund Balance	Earmarked General Fund Reserves	General Fund Total	Housing Revenue Account	Earmarked HRA Reserves	HRA Total	Capital Receipts Reserve	Capital Grants Unapplied			
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2020		(2,252)	(13,688)	(15,940)	(2,000)	(18,310)	(20,310)	(5,157)	(1,646)	(43,053)	(87,408)	(130,461)
Movement in Reserves during year												
(Surplus) or deficit on the provision of services		(401)	-	(401)	(7,759)	-	(7,759)	-	-	(8,159)	-	(8,159)
Other Comprehensive Income and Expenditure		-	-	-	-	-	-	-	-	-	16,444	16,444
Total Comprehensive Income and Expenditure		(401)	-	(401)	(7,759)	-	(7,759)	-	-	(8,159)	16,444	8,285
Adjustments between accounting basis and funding basis under regulations	5	(6,093)	-	(6,093)	5,954	(659)	5,295	(340)	(978)	(2,116)	2,116	-
Net (Increase) / Decrease before Transfers to Earmarked Reserves		(6,494)	-	(6,494)	(1,805)	(659)	(2,464)	(340)	(978)	(10,277)	18,560	8,285
Transfers (to) / from Earmarked Reserves	6	6,559	(6,559)	-	1,805	(1,805)	-	-	-	-	-	-
(Increase) / Decrease in year		65	(6,559)	(6,494)	-	(2,464)	(2,464)	(340)	(978)	(10,277)	18,560	8,285
Balance at 31 March 2021 Carried forward		(2,187)	(20,247)	(22,434)	(2,000)	(20,774)	(22,774)	(5,498)	(2,625)	(53,329)	(68,848)	(122,176)
Held for Revenue Purposes		(2,187)	(20,247)	(22,434)	(2,000)	(19,567)	(21,567)	-	-	(44,001)	-	-
Held for Capital Purposes		-	-	-	-	(1,207)	(1,207)	(5,498)	(2,625)	(9,330)	-	-



## Comprehensive Income and Expenditure Statement

This section is a summary of our spending on services.

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

## Balance Sheet

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

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

## Cash Flow Statement

This section shows what cash we spend and receive.

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

## Expenditure and Funding Analysis

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

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

## Adjustments Showing within the Expenditure and Funding Analysis

2020/21							2021/22							
Past Service Cost	Current Service Cost	Salary Accruals	Recharges	Capital Charges	Other Adjustments	Total Adjustments	Service Area	Past Service Cost	Current Service Cost	Salary Accruals	Recharges	Capital Charges	Other Adjustments	Total Adjustments
£'000	£'000	£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000
-	2	(0)	144	683	-	829	Community Development	-	15	4	66	(33)	-	51
-	342	6	(149)	-	-	199	Corporate Management	-	108	0	57	-	-	166
-	-	-	218	208	-	426	Car Parks	-	-	-	280	220	-	500
-	34	10	(645)	-	-	(601)	Customer Services	-	138	(9)	(719)	-	-	(591)
-	44	13	689	146	-	892	Environmental Services	-	170	(12)	749	186	-	1,093
-	27	8	(839)	-	-	(804)	Finance And Performance	-	110	(7)	(810)	-	-	(708)
-	16	2	(488)	30	-	(440)	Grounds Maintenance	-	73	3	(616)	38	-	(502)
-	13	5	114	-	-	132	General Fund Housing	-	52	(4)	99	-	-	147
-	218	-	-	(1,968)	247	(1,504)	Housing Revenue Account	-	604	-	-	457	332	1,393
-	15	5	(406)	-	-	(385)	Human Resources	-	74	(1)	(488)	-	-	(415)
-	24	5	(1,014)	71	-	(913)	I.T. Services	-	106	(6)	(1,120)	78	-	(942)
-	29	6	(86)	-	-	(52)	Legal & Democratic Services	-	112	(5)	(30)	-	-	77
-	93	35	536	-	-	665	Planning And Regeneration	-	338	(26)	515	-	-	827
-	34	8	(759)	319	-	(398)	Property Services	-	108	(3)	(691)	404	-	(183)
-	36	7	460	-	-	503	Revenues And Benefits	-	136	(8)	336	-	-	464
-	98	1	457	708	-	1,265	Recreation And Sport	-	381	7	474	735	-	1,596
-	125	33	327	446	-	930	Waste Services	-	497	(18)	422	487	-	1,389
-	1,149	143	(1,440)	643	247	742	Net Cost of Services	-	3,022	(85)	(1,476)	2,571	332	4,364

## Expenditure and Income Analysed by Nature

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

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

## Notes to the Accounts

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

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

The Code of Practice requires that the Authority discloses information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. The requirement applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question (i.e. on or before 1 January 2022 for 2021/22).

Previously, IFRS 16 Leases in the Public Sector was due to be implemented from April 2022. This will require lessees to recognise assets subject to leases as right-of-use assets on their balance sheet, along with corresponding lease liabilities (there are exceptions for low-value and short-term leases). However, following a late emergency consultation to help alleviate delays to the publication of audited financial statements, CIPFA/LASAAC recommended the deferral of the implementation of IFRS 16 Leases in the Public Sector for a further two years until the 2024/25 financial year, with an effective date of 1 April 2024. This was considered and supported by the Government's Financial Reporting Advisory Board (FRAB). As a result the council has not implemented IFRS 16. It has not undertaken an initial assessment of the implications, but will do so prior to the implementation on 1 April 2024.

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

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

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

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

### 2 Critical Judgements in Applying Accounting Policies

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

- a) Estimates for accrued expenditure/income - based on Service Managers' and Accountants' calculations at year end.

- b) Bad debt provision – based on historic trends and adjusted for any material movements during the year. This includes an estimation of the impact that the Covid-19 lockdown will have on rates of debt recovery.
- c) Asset lives for the calculation of depreciation charges – based on Service Managers' experience of previously used assets.
- d) The Council has also placed reliance on technical estimates supplied by third parties for the following:
  - Property valuations made by the District Valuer
  - Pension valuations supplied by Barnett Waddingham - Actuary engaged by Devon County Council.

The Council has received very detailed reports from both of these sources outlining overall valuations and all of the key assumptions made in arriving at these final figures. These reports will be examined by Grant Thornton during their audit of the Council's Accounts.

- e) Delays to the reviews of the future funding mechanisms for Local Government have caused a high degree of uncertainty. The impact of this on the finances of this Authority will be material with an expectation that the current various income streams will be altered, reduced and even ceased in some cases. This has been compounded by the Covid-19 pandemic which required various national lockdowns and restrictions to be imposed. Authorities have received some necessary reactive funding and have been reimbursed for some of the lost income normally collected through Fees and Charges. This funding, along with the need to close facilities and reduce levels of service provision and some reliance on short term reserves, have been sufficient to protect the assets of the Authority from impairment.

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

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

As a result, the working capital loan which is expected to be repaid from profits arising on developments, was impaired by £173k (loan value at 31 March 2022 - £1,388k) during 2019/20. A further review during 2021/22 concluded no further impairment was necessary.

Also within 2019/20, a further impairment was made in respect of the Riverside development in Tiverton of £617k to reflect cost overruns affecting the project (loan value at 31 March 2022 - £7,790k). Again, a further review during 2021/22 concluded no further impairment was necessary.

### **4 Assumptions Made About the Future and Other Major Sources of Estimation**

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. If the estimates used in the calculations prove to be inaccurate then there will be further income or expenditure incurred by the General Fund.

The items in the Authority's Balance Sheet at 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:



Note	Item	Uncertainties	Effect if Actual results Differ
22	Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent upon assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	<p>If the useful life of an asset is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings and plant based on a gross value of £36,173k would increase by £219k for every year that useful lives had to be reduced.</p> <p>The gross value of £36,173k is the carrying value of the Council's assets excluding assets held for sale, land, council dwellings and assets under construction, as these do not attract depreciation. The values also excludes finance leases.</p>
21	Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied. The value of pension assets is estimated based upon information available at the Balance Sheet date, but these valuations may be earlier than the Balance Sheet date. The actual valuations at the Balance Sheet date, which may not be available until some time later, may give a different value of pension assets, but this is not considered to be material.	The effects on the closing defined benefit obligation of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the closing defined benefit obligation to £148,656k and a 1 year increase in life expectancy assumptions would increase the closing defined benefit obligation to £154,706k. However, the assumptions interact in complex ways.
41	Non Domestic Rates Appeals Provision	Estimates have been made for the provision for refunding ratepayers who will successfully appeal against the rateable value of their properties. This includes the current and previous financial years. The estimate is based on those ratepayers who have already appealed.	There is uncertainty and risk surrounding the calculation of the provision as future events may affect the amount required to settle an obligation.

Note	Item	Uncertainties	Effect if Actual results Differ
	Arrears	At 31 March 2022, the Authority had a gross sundry debtors balance of £971k, although only £289k is over 30 days old. A review of significant balances suggested that a provision for doubtful debts of £294k or 30% was appropriate (£110k of which relates to the Deposit and Rent Scheme (DARS)). Allowance has been made in this provision for the economic effects of Covid-19. However, given the uncertainty surrounding the current economic climate, it is not known whether such an allowance will be sufficient. However, this is not considered to be material.	If the Council were to provide for 1% more of the arrears, the provision value would increase by approximately £10k.
	Fair Value Asset Valuation	The Authority engages the District Valuer, a qualified Royal Institution of Chartered Surveyors (RICS) surveyor, to provide valuations of land and property assets at the year end. The values of assets are adjusted to their current values by reviewing the sales of similar assets in the region, applying indexation and considering impairment of individual assets. The District Valuer works closely with the finance staff on all valuation matters.	<p>Significant changes in the assumptions of future income streams/growth, occupancy levels, ongoing property maintenance and other factors would result in a significantly higher or lower fair value measurement for these assets.</p> <p>In particular, the pandemic and the measures taken to tackle Covid-19 continue to affect economies and real estate markets globally. Nevertheless, an adequate quantum of market evidence exists upon which to base opinions of value.</p> <p>In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of Covid-19 we highlight the importance of the valuation date.</p>
	Impairments	All non-current assets need to be reviewed for possible impairment. A review with service managers is undertaken each year to consider the possible impairment of assets. The District Valuer also considers possible impairment when undertaking his valuations.	If a significant impairment of an asset were not to be adjusted then the non-current assets could be materially overstated in the financial statements.
	Accruals	Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. A de minimis level of £10k is normally applied to adjust for timing differences between accounting years.	Although a review of cash paid and cash received after the year end is performed, if significant unrecorded liabilities were not identified then material misstatement of our liabilities in the balance sheet of the accounts would occur.

## **5 Adjustments between Accounting Basis and Funding Basis under Regulations**

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

### **General Fund Balance**

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

### **Housing Revenue Account Balance**

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

### **Major Repairs Reserve**

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

### **Capital Receipts Reserve**

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

### **Capital Grants Unapplied**

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

## Adjustments between Accounting Basis and Funding Basis under Regulations

2021/22	Usable Reserves					Movement in Unusable Reserves £'000
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000	£'000	
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Adjustments involving the Capital Adjustment Account						
Charges for depreciation and impairment of non current assets	(1,958)	(2,629)	-	-	-	4,588
Revaluation (losses)/gains on Property, Plant and Equipment	(71)	2,172	-	-	-	(2,102)
Amortisation of intangible assets	-	-	-	-	-	-
Impairment of current assets	-	-	-	-	-	-
Capital grants and contributions applied	746	-	-	-	-	(746)
Income in relation to donated assets	-	-	-	-	-	-
Useable Capital Receipts applied in year	-	-	-	-	-	-
Revenue expenditure funded from capital under statute	(1,367)	-	-	-	-	1,367
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(4)	(1,626)	-	-	-	1,630
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Statutory provision for the financing of capital investment	671	962	-	-	-	(1,633)
Capital expenditure charged against the General Fund and HRA balances	178	300	-	-	-	(478)
Adjustments primarily involving the Capital Grants Unapplied Account						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	693	-	-	-	(693)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	621	(621)
Adjustments involving the Capital Receipts Reserve						
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	17	2,771	(2,788)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	1,484	-	-	(1,484)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	-	(37)	37	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(235)	-	235	-	-	-
Right to Buy Discounts repaid	-	-	-	-	-	-
Balance carried forward	(1,330)	1,913	(1,032)	-	(72)	521

2021/22 - Continued	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance brought forward</b>	(1,330)	1,913	(1,032)	-	(72)	521
<b>Adjustments involving the Deferred Capital Receipts Reserve</b>						
Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-
<b>Adjustment involving the Major Repairs Reserve</b>						
Reversal of Major Repairs Allowance credited to the HRA	-	2,621	-	(2,621)	-	-
Use of the Major Repairs Allowance to finance new capital expenditure	-	-	-	2,411	-	(2,411)
Interest credited to the Major Repairs Reserve	-	-	-	-	-	-
<b>Adjustments involving the Financial Instruments Adjustment Account</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	829	-	-	-	-	(829)
<b>Adjustment involving the Pensions Reserve</b>						
Actuarial past service gain adjustment	-	-	-	-	-	-
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(6,835)	(604)	-	-	-	7,439
Employer's pension contributions and direct payments to pensioners payable in the year	2,887	-	-	-	-	(2,887)
<b>Adjustment involving the Collection Fund Adjustment Account</b>						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statements is different from council tax income calculated for the year in accordance with statutory requirements	395	-	-	-	-	(395)
Amount by which NDR income credited to the Comprehensive Income and Expenditure Statements is different from NDR income calculated for the year in accordance with statutory requirements	1,744	-	-	-	-	(1,744)
<b>Adjustment involving the Accumulating Compensated Absences Adjustment Account</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	85	28	-	-	-	(113)
<b>Total Adjustments</b>	<b>(2,226)</b>	<b>3,958</b>	<b>(1,031)</b>	<b>(211)</b>	<b>(72)</b>	<b>(418)</b>

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

2020/21 - Continued	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance brought forward</b>	(31)	3,613	(340)	-	(978)	(2,262)
<b>Adjustments involving the Deferred Capital Receipts Reserve</b>						
Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-
<b>Adjustment involving the Major Repairs Reserve</b>						
Reversal of Major Repairs Allowance credited to the HRA	-	2,596	-	(2,596)	-	-
Use of the Major Repairs Allowance to finance new capital expenditure	-	-	-	1,938	-	(1,938)
Interest credited to the Major Repairs Reserve	-	-	-	-	-	-
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(34)	-	-	-	-	34
<b>Adjustment involving the Pensions Reserve</b>						
Actuarial past service gain adjustment	-	-	-	-	-	-
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(5,065)	(217)	-	-	-	5,282
Employer's pension contributions and direct payments to pensioners payable in the year.	2,787	-	-	-	-	(2,787)
<b>Adjustment involving the Collection Fund Adjustment Account</b>						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statements is different from council tax income calculated for the year in accordance with statutory requirements	(151)	-	-	-	-	151
Amount by which NNDR income credited to the Comprehensive Income and Expenditure Statements is different from NNDR income calculated for the year in accordance with statutory requirements	(3,454)	-	-	-	-	3,454
<b>Adjustment involving the Accumulating Compensated Absences Adjustment Account</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	(143)	(39)	-	-	-	182
<b>Total Adjustments</b>	<b>(6,093)</b>	<b>5,954</b>	<b>(340)</b>	<b>(659)</b>	<b>(978)</b>	<b>2,116</b>

## 6 Movements in Earmarked Reserve

The tables below show the amounts set aside from the General Fund and HRA balances in capital or revenue earmarked reserves to provide financing for future expenditure plans. It also shows the movement in each major earmarked reserve where amounts have either been posted to the reserve or back to meet General Fund and HRA expenditure in 2021/22. Reserves indicated with an asterisk (\*) are held for capital purposes.

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



\*RCCO – Revenue contributions to capital outlay.

The table on the prior page shows the General Fund earmarked reserves balances held at 31 March 2022. The Other General Fund Reserves <£100k relate to a large number of smaller reserves that are for specific projects that will be delivered in 2022/23 and future years e.g. Resurfacing amenity car parks (£70k), Flood Defences Bampton (£67k) and, a Building Control reserve to support additional costs for the Building Control Partnership in complying with changes in regulations (£48k). The £3,295k held in the New Homes Bonus Reserve is non-ringfenced. Primarily it will be used to help invest and maintain the Authority's General Fund assets. It may also be used to support short term service provision and Economic Development projects. The Maintenance and Amenity Reserve is a collection of Section 106 contributions being used to fund costs of additional play parks and amenity provision included in various planning agreements across the District. NDR Smoothing Reserve is s31 grant that will offset business rates deficits that will unravel in future years. The Property Maintenance Reserves are to support the programme of maintenance on our General Fund assets. The Vehicle, Plant and Equipment Sinking Funds are for the future replacement of major assets. The Waste Infrastructure Reserve is intended to be used to purchase land for a unified waste/grounds maintenance depot. A full breakdown of the Earmarked Reserves is provided in the Outturn Report presented at the June Cabinet meeting.

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

The table above shows the Housing Revenue Account (HRA) earmarked reserves balances held at 31 March 2022. These reserves are ring-fenced for the HRA which means they cannot be used for other purposes. The Housing Maintenance Fund is the main reserve which holds any surpluses that are generated by the operation of the HRA and will be used to maintain and replenish the housing stock. In 2021/22 the fund has increased by £742k. The PWLB Loan Premium Deficit is a reserve which accounts for timing differences in regard to the self-financing loan the Council undertook in 2012.

## 7 Transfers to/from Capital Grants Unapplied

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

<b>Total Funds Unapplied</b>	<b>Balance at 1/4/2020 £'000</b>	<b>Transfers In £'000</b>	<b>Transfers Out £'000</b>	<b>Balance at 31/3/2021 £'000</b>	<b>Transfers In £'000</b>	<b>Transfers Out £'000</b>	<b>Balance at 31/3/2022 £'000</b>
Repaid PSH Grants	73	84	-	158	-	-	158
Affordable Housing Contributions	686	408	-	1,094	156	-	1,250
Devon County Council Funding	20	-	-	20	-	-	20
MHCLG Disabled Facilities Grant	867	957	(471)	1,353	537	(621)	1,269
<b>Total Capital Grants Unapplied</b>	<b>1,646</b>	<b>1,449</b>	<b>(471)</b>	<b>2,625</b>	<b>693</b>	<b>(621)</b>	<b>2,697</b>

## 8 Other Operating Expenditure

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

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

## 9 Financing and Investment Income and Expenditure

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

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

\* The Council has invested £5,000k in the Church Charities and Local Authority (CCLA) Local Authorities' Mutual Investment Trust (LAMIT) Property Fund, which is carried in the Balance Sheet at its fair value of £5,554k; this is an overall gain of £554k since the investment in 2015/16. The in-year gain of £829k is shown in the table above. It is anticipated that this investment, which is intended to be held for the long term, will provide a return equal or superior to those achieved by the Council's other current investments. The fair value is based upon public price quotations in an active market for this financial instrument and without this investment counting as capital expenditure.

## 10 Taxation and Non-Specific Grant Income

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

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

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

## 11 Operating Leases

### Authority as a Lessee

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

#### *Payments under Operating Leases*

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

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

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

### Authority as a Lessor

The gross value of assets held for use in operating leases as at 31 March 2022 was £11,109k (£11,314k at 31 March 2021)

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

The Council also received £375k from the rental of garages and £12,291k from Council Houses (£12,325k 2020/21). For more information see the Housing Revenue Account notes.

## 12 Officers' Emoluments

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

Remuneration Band	2020/21		2021/22	
	Number of Employees	Left During Year	Number of Employees	Left During Year
£50,000 - £54,999	3	-	5	-
£55,000 - £59,999	4	-	2	-
£60,000 - £64,999	1	1	4	-
£65,000 - £69,999	2	-	-	-
£70,000 - £74,999	-	-	-	-
£75,000 - £79,999	-	-	-	-
£80,000 - £84,999	3	1	2	-
£85,000 - £89,999	-	-	-	-
£90,000 - £94,999	-	-	-	-
£95,000 - £99,999	-	-	-	-
£100,000 - £104,999	-	-	-	-
£105,000 - £109,999	-	-	-	-
£110,000 - £114,999	1	-	-	-
£115,000 - £119,999	-	-	1	-

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

## Senior Officers Earning in Excess of £50,000

The statutory instrument regarding officer emoluments requires the individual naming of any Officers with an annual salary of £150k or more and the post title of any officers earning £50k or more who occupy statutory roles or are responsible for managing the strategic direction of services, i.e. Leadership Team. The Council had no officers earning at or in excess of £150k during the year.

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

Notes:

1. The amounts included in the two previous tables are shown gross of any related tax which would be levied.
2. The primary pension rate of 16.6% has been used for the 2021/22 pension contributions figures.
3. The Director of Place is a new post. Joined the Authority on 18 October 2021.
4. The Head of Planning and Regeneration left the Authority on 10 September 2021. Post not replaced.
5. The District Solicitor and Monitoring Officer joined the Authority on 25 September 2021 and replaced Head of Legal and Monitoring Officer post.
6. The Head of Legal and Monitoring Officer left the Authority on 28 June 2021. Post changed to District Solicitor and Monitoring Officer.

### 13 Termination Benefits

During 2021/22 a number of settlement agreements were made. These were associated with service restructures and changes in order to reduce future employee costs. This helps match ongoing expenditure against the well documented cuts in Central Government funding.

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

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

## 14 External Audit Costs

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

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

The fees shown include estimates for additional fees relating to the current year 2021/22 and additional fees relating to the previous year's audit. These fees are forecast at present as they are subject to external ratification. The basis for these fees are included within the audit report provided by Grant Thornton. The audit fee for 2021/22 is £62,080.

## 15 Related Party Transactions

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

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

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

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

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



3 Rivers Developments Ltd – one Senior Officer was appointed as a Director of the company for part of the previous financial year. An independent Director replaced this Officer during a governance restructure. In addition, one Councillor of Mid Devon District Council is appointed as a Director of 3 Rivers Developments Ltd. In 2021/22 a net £3,373k (£1,102k 2020/21) was loaned to the Company and the total outstanding loan value at this date was £13,590k. These loans will be repaid on a commercial basis.

## 16 Members' Allowances and Expenses

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

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

## 17 Acquired and/or Discontinued Activities

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

## 18 Depreciation and Impairment of Non Current Assets

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

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

## 19 Minimum Revenue Provision

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

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

## 20 Insurance

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

## 21 Pensions

All of the pension figures included in the 2021/22 Accounts are provided by the Pension Fund's Actuary (Barnett Waddingham) and are prepared in accordance with International Accounting Standard 19 (IAS 19) and their advice complies with Technical Actuarial Standard 100 (TAS100).

### *Participation in the Pension Scheme*

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

The Council participates in the Local Government Pension Scheme (LGPS) administered by Devon County Council – this is a defined benefit statutory scheme. A defined benefit pension scheme is a fixed sum of money that is paid out from the employer's pension scheme when the employee retire. The scheme is fully funded, meaning that the Council and its Employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with the investment assets. Governance of the scheme is the responsibility of the Investments and Pension Fund Committee of Devon County Council and is assisted by the Pensions Board, also of Devon County Council. Policy is determined in accordance with the Pension Fund Regulations.

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

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

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

### *Discretionary Post-retirement Benefits*

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

### *Impact of McCloud / Sargeant judgment*

The Court of Appeal judgment on the McCloud and Sargeant cases, relate to age discrimination against the age-based transitional provisions put into place when the new judicial pension arrangements were introduced in 2015. Although the Tribunal ruled against the Government and the Supreme Court denied their appeal, the outcome of these matters is still to be agreed so the exact impact they will have on LGPS benefits is unknown. Remedial regulations are expected in 2022 and the uncertainty over the benefit changes proposed for the LGPS will remain until these have been finalised. The McCloud remedy may impact the value of the liabilities in respect of accrued benefits and therefore an allowance may need to be included. The Council requested this adjustment in 2019/20, therefore no further adjustment has been made in this year.

### *Guaranteed Minimum Pension (GMP) Equalisation*

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

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

### *Transactions relating to Retirement Benefits*

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by Employees rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in Note 5 – Adjustments between Accounting Basis and Funding Basis under Regulations (AABFBR). The following transactions have been made in the Income and Expenditure Account and the AABFBR:

### *Demographic/Statistical assumptions*

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

### *Impact of Covid-19*

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

## Pensions – Comprehensive Income and Expenditure Statement

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

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

## Pension Assets and Liabilities Recognised in the Balance Sheet

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

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

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

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

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

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

**Local Government Pension Scheme assets comprised:**

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

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

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

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



## Basis for Estimating Assets and Liabilities

As required under the IAS19 and FRS102 accounting standards, Liabilities have been assessed on an actuarial basis using their Projected Unit Credit method, an estimate of the pensions that will be payable in future years dependent upon assumptions about mortality rates, salary levels, etc.

The Local Government Pension Scheme position for the Council has been estimated by Barnett Waddingham, an independent firm of actuaries, estimates for the Local Government Pension Scheme being based upon the latest full valuation of the scheme as at 31 March 2019 and has then been updated for estimated fund returns, asset statement, market returns, and income and expenditure as at the 31 March 2022.

The significant assumptions used by the Actuary have been:

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

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

## Impact on the Defined Benefit Obligation in the Scheme

Impact on the Defined Benefit Obligation in the Scheme	£'000	£'000	£'000
<b>Adjustment to discount rate</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	148,656	151,650	154,706
Projected service cost	5,843	6,053	6,271
<b>Adjustment to long term salary increase</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	151,945	151,650	151,357
Projected service cost	6,056	6,053	6,050
<b>Adjustment to pension increases and deferred revaluation</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	154,390	151,650	148,963
Projected service cost	6,269	6,053	5,844
<b>Adjustment to mortality age rating assumption</b>	<b>+1 Year</b>	<b>None</b>	<b>-1 Year</b>
Present value of total obligation	158,450	151,650	145,154
Projected service cost	6,310	6,053	5,806

## Impact on the Authority's Cash Flows

The objectives of the scheme are to keep Employer's Contributions at as constant a rate as possible. Funding levels are monitored on an annual basis and the next triennial valuation was completed on 31 March 2022, the results of which will form the basis of the contribution due in the financial years 2023/24 to 2025/26. The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

## 22 Property, Plant and Equipment (Movements in Balances)

### Revaluations

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

Revaluations	Assets Under Construction £'000	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles Plant & Equip £'000	Community Assets £'000	Infrastructure Assets £'000	Surplus Assets £'000	Total Property, plant and Equipment £'000
Valued at Historical Cost - 2021/22	954	-	-	3,757	336	142	-	5,189
Valued at Fair Value - 2021/22		152,646	42,256	-	45	100	33	195,080
<b>Total Valuation - 2021/22</b>	<b>954</b>	<b>152,646</b>	<b>42,256</b>	<b>3,757</b>	<b>381</b>	<b>242</b>	<b>33</b>	<b>200,269</b>
<b>Previous Fair Valuations</b>								
2020/21	-	150,862	42,602	-	-	97	33	193,593
2019/20	-	146,558	43,702	-	-	100	60	190,420
2018/19	-	145,874	43,837	-	-	-	86	189,797
2017/18	-	145,221	44,457	-	-	-	86	189,764

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

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

2021/22	Assets Under Construction	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equip	Community Assets	Infrastructure Assets	Surplus Assets	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b><u>Historic Cost or Fair Valuation</u></b>								
<b>At 1 April 2021</b>	<b>34</b>	<b>150,862</b>	<b>42,602</b>	<b>7,901</b>	<b>516</b>	<b>303</b>	<b>33</b>	<b>202,250</b>
Additions	835	3,558	(10)	204	-	-	-	4,586
Revaluation increases/(decreases) recognised in the Revaluation reserve	-	(2,406)	(90)	(306)	-	2	-	(2,800)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	2,171	(70)	-	-	-	-	2,101
Derecognition - Disposals	-	(1,539)	(87)	(4)	-	-	-	(1,630)
Reclassification	86	-	(88)	2	-	-	-	-
<b>At 31 March 2022</b>	<b>954</b>	<b>152,646</b>	<b>42,256</b>	<b>7,797</b>	<b>516</b>	<b>306</b>	<b>33</b>	<b>204,507</b>
<b><u>Accumulated Depreciation and Impairment</u></b>								
<b>At 1 April 2021</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,469)</b>	<b>(125)</b>	<b>(55)</b>	<b>-</b>	<b>(3,649)</b>
Depreciation charge	-	(2,408)	(1,282)	(877)	(10)	(11)	-	(4,588)
Depreciation written out to the Revaluation Reserve	-	2,408	1,282	306	-	2	-	3,998
<b>At 31 March 2022</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,040)</b>	<b>(135)</b>	<b>(64)</b>	<b>-</b>	<b>(4,239)</b>
<b><u>Net Book Value</u></b>								
<b>At 31 March 2022</b>	<b>954</b>	<b>152,646</b>	<b>42,256</b>	<b>3,757</b>	<b>381</b>	<b>242</b>	<b>33</b>	<b>200,269</b>
<b>At 31 March 2021</b>	<b>34</b>	<b>150,862</b>	<b>42,602</b>	<b>4,432</b>	<b>391</b>	<b>248</b>	<b>33</b>	<b>198,601</b>
<b><u>Nature of asset holding</u></b>								
Owned	954	152,646	42,256	1,568	381	242	33	198,080
Subject to Finance Leases	-	-	-	2,189	-	-	-	2,189

2020/21	Assets Under Construction £'000	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles Plant & Equip £'000	Community Assets £'000	Infrastructure Assets £'000	Surplus Assets £'000	Total Property, plant and Equipment £'000
<b><u>Historic Cost or Fair Valuation</u></b>								
<b>At 1 April 2020</b>	<b>69</b>	<b>146,558</b>	<b>43,702</b>	<b>7,300</b>	<b>516</b>	<b>305</b>	<b>60</b>	<b>198,510</b>
Additions	5	2,634	1,955	1,972	-	-	-	6,566
Revaluation increases/(decreases) recognised in the Revaluation reserve	-	(2,376)	(1,657)	(1,275)	-	(2)	485	(4,825)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	4,567	(245)	-	-	-	(1)	4,320
Derecognition - Disposals	-	(521)	(54)	(97)	-	-	-	(672)
Reclassification	(40)	-	(1,099)	2	-	-	(512)	(1,650)
<b>At 31 March 2021</b>	<b>34</b>	<b>150,862</b>	<b>42,602</b>	<b>7,901</b>	<b>516</b>	<b>303</b>	<b>33</b>	<b>202,250</b>
<b><u>Accumulated Depreciation and Impairment</u></b>								
<b>At 1 April 2020</b>	-	-	-	(3,920)	(115)	(47)	-	(4,082)
Depreciation charge	-	(2,390)	(1,219)	(826)	(10)	(11)	-	(4,455)
Depreciation written out to the Revaluation Reserve	-	2,390	1,219	1,275	-	2	-	4,886
Derecognition - Disposals	-	-	-	2	-	-	-	2
<b>At 31 March 2021</b>	-	-	-	(3,469)	(125)	(55)	-	(3,649)
<b><u>Net Book Value</u></b>								
<b>At 31 March 2021</b>	<b>34</b>	<b>150,862</b>	<b>42,602</b>	<b>4,432</b>	<b>391</b>	<b>248</b>	<b>33</b>	<b>198,601</b>
<b><u>Nature of asset holding</u></b>								
Owned	34	150,862	42,602	1,996	391	248	33	196,165
Subject to Finance Leases	-	-	-	2,436	-	-	-	2,436

## 23 Revenue Expenditure Funded from Capital Under Statute (REFCUS)

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

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

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

## 24 Summary of Capital Expenditure and Financing

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

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

## 25 Heritage Assets

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

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

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

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

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

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

### Heritage Assets of Particular Importance

The most significant item identified within the collection is an oil painting on canvas being a full length portrait of George III by Sir Joshua Reynolds (British, 1723 – 1792) in an ornate giltwood and plaster frame with a valuation of £250k.

### Preservation and Management

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



## 26 Commitments under Capital Contracts

This note details Capital contracts of an individual value greater than £250k committed to at 31 March 2022.

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

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

## 27 Non-Current Asset Valuation

The Council instructed the District Valuer to complete a full property valuation exercise for a fifth of its freehold properties and a review of all other freehold properties. Where applicable property assets are therefore included in the accounts at their 31 March 2022 valuation. The Valuation Office have made their valuation in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors.

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

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

## 28 Short-Term and Long-Term Borrowing

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

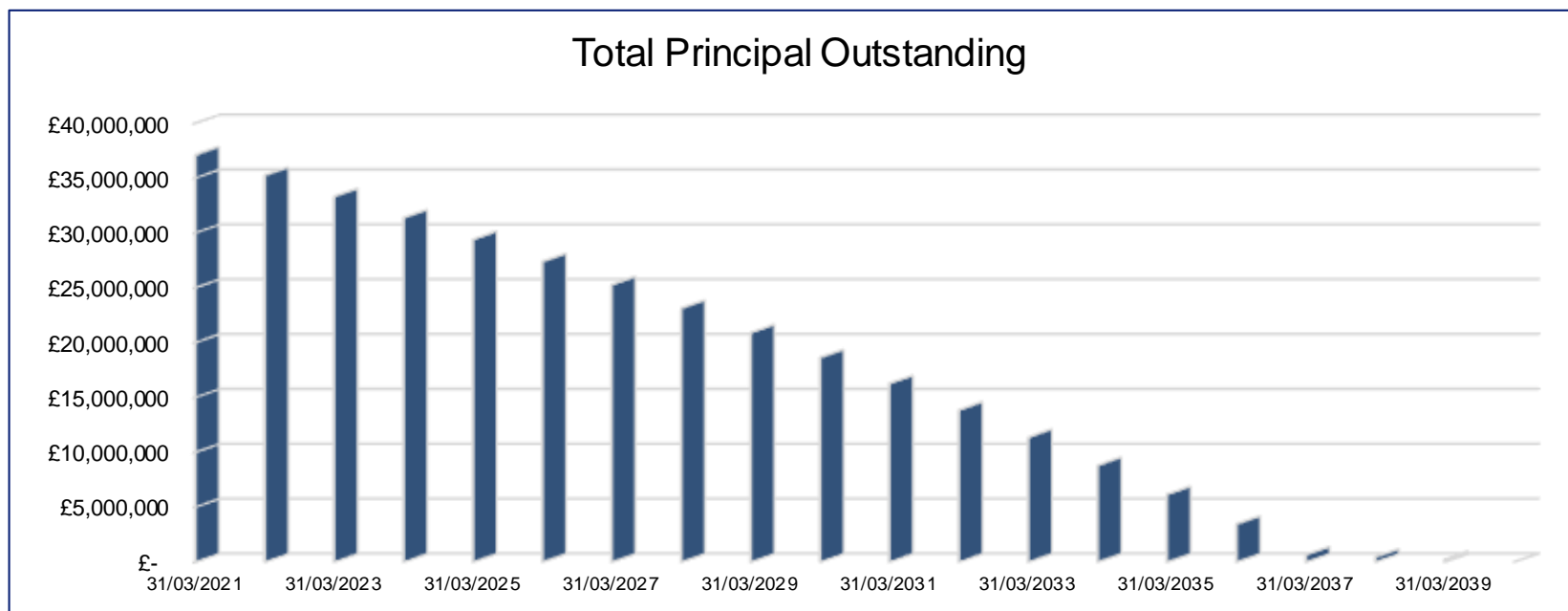
- 1 - £31.893m to fund the Housing Revenue Account stock purchase - 25 year loan @ 2.94% maturing 28 March 2037;
- 2 - £36k to fund a recycling baler - 10 year loan @ 2.68% maturing 25 March 2024;

- 3 - £3.263m to fund the purchase of properties at Market Walk Tiverton and 32-34 Fore Street Tiverton - 25 year loan @ 2.61% maturing 27 March 2040;  
 4 - £43k to fund the purchase of leisure equipment at Exe Valley Leisure Centre - 5 year loan @ 1.7% maturing 29 March 2023.

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

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

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



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

The Council is the sole trustee for the People's Park and Recreation Grounds charity. The purpose of the Trust is to provide recreational open space for the people of Tiverton. The net assets of the trust were £270k as at 31 March 2022 and comprised of land and buildings.

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

### 30 Financial Instruments

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

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

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

The fair values calculated are as follows:

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

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

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

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

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

### **Liquidity Risk**

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

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

### **Market Risk**

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

### **Credit Risk**

Credit risk arises from deposits with banks and building societies as well as credit exposure to the Council's customers. The treasury policy for the year allowed the Council to invest with the main UK Banks and Building Societies, with a FITCH credit rating of F1 or higher, up to a maximum value of £5,000k with any one institution. Once again this evidences our prudent approach to lending of surplus funds. During 2020/21, approval was given by Full Council to maintain a flexible limit on balances held with the Council's bank (NatWest) to equal that of £5,000k plus the balance of any emergency grant funds being administered. At 31 March 2022, the total balance being held for the administration of Covid-19 grants to businesses and the council tax energy scheme rebates amounted to £4,694k.

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

The Fair Value of Public Works Loan Board (PWLB) loans of £39,327k represents what the Council would need to pay in order to settle the outstanding loans with PWLB. The difference between the carrying amount and the fair value (£4,093k) measures the premium on early settlement to cover the lost interest, to the PWLB, on the remaining term of the loan.

### **Fair Value Disclosure of Long Term Investments (CCLA)**

With the introduction of IFRS 9 the Authority has designated the equity at 31 March 2022 as fair value through Profit and Loss on the Comprehensive Income and Expenditure Statement.

## Loans and Trade Receivables

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

### 31 Long Term Investments

Long Term Investments	2020/21 £'000	2021/22 £'000
CCLA Property Fund	4,725	5,554
<b>Total</b>	<b>4,725</b>	<b>5,554</b>

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

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

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

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

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

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

### 33 Short Term Investments

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

Bank/Building Society/Local Authority/PCC	Term		Fixed Interest Rate %	2020/21	2021/22
	From	To		Principal £'000	Principal £'000
Blackpool Borough Council	22/09/2020	06/04/2021	0.23%	2,000	
Spelthorne Borough Council	27/07/2020	26/07/2021	0.42%	1,500	
Broxbourne Borough Council	02/09/2020	01/09/2021	0.40%	2,000	
Salford City Council	14/09/2020	14/06/2021	0.20%	2,000	
Staffordshire Moorlands DC	16/10/2020	15/10/2021	0.22%	1,000	
South Somerset	20/10/2020	20/07/2021	0.20%	3,000	
Surrey Heath Borough Council	10/12/2020	10/06/2021	0.10%	2,000	
Nottinghamshire PCC	21/12/2020	21/06/2021	0.12%	2,000	
Ashford Borough Council	25/02/2021	25/11/2021	0.08%	2,000	
Surrey Heath Borough Council	10/12/2021	10/06/2022	0.10%		2,000
Thurrock Council	26/04/2021	25/04/2022	0.40%		2,000
NBK International PLC	27/07/2021	27/07/2022	0.23%		1,500
NBK International PLC	22/10/2021	21/10/2022	0.56%		1,500
Lancashire County Council	25/10/2021	24/10/2022	0.15%		3,000
Coventry BS	24/11/2021	24/05/2022	0.17%		4,000
Surrey Heath Borough Council	16/12/2021	16/06/2022	0.10%		2,000
Thurrock Council	16/12/2021	16/09/2022	0.18%		2,000
Thurrock Council	14/01/2022	14/07/2022	0.20%		2,000
Goldman Sachs International Bank	01/02/2022	01/08/2022	0.82%		3,000
NBK International PLC	04/02/2022	03/02/2023	1.30%		2,000
Slough Borough Council	15/02/2022	14/02/2023	1.10%		2,000
<b>Total</b>				<b>17,500</b>	<b>27,000</b>



### 34 Assets Held for Sale

Assets classified as held for sale:

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

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

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

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

### 35 Inventories

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

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

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

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

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

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

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

### 37 Debtors for Local Taxation

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

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

### 38 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

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

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

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

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

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

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

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

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

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

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

#### 41 Provisions

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

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

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

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

### **Various General Fund**

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

### **Non Domestic Rates Appeals**

The Local Government Finance Act 2012 introduced changes to the accounting arrangements for Non Domestic Rates. These changes require the Council to make a Provision for Appeals for refunding ratepayers who have appealed against the rateable value of their properties on the rating list. The Council has used its best estimate of the expenditure required to settle the present obligation which totals £1,639k in respect of the Non Domestic Rates Collection Fund. The Council's 40% share of this being £656k. The Council continues to take a prudent approach to evaluating the risk.

## Reserves

Reserves are reported in two categories:

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

### 42 Usable Reserves

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

The categories of reserves are:

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

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

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

#### 43 Unusable Reserves

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



#### 44 Revaluation Reserve

The revaluation reserve contains the net gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation; or
- disposed of and the gains are realised.

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

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

#### 45 Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of the acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert Fair Value figures to a Historical Cost basis). The account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction or enhancement.

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

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

#### 46 Deferred Capital Receipts Reserve

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

This Deferred Capital Receipts Reserve relates to the rent to mortgage scheme that operated some time ago. Under the scheme, homeowners were helped with the provision of a mortgage, which was secured on the property by way of a legal charge registered at the Land Registry. In the future when the property is sold Mid Devon will receive the balance outstanding, although part of the proceeds will be payable to the Department for Levelling Up, Housing and Communities under the Pooling legislation.

#### 47 Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by the employee's accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes Employer's Contributions to pension funds, or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2020/21	2021/22
Pensions Reserve	£'000	£'000
<b>At 1 April</b>	58,765	77,149
Remeasurement of net defined liability	15,888	(11,272)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	5,283	7,439
Employer's pension contributions and direct payments to pensioners payable in the year	(2,787)	(2,887)
<b>At 31 March</b>	<b>77,149</b>	<b>70,429</b>

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

## 48 Collection Fund Adjustment Account

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

<b>Collection Fund Adjustment Account - Council Tax</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>
<b>At 1 April</b>	(60)	92
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	151	(395)
<b>At 31 March</b>	<b>92</b>	<b>(303)</b>

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

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

<b>Collection Fund Adjustment Account - Non Domestic Rates</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>
<b>At 1 April</b>	6	3,460
Amount by which NDR income credited to the Comprehensive Income and Expenditure Statement is different from the NDR income calculated for the year in accordance with statutory requirements	3,454	(1,744)
<b>At 31 March</b>	<b>3,460</b>	<b>1,715</b>

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

#### 49 Accumulated Compensating Absences Adjustment Account

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

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

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

## Notes to Support the Cash flow Statement

### 50 Cash Flow – Non-Cash Items

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

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

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

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

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

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

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

<b>Cash Flow Statement - Operating activities on the Balance Sheet</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>
<b>Covid Business Grant Funds Received</b>		
NDR Business Support Grant	22,580	-
National Scheme (LRSG)	1,462	-
Tier 2 Open	615	-
Tier 2 Closed	172	-
Tier2/3 Pub	64	-
Lockdown 3 Closed	4,383	-
Lockdown 3 Addendum	4,489	-
Self Isolation Payments	110	247
Restart Grants	-	6,186
Omicron Grants	-	1,608
Council Tax Energy Rebate	-	4,229
<b>Covid Business Grant Funds Paid to Businesses/Beneficiaries</b>		
NDR Business Support Grant	(19,890)	(2,602)
National Scheme (LRSG)	(1,006)	(178)
Tier 2 Open	(612)	2
Tier 2 Closed	(124)	(17)
Tier2/3 Pub	(53)	(11)
Lockdown 3 Closed	(3,081)	(574)
Lockdown 3 Addendum	(3,163)	(655)
Self Isolation Payments	(57)	(314)
Restart Grants	-	(6,247)
Omicron Grants	-	(1,015)
Council Tax Energy Rebate	-	-
Forward Funding of Pension Fund Deficit Contribution	(1,748)	859
<b>Balance of Grant Funds held on the Balance Sheet</b>	<b>4,141</b>	<b>1,518</b>



### 53 Cash Flow – Investing Activities

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

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

### 54 Cash Flow – Financing Activities

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

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

## 55 Grant Income

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

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

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

Several additional grants were received from Government as part of their response to the Covid-19 Pandemic. Where the Council was deemed to be acting in the capacity of an agent and so passing these funds on to the eventual beneficiaries, these transactions do not have an impact on the Statement of Accounts, except where they pass through the Cash Flow Statement. However, where the Council is deemed to be the principal recipient of the grant, the effect of the transactions is evident either above where the grant was credited to Taxation and Non-Specific Grant Income or below where the grant was credited to Services. In the case of those credited to Taxation and Non-Specific Grant Income, both the gross grant amount received and the gross amount paid out are shown above.

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

## Credited to Services

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

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

## Capital Grants applied to the Income and Expenditure Account

The Authority has received a number of Grants, Contributions and Donations that cannot be recognised as income as there are conditions attached to them that will require the monies or property to be returned to the donor, if the conditions are not met. The balances at the year-end are as follows:

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

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

## 56 Contingent Liabilities

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

## 57 Leases

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

### Authority as Lessee

#### Finance Leases

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

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

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

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the asset acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

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

#### Future Minimum Lease Payments

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

## Operating Leases

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

The future minimum lease payments due in future years are:

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

## Lease Payments incurred during the year

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

## Authority as Lessor

### Finance Leases

The Authority holds no Finance leases as Lessor.

## Operating Leases

The Authority leases out Land and Buildings under operating leases for the following purposes:

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

## Future Minimum Lease Payments Receivable

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

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. For HRA income from Council Dwellings and Garage Rents please see the HRA income and expenditure account. The reason for the overall increase in rental income is due to a review of some lease agreements during 2021/22.

## 58 Revaluation Losses and Revaluation Reversals

Where property valuations fall and there is no revaluation reserve, the drop in value is charged to the relevant service in the Comprehensive Income and Expenditure Statement. This is then reversed out in the Adjustments between Accounting Basis and Funding Basis under Regulations so that the Council Tax payer is not charged. Where property prices subsequently rise in later years then the Comprehensive Income and Expenditure Statement can only be credited to the sum of the maximum charged to the Comprehensive Income and Expenditure Statement in earlier years, with any excess then being credited to the revaluation reserve.

If there is a revaluation reserve in relation to the property, this reserve is used as a first “call” to mitigate a downward valuation.

The following amounts have been charged or credited (negative figures represent revaluations following a decrease in value) to the Comprehensive Income and Expenditure Statement following the revaluation of certain properties. See Note 27 for further details of the Non-Current Asset Valuation.

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

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



## 59 Non-Adjusting Post Balance Sheet Events

The outbreak of Covid-19, declared by the World Health Organisation as a “Global Pandemic” on the 11 March 2020, has and continues to impact many aspects of daily life and the global economy. These financial statements have the various implications of the Covid-19 pandemic included throughout them, including the additional costs incurred in providing additional community support to mitigate the pandemic’s effects including PPE and the shielding hub and the payments of the variance government grant schemes to local businesses and residents. There has been less support from government during 2021/22 to mitigate these additional costs. £408k has been received in general unring-fenced grant (£1,184k in 2020/21). Similarly, less support has been received through payments under the Furlough Scheme (£25k compared to £514k in 2020/21) and the Income Compensation Scheme (£363k compared to £2,069k in 2020/21) that partially subsidised lost fee income from leisure centres and car parks.

In addition, as a Billing Authority collecting Council Tax and Business Rates, income has been lost as the pandemic has impacted the ability of residents and businesses to pay. The financial effect of this, to the Authority, is compounded as it must continue to make its precept payments to Devon County, Fire and Police despite not receiving the funds to do so, along with remittances to Central Government in respect of Business Rates. However, the Government has provided additional S31 Grant to mitigate this, and the impact on Business Rates collection due to the additional mandatory reliefs awarded to the Retail and Leisure sectors. These total £2,787k.

Over recent years the Council has maintained its Reserves so that it may counter any restructuring of its funding and manage the more predictable fluctuations in its commercial income arising from the economic cycle. The Council is now focused on the post pandemic world in which it operates: the funding that is available to it, the services it provides and the delivery models that are applicable. This will be reflected in the structure of future budgets and embodied in the Medium Term Financial Plan.

However, it remains difficult to forecast how long the economic recovery will take now the immediate health concerns have passed. People have developed new ways of working and internet shopping has increased over the lockdown period and it may take some time before they feel confident enough to resume past activities, for example visiting our leisure centres and town centre shops. Currently there remains considerable uncertainty how the long term funding streams of the Council will be affected in the future as the Government repay the substantial debt required to support the country through the pandemic. The sector’s funding mechanism was due to be revised in 2017/18 but there remains no clarity of what and when any changes may be implemented.

## Housing Revenue Account (HRA) Income and Expenditure Account

This section is a summary of our spending on housing services and where we got the money from to do so.

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

## Movement on the HRA Statement

This summarises the income and expenditure on HRA services included in the Authority's Comprehensive Income and Expenditure Statement (comprising as well as the amounts included in the Authority's Net Cost of Services for the HRA, the HRA's share of amounts included in the Authority's Net Service Cost but not allocated to individual services and the HRA's share of operating income and expenditure such as Pension Interest Costs and Expected Return on Pension Assets).

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

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

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

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

Adjustments  2021/22	Usable Reserves			Unusable Reserves
	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000
<b>Balance Brought Forward</b>	1,913	(2,734)	-	821
<b>Adjustment involving the Major Repairs Reserve</b>				
Reversal of Major Repairs Allowance credited to the HRA	2,621	-	(2,621)	-
Use of the Major Repairs Allowance to finance new capital expenditure	-	-	2,411	(2,411)
<b>Adjustment involving the Pensions Reserve</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(604)	-	-	604
<b>Adjustment involving the Accumulated Absences Account</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	28	-	-	(28)
<b>Total Adjustments</b>	<b>3,958</b>	<b>(2,734)</b>	<b>(211)</b>	<b>(1,013)</b>

Adjustments	Usable Reserves			Unusable Reserves
	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000
<b>2020/21</b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>				
<b>Adjustments involving the Capital Adjustment Account</b>				
Charges for depreciation and impairment of non current assets	(2,601)	-	-	2,601
Revaluation (losses)/gains on Property, Plant and Equipment	4,568	-	-	(4,568)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(521)	-	-	521
Capital grants and contributions applied				
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>				
Statutory provision for the financing of capital investment	959	-	-	(959)
Capital expenditure charged against the General Fund and HRA balances	361	-	-	(361)
<b>Adjustments involving the Capital Receipts Reserve</b>				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	860	(860)	-	-
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	(13)	13	-	-
<b>Subtotal</b>	<b>3,613</b>	<b>(847)</b>	<b>-</b>	<b>(2,766)</b>

Adjustments  2020/21	Usable Reserves			Unusable Reserves
	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000
<b>Balance Brought Forward</b>	<b>3,613</b>	<b>(847)</b>	<b>-</b>	<b>(2,766)</b>
<b>Adjustment involving the Major Repairs Reserve</b>				
Reversal of Major Repairs Allowance credited to the HRA	2,596	-	(2,596)	-
Use of the Major Repairs Allowance to finance new capital expenditure	-	-	1,938	(1,938)
<b>Adjustment involving the Pensions Reserve</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(217)	-	-	217
<b>Adjustment involving the Accumulated Absences Account</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory provisions	(39)	-	-	39
<b>Total Adjustments</b>	<b>5,953</b>	<b>(847)</b>	<b>(659)</b>	<b>(4,447)</b>

## 61 Housing Stock

The Housing Revenue Account owned and managed the following property:

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

## 62 Number of Dwellings by Type

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



### 63 HRA Dwelling Valuation

The vacant possession value of dwellings in the HRA is £436,130k as at the 1 April 2022, up by £5,096k from the previous year. This definition assumes that vacant possession would be provided on completion of the sale of all the dwellings. A second value of £152,646k represents the value of the property portfolio as Social Housing. The difference between these two figures reflects the economic costs to the sector of providing Social Housing at less than market rents. For 2021/22, the discount applied to determine this second valuation is 65%.

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

### 64 HRA Non-Current Asset Values

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

## 65 Capital Expenditure

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

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

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

## 66 Major Repairs Reserve

The Authority is required to hold a Major Repairs Reserve, which ensures a sufficient element of the HRA's resources are being used on capital expenditure to maintain and upgrade the standard of the Council's HRA dwellings. This account is credited with a value equal to depreciation charged on fixed assets (excluding leases) for the year. The idea being that if an amount equal to depreciation for the year is spent on upgrading the properties, their value should be maintained at a consistent level.

<b>Major Repairs Reserve</b>	<b>2020/21</b>	<b>2021/22</b>
	<b>£'000</b>	<b>£'000</b>
<b>At 1 April</b>	<b>548</b>	<b>1,207</b>
Amount transferred from Housing Revenue Account	2,596	2,621
Capital expenditure incurred during the year	(1,938)	(2,411)
<b>At 31 March</b>	<b>1,207</b>	<b>1,417</b>

## 67 Capital Receipts

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

<b>Capital Receipts</b>	<b>2020/21</b>	<b>2021/22</b>
	<b>£'000</b>	<b>£'000</b>
Sale of council houses	860	2,771
<b>Total</b>	<b>860</b>	<b>2,771</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 Note 60.

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

## 69 HRA Arrears

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

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

## 70 Bad Debt Provision

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

## 71 Rents Paid in Advance

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

## 72 Dwelling Rents

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

## 73 Depreciation of Fixed Assets

### Depreciation

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

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

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

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

## 74 Interest Payable and Similar Charges

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

## 75 Self Financing Settlement Payment

As part of the replacement of the HRA subsidy system in 2012, Mid Devon District Council made a one-off settlement payment of £46,590k. The size of this is based on a valuation of the Council's housing service over the 30 years from 2012-2042. In order to fund it, the Council have taken on a debt from the Public Works Loan Board (PWLB) and will be required to make payments of £2,645k per annum (made up of £975k interest and £1,670k principal in 2021/22).

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

## **The Collection Fund Income and Expenditure Account**

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

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

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

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

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

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

## Council Tax

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

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

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

## Non Domestic Rates



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

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

The £4,348k represents the overall deficit on the NDR element of the Collection Fund at 31 March 2022 (2020/21 £8,925k deficit). Of this 40% is attributable to MDDC, which equates to a deficit of £1,739k. (2020/21 £3,570k deficit – see Note 48).

## Notes to the Collection Fund

### 76 General

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

### 77 Income from National Domestic Rates (NDR)

The Council collects National Domestic Rates for its area, which are based on local rateable values (£46,305k at 31 March 2022) multiplied by a uniform rate (51.2p or 49.9p for those receiving small business relief for 2021/22) The total amount receivable; less certain reliefs and other deductions is distributed between Central Government, Devon County Council, Devon & Somerset Fire Authority and Mid Devon District Council. The Authority is also a member of the Devon Business Rates Pool administered by Plymouth City Council, which helps to minimise the risk of financial loss on appeals or reductions in our overall rateable value. The total income detailed on the National Domestic Rates statement takes into account £11,109k awarded in various discretionary and mandatory reliefs, which is significantly higher than in normal years due to Covid-19.

### 78 Calculation of Council Tax Base

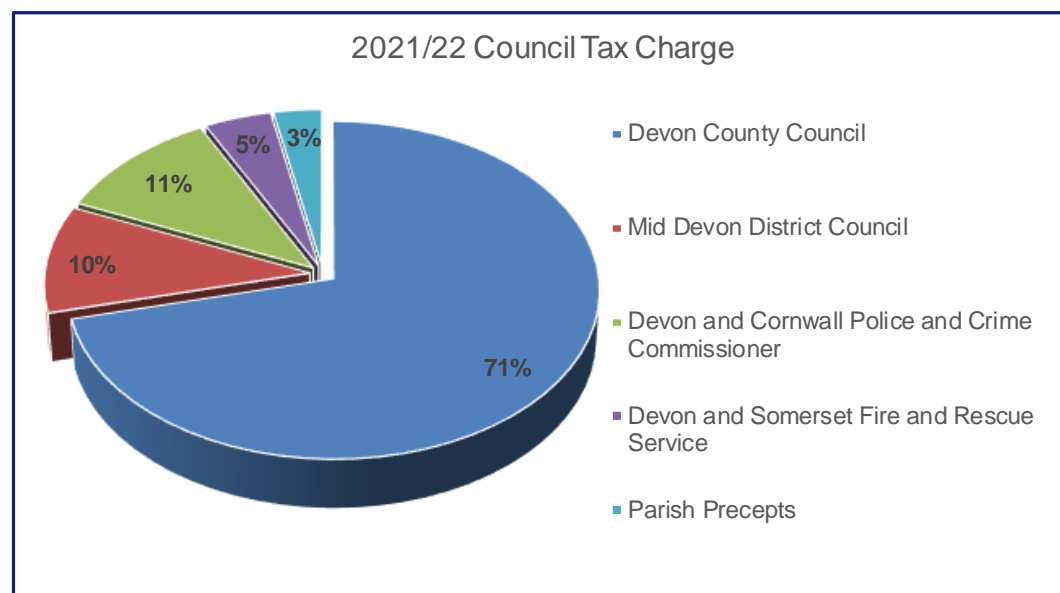
The Council Tax base is calculated by taking the number of chargeable dwellings in each valuation band (adjusted for discounts as necessary) and converted into the number of Band D equivalent properties.

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

## 79 Precepting Authorities

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

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



## Group Accounts

These Group Accounts, which consist of Primary Statements and Notes, are provided in addition to the Notes to the Accounting Statements within the single entity Statement of Accounts.

Mid Devon District Council owns one company which has been categorised as a wholly owned subsidiary of the Authority and has been consolidated into the Group Accounts. Control is usually presumed where the Council owns more than half the voting power of an entity (either directly or through other subsidiaries). 3 Rivers Developments Ltd is a wholly owned subsidiary of Mid Devon District Council and therefore has all the voting rights (total control).

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

The Financial Statements of the company are available from:  
3 Rivers Developments Ltd, Phoenix House, Phoenix Lane, Tiverton, Devon. EX16 6PP.

The Group Accounts have been prepared using the Group Accounts requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22. As a small company in accountancy terms, 3 Rivers complete their accounts under Financial Reporting Standard (FRS) 102. This is a different standard than the Code of Practice the Council must follow but follows the same accountancy principles. The accounting policies are therefore in line with that of the Council which makes consolidation easier at year end.

Companies or other reporting entities that are under the ultimate control of the Council have been included in the Council's Group Accounts, to the extent that they are material to the users of the financial statements in relation to their ability to see the complete economic activities of the Council and its exposure to risk through interests in other entities and participation in their activities. Notes have been omitted if there are no material differences to the disclosure already made.

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

3 Rivers Developments Ltd owns an investment property which is shown on the Group Balance Sheet. Under IFRS Accounting Standards, this property has been revalued by 3 Rivers Developments Ltd in line with the IFRS Fair Value methodology.

## Group Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'Usable Reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. It also contains the Reserve of the Council's wholly owned subsidiary, 3 Rivers Developments Ltd.

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

2020/21	USABLE RESERVES												
	REVENUE RESERVES						CAPITAL RESERVES						
	General Fund Balance	Earmarked General Fund Reserves	General Fund Total	Housing Revenue Account	Earmarked HRA Reserves	HRA Total	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's Share of Subsidiary	Total Group Reserves
Movement	£'000	£'000		£'000	£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2020 Carried forward	(2,148)	(13,688)	(15,836)	(2,000)	(18,310)	(20,310)	(5,157)	(1,646)	(42,950)	(88,026)	(130,975)	704	(130,271)
Movement in Reserves during 2020/21													
(Surplus) or deficit on the provision of services	(401)	-	(401)	(7,759)	-	(7,759)	-	-	(8,159)	-	(8,159)	74	(8,085)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-	16,444	16,444	-	16,444
Total Comprehensive Income and Expenditure	(401)	-	(401)	(7,759)	-	(7,759)	-	-	(8,159)	16,444	8,285	74	8,359
Adjustment between Group Accounts & Authority Accounts	461		461	-	-	-	-	-	461	-	461	(126)	335
Net increase/decrease before transfers (Group A/c's)	60	-	60	(7,759)	-	(7,759)	-	-	(7,698)	16,444	8,746	(52)	8,693
Adjustments between accounting basis and funding basis under regulations	(6,093)	-	(6,093)	5,954	(659)	5,295	(340)	(978)	(2,116)	2,038	(78)	-	(78)
Net Increase/Decrease before Transfers to Earmarked Reserves	(6,033)	-	(6,033)	(1,805)	(659)	(2,464)	(340)	(978)	(9,815)	18,482	8,668	(52)	8,615
Transfers (to) / from Earmarked Reserves	6,559	(6,559)	-	1,805	(1,805)	-	-	-	-	-	-	-	-
(Increase)/Decrease in 2020/21	526	(6,559)	(6,033)	-	(2,464)	(2,464)	(340)	(978)	(9,815)	18,482	8,668	(52)	8,615
Balance at 31 March 2021 Carried forward	(1,622)	(20,247)	(21,869)	(2,000)	(20,774)	(22,774)	(5,497)	(2,625)	(52,764)	(69,543)	(122,306)	652	(121,654)
Held for Revenue Purposes	(1,622)	(20,247)	(21,869)	(2,000)	(19,567)	(21,567)	-	-	(43,436)				
Held for Capital Purposes	-	-	-	-	(1,207)	(1,207)	(5,497)	(2,625)	(9,329)				

## Group Comprehensive Income and Expenditure Statement

This section is a summary of our spending on services and where we got the money from to do so, having incorporated the spending of the Council's wholly owned subsidiary, 3 Rivers Developments Ltd.

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

## Group Balance Sheet

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

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



## Group Cash Flow Statement

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

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

## Notes to the Group Accounts

### 1 Group Officers' Emoluments - Senior Officers Earning in Excess of £50,000

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

Note:

1. The amounts included in the above table are shown gross of any related tax which would be levied.
2. The primary pension rate of 16.6% has been used for the 2021/22 pension contributions figures.

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

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

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

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

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

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

Included within the single entity Short Term Debtors (Note 36 of the Single Entity accounts) is £8,550k which relates to 3 Rivers Developments Ltd (£8,383k loan; £167k other intra-company debt) which are eliminated from both sides in the Group Accounts.

### NB. Expected Credit Loss Model

The Authority recognises expected credit losses under IFRS 9 on all of its financial assets (this includes its loans to 3 Rivers Developments Ltd), either on a 12-month or lifetime basis. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses.

A revised business case was approved by the Council on 15 December 2021 which anticipated the operating losses incurred by 3 Rivers Developments Ltd over its initial years of operation. This is to be expected with start-up businesses particularly with the lead time involved in development. They have not “triggered an event” leading to an expected credit loss and impairment of the loans. However, the ongoing review of operational activities continues to indicate that cost overruns on the Riverside project in Tiverton will prevent the Company from making full repayment of the loan associated with this development. Accordingly, this loan was impaired by £617k in the 2019/20 single entity accounts. Similarly, the working capital loan was impaired by £173k to reflect the implied risk to profitability that this represents. A further update report was taken to 5 April 2022 Cabinet meeting showing a forecast reduction to the anticipated operating losses, therefore no further impairment was made in 2021/22.

#### 4 Work in Progress (WIP)

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

As a development company, 3 Rivers Developments Ltd has “Work in Progress” which relates to the construction projects they have in progress. When these projects are completed, they will be classified as inventory for sale.

## **Glossary of Terms**

### **Accounting Period**

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

### **Accruals**

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

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

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

### **Actual**

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

### **Actuary**

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

### **Actuarial Gains and Losses**

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

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

### **Appointed Auditors**

Public Sector Audit Appointments Limited (PSAA) appoints external auditors from one of the major firms of registered auditors for each local authority that opted into their national scheme, which comprised of 98% of all authorities. The PSAA also set the fees the auditors can charge.

Our external auditor is Grant Thornton UK LLP.

## **Assets**

An item having value to the Council in monetary terms, categorised as:

- **Current assets** will be consumed within the next financial year (e.g. cash and stock).
- **Fixed assets (non current)** provide benefits over their useful life for more than one year (e.g. buildings).
- **Community assets** are assets that the local authority intends to hold in perpetuity, that have no determinable useful life and may have restrictions on their disposal (e.g. town squares and picnic sites).
- **Infrastructure assets** that form part of the economic or social framework of the area and whose function is not transferable (e.g.: highways, bridges and footpaths).
- **Operational assets** are fixed assets held and occupied by a local authority and used in the direct delivery of services.
- **Non Operational assets** are fixed assets held by a local authority but not directly occupied, used or consumed in the delivery of services (e.g.: buildings under construction and surplus assets).
- **Assets under Construction** details capital expenditure to date on work in progress.
- **Available for Sale** are assets actively being marketed at the Balance Sheet date.

## **Audit Committee**

A Committee of the Council who consider financial matters and reports from Internal Audit, and approve and monitor our Financial Regulations and risk management. The Committee is also delegated to approve the Accounts following External Audit review.

## **Audit of Accounts**

An independent examination of the Council's financial affairs.

## **Authorised Limit**

This represents the legislative limit on the Council's external debt under the Local Government Act 2003.

## **Balances**

The total revenue reserves required to provide a working balance during the financial year, for example in periods when expenditure exceeds income.

## **Balance Sheet**

A statement of all of our assets, liabilities and balances at the end of the financial year, 31 March.

## **Budget**

The forecast of net revenue and capital expenditure over the accounting period.

## **Cabinet**

The Cabinet comprises eight Members of the Council (including the Leader), who are responsible for making most of the essential decisions about running the Council. Each member of the Cabinet is responsible for specific service areas.

**Capital Adjustment Account**

This records the timing difference between the costs of fixed assets used and the capital financing set aside to pay for them.

**Capital Expenditure**

Expenditure on assets which have a long term value. Includes the purchase of land, purchase or cost of construction of buildings and the acquisition of plant, equipment and vehicles.

**Capital Charges**

This is a general term used for the notional charges made to service revenue accounts for the use of fixed assets. The term covers the following:

Depreciation, Impairment charges and Amortisation of Deferred Charges (included in gross expenditure) offset by the Amortisation of government grants deferred (included in income).

**Capital Financing Costs**

These are costs, such as interest, which we charge because we have spent money on non current assets.

**Capital Receipts**

Proceeds received from the sale of property and other fixed assets.

**Carrying Amount**

The Balance Sheet value recorded of either an asset or a liability.

**Cash-flow Statement**

This is a statement that shows the changes in our cash and bank balances during the year.

**CIPFA**

The Chartered Institute of Public Finance and Accountancy.

**CIPFA/LASSAC**

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

**Collection Fund**

A separate fund that records the income and expenditure relating to Council Tax and National Non-Domestic Rates.

**Community Assets**

These are fixed assets that the Council intends to hold in perpetuity which have no determinable finite useful life and in addition, may have restrictions on their disposal. An example is a park.

**Comprehensive Income and Expenditure Statement (CIES)**

The net cost for the year for services provided by the Council for which it is responsible and showing how the cost has been financed from precepts, grants and other income.

**Contingency**

This is money set aside in the budget to meet the cost of unforeseen items of expenditure, or shortfalls in income, and to provide for inflation where this is not included in budgets.

**Contingent Liabilities or Assets**

These are amounts potentially due to or from individuals or organisations which may arise in the future but which at this time cannot be determined accurately, and for which provision has not yet been made in the Council's accounts.

**Council Tax**

This is the main source of local taxation to local Authorities. Council Tax is levied on households within its area by the Billing Authority and the proceeds are paid into its Collection Fund for distribution to precepting Authorities and for use by its own General fund.

**Council Tax Requirement**

This is the estimated revenue expenditure on General fund services that needed to be financed from the Council Tax after deducting income from fees and charges, certain specific grants and any funding from reserves.

**Creditor**

Amounts owed by the Council for work done, goods received or services rendered but for which payment has not been made at 31 March.

**Current Assets**

These are the short-term assets we have at date of the balance sheet which we can use in the following year.

**Current Liabilities**

These are the short-term liabilities we have at date of the balance sheet which we will pay in the following year.

**Current Service Cost**

Current Service Cost is the increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period i.e. the ultimate pension benefits "earned" by employees in the current year's employment.

**Curtailment**

Curtailments will show the cost of the early payment of pension benefits if any employee has been made redundant in the previous financial year.

**Debtor**

Sums of money due to the authority but unpaid at the balance sheet date.



**Deferred Capital Receipts**

These represent capital income still to be received after disposals have taken place and wholly consist of principal outstanding from the sale of council houses.

**Defined Benefit Scheme**

This is a pension or other retirement benefit scheme other than a defined contribution scheme. Usually the scheme rules define the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

**Deposit and Rent Scheme**

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

**Depreciation**

The allocation of the cost of the useful economic life of the Council's fixed assets for the accounting period through general wear and tear, consumption or obsolescence.

**Derecognition**

Financial assets and liabilities needed to be removed from the balance sheet once performance under a contract is complete or the contract is terminated.

**Earmarked Reserves**

Those elements of total Council reserves which are retained for specific purposes.

**Employee Costs**

Those costs incurred employing staff including Salaries, Employer's National Insurance, Pension Contributions, and Training.

**Exceptional Items**

Material items deriving from events or transactions that will fall within the ordinary activities of the Authority, but which need to be separately disclosed by virtue of their size and/or incidence to give a fair presentation of the accounts. We have none in this year's accounts.

**Expenditure**

This refers to amounts paid by the Authority for goods and services rendered of either capital or revenue nature. This does not necessarily involve a cash payment since expenditure is deemed to have been incurred once the goods and services have been received even if they have not been paid for.

**External Audit**

The independent examination of the activities and accounts of local Authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Authority has made proper arrangements to secure value for money in its use of resources.

**Fair value**

Fair value is the price at which an asset could be exchanged in an arm's length transaction, less any grants receivable towards the purchase or use of the asset.

**Fees and Charges**

The Council's charges for certain services e.g. car parking.

**Finance Lease**

A lease whereby all the risks and rewards of ownership of a fixed asset are with the lessee. In substance the asset belongs to the lessee.

**Financial Instruments**

A financial instrument is any contract that gives to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives.

**Financial Regulations**

These are the written code of procedures, approved by the Council, intended to provide a framework for proper financial management. Financial regulations usually set out rules on accounting, audit, administrative and budgeting procedures.

**General Fund**

The main revenue fund of the Council. Income from the Council Tax Precept and Government grants are paid into the fund, from which the cost of providing services are met.

**Government Grants**

Payments by Central Government towards local authority expenditure. They are specific for a particular service; and are receivable in respect of both revenue and capital expenditure.

**Government Grants Deferred**

Grants or contributions received which have supported wholly or in part the acquisition of fixed assets, net of the appropriate share of depreciation on those assets for which a depreciation charge is made.

**Heritage Assets**

An asset with a historical, artistic, scientific, technological, geophysical or environmental quality that is held and maintained principally for its contribution to knowledge and culture.

**Housing Benefit**

This is an allowance to persons on low income (or none) to meet, in whole or in part, their rent. Benefit is allowed or paid by local Authorities but Central Government refunds part of the cost of the benefits and of the running costs of the services to Local Authorities. Benefits paid to the Authority's own tenants are known as rent rebate and that paid to private tenants as rent allowance.

**Housing Revenue Account (HRA)**

Statutory ring-fenced account required to represent the landlord/tenant obligations for the Council in relation to managing and maintaining its housing stock in return for rental income from tenants.

**Impairment**

A reduction in the value of a fixed asset to below its carrying amount on the balance sheet due to damage, obsolescence or a general decrease in market value.

**Income**

These are amounts due to the Council for goods supplied or services rendered of either a capital or revenue nature. This does not necessarily involve a cash payment. Income is deemed to have been earned once the goods or services have been supplied even if the payment has not been received (in which case the recipient is a debtor to the Council).

**Infrastructure**

Non current assets which generally cannot be sold and from which benefit can be obtained only by continued use of the asset created. Examples of such assets are highways, footpaths, bridges and water and drainage facilities.

**Interest**

An amount received or paid for the use of a sum of money when it is invested or borrowed.

**International Financial reporting Standard (IFRS)**

Defined accounting standards that must be applied by all reporting entities to all financial statements in order to provide a true and fair view of the entity's financial position, and a standardised method of comparison with financial statements of other entities.

**Inventories (previously Stock)**

Items of raw materials, work in progress or finished goods held at the financial year end, valued at the lower of cost or net realisable value.

**Leasing Costs**

This is where a rental is paid for the use of an asset for a specified period of time. Two forms of lease exist: finance leases and operating leases. Operating leases are those where the risks of ownership rest with the owner of the asset whereas in the case of finance leases the asset appears in our Balance Sheet.

**LGPS (Local Government Pension Scheme)**

The fund that manages and pays our staff pensions. Our LGPS scheme is now managed by Peninsula Pensions.

**Liabilities**

These are amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the Balance Sheet date.

**Liquid Resources**

Cash and current asset investments that can be easily converted to known amounts of cash without penalty, or can be traded on the active market.

**Local Development Plan**

A plan which includes documents that establishes the local policy towards the use of land and the vision for involving communities in the plan making process.

**Long Term Borrowing**

Amounts borrowed in excess of 364 days.

**Long-Term Contract**

A contract entered into for the design, manufacture or construction of a single substantial asset, or the provision of a service (or a combination of assets and services which together constitute a single project), where the project falls into more than one accounting period.

**Long Term Debtors**

Sums of money due to the Authority originally repayable within a period in excess of twelve months but where payment is not due until future years.

**Medium Term Financial Strategy/Plan (MTFS/MTFP)**

This is a financial planning document that sets out the future years financial forecasts for the Council. It considers local and national policy influences and projects their impact on the general fund revenue budget, capital programme and HRA. It usually covers a four year time frame.

**Member**

An elected councillor of the Council.

**Minimum Revenue Provision (MRP)**

MRP is the minimum amount which must be charged to the Authority's revenue account each year and set aside as provision for credit liabilities as required by the Prudential Code.

**Net Book Value**

The value of fixed assets included on the balance sheet, being the historical cost or a current revaluation less the cumulative amounts of depreciation.

**Net Debt**

Net debt is the Council's borrowings less cash and liquid resources.

**Net Realisable Value (NRV)**

NRV is the open market value of an asset in its existing use less any costs to be incurred in selling the asset.

**Non Current Assets**

Assets that yield benefits to the Council and the services it provides for a period of more than one year. Examples include land, buildings and vehicles.

**Non-distributed Costs**

In the main this represents support service area charges. E.g.: Corporate Management, Finance, Legal, ICT, HR services, etc. In addition to this a number of non-service specific corporate fees are included as well as any extra payments made to maintain the value of the pension fund.

**National Non-Domestic Rates (NNDR or NDR)**

NNDR or NDR is the levy on business property, based upon a national rate in the pound applied to the 'rateable value' of the property. The Government determines a national rate poundage each year, which is applicable to all Local Authorities. Mid Devon is a member of the Devon NDR Pool of Local Authorities whose share of the NDR is allocated between the members.

**Operating Lease**

A lease where the risks and rewards, and therefore the ownership of the asset, remains with the lessor.

**Operational Boundary**

This reflects the maximum anticipated level of external debt consistent with budgets and forecast cash flows.

**Pension Strain**

Additional employers pension contributions as a result of an employee's early retirement.

**Precept**

The amount levied by one authority which is collected by another. e.g.: the County Council is the Precepting Authority and the District Council is the collecting authority, also known as the Billing Authority.

**Prior Period Adjustments**

These are material adjustments which are applicable to an earlier period arising from changes in accounting policies or for the correction of fundamental errors.

**Provision**

This is an amount which is put aside to cover future liabilities or losses which are considered to be certain or very likely to occur, but the amounts and timing are uncertain.

**Public Works Loan Board (PWLb)**

An arm of Central Government which is the major provider of loans to finance long term funding requirements for Local Authorities.

**Rateable Value**

A value placed upon all properties subject to rating. The value is based on a national rent that property could be expected to yield after deducting the cost of repairs.

**Related Parties**

Related parties comprise Central Government, other Local Authorities, precepting and levying bodies subsidiary and associated companies, elected Members, all senior officers and the Pension Fund. In respect of individuals identified as related parties the following are also presumed to be related parties:

- Members of the close family, or the same household; and
- Partnerships, companies, trusts or other entities in which the individual, or member of their close family, or the same household, has a controlling interest.

**Revenue Contribution to Capital (RCCO)**

Capital spending that is directly paid for from revenue.

**Revenue Expenditure**

Spending on the day-to-day running of services – mainly wages, operating expenses of buildings and equipment, and debt charges. These costs are met from the Council tax, government grants and our own fees and charges.

**Reporting Standards**

The Code of Practice prescribes the accounting treatment and disclosures for all normal transactions of a Local Authority. It is based upon International Financial reporting standards (IFRS), International Standards (IAS) and International Financial Reporting Interpretations Committee (IFRIC), UK Generally Accepted Accounting Practice (GAAP) and Financial Reporting Standards (FRS).

**Reserves**

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council. Some capital reserves such as the capital adjustment account cannot be used to meet current expenditure.

**Restatement**

We normally show the amounts that were in last year's accounts as the same figure, but where there is a change in the accountancy rules, we have to change last year's figures to meet the current rules and ensure comparability.

**Revaluation Reserve**

This records net gains from revaluations made after 1 April 2007 not yet realised through sales.

**Revenue Contributions**

This refers to the financing of capital expenditure directly from revenue rather than from loans or other sources.

**Revenue Expenditure**

The day to day expenditure of the authority on such items as employees, transport and equipment.

**Revenue Expenditure Funded from Capital Under Statute (REFCUS)**

Expenditure incurred during the year that may be capitalised under statutory provision but that does not result in the creation of an asset that belongs to the Authority.

**Rural Services Delivery Grant**

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

**Section 31 (S31) Grant**

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

**Service Reporting Code of Practice (SeRCOP)**

SeRCOP replaced the previous Best Value Accounting Code of Practice (BVACOP). Its aim is to provide consistent financial reporting for services in England and Wales and is given legislative backing by “proper practices” under the Local Government Act 2003.

**Settlements**

Generally this occurs where there is a bulk transfer out of the Pension Fund or from the employer’s share of the Fund to a new contractor’s share of the fund as a result of outsourcing a section of the Council. It reflects the difference between the IAS 19 liability and the assets transferred to settle the liability.

**Tax Base**

The number of houses we can charge our Council Tax on.

**Treasury Management**

This is the process by which the Authority controls its cash flow and its borrowing and lending activities.

**Treasury Management Strategy (TMS)**

A strategy, approved by Cabinet, prepared with regard to legislative and CIPFA requirements setting out the framework for treasury activity for the Council.

**Trust Funds**

Funds administered by the Council for such purposes as prizes, charities and specific projects, on behalf of minors.

**Unsupported (Prudential) Borrowing**

This is borrowing for which no financial support is provided by Central Government. The borrowing costs are to be met from current revenue budgets.

**Value for Money**

The benefit obtained (not just in financial terms) for a given input of cash.