

E-mail: democraticservices@teignbridge.gov.uk

15 April 2024

FULL COUNCIL

A meeting of the **Full Council** will be held on **Tuesday, 23rd April, 2024** in the **Buckland Athletic Football Club, Kingskerswell Rd, Newton Abbot, TQ12 5JU** at **10.00 am**

PHIL SHEARS
Managing Director

Membership:

Councillors Atkins, Bradford, Bullivant, Buscombe, Clarence (Chair), D Cox (Vice-Chair), Daws, Dawson, Farrand-Rogers, Foden, Gearon, Goodman-Bradbury, Hall, Hayes, Henderson, Hook, Jackman, James, Jeffries, Keeling, Lake, MacGregor, Morgan, Mullone, Nutley, Nuttall, Palethorpe, C Parker, P Parker, Parrott, Peart, Purser, Radford, Rogers, Rollason, Ryan, Sanders, Smith, Steemson, Swain, G Taylor, J Taylor, Thorne, Webster, Williams and Wrigley

Please Note: The public can view the live streaming of the meeting at [via our Youtube Page](#) with the exception where there are confidential or exempt items, which may need to be considered in the absence of the press and public.

AGENDA

Part I

1. **Apologies for absence**
2. **Minutes** (Pages 9 - 18)
To approve as a correct record and sign the minutes of the previous Council meeting.

3. **Announcements (if any)**

Announcements only from the Chair of Council, Leader, Members of the Executive or the Managing Director.

Cllr Daws advised that Cllr Mike Ryan has replaced Cllr Daws on Audit Scrutiny Committee.

4. **Declarations of interest (if any)**

5. **Public Questions**

Members of the public may ask questions. A maximum period of 15 minutes will be allowed with a maximum period of three minutes per questioner.

6. **2020/21 Final Accounts, including the Annual Governance Statement, Audit Findings Reports 2020/21 and Auditors Annual Report for 2021-22 and 2022-23** (Pages 19 - 260)

7. **Recommendation from Executive - Extension of Rent Subsidies**

To consider the recommendation from [Executive on 2nd April, 2024](#),

RECOMMENDED to Full Council that those organisations that were in receipt of a rent subsidy as at 31st March 2024, be permitted to apply for a further 12 month period of subsidy pending the outcome of the asset review and any further amendment to the rent subsidy policy.

8. **Housing Compliance Officer** (Pages 261 - 264)

9. **Devon Home Choice Allocation Policy Review** (Pages 265 - 274)

10. **Notices of Motion**

Notice of Motion's shall be referred to the appropriate Committee meeting. The mover of the motion can outline the proposal and then it will stand adjourned. The motion may be debated to assist debate later if agreed by two-thirds of Council Members.

Motion 1

The following motion on Major applications, variations to conditions and TDC property based applications has been presented by Cllr Macgregor and supported by Cllrs Bradford, Lake, P Parker, Gearon

In order to provide clarity, as well as consistency and transparency in the planning process for residents of the district, in future all of the following planning applications will be put to committee.

1. *All major planning applications - including those associated with major sites.*

2. *All planning applications involving heritage assets (listed buildings etc).*
3. *All variations to conditions.*
4. *All applications relating to property and buildings owned, leased or managed by Teignbridge District Council.*

As part of point 1) 'all major planning applications' the officer reports must demonstrate where this is part of a previous 'hybrid' planning application that all the conditions are met and how these apply to the individual plot. Also, as part of point 1) where the hybrid planning application demonstrated a commitment to build schools, or care homes or community buildings, each application must explain how that is to be delivered if it is not detailed in the individualised plot application.

Motion 2

The following motion on the process of calling in applications to Planning Committee has been presented by Cllr Swain and supported by Cllrs MacGregor, Buscombe, Radford, Rollason, Henderson, Nutley, P Parker, Purser, Palethorpe, Nuttall, Peart, Jeffries, Parrott, Hook, Sanders,

1. There has recently been a change in process for members referring a planning application to committee. The referral can be in the event that it is recommended for approval, or for refusal. The familiar third option to refer it either way has been removed from the form and members have been told they must opt for one or the other, not both. This might place ward members in a difficult position if they are also on the planning committee. By calling in and effectively picking a preferred outcome, they may risk allegations of predetermination.

2. When referring an application to committee, "a valid planning reason", based on planning policy must be given. There are cases with strong community involvement, or with potential conflicts of interest where it might be justified in the public interest to make the decision by committee in public. This might apply regardless of the policy-based merits of the application.

3. Parish and town councils work hard to fulfil their duty to comment on planning applications. They are volunteers and have little or no training and support. Planning training is routinely given to Teignbridge councillors and could be opened up to allow parish and town councillors to attend.

4. Parish councils work hard to fulfil their duty to comment on planning applications and often feel ignored. Where an officer recommendation goes against the view of the parish or town council, the officer recommendation should acknowledge that view and explain why a different outcome is recommended.

I move that we amend the constitution to:

1. Allow planning decisions to be referred to committee if recommended for approval, if recommended for refusal, or in either case.

2. Allow planning decisions to be referred to committee giving the reason that it is in the public interest for the decision to have oversight from the planning committee.

3. Allow parish and town councillors to join Teignbridge planning training where possible without compromising the primary function of training Teignbridge planning committee members.

4. Where an officer recommendation goes against the view of a parish or town council, the recommendation should acknowledge that view and explain why a different outcome is recommended.

Motion 3

The following motion on South West Water Sewage Spills has been presented by Cllr D Cox and supported by Cllrs Palethorpe, Wrigley, Keeling, Parrott, Hook, Swain, Goodman-Bradbury, Sanders, C Parker, Dawson, Buscombe, Goodman-Bradbury,

South West Water Sewage Spills

Recognising the importance of Teignbridge's coasts and rivers to our area's

outstanding natural environment, the intrinsic aesthetic, cultural, value of this to our residents, and considering the substantial contribution that these natural assets make to our local economy via tourism, Teignbridge District Council, note the widespread concern among Teignbridge residents regarding the state of our local and national sewage infrastructure.

Teignbridge District Council finds the significant increase of 55% of sewage spills by South West Water last year a totally unacceptable behaviour requiring curtailment. (Data released by the Environment Agency has shown that South West Water, which covers Devon, discharged sewage a staggering 582,49 times last year, a 55% rise compared to in 2022).

Noting that central Government funding for the Environment Agency and OFWAT, the relevant regulatory authorities, had been cut in real terms between 2009/10 and 2021/22, and conscious of the need for Teignbridge District Council to address these issues on account of its responsibilities to the environment, environmental health, and as the Local Planning Authority, while noting with frustration that all most all legal powers of investigation and enforcement are reserved to central government and under-funded, under-staffed statutory regulators:

1. Teignbridge District Council declares that it has no confidence in South West Water's existing systems and processes for managing and investing in Teignbridge's sewage infrastructure;

2. Teignbridge District Council believes continual Government underfunding has reduced the regulators the Environment Agency and OFWAT to a toothless tiger.

3. Teignbridge District Council requests that the Leader write to the Chief Executive of South West Water to invite the company to:

a. Commit to involving the District Council in discussions with Town and Parish Councils regarding ongoing and upcoming works on South West Water infrastructure,

b. Jointly convene a regular liaison group bringing together senior staff from South West Water and Teignbridge District Council, together with relevant Teignbridge Executive members and their shadows, to proactively monitor and respond to ongoing developments and issues,

c. Proactively and transparently engage with Teignbridge District Council's Portfolio Holder for Planning and his/her shadows

d. Commit to working with Teignbridge District Council's Planning officers to help manage development pressures on infrastructure and respond to community concerns, to responding to requests for consultation and providing relevant data, to accepting invitations to Planning Committee meetings to discuss applications whenever possible, and taking other relevant steps,

e. Actively engage with Teignbridge District Council's Resorts Team and Environmental Health team to proactively advise of overflow discharges in the interest of public safety;

4. Additionally, we request that the Leader copy correspondence to our local MPs to encourage them to support our efforts to engage South West Water, and to lobby government to:

a. Revisit weak legislation allowing water companies until 2038 to reduce phosphate pollution in rivers from sewage overflows by only 80%, with a view to requiring more immediate action in the short- and mid-term to reduce storm overflows and ameliorate capacity issues,

b. Resist a request by South West Water to raise bills by over 20% by 2030, before inflationary increases, until demonstrable action on sewage spills has been taken to reduce spills towards South West Water's own 2025 targets, and

c. Restore Environment Agency funding to 2009/10 real-terms levels, and properly fund other environmental regulators, to ensure that polluting activities are fully and robustly monitored, investigated, and where necessary enforcement action taken.

Motion 4

The following motion has been presented by Cllr Macgregor and supported by Cllrs Bradford, Radford, Gearon, Ryan

Figures for discharges into the water courses, rivers and coastline have just been released for last year. These paint a very disturbing picture for Teignbridge and its residents, visitors and businesses. For the Teign Estuary alone, there were 420 discharges totalling over 2100 hours of untreated sewage and wastewater into the Teign. Every single site managed by South West Water had occasions last year

where untreated sewage and wastewater Was released into the water courses. It is likely this was repeated in similar fashion in the Exe Estuary and water course and coastal discharge points throughout the district.

This represents a risk to health for residents and visitors. It represents a risk to businesses reliant on the produce from rivers and estuaries. It represents a risk to tourism businesses and to the management and maintenance of beaches, including blue flags.

The motion:

This council deplores the release of untreated sewage into our rivers and water courses. This council asks the leader and MD to write jointly to the Secretary of State for Environment, Food & Rural Affairs, the Rt Hon Steve Barclay MP, as well as the Secretary of State for Housing, Communities & Local Government, the Rt Hon Michael Gove MP expressing the concern that these discharges represent a risk to the environment, food production, tourism and housing development due to contamination of beaches, rivers, seafood beds etc., and seek their intervention to insist on immediate infrastructure investment to address this.

11. Councillor Questions

Members of the Council may ask questions of the Council subject to procedural rules.

If you would like this information in another format, please telephone 01626 361101 or e-mail info@teignbridge.gov.uk

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FULL COUNCIL

27 FEBRUARY 2024

Present:

Councillors Atkins, Bradford, Bullivant, Buscombe, Clarence (Chair), D Cox (Vice-Chair), Daws, Dawson, Farrand-Rogers, Foden, Gearon, Goodman-Bradbury, Hall, Hayes, Henderson, Jackman, James, Jeffries, Keeling, Lake, MacGregor, Morgan, Mullone, Nutley, Nuttall, Palethorpe, C Parker, P Parker, Parrott, Peart, Purser, Radford, Rogers, Rollason, Ryan, Sanders, Smith, Steemson, Swain, G Taylor, J Taylor, Webster, Williams and Wrigley

Apologies:

Councillors Hook and Thorne

Officers in Attendance:

Neil Blaney, Head of Place & Commercial Services

Trish Corns, Democratic Services Officer

Kay Fice, Scrutiny Officer

Martin Flitcroft, Chief Finance Officer & Head of Corporate Services

Tracey Hooper, Service Lead for Revenue, Benefits and Customer Support

Christopher Morgan, Trainee Democratic Services Officer

Paul Nicholls, Food Health & Safety Manager

Fergus Pate, Economy and Delivery Manager

Mark Payne, Grounds Maintenance Officer

Amanda Pujol, Head of Community Services and Improvement

Estelle Skinner, Green Infrastructure Officer,

Rosanna Wilson, Corporate Procurement Officer

Paul Woodhead, Head of Legal Services & Monitoring Officer to the Council

14. MINUTES

It was proposed by the Leader Cllr Wrigley and seconded by Cllr Keeling that the Minutes of the meeting 16 January 2024 be approved.

RESOLVED that the minutes of the meeting of 16 January 2024 be approved and signed as a correct record by the Chair.

15. ANNOUNCEMENTS

The Chair advised his civic event since the last meeting of the Council.

Cllr Nutley advised that a granite memorial that the late Cllr Huw Cox had crafted, would be mounted on the stone wall at the Ashburton PO Hub on St Davids Day 1 March 2024. He thanks Cllr Rogers for arranging the plaque.

Changes to committee places as set out on the agenda were noted.

16. DECLARATIONS OF INTEREST

The following Councillors declared an interest in agenda item 13 Notice of Motion 3 relating to Teignmouth hospital:

- Cllr Clarence by virtue of being a patient of Teign Estuary medical practice, Teignmouth.
- Cllr Williams by virtue of being a member of the original review Committee.
- Cllr Peart by virtue of membership on Devon County Council health and social care scrutiny Committee.
- Cllr James by virtue of membership of Teignmouth hospital board trust.
- Cllr Sanders by virtue of being a patient of Channel View medical group Teignmouth
- Cllr Wrigley by virtue of membership on Devon County Council health and social care scrutiny committee as Vice Chair, and the task and finish group.
- Cllr Nutley by virtue of membership of health and wellbeing centres
- Cllr Dawson by virtue of membership of the early discussion group.

17. PUBLIC QUESTIONS

The public questions and responses attached to the agenda were noted.

Supplementary questions and answers can be viewed at the link below.

[Agenda for Full Council on Tuesday, 27th February, 2024, 10.00 am - Teignbridge District Council](#)

18. BUDGET AND COUNCIL TAX 2024/25

The Executive Member for Corporate Resources Cllr Keeling, presented the budget proposals as set out in the agenda report as recommended by Overview and Scrutiny Committees 1 and 2 and the Executive. The Chief Finance Officer and staff, and all who had contributed to identifying savings, including the Members of the Mid Term Financial plan task and finish group, were thanked.

The budget proposals included 2 hours parking for £1.00 in the multistorey car park, Newton Abbot for the duration of the Queen Street works.

It was proposed by Cllr Keeling and seconded by the Leader Cllr Wrigley that the budget be approved as set out in the agenda report.

An amendment was proposed by Cllr Bullivant and seconded by Cllr Purser that the budget be approved as set out in the agenda report with an amendment that 26 spaces in the multistorey car park, Newton Abbot be free of charge for 1 hour to replace on street parking spaces to be lost in Queen Street.

A vote was taken and the amendment was LOST.

An amendment was proposed by Cllr P Parker and seconded by Cllr Hall that the budget be approved as set out in the agenda report with an amendment

to introduce 2 hours parking on the top two floors of the multi storey car park, Newton abbot for £1 to take effect when the Queen Street works start on a permanent basis subject to normal annual budget review of fees and charges.

A vote was taken on the amendment and CARRIED, followed by a roll-call on the substantive amendment proposal as follows:

Recorded vote

For Cllrs Bullivant, Buscombe, Dawson, Farrand-Rogers, Foden, Goodman-Bradbury, Hall, Hayes, Henderson, Jackman, James, Jeffries, Keeling, Lake, Morgan, Nutley, Nuttall, Palethorpe, C Parker, Parrott, Peart, Purser, Rogers, Rollason, Sanders, Smith, Steemson, Swain, G Taylor, Webster, Williams and Wrigley
Total 32

Against Cllrs Bradford, Daws and J Taylor,
Total 3

Abstention Cllrs Atkins, Clarence, Gearon, MacGregor, P Parker, Radford and Ryan,
Total 7

The amendment was CARRIED

RESOLVED

The budget be approved as set out in the agenda report as follows with an amendment to introduce 2 hours parking on the top two floors of multi storey car park, Newton abbot for £1 to take effect when the Queen Street works start on a permanent basis subject to normal annual budget review of fees and charges.

- a That the Teignbridge band D council tax for 2024/25 is increased by 2.99% or £5.70 to £196.41 per annum
- b Maintaining 100% council tax support
- c That general reserves are increased to 12.7% of the net revenue budget for 2024/25 or £2.4 million
- d That £200,000 of the general reserve balance in any one year be available to the Executive to meet unexpected expenditure in addition to the agreed revenue budget
- e All other decisions with regard to budgetary change will be approved by reference to virement rules in the financial instructions
- f That the summary revenue budget for 2024/25 is £18.9 million as shown at appendix 4. In particular the revenue budget includes:
 - Assumptions of a 4.0% pay rise for 2024/25
 - Revenue contributions to fund capital are increased to £500,000 to support the capital budget

- Voluntary grants are maintained at current levels
 - A blue badge parking permit is introduced including a budget for a Technical Support Officer to administer the scheme
 - The councilors' community fund grant is maintained at £1,000 each
 - A payment of £1,000,000 to reduce the pension deficit
 - Provision for temporary resources to cover scrutiny support and Modern 25
- g That fees and charges are approved as shown summarised at appendix 6.
- h That the capital programme as shown at appendix 7 is approved. In particular this includes:
- Increasing jobs and homes through continuing support for housing whilst backing business and encouraging community-led planning. Work continues on the Teignbridge 100 affordable housing project with 7 units in Newton Abbot already built and delivered in addition to 29 units purchased in Dawlish, Teignmouth, Newton Abbot and Chudleigh for social and affordable rent and temporary accommodation. A provision of £6.8 million has been made for the construction of a *Passivhaus* extremely energy-efficient design social housing scheme in Sherborne House car park.
- Continuing investment for climate change projects following successful funding bids for low carbon heating and energy system improvements. Schemes have been completed at leisure sites and the Council offices with work underway to deliver a second phase at Broadmeadow Sports Centre. Further provisions are made under the Carbon Action Plan for investment in carbon reduction measures covering the Authority's Scope 1 & 2 carbon footprint, to include onsite renewable energy generation, thermal fabric improvements and energy efficiency improvements.
- Infrastructure delivery plan investment contributing to improving education, transport links, sports and open spaces.
- Regeneration investment aimed at improving town centres and stimulating growth in the local economy, including Newton Abbot market improvements, funded from Future High Street grant and borrowing. There is also an indicative £2 million provision for employment site investment to be funded through prudential borrowing. A business case will be brought to members for consideration once it is finalised.
- i That the Financial Plan 2024 to 2029 is approved as set out in appendix 8

- j That the prudential indicators are noted and the prudential limits approved all as set out in appendix 11
- k That the updated treasury management strategy statement and authorised lending list as set out in appendix 12 is approved together with the capital strategy in appendix 12a
- l That each scheme will be considered on its merits as explained at the end of appendix 12 to decide the calculation of minimum revenue provision for capital expenditure in 2024/25
- m That the council tax resolutions as recommended in appendix 15 are approved

19. EMPTY HOMES PREMIUM AND SECOND HOMES PREMIUM POLICY

The Executive Member for Corporate Resources presented the agenda report.

It was proposed by Cllr Keeling, seconded by the Leader Cllr Wrigley and unanimously CARRIED ,

RESOLVED to

a) Apply the current premium of 100% for all dwellings which are unoccupied and substantially unfurnished (empty dwellings) after 1 year instead of 2, with effect from 1st April 2024.

b) Apply a premium of 100% for all dwellings which are unoccupied but substantially furnished with effect from 1st April 2025.

c) Approve the policy detailing the Council's approach to the levying of the empty and second homes premiums.

d) Authorise the S151 Officer to implement the policy in line with any guidance given by the Secretary of State.

20. CONSULTATION ON THE PROPOSED DEVON AND TORBAY COMBINED AUTHORITY DEVOLUTION DEAL

The Chair welcomed representatives from Devon County Council.

The Leader Cllr Wrigley presented the agenda report.

It was proposed by the Leader and seconded by the Executive Member for Corporate Resources Cllr Keeling that the recommendation as set out in the report be approved as follows:

That the response (as set out at paragraph 2 of the agenda report) to the consultation be approved, and that delegated authority be given to the Managing

Director in consultation with the Leader to add to the response if required following district-level briefing by the team at DCC on the 22 February and the debate at the Full Council meeting.

An amendment was proposed by Cllr Macgregor and seconded by Cllr J Taylor that *and the leader of the opposition* be added after *the Leader* in the third line of the above. The amendment was LOST.

The original proposal was voted on and CARRIED.

RESOLVED

That the response (as set out at paragraph 2 of the agenda report) to the consultation be approved, and that delegated authority be given to the Managing Director in consultation with the Leader to add to the response if required following district-level briefing by the team at DCC on the 22 February and the debate at the Full Council meeting.

21. WITHDRAWAL AND DISSOLUTION OF THE HEART OF THE SOUTH WEST JOINT COMMITTEE

The Leader presented the agenda report and proposed the recommendation as set out in the report. This was seconded by the Executive Member for Corporate Resources and unanimously.

RESOLVED

To approve the service of a notice of withdrawal on the constituent authorities and the Heart of the South West Joint Committee to be effective as soon as practical.

At this juncture the meeting was adjourned for a break.

22. GROUNDS MAINTENANCE CONTRACT

The Executive Member for open Spaces, Leisure, Sport, Resorts and Tourism Cllr Nutley presented the agenda report, thanked all staff involved for work on the contract, and proposed the recommendation as set out in the report.

The proposal was seconded by Cllr Palethorpe.

RESOLVED

- a) Retender the Grounds Maintenance Contract for an initial 5-year period with the option to extend for a further 5 years using a restricted tender procedure.
- b) Let a contract at a fixed price of £662,740.
- c) Include an annual CPI (Consumer Price Inflation) increase at the anniversary each year of the contract.

d) Include a contract incentive payment of up to £15,000 measured by an annual customer survey alongside an assessment by the contract administrator to drive quality and performance.

e) Delegate authority to the Head of Place and Commercial Services to undertake the above.

23. QUEEN STREET, NEWTON ABBOT - PEDESTRIANISATION

The Chair referred to the agenda report.

It was proposed by The Leader Cllr Wrigley and seconded by Cllr Buscombe that the recommendation as set out in the agenda report be approved, to reaffirm support for delivery of the Queen Street pedestrian enhancement.

An amendment was proposed by Cllr Daws and seconded by Cllr J Taylor that the scheme be paused for further consultation with residents and traders to develop a scheme to meet the requirements of residents and traders of Newton Abbot.

Cllrs were referred to the agenda report with regards to timescales for the Future High Street Fund for an alternative scheme, in particular section 6 and paragraphs 6.5 and 6.9.

A vote was taken on the amendment and a recorded vote requested in accordance with Procedure Rule 4.13.5.

Recorded vote under Procedure Rule 4.13.5

For Cllrs Bradford, Daws, Gearon, Hall, Macgregor, P Parker, Radford, Ryan, and J Taylor

Total 9

Against Cllrs Bullivant, Buscombe, Dawson, Farrand-Rogers, Foden, Goodman-Bradbury, Hayes, Nutley, Palethorpe, C Parker, Parrott, Peart, Rollason, Sanders, Swain, G Taylor, Williams and Wrigley

Total 18

Abstention Cllrs Atkins, Lake, Purser, Rogers and Clarence

Total 5

Not Voted Cllrs Keeling and Nuttall

The amendment was LOST

The original proposal was voted on. A recorded vote was requested on the in accordance with Procedure Rule 4.13.5.

Recorded vote under Procedure Rule 4.13.5

For Cllrs Bullivant, Buscombe, Dawson, Farrand-Rogers, Foden, Goodman-Bradbury, Hayes, Nutley, Palethorpe, C Parker, Parrott, Peart, Rollason, Sanders, Swain, G Taylor, Williams and Wrigley

Total 18

Against Cllrs Atkins, Bradford, Daws, Gearon, Hall, MacGregor, Radford, Ryan and J Taylor

Total 9

Abstention Cllrs Clarence, Keeling, Lake, Nuttall, P Parker, Purser, and Rogers

Total 7

The proposal was CARRIED

RESOLVED

Support for delivery of the Queen Street pedestrian enhancement be reaffirmed.

24. MINUTES OF THE STRATA JOINT EXECUTIVE COMMITTEE (JEC)

Councillors referred to the Minutes of the Strata Joint Executive Committee meeting held on 30 January 2024.

It was proposed by the Leader, Cllr Wrigley, seconded by Cllr Keeling and

RESOLVED

The Minutes of the meeting be noted and the 2024/25 Strata Business Plan be approved.

25. NOTICES OF MOTION

Motion 1

Cllr Bullivant presented the Motion on communication to residents regarding development in Newton Abbot.

Two-thirds of Members present did not agree to debate the matter and therefore the matter was referred to the Executive.

Motion 2

Cllr Bradford presented a Motion on support for care workers.

Two-thirds of Members present did not agree to debate the matter and therefore the matter was referred to the Executive.

Motion 3

Cllr Clarence presented a Motion on saving Teignmouth hospital from closure. This was seconded by Cllr MacGregor and

RESOLVED

The Secretary of State be asked to examine the case for the retention of Teignmouth Hospital, stopping the eventual closure and return it to a fully functioning Hospital with recuperation beds to help out a hard pressed NHS.

Motion 4

Cllr J Taylor presented a Motion on the live streaming of public council meetings.

Two-thirds of Members present did not agree to debate the matter and therefore the matter was referred to the Audit Scrutiny Committee

26. COUNCILLOR QUESTIONS

The circulated Member questions and responses was noted.

It was agreed that this be made available in the Members Newsletter together with the written responses and that any supplementary questions be deferred to next Full Council meeting.

CLLR C CLARANCE
Chair

The meeting started at 10am and finished at 5.20pm

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**Teignbridge District Council
Full Council
23 April 2024
Part i**

2020/21 FINAL ACCOUNTS, INCLUDING THE ANNUAL GOVERNANCE STATEMENT, AUDIT FINDINGS REPORT 2020-21 AND AUDITORS ANNUAL REPORT FOR 2021-22 AND 2022-23

Purpose of Report

To bring the revised statement of accounts 2020/21, letter of representation to Grant Thornton from the Chairman of the Council and the Annual Governance Statement to Members for approval. Also consideration of the Annual External Audit reports for 2020/21 and joint report for 2021/22 and 2022/23

Recommendation(s)

That the Council resolve to

- (a) Approve the revised 2020/21 Statement of Accounts including the Annual Governance Statement and letter of representation as recommended by the Audit Scrutiny Committee; and**
- (b) Note the 2020/21 Audit Findings Report and the Auditors Annual report for 2021/22 and 2022/23 from Grant Thornton and approve the actions arising from the action plans**

Financial Implications

The financial implications are contained throughout the report considered at Audit Scrutiny on 22 March 2024. The main implication is that the accounts have been closed and audited and general reserves still remain slightly above the budgeted level anticipated at 31 March 2021 - £2.060 million. See section 3

Martin Flitcroft – Chief Finance Officer
Tel: 01626 215246 Email: martin.flitcroft@teignbridge.gov.uk

Legal Implications

See section 5 – the Accounts and Audit Regulations 2015 set out the requirements for the production and publication and audit of the annual statement of accounts.

Martin Flitcroft – Chief Finance Officer

Tel: 01626 215246 Email: martin.flitcroft@teignbridge.gov.uk

Risk Assessment

Major risks are summarised in section 4. The most significant of these is the level of future funding from Central Government and the level of reserves held to meet future unexpected variations in income.

Martin Flitcroft – Chief Finance Officer

Tel: 01626 215246 Email: martin.flitcroft@teignbridge.gov.uk

Environmental/ Climate Change Implications

The revenue budget supports the funding of a Climate Change Officer and associated budget – see section 7.

David Eaton – Environmental Protection Manager

Tel: 01626 215064 Email: david.eaton@teignbridge.gov.uk

Report Author

Martin Flitcroft – Chief Finance Officer

Tel: 01626 215246 Email: martin.flitcroft@teignbridge.gov.uk

Executive Member

Councillor Richard Keeling – Executive Member for Resources

Councillor Sally Morgan – Chairman – Audit Scrutiny Committee

Appendices/Background Papers

Statement of Accounts 2020/21

Audit Opinion 2020/21

Letter of Representation 2020/21

Audit Findings Report 2020/21

Auditors Annual Report 2021/22 & 2022/23

1. PURPOSE

To bring the Statement of Accounts 2020/21, letter of representation to Grant Thornton from the Chairman of the Council and the Annual Governance Statement to Members for approval. To note the Audit Findings Reports from Grant Thornton and approve the actions arising.

2 BACKGROUND

- 2.1** The accounts and audit regulations 2015 set out the requirements for the production and publication of the annual statement of accounts. The statement usually has to be produced and certified by the chief finance officer by 31 May however the outbreak of Covid 19 has triggered amendments to this deadline by extending this to the end of July for 2020/21. Ordinarily the accounts have to be brought for full council approval after external audit and by 31 July however again this has been amended to the end of September or as soon as is practically possible. The Audit Scrutiny Committee considered the draft Statement of Accounts 2020/21 and the Annual Governance Statement at its meeting on 24 August 2021 and the final accounts (subject to audit) including the Annual Governance Statement on 27 October 2021. The 27 October Committee recommended that the Council approve these documents together with the letter of representation. The draft Audit Findings Report was also considered on 27 October together with future recommended actions. The accounts were then presented to Full Council for approval on 30 November 2021. Reports are available on the website at [Browse meetings - Audit Scrutiny Committee - Teignbridge District Council](#)
- 2.2** At the end of November 2021 elements of the audit were still outstanding and the critical aspect was evidence available to back up the calculations for property, plant and equipment. The information could not be obtained and in the subsequent conversations with Grant Thornton it was clear that this could not be recreated due to the passage of time by the newly appointed internal valuer. The position was brought to Audit Scrutiny members and agreed that the only way forward so as to not delay production of the subsequent years accounts was to accept some form of qualification on the audit opinion. This has now been received and will be included in the statement of accounts together with some other minor adjustments from the further work carried out on the audit which have already been amended. The Statement of Accounts include the Annual Governance Statement which was also updated slightly to reflect events over the passage of time.
- 2.3** The accounts reports and minutes of the Audit Scrutiny Committee meeting held on 22 March 2024 can be found on the Council's website at [Browse meetings - Audit Scrutiny Committee - Teignbridge District Council](#)

3 STATEMENT OF ACCOUNTS 2020/21

- 3.1** The audit of the statement of accounts is finalised and there are no further major adjustments. Grant Thornton will discuss any findings separately in their report. There are no adjustments required to the Strata figures consolidated into the accounts of the Council. The closing general reserves at 31 March 2021 of £2.060 million are an improvement on the original budget of £80,000.

3.2 The balance sheet shows a net worth of £14.6 million at 31 March 2021 compared to a net worth of £17.4 million at 31 March 2020. This is due mainly to an increase in the pension fund deficit mainly offset by an increase in the value of our property, plant and equipment, increase in earmarked reserves, capital receipts reserve and capital grants unapplied. There has been no change to these numbers since reporting to Full Council in November 2021.

3.3 The regulations require the formal approval of the accounts and this will be signified by the Chairman of the Council signing and dating the accounts on the page entitled the Statement of Responsibilities for the Statement of Accounts at the Council meeting. This statement is from the Chief Finance Officer and will be signed by him before presentation of the accounts to the council meeting.

3.4 Letter of Representation

Our external auditor requires assurances from us on various financial matters including statutory and contractual requirements, reasonableness of estimates and provisions, responsibility for internal controls, various disclosures and information provided. These are detailed in the updated letter included as an appendix which needs recommendation for approval at full Council.

3.5 Annual Audit Reports

Grant Thornton presented their reports for 2020/21 and a joint report for 2021/22 and 2022/23. These are included as appendices together with the recommendations arising therefrom. These mainly cover administration and housekeeping of accounting entries, asset valuations, officer/Member working relationships, workforce planning, budget planning, delivery of savings and financial reporting. There are also some observations around performance targets and benchmarking.

4. RISKS

The major risks to be aware of are around future funding and the adequacy of reserves going forward as further action is required to address the budget gaps. General reserves are maintained at a value higher than originally budgeted and earmarked reserves are held to help deal with future forecast funding changes and earmarked projects/schemes. Further clarity is required on the level of Government support. These risks may impact further on the performance of treasury management and borrowing levels moving forward. Preparation and approval of the accounts are required by the Accounts and Audit Regulations 2015 and if these regulations are not adhered to the auditors can qualify the accounts if material.

5. MAIN IMPLICATIONS

The implications members need to be aware of are as follows:

5.1 Legal

The Financial Accounts for 2020/21 need to be produced and audited in accordance with the Accounts & Audit Regulations 2015.

5.2 Resources

The report notes that general reserves have been maintained at a level slightly higher than originally budgeted at 31 March 2021.

6. GROUPS CONSULTED

The accounts have been advertised as available for inspection and are available on the website. The external auditors have been auditing the financial records and accounts since August.

7. ENVIRONMENTAL/CLIMATE CHANGE IMPACT

The revenue budget supports the appointment of a climate change officer and associated budget.

8. DATE OF IMPLEMENTATION (CONFIRMATION OF DECISION SUBJECT TO CALL-IN)

Immediately. No call in.

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TEIGNBRIDGE DISTRICT COUNCIL

STATEMENT OF ACCOUNTS

2020/21

STATEMENT OF ACCOUNTS 2020/2021

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Part 1

Introduction

STATEMENT OF ACCOUNTS 2020/2021

CHIEF OFFICER OF THE COUNCIL & LOCATION OF OFFICES

CHIEF OFFICER OF THE COUNCIL

Managing Director

Phil Shears

LOCATION OF OFFICES

Building Control
Customer Services
Revenue & Benefits
Environmental Health
Business Transformation team
Spatial Planning
Neighbourhood Planning
Development Management
Housing
Internal Audit
Resorts
Strata Service Solutions Limited
Democratic Services
Communications
Human Resources
Waste, Recycling & Cleansing
Leisure
Green Spaces & Active Leisure
Licensing
Economy/Property & Assets
Health & Wellbeing
Community Safety
Parking
Land Charges
Coastal & Drainage
Elections
Finance
Legal
Procurement
Partnership Development

Forde House
Brunel Road
Newton Abbot
TQ12 4XX

Tel: (01626) 361101

Fax: (01626) 215250

Narrative Report

INTRODUCTION

1. This Narrative Report sets out the overall financial position and details the financial transactions relating to the activities for the year ended 31 March 2021. It provides a brief explanation of the financial aspects of the Council's activities and draws attention to the main characteristics of the Authority's financial position. It also provides a commentary on the financial highlights and identifies any significant events that may affect the reader's interpretation of the accounts. The Authority's Accounts for the year 2020/21 are set out on pages 23-118. They consist of:

THE CORE FINANCIAL STATEMENTS:

These are listed below with a brief description that outlines the purpose of each:

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)	This statement on page 30 shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations but this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
MOVEMENT IN RESERVES STATEMENT (MIRS)	This statement on page 31 shows the movement in the year on the different reserves held by the authority analysed into 'usable reserves' which can be used to fund expenditure or reduce local taxation and those that are unusable.
BALANCE SHEET	This shows on page 32 the assets and liabilities recognised by the Authority on 31 March 2021.
CASH FLOW STATEMENT	This shows on page 33 the changes in cash and cash equivalents of the Authority during the reporting period.

The financial statements are supported by various notes shown on pages 34-112. These notes include the accounting policies which summarise the framework within which the Council's accounts are prepared and published.

The Expenditure and Funding Analysis statement note 7 on page 53 shows how annual expenditure is used and funded from resources in comparison with those resources consumed or earned in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes across the Council's reporting segments.

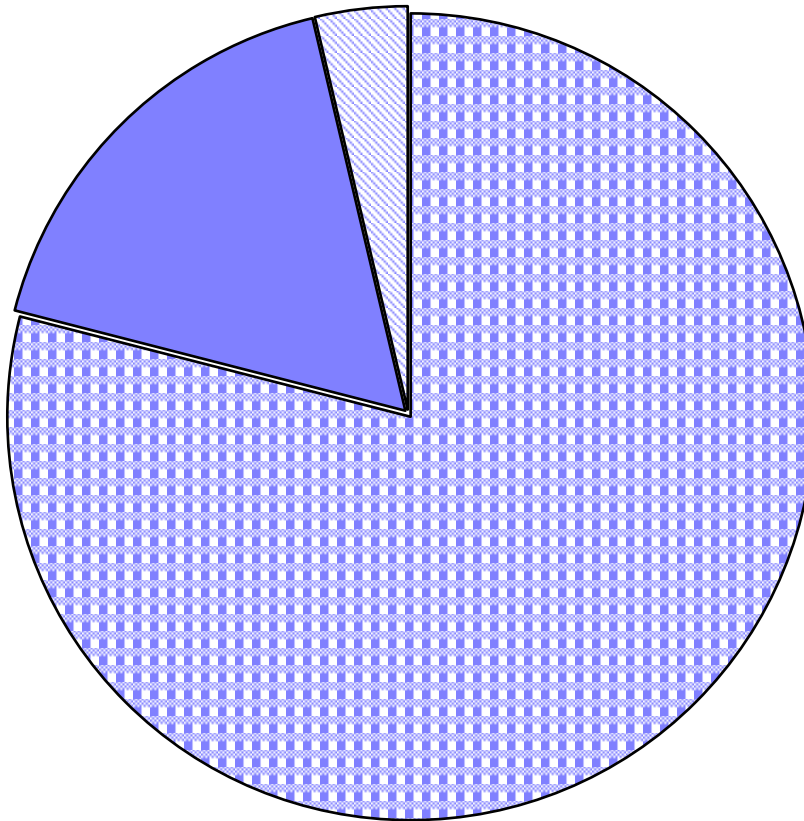
SUPPLEMENTARY FINANCIAL STATEMENTS (Pages 113-114)

COLLECTION FUND

A statutory fund showing administration of council tax and income from business ratepayers on page 113.

2. **Review of the year** - The following three charts show in broad terms where the Authority obtains its finance, what it is spent on and what services it provides.

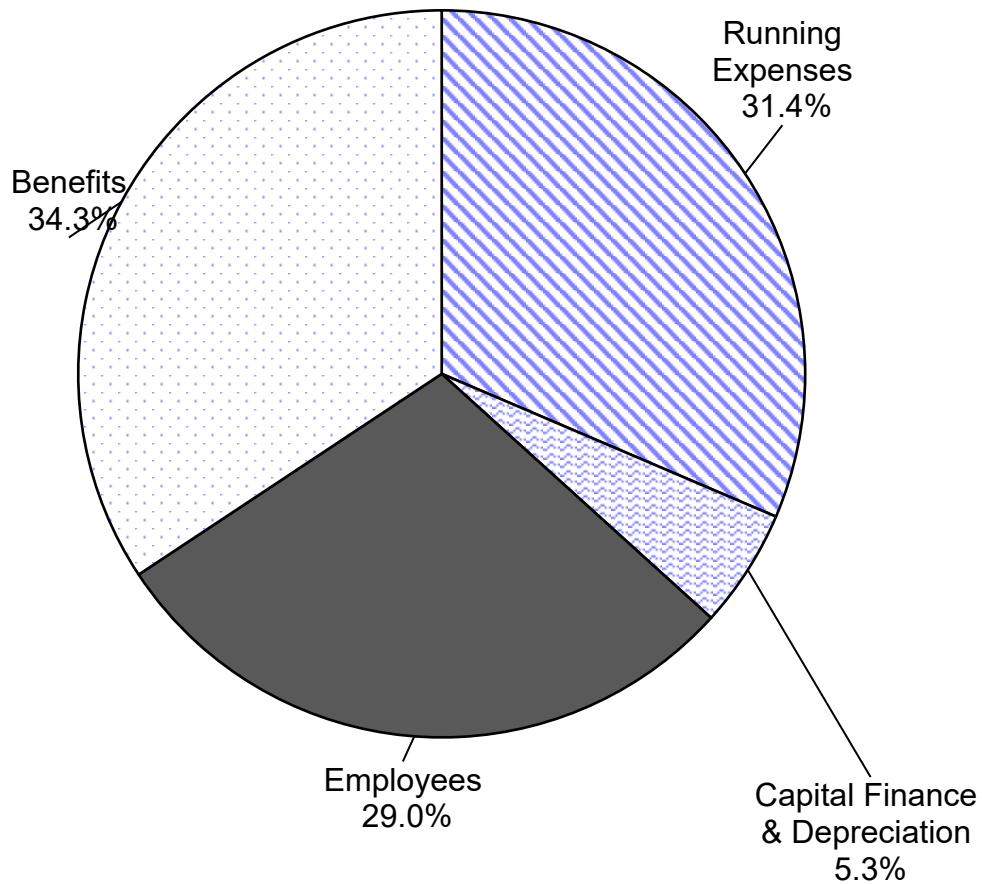
WHERE THE MONEY COMES FROM



The largest single item is Government Grants, for example rent allowances and revenue support grant, and other contributions which provide 79.0% of the total.

Income received from the services provided through fees, charges and other income including interest account for 17.3% of the total.

WHAT THE MONEY IS SPENT ON



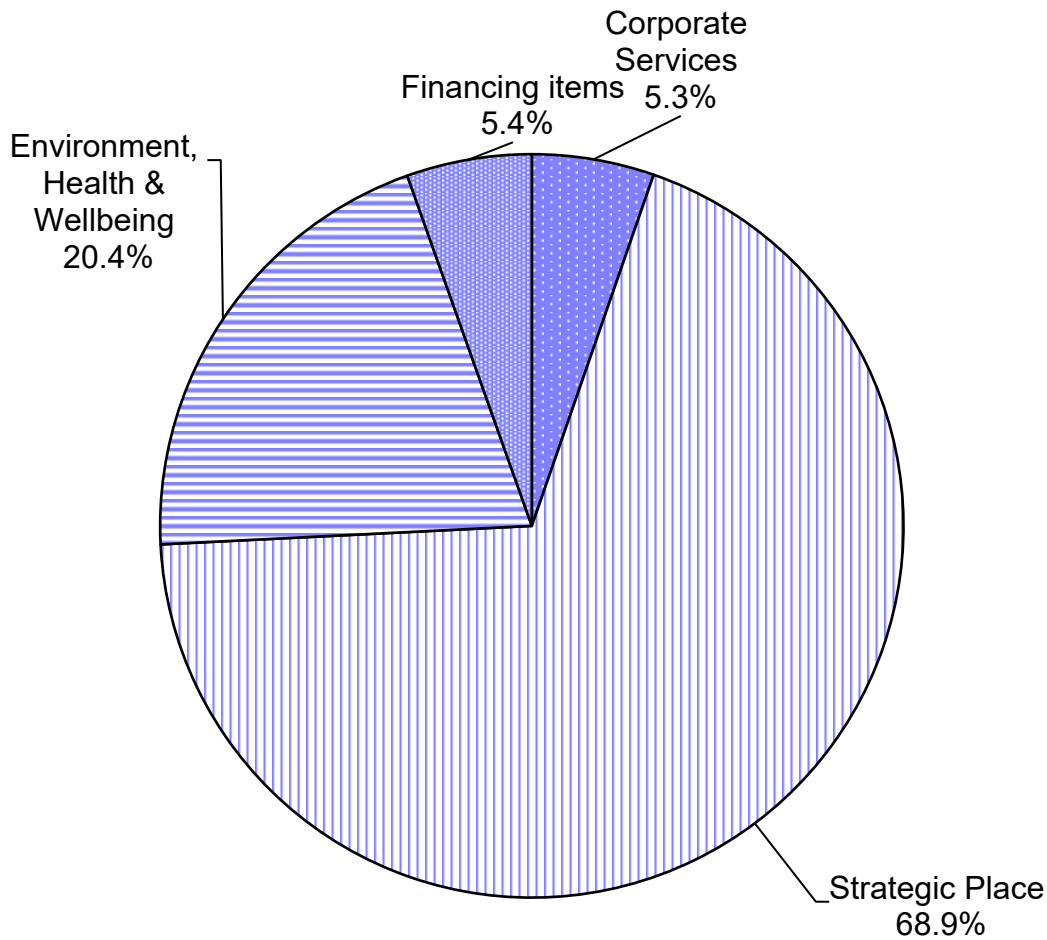
Benefits cover rent allowances and housing rent rebates and amount to 34.3%

Running expenses includes maintenance of buildings, operating vehicles and purchase of supplies and services and takes up 31.4% of the total expenditure.

Employees account for 29.0% of the total.

Capital financing charges are mainly the payments of interest on loans, depreciation and impairment/revaluation adjustments.

THE SERVICES PROVIDED



68.9% of the total expenditure is on Strategic Place which covers services such as building control, economy & assets, housing, parking & transport, revenue & benefits including rent allowances, spatial planning and development management.

Corporate Services includes all support services, for example, finance, human resources, internal audit, legal and procurement. The strategic leadership team together with democratic and electoral services are also included in this heading. Communications, and the business transformation team make up the balance of this segment.

Environment, Health & Wellbeing covers all aspects of environmental health plus green spaces, leisure, resorts, licensing, waste, recycling & cleaning and community safety.

Financing items includes past service pension deficit contributions, pension strain payments, bank charges and external audit fees.

FINANCIAL REQUIREMENTS AND RESOURCES

3. The authority maintains capital and revenue reserves. An appropriate level of balances is a necessary part of our financial management strategy to have funds available to meet known and potential financial commitments. Revenue reserves can be used to finance capital projects or revenue expenditure. Capital reserves can only be used to fund capital projects.

Our reserves are detailed on page 31 in the Movement in Reserves Statement. These are split into 'usable reserves' which can be applied to fund expenditure or reduce local taxation, and other reserves which are 'unusable'. Usable reserves include our general fund balance of earmarked and unearmarked reserves, capital receipts reserve, and capital grants unapplied, all in note 26 to the accounts. Unusable reserves are detailed in note 27 and include a number of reserves such as the revaluation reserve, pensions reserve and capital adjustment account.

Within the year our 'usable reserves' have increased from £21.925 million to £42.475 million. This is mainly due to the increase in capital grants unapplied, capital receipts in the year and increase in earmarked reserves to assist funding of future revenue budget gaps and government grants in relation to the Collection Fund deficit (see the Movement in Reserves Statement).

Our unusable reserve position has declined. The reserves showed a negative £4.525 million at 31 March 2020 due to the deficit on the pension reserve. This deficit has increased to a negative £27.908 million at 31 March 2021. This is mainly due to an increase in the pension reserve deficit due to changes in financial assumptions shown in note 40 and a significant deficit on the Collection Fund. Revenue reserves are £25.008 million at 31 March 2021 and capital receipts and grants unapplied are £17.467 million.

REVENUE EXPENDITURE

4. During the year regular budget monitoring has been carried out and reported to members. Overall net expenditure in 2020/21 was £15.873 million compared to the original approved budget of £16.134 million – a favourable variance of £0.261 million.

Income has decreased significantly as a result of Covid 19 – in particular from fees and charges with leisure and car parking being badly hit, property rental income also declined compared to budget. A budget realignment exercise was undertaken to make savings during the year which was approved at Full Council in September 2020. As a result there were savings in staffing costs, utility costs, repairs and maintenance, contractors costs, cleansing and grounds maintenance, printing, postage, stationery and advertising and a significant reduction in revenue contributions to capital outlay. There was an increase in income from government grants due to additional general Covid grants, sales/fees and charges compensation grant and significant grants to support the additional business rate relief which increased the overall favourable variance to £13.897 million.

5. Set out below is a comparison between actual & budgeted expenditure for the year:-

	Budget	Actual	Difference
	£'000	£'000	£'000
Net expenditure on services	16,119	15,873	(246)
Interest payable	15	0	(15)
NET EXPENDITURE	16,134	15,873	(261)
Income from Government Grants & Local Taxpayers	(16,134)	(29,770)	(13,636)
DEFICIT (SURPLUS) FOR THE YEAR	0	(13,897)	(13,897)

Actual net expenditure of £15.873 million can be reconciled to the Comprehensive Income and Expenditure Statement on page 30 being:-

	£'000
(Surplus) on Provision of Services	(8,986)
Adjustments between accounting basis & funding basis under regulations (note 9 on pages 57 to 61)	(4,911)
(Surplus) for the year	(13,897)
Add: Income from Government Grants and Local Taxpayers (as listed below)	29,770
Net expenditure (as above)	15,873

Income from Government Grants and Local Taxpayers of £29.770 million can be reconciled to the Comprehensive Income and Expenditure Statement on page 30 as the sum of the Council tax income excluding deficit of £12.571 million, Business Rates income less expenditure, excluding surplus, plus new homes bonus, other sundry general grants and Covid grants of £20.999 million, less precepts paid to Parish Councils of £3.800 million. These are highlighted in notes 11, 13 and 35 to the financial statements. The General Fund balance at 31 March 2021 is £25.008 million being general reserves of £2.060 million and earmarked reserves of £22.948 million.

The accounts are heavily influenced by the shifting pattern of funding receipts moving away from central government grants towards greater reliance on self-generated income. We no longer receive revenue support grant and revisions to funding for New Homes Bonus are showing reductions in future years.

Expenditure on services is influenced by our ten year Council Strategy and the major themes running through this document being the Teignbridge Ten (T10). The Council Strategy covers

a ten year period from 2020 to 2030. The strategies and action plans are built up around the T10 with business plans. These are integrated with the medium term financial strategy, Local Plan, Neighbourhood plans, partnership working and other service strategies to deliver the desired outcomes.

The Council Strategy will be monitored annually and refreshed if necessary. A review will take place every four years to ensure we are on track and consider new ideas and developments.

We produce Council Strategy performance reports quarterly to monitor how we are doing.

We carry out annual service reviews to consider best practice, alternative working methods, and identify further savings where possible.

More detail can be found here: <https://www.teignbridge.gov.uk/councilstrategy>

6. **Material charges in the accounts** – In 2019/20 there were revaluation losses net of revaluation reversals relating to our land and building values charged to the Comprehensive Income & Expenditure Statement amounting to £0.4 million. Revenue expenditure funded from capital under statute was higher in 2020/21 at £3.5 million (£3.2 million in 2019/20) mainly due to a £1 million contribution to the A382 road improvements. Of the £3.5 million, £3.4 million is charged to 'Strategic Place' within Cost of Services in 2020/21 and £2.8 million of the £3.2 million in 2019/20. In 2020/21 the revaluation losses net of revaluation reversals had altered to just over £0.350 million. £0.9 million was charged to 'Strategic Place' and a net reversal of £0.542 million to 'Environment, Health & Wellbeing' within Cost of Services. A one off pension deficit contribution of £1 million was incurred in 2019/20. This was charged to 'Financing Items' in Cost of Services within the Comprehensive Income & Expenditure Statement. A three year up front pension deficit contribution was paid in 2020/21 amounting to £3.7 million covering the years 2020/21 to 2022/23. This was also charged to 'Financing items' in 'Cost of Services' within the Comprehensive Income & Expenditure Statement.

EXPENDITURE AND FUNDING ANALYSIS

Section 5 above identifies the actual surplus made of £13.897 million when compared to the original budget set in February 2020. Further detail is given in note 7 to the Accounts in the Expenditure and Funding Analysis which links the deficit/(surplus) made under generally accepted accounting practices with how annual expenditure is used and funded from resources. As a result the deficit in the Comprehensive Income and Expenditure Statement (CIES) is adjusted for these differences to arrive at the actual deficit/(surplus) to be deducted from/added to the General Fund.

The amounts which are charged to the CIES for items such as depreciation, revaluation of assets, capital grants and pension charges are eliminated to identify that which is chargeable to the General Fund Balance. Approximately half of the net expenditure chargeable to the General Fund relates to the segment 'Environment, Health and Wellbeing' for 2019/20 and 2020/21 within Cost of Services.

CAPITAL EXPENDITURE

7. The table below shows the performance on Capital Investment for 2020/21.

The Council spent £6.247 million on capital projects compared with the original budget of £32.632 million.

The decrease is mainly due to projects which have been delayed or re-assessed, usually to ensure they will be fulfilling Council priorities for example leisure strategy items, carbon management, provisions for employment land and town centre development works, infrastructure and affordable housing schemes.

	Budget £'000	Actual £'000	Difference £'000
Capital Investment:			
General	27,200	4,733	22,467
Housing	5,432	1,514	3,918
CAPITAL EXPENDITURE	32,632	6,247	26,385
Financed by:			
Capital Receipts	2,772	588	2,184
Revenue Contributions	331	130	201
Prudential Borrowing	14,650	666	13,984
Grants	5,881	2,820	3,061
Contributions	8,998	2,043	6,955
CAPITAL FINANCING	32,632	6,247	26,385

The analysis of Capital Investment in 2020/21 is:

Disrepair and Disabled Facilities Grants	£ 1.121 million
Affordable Housing	£ 0.393 million
Environmental Schemes	£ 0.278 million
Flood Alleviation and Prevention	£ 1.129 million
Sports Halls and Recreation	£ 0.716 million
Planning & Development	£ 0.913 million
Industrial, Commercial and Infrastructure	£ 1.000 million
Open spaces (including SANGS)	£ 0.406 million
Car Parks	£ 0.027 million
Other schemes	£ 0.264 million
	£ 6.247 million

The main projects were Regional Coastal Monitoring £1.091 million, disrepair and disabled facilities grants £1.111 million, affordable housing construction £0.382 million, Newton Abbot town centre regeneration £0.246 million, Teignmouth town centre regeneration £0.583 million, purchase and instatement of land for South West Exeter SANGS £0.138 million, contribution to cirl bunting habitat £0.154 million, contribution to A382 improvements £1.000 million, Bakers Park improvements £0.552 million, IT improvements £0.264 million.

8. For 2021/22 the budgeted expenditure is as follows:

Sports Halls & Recreation	£ 3.747 million
Open Spaces	£ 2.574 million
Planning & Development	£12.845 million
Industrial, Commercial and Infrastructure	£ 8.209 million
Environmental Schemes	£ 4.307 million
Flood Alleviation & Prevention	£ 1.164 million
Disrepair, Disabled Facilities & Heating grants	£ 2.897 million
Affordable Housing	£ 2.262 million
Information Technology & Central Services	£ 0.472 million
	£38.477 million

Some of the specific schemes included in these totals are £3.000 million for leisure centre decarbonisation (the Forde House decarbonisation project was added later), £5.284 million towards road improvements such as the Dawlish link road and bridge, the A382 and the Houghton Barton link road, £1.126 million for Regional Coastal Monitoring, £2.308 million for SANGS land purchase, instatement and endowment arrangements, £1.873 million for Warm homes grants, £1.000 million for Disabled Facilities grants, £10.784 million for town centre development with a further £2.043 million for Future High Street fund projects. In addition, there are provisions of £2.197 million for the construction of additional affordable housing, £3.345 million for leisure centre refurbishment, £0.575 million for cycle schemes and £2.000 million for employment schemes, which will be brought back to Full Council for final approval where appropriate.

9. Capital funds:

The capital receipts, grants and contributions received including capital receipts in advance for 2020/21 can be analysed as follows:

	Capital resources brought forward	£13.449 million
Add:	Received in year	£15.194 million
Less:	Capital financing applied to expenditure	£ 4.880 million
	Loan/other	£ - million
	Capital resources carried forward	£23.763 million

BORROWING / FUNDING

10. There was no long term borrowing during the year.

PENSION LIABILITIES

11. International Accounting Standard 19 (IAS19) requires Local Authorities to recognise pension assets and liabilities within their accounts. The impact on the General Fund of the IAS 19 entries is neutral overall.

The actuary has now estimated a net deficit on the funded liabilities within the Pension Fund as at the 31 March 2021 of £107.865 million. The requirement to recognise the net pension liability in the balance sheet has reduced the reported net worth of the authority by 88.1% for 2020/21 and 83.2% for 2019/20 as shown on page 32.

The net deficit has increased which is mainly due to an adverse movement on the actuarial financial assumptions. The deficit is derived by calculating the pension assets

and liabilities at 31 March 2021. This is different to the valuation basis used to calculate the employers' contribution rate which is calculated using actuarial assumptions spread over a number of years. See also note 40 on pages 98 -104 for further information.

CASH FLOW

During the year the cash flow of the Authority increased by £12.962 million. This was mainly due to an increase in grant receipts in advance, capital receipts and capital grants unapplied at 31 March 2021.

BALANCE SHEET

During the year net assets at 31 March 2021 decreased by £2.833 million. This was mainly due to an increase in the pension liability partially offset by increases in capital receipts and capital grants unapplied and earmarked reserves. Also see pages 31 and 32 for more information.

JOINT OPERATIONS

The accounts incorporate our share of the jointly owned company Strata Service Solutions Ltd. The ownership is shared with Exeter City Council and East Devon District Council with our share representing 27.372%. The figures consolidated on a joint operation basis are detailed in note 47. In 2020/21 our share of adjustments to the Comprehensive Income and Expenditure Statement amounted to £1.467 million. The cumulative effect on our balance sheet is to reduce net assets by £4.023 million.

CHANGE IN ACCOUNTING POLICIES

12. There have been no changes in accounting policies in 2020/21.

KEY INFORMATION/ ECONOMIC CLIMATE

13. The Council provides a range of services within the District including housing, refuse collection and recycling, planning, economic development, tourism and leisure.

Our vision is: *'Making Teignbridge a healthy and desirable place where people want to live, work and visit'*

Further information on our environment and strategy can be found here:

<https://www.teignbridge.gov.uk/councilstrategy> (not subject to audit)

The economic climate continues to have an impact on the Council although there were no significant changes compared to recent years until the Covid 19 pandemic and lock down in the latter part of March 2020. In year collection of business rates and council tax has altered from last year decreasing from 99.11% to 96.77% for rates and from 98.34% to 98.13% for council tax. There was a further decrease in housing benefit costs. Income from many sources including car parking, planning, rents etc had reduced significantly due to Covid 19.

It is still unclear what the long term impact from the Covid 19 pandemic will be on businesses as we emerge from the various lockdowns and viability economically for businesses and the finances of the Council moving forward.

ECONOMY, EFFICIENCY AND EFFECTIVENESS IN ITS USE OF RESOURCES

14. The Authority reports on its financial performance and economy, efficiency and effectiveness in its use of resources over the financial year in a number of ways;

Spending against budget has been monitored monthly for Corporate Management Team and quarterly reports are submitted to the Executive Committee.

There are also a number of reports submitted to the Audit Scrutiny Committee including:-

- Internal Audit Annual Report and quarterly audit findings.
- Annual Governance Statement.
- External Audit's Annual Audit Letter including a Value for Money conclusion.
- Review of risk management.
- Treasury management including mid-year review.

The Annual Governance Statement can be found on pages 120 to 127. This describes the governance framework in place with reference to the guiding principles recommended by the CIPFA/SOLACE Framework for Delivering Good Governance in Local Government. The Framework comprises the systems, processes, culture and values which direct and control our daily business, and includes the methods we use to engage, lead and account to the community. It enables us to monitor how we are doing and to consider whether our plans help us to deliver appropriate services that are value for money in the short, medium and long term. The Annual Governance Statement comments on the effectiveness of our governance arrangements which is informed by annual review of systems and processes in place including governance changes due to the impacts of Covid 19.

Key performance indicators are monitored with reports being taken quarterly to Overview and Scrutiny Committee.

The reports monitor performance against the Council Strategy 'Teignbridge Ten' programmes (T10) which are the 'super projects' that will have a high impact on and bring major benefits to the Council's seven key objectives. Each T10 has seven or more actions with performance indicator(s) and/or project(s) to monitor their progress against targets and milestones.

Every quarter an update on the progress of each T10 is compiled by the T10 managers and presented to Overview & Scrutiny Committee.

The latest T10 report covers the financial year quarter 4 period from 1st January to 31st March 2021 and includes all PIs and reviews of the projects that have started.

At the end of the third year of the Council Strategy:

- All T10 programmes are reported
- A total of 62 performance indicators are reported
- 54 projects are reported

Within the report are details of key performance achievements including:

- Number of empty properties impacting on New Homes Bonus, 345, was ahead of target for the 3rd consecutive year.
- 147 dwellings were improved through intervention by the Council which was well above the target of 120

- We provided 48 additional gypsy and traveller pitches, according to identified need in Plan Teignbridge, 20 more than target.
- Homelessness preventions were well ahead of target by assisting with alternative accommodation (309, target 267) and well ahead of target by client remaining in existing home (276, target 160).
- Household waste that is not recycled is within 4.16% of target
- The recycling rate is at 53.84%
- 100% of beaches rated as excellent or good water quality (target 100).
- 2,651 sqm of employment space has been completed
- 2 km of new cycle routes were provided by working with our partners, on track with a target of 2 km

Other key performance indicator results for the year are shown in the table below:

'Teignbridge Ten' programme heading and performance description	Target 2020/21	Actual 2020/21
Clean scene		
Street cleaning & litter responsibilities. £'s per household	£23.98	£23.37
Household waste collected: £'s per household	£58.88	£54.62
% Beaches rated as excellent or good water quality	100%	100%
Great places to live and work		
Number of conservation areas with appraisal and management plan adopted within the last 5 years	7	3
Going to town		
% of businesses with the top food hygiene rating of 5	92%	90%
Health at the heart		
Number of vulnerable & elderly residents assisted to remain in their own home	249	241
Number of households whose housing conditions have been improved through financial assistance	120	147
Investing in prosperity		
Processing of major planning applications within 13 weeks	60.0%	86.8%
Processing of minor planning applications within 8 weeks	65.0%	81.0%
Out and about and active		
Number of young people under 18 participating in activities we organise	No data due to COVID-19	No data due to COVID-19
Number of older people over 60 participating in events we organise	No data due to COVID-19	No data due to COVID-19
A roof over our heads		
Net additional homes provided	753	426
Affordable homes delivered in urban areas as defined by the Local Plan	128	121
Homelessness prevented by client remaining in existing home	160	276
Homelessness prevented by assisting with alternative accommodation	267	309
What else will we do		
£ Income generated	£43,089,180	£46,341,177
£ External funding received	£1,040,100	£7,129,371

'Teignbridge Ten' programme heading and performance description	Target 2020/21	Actual 2020/21
£ Cost per head of population on all services	£124.16	£118.25

Reports on performance are reported to Overview & Scrutiny Committee and can be found here:

[Committee meetings and agendas - Teignbridge District Council](#)

Internal reviews of all services are conducted every year under the Business Efficiency Service Transition known as BEST 2020 (now rebranded as Better 2022). This process identifies future efficiencies and savings that will be made to service provision and feeds into the budget.

FORWARD FINANCIAL PLANNING REVIEW

15. The Authority has a Medium Term Financial Plan which covers 3 years and is updated on an annual basis as part of the budget process. It includes planned future developments in service delivery including the capital programme. There are a number of issues that are impacting on the Authority, its finances and service delivery. These include:

Cuts to Central Government grant funding – Revenue Support Grant eliminated, planned reductions in New Homes Bonus and review of business rates.

We continue to have reductions in funding from new homes bonus, brought about initially by the changes in the 2017/18 Local Government Finance Settlement. The introduction of a baseline and reduced time period for legacy payments has required us to identify savings and additional income to meet the shortfall. The 2020/21 and 2021/22 settlements have exacerbated this by eliminating any legacy payments from the New Homes Bonus allocation earned for 2020/21 and thereafter.

We only have a funding agreement from Government for one year. In addition we understand New Homes Bonus will be scrapped and replaced with an alternative form of housing funding but we have no further details. The government is reviewing the major national funding distribution of business rates which creates significant uncertainties for future financial planning. (See also 18 below and the uncertainties in relation to Covid 19).

The capital programme is fully funded in the medium term and by having no long term borrowing at present has the ability to enter the lending market for agreed schemes and if provisions for projects and schemes are approved with an appropriate business case.

UNCERTAINTIES, PROVISIONS, COVID 19, BREXIT & MATERIAL EVENTS AFTER THE REPORTING DATE

16. Please see note 6 to the financial statements for events after the reporting period. Contingent liabilities are itemised in note 41 and relate to any claims that may arise from the transfer of the Authority's housing stock in 2004. See also note 25 to the financial statements for provisions in the accounts. The provision we hold is for non-domestic rates appeals. There have been no major write offs in the year.
17. Withdrawal from the European Union (Brexit) – the opportunities and challenges arising from Brexit are still unclear for the Council and its public services. Withdrawal is likely to have some

implications for public services and it is not known whether these will be positive or less desirable outcomes and this has now been masked by the Covid 19 pandemic.

18. Coronavirus Covid 19 – The overall impact of this virus is difficult to determine. We don't know the long term impact on businesses and the economy. Locally we have seen increases in unemployment and closure of businesses. Income to the Council has reduced significantly, see note 6 to the financial statements together with collection rates for Council tax, business rates and rental income. The budget for 2021/22 will need to be monitored carefully in conjunction with any further funding support from Government/use of reserves and projections/efficiency plans within the Medium Term Financial Plan/cash flow and recovery plans. We don't know the long term impact on asset and liability values – in particular, Property, Plant & Equipment and the Pension liability. More detail on this is available in note 4 to the financial statements. The Covid pandemic has created budgetary financial pressures in the medium term financial plan which will need to be addressed.

Reaction to the Covid 19 pandemic – in the early part of 2020 the Council acted quickly to ensure we maintained essential front line services and moving much of our work on line with staff working from home where possible. We worked with other bodies in containing the virus, distributed food parcels and administered the payment of business grants to eligible businesses and business rates reliefs.

We moved swiftly to find accommodation for rough sleepers and put together a recovery plan to aid our planning for the future. We realigned the budget, approving a raft of savings in September 2020 following significant losses in income and we continue to work with voluntary organisations to help our most vulnerable residents.

We will continue to focus on our working methods and the annual review of business plans and service reviews through the Better 2022 process will pull together savings and suggested savings to meet the likely budget gaps predicted in future years. Support has been provided by Central Government through general Covid grants, furlough and the income compensation scheme but these are not available long term and future funding reforms are awaited from Government, however consultations on these are yet to emerge.

FURTHER INFORMATION

19. Further information about the accounts is available from Financial Services, Forde House, Newton Abbot. This is part of the Council's policy of providing full information about the Council's affairs. Also interested members of the public have a statutory right to inspect the accounts before the audit. The availability of the accounts for inspection is advertised on our website. The accounts have been audited and the Auditors' opinion and conclusion is on pages 26 to 29. The accounts are available on request in large print, Braille, different colour, e-mail attachment, MP3 file or disc. If English is not your first language we can also arrange for it to be produced in another language.

Martin Flitcroft – Chief Finance Officer

Part 2

Financial Statements

STATEMENT OF ACCOUNTS 2020/21**INDEX**

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**THE STATEMENT OF RESPONSIBILITIES FOR THE
STATEMENT OF ACCOUNTS**

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 Chief Finance Officer;
- ◆ manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- ◆ approve the Statement of Accounts.

The Chief Finance Officer’s Responsibilities

The Chief Finance Officer is responsible for the preparation of the authority's Statement of Accounts in accordance with 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 Chief Finance Officer has:-

- ◆ selected suitable accounting policies and then applied them consistently;
- ◆ made judgements and estimates that were reasonable and prudent;
- ◆ complied with the local authority Code.

The Chief Finance Officer has also:

- ◆ kept proper accounting records which were up to date;
- ◆ taken reasonable steps for the prevention and detection of fraud and other irregularities

The Chief Finance Officer has signed below to certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority at 31 March 2021 and its income and expenditure for the year ended 31 March 2021.

.....
MARTIN FLITCROFT – CHIEF FINANCE OFFICER

I confirm that these accounts were approved by the Council on 23 April 2024

.....
COUNCILLOR CHRIS CLARANCE, CHAIRMAN OF THE COUNCIL

23 April 2024

AUDIT OPINION AND CONCLUSION

Independent auditor's report to the Members of Teignbridge District Council Report on the Audit of the Financial Statements

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LEAVE BLANK FOR AUDIT OPINION AND CONCLUSION

for and on behalf of Grant Thornton UK LLP, Appointed Auditor
2 Glass Wharf, Temple Quay, Bristol BS2 0EL

23 April 2024

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2019/20				2020/21		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
4,341	(433)	3,908	Corporate Services	3,805	(269)	3,536
45,618	(40,986)	4,632	Strategic Place**	49,309	(44,111)	5,198
16,467	(7,122)	9,345	Environment, Health & Wellbeing	14,569	(5,847)	8,722
3,833	(155)	3,678	Financing items*	3,893	(154)	3,739
70,259	(48,696)	21,563	Cost of Services	71,576	(50,381)	21,195
3,549	(753)	2,796	Other Operating Expenditure (Note 11)	4,185	(1,163)	3,022
2,046	(94)	1,952	Financing and Investment (Income) and Expenditure (Note 12)	1,918	(17)	1,901
10,392	(34,900)	(24,508)	Taxation and Non-Specific Grant (Income) and Expenditure (Note 13) ***	10,568	(45,672)	(35,104)
		1,803	(Surplus) or Deficit on Provision of Services			(8,986)
		(826)	(Surplus) or Deficit on revaluation of Property, Plant & Equipment assets			(9,434)
		(4,456)	Re-measurements of the net defined benefit liability			21,253
		(5,282)	Other Comprehensive (Income) and Expenditure			11,819
		(3,479)	Total Comprehensive (Income) and Expenditure			2,833

*In 2019/20 a one off pension deficit contribution of £1.0 million was paid. In 2020/21 a three year up front pension deficit contribution was paid of £3.7 million.

**In 2020/21 includes £5.5 million for payment of Covid business grants (ARG/discretionary/Tier 2 Open/Closed) from Government grant funding received in response to the Covid pandemic – see note 5(b) to the financial statements.

*** Includes Covid support of £4.0 million for fees and charges compensation, £1.8 million general Covid grants and £6.7 million retail relief grant for business rates (see note 13).

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. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase/(Decrease) before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Note: earmarked reserves transfer for 2020/21 includes £8.1 million for collection fund deficit (see note 10) outside the scope of reserves earmarked for service requirements including s.31 grant support as identified in note 13.

	Unearmarked Reserves	Earmarked Reserves	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2019	1,982	9,762	11,744	5,249	3,248	20,241	(6,320)	13,921
<u>Movements in reserves during 2019/20</u>								
Total Comprehensive Income and Expenditure	(1,803)	0	(1,803)	0	0	(1,803)	5,282	3,479
Adjustments between accounting basis & funding basis under regulations (Note 9)	1,170	0	1,170	593	1,724	3,487	(3,487)	0
Increase/(Decrease) in 2019/20 before transfer to earmarked reserves	(633)	0	(633)	593	1,724	1,684	1,795	3,479
Transfer to/from Earmarked Reserves	638	(638)	0	0	0	0	0	0
Increase/(decrease) in 2019/20	5	(638)	(633)	593	1,724	1,684	1,795	3,479
Balance at 31 March 2020 carried forward	1,987	9,124	11,111	5,842	4,972	21,925	(4,525)	17,400
<u>Movement in reserves during 2020/21</u>								
Total Comprehensive Income and expenditure	8,986	0	8,986	0	0	8,986	(11,819)	(2,833)
Adjustments between accounting basis & funding basis under regulations (Note 9)	4,911	0	4,911	585	6,068	11,564	(11,564)	0
Increase/(Decrease) in 2020/21 before transfer to earmarked reserves	13,897	0	13,897	585	6,068	20,550	(23,383)	(2,833)
Transfer to/from Earmarked Reserves	(13,824)	13,824	0	0	0	0	0	0
Increase/(decrease) in 2020/21	73	13,824	13,897	585	6,068	20,550	(23,383)	(2,833)
Balance at 31 March 2021 carried forward	2,060	22,948	25,008	6,427	11,040	42,475	(27,908)	14,567

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority 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). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves 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 are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'

31 March 2020	Notes	31 March 2021	
£'000		£'000	
101,664	Property, Plant & Equipment	14	109,583
128	Investment Property	15	102
391	Intangible Assets	16	404
0	Assets Held for Sale	23	0
0	Long Term Investments	17	0
1,634	Long Term Debtors	18	5,082
103,817	Long Term Assets		115,171
0	Short Term Investments	19	0
0	Assets Held for Sale	23	0
178	Inventories		183
11,933	Short Term Debtors	20	27,550
8,170	Cash and Cash Equivalents	22	21,132
20,281	Current Assets		48,865
0	Bank Overdraft	22	0
0	Short Term Borrowing		0
(7,310)	Short Term Creditors	24	(17,324)
(520)	Provisions	25	(588)
(4,098)	Grants Receipts in Advance-Revenue	35	(10,885)
(2,557)	Grants Receipts in Advance-Capital	35	(6,218)
(14,485)	Current Liabilities		(35,015)
0	Provisions	25	0
(86,826)	Other Long Term Liabilities	43	(109,239)
(5,309)	Grants Receipts in Advance – Revenue	35	(5,137)
(78)	Grants Receipts in Advance - Capital	35	(78)
(92,213)	Long Term Liabilities		(114,454)
17,400	Net Assets		14,567
21,925	Usable Reserves	26	42,475
(4,525)	Unusable Reserves	27	(27,908)
17,400	Total Reserves		14,567

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

2019/20		2020/21
£'000		£'000
1,803	Net (surplus) or deficit on the provision of services	(8,986)
(8,396)	Adjustments to net surplus or deficit on the provision of services for non cash movements (Note 28(a))	(25,093)
5,028	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 28(b))	9,454
(1,565)	Net cash flows from Operating Activities	(24,625)
(2,531)	Investing Activities (Note 29)	(1,257)
767	Financing Activities (Note 30)	12,920
(3,329)	Net (increase) or decrease in cash and cash equivalents	(12,962)
4,841	Cash and cash equivalents at the beginning of the reporting period	8,170
8,170	Cash and cash equivalents at the end of the reporting period (Note 22)	21,132

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

a. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, the Local Authorities (Capital Finance and Accounting)(England) Regulations 2003 (SI 2003 No 3146, as amended) supported by International Financial Reporting Standards (IFRS).

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. The Statement of Accounts has been prepared using the going concern basis.

b. Accruals of Income and Expenditure

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

- The council recognises revenue from contracts with service recipients when it satisfies a performance obligation by transferring promised goods and services to a recipient, measured as the amount of the overall transaction price allocated to that obligation.
- 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 received (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 revenue 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.
- Revenue from council tax and business rates is measured at the full amount receivable (net of any impairment losses) and is accounted for on an accruals basis.

c. 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 highly liquid investments that mature in no more than 95 days 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.

d. Material Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

e. 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 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. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior 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.

f. Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible assets attributable to the service.

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance – Minimum Revenue Provision (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

g. 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

paid 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 can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. 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 entitlements 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 in exchange for those benefits and are charged on an accruals basis to the appropriate reporting segment (or Financing Items where they relate to pension enhancements) in the Comprehensive Income and Expenditure Statement to terminate at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring.

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 Pensions Scheme, administered by Devon County Council.

This schemes provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Devon County Council pension fund attributable to the Authority 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 projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the annualised yield on the Merrill Lynch AA rated corporate bond curve used by the actuary Barnet Waddington and with consideration of the duration of the liabilities of the Employer (Teignbridge District Council).
- The assets of the Devon County Council pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price

- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value.
- The change in the net pensions 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 Comprehensive Income and Expenditure Statement to the services for which the employees worked
 - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Financing Items
 - net interest on the net defined benefit liability (asset), i.e. net interest expense for the Authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
 - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – 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 Devon County Council pension fund – 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 transfers 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 pensioners and any such amounts payable but unpaid at the 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 Authority 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.

h. Events after the Reporting Period

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.

i. Financial Instruments

Financial instruments are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of the financial instrument. They are initially measured at fair value.

Financial Liabilities

As the Authority's financial liabilities are basic lending arrangements and mainly of a short term nature they are subsequently measured at amortised cost. For the Authority's borrowing this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest). Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument (which for the Council's loans is the amount payable for the year per the loan agreement).

Financial Assets

As the Authority's financial assets are basic lending arrangements and are not held to make speculative gains through increases in their value, they are subsequently measured at amortised cost: the outstanding principal repayable (plus accrued interest). Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) are based on the carrying amount of the asset, multiplied by the effective rate of interest for the instrument, (which for the Authority's assets is the amount receivable for the year per the deposit agreement).

Allowances for impairment losses have been calculated for amortised cost assets, applying the expected credit losses model (see Note 42 below). This is a

change from previous years and in particular 'other debtors' is using the provision matrices option which takes into consideration historical data and grouping of debtor ages.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Instruments Entered Into Before 1 April 2006

The Authority entered into a financial guarantee that is not required to be accounted for as a financial instrument. This guarantee is reflected in the Statement of Accounts to the extent that a provision might be required or a contingent liability note is needed under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

j. 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 in the form of 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 a current or long term liability – 'grants receipts in advance'. If these are not obviously capital in nature then they are treated as revenue grants. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) 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. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

k. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to

an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

l. Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the FIFO costing formula.

m. Investment Property

Investment properties are those that are held solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated and gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

n. 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.

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 on the use of specific assets.

The Authority as Lessee

Finance Leases

Property, 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 (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 to 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 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).

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 (where 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 Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life 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 Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement 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), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable 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 Comprehensive Income and Expenditure Statement)

The gain credited to the Comprehensive Income and Expenditure Statement 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 non-current 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.

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 Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease.

o. Overheads/ Support Services/Central Costs

Total absorption costing is not fully applied under the principles within SeRCoP. Service segments do not have support services recharged to each front line service. Support services are reported separately in their own right within the 'Corporate Services' segment. This segment also includes the costs of the Corporate Leadership Team and the cost of democracy.

However, the central office costs are allocated to all services within the service segments on the basis of floor area.

Certain corporate costs such as discretionary benefits awarded to employees retiring early, past deficit pension contributions and general corporate costs such as bank charges and external audit fees are allocated to the 'Financing items' segment.

p. Property, Plant and Equipment

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

Recognition

Expenditure over £10,000 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 (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the cost of acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

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

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

Assets included in the Balance Sheet at current value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end. Where material changes in an assets value are identified, all assets within that class (e.g. car parks, public conveniences) will be re-valued in that year. As a minimum all assets will be valued every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services within the Comprehensive Income and

Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- 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 Comprehensive Income and Expenditure Statement.

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

Componentisation

All assets will be split into their land and buildings elements. Any asset in excess of £400,000 in value will be considered for componentisation. The component must have a minimum value of £200,000 or be at least 15% of the overall value of the asset (whichever is the higher) and the differential in the asset life must be more than 50% of that of the total asset. All three rules above must be met to consider componentisation and will be applied when an asset is revalued or a component is replaced. Where enhancement is integral to the whole asset e.g. roof on a building, then unless there is significant evidence to the contrary, the asset life of the enhancement will have the same remaining life as the existing asset and will not be separately identified as a component.

De-componentisation – Where, subject to materiality, a component is replaced or enhanced the carrying value of the old component shall be derecognised. Our internal valuer will provide a valuation for de-recognition.

Impairment

Assets are assessed at each 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 by:

- 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 Comprehensive Income and Expenditure Statement.

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

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An

exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer (5 to 50 years)
- vehicles, plant, furniture and equipment – 5 to 30 years
- infrastructure – straight-line allocation over the useful life as estimated by the valuer. Most have useful lives in excess of 50 years and therefore the majority are not depreciated

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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.

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 line in the Comprehensive Income and Expenditure Statement. 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 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 Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts and are credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the

Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

q. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Authority 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. 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 Comprehensive Income and Expenditure Statement in the year that the Authority 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 Authority settles the obligation.

Provisions are held for refunds of business rates as a result of appeals. An impairment allowance is held for bad debts.

Contingent Liabilities

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

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

Contingent Assets

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

r. Reserves

The Authority 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.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

s. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

t. Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

u. Heritage Assets

Heritage assets are valued at insurance valuation which is based on market values. The assets will be revisited at least once every five years for revaluation. Apart from this the recognition and measurement (including the treatment of revaluation gains and losses, impairment and disposal) is in accordance with the Authority's accounting policies on property, plant and equipment. There are currently no material heritage assets which require disclosure.

v. Council Tax, Non-Domestic Rates & Business Rates Retention

Billing authorities act as agents, collecting council tax and non-domestic rates (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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement 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.

Business Rates Retention

The Local Government Finance Act 2012 introduced a business rates retention scheme that enabled local authorities to retain a proportion of the business rates generated in their area, with effect from 1 April 2013. The General Fund is adjusted as above.

Appeals – Provision is made for likely refunds of business rates as a result of appeals, against the rateable value of business properties. The appeals provision is based on the total value of outstanding appeals at the year end as advised by the Valuation Office Agency and on advice from them about the likely success rate of appeals.

w. Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Authority as a joint operator recognises:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities held jointly
- its revenue from the sale of its share of the output arising from the joint operation
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly

Teignbridge District Council, East Devon District Council and Exeter City Council each share control of Strata Service Solutions Ltd, which was incorporated on 15 May 2014 under the Companies Act 2006 for the provision of a shared Information Communications Technology service. The single entity financial statements for each authority reflect their respective shares of Strata Service Solutions Limited. However, the accompanying notes to the Council's financial statements only include information relating to Strata Service Solutions Limited where this would make a material difference to the usefulness of those notes (see also note 47).

x. Community Infrastructure Levy

The Authority has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the Authority) with appropriate planning consent. The Authority charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, leisure facilities, open spaces and schools) to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the

commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above (see 1 j). CIL charges will be largely used to fund capital expenditure. However, a small proportion of the charges may be used to fund revenue expenditure.

2. Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code) introduces changes in accounting policies that will have to be adopted fully by the authority in the 2021/22 financial statements i.e. from 1 April 2021.

The authority is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of a new / amended standard that has been issued, but is not yet required to be adopted by the Authority.

For 2021/22 there are no standards issued not adopted that are expected to have a material impact on the 2021/22 statement of accounts. IFRS 16 Leases will require local authorities to review all their lessor and lessee accounting arrangements to comply with the new reporting standard with potential balance sheet implications. The initial assessment will be completed during 2021/22. As IFRS 16 is effective on or after 1 April 2022, there will be no impact on 2020/21 comparatives.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Authority 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:

- There is a high degree of uncertainty about future funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Authority transferred its housing stock in 2004. Warranties were given to safeguard the housing company on staffing, environmental and other issues. The environmental liabilities are covered by an insurance policy but the other liabilities would have to be funded from the Authority's reserves. The uncertainties have been reviewed with the Legal Department and it has been considered that this item is a contingent liability (see note 41).
- The Authority has to decide whether a lease is an operating or finance lease. This is calculated based on the substance of the transaction rather than the form of the contract. We consider the examples highlighted in IAS17, the decision principally being based on whether the lease term is for the major part of the economic life of the asset (over 75%) even if title is not transferred. Other conditions will be considered e.g. who bears the risks and rewards of ownership.
- There is a high degree of uncertainty around the potential number and value of business rates appeals. The provision for any successful appeal is based upon advice from the Valuation Office Agency.
- Strata Service Solutions Ltd is a registered company which has been established to assist the three authorities; Teignbridge District Council, Exeter City Council and East Devon District Council, in the provision and operation of shared ICT services. It is deemed to be a joint operation due to the inherent rights to the assets and

obligations for liabilities each authority has relating to the joint arrangement, based upon the following facts and circumstances:

- i) The three authorities have joint control of the entity. Each authority has one nominated Director and each Director has one vote. The Directors are responsible for the management of the company's business, for which purpose they may exercise all the powers of the company with decisions made collectively and unanimously.
- ii) The Company is required by the Councils to carry out the tasks as set out in the Business Plans and Service Plans and is limited to the business and objectives as set by the Councils.
- iii) The Company's revenue derives from the financial allocations set and controlled by each of the Councils.
- iv) Strata continues to provide services to the three authorities. The Company has been established as an in-house mutual trading local authority controlled company to assist them in the provision of services.

Joint operations are not consolidated into group accounts, instead each authority has recognised in its financial statement its share of assets, liabilities, revenue and expenses pertaining to Strata Service Solutions Ltd.

4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

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 other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £0.142 million for every year that useful lives had to be reduced.
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	The effects on the net pensions liability 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 pension liability of £4.229 million. However, the assumptions

	<p>actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.</p> <p>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 difference is not considered to be material.</p>	<p>interact in complex ways. During 2020/21, the Authority's actuaries advised that the net pensions liability had increased by £41.427 million attributable to updating of the assumptions. An adverse adjustment to age mortality assumptions of one year would increase the present value of the total obligation by £10.321 million.</p>
Arrears	<p>At 31 March 2021, the Authority had a balance of sundry debtors of £2.801 million. A review of significant balances suggested that an impairment of doubtful debts of 26.0% (£0.728 million) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient. See also comments below re Covid 19.</p>	<p>If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £0.728 million to set aside as an allowance.</p>

This list does not include assets and liabilities that are carried at fair value based on a recently observed market price.

Covid 19 – The outbreak of the Novel Coronavirus (Covid 19) declared by the World Health Organisation as a 'global pandemic' on 11 March 2020 has impacted global financial markets. Market activity is being impacted in many sectors.

In relation to Property, Plant and Equipment – Market Walk – as at the valuation date, it is considered that less weight can be attached to the previous market evidence for comparison purposes to inform opinions of value. Indeed the ongoing response to Covid 19 means that we continue to be faced with an unprecedented set of circumstances on which to base a judgement. The valuation is therefore reported on the basis of 'material valuation uncertainty'. Consequently, less certainty – and a higher degree of caution – should be attached to the valuation than would normally be the case.

The Devon County Pension Fund, of which Teignbridge District Council is an admitted body, holds investment property. As a result of Covid 19, property valuations at 31 March 2021 were subject to market uncertainty and therefore a material uncertainty has been identified within the Pension Fund financial statements. The Devon County Pension fund property assets attributable to Teignbridge District Council account for £8.775 million (8%) of total assets. This therefore presents a material uncertainty on the valuation of the Council's pensions assets at 31 March 2021.

Arrears – It is not clear what the ongoing economic position will mean for collectability of debts and ability to pay. Increased unemployment may exist for some time to come and the general bad debt provision has been increased to reflect potential further bad debts arising in relation to those debts at the balance sheet date.

Pension liability – whilst the pension assets are based upon month 12 valuations there may be changes in assumptions going forward about the expected return on pension

fund assets. Again, this is not something that can be determined with any significant accuracy at this point.

5. Material Items of Income and Expense and Prior Period Adjustments

5 (a) Prior period adjustments:

There were no prior period adjustments to these accounts.

5 (b) Material items in the Comprehensive Income & Expenditure Account :

In 2019/20 there were revaluation losses net of reversals in relation to property, plant & equipment amounting to £0.4 million. £0.8 million was charged to 'Strategic Place' and a net reversal of £0.4 million to 'Environment, Health & Wellbeing' within Cost of Services.

In 2020/21 the revaluation losses net of reversals had dropped to just over £0.350 million. £0.9 million was charged to 'Strategic Place' and a net reversal of £0.542 million to 'Environment, Health & Wellbeing' within Cost of Services'.

Revenue expenditure funded from capital under statute was higher in 2020/21 at £3.5 million (£3.2 million in 2019/20) – mainly due to a £1 million contribution to the A382 road improvements. Of the £3.5 million total, £3.4 million is charged to 'Strategic Place' within Cost of Services in 2020/21 and £2.8 million of the £3.2 million in 2019/20.

In 2019/20 there was also a one off pension deficit contribution paid of £1 million. This was charged to 'Financing Items' within Cost of Services within the Comprehensive Income & Expenditure Statement. In 2020/21 the three year pension deficit contribution for the years 2020/21 to 2022/23 was paid in one lump sum up front amounting to £3.7 million. This was also charged to 'Financing Items' in Cost of Services within the Comprehensive Income & Expenditure Statement.

5 (c) Other material items within the financial statements:

There were no other material items within the financial statements in 2019/20. In 2020/21 the Council administered a number of grants in relation to the Covid 19 pandemic – some as agent (see note 46) and some received and paid as principal through the Comprehensive Income and Expenditure Statement. £5.5 million was received and paid in Strategic Place in relation to additional restrictions grant, Tier 2 Open/Closed scheme and the discretionary grant fund.

6. Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 23 April 2024. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The Covid 19 pandemic has had and will continue to have a very significant impact on the income of the Council. Lockdowns have reduced income in all areas including fees and charges – in particular from leisure activities and car parking and other income streams such as rents, council tax and business rates. Government funding has been received to alleviate some of these losses and dialogue continues with regard to requests

for further funding. Budgets were realigned to reflect these changes in demand and operations through the medium term financial plan. See also note 4 above relating to estimation uncertainty. It remains unclear as to how the pandemic will continue as restrictions are lifted. There are no other events which took place after 31 March 2021 which require disclosure.

7. Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates/ services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2019/20			2020/21			
Net Expenditure Chargeable to the General Fund Balance	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund Balance	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
3,802	(106)	3,908	Corporate Services	3,615	79	3,536
1,071	(3,561)	4,632	Strategic Place	1,718	(3,480)	5,198
8,024	(1,321)	9,345	Environment, Health & Wellbeing	8,559	(163)	8,722
4,153	475	3,678	Financing Items	1,703	(2,036)	3,739
17,050	(4,513)	21,563	Net Cost of Services	15,595	(5,600)	21,195
(16,417)	3,343	(19,760)	Other Income and Expenditure	(29,492)	689	(30,181)
633	(1,170)	1,803	(Surplus)/Deficit	(13,897)	(4,911)	(8,986)
(11,744)			Opening General Fund Balance	(11,111)		
633			Less/Plus (Surplus) / Deficit on General Fund in year	(13,897)		
(11,111)			Closing General Fund Balance at 31 March	(25,008)		

7 a. Note to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1)	Net change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	2020/21
				Total Adjustments
				£000
Corporate Services	27	(109)	3	(79)
Strategic Place	3,949	(463)	(6)	3,480
Environment, Health & Wellbeing	903	(734)	(6)	163
Financing Items	0	2,073	(37)	2,036
Net Cost of Services	4,879	767	(46)	5,600
Other income and expenditure from the Expenditure and Funding Analysis	(10,394)	1,956	7,749	(689)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(5,515)	2,723	7,703	4,911

Adjustments between Funding and Accounting Basis

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1)	Net change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	2019/20
				Total Adjustments
				£000
Corporate Services	42	58	6	106
Strategic Place	3,279	281	1	3,561
Environment, Health & Wellbeing	1,090	222	9	1,321
Financing Items	0	(469)	(6)	(475)
Net Cost of Services	4,411	92	10	4,513
Other income and expenditure from the Expenditure and Funding Analysis	(6,630)	3,259	28	(3,343)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(2,219)	3,351	38	1,170

Adjustments for Capital Purposes

- 1) Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:-
- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
 - **Financing and investment income and expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
 - **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments

- 2) Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits related expenditure and income:
- For **services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
 - For **Financing and investment income and expenditure** – the net interest on the defined benefit liability is charged to the CIES.

Other differences

- 3) Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:
- For **services** the other differences column recognises adjustments to the General Fund for amounts by which officer remuneration charged on an accruals basis is different from remuneration chargeable in accordance with statutory requirements the timing differences for premiums and discounts. It also includes the amount by which finance costs charged differ to those chargeable in accordance with statutory requirements.
 - The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

7 b. Segmental Income

Income received on a segmental basis is analysed below:

Revenue from external customers:

	2019/20	2020/21
Services	Income from Services	Income from Services
	£000	£000
Corporate Services	(248)	(157)
Strategic Place	(10,279)	(8,573)
Environment, Health & Wellbeing	(6,812)	(5,236)
Financing Items	(67)	(83)
Total income analysed on a segmental basis	(17,406)	(14,049)

The largest source of income for Strategic Place is car parking income at £2.682 million (2019/20 £3.694 million). Income from housing schemes including homelessness and rent allowance recoveries amounts to £0.818 million (2019/20 £0.892 million). Other major sources include planning fees and building control.

The major sources of income for Environment, Health & Wellbeing is from leisure related activities of which the income from leisure centres including memberships is £0.949 million (2019/20 £2.361 million) and recycling sales and credits at £2.687 million (2019/20 £2.733 million).

8. Expenditure and Income Analysed by Nature

The authority's expenditure and income is analysed as follows:

	2019/20	2020/21
	£000	£000
Expenditure / Income		
Expenditure		
Employee benefits expenses	22,059	21,269
Other services expenses*	46,386	48,248
Depreciation, amortisation, impairment	3,831	3,880
Interest payments	0	0
Precepts and levies	3,430	3,800
(Gain) or loss on the disposal of assets	(699)	(842)
Total expenditure	75,007	76,355
Income		
Fees, charges and other service income	(17,406)	(14,049)
Interest and investment income	(94)	(17)
Income from council tax, non-domestic rates (net)	(13,605)	(6,810)
Government grants and contributions**	(42,099)	(64,465)
Total income	(73,204)	(85,341)
(Surplus) or Deficit on the Provision of Services	1,803	(8,986)

*Includes £24.660 million rent allowances paid (£26.577 million in 2019/20) and charged to Strategic Place.

** Includes rent allowance subsidy of £24.892 million (£26.584 million in 2019/20) and charged to Strategic Place.

Rent allowances recovered are within fees, charges and other service income and also charged to Strategic Place (£0.031 million in 2020/21 and £0.147 million in 2019/20).

9. 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 the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might 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 (or the deficit of resources that the Council is required to recover) at the end of the financial year.

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 historical 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 (Reserve) 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 is 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.

The detail of the adjustments made for 2020/21 and 2019/20 are as follows:

2020/21

	Usable reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:				
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Charges for depreciation and impairment of non current assets	3,423	0	0	(3,423)
Revaluation (gains) losses on Property, Plant and Equipment	2,068	0	0	(2,068)
Revaluation reversals on Property, Plant and Equipment	(1,717)	0	0	1,717
Movements in the market value of Investment Properties	26	0	0	(26)
Operating / finance lease income adjustment	(1)	0	0	1
Amortisation of intangible assets	107	0	0	(107)
Capital grants and contributions applied	(4,596)	0	0	4,596
Revenue expenditure funded from capital under statute (REFCUS)	3,456	0	0	(3,456)
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	320	0	0	(320)
Income in relation to donated assets	0	0	0	0
Gain arising from donated assets	0	0	0	0
Bank investment written off	0	0	0	0
Disposal costs relating to future capital disposal	0	0	0	0
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Statutory provision for the financing of capital investment	(169)	0	0	169
Financing of loan	0	0	0	0
Capital expenditure charged against the General Fund balance	(130)	0	0	130
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(7,131)	0	7,131	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	(1,063)	1,063

Adjustments primarily involving the Capital Receipts Reserve:

Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(362)	362	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(586)	0	586
Right to buy receipts	(796)	796	0	0
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	0	0	0	0
VAT sharing receipt	0	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	0	0	0	0
Renovation grants repaid	(13)	13	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	0

Adjustments primarily involving the Deferred Capital Receipts Reserve:

Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement/funding of loan	0	0	0	0
Transfer to the Capital Receipts Reserve upon receipt of cash-mortgages	0	0	0	0

Adjustments primarily involving the Financial Instruments Adjustment Account:

Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(38)	0	0	38
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Adjustments primarily involving the Pensions Reserve:

Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 40)	6,536	0	0	(6,536)
Employer's pensions contributions and direct payments to pensioners payable in the year	(3,814)	0	0	3,814

Adjustments primarily involving the Collection Fund Adjustment Account:

Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	7,749	0	0	(7,749)
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Adjustment primarily involving the Accumulated Absences Account

Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(7)	0	0	7
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Total Adjustments	4,911	585	6,068	(11,564)
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2019/20

	Usable reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:				
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Charges for depreciation and impairment of non current assets	3,216	0	0	(3,216)
Revaluation (gains) losses on Property, Plant and Equipment	2,895	0	0	(2,895)
Revaluation reversals on Property, Plant and Equipment	(2,449)	0	0	2,449
Movements in the market value of Investment Properties	58	0	0	(58)
Operating / finance lease income adjustment	(2)	0	0	2
Amortisation of intangible assets	169	0	0	(169)
Capital grants and contributions applied	(5,406)	0	0	5,406
Revenue expenditure funded from capital under statute (REFCUS)	3,179	0	0	(3,179)
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	11	0	0	(11)
Income in relation to donated assets	0	0	0	0
Gain arising from donated assets	0	0	0	0
Bank investment written off	0	0	0	0
Disposal costs relating to future capital disposal	0	0	0	0
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Statutory provision for the financing of capital investment	(125)	0	0	125
Financing of loan	0	0	0	0
Capital expenditure charged against the General Fund balance	(917)	0	0	917
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(2,051)	0	2,051	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	(327)	327

Adjustments primarily involving the Capital Receipts Reserve:

Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(142)	142	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(206)	0	206
Right to buy receipts	(601)	601	0	0
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	0	0	0	0
VAT sharing receipt	0	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	0	0	0	0
Renovation grants repaid	(56)	56	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	0

Adjustments primarily involving the Deferred Capital Receipts Reserve:

Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement/funding of loan	0	0	0	0
Transfer to the Capital Receipts Reserve upon receipt of cash-mortgages	0	0	0	0

Adjustments primarily involving the Financial Instruments Adjustment Account:

Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(6)	0	0	6
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Adjustments primarily involving the Pensions Reserve:

Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 40)	8,124	0	0	(8,124)
Employer's pensions contributions and direct payments to pensioners payable in the year	(4,773)	0	0	4,773

Adjustments primarily involving the Collection Fund Adjustment Account:

Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	28	0	0	(28)
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Adjustment primarily involving the Accumulated Absences Account

Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	18	0	0	(18)
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Total Adjustments	1,170	593	1,724	(3,487)
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10. Movements in Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2020/21.

	Balance at 1 April 2019	Transfers Out 2019/20	Transfers In 2019/20	Balance at 31 March 2020	Transfers Out 2020/21	Transfers In 2020/21	Balance at 31 March 2021
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund:							
Building control partnership reserve	250	(36)	130	344	(349)	196	191
Open spaces reserve	307	(53)	0	254	0	0	254
Collection fund reserve	0	0	0	0	0	8,136	8,136
Insurance reserve	85	0	0	85	0	0	85
Revenue contribution to capital reserve	1,989	(645)	61	1,405	(654)	136	887
Business rates / funding reserve	2,312	0	200	2,512	0	7,500	10,012
Sundry revenue grants reserve	3,130	(1,002)	778	2,906	(2,158)	1,366	2,114
Carry forward reserve	1,479	(1,404)	1,332	1,407	(1,407)	1,071	1,071
Strata usable reserves	210	0	1	211	(13)	0	198
Total	9,762	(3,140)	2,502	9,124	(4,581)	18,405	22,948

The sundry revenue grants reserve covers grants received which have no repayment conditions attached to them and have not been spent in total or in part by the end of the financial year. The carry forward reserve represents major items of planned expenditure not carried out in the year but set aside for expenditure in the following year. The Collection Fund reserve covers deficit funding issues for future years from accounting arrangements and grant funding received to assist with those deficits as identified in note 13 and falls outside the scope of the reserves earmarked for service requirements. The Strata reserve represents our share of the usable funds held from the Strata joint operations. The Funding reserve has been built up to cover anticipated revenue funding deficits over the medium term financial plan.

11. Other Operating Expenditure

2019/20		2020/21
£'000		£'000
3,430	Parish council precepts	3,800
(601)	Right to Buy receipts	(796)
65	Pension administration expenses	64
(98)	(Gains)/losses on the disposal of non current assets	(46)
0	(Gain) on share of donated assets - Strata	0
2,796	Total	3,022

12. Financing and Investment Income and Expenditure

2019/20		2020/21
£'000		£'000
0	Interest payable and similar charges	0
2,046	Net interest on the net defined benefit liability	1,918
(130)	Interest receivable and similar income	(22)
36	Income and expenditure in relation to investment properties and changes in their fair value (see note 15)	5
0	Bank investment loss	0
1,952	Total	1,901

13. Taxation and Non Specific Grant Income and Expenditure

2019/20		2020/21
£'000		£'000
(11,799)	Council tax income (incl surplus/deficit)	(12,332)
(12,198)	Business rates (including surplus/deficit)	(5,044)
	Non ring fenced government grants:	
0	Revenue support grant	0
0	General Covid grants	(1,809)
(2,614)	New Homes Bonus	(2,244)
0	Returned New Homes Bonus top slice	0
0	Sales/fees and charges compensation	(3,976)
0	Donated asset	0
(4,914)	Capital grants and contributions**	(9,283)
0	Retail relief grant***	(6,730)

(8)	Transparency Code grant	(8)
(1,716)	Small business rate relief/threshold changes grant	(2,068)
(997)	Other business rates grants	(842)
(323)	Other general grants	(196)
9,293	Business rates tariff payment	9,513
1	Pooling/pilot costs	1
(331)	Pooling/pilot gain	(320)
0	Council tax/business rates TIG grant	(820)
1,098	Business rates levy	1,054

(24,508)

Total

(35,104)

** includes various grants towards capital expenditure.

In 2019/20 £1.708 million relates to the Community Infrastructure Levy (CIL), £1.500 million for Land Release Funding and £0.906 million for SANGS

In 2020/21 £7.042 million is receivable for CIL and £0.792 million for SANGS.

*** business rates relief S.31 grant provided by Government as part of the Covid pandemic support

14. Property, Plant and Equipment

Movements on Balances

Movements in 2020/21:

	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
At 1 April 2020	93,446	4,838	4,355	6,706	237	1,056	110,638
Additions	637	181	0	250	0	1,458	2,526
Donations	0	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	5,958	0	0	0	(22)	0	5,936
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,335)	0	0	0	0	0	(1,335)
Derecognition - Disposals	(250)	(134)	0	0	(12)	0	(396)
Strata reclassify/additions/disposals	0	(134)	0	0	0	0	(134)
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0
Other movements/reclassifications in Cost or Valuation	(441)	0	0	614	(51)	(122)	0
At 31 March 2021	98,015	4,751	4,355	7,570	152	2,392	117,235

	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Accumulated Depreciation and Impairment							
At 1 April 2020	5,470	2,733	424	302	45	0	8,974
Depreciation charge	2,895	347	87	85	17	0	3,431
Depreciation written out to the Revaluation Reserve	(3,466)	0	0	(12)	(20)	0	(3,498)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(985)	0	0	0	0	0	(985)
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(72)	0	0	0	0	0	(72)
Derecognition – Disposals	(9)	(128)	0	0	0	0	(137)
Strata – reclassify/charge/disposals	0	(61)	0	0	0	0	(61)
Other movements in Depreciation and Impairment	0	0	0	0	0	0	0
At 31 March 2021	3,833	2,891	511	375	42	0	7,652
Net Book Value							
At 31 March 2021	94,182	1,860	3,844	7,195	110	2,392	109,583
At 31 March 2020	87,976	2,105	3,931	6,404	192	1,056	101,664

Comparative Movements in 2019/20:

	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
At 1 April 2019	87,753	4,584	4,342	5,256	294	2,453	104,682
Additions	2,921	292	13	1,244	0	2,156	6,626
Donations	0	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	36	0	0	0	21	0	57
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(669)	0	0	0	(20)	0	(689)
Derecognition - Disposals	0	(104)	0	0	0	0	(104)
Strata reclassify/additions/disposals	0	66	0	0	0	0	66
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0
Other movements/reclassifications in Cost or Valuation	3,405	0	0	206	(58)	(3,553)	0
At 31 March 2020	93,446	4,838	4,355	6,706	237	1,056	110,638
Accumulated Depreciation and Impairment							
At 1 April 2019	3,871	2,437	337	218	42	0	6,905
Depreciation charge	2,778	432	87	77	21	0	3,395
Depreciation written out to the Revaluation Reserve	(759)	0	0	0	(10)	0	(769)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(241)	0	0	0	(2)	0	(243)

Impairment losses/ (reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(178)	0	0	0	0	0	(178)
Derecognition – Disposals	0	(92)	0	0	0	0	(92)
Strata – reclassify/charge/disposals	0	(44)	0	0	0	0	(44)
Other movements in Depreciation and Impairment	(1)	0	0	7	(6)	0	0
At 31 March 2020	5,470	2,733	424	302	45	0	8,974

The freehold and leasehold properties which comprise the Authority's property portfolio are valued by a qualified internal valuer, Karen Howe (FRICS) in accordance with the Valuation Standards Practice and Guidance Notes of The Royal Institution of Chartered Surveyors. Inspections are carried out annually to achieve full revaluation every 5 years. Approximately 20% of assets are revalued each year as at 1 April. Where material changes in an assets value are identified all assets within that class (e.g. car parks, public conveniences) will be revalued within that year. Plant and machinery are included in the buildings valuation where appropriate unless the value is material and valued as a component within the Authority's componentisation policy. Other vehicles, plant and equipment are identified separately.

Other land and buildings are valued at current value. Surplus assets, investment properties, and assets held for sale are valued at fair value. Infrastructure, community assets, assets in the course of construction and vehicle, plant and equipment are valued at historical cost. Donated assets are measured initially at fair value. Assets acquired other than by purchase are deemed to be at fair value. Depreciation has been charged on a straight line basis to assets excluding land which have a useful life of 50 years or less. The assets incurring depreciation have useful lives of between 5 and 50 years.

Capital commitments – There are contracts for future capital expenditure to build housing units in Newton Abbot of £1.0 million at 31 March 2021.

The following statement shows the progress of the Authority's rolling programme for the revaluation of property, plant and equipment, including assets valued following completion of significant projects. Valuations of land and buildings are carried out by Karen Howe (FRICS) (an internal valuer) in accordance with the methodologies and basis for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS). The basis for valuation is set out in the Statement of Accounting Policies. The Authority is not aware of any material changes in asset values that have not been updated. The impact of Covid 19 and potential re-measurement is covered in note 4 – estimation and uncertainty. As at the valuation date, it is considered less weight can be attached to previous market evidence for comparison purposes to inform opinions of value. Valuations are therefore reported on the basis of 'material valuation uncertainty' as per VPS3 (valuation technical performance standards – special assumptions) and VPGA10 (valuation applications) of the RICS Red Book Global.

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Surplus Assets	Infrastructure Assets	Community Assets
	£'000	£'000	£'000	£'000	£'000
Carried at historical cost	0	4,751	0	4,355	7,570
Valued at current value in year:					
2020/21	82,082	0	0	0	0
2019/20	47,922	0	87	0	0
2018/19	59,154	0	109	0	0
2017/18	22,782	0	0	0	0
2016/17	33,665	0	31	0	0
Total cost or valuation *	245,605	4,751	227	4,355	7,570

* The five year totals for those assets at current value include some assets that have been valued twice over this period or subsequently sold or moved to an alternative asset category.

15. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

2019/20		2020/21
£'000		£'000
22	Rental income from investment property	21
(0)	Direct operating expenses arising from investment property	(0)
22	Net gain/(loss)	21

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

2019/20		2020/21
£'000		£'000
186	Balance at start of the year	128
Additions:		
0	Purchases	0
0	Construction	0

0	Subsequent expenditure	0
(0)	Disposals	(0)
(58)	Net gains/(losses) from fair value adjustments	(26)
	Transfers:	
(0)	To/from Inventories	(0)
0	To/from Property, Plant and Equipment	0
0	Other changes	0
128	Balance at end of the year	102

16. Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets are purchased licenses. There is no internally generated software.

The carrying amount of intangible assets is amortised on a straight-line basis over 5 years. All amortisation charged to revenue is allocated to the various headings within 'cost of services'. Software specifically for an individual service is charged directly to that service whereas corporate software is spread across the various services. The purchased intangible assets are grouped into the heading 'other assets' below. There are no contractual commitments for future capital expenditure at 31 March 2021.

The movement on Intangible Asset balances during the year is as follows:

	2019/20		2020/21	
	Other Assets £'000	Total £'000	Other Assets £'000	Total £'000
Balance at start of year:				
• Gross carrying amounts	1,103	1,103	1,246	1,246
• Accumulated amortisation	(686)	(686)	(855)	(855)
Net carrying amount at start of year	417	417	391	391
Additions				
• Purchases	0	0	0	0
Retirements and disposals (net)	(0)	(0)	(0)	(0)
Strata reclassify/movements/additions	143	143	120	120
Amortisation for the period	(169)	(169)	(107)	(107)
Net carrying amount at end of year	391	391	404	404
Comprising				
• Gross carrying amounts	1,246	1,246	1,366	1,366
• Accumulated amortisation	(855)	(855)	(962)	(962)
	391	391	404	404

17. Long term Investments

The Council has purchased 3,333 Founder shares in South West Mutual Ltd at £15 each. The shares have subsequently been converted into 15 new £1 shares changing the shareholding to 49,995.

These represent a long term investment in a regional bank which has yet to obtain a banking licence and commence trade. Due to these factors it is considered at this stage that there is currently no value to the investment and it has remained impaired to zero at the balance sheet date as detailed below:

	£000's
Opening balance at 1 April 2020	0
Purchase	0
Impairment	(0)
Closing balance 31 March 2021	0

18. Long term debtors

This balance covers the long term element of the Collection Fund balance from sharing local authorities and central government re. non domestic rates, mortgages / loans, sundry trade debtors and finance leases:

	31 March 2020 £'000	31 March 2021 £'000
Collection Fund balance – non domestic rates	240	1,399
Sundry trade debtors/Community Infrastructure Levy	1,003	3,300
Mortgages / loans	373	365
Finance leases	18	18
	<u>1,634</u>	<u>5,082</u>

19. Short term investments

These relate to sums invested with banks / building societies or other local authorities repayable within one year but for an investment period greater than 95 days.

20. Short Term Debtors

31 March 2020 £'000		31 March 2021 £'000
5,346	Trade debtors*	16,624
110	Other debtors	109
5,456	Prepayments and accrued income	9,610
422	Council tax / Non domestic rates	556
599	Strata debtors	651
11,933	Total	27,550

*Includes Collection Fund debtors of £12.666 million at 31 March 2021.

21. Debtors for Local Taxation

The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follows:

31 March 2020 £'000		31 March 2021 £'000
244	Less than one year	318
125	One to three years	180
53	Over three years	58
422	Total	556

The analysis above only shows those balances where assessment has indicated that, by exception, no impairment is required and is analysed based upon the reporting information available.

22. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2020		31 March 2021
£'000		£'000
68	Cash held by the Authority	75
2,328	Bank current/instant call accounts	6,821
5,700	Short term deposits with banks/building societies/money market funds	14,000
74	Strata	236
8,170	Total Cash and Cash Equivalents	21,132

This item can be reconciled to the balance sheet as being the net total of cash and cash equivalents within 'current assets' and the bank overdraft within 'current liabilities'.

23. Assets Held for Sale

	Current		Non-Current	
	2019/20	2020/21	2019/20	2020/21
	£'000	£'000	£'000	£'000
Balance outstanding at start of year	0	0	0	0
Assets newly classified as held for sale:				
• Property, Plant and Equipment	0	0	0	0
• Intangible Assets	0	0	0	0
Revaluation losses	0	0	0	0
Revaluation gains	0	0	0	0
Impairment losses	0	0	0	0
Assets declassified as held for sale:				
• Property, Plant and Equipment	0	0	0	0
• Intangible Assets	0	0	0	0
• Other assets / liabilities in disposal groups	0	0	0	0
Assets sold	0	0	0	0
Transfers from non current to current	0	0	0	0
Balance outstanding at year-end	0	0	0	0

24. Short Term Creditors

31 March 2020 £'000		31 March 2021 £'000
(4,391)	Trade creditors	(5,096)
(296)	Other creditors	(292)
(2,272)	Accrued expenditure and income in advance*	(11,445)
(181)	Council tax / Non domestic rates	(293)
(170)	Strata creditors	(198)
(7,310)	Total	(17,324)

*Includes £9.7 million of business rates grants repayable to Government at 31 March 2021.

25. Provisions

A provision is a liability of uncertain timing or amount. The Council has the following provision:

	Short Term	
	Non Domestic Rates Appeals	Total
	£'000	£'000
Balance at 1 April 2020	(520)	(520)
Additional provisions made in 2020/21	(68)	(68)
Amounts used in 2020/21	0	0
Unused amounts reversed in 2020/21	0	0
Balance at 31 March 2021	(588)	(588)

Short term – Non domestic rates appeals:

The Local Government Finance Act 2012 introduced a business rates retention scheme that enabled local authorities to retain a proportion of the business rates generated in their area with effect from 1 April 2013. Provision has therefore been made for likely refunds as a result of appeals against the payable value of business properties.

26. Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement on page 31. See also note 9 for further breakdown and note 10 for movement on earmarked reserves. The Council has the following usable reserves:

Un-earmarked Reserves - Resources available to meet future running costs and provides a financial cushion should anything unexpected happen which would require unplanned expenditure.

Earmarked Reserves - The Council has a carry forward reserve for monies reserved for specific projects and unspent at the end of the financial year and a sundry revenue grants reserve which covers grants received which have no repayment conditions attached to them and have not been spent in total or in part by the end of the financial year.

The total of un-earmarked and earmarked reserves represent the Total General Fund balance.

Capital Receipts Reserve - Proceeds from the sale of non current assets are held in this reserve to be made available for future capital investment.

Capital Grants Unapplied - These represent grants and contributions received in advance of matching to new capital investment.

27. Unusable Reserves

The Council has the following unusable reserves and balances:

31 March 2020 £'000		31 March 2021 £'000
35,944	Revaluation Reserve	44,270
46,500	Capital Adjustment Account	46,470
(38)	Financial Instruments Adjustment Account	0
(86,418)	Pensions Reserve	(110,393)
103	Deferred Capital Receipts Reserve	103
(323)	Collection Fund Adjustment Account	(8,072)
(293)	Accumulated Absences Account	(286)
(4,525)	Total Unusable Reserves	(27,908)

A detailed breakdown of the movement in these reserves and their purpose is as follows:

Revaluation Reserve

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

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

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

2019/20		2020/21
£'000		£'000
35,880	Balance at 1 April	35,944
4,117	Upward revaluation of assets	13,894
(3,291)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(4,460)
826	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	9,434
(762)	Difference between fair value depreciation and historical cost depreciation	(1,003)
(0)	Accumulated gains on assets sold or scrapped	(105)
(762)	Amount written off to the Capital Adjustment Account	(1,108)
35,944	Balance at 31 March	44,270

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or additions to those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current and 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 and subsequent costs.

The Account contains accumulated gains and losses on Investment Properties and gains

recognised on donated assets that have yet to be consumed by the Authority.

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

Notes 7/9 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2019/20		2020/21
£'000		£'000
45,834	Balance at 1 April	46,500
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(3,216)	• Charges for depreciation and impairment of non current assets	(3,423)
2	• Operating lease income adjustment	1
(2,895)	• Revaluation losses on Property, Plant and Equipment	(2,068)
2,449	• Revaluation reversals on Property, Plant & Equipment	1,717
(169)	• Amortisation of intangible assets	(107)
(3,179)	• Revenue expenditure funded from capital under statute	(3,456)
(11)	• 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	(320)
0	• Gain arising on share of donated assets - Strata	0
(7,019)		(7,656)
762	Adjusting amounts written out of the Revaluation Reserve	1,108
(6,257)	Net written out amount of the cost of non current assets consumed in the year	(6,548)
	Capital financing applied in the year:	
206	• Use of the Capital Receipts Reserve to finance new capital expenditure/repay loan	586

0	• Use of the Capital Receipts Reserve to meet previous year disposal costs	0	
5,406	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	4,596	
327	• Application of grants to capital financing from the Capital Grants Unapplied Account	1,063	
0	• Transfer to the Capital Receipts Reserve upon receipt of cash	0	
125	• Statutory provision for the financing of capital investment charged against the General Fund balance	169	
0	• Disposal costs relating to future capital disposal	0	
0	• Financing of loan	0	
917	• Capital expenditure charged against the General Fund balance	130	
<hr/>		<hr/>	
6,981			6,544
(58)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(26)
0	Bank investment written off		0
0	Loan repayment		0
0	Donated asset		0
<hr/>		<hr/>	
46,500	Balance at 31 March		46,470

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Authority uses the Account to adjust financial assets and financial liabilities to 'fair value' – principally for 'soft loans' issued and planning agreements received (see Note 1 re accounting policies). Adjustments are debited / credited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement.

2019/20
£'000
(44) Balance at 1 April

2020/21
£'000
(38)

6 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	38
(38) Balance at 31 March	0

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 employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2019/20		2020/21
£'000		£'000
(87,523)	Balance at 1 April	(86,418)
4,456	Re-measurements of the net defined benefit liability/(asset)	(21,253)
(8,124)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(6,536)
4,773	Employer's pensions contributions and direct payments to pensioners payable in the year	3,814
(86,418)	Balance at 31 March	(110,393)

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2019/20		2020/21
£'000		£'000
103	Balance at 1 April	103
0	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the	0

Comprehensive Income and Expenditure
Statement/funding of loan from capital receipts

	(0) Transfer to the Capital Receipts Reserve upon receipt of cash	(0)
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	103 Balance at 31 March	103
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Collection Fund Adjustment Account

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

	2019/20		2020/21
	£'000		£'000
	(295) Balance at 1 April		(323)
	(28) Amount by which council tax and non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non domestic rates income calculated for the year in accordance with statutory requirements		(7,749)
	(323) Balance at 31 March		(8,072)

Accumulated Absences Account

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

	2019/20		2020/21
	£'000		£'000
	(275) Balance at 1 April		(293)
	275 Settlement or cancellation of accrual made at the end of the preceding year		293
	(293) Amounts accrued at the end of the current year		(286)
	(18) 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		7
	(293) Balance at 31 March		(286)

28. Cash Flow Statement – Operating Activities

- (a) The surplus or deficit on the provision of services has been adjusted for the following non cash movements:

2019/20	2020/21
£'000	£'000
(3,394) Depreciation	(3,495)
(268) Impairment, downward valuations & revaluation reversals	(279)
(169) Amortisation	(107)
(123) (Increase)/ decrease in impairment for bad debts	(468)
(2,160) (Increase)/decrease in creditors	(17,604)
1,127 Increase/(decrease) in debtors	7,638
(3) Increase/(decrease) in inventories	5
(3,351) Movement in pension liability	(2,722)
(11) Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(320)
(44) Other non-cash items charged to the net surplus or deficit on the provision of services	(7,741)
(8,396)	(25,093)

- (b) The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

2019/20	2020/21
£'000	£'000
0 Proceeds from short-term (not considered to be cash equivalents) and long-term investments	0
142 Proceeds from the sale of property, plant & equipment, investment property and intangible assets	362
5,406 Capital grants and contributions applied	4,596
(3,179) Revenue expenditure funded from capital under statute	(3,456)
2,659 Any other items for which the cash effects are investing or financing cash flows	7,952
5,028	9,454

- (c) The cash flows for operating activities include the following items:

2019/20	2020/21
£'000	£'000

(140)	Interest received	(24)
0	Interest paid	0

29. Cash Flow Statement – Investing Activities

2019/20		2020/21
£'000		£'000
6,863	Purchase of property, plant and equipment, investment property and intangible assets	2,818
4,000	Purchase of short term and long term investments	8,000
168	Investment in Strata Service Solutions Ltd	264
2,945	Other payments for investing activities	3,699
(130)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(362)
(8,016)	Proceeds from short term and long term investments	0
(8,361)	Other receipts from investing activities*	(15,676)
(2,531)	Net cash flows from investing activities	(1,257)

*Includes s.106 monies, capital grants and right to buy receipts.

30. Cash Flow Statement – Financing Activities

2019/20		2020/21
£'000		£'000
0	Cash receipts of short- and long-term borrowing	0
0	Other receipts from financing activities**	0
0	Cash payments for the reduction of the outstanding liabilities relating to finance leases	0
0	Repayments of short and long term borrowing	0
767	Other payments for financing activities**	12,920
767	Net cash flows from financing activities	12,920

**Net non-domestic rates/council tax after payments to major preceptors/sharing authorities/Central Government and after settlement of the estimated deficit/surplus on the Collection Fund.

Reconciliation of Liabilities arising from Financing Activities

	Balance at 1 April 2020	Financing cash flows		Non-cash changes		Balance at 31 March 2021
		Proceeds	Repayment	Acquisition	Other non- cash changes	
	£'000	£'000	£'000	£'000	£'000	£'000
Long-term borrowings	0	0	0	0	0	0
Short-term borrowings	0	0	0	0	0	0
Lease liabilities	0	0	0	0	0	0
Total liabilities from financing activities	0	0	0	0	0	0

31. Financial Instruments

Financial instruments are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of the financial instrument. They are initially measured at fair value.

Financial Liabilities

As the Authority's financial liabilities are basic lending arrangements and mainly of a short term nature they are subsequently measured at amortised cost. Within the category table below, 'creditors – financial liabilities carried at contract amounts' mainly includes trade creditor invoices due and accrued trade expenditure for revenue and capital work.

Financial Assets

As the Authority's financial assets are basic lending arrangements and are not held to make speculative gains through increases in their value, they are subsequently measured at amortised cost: the outstanding principal repayable (plus accrued interest). Within the category table below, long term debtors – assets carried at amortised cost include car loans and miscellaneous mortgage balances.

Financial assets carried at contract amounts include sundry trade debtors and accrued income, the short term element of car loans etc.

Categories of Financial Instruments

The following categories of financial instruments are carried in the Balance Sheet:

	Long-Term		Current	
	31 March 2020 £'000	31 March 2021 £'000	31 March 2020 £'000	31 March 2021 £'000
Investments				
Assets carried at amortised cost:	0	0	0	0
Total investments	0	0	0	0
Debtors				
Assets carried at amortised cost	391	383	4,358	5,619
Total included in debtors	391	383	4,358	5,619
Non financial assets	1,243	4,699	7,575	21,931
Total	1,634	5,082	11,933	27,550
Cash and cash equivalents	0	0	8,170	21,132
Total cash & cash equivalents	0	0	8,170	21,132
Borrowings				
Financial liabilities at amortised cost – bank overdraft	0	0	0	0
Total included in borrowings	0	0	0	0
Creditors				
Financial liabilities carried at amortised cost	0	0	(3,406)	(10,045)
Total creditors	0	0	(3,406)	(10,045)
Non financial assets	0	0	(3,904)	(7,279)
Total	0	0	(7,310)	(17,324)

**Income, Expense, Gains and Losses
2020 / 2021**

	Financial Liabilities measured at amortised cost	Financial Assets: measured at amortised cost	Total
	£'000	£'000	£'000
Interest expense	0	0	0
Losses on derecognition	0	0	0
Impairment losses	0	0	0
Total expense in Surplus or Deficit on the Provision of Services	0	0	0
Interest income	0	(22)	(22)
Interest income accrued on impaired financial assets	0	0	0
Gains on derecognition	0	0	0
Total income in Surplus or Deficit on the Provision of Services	0	(22)	(22)
Gains on revaluation	0	0	0
Losses on revaluation	0	0	0
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	0	0	0
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	0	0	0
Net (gain) / loss for the year	0	(22)	(22)

2019 / 2020

	Financial Liabilities measured at amortised cost	Financial Assets: measured at amortised cost	Total
	£'000	£'000	£'000
Interest expense	0	0	0
Losses on derecognition	0	0	0
Impairment losses	0	0	0
Total expense in Surplus or Deficit on the Provision of Services	0	0	0
Interest income	0	(130)	(130)
Interest income accrued on impaired financial assets	0	0	0

Gains on derecognition	0	0	0
Total income in Surplus or Deficit on the Provision of Services	0	(130)	(130)
Gains on revaluation	0	0	0
Losses on revaluation	0	0	0
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	0	0	0
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	0	0	0
Net (gain) / loss for the year	0	(130)	(130)

There is no substantial difference between the carrying amount of financial assets and liabilities and their fair value at 31 March 2021, mainly due to their short term nature. The fair value of trade and other receivables is taken to be the invoiced or billed amount.

32. Members' Allowances

The scheme in operation is based upon the Local Authorities (Members' allowances) (England) Regulations 2003. The total allowances paid in 2020/21 (including travel and subsistence) amounts to £403,323 (2019/20 £390,278). Further details on members' allowances can be obtained from the payroll section within the Finance department.

33. Officers' Remuneration / Exit Packages & Termination Benefits

The number of employees whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 (including senior officers listed below) were:

Remuneration Band	Number of employees		Remuneration Band	Number of employees	
	2019/20	2020/21		2019/20	2020/21
£50,000 - £54,999	4	6	£95,000 - £99,999	0	1
£55,000 - £59,999	5	5	£100,000 - £104,999	0	0
£60,000 - £64,999	0	1	£105,000 - £109,999	0	0
£65,000 - £69,999	1	1	£110,000 - £114,999	0	0
£70,000 - £74,999	1	0	£115,000 - £119,999	1	1
£75,000 - £79,999	1	1	£120,000 - £124,999	0	0
£80,000 - £84,999	1	2	£125,000 - £129,999	0	0
£85,000 - £89,999	0	0	£130,000 - £134,999	1	0
£90,000 - £94,999	0	0	£135,000 - £140,999	0	0

Senior Officers reporting directly to the Managing Director and statutory posts whose salary is between £50,000 and £150,000 per year for the year 2020/21 are as follows:

	Salary (inc. fees & allowances)	Compensation for loss of employment	Benefits in Kind (e.g. car allowance)	Total Remuneration Excl. Employers pension contributions	Pension Contributions	Total Remuneration Inc. Employers pension contributions
	£	£	£	£	£	£
Managing Director	119,288	0	0	119,288	19,758	139,046
Head of Corporate Services & Section 151 Officer	95,994	0	0	95,994	15,935	111,929
Head of Operations	81,173	0	0	81,173	13,475	94,648
Head of Service Delivery and Improvement	81,173	0	0	81,173	13,475	94,648
Head of Place and Commercial Services	78,090	0	0	78,090	12,963	91,053
Solicitor to the Council & Monitoring Officer	66,894	0	0	66,894	11,104	77,998
Head of HR and OD	61,230	0	0	61,230	10,164	71,394
Business Manager (1)	10,687	0	0	10,687	1,774	12,461

(1) Business Manager ceased role on 30 June 2020

Senior Officers reporting directly to the Managing Director and statutory posts whose salary is between £50,000 and £150,000 per year for the year 2019/20:

	Salary (inc. fees & allowances)	Compensation for loss of employment	Benefits in Kind (e.g. car allowance)	Total Remuneration Excl. Employers pension contributions	Pension Contributions	Total Remuneration Inc. Employers pension contributions
	£	£	£	£	£	£
Managing Director	117,837	0	843	118,680	17,204	135,884
Head of Corporate Services & Section 151 Officer	84,176	0	0	84,176	12,290	96,466

Head of Operations	74,829	0	0	74,829	10,925	85,754
Head of Service Delivery and Improvement	75,695	0	4	75,699	11,051	86,750
Head of Place and Commercial Services (1)	12,167	0	0	12,167	1,776	13,943
Solicitor to the Council & Monitoring Officer	65,103	0	0	65,103	9,505	74,608
Head of HR and OD	59,589	0	0	59,589	8,700	68,289
Interim Head of Commercial Services and Business Manager (2)	52,670	0	1	52,671	7,690	60,361

(1) Head of Place and Commercial Services started in role on 1 February 2020.

(2) Interim Head of Commercial Services ceased role on 31 January 2020 and started the Business Manager role on 1 February 2020.

(a) Exit package cost band (including special payments)	(b) Number of compulsory redundancies		(c) Number of other departures agreed		(d) Total number of exit packages by cost band [(b) + (c)]		(e) Total cost of exit packages in each band	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
							£'000	£'000
£0 - £20,000	0	6	3	4	3	10	41	72
£20,001 – £40,000	0	0	0	2	0	2	0	66
£40,001 - £60,000	0	0	1	0	1	0	44	0
£60,001 - £80,000	0	0	1	0	1	0	74	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0	0	0
£150,001 - £200,000	0	0	0	0	0	0	0	0

£200,001 -	0	0	0	0	0	0	0	0
£250,000								
£250,001 -	0	0	0	0	0	0	0	0
£300,000								
Total cost	<hr/>							
Included in	0	6	5	6	5	12	159	138
bandings								
Add: Amounts provided for in Comprehensive Income & Expenditure Statement not included in bandings							0	0
Total cost included in Comprehensive Income & Expenditure Statement							159	138
							<hr/>	<hr/>

Termination Benefits:

The Authority terminated the contracts of a number of employees in 2020/21, incurring liabilities of £134k (£116k in 2019/20). Eleven of the liabilities were payable in the form of compensation for loss of office with no enhancement of pension benefits and a further one received the enhancement of pension benefits. They were all part of the Authority's rationalisation of its service costs and were charged to the Authority's Comprehensive Income and Expenditure Statement. These figures are included in the table above re. exit packages including those who retired early and the relevant pension strain payments. The comprehensive Income and Expenditure Statement has also been charged with those costs highlighted in note 40 relating to the pension scheme.

34. External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts:

	2019/20	2020/21
	£'000	£'000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year*	45	59
Fees payable in respect of certification of grant claims provided by Grant Thornton during the year**	10	11
Total	55	70

* £7,500 relates to additional audit fees for changes to the audit scope in 2019/20. These are in addition to the scale fees of £37,240 set by PSAA and have been approved by PSAA. Any additional fees in relation to the 2020/21 audit would be subject to approval by the PSAA.

**This fee is a non-audit fee.

35. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2020/21:

	2019/20	2020/21
	£'000	£'000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	0	0
Council tax support trans/new burdens	0	0
Small business rate relief/threshold changes grant	(1,716)	(2,068)
Community Infrastructure Levy	(1,708)	(7,042)
Transparency code grant	(8)	(8)
Environment agency	0	0
Returned New Homes Bonus top slice	0	0
Homes & Communities Agency	0	0
Sales/fees and charges compensation grant	0	(3,976)
Homes England	(200)	(332)
General Covid grants	0	(1,809)
Ministry of Housing, Communities & Local Government	(1,500)	0
Miscellaneous SANGS	(906)	(792)

New Homes Bonus	(2,614)	(2,244)
Retail relief grant	0	(6,730)
Other business rates/TIG grants	(997)	(1,662)
Other contributions	(923)	(1,313)
Total	(10,572)	(27,976)

	2019/20	2020/21
	£'000	£'000
Credited to Services		
REFCUS grants:		
Renovation/Disabled/energy grants	(1,106)	(1,111)
Shoreline/Coastal Monitoring	(1,078)	(1,129)
Play/recreation	(214)	(204)
Other	(144)	0
Rent Allowance subsidy	(26,076)	(24,247)
Housing Benefit administration subsidy	(314)	(330)
Rent rebate subsidy	(365)	(401)
Garden Communities	(150)	(150)
Homelessness grants	(728)	(642)
Safer Devon/crime/community regeneration grants etc.	(10)	0
Elector Fund	0	0
RPA/Habitat Regulations/open space	(131)	(119)
Business grants	0	(5,530)
Council tax hardship fund grant	0	(940)
Other grants/contributions	(1,211)	(1,686)
Total	(31,527)	(36,489)

The Authority has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year end are as follows:

Current liabilities

Grants Receipts in Advance (Revenue Grants)	31 March 2020	31 March 2021
	£'000	£'000
Miscellaneous crime/disorder/community regeneration grants	(18)	(96)
Business rates compensation	(2,530)	0
Estuary contributions	(50)	(50)
Watercourse improvement contributions	(173)	(170)

Air quality	(124)	(229)
Heritage trail	(10)	(10)
Community facilities/open space contributions	(1,144)	(1,461)
Homelessness	0	(35)
Business grants	0	(8,590)
Hardship grant	0	(103)
Miscellaneous	(49)	(141)
Total	(4,098)	(10,885)

Grants Receipts in Advance (Capital Grants)	31 March 2020 £'000	31 March 2021 £'000
Environment Agency/Natural England – Flood Prevention and Alleviation	(1,150)	(558)
DFG (Better Care Fund)	(921)	(1,021)
DEFRA – Air Quality	(50)	(50)
Public Open Spaces and recreation	(9)	(9)
Dept for Energy/DCC – Central Heating Fund	(8)	(8)
Dearbonisation	0	(2,875)
Green Homes	0	(1,147)
Housing/infrastructure	(345)	(370)
Other	(74)	(180)
Total	(2,557)	(6,218)

Long term liabilities

Grants Receipts in Advance (Revenue Grants)	31 March 2020 £'000	31 March 2021 £'000
Dawlish Town Centre – community facilities	(68)	0
Parks, play & recreation facilities contribution	(2,468)	(2,484)
Carswells – open space contribution	0	0
Newton Abbot / Kingsteignton/Dawlish etc – air quality	(241)	(225)
Drainage - Kingsteignton	0	0
Miscellaneous open space, community facilities & wildlife contributions	(1,460)	(1,161)
Sundry drainage & flood defence contributions	0	0
Dawlish - drainage	0	0
Health contributions	(47)	(47)
Chudleigh – open space, indoor sports & play provision	(97)	(97)
Teignmouth town centre – pedestrianisation & public art	0	0
Other miscellaneous grants/contributions	(37)	(45)
Affordable housing	(891)	(1,078)
Total	(5,309)	(5,137)

Grants Receipts in Advance (Capital Grants)	31 March 2020 £'000	31 March 2021 £'000
Open Space and Recreation	(78)	(78)
Total	(78)	(78)

36. Related Parties

The Authority is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority 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 Authority.

Central Government

Central government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grant receipts credited to the Comprehensive Income and Expenditure Statement and those outstanding at 31 March 2021 are shown in Note 35.

Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of Members' allowances paid in 2020/21 is shown in Note 32.

Grants and payments for services rendered totalling £52,130 were paid to the Citizens Advice Bureau (CAB) in 2020/21. Councillors of Teignbridge District Council are invited to oversee the business plan of the organisation but they are not involved in controlling the decision making of the CAB or issues which involve the interests of the District Council.

During the financial year the Council paid grants to organisations totalling £33,951 (£0 2019/20) which three Members had an interest in. In all instances the grants were made with proper considerations of declarations of interest. The relevant Members did not take part in any discussion relating to the grants.

Details of all items are recorded in the Register of Members Interest, open to public inspection at the Council offices during opening hours.

Other

Dextco Limited was incorporated on 1 December 2016. It was established to fund and implement low carbon energy projects across Devon to deliver a reliable, low cost energy infrastructure which will encourage inward investment, thereby driving growth in the local economy and skilled jobs for the workforce. Teignbridge District Council is one of five equal shareholders comprising; Devon County Council, Royal Devon & Exeter NHS Foundation Trust, University of Exeter and Exeter City Council. Dextco Limited is deemed to be a joint venture, as it is a separate legal entity with shareholders that have equal and collective control with decisions made unanimously.

There were no grant payments in 2019/20 or 2020/21.

37. Capital Expenditure and Capital 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 expenditure is to be financed in future years by charges to revenue as assets are 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.

	2019/20	2020/21
	£'000	£'000
Opening Capital Financing Requirement	16,952	19,944
Capital investment :		
Property, Plant and Equipment	6,626	2,526
Strata ICT Capital Investment	168	264
Intangible Assets	0	0
Revenue Expenditure Funded from Capital under Statute	3,179	3,456
Bank investment	0	0
Long term debtors relating to capital transactions	0	0
Expenditure re. future capital receipts/other	0	0
Sources of finance :		
Capital receipts	(206)	(586)
Government grants and other contributions	(5,733)	(5,659)
Sums set aside from revenue:		
Direct revenue contributions	(917)	(130)
Financing of loan/other	0	0
MRP	(125)	(169)
Closing Capital Financing Requirement	19,944	19,646
Explanation of movements in year:		
Increase (decrease) in underlying need to borrowing (unsupported by government financial assistance)	2,992	(298)
Repayments of long-term debtors/other	(0)	(0)
Assets acquired under finance leases	0	0
Increase/(decrease) in Capital Financing Requirement	2,992	(298)

38. Leases

Authority as Lessee

Finance Leases

The Council had the use of one leisure centre under a finance lease in 2020/21.

The assets acquired under the lease are carried as Property, Plant and Equipment (Land & Buildings – other) in the Balance Sheet at the following net amounts:

31 March 2020 £'000		31 March 2021 £'000
7,138	Other Land and Buildings	7,684
<hr/> 7,138		<hr/> 7,684

The Authority is not committed to making any lease payments under this lease and is only responsible for the day to day running costs.
There has been no subletting of any part of the premises held under this finance lease.

Operating Leases

Vehicles, Plant & Equipment – the Authority leases refuse vehicles, sweepers, other vehicles and miscellaneous equipment under terms of an operating lease.

Land & buildings – the Authority leases properties from private sector landlords as part of its housing function on short leases together with other miscellaneous land and property which have been accounted for as operating leases.

The future minimum lease payments due under non-cancellable leases in future years are:

31 March 2020 £'000		31 March 2021 £'000
1,577	Not later than one year	1,650
1,713	Later than one year and not later than five years	900
22	Later than five years	127
<hr/> 3,312		<hr/> 2,677

The expenditure charged to the various segments within Net Cost of Services in the Comprehensive Income and Expenditure Statement during the year in relation to all operating leases was:

2019/20 £'000		2020/21 £'000
1,608	Minimum lease payments	1,635

0	Contingent rents	0
0	(Sublease payments receivable)	0
<u>1,608</u>		<u>1,635</u>

Authority as Lessor

Finance Leases

The Authority has leased out three properties in Teignmouth (museum, golf clubhouse, yacht club) on finance leases with remaining terms of between 70 and 87 years. These leases generate no / peppercorn rental streams on an annual basis and no residual value is anticipated for the buildings when the leases come to an end.

The Authority has an additional property in Newton Abbot rented out as a football headquarters. The Authority has a gross investment in this lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Authority in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

31 March 2020 £'000		31 March 2021 £'000
	Finance lease debtor (net present value of minimum lease payments):	
0	• Current	0
18	• Non-current	18
65	Unearned finance income	64
0	Unguaranteed residual value of property	0
<u>83</u>	Gross investment in the lease	<u>82</u>

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross Investment in the Lease		Minimum Lease Payments	
	31 March 2020 £'000	31 March 2021 £'000	31 March 2020 £'000	31 March 2021 £'000
Not later than one year	1	1	0	0

Later than one year and not later than five years	5	5	0	0
Later than five years	77	76	18	18
	83	82	18	18

No provision has been made for lease payments not being made, the Authority has therefore not set aside an allowance for uncollectible amounts at 31 March 2021 (£0 at 31 March 2020).

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2020/21 £2k contingent rents were receivable by the Authority (2019/20 £2k).

Operating Leases

The Authority leases out property and equipment under operating leases for various activities including the following purposes:

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

The future minimum lease payments receivable under non-cancellable leases in future years are:

31 March 2020 £'000		31 March 2021 £'000
1,777	Not later than one year	1,758
3,681	Later than one year and not later than five years	3,073
6,906	Later than five years	6,397
<u>12,364</u>		<u>11,228</u>

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. In 2020/21 £16k contingent rents were receivable by the Authority (2019/20 £45k).

39. Impairment Losses

Impairment losses and impairment reversals charged to the 'Surplus/Deficit on the Provision of Services' and to 'Other Comprehensive Income and Expenditure' are disclosed in Note 14 reconciling the movement over the year in Property, Plant and Equipment.

In 2019/20 and 2020/21 there were no impairment losses. There was an impairment reversal of £72,000 in 2020/21 credited to the Comprehensive Income & Expenditure Statement. There was an impairment reversal of £178,000 in 2019/20 which was credited to the Comprehensive Income & Expenditure Statement.

40. Defined Benefit Pension Scheme

Participation in Pension Scheme:

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Authority participates in the Local Government Pension Scheme administered by Devon County Council – this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

The principal risks to the Authority of the scheme are the longevity assumptions, statutory changes to the scheme (i.e. large-scale withdrawal 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 the amounts required by statute as described in the accounting policies note.

In accordance with International Accounting Standard No. 19 – Employee Benefits (IAS 19) the Authority is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees. The information supplied is from a report by Barnett Waddingham.

Transactions Relating to Post-employment Benefits:

We recognise the cost of retirement benefits in the reported Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment / retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

Pensions Assets and Liabilities and charges to the Comprehensive Income & Expenditure Statement (CIES):

The movement in the pension scheme asset and liabilities is detailed below together with their treatment in the CIES.

	Scheme Assets £'000	Pensions Obligations £'000	Net Pensions Liability £'000	Notes on Accounting Treatment
2020/21:				
Opening balance at 1 April 2020	85,448	(171,866)	(86,418)	
Current service cost		(5,388)	(5,388)	Absorbed into the total cost of services in the CIES
Past service cost and gains/losses on settlements		(15)	(15)	Charged to Financing items in the CIES
Interest income and expenses	2,066	(3,984)	(1,918)	Charged as a net item to Financing and Investment Income and Expenditure in the CIES
Administration expenses	(66)		(66)	Charged to Other Operating Expenditure
Remeasurements:	20,174		20,174	Credited as Remeasurements of the Net Defined Benefit Liability to Other Comprehensive Income and Expenditure in the CIES
• Return on plan assets				
• Actuarial gains and losses arising from changes in demographic assumptions		1,933	1,933	Credited as Remeasurements of the Net Defined Benefit Liability to Other Comprehensive Income and Expenditure in the CIES
• Actuarial gains and losses arising from changes in financial assumptions		(45,558)	(45,558)	Debited as Remeasurements of the Net Defined Benefit Liability to Other Comprehensive Income and Expenditure in the CIES
• Other actuarial gains and losses	0	2,198	2,198	Credited as Remeasurements of the Net Defined Liability to Other Comprehensive Income and Expenditure in the CIES
Contributions:	6,342		6,342	Transactions in the Cash Flow Statement. Debited to the General Fund Balance in the Movement in Reserves Statement (MIRS) as part of the adjustments between Accounting and Funding basis.
• Council employer's contributions				
• Employee contributions	851		851	Absorbed into the total cost of services in the CIES – netted off Current Service Cost
Retirement grants and pensions	(5,575)	5,575	0	Transactions in the Cash Flow Statement. Debited to the General Fund Balance in the MIRS as part of the Adjustments between Accounting and Funding basis
Closing Balance at 31 March 2021	109,240	(217,105)	(107,865)	

	Scheme Assets £'000	Pensions Obligations £'000	Net Pensions Liability £'000	Notes on Accounting Treatment
2019/20:				
Opening balance at 1 April 2019	92,673	(180,196)	(87,523)	
Current service cost		(5,602)	(5,602)	Absorbed into the total cost of services in the CIES
Past service cost and gains/losses on settlements		(1,247)	(1,247)	Charged to Financing items in the CIES
Interest income and expenses	2,228	(4,273)	(2,045)	Charged as a net item to Financing and Investment Income and Expenditure in the CIES
Administration expenses	(67)		(67)	Charged to Other Operating Expenditure
Remeasurements:	(9,833)		(9,833)	
• Return on plan assets				Credited as Remeasurements of the Net Defined Benefit Liability to Other Comprehensive Income and Expenditure in the CIES
• Actuarial gains and losses arising from changes in demographic assumptions		1,820	1,820	Debited as Remeasurements of the Net Defined Benefit Liability to Other Comprehensive Income and Expenditure in the CIES
• Actuarial gains and losses arising from changes in financial assumptions		17,240	17,240	Credited as Remeasurements of the Net Defined Benefit Liability to Other Comprehensive Income and Expenditure in the CIES
• Other actuarial gains and losses	248	(5,019)	(4,771)	Credited as Remeasurements of the Net Defined Liability to Other Comprehensive Income and Expenditure in the CIES
Contributions:	4,773		4,773	
• Council employer's contributions				Transactions in the Cash Flow Statement. Debited to the General Fund Balance in the Movement in Reserves Statement (MIRS) as part of the adjustments between Accounting and Funding basis.
• Employee contributions	837		837	Absorbed into the total cost of services in the CIES – netted off Current Service Cost
Retirement grants and pensions	(5,411)	5,411	0	Transactions in the Cash Flow Statement. Debited to the General Fund Balance in the MIRS as part of the Adjustments between Accounting and Funding basis
Closing Balance at 31 March 2020	85,448	(171,866)	(86,418)	

Expected Return on Assets

For accounting years beginning on or after 1 January 2013, the expected return and the interest cost is replaced with a single net interest cost, which effectively set the expected return equal to the IAS19 discount rate.

The liabilities show the underlying commitments that the authority has in the long run to pay post employment (retirement) benefits. The total liability of £107.865 million has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a reduced net assets position of £14.567 million at 31 March 2021. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy. The deficit will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method - an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. This has been assessed by Barnett Waddingham an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 1 April 2019.

The expected return and the interest cost has been replaced with a single net interest cost which effectively sets the expected return equal to the discount rate. The principal assumptions used by the actuary have been:

Mortality assumptions:	31 March 2020	31 March 2021
Longevity at 65 for current pensioners:		
Men	22.9	22.6
Women	24.1	23.9
Longevity at 65 for future pensioners: (assumed retiring in 20 years)		
Men	24.3	24.0
Women	25.5	25.4
Take-up of option to convert annual pension into retirement lump sum	50%	50%

It is also assumed members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age. It is assumed that members opted in to the 50% of contributions for 50% of the benefits at the previous valuation date will continue.

Financial Assumptions

	31 March 2020	31 March 2021
	% p.a.	% p.a.
Salary increases	2.90%	3.80%
Pension increases	1.90%	2.80%
Discount rate	2.35%	2.00%

Demographic / Statistical assumptions

These assumptions by the actuary are set with reference to market conditions at 31 March 2021. The estimate of the duration of the Authority's liabilities is 20 years. An estimate of the Employer's future cashflows is made using notional cashflows based on the estimated duration above. These estimated cashflows are then used to derive a Single Equivalent Discount Rate (SEDR). The discount rate derived is such that the net present value of the notional cashflows, discounted at this single rate, equates to the net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30 year point). This is consistent with the approach used at the previous accounting date.

Similarly to the approach used to derive the discount rate, the Retail Prices Index (RPI) increase assumption is set using a Single Equivalent Inflation rate (SEIR) approach, using the notional cashflows described above. The single inflation rate derived is that which gives the same net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve, as applying the Bank of England implied inflation curve. As above, the Merrill Lynch AA rated corporate bond yield spot curve is assumed to be flat beyond the 30 year point and the Bank of England implied inflation spot curve is assumed to be flat beyond the 40 year point. This is consistent with the approach used at the previous accounting date.

The Bank of England implied inflation curve may suggest a higher rate of inflation over longer terms than actually expected by market participants due to a willingness to accept a lower return on investments to ensure inflation linked returns. To reflect this an inflation risk premium adjustment has been made such that the assumed level of future annual RPI increase is 0.25% lower than the SEIR calculation using the Bank of England inflation curve alone. This differs from the previous accounting date and is reflected in the change in financial assumptions to determine the defined benefit obligation.

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI there is a further assumption about CPI which is that it will be 0.4% p.a. below RPI i.e. 2.8% p.a. It is considered that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods, recent independent forecasts and the duration of the Employers liabilities. The difference between RPI and CPI is less than assumed at the previous accounting date. This reflects the anticipated reform of RPI inflation following the UK Statistics Authority's proposal to change how RPI is calculated and subsequent announcements from the Chancellor suggesting this reform is now likely to take effect from 2030.

Salaries are assumed to increase at 1.0% p.a. above CPI. This is consistent with the approach at the previous accounting date.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses 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 the other assumptions remain constant. The assumptions in longevity, for example, assumed that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit method. Demographic assumptions are consistent with those used for the most recent Fund valuation carried out as at 31 March 2019. These have been updated since the last accounting date where they were based on those adopted for the funds 31 March 2016 valuation with updates to the latest mortality improvement projection model, CMI_2018.

A judgement in the Court of Appeal about cases involving judges' and firefighters' pensions (the McCloud judgement) has the potential to impact on the Council. The cases concerned possible age discrimination in the arrangements for protecting certain scheme members from the impact of

introducing new pension arrangements. As the Local Government Pension Scheme was restructured in 2014, with protections for those members who were active in the Scheme in 2012 and over the age of 55, the judgement is likely to extend to the Scheme.

The potential impact is uncertain but on the presumption that the remedy is for the Council to incur costs in extending protection to all members who were active at 31 March 2012 until their retirement, the Council's actuaries have calculated a potential increase in pension liabilities which was incorporated into the accounting results at 31 March 2020. These results included an allowance which has been rolled forward and re-measured to obtain the accounting results as at 31 March 2021. This has been incorporated within the liabilities of the Council as a past service cost in the Comprehensive Income and Expenditure Statement in 2019/20. Remedial regulations are awaited following a published consultation to determine the final proposals.

Impact on the Defined Benefit Obligation in the Scheme

	Increase in Assumption £'000	Decrease in Assumption £'000
Longevity (increase or decrease in 1 year) (increase is a shorter lifespan)	(10,321)	9,834
Rate of increase in salaries (increase or decrease by 0.1%)	(447)	443
Rate of increase in pensions (increase or decrease by 0.1%) and deferred revaluation	(3,833)	3,757
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	4,229	(4,318)

The figures in brackets assume an increase in the obligation.

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the period to 2040. Funding levels are monitored on an annual basis. The next triennial valuation will be set as at 31 March 2022.

The authority is anticipated to pay £2.192 million expected contributions to the scheme in 2021/22.

The scheme assets consist of the following categories, by proportion of the total assets held:

	31 March 2020		31 March 2021	
	£'000	%	£'000	%
Equities**	48,118	57	68,513	63
Gilts	3,645	4	3,715	3
Other Bonds	4,477	5	4,899	5
Property	8,049	10	8,775	8
Cash	995	1	1,126	1

Target Return Portfolio	11,220	13	10,284	9
Infrastructure	3,682	4	4,426	4
Other	5,262	6	7,502	7
Total	85,448	100	109,240	100

**At 31 March 2021 equities include £56.424 million of overseas equities.

Of the total fund asset at 31 March 2021, the following table identifies the split of those assets with a quoted market price and those that do not:

		31 March 2021	
		% Quoted	% Unquoted
Fixed interest government securities	UK	0.1	0
	Overseas	3.3	0
Corporate bonds	UK	0.1	0
	Overseas	2.3	0
Equities	UK	11.1	0
	Overseas	51.6	0
Property	All	0	8.0
Others	Absolute return portfolio	9.4	0
	Private Debt	0	2.1
	Infrastructure	0	4.1
	Multi sector credit fund	6.8	0
	Derivatives	0.1	0
	Cash/Temporary investments	0	1.0
Net current assets	Debtors	0	0.1
	Creditors	0	(0.1)
Total		84.8	15.2

41. Contingent Liabilities

The transfer of the Authority's housing stock on 4 February 2004 resulted in a gross capital receipt of £13.1 million. Warranties for 25 years were given to Teign Housing on staffing, environmental and other issues (for example in relation to the existence of contaminated land, subsidence etc.). The purpose of these warranties is to safeguard the housing company if any of the main assumptions on which the transfer price was calculated turn out to be different in reality. The environmental liabilities are covered by an insurance policy but any other liabilities that do arise will be funded from the Authority's general reserves. Owing to the uncertainties surrounding any potential claim, it is not practicable to make an estimate of the total value of liabilities (if any).

42. Nature and Extent of Risks Arising from Financial Instruments

The Authority's activities expose it to a variety of financial risks:

- credit risk – the possibility that other parties might fail to pay amounts due to the authority
- liquidity risk – the possibility that the authority might not have funds available to meet its commitments to make payments

- market risk – the possibility that financial loss might arise for the authority as a result of changes in such measures as interest rates and stock market movements.

The Authority'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. Risk management is carried out by a central treasury team, under policies approved by the Authority in the annual treasury management strategy statement. There are treasury management practices that have been adopted in accordance with the policy statement to ensure risk is managed and covers areas, such as interest rate risk, credit risk, and the investment of surplus cash.

a) Credit risk

The following summary identifies the arrangements in place for managing credit risk in relation to financial assets and for estimating the impairment loss allowances that would reflect the Council's exposure to this risk:

<u>Asset type</u>	<u>Credit risk management practices</u>	<u>Estimation of impairment loss allowance</u>
Government bonds, deposits, loans to other local authorities	Investments guaranteed by statute – no credit risk	No allowance required
Deposits with banks & building societies (& financial institutions)	Deposits are restricted by the Council's treasury management strategy to institutions with minimum acceptable credit ratings. All deposits held at 31 March 2021 therefore have low credit risk. Deposits are not made with banks and financial institutions unless they are rated independently. We invest in the top banks and building societies. We require the institutions lowest credit rating to be, at a minimum in the middle adequate range according to the Audit Commission report 'Risk and Return'. The Authority has a policy of not lending more than £3 million of its surplus balances to one institution with the exception of the Government (via Treasury Bills, other local authorities and the Debt Management office which is unlimited).	12 month expected credit losses have been assessed based upon risk factors which consider the credit rating and financial standing of the institution. The highest credit ratings for the deposits that the Authority has made mean that any allowance for expected credit losses would be insignificant.

<u>Asset type</u>	<u>Credit risk management practices</u>	<u>Estimation of impairment loss allowance</u>
Other loans to businesses and voluntary organisations	Loans are subject to internal credit rating by reference to audited accounts etc. A significant increase in credit risk since initial recognition arises when a loan's categorisation changes adversely. Loans are credit impaired where financial difficulties are identified or where the borrower breaches contracted terms of the loan. Balances are not written off until there is no realistic prospect of recovery.	Expected credit losses are calculated using historical data for defaults and risks specific to the borrower identified in the internal assessment process. No allowance required
Other debtors	Debtors are not subject to internal credit ratings and have been grouped for the purposes of calculating expected credit losses based upon time overdue. An element of balances are written off when they are more than 12 months past due plus specific provision for those greater than 12 months. Balances are written off but enforcement activity continues until there is no realistic prospect of recovery.	Expected credit losses are calculated using provision matrices based upon historical data and grouping of debtor ages and some specific debtors based upon financial data e.g. accounts etc. Between 1 April 2020 and 31 March 2021 the loss allowance increased from £0.661 million to £1.129 million as a result of a change in the volume of debtors and to provide for potential outcomes arising from the Covid 19 pandemic. 'Other debtors' include trade debtors and housing benefit overpayments etc.

Changes in Expected Credit Losses

The following movements in the impairment loss allowances for financial assets took place in 2020/21.

	Allowance at 1 April 2020	Increase / (decrease) in provision	Allowance at 31 March 2021
	£'000	£'000	£'000
Deposits with banks and building societies			
12-month credit losses	0	0	0
Other loans to businesses and voluntary organisations			
12-month credit losses	0	0	0
Lifetime credit losses	0	0	0
Credit-impaired assets	0	0	0
Other debtors			
Grouped assets	661	468	1,129
Total loss allowances	661	468	1,129

The total amount of undiscounted expected credit losses at recognition on financial assets initially recognised during 2020/21 was £0.

Exposure to Credit Risk

		Gross Carrying Amount £'000
Other debtors		
Grouped assets	Not subject to credit rating *	5,619
Total amount exposed to credit risk		5,619

*Other sundry debtors have an impairment provision based upon historical experience, age of debt, economic conditions and arrangements for repayment.

As detailed above, all deposits are low risk (see table above). Loans to businesses and other organisations are not material. Credit risk is not measured for individual debtors.

Loss allowances for council tax are £0.147 million at 31 March 2021 and £0.204 million for non domestic rates. These are calculated based upon historic default patterns and economic conditions prevailing at the time.

During 2020/21 the Council wrote off financial assets with a contractual amount outstanding of £0.012 million (£0.021 million in 2019/20) that are still subject to enforcement activity.

b) Liquidity risk

The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the authority has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Authority will be bound to borrow at a time of unfavourable interest rates. There are no risks at present as we have no long term borrowing but any future plans will incorporate a sensible maturity structure for such loans.

The maturity analysis of financial liabilities is as follows:

	31 March 2020 £'000	31 March 2021 £'000
Less than one year	(3,406)	(10,045)
Between one and two years	0	0
Between two and five years	0	0
More than five years	0	0
	(3,406)	(10,045)

All trade and other payables are due to be paid in less than one year.

c) Market risk

i) Interest rate risk

The Authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise (at present we have no borrowings at variable rates)
- borrowings at fixed rates – the fair value of the liabilities/ borrowings will fall
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise (at present we have no investments at variable rates)
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements

in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Authority has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 10% (no more than 10% for 2021/22) of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans may be repaid early to limit exposure to losses.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2021, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable investments	(94)
Impact on Surplus or Deficit on the Provision of Services	(94)
Decrease in fair value of fixed rate investment assets	0
Impact on Other Comprehensive Income and Expenditure	0
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income & Expenditure)	0

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

ii) **Price risk**

The Authority does not invest in equity shares and consequently is not exposed to losses arising from movements in the prices of shares.

iii) **Foreign exchange risk**

The Authority has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

43. Other Long Term Liabilities

These relate to the pension liability, the long term element of the Collection Fund balance for council tax and income received in advance relating to two operating leases.

The breakdown is as follows:-

31 March 2020 £'000		31 March 2021 £'000
(239)	Operating leases - income in advance	(237)
(169)	Collection Fund balance – council tax/NNDR	(1,137)
(86,418)	Pension Liability	(107,865)
(86,826)		(109,239)

44. Trust Funds

The Authority is also sole trustee for Hamlyn Playing Fields, Buckfastleigh and King George V Playing Field, Shaldon. Income and expenditure for these is not material. The assets are not included in the balance sheet of the Authority.

45. Heritage Assets

There are a small number of heritage assets held by the authority, principally covering miscellaneous works of art and civic regalia. They are valued periodically for insurance purposes and the insurance value is used as the valuation for accounting purposes. The items held are all valued at less than the £10,000 capitalisation limit and are not recorded on the balance sheet – a register is held and updated by the insurance officer.

46. Agency Services

- (a) The Authority collect land charge search fees on behalf of Devon County Council. These fees are reimbursed to the County Council on a periodic basis. The amount collected was £40,853 for 2020/21 (£31,889 in 2019/20).
- (b) The Authority acts as agent for Devon County Council, Devon and Cornwall Police Authority and Devon & Somerset Fire & Rescue Authority in the collection of council tax and for Central Government, Devon County Council and Devon & Somerset Fire & Rescue Authority for the collection of Non Domestic Business Rates. Details can be found in the Collection Fund on pages 113 and 114.
- (c) The Authority carries out payroll services for various organisations for which it received total fee income of £3,918 in 2020/21 (£2,992 in 2019/20).
- (d) As part of the response to the Covid 19 pandemic the Authority acts as agent for Central Government to administer various business grants, local restrictions grants and track and trace grants. In 2020/21 £47.341 million has been paid out.

47. Joint Operations

Teignbridge District Council, Exeter City Council and East Devon District Council each have interests in a joint operation called Strata Service Solutions Ltd, a registered company (company number 09041662) whose registered office is Civic Centre, Paris Street, Exeter, Devon, EX1 1JN. The Company commenced trading on 1 November 2014.

The business of the Company is the operation and provision of a shared information communications technology service to each of the Councils including;

- A source of expertise regarding information technology
- A resilient and reliable ICT infrastructure

- A service desk that maintains and supports devices, operating systems and core applications
- Information security and information management services
- Developing and implementing business systems to meet Council business objectives
- A Street Name and Numbering function

The proportions of ownership interests are; Exeter City Council (35.936%), Teignbridge District Council (27.372%) and East Devon District Council (36.692%). Each authority has equal voting rights, with decisions taken collectively and unanimously.

The figures that have been consolidated into the Council's single entity financial statements are:

Adjustment to Comprehensive Income & Expenditure Statement (CIES)

	2019/20 £'000's	2020/21 £'000's
Fees	(1,825)	(1,890)
Cost of Sales	972	931
Admin Expenses	1,313	1,254
Transfer of pension scheme liability	0	0
Cost of Services`	460	295
(Gain) / loss on disposal of assets	0	60
Net interest on the net defined benefit liability	46	37
Interest receivable	(3)	0
(Surplus) or Deficit on Provision of Services	503	392
Remeasurement of the net defined benefit liability	(521)	1,075
Total CIES	(18)	1,467

Adjustments to Balance Sheet (cumulative for 2019/20 column)

Property, Plant & Equipment	198	(73)
Intangible assets	391	13
Investment in Strata removed upon consolidation and replaced with proportional share of assets and liabilities	(1,956)	(264)
Total Long Term Assets	(1,367)	(324)
Inventories	4	0
Short Term Debtors	599	52
Cash & Cash Equivalents	74	162
Total Current Assets	677	214
Short Term Creditors	(170)	(28)
Grants Receipts in Advance – Capital	(74)	(106)
Total Current Liabilities	(244)	(134)

	2019/20	2020/21
	£'000's	£'000's
Pension Scheme Liability	(1,622)	(1,223)
Total Long Term Liabilities	(1,622)	(1,223)
Net Assets	(2,556)	(1,467)
Financed by:		
Usable reserves	211	(13)
Unusable reserves	(2,767)	(1,454)
	<hr/>	<hr/>
Total Reserves	(2,556)	(1,467)

SUPPLEMENTARY SINGLE ENTITY FINANCIAL STATEMENTS

THE COLLECTION FUND

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate account. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and business rates.

	2019/20 Business Rates	2019/20 Council Tax	2020/21 Business Rates	2020/21 Council Tax
	£'000	£'000	£'000	£'000
INCOME				
Income from Council Tax		(95,132)		(97,394)
Business Rates Receivable	(30,440)		(13,289)	
(Plus): Transitional Protection/S13A Relief	34	(1)	48	(877)
	<u>(30,406)</u>	<u>(95,133)</u>	<u>(13,241)</u>	<u>(98,271)</u>
EXPENDITURE				
Precepts, Demands & Shares:				
Central Government	15,370		15,858	
Devon County Council	2,767	68,133	2,854	71,561
Devon & Cornwall Police Authority		10,448		11,019
Devon & Somerset Fire & Rescue Authority	307	4,259	317	4,387
Teignbridge District Council (net including Towns / Parishes)	12,296	11,805	12,686	12,508
Rates write offs and change in impairment allowance	(391)		200	
Council Tax written off and change in impairment allowance		546		190
Rates increase/(reduction) in provision for appeals	(200)		170	
Transitional Protection payable			302	
Renewable Energy disregard			62	
Business Rates – Cost of collection	192		191	
	<u>30,341</u>	<u>95,191</u>	<u>32,640</u>	<u>99,665</u>
Movements on the Collection Fund :				
DEFICIT / (SURPLUS) FOR THE YEAR	(65)	58	19,399	1,394
DEFICIT / (SURPLUS) BROUGHT FORWARD	1,090	(751)	401	(193)
ACCUMULATED DEFICIT / (SURPLUS)	<u>1,025</u>	<u>(693)</u>	<u>19,800</u>	<u>1,201</u>
(see note 4 to the Collection Fund)				
Allocation for following year:				
Central Government	233		(8,734)	
Devon County Council	(601)	360	(1,572)	(1,799)
Devon & Cornwall Police Authority		55		(277)
Devon & Somerset Fire & Rescue Authority	(6)	23	(175)	(110)
Teignbridge District Council	(250)	62	(6,987)	(314)

	(624)	500	(17,468)	(2,500)
DEFICIT / (SURPLUS) CARRIED FORWARD	401	(193)	2,332	(1,299)

NOTES TO THE COLLECTION FUND

1. The accounting arrangements for the Collection Fund are as follows:

- Under business rates retention as a billing authority we act as an agent, collecting business rates on behalf of the major preceptors and central government. Teignbridge received 40% of the estimated income as a payment of £12.686 million (2019/20 £12.296 million) from the rates collection fund. The authority had to pay a tariff to government of £9.147 million (2019/20 £9.0 million) and a levy of £1.0 million (2019/20 £1.098 million). However as we are part of the Devon pool some of this was returned to us as a pooling gain of £0.327 million (2019/20 £0.326 million).
- The surplus or deficit on collection funds at the end of the year is required to be distributed to or made good by contributions from the Authority and major preceptors/ shares in a subsequent financial year. A £2.5 million deficit (2019/20 £0.5 million surplus) has been declared by Teignbridge as the council tax estimate in 2020/21. A £17.468 million (2019/20 £0.624 million) deficit was anticipated for non-domestic rates for 2020/21 however an actual deficit balance has arisen of £19.800 million (2019/20 £1.025 million).

2. Business Rates

The total business rateable value as at 31 March 2021 was £85.311 million (31 March 2020 £85.350 million) with a multiplier of 51.2 pence (50.4 pence 2019/20) in the pound 49.9 pence (49.1 pence 2019/20) in the pound for properties where the rateable value is less than £51,000 (£51,000 2019/20).

3. Council Tax

Council Tax (CT) income derives from charges raised according to the value of residential properties which have been classified into 8 valuation bands. The income required to be taken from the collection fund is dividing by the CT Base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts) to get individual charges. The relevant amount for 2020/21 was 50,216 (2019/20 49,716) adjusted for a collection rate of 99.0% to give Teignbridge's Tax Base of 49,714 (2019/20 49,219) Band D equivalents. The average Band D charge for the Teignbridge CT, excluding Parishes, was £175.17 (2019/20 £170.17).

4. Collection Fund Balance

The deficit / (surplus) balance on the fund is split between the preceptors as follows:

	2019/20		2020/21	
	Business Rates £'000	Council Tax £'000	Business Rates £'000	Council Tax £'000
Central Government	(33)		9,900	
Devon County Council	637	(499)	1,782	864
Devon & Cornwall Police Authority		(76)		131
Devon & Somerset Fire and Rescue Authority	11	(31)	198	54
In short / long term debtors / short term creditors / long term liabilities	615	(606)	11,880	1,049
Balance of Fund to Teignbridge District Council (in Collection Fund Adjustment Account)	410	(87)	7,920	152
	<u>1,025</u>	<u>(693)</u>	<u>19,800</u>	<u>1,201</u>

GLOSSARY OF FINANCIAL TERMS

ACCRUALS	A sum included in the account to cover income or expenditure attributable to an accounting period for goods received or works done, but for which payment has not been received/made by the end date of the period for which the accounts have been prepared.
ACTUARIAL GAINS & LOSSES	These are changes in actuarial deficits or surpluses that arise because either actual experience or events have not been exactly the same as the assumptions adopted at the previous valuation (experience gains and losses) or the actuarial assumptions have changed.
BALANCES	The surplus or deficit on any account at the end of the year. Amounts in excess of that required for day to day working may be used to reduce the demand on the Collection Fund or Rents.
CAPITAL EXPENDITURE	Expenditure on the acquisition of property, plant equipment or intangible assets or expenditure which adds to and not merely maintains the value of such an asset.
CAPITAL FINANCING COSTS	Annual charges related to borrowing including interest, minimum revenue provision and repayments of principal on debt outstanding.
CAPITAL RECEIPTS	Income received from sale of assets which is available to finance other capital expenditure or to repay debt on assets financed from loan.
CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)	The governing body responsible for issuing the statement of recommended practice to prepare the accounts.
COLLECTION FUND	A separate fund which must be maintained by a district for the proper administration of Council Tax and Non Domestic Rates.
CURRENT SERVICE COST	Amount chargeable to Services based on the Actuary's assessment of pension liabilities arising and chargeable to the financial year.
CURTAILMENTS	This is the amount the Actuary estimates as the cost to the authority of events that reduce future contributions to the scheme, such as granting early retirement.
DEBT	Amounts borrowed to finance Capital Expenditure which are still to be repaid.

DEFINED BENEFIT SCHEME	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 (including notionally funded).
DEMAND	The charging authorities own Demand is, in effect, its precept on the fund.
FEES & CHARGES	In addition to the income from charge payers and the Governments, Local Authorities charge for services, including Planning Consents, Hire of Sporting Facilities, Car Parking etc.
FIFO	A method of valuing inventory (First In First Out) where stocks issued are assumed to be issued from the oldest available stocks.
FINANCIAL INSTRUMENTS	A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.
GOVERNMENT GRANTS	Payments by Central Government towards the cost of Local Authority services, including both Revenue and Capital.
IMPAIRMENT ALLOWANCE	A sum provided against income due to prudently allow for non collectable accounts.
INTEREST COST	For the pension fund this represents the discount rate at the start of the accounting period applied to the liabilities during the year based on the assumptions at the start of the accounting period.
INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) & THE CODE OF PRACTICE (CODE)	Formal financial reporting standards adopted by the accounting profession and to be applied when dealing with specific topics within its accounting Code. The Code is based on approved accounting standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements.
LOCAL AUTHORITY (SCOTLAND) ACCOUNTS ADVISORY COMMITTEE (LASAAC)	Formed a joint committee with CIPFA to produce the Code of Practice on Local Authority Accounting in the United Kingdom (referred to as the 'Code').
LOCAL DEVELOPMENT FRAMEWORK (LDF)	A plan which includes documents that establish the local policy towards the use of land and the vision for involving communities in the plan making process.

MINIMUM REVENUE PROVISION (MRP)	A 'prudent' annual provision from revenue in respect of capital expenditure financed by borrowing or credit arrangements.
PAST SERVICE COST	These will typically be additional benefits awarded on early retirement. This includes added years or augmentation and unreduced pension benefits awarded before eligible retirement age in the pension scheme.
PRECEPT	The levy made by precepting authorities including the County Council and Parish Councils, on the District Council requiring it to collect the required income from council taxpayers on their behalf.
PROJECTED UNIT METHOD	<p>An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:</p> <ul style="list-style-type: none">a) the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases, andb) the accrued benefits for members in service on the valuation date. <p>The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.</p>
PUBLIC WORKS LOAN BOARD (PWLB)	A Government Agency which provides longer term loans to Local Authorities at interest rates slightly higher than those at which the Government itself can borrow.
RATEABLE VALUE	A value placed on 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.
REVENUE EXPENDITURE	Recurring items of day to day expenditure consisting principally of Salaries and Wages, Debt Charges and general running expenses etc.
SANGS	Suitable Alternative Natural Green Space. Accessible alternative green provision to migrate where development is close to a protected site.
SETTLEMENTS	A settlement will generally occur 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 an outsourcing. It reflects the difference between the IAS 19 liability transferred and the assets transferred to settle the liability.

SHORT TERM LOAN	Borrowing from outside the authority that may be recalled within the year.
STRAIN ON FUND CONTRIBUTIONS	Additional employers pension contributions as a result of an employee's early retirement.
SUNDRY CREDITORS	Amounts owed by the Council at 31 March.
SUNDRY DEBTORS	Amounts owed to the Council at 31 March.
TEMPORARY BORROWING	Borrowing for revenue purposes for a period of less than one year.
VESTED RIGHTS	<p>In relation to a defined benefit scheme, these are:</p> <ul style="list-style-type: none">a) for active members, benefits to which they would unconditionally be entitled on leaving the scheme;b) for deferred pensioners, their preserved benefits;c) for pensioners, pensions to which they are entitled. <p>Vested rights include where appropriate the related benefits for spouses or other dependants.</p>
VIREMENT	The authorised transfer of an under spending in one budget head to another head.

Part 3

Supplementary Information

Introduction

Teignbridge District Council must ensure its business is conducted in line with the law and proper standards, and use public money economically, efficiently and effectively. It is the Council’s duty to put in place arrangements for the governance of its affairs, and effective delivery of services.

To achieve good governance, we have systems for managing and overseeing what we do. These arrangements are intended to ensure that we deliver intended outcomes while acting in the public interest at all times.

We have measured ourselves against the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) Framework for Delivering Good Governance in Local Government. The following statement explains how Teignbridge District Council has complied with the principles and also meets the requirements of the Accounts and Audit Regulations (England) 2015 in relation to the publication of an Annual Governance Statement. We have also outlined how our arrangements were affected by the Covid-19 pandemic which impacted us from March 2020.

The Guiding Principles



The governance framework

The governance framework comprises the systems, processes, culture and values which direct and control our daily business, and includes the methods we use to engage, lead and account to the community. It enables us to monitor how we are doing and to consider whether our plans have helped us deliver appropriate services that are value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risks of failure to achieve policies, aims and objectives and can therefore only provide reasonable but not absolute protection. The management of risk is an ongoing process designed to identify, prioritise and manage risks to the achievement of the Council's aims and objectives, and maximise opportunities.

The governance framework has been in place at Teignbridge District Council for the year ended 31 March 2021 and up to the date we approved the statement of accounts.

Impacts of the Covid-19 Pandemic on Governance

The Covid-19 pandemic caused us to make a number of changes to our normal governance arrangements, as we responded to emerging issues and new ways of working. These changes were carefully considered to ensure that the modified procedures have adequate controls in place and all urgent decisions were documented.

As the full impacts of the pandemic emerged from March 2020, the Council put in place an Incident Management Team which provided leadership and managed risk on a daily basis, ensuring the delivery of essential services was maintained safely for customers and staff. We worked closely with central Government, neighbouring authorities and the voluntary sector in providing community support to address the needs of our most vulnerable customers, delivering urgent financial support such as business and welfare grants, and regularly communicating with our staff and residents on how to stay safe and limit the spread of the virus. We developed a Recovery Plan in response to the pandemic across 5 work streams: Economy; Communities; Environment; Place; and Vital Viable Council.

Lockdown required arrangements for virtual Council meetings to be made urgently. These were facilitated using Zoom initially and latterly Webcasting as meetings recommenced upon the ending of restrictions in May 2021. This enabled our democratic and decision making processes to remain open and accessible.

Remote working systems were implemented rapidly for office based staff with both technical and wellbeing support for home working provided throughout. Plans are currently in place for a phased return from September 2021, and an associated office accommodation review has taken place. We have implemented ever changing guidance for our operational staff such as our waste crews, who were unable to socially distance at work. In general we have managed well with limited cases. Our arrangements were effective with not a single outbreak from any office setting and minimal disruption to our waste collection service.

A review of the Council's Ten Year Strategy resulted in some projects being put on hold due to the extreme financial and economic uncertainty caused by the pandemic. The Strategy will be further reviewed during 2021 taking account of the recovery work being undertaken and particularly our understanding of the impact the pandemic has had on our communities.

Reports on the Council's response to the pandemic and its impacts can be found in our Executive and Overview and Scrutiny Committee reports [here](#). Governance has remained effective, and the commitment and resilience of our workforce has been commendable.

The key things we do to comply with the good governance principles are as follows:

Behaving with integrity, demonstrating strong commitment to ethical values, and being lawful

- The Council's Constitution, Councillor and Officer Codes of Conduct, and Vision and Values statement set out required standards of members and officers.
- The Constitution was reviewed in 2020 with improved clarity over delegations. Further work is planned to further ensure it meets the Council's needs.
- A Procedures Committee has been set up to oversee future operation of the Constitution
- Registers of Interests are maintained to avoid conflicts, prejudice or bias.
- The designated statutory Head of Paid Service, Financial Officer and Monitoring Officer help ensure business is conducted lawfully.
- Internal and external audit scrutinise Council activities and report independently on the extent to which laws, policies and procedures are complied with.
- Audit Scrutiny, Standards Committee and the Monitoring Officer provide oversight.
- Anti-Fraud and Corruption and Whistleblowing policies are in place.
- Council services are led by trained and professionally qualified staff.
- Comments and complaints processes are in place and are publicised, including how to complain to the Ombudsman.
- Our 'fair for all' ethos is incorporated in the work we do, and we publish our adherence to the Equality Act duties annually.
- The Centre for Governance and Scrutiny were invited to review officer/member roles and responsibilities, including consideration of values, behaviours, and ethical issues, and the constitutional provisions supporting these.

Ensuring openness and comprehensive stakeholder engagement

- Our Consultation and Community Engagement Strategy and Toolkit encourages all members of the community to contribute to, and participate in the work of the Council.
- Members of the public have access to Council meetings, minutes and agendas. As a result of lockdown, some meetings had to be cancelled until legislation was enacted, and IT solutions put in place to enable us to hold these virtually. Meetings were available to the public through the Council's YouTube channel which has improved the transparency of decision making.
- Our Residents Panel "Talking Teignbridge" is used as a sounding board. A review of this is planned, to ensure it is demographically representative.
- A Customer Reading Group ensures publications can be understood. Plain English principles are used in publications and digital content meets accessibility standards with a 100% AA rating on our website. Our website has been continually improved based on what customers need.
- We have developed a Digital Strategy to guide the way services will be delivered with a digital first approach.
- We survey customers on a number of services for views to help shape future direction.
- A Statement of Community Involvement sets out engagement processes for planning policy and applications, and a revision of our Local Plan is in progress. Consultations are being carried out virtually due to the impact of the pandemic, which is resulting in a higher level of engagement than traditional "village hall" face to face consultations.

Defining outcomes in terms of sustainable economic, social and environmental benefits

- A Ten Year Council Strategy guides our work. This was implemented following extensive research and consultation with residents, business and partners, and is underpinned by ten “Super Projects” each having a widespread impact on the economy, community wellbeing, and environment. However, a number of projects are now on hold or will not continue due to the extreme financial and economic uncertainty caused by the pandemic. The Strategy will be reviewed in light of the recovery work being undertaken and particularly our understanding of the impact the pandemic has had on our communities.
- Our elected members called a Climate Emergency in 2019. Since then we have begun to measure our organisational carbon footprint and develop a pathway to net-zero emissions. We have also become a signatory of the Devon Climate Emergency and together with our partners across Devon, we are working towards a Devon Carbon Plan that will set Devon on a pathway to net-zero emissions by 2050 at the latest.
- Various carbon reduction grant funded works are in progress at leisure centres and Forde House. Other district themes include a Tree Strategy; green infrastructure connecting with nature; Future High Street fund and Newton Abbot and Kingsteignton Garden Communities project. The new Local Plan also includes climate change mitigations measures.
- Budgets, financial plan and capital programme direct financial resources to priorities.
- We have a Procurement Strategy in conjunction with other Devon Districts which defines our commitment to support local economies.
- An Economic Development Plan aids local businesses and the local economy, together with a Jobs Plan which was implemented in June 2021.
- A number of small grants and funding schemes are provided, which benefit local communities, and a crowdfunding initiative has been joined.
- We belong to the Greater Exeter Partnership which is developing a non-statutory joint plan for joined-up decision making on planning and infrastructure matters, and we are members of the Heart of the South West Local Enterprise Partnership.

Determining the interventions necessary to achieve intended outcomes

- Performance measures track progress with delivery of our Strategy.
- A medium term financial strategy outlines how we intend to raise and manage the resources needed to deliver our services and priorities over the medium term. This is constantly under review to address the severe financial impacts of the pandemic.
- Executive Key decisions are publicised in advance so they can be scrutinised in line with decision making and Overview and Scrutiny arrangements.
- Overview and Scrutiny review groups are appointed to look at Council policy, services, and particular issues of local concern. Although some 2020 meetings had to be cancelled due to lockdown, Scrutiny resumed in July following the implementation of virtual meetings.
- A digital transformation programme “One Teignbridge” and annual business planning and review exercises “BETTER2022” drive service improvement and performance.
- A Partnership toolkit aids collaborative working and strong partnership governance.

Developing capacity including the capability of leadership and the individuals within it

- Recognised recruitment and selection procedures and induction programmes are followed for both staff and members.
- Training and development needs are tracked through annual personal development and performance interviews for staff. Member development needs are co-ordinated by the Democratic Services Team Leader who is planning to introduce a member development programme in 2021. The newly formed Procedures Committee will also oversee member development.
- HR policies aim to promote the health and wellbeing of the workforce, which has been especially important during lockdown, and the Investors in People accreditation is maintained.

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

- Our Risk Management Strategy is reviewed annually and risk management reports are reviewed by the Strategic Leadership Team (SLT) and the Audit Scrutiny Committee.
- The Strategy requires risks to be managed at all levels including service, strategic, and project levels, and in all decision making risk must be identified.
- Some risks have inevitably increased as a result of the pandemic and these have been kept under review to ensure appropriate mitigations are in place. A separate risk matrix supports our Covid-19 recovery plan.
- Robust performance monitoring using a basket of indicators is undertaken by the SLT and Overview and Scrutiny Committees. These are also kept under review as we revisit our priorities to accommodate the impacts of the pandemic.
- As mentioned above, a programme of reviews (BETTER2022) help ensure value for money in services is scrutinised, for efficient service delivery.
- Our Head of Corporate Services is the designated officer responsible for the proper administration of the Council's financial affairs.

Being transparent, with good practices in reporting and audit, to deliver effective accountability

- Agendas, reports, and minutes of meetings are published, along with Key Decisions and meetings are accessible with live stream and recordings on our website.
- An internal audit function reports to the SLT and Audit Scrutiny Committee who also receive and consider the external auditors' findings.
- Key data is published, and timely responses are given to Information Requests.

How do we know our arrangements are working?

At least annually, we review the effectiveness of the governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the authority who have responsibility for the development and maintenance of the governance systems; the Audit Manager's annual report; and by comments made by external auditors, and other review agencies and inspectorates. Further assurance is provided by:

- Assurance statements completed by the Council's management team, which cover their areas of control, acknowledge accountability for risk management and internal control, and certify their satisfaction with the arrangements in place throughout the year.
- Key officers' views on the standards of governance within the Council – specifically the Section 151 Officer (responsible for the Council's financial affairs), the Monitoring Officer, the Audit Manager, and the Health and Safety Manager.
- The Council's Monitoring Officer has a legal responsibility to look into matters of potential unlawfulness within the Council. The Monitoring Officer also reviews the operation of the Constitution, to ensure it is up to date, and reflects best practice and legal requirements. Concerns highlighted by this process are outlined later in this statement.
- The Standards Committee is available to support the Monitoring Officer on standards of conduct and probity issues, and dealt with a number of matters referred to it. As above, concerns highlighted by matters dealt with by Standards are noted under challenges below.
- The Overview and Scrutiny process has monitored the Council's policies and performance on an ongoing basis (with the exception of the meetings cancelled during lockdown period). Portfolio Holders have also kept issues under review during meetings with managers.
- The Audit Scrutiny Committee has reviewed arrangements for managing risk concluding that adequate risk management arrangements are in place.
- Counter fraud arrangements have been kept under review through a Fraud Risk Assessment and fraud controls are evaluated during internal audit work. Internal audit have also provided assurance over the numerous Covid-19 support grants and payments distributed throughout the pandemic.
- The Council's external auditor provided the Council with an unqualified opinion on the Council's accounts and positive Value for Money report within their Annual Audit and Inspection letter for 2019-2020. However, the Council's accounts for 2020-2021 will be qualified and significant weaknesses have been reported in relation to Valued for Money in the Annual Auditor's Report 2020-2021 (these are also covered under governance issues later in this statement). The external auditor attends Audit Scrutiny Committee meetings where their reports have been considered.
- As a significant group relationship, our IT provider Strata Service Solutions Limited has been provided with positive assurance from the Devon Audit Partnership, as the provider of its internal audit services in 2020-2021. Strata's performance has been monitored closely by the Council's IT Requirements Board, and by the Joint Executive and Scrutiny Committees.
- Strata, has maintained compliance with the Government PSN (Public Services Network) Code of Connection, which is a mandatory set of security standards Councils must meet in order to connect to this secure network. Assurance has also been given in respect of cyber risk in deployment of the following: National Cyber Security Centre's (NCSC) 10 Steps to Cyber Security, the Open Web Application Security Project (OWASP) website principles and use of NCSC WebCheck, MailCheck, Protective Domain Name System security, and the Early Warning Vulnerability Service. Strata are also working towards Cyber Essentials Plus accreditation.

- The Electoral Commission's real time monitoring of performance concluded that the Council met their standards. The elections due in May 2020 took place in May 2021 in line with government guidance.
- The Local Government Ombudsman upheld 3 of the 15 complaints referred to it. As a result of a case dealt with in July 2020 which was later subject to an Ombudsman investigation into a Standards case, recommendations of the Ombudsman into the way Standards complaints are handled, have been implemented.
- A review of legal proceedings and contingent liabilities revealed no issues arising from weaknesses in control or governance.
- CIPFA guidance on the role of the Chief Financial Officer in public service organisations was used to benchmark the Council's arrangements, showing how these standards are met.
- Financial Management was also assessed against CIPFA's Financial Management Code with positive findings. This has a particular focus on financial resilience which is particularly important in current times.
- Based on the assurance work undertaken by internal audit, the Audit Manager has provided an opinion on the control environment which concluded that this was adequate and effective. It should, however, be noted that all risks of failure cannot be eliminated, and the assurance given is therefore reasonable and not absolute.
- Information Governance is overseen by the Audit Manager. There have been no major reportable data breaches and average processing time for Freedom of Information and Environmental Information Regulation requests was 13 days in the 18 month AGS period.
- Corporate governance arrangements Council-wide have been assessed against the requirements of the governance framework outlined in the CIPFA / SOLACE Framework for Delivering Good Governance in Local Government.
- Specific reviews have been commissioned to look at areas of concern: Office of Government Scrutiny review mentioned above (outcome pending) and Planning Advisory Service review of the planning decisions making process, the findings of which were positive, and the Centre for Governance and Scrutiny (CfGS) review of Council governance.
- The CfGS were invited in to review governance in 2021 and work with members to understand their roles and improve the relationship between members and officers. Alongside this was a need to review and update the Council's Constitution to both aid decision making and promote the ethical standards which underpin good governance. Although an action plan was produced, the required constitutional changes were not approved by the Council and governance improvements were not forthcoming. A further rapid review by the CfGS was therefore commissioned in 2023 alongside additional support provided by Avanti (transformation consultants) and the Local Government Association (LGA), to ensure the necessary changes were effected. Actions already taken to improve governance, together with ongoing planned improvement, are covered below in the final section of the Annual Governance Statement.

Conclusion

Our governance arrangements continue to be regarded as fit for purpose in accordance with the governance framework. Set out below, are the challenges highlighted by this review which we aim to address during 2021-2022.

2021-2022 Challenges	Planned Action
<p><u>Financial Sustainability</u></p> <p>The Coronavirus pandemic has had a significant financial impact on the Council, and will continue to affect fees and charges and commercial income throughout 2021 and beyond. The Government support packages have helped but these only cover part of the year 2021-2022. The Council also has a number of capital projects at different stages which could also be impacted.</p>	<p>The Chief Finance Officer and Strategic Leadership Team continuously monitor the financial situation to understand the level of budget variation and progress with capital schemes. Budgets have been realigned, savings found and further savings will be identified from service reviews to assist with budget gaps identified in the medium term financial plan.</p>
<p><u>Qualification of 2020-2021 Accounts</u></p> <p>The external auditor has qualified the Council's financial statements due to matters relating to the evidence held to support the key underlying assumptions for the Council's valuation of its property, plant and equipment.</p>	<p>Finance staff have liaised with Estates since the issue around retention of evidence on asset valuations for audit purposes in the year end accounts for 2020/21 and an improved process has been carried out for 2021/22 and future years.</p>
<p><u>Member and Officer roles and relationships</u></p> <p>As outlined above, the Centre for Governance and Scrutiny (CfGS) were invited to review officer/member roles and responsibilities, including consideration of values, behaviours, and ethical issues, and the constitutional provisions supporting these. Due to difficulties progressing the action plan from their September 2021 report, further assistance has been required to help the Council move forward with this work.</p>	<p>Good working relationships are crucial to good governance and there is still work to be done in this area. Officers have already made a number of recommendations leading to improvements being implemented including:</p> <ul style="list-style-type: none"> - enhancing the role of scrutiny to make it more effective, aided by the appointment of a Scrutiny Support Officer; - independent persons supporting the Standards Committee; - group leaders no longer sit on Standards removing the risk of it being politically led;

2021-2022 Challenges	Planned Action
	<ul style="list-style-type: none"> - integration of the LGA Model Code of Conduct into the Constitution; - we have reviewed and implemented a clearer process for complaints; - financial limits have been increased to aid decision making. <p>Further improvements planned:</p> <ul style="list-style-type: none"> - a review of the Constitution is taking place in 2024 which will include a member – officer protocol that will more clearly set out respective roles of members and officers to aid better working relationships going forward; - the CfGS have been commissioned to assist with the Constitution review; - a recent LGA Peer review has also been helpful and officers and members are proactively making plans to address the Peers’ findings; - we are looking at a more comprehensive programme of member training; - a new Council Strategy is being developed which should help direct the work of the Council. <p>A recent Local Government Association Peer Review has also been helpful in this respect and officer and members are proactively making plans to address the Peers’ findings throughout 2024.</p>
<p><u>Anti-fraud and Corruption and Whistleblowing policies</u></p> <p>Our governance review found these policies have not been reviewed for some time. It is good practice to review policies on a regular basis to ensure they remain fit for purpose and reflect best practice.</p>	<p>Anti-fraud and Corruption and Whistleblowing policies will be reviewed and updated in 2021-22</p>

Signed:

Leader of the Council

Managing Director

OTHER INFORMATION AND CONTACTS

1. Environmental Footprint/Climate Change

Teignbridge District Council declared a Climate Emergency in April 2019 and appointed a Climate Change officer in February 2020. The Authority has a ten year strategy including goals to reduce waste, be more energy efficient and make better transport choices. We are committed to mitigating the effects of climate change and in doing so providing leadership and support to the wider community. As one of the major employers and consumers of goods and services in the Teignbridge area, it is essential that the Council shows public commitment and leads by example.

Building upon the progress of the Carbon Management Programme with the Carbon Trust between 2007 and 2012, which at the time delivered a 20% reduction in carbon emissions within the authority, Teignbridge District Council is developing a Carbon Action Plan, a plan that will identify a pathway to a net-zero authority taking into account direct sources of emissions (Scope 1 and 2) and indirect supply chain emissions (Scope 3). As part of this emerging Carbon Action Plan, three major projects are already underway following two successful Public Sector Decarbonisation Scheme applications in January 2021; the combined schemes involve our main office block and three authority-run leisure sites and will include installing air source heat pumps, solar photovoltaics, battery storage, electrical capacity upgrades and LED lighting. The combined measures are estimated to reduce emissions by 372 tonnes CO₂ in year one, (roughly 14% of our direct carbon footprint) with carbon savings continuing annually over the project life.

Teignbridge District Council is a signatory of the Devon Climate Emergency and continues to support the development of the Devon Carbon Plan, a plan which aims to achieve net-zero emissions across Devon in the shortest feasible timeframe; the plan is due for publication in 2022. We are directly involved in numerous other district initiatives aligning with the Climate Emergency including the Future Highstreets Fund and Newton Abbot Garden Communities project. In addition, we are also developing a new local plan supporting low carbon development in the district.

www.teignbridge.gov.uk/carbonfootprint

2. Building Regulations Control Account –Year Ended 31 March 2021

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function. Building Regulations Control Services operate as a separate trading unit and the Summary Accounts for the year are detailed in the Devon Building Control Partnership Accounts, which can be found at the following website:

[Browse meetings - Devon Building Control Partnership Committee - Teignbridge District Council](#)

3. Comments / Contacts

If you have any specific queries or comments in the context or format of these accounts please contact Martin Flitcroft – Tel: 01626 215246 or email martin.flitcroft@teignbridge.gov.uk

These Accounts can be found on our website at www.teignbridge.gov.uk . If you need a copy of these Accounts in another language or format please email info@teignbridge.gov.uk or call 01626 361101

Independent auditor's report to the members of Teignbridge District Council

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of Teignbridge District Council (the 'Authority') for the year ended 31 March 2021, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21.

We do not express an opinion on the financial statements of the Council. Due to the significance of the matters described in the 'Basis for disclaimer of opinion' section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

We were unable to obtain sufficient, appropriate audit evidence in relation to the following areas:

Valuation of Property, Plant and Equipment

The CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 requires that for Property, Plant and Equipment assets recorded at current value, that the Council performs valuations with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using the current value at the end of the reporting period.

The valuation of the Council's land and buildings at 31 March 2021 was undertaken by professionally qualified valuer who subsequently left the Council's employment before the audit commenced. Insufficiently documentation was retained by the Council to appropriately evidence the significant assumptions and judgements made by the valuer in their certified valuation. We have therefore been unable to confirm the accuracy of the valuation calculations or obtain sufficient appropriate audit evidence to conclude whether the basis of the valuations were reasonable.

In addition, the Council's car parks had been valued based on the average car parking income for the prior three year accounting periods. However, this valuation did not include consideration of the impact of Covid-19 on the car parks' income and the fact that actual income levels for 2020-21 had significantly declined due to the national lockdowns in force.

Inadequate books and records

The audit identified significant weaknesses in financial accounting and record keeping at the Authority associated with its Property, Plant and Equipment balances. The Council did not maintain adequate records to sufficiently support material balances within the financial statements.

Summary

We considered alternative testing options, and provided management with the opportunity to conduct an additional valuations exercise to provide appropriate evidence which they chose not to proceed with due to financial and resource constraints. Consequently, we concluded that we could not obtain sufficient appropriate evidence that there were no material misstatements in the financial statements, arising from either intentional misstatement or error.

Due to the matters outlined above, we were unable to obtain sufficient appropriate audit evidence or to determine the full value of any adjustments that would have been necessary to the Council's Balance sheet or any related capital transactions affecting the Comprehensive Income and Expenditure Statement, or associated disclosures. We were also unable to determine the value of any related

adjustments that would have been necessary to the Council's Cash Flow Statement or the Council's Movement in Reserves Statement.

We are, therefore, unable to form an opinion on the financial statements as a whole.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

In our evaluation of the Chief Finance Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

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

In auditing the financial statements, we have concluded that the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings

We draw attention to Note 4 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Property, Plant and Equipment (Market Walk) as at 31 March 2021. As, disclosed in Note 4 to the financial statements valuations continue to be faced with an unprecedented set of circumstances caused by Covid-19. A material valuation uncertainty was therefore disclosed in the Authority's property valuer's report. Our opinion is not modified in respect of this matter.

Other information

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

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

As described in the 'Basis for disclaimer of opinion' section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to these matters.

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

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

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

Because of the matters described in the 'Basis for disclaimer of opinion' section of our report, we do not express an opinion on whether the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of the Authority, the Chief Finance Officer and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Finance Officer. The Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance Officer determines is

necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003).
- We enquired of senior officers and the Audit Scrutiny Committee, concerning the Authority's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and
 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Audit Scrutiny Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls and any other fraud risks identified for the audit. We determined that the principal risks were in relation to:

- Journals and transactions outside the normal course of business and those that altered the financial performance for that year
- Potential management bias in determining key estimates in particular those relating to land and buildings, investment property and the net pension fund liability valuations.
- Our audit procedures involved:
 - evaluation of the design effectiveness of controls that the Chief Finance Officer has in place to prevent and detect fraud;
 - journal entry testing, with a focus on unusual and high risk journals made during the year and accounts production stage;
 - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, investment property and defined benefit pension liability valuations;
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings and the net defined benefit pensions liability.
- Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
 - knowledge of the local government sector
 - understanding of the legal and regulatory requirements specific to the Authority including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA, LASAAC and SOLACE
 - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
 - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

Report on other legal and regulatory requirements – the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in respect of the above matter except on 29 August 2023 we identified:

- significant weaknesses in the Authority’s arrangements for governance. This was in relation to the following:
 - The chair of the Standards Committee noting that some officers had be maligned publicly and their integrity challenged. An independent review of the relationship between members and officers by the Centre for Governance and Scrutiny (CFGS) identified a general lack of respect between members and also evidence of difficult relationships between members and officers. We recommended both members and senior officers commit to building up respect and good working relationships and demonstrate that significant progress has been made within a reasonable timeframe, to be agreed by the Managing Director and Group Leaders.
 - Two independent persons resigned from the Council’s Standards Committee as a result of aggressive and disrespectful behaviour by members. These resignations caused some delays to the consideration of associated complaints. A Local Government Ombudsman report identified weaknesses in the Council’s complaints investigation process including the fairness of the process. We recommended that the Council should review its procedures for investigating and dealing with complaints of misconduct by members.
 - Our work identified that the current whistleblowing arrangements and broader ability for members and officers to speak up are inadequate. This has also led to protracted decision-making processes where members were hesitant to make contentious decisions for fear of being criticised in public. We recommended that the Council should review its whistleblowing arrangements and in particular how it will protect whistleblowers from reprisal.
- We also identified a further significant weakness in the Authority’s arrangements for governance in relation to financial reporting. The 2020-21 audit has concluded that a disclaimer opinion will be issued on the Council’s 2020-21 financial statements. This is due to a management imposed limitation to gain assurance over the carrying value of Property, Plant and Equipment valuations at 31 March 2021. We recommended that the Council ensures its annual financial statements are supported by appropriately evidenced working papers that meet the increased expectations of current auditing standards.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor’s responsibilities for the review of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021. This guidance sets out the

arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

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

We have documented our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we have considered whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Audit certificate

We certify that we have completed the audit of Teignbridge District Council for the year ended 31 March 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

[Signature]

Name: Julie Masci, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol

[Date]

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Please ask for: Martin Flitcroft
Email: martin.flitcroft@teignbridge.gov.uk



23 April 2024

Grant Thornton UK LLP
2 Glass Wharf
Bristol
BS2 0EL

Dear Sirs

Teignbridge District Council
Financial Statements for the year ended 31 March 2021

This representation letter is provided in connection with the audit of the financial statements of Teignbridge District Council for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include valuation of land and buildings, investment properties, the net defined benefit pension liability, provisions and accruals. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are

appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

- vi. We have disclosed all information relating to the valuation of Land and Buildings at 31 March 2021 and consider that there is no further work the Council can do to support the values included in the financial statements.
- vii. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- viii. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the Council has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- ix. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- x. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- xi. We have considered the adjusted misstatements, and misclassification and disclosure changes schedules included in your Audit Findings Report. The Council's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xii. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- xiii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiv. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xv. We have updated our going concern assessment. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :
 - a. the nature of the Council means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
 - b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and

- c. the Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements

Information Provided

- xvi. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. access to persons within the Council via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic. from whom you determined it necessary to obtain audit evidence.
- xvii. We have communicated to you all deficiencies in internal control of which management is aware.
- xviii. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xix. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xx. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xxi. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxiii. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxiv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

- xxv. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

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

Approval

The approval of this letter of representation was minuted by the Council at its meeting on 23 April 2024.

Yours faithfully

Name **Martin Flitcroft CPFA**

Position **Chief Finance Officer & Head of Corporate Services**

Date 23 April 2024

Name **Chris Clarance**

Position **Chairman of the Council**

Date 23 April 2024

Signed on behalf of the Council

The Audit Findings for Teignbridge District Council

Year ended 31 March 2021

22 March 2024

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Contents



Your key Grant Thornton team members are:

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Section

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Appendices

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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

Julie Masci

For Grant Thornton UK LLP

22 March 2024

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Teignbridge District Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2021 for those charged with governance.

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Financial Statements

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

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

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

Our audit work commenced in August 2021 and concluded in December 2023. We have encountered challenges during the audit due to the continued use of scanned documents and limited digital audit working papers. The financial system in use by the Council has also hindered our interrogation of the finance system as the data we need to be able to complete our work has not been readily available due to the reporting limitations of the current software being used.

Restrictions for non-essential travel due to the Covid pandemic meant both Council and audit staff have had to adapt to ensure we have gained sufficient audit evidence for the entries within the financial statements. This has meant a greater reliance on video calling for many aspects of the audit, particularly in terms of the use of sharing of screens to watch transaction listings being run. Where information is normally provided in a spreadsheet format, we have undertaken additional levels of testing to ensure that the information provided hasn't been manipulated prior to being sent to the audit team.

Our findings are summarised on pages 5 to 21. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

Our audit work has now concluded. We intend to issue a disclaimer audit opinion as we have been unable to obtain reasonable and appropriate audit evidence to support the assumptions around the valuation of land and buildings, as insufficient books and records have been maintained by the Council for these balances.

1. Headlines

Value for Money (VFM) arrangements

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

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

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

Our Interim Auditor's Annual Report was reported to the Council's Audit Scrutiny Committee in August 2023.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Our interim Auditor's Annual Report for 2020-21 concluded that we identified significant weaknesses in the Council's Governance arrangements relating to monitoring standards; investigating complaints and encouraging whistleblowing. We made three key recommendations and seven improvement recommendations in this respect.

We therefore are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Our auditor's report will make reference to these significant weaknesses in arrangements, as required by the Code.

We did not identify any significant weaknesses in the areas of Financial Sustainability or Improving Economy, Efficiency and Effectiveness, but identified six opportunities for improvement in these areas.

Following our conclusion of the 2020-21 financial statements audit, we concluded to issue a disclaimer audit opinion as we have been unable to obtain sufficient and appropriate audit evidence to support the assumptions around the valuation of land and buildings, as insufficient books and records have been maintained by the Council for these balances.

Consequently, this represents a significant weakness in arrangements and we have raised a further key recommendation in relation to our 2020-21 Value for Money work. The Council needs to ensure its annual financial statements are supported by appropriately evidenced working papers that meet the increased expectations of current auditing standards.

Statutory duties

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

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

We expect to certify the completion of the audit upon the completion of our audit work.

Significant Matters

We have encountered challenges during the audit due to the continued use of scanned documents and limited digital audit working papers. The financial system in use by the Council has also hindered our interrogation of the finance system as the data we need to be able to complete our work has not been readily available due to the reporting limitations of the current software being used.

2. Financial Statements

Overview of the scope of our audit

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

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

Audit approach

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

- An evaluation of the Council's internal controls environment, including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not had to alter our Joint Audit Plan, as communicated to you in July 2021.

Conclusion

Our audit work has concluded and we intend to issue a disclaimer audit opinion as we have been unable to obtain reasonable and appropriate audit evidence to support the assumptions around the valuation of land and buildings, as insufficient books and records have been maintained by the Council for these balances. See page 12 for further details.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff.

As highlighted on page 3 of our audit plan presented to the Audit Scrutiny Committee on 24 August 2021, the impact of the pandemic has meant that both your finance team and our audit team faced audit challenges again this year, such as the continued use of scanned documents and limited digital audit working papers. The finance system in use by the Council has also hindered our interrogation of the finance system as the data we need to be able to complete our work has not been readily available due to the reporting limitations of the current software being used. The consequence of this is that we have not been able to use our data analytics software to its full potential and have had to seek alternative procedures. We have had to carry out additional audit procedures to test the accuracy of data extracted from the finance system and further additional fees have therefore been incurred.

2. Financial Statements



Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

172 Materiality levels remain the same as reported in our audit plan.

	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	1,405,000	We considered materiality from the perspective of the users of the financial statements. The council prepares an expenditure based budget for the financial year with the primary objective to provide services for the local community and therefore gross expenditure at the net cost of Services level was deemed as the most appropriate benchmark, this same benchmark was used in the prior period.
Performance materiality	1,053,000	
Trivial matters	70,000	5% of materiality was deemed an appropriate level



2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

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

Risks identified in our Audit Plan	Commentary
<p>Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risk of material misstatement.</p>	<p>We have:</p> <ul style="list-style-type: none"> evaluated the design effectiveness of management controls over journals analysed the journals listing and determined the criteria for selecting high risk unusual journals identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness <p>Our audit work, including our review of journal entries and the related control environment, has highlighted that the recommendation raised in prior years around the Section 151 Officer posting journals has not been actioned as this has occurred in the current financial year. The S151 Officer posts journals in relation to PPE revaluations, depreciation, year end Pension movements and Provisions. All journals posted by the S151 Officer were reviewed under our risk based approach. See Appendix A and B where we have reported this matter.</p> <p>During our audit testing, we noted gaps in the journal numbers when look for sequential completeness. Previously the Council run a system where journals were completed on preprinted forms which were all printed at the start of the year. If an individual made a mistake on the form they simply used the next form and should in line with policy still put the spoiled form back into the paper file to show that the journal has not been posted. In 2020/21 due to remote working, the Council used a shared excel spreadsheet where there was a list of journal numbers that they could use in the year. Financial staff would put their name after a journal if he/she needed to post a journal. Gaps detected in the year were due to human error whereby someone had made a mistake and the journal would not have been used and another journal raised instead of because they were working from home they had to use a spreadsheet to allocate journal numbers, it could be that someone thought they needed these journal numbers but ultimately didn't end up using that journal number. See appendix A for a recommendation with regard to the order number of journals.</p> <p>Our audit work has noted that whilst journals are generally approved, one of the journals approval was shredded during the year. Management checked the journal during the audit and it was subsequently re-approved at that time. See appendix A for a recommendation in relation to this matter.</p> <p>Due to the limitations in the finance software used by the Council, the standard journals testing approach applied by Grant Thornton for 2020/21 audits was not able to be followed, as sufficient detail regarding each journal was not able to be obtained. This has resulted in a delay to our procedures whilst an alternative solution was identified.</p>



2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

The revenue cycle includes fraudulent transactions

Under ISA(UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue

This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

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

- There is little incentive to manipulate revenue recognition
- Opportunities to manipulate revenue recognition are very limited; and
- The culture and ethical frameworks of public sector bodies, including the Authority, mean that all forms of fraud are seen as unacceptable.

Therefore we do not consider this to be a significant risk of for the Authority

Valuation of land and buildings (Rolling revaluation)

The council values at least 20% of its land and building assets on a rolling five year basis and add more assets to revalue each year if needed. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value.

We therefore identified valuation of Land and buildings, particularly revaluations and impairments, as a significant risk, material misstatement, and a key audit matter.

We have:

- Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work
- Evaluated the competence, capabilities and objectivity of the valuation expert
- Written to the valuer to confirm the basis on which the valuation was carried out
- Challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding
- Tested revaluations made during the year to see if they had been input correctly into the Council's asset register
- Evaluated the assumptions made by the management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.

Management provided the audit team with calculations made by the valuer who was in post at the year end but had subsequently left the Council's employment. The calculations were specific to each asset however when we challenged Management for the evidence to support the calculations, insufficient evidence could be provided as the valuer had not retained adequate documentation to support the key assumptions made and management were unable to provide sufficient justification for the judgements applied within the valuation calculations. Opportunity was provided to the Council to reperform these valuations, but management concluded that due to cost and resourcing factors, that it did not wish to complete any further work in this area to support the entries within the financial statements. We have therefore not been able to obtain reasonable and appropriate audit evidence to support the assumptions around the valuation of land and buildings, as insufficient books and records have been maintained by the Council for these balances. See page 12 and 13 for further details. We have included a recommendation in Appendix A in relation to this matter.

During the audit we noted that the valuation for car parks had been calculated using the previous three years average income. We do not believe that it is appropriate to value the car parks in this way during 2020/21 as no impairment was made to take into accounts low usage of the car parks due to Covid-19.

We have noted that the audit opinion will include an Emphasis of Matter paragraph highlighting Material Uncertainty over the Market Walk Shopping Centre.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
<p>Valuation of pension fund net liability</p> <p>The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£107.865m in the Authority's balance sheet at 31/03/2021) and the sensitivity of the estimate to changes in key assumptions.</p> <p>The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.</p> <p>The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.</p> <p>The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 3.8% effect on the liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Authority's pension fund net liability as a significant risk.</p>	<p>We have:</p> <ul style="list-style-type: none"> • Updated our understanding of the processes and controls put in place by the management to ensure that the Authority's pension fund net liability is not materially misstated and evaluated the design of the associated controls; • Evaluated the instructions issued by management to their management expert (an actuary) for this estimates and the scope of the actuary's work <p>We will also:</p> <ul style="list-style-type: none"> • Assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • Assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • Test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • Undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and perform any additional procedures suggested within the report; • Agree the advance payment made to the pension fund during the year to the expected accounting treatment and relevant financial disclosures • Obtain assurance from the auditor of the Pension fund as to the controls surrounding the validity and accuracy of membership data, contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements <p>Our work in this area is complete and there were no issues to bring to the attention of Those Charged With Governance.</p>

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

The expenditure cycle includes fraudulent transactions (Rebutted)

Practice note 10: Audit of Financial statements of Public sector bodies in the United Kingdom (PN10) states:

“As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatement due to fraud related to revenue recognition”

Public sector auditors therefore need to consider whether they have any significant concerns about fraudulent financial reporting of expenditure which would need to be treated as a significant risk for the audit.

Commentary

We have rebutted the presumed risk for Teignbridge District Council because:

- Expenditure is well controlled and the Council has a strong control environment;
- There is no incentive for management to mis-represent expenditure; and
- The council has clear and transparent reporting of its financial plans and financial position to those charged with governance.

We have also tested expenditure and creditors at year end as part of our completeness testing to ensure that the expenditure is recorded in the correct financial year.

We therefore do not consider this to be a significant risk of Teignbridge District Council

2. Financial Statements – new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Issue	Commentary	Auditor view
<p data-bbox="100 735 136 804">177</p> <p data-bbox="114 523 640 547">Recognition and Presentation of Grant Income</p> <ul data-bbox="114 563 763 906" style="list-style-type: none"> The Council receives a number of grants and contributions and is required to follow the requirements set out in sections 2.3 and 2.6 of the Code. The main considerations are to determine whether the Council is acting as principal/ agent, and if there are any conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income. The Council also needs to assess whether grants are specific, and hence credited to service revenue accounts, or of a general or capital nature in which case they are credited to taxation and non-specific grant income 	<p data-bbox="801 523 1223 547">As part of our work we have considered:</p> <ul data-bbox="801 563 1435 1023" style="list-style-type: none"> whether the Council is acting as the principal or agent which would determine whether the authority recognises the grant at all the completeness and accuracy of the underlying information used to determine whether there are conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income the impact for grants received, whether the grant is specific or non specific grant (or whether it is a capital grant) – which impacts on where the grant is presented in the Comprehensive Income and Expenditure Statement (CIES). the adequacy of disclosure of judgements in the financial statements. 	<p data-bbox="1469 523 2065 608">We reviewed the Council’s assessment of whether it was acting as a principal or agent and concluded that its assessment and judgements were reasonable.</p>

2. Financial Statements – key judgements and estimates

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

Significant judgement or estimate

Land and Building valuations – £98.015m

Summary of management's approach

Other land and buildings comprises £98m of assets, which are required to be valued at either current market value or depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision.

The Council has engaged the Valuer to complete the valuation of properties as at 1 April 2020 on a five yearly cyclical basis. This year the council has instructed the Valuer to value the top 60 assets by value. As a result 75% of total assets by value were revalued during 2020/21.

Where the remaining assets not formally revalued, an exercise has been undertaken to ensure that the carrying value is not materially different to the current value. This exercise has also been completed for those assets valued at 1 April 2020 to ensure that there is not a material difference at 31 March 2021.

The Council's valuer has included a material valuation uncertainty in respect of the valuation of the council's Shopping Centre, Market Walk, at 31 March 2021 due to the unprecedented set of circumstances caused by Covid-19 and an absence of relevant / sufficient market evidence on which to base their judgements.

The total year end valuation of land and buildings was £98m, a net increase £5m from 2019/20 (£93m).

Audit Comments

We have:

- Reconciled the valuation report to the Fixed Asset Register
- Reviewed the valuation report to identify any changes in valuation basis from the prior year.
- Performed review over indices to compare the valuation movement to the expected movement using Gerald Eve reports
- Review assets with a nil net book value as at 31 March 2020 and note that these remain in the Fixed Asset Register.

2. Financial Statements – key judgements and estimates

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

We have challenged Management to provide supporting evidence around the assumptions used in the calculations. Our sample size for reviewing the Land and Buildings valuation was fifty items, a larger sample than in previous years due to the Council revaluing 75% of its assets in year and changing the valuation basis for six items. To understand the methodology, we selected two valuations to test initially, one from each permitted approach applied by the valuer. The calculations contain various assumptions such as floor areas, build costs, obsolescence factors and yields. To test the assumptions used, we had requested supporting documentation for each of these but the Council has been unable to provide sufficient and appropriate evidence to support the assumptions made.

The Valuer who prepared the calculations is no longer employed by the Council and therefore a new Valuer is assisting with our queries. We appreciate that an element of professional judgement is applied within the calculations, however the evidence to support the underlying assumptions should be retained by the Council. Please see recommendation raised in Appendix A.

As a result of not being able to test the assumptions behind the calculations for valuation of land and buildings we intend to issue a disclaimer audit opinion over this area.

**Audit
Comments –
continued**

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Assessment

Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																								
Net pension liability – £107.865m	<p>The Council's total net pension liability at 31 March 2021 is £107.865m (PY £86.418m).</p> <p>The Council uses Barnett Waddingham to provide actuarial valuations of the Council's assets and liabilities derived from the Devon County Pension Fund. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in 2019. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £21.447m increase in the liability during 2020/21.</p>	<p>In assessing the estimate, we have considered the following:</p> <ul style="list-style-type: none"> the actuary's experience, competence and professional qualifications; the actuary's approach, through the use of PwC as an auditors expert, used to assess the methods and assumptions used (see below table for consideration of the assumptions adopted); the impact of any changes to valuation method – none were noted; <p>We have assessed:</p> <ul style="list-style-type: none"> the completeness and accuracy of the underlying information used to determine the estimate by comparing it to source records and other data provided through the audit; the assurances provided by the auditor of Devon Pension Fund over the process and controls in place at the Fund over the information provided to the actuary; and the adequacy of disclosures of estimate in the financial statements. <table border="1" data-bbox="893 863 1787 1273"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>2.0%</td> <td>1.95%-2.05%</td> <td>Light purple</td> </tr> <tr> <td>Pension increase rate</td> <td>2.8%</td> <td>2.8%-2.85%</td> <td>Light purple</td> </tr> <tr> <td>Salary growth</td> <td>3.8%</td> <td>2.5%-4.2%</td> <td>Light purple</td> </tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td> <td>22.6/24.0</td> <td>20.5-23.1/ 21.9-24.4</td> <td>Light purple</td> </tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td> <td>23.9/25.4</td> <td>23.3-24.4/24.8-26.4</td> <td>Light purple</td> </tr> </tbody> </table>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.0%	1.95%-2.05%	Light purple	Pension increase rate	2.8%	2.8%-2.85%	Light purple	Salary growth	3.8%	2.5%-4.2%	Light purple	Life expectancy – Males currently aged 45 / 65	22.6/24.0	20.5-23.1/ 21.9-24.4	Light purple	Life expectancy – Females currently aged 45 / 65	23.9/25.4	23.3-24.4/24.8-26.4	Light purple	<div style="background-color: #e0e0e0; height: 100%;"></div>
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<p>We have no issues to report in this area.</p>																											

180

Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Provisions	Provisions relates to the likely refund of business rates as a result of appeals against rateable value of business properties.	<p>We have carried out the following work in relation to this estimate:</p> <ul style="list-style-type: none"> • Appropriateness of the underlying information used to determine the estimate; • Reviewed the reasonableness of the estimate; and • Reviewed the adequacy of the disclosure of estimate in the financial statements. <p>Estimate and judgements in this area are reasonable.</p>	Light Purple

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Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision - £169k	<p>The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance.</p> <p>The year end MRP charge was £169k (PY £125k).</p>	<p>Our testing of the MRP charge has highlighted three issues:</p> <ul style="list-style-type: none"> • Incorrect useful life used for the MRP charge on the Market Walk Shopping centre – when an asset is brought into use by the Council, a useful life of the asset will be determined for depreciation charges. The same asset life should then be used in the MRP calculation. In this instance, the asset was being depreciated over 25 years, but the MRP calculation was based on a life of 50 years. As a result of this, the MRP calculation has been understated by the following amounts: <ul style="list-style-type: none"> - £258k in 2020/21 - £251k in 2019/20 - £245k for 2018/19 • Annuity rate used in the calculation – under the statutory guidance, an annuity rate method is allowable as long as the rate selected is prudent. The rate used by the Council is 3% which is higher than the rate current PWLB rates. The actual PWLB rates for the period of expenditure ranged from 2.28% to 2.53%. If the actual PWLB rates were used to calculate the MRP charge, this would have been higher by another £35k. • Classification of assets – The Council have not calculated a MRP charge for a property on Sherbourne Road as it has been classed as non-operational. However, the Fixed Asset Register classifies this building as 'Land and Buildings' and therefore as an operational building. If considered as operational, the MRP charge would be £22k. <p>Please see Appendix A for recommendations and Appendix C for an unadjusted misstatement relating to the MRP charge.</p>	Grey

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Assessment

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

2. Financial Statements - other communication requirements

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

governance.

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

2. Financial Statements - other communication requirements



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Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council's banks. This permission was granted and the requests were sent. These requests were returned with positive confirmation.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our work has found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided, although we have encountered challenges during the audit due to the continued use of scanned documents and limited digital audit working papers. The financial system in use by the Council has also hindered our interrogation of the finance system as the data we need to be able to complete our work has not been readily available due to the reporting limitations of the current software being used.

2. Financial Statements - other communication requirements



Our responsibility

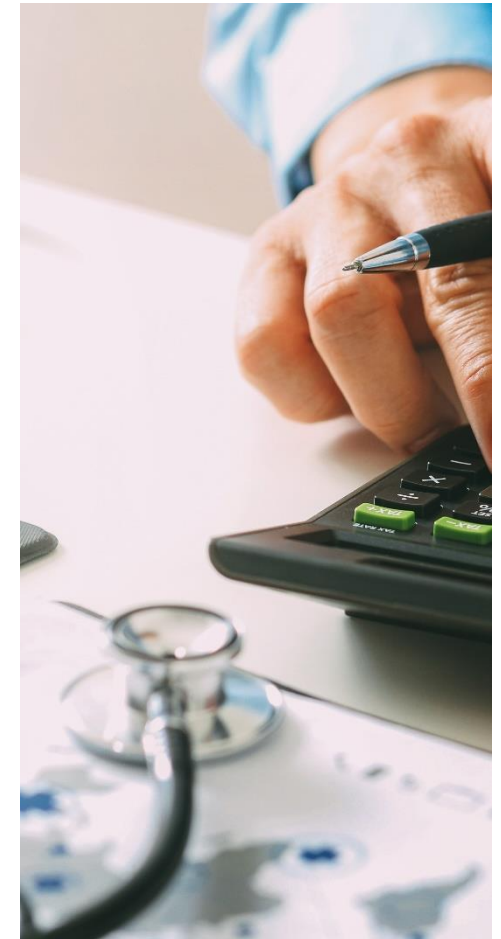
As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability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

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Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> the use of the going concern basis of accounting is not a matter of significant focus of the auditor’s time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity’s services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we will consider and evaluate:</p> <ul style="list-style-type: none"> the nature of the Council and the environment in which it operates the Council's financial reporting framework the Council's system of internal control for identifying events or conditions relevant to going concern management’s going concern assessment. <p>We have no matters to report in regards to going concern.</p>

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>We requested updates were made to the Annual Governance Statement to reflect the significant weakness identified through our Value for Money work, both in terms of the Council's governance arrangements and the significant findings arising from our audit of Property, Plant and Equipment. Management have updated the Annual Governance Statement and we conclude we are satisfied with the updated statement.</p> <p>We have no further matters to report in this area.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. <p>We will highlight in our audit opinion the four significant weaknesses identified from our Value for Money assessment. There are no further matters to report in this area.</p>



2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>Detailed work is not required as the Council does not exceed the threshold.</p>
Certification of the closure of the audit	We intend to issue the certificate at the conclusion of our audit.

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3. Value for Money arrangements

Revised approach to Value for Money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria.
- Auditors undertaking sufficient analysis on the Council's VFM arrangements to arrive at far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

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



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM - our procedures and conclusions

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. The risks we identified are detailed in the table below, along with the further procedures we performed and our conclusions. We identified significant weaknesses in the Council's arrangements

Our Interim Auditor's Annual Report was reported to the Council's Audit Scrutiny Committee in August 2023.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Our interim Auditor's Annual Report for 2020-21 concluded that we identified significant weaknesses in the Council's Governance arrangements relating to monitoring standards; investigating complaints and encouraging whistleblowing. We made three key recommendations and seven improvement recommendations in this respect. We therefore are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Our auditor's report will make reference to these significant weaknesses in arrangements, as required by the Code.

We did not identify any significant weaknesses in the areas of Financial Sustainability or Improving Economy, Efficiency and Effectiveness, but identified six opportunities for improvement in these areas.

Following our conclusion of the 2020-21 financial statements audit, we concluded to issue a disclaimer audit opinion as we have been unable to obtain sufficient and appropriate audit evidence to support the assumptions around the valuation of land and buildings, as insufficient books and records have been maintained by the Council for these balances.

Consequently, this represents a significant weakness in arrangements and we have raised a further key recommendation in relation to our 2020-21 Value for Money work. The Council needs to ensure its annual financial statements are supported by appropriately evidenced working papers that meet the increased expectations of current auditing standards.

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report.

4. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

Transparency

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

4. Independence and ethics

Audit and non-audit services

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

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefit Claim	12,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £12,500 in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

Appendices

A. Action plan – Audit of Financial Statements

We have identified recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of subsequent audits. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
193 Low	In our prior year audit, we identified recommendations for action by Management. We noted that three of these recommendations have not been sufficiently addressed.	We would therefore recommend that Management revisit the prior year recommendations and prepare an action plan to address these issues. Management Response Journals by s151 officer – ‘Due to staff availability it was necessary for the s151 officer to continue to process a small number of journal entries in the year. Staff training for 2 staff has commenced in the Autumn in relation to year end accounts work and related journals.’ Electronic working papers – ‘it is not possible to eliminate all manual working papers due to the financial system we operate with. We have made improvements since last year and increased the number of electronic documents and reconciliations which enable the audit to be processed efficiently.’ FAR – ‘Due to the pandemic there was insufficient time to review the FAR and not considered urgent as all disposed assets are clearly marked as such and identified with zero value and are not included in the Estates separate system for land and buildings’

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

A. Action plan – Audit of Financial Statements - continued

Assessment	Issue and risk	Recommendations
Low	The financial system in use by the Council has also hindered our interrogation of the finance system as the data we need to be able to complete our work has not been readily available due to the reporting limitations of the current software being used.	<p>We would recommend that Management look to consider installing a modern accounting software that would bring efficiencies to Management and always interrogation by the Auditors.</p> <p>Management Response</p> <p>We are in the process of implementing a new FMS system however work has been paused whilst resources are switched to the income management system requirements and recruiting additional resources.</p>
High	<p>Land and Buildings valuations</p> <p>The Land and Building valuations have been prepared by the Valuer using two permitted methods depending on the nature of the asset. We have selected one asset under each method to obtain an understanding of the calculation before the testing commenced on the remainder of the sample. The calculations contain various assumptions such as floor areas, build costs, obsolescence factors and yields.</p> <p>To test the assumptions used in the Land and Buildings valuation, we have requested evidence from the Council to support the values used. The Council has been unable to provide robust and comprehensive evidence to support these values and has instead referred us to typed data in an excel spreadsheet. An element of judgement will be included in the calculation, however the valuer should retain evidence to show where the original source data and starting point of the assumption has arisen.</p>	<p>We therefore recommend that the Council review its process for undertaking valuations to ensure that appropriate and sufficient evidence for each asset valuation is retained for auditing purposes.</p> <p>Management Response</p> <p>The Estates team have used professional judgements to determine asset valuations. The audit approach, scrutiny and evidence required has changed from previous years and now requires recorded evidence and third party data which we will look to retain for future valuations and in line with RICS requirements.</p>

194

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

A. Action plan – Audit of Financial Statements - continued

Assessment	Issue and risk	Recommendations
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">195</p> <p>Low</p>	<p>Useful Economic Lives</p> <p>The Useful Economic Life of an asset is determined when an asset is purchased or brought into use by the Council and is an indication of how long the Council expects the asset to be in use. The Useful Economic Life is the period over which depreciation is charged for an asset. The Useful Economic Life of an asset can be amended, if upon review the Council find that the asset has become damaged or conversely if investment in the asset has been made to sustain its life.</p> <p>During the audit we noted that the Council have amended the Useful Economic Lives of forty assets, with no particular regard being had to the previously assessed life. This in itself is not an issue, however in this instance the reassessment was carried out based on verbal communication and no documentary evidence was retained.</p> <p>The change in the Useful Economic Life of the forty assets is that depreciation is £102k lower in 2020/21 than it would have been if the change had not occurred.</p>	<p>We would recommend that Management consider documenting the reasons behind any future decisions to change Useful Economic lives of assets and that this documentation is retained by the Council for auditing purposes.</p> <p>Management Response</p> <p>The change in economic lives was a professional judgement call. We will ensure all changes are fully documented with reasoning.</p>
<p>Low</p>	<p>Minimum Revenue Provision (MRP) – Incorrect Useful Economic Life</p> <p>Statutory guidance requires that the Council put aside revenue over time to cover their Capital Financing Requirements by aligning the period over which they charge MRP to one that is commensurate with that over which the capital expenditure provides benefits. We have noted during our testing that the Market Walk Shopping Centre has a different Useful Economic Life in the MRP calculation than that included within the fixed asset register. The impact of this is that the MRP has been understated in 2019/20 by £251k and £245k in 2018/19.</p>	<p>We would therefore recommend that Management consider a review of the Useful Economic Lives used in the MRP calculations and ensure that these are commensurate with those in the Fixed Asset Register.</p> <p>Management Response</p> <p>The MRP calculation and provision has historically been in accordance with the guidance at that time. The asset life in 2018/19 was 50 years and the provision made in that year was based on 50 years. We will re-consider future charges based on the comments made as part of our assessment this year.</p>

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

A. Action plan – Audit of Financial Statements - continued

Assessment	Issue and risk	Recommendations
Low	<p>Minimum Revenue Provision (MRP) – Annuity rate used in the calculation</p> <p>Under the statutory guidance, an annuity rate method is allowable as long as the rate selected is prudent. The rate used by the Council is 3% which is higher than the rate current PWLB rates. The actual PWLB rates for the period of expenditure ranged from 2.28% to 2.53%. If the actual PWLB rates were used to calculate the MRP charge, this would have been higher by another £35k.</p>	<p>We would recommend that Management undertakes a review of the annuity rate charged and considers whether this is prudent.</p> <p>Management Response</p> <p>We will review the rate based on guidance however our initial view is that 3% reflected a rate relevant at the time charges were required and projection of rates as required by the guidance.</p>
196 Low	<p>Minimum Revenue Provision (MRP) – Classification of assets</p> <p>The Council have not calculated a MRP charge for a property on Sherbourne Road as it has been classed as non-operational. However, the Fixed Asset Register classifies this building as ‘Land and Buildings’ and therefore as an operational building. If considered as operational, the MRP charge would be £22k.</p>	<p>We would recommend that Management ensures that each asset is considered consistently.</p> <p>Management Response</p> <p>The spend was on a small element of an operational building and as that spend had not been brought into operational use at the time no MRP was charged. We will review this year.</p>

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

A. Action plan – Audit of Financial Statements - continued

Assessment	Issue and risk	Recommendations
Low	<p>Lease at 'Former Tourist Information Centre'</p> <p>The lease at the 'Former Tourist Information Centre' has had a stepped rental increase from £6,000 to £7,000 in the financial year. However, the Council has no documentary evidence to support the increase of the rent.</p>	<p>We would recommend that Management ensure that documentary evidence exists for all leases and subsequent updates to agreements and that these are retained for auditing purposes.</p> <p>Management Response</p> <p>Lease negotiations are generally well documented however we will review our documentation retention policy. In this case the stepped rent is pre-determined so no additional documentation was required to be issued in relation to this change.</p>
Low	<p>Gaps in journal numbers</p> <p>During our audit testing, we noted gaps in the journal numbers when look for sequential completeness. Previously the Council run a system where journals were completed on preprinted forms which were all printed at the start of the year. If an individual made a mistake on the form they simply used the next form and should in line with policy still put the spoiled form back into the paper file to show that the journal has not been posted. In 2020/21 due to remote working, the Council used a shared excel spreadsheet where there was a list of journal numbers that they could use in the year. Financial staff would put their name after a journal if he/she needed to post a journal. Gaps detected in the year were due to human error whereby someone had made a mistake and the journal would not have been used and another journal raised instead of because they were working from home they had to use a spreadsheet to allocate journal numbers, it could be that someone thought they needed these journal numbers but ultimately didn't end up using that journal number.</p>	<p>We would recommend that Management implement a system to ensure that there are no gaps in the numbers allocated to journals.</p> <p>Management Response</p> <p>Noted we will look to ensure this takes place in 2023/24.</p>

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Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

A. Action plan – Audit of Financial Statements - continued

Assessment	Issue and risk	Recommendations
Low	<p>Journals approval</p> <p>Our audit work has noted that whilst journals are generally approved, one of the journals approval was shredded during the year. Management checked the journal during the audit and it was subsequently re-approved at that time.</p>	<p>We recommend that Management develops a system to ensure that journal approvals are maintained.</p> <p>Management Response</p> <p>Noted and agreed.</p>
Low	<p>Control accounts</p> <p>During our audit we noted that there is a high reliance on control accounts which are then journalled to the Income and Expenditure Account at the year end. The use of control accounts has hindered our audit work as when we have asked for transactional breakdowns for nominal codes and used these listings in our sample selection tools, we have ended up asking for information on one sample item which is actually the total for the year of a control account made up of numerous items.</p> <p>Management should review this process to determine if the control accounts being used are necessary.</p>	<p>We recommend that Management reviews the process of using control accounts to consider whether these are considered necessary.</p> <p>Management Response</p> <p>Noted. We will review and in particular in relation to how this process will be impacted by the new FMS system implementation.</p>

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Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Follow up of prior year recommendations

We identified the following issues in the audit of Teignbridge District Council's 2019/20 financial statements, which resulted in four recommendations being reported in our 2019/20 Audit findings report. We have followed up on the implementation of our recommendations and note three are still to be completed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	We recommend that officers and members take action in 2020 to reduce to current budget gaps over the medium term. We further recommend that the council continue to refresh the medium-term financial plan to reflect the impact of Covid-19 as things develop and to ensure the financial challenge is fully known	Our findings were reported in the Auditors Annual Report issued in August 2023.
✗	We recommend that the Financial team consider the level of Journals posted by the S151 officer	The S151 officer has continue to post journals in 2020/21 due to the size of the finance team.
✗	We recommend that the Finance team ensure all working papers going forward are electronic as this will help audit efficiency	The audit team continue receiving large amount of PDF working papers with handwriting on them
✗	We recommend that disposed assets to be removed from FAR going forward as they are no longer relevant to the Council's asset population and could result in misstatement of assets not in their possession	We noticed assets with nil balances are included in FAR 2020/21.

Assessment

- ✓ Action completed
- ✗ Not yet addressed

C. Audit Adjustments

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

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2021.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
None noted	nil	nil	nil

C. Audit Adjustments

Misclassification and disclosure changes

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

Disclosure omission	Adjusted?
<p>In note 8 of the draft financial statements we noted that adjustments made during the financial statements preparation have been posted to 'other services expenditure' rather than to 'employee benefits'. This has had the following impact:</p> <ul style="list-style-type: none"> - Correction of £39,268 in fees and other charges - Correction of £85,446 in employee benefits - Correction of £124,734 in other services expenditures 	X – not material
<p>During our testing of the cashflow statement we noted that the 'increase in impairment of bad debt' was overstated by £54,000.</p>	✓
<p>In note 38 of the draft financial statements Future Minimum payments have been misstated for 1 Minerva Way, Brunel Industrial Estate, TQ12 9PJ. After adjustment the figures will change 'Not less than one year' to £1,758k, 'Later than 1 year and not later than 5 years' to £3,073k & 'Later than 5 years' to £6,397k. That means an increase of £34k, £2k and decrease of £17k respectively</p>	✓
<p>During the testing of the related parties note we identified that discretionary grants had been paid by the Council to organisations in which some of the members held an interest. These grants were in relation to Covid. However no disclosure had been made around these arrangements.</p>	✓
<p>During our work we noted that the disclosures in the draft financial statements for financial instruments were based on older standards. The terminology was therefore corrected to bring inline with the CIPFA code and IFRS9.</p>	✓
<p>During the audit, various other minor disclosure updates were made to the financial statements to improve readability or correct more trivial findings.</p>	✓

C. Audit Adjustments



Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2020/21 audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Reason for not adjusting
Minimum Revenue Provision (MRP) During our testing we have noted that the useful life for one asset used to calculate MRP is not in line with the useful life used to depreciate the asset	£258	-£258	Not material
Housing Benefits During our testing we have noted that expenses for the period 29 March 2021 to 31 March 2021 have not been accrued. The total value of the error is £120 and when extrapolated across the entire population, the amount is £131,470.	£131	-£131	Extrapolation
Grants received in advance During our audit testing we identified that £85k had been received in advance, however this had not been received until after the year end. The total value of the error when extrapolated across the entire population is £557,745.	-£558	£558	Extrapolation
Overall impact	-£169	£169	

Impact of prior year unadjusted misstatements

There are no prior year unadjusted misstatements.

D. Fees

We confirm below our final proposed fees chargeable for the audit and provision of non-audit services. These are subject to PSAA review and final approval. We have set out the current status of these fee approvals with PSAA in the table below.

Audit fees	PSAA approval status	Proposed fee	Final fee
Council Audit Scale fee		£37,240	£37,240
Additional fees per our audit plan	Approved	£21,500	£21,500
Interim fee variation 1 - relating to additional work on working papers and PPE valuation matters	Approved		£11,400
Interim fee variation 2 – relating to additional VFM work arising from new VFM governance risks identified and impact on final AGS review	Awaiting submission for review		£19,000
Final fee variation – relating to finalisation of the audit, closure of PPE matters and finalisation of audit qualification and technical clearance of final disclaimer opinion	Awaiting submission for review		£13,600
Total audit fees (excluding VAT)		£58,740	£102,740

The fees reconcile to the financial statements. The financial statements record audit fees of £59,000 which relates to the amounts approved per our audit plan above. All subsequent variations listed above, due to the timing of clearance and approval with PSAA, have not been recorded in the financial statements.

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services - Certification of Housing benefit	£10,500	£12,500
Total non-audit fees (excluding VAT)	£10,500	£12,500



Interim Auditor's Annual Report on Teignbridge District Council

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2021/22 and 2022/23

26 February 2024



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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Executive summary



Value for money arrangements and key recommendations

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The most significant change under the new 2020 Code was the introduction of an Auditor's Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations.

Auditors are required to report their commentary on the Council's arrangements under specified criteria. 2020/21 was the first year that we reported our findings in this way. The NAO have issued guidance to auditors which states that a commentary covering more than one financial year can be issued where it is more efficient and effective to do so. We have decided to report a combined commentary on the Council's arrangements for 2021/22 and 2022/23 because this will allow for our Value for Money assessments to be provided to the Council in early 2024 which supports timely reporting. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our interim conclusions, subject to completion of our opinion work, are summarised in the table below.

Criteria	Risk assessment	2020/21 Auditor Judgment	2021/22 Auditor Judgment	2022/23 Auditor Judgment
Financial sustainability	Risk identified given that previous years surpluses have been made as a result of Covid-19 funding and our recommendations made in 2021.	A No significant weaknesses in arrangements identified, but three improvement recommendations made.	A No weaknesses in arrangements identified, but nine improvement recommendations made.	A No weaknesses in arrangements identified, but eight improvement recommendations made.
Governance	Three risks identified arising from our key recommendations in our previous report.	R Three significant weaknesses in arrangements identified, and seven improvement recommendations made.	R Three significant weaknesses in arrangements carried forward and one new significant weakness raised. Four improvement recommendations made. Three prior year recommendations carried forward.	R Two significant weaknesses in arrangements carried forward, two closed. Three improvement recommendations made. Three prior year recommendations carried forward.
Improving economy, efficiency and effectiveness	No risks identified.	A No significant weaknesses in arrangements identified, but three improvement recommendations made.	A No significant weaknesses in arrangements identified, but two improvement recommendations raised. Three prior year recommendations carried forward.	A No significant weaknesses in arrangements identified, but two improvement recommendations raised. Three prior year recommendations carried forward.

■	No significant weaknesses in arrangements identified or improvement recommendation made.
■	No significant weaknesses in arrangements identified, but improvement recommendations made.
■	Significant weaknesses in arrangements identified and key recommendations made.

Executive summary



Financial sustainability

The Council's approach to budget setting is reasonable, with appropriate assumptions used. A Medium Term Financial Plan was prepared in February 2023 which has strengthened arrangements and supports the Council in longer term planning. The Council plans to use around £7.6m of reserves to balance its budget up to 2025/26. While it has sufficient reserves to do this it recognises this is not sustainable and has used consultants to support it in identifying potential savings. Difficult decisions are now needed to implement those savings to avoid significant financial challenges in the future.



Governance

Member behaviour continues, at times, to be poor. Relationships between Officers and Members still need to improve. This area continues to be one of significant weakness and our previous key recommendation is carried forward. The Council has made sufficient progress with its complaints procedure and whistleblowing arrangements for those areas to no longer be considered significant weaknesses for 2022/23 and the two key recommendations to be closed.

The external audit of the 2020/21, 2021/22 and 2022/23 financial statements is ongoing. Whilst recognising that there are a number of reasons for this it represents a significant weakness and we have raised a key recommendation.

Members are provided with appropriate information on which to make informed decisions, but changes in those decisions can hinder the Council in delivering its objectives and place it at financial risk.

Risk management and internal audit arrangements are appropriate, with scope for further improvement.



Improving economy, efficiency and effectiveness

The Council uses performance information appropriately and ensures that the underlying data is reliable and accurate. Use of external consultants has supported the Council in identifying areas where it can drive efficiency and reduce costs. Partnership working arrangements are sound.



2020/21

We have yet to complete our audit of your financial statements. This is due to a management imposed limitation in our inability to gain assurance over the carrying value of your Property, Plant and Equipment valuations at 31 March 2021. This will result in a disclaimer opinion on the Council's financial statements. We are awaiting Council's approval of the final financial statements and Annual Governance Statement to conclude this work.

This is impacting on our commencement of the 2021/22 and 2022/23 financial statements.

Our findings are set out in further detail on page 50.



Use of auditor's powers

We bring the following matters to your attention:

	2021/22	2022/23
<p>Statutory recommendations</p> <p>Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly</p>	We did not issue statutory recommendations.	We did not issue statutory recommendations.
<p>Public Interest Report</p> <p>Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.</p>	We did not issue a Public Interest Report.	We did not issue a Public Interest Report.
<p>Application to the Court</p> <p>Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.</p>	We did not apply to the Court.	We did not apply to the Court.
<p>Advisory notice</p> <p>Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:</p> <ul style="list-style-type: none"> is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure, is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or is about to enter an item of account, the entry of which is unlawful. 	We did not issue an advisory notice.	We did not issue an advisory notice.
<p>Judicial review</p> <p>Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.</p>	We did not apply for a judicial review.	We did not apply for a judicial review.

Key recommendations



Recommendation 1

The Council needs to ensure its annual financial statements are supported by appropriately evidenced working papers that meet the increased expectations of current auditing standards. Further investment is required to ensure sufficient skills and capacity exist within the finance team and that the financial system is capable of providing audit evidence in a fully electronic format.

Audit year

2021/22 and 2022/23.

Why/impact

In its “Timeliness of local auditor reporting” report, published in June 2023, the House of Commons Committee of Public Accounts stated “Delays to the publication of audited accounts for local government bodies increases the risk of governance or financial issues being identified too late and hinders accountability for £100 billion of local government spending.” Whilst this is a general observation, not directed at any individual council, it does highlight the importance of local authorities preparing auditable financial statements and then being able to support completion of the audit in a timely manner. As at December 2023, the 2020/21 draft financial statements are still to be signed. This is due to a management imposed limitation in our inability to gain assurance over the carrying value of your Property, Plant and Equipment valuations at 31 March 2021. This will result in a disclaimer opinion on the Council’s financial statements. We are awaiting Council’s approval of the final financial statements and Annual Governance Statement to conclude this work. This has resulted in a delay in the commencement of the 2021/22 and 2022/23 financial statements audit.

Auditor judgement

High quality, timely financial statements underpin good governance and provide stakeholders with assurance that Council finances are being managed appropriately. A qualified audit opinion and significant errors undermines that confidence.

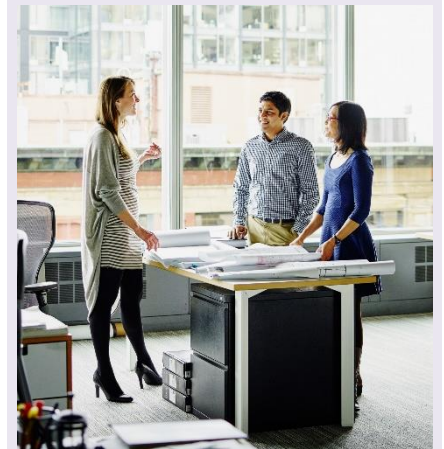
Summary findings

The external audit of the 2020/21 financial statements is ongoing, and the audits relating to 2021/22 and 2022/23 have not yet begun. Whilst there are several reasons for these delays, the failure to provide sufficient and appropriate audit evidence for its financial statements, leading to a qualified opinion, is a significant weakness in arrangements.

Management Comments

Resourcing to carry out the additional re-work on property, plant and equipment valuations for 2020/21 was not available and concerns around ability to then produce the 2021/22 accounts to prescribed deadlines resulted in decisions to reluctantly accept a qualified audit opinion for 2020/21 in March 2022. The 2021/22 accounts were then produced to statutory deadlines with the required evidence on property, plant and equipment valuations.

The range of recommendations that external auditors can make is explained in Appendix C.



Key recommendations



Recommendation 2

This key recommendation is brought forward from our August 2023 report as it has not been addressed.

Both Members and senior officers must commit to building up respect and good working relationships and demonstrate that significant progress has been made within a reasonable timeframe, to be agreed by the Managing Director and Group Leaders. This should also include commitment from Group Leaders that party members will be held to account for unruly behaviours. Senior leadership, both officers and members, must demonstrate that there is zero tolerance to inappropriate behaviours. This includes changing the organisational culture in relation to complaints.

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Audit year

2021/22 and 2022/23.

Why/impact

Despite the use of external facilitation and several reports some of the relationships between Members and Officers remain challenging and insufficiently constructive. This is impacting on decision making and is placing the Council at financial risk.

Auditor judgement

Poor working relationships between some Members and Officers and a failure to address inappropriate behaviour and ensure the highest ethical standards represents a significant weakness in the Council's governance arrangements.

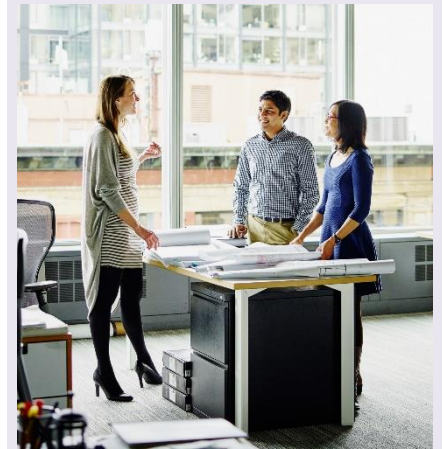
Summary findings

Members have failed to address previous recommendations, made by several different organisations, regarding the culture, behaviours and ethical standards. This needs to be addressed this over the next few months in order to change the culture.

Management Comments

Agreed.

The range of recommendations that external auditors can make is explained in Appendix C.



Securing economy, efficiency and effectiveness in the Council's use of resources

All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:

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Financial Sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



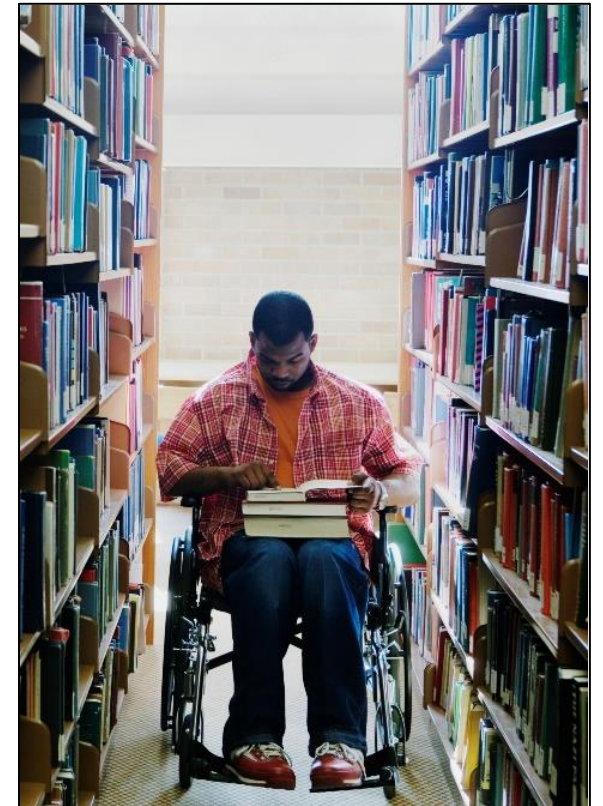
Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 9 to 43. Further detail on how we approached our work is included in Appendix B.

Financial sustainability



We considered how the Council:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

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Short and medium term financial planning

The Council's approach to budget setting is reasonable, and was strengthened in 2022/23 with the publication of a Medium Term Financial Plan alongside the budget report. Assumptions used are appropriate. The Council is using reserves to balance its budget in the medium term, but recognises it needs to reduce costs and increase income in order to ensure financial sustainability.

Annual budget setting

The Budget & Council Tax Report to Council each February clearly sets out the impact of the annual funding settlement (please see the adjacent text box for details), noting that a review is expected over the next few years. The Council Tax base is increased by 1% each year, which is based on recent history.

Financial planning includes realistic income assumptions. For example, lower council tax collection rates as a result of the impact of Covid-19 and an assessment of anticipated New Homes Bonus income.

The Council's budget setting report each year includes assumed pay inflation which, at 2.0% from 1 April 2022 and 3.0% from 1 April 2023, was reasonable. The reports do not include any further information on the inflation rates assumed in other areas. However, Officers undertake appropriate analysis each year using the CPI rate as at October each year as well as input from budget managers and other relevant officers. For example, on utility costs. Including this analysis in the public report would provide readers with a better understanding of the key assumptions, and we have made an improvement recommendation, covering 2021/22 and 2022/23.

In order to enhance public reporting of the annual budget the Council should include all of the key assumptions used. For example, inflation rates. This relates to 2021/22 and 2022/23.



Local Government Finance Settlement

The Government announced the Provisional Local Government Finance Settlement for 2023/24 in December 2022, with the Final Settlement confirmed in February 2023. The Settlement distributes a range of grants and business rate income allocations to local authorities, and these should be included in the annual budget.

The Final Settlement for 2023/24 distributed £17.1bn of funding to local authorities, a 4.8% increase in cash terms from 2022/23.

The Settlement also provides the Core Spending Power for local authorities, which is the level of resources assumed available to fund the net budget. Core Spending Power includes the levels of government grant for the coming year, for example revenue support grant, new homes bonus and social care grants. It also includes assumed levels of business rate income.

Core Spending Power includes the assumption that local authorities will increase council tax up to the referendum limit, which for 2023/24 is 3% plus an additional 2% for upper tier authorities who provide adult social care services. District Councils can increase council tax by £5 or 3%, whichever is higher.

The Government will undertake Spending Reviews that set out government departmental budgets over a period of three years, including local government. These reviews are different to, but inform, the annual Local Government Finance Settlement.

Financial sustainability (continued)

Short and medium term financial planning (Continued)

Managing financial risk

The Council is seeking to manage financial risks in the medium to long term. There is no evidence of "short term fixes". However, the Council is dependent on heavy use of reserves to balance its budget over the life of the Financial Plan. As at February 2023 this included for 2023/24 £2.2m; 2024/25 £0.5m and 2025/26 £3.4m. The Council is therefore using reserves in the medium term, but recognises it needs to reduce costs and increase income, and is taking steps to develop plans to achieve this.

The Financial Plan 2023 to 2028 presented to Council in February 2023 was the first time the Council had created a Medium Term Financial Plan (MTFP) and also to look at a longer timeframe of five years. While there is no evidence of short term management of financial risks, the absence of an MTFP for 2021/22 is an improvement area and we have made a recommendation. As the Council did not have an MTFP place until February 2023 we consider that this also represents a weakness for 2002/23 arrangements.

The Council needs to develop and publish a Medium Term Financial Plan alongside its budget setting report. This should cover a period of at least three years, and ideally include projections over a five year period. This relates to 2021/22 and 2022/23.

The Chief Finance Officer presents a fair and balanced assessment of the robustness of estimates and adequacy of reserves alongside the financial plan. This includes sensitivity analysis on key assumptions, an assessment of the overall financial risk and how these compare to revenue reserves.

Climate change

In the text box below we set out some of the challenges local authorities face in carbon reduction. The Council's revenue budget supports the funding of a Climate Change Officer and associated revenue budget and capital projects are highlighted within the capital programme which contribute towards the Council's climate change objective. There are over 20 climate change projects included - which are clearly highlighted using a special symbol. The projects cover a wide range of areas - from cycle networks to installing solar panels and replacing heating systems and roofs.



Carbon reduction

The UK government has a target of 100% reduction in 1990 greenhouse gas emissions by 2050. Many of the carbon budgets set by the government are relevant to Local Authorities. By June 2022, more than 250 English Local Authorities in England had declared Climate Change Emergencies and set carbon reduction targets of their own.

To deliver value for money whilst also implementing carbon reduction, Local Authorities need strong processes. Carbon reduction costs need to be reflected within medium-term financial plans; funding needs to be consistent with other strategic priorities; costs need to be accurately recorded and monitored; and the relative costs of acting versus not acting need to be evaluated on an ongoing basis.

Climate change is often already reflected in local authority risk registers and where local authorities set themselves strategic goals around carbon reduction, effective processes for monitoring progress against those goals is needed. Training should be kept up to date both for executives and for members overseeing climate change and carbon reduction risk and performance. As legal requirements are evolving and new sources of funding and grants continue to come forward, horizon scanning for new duties and opportunities will also need to be vigilant.

Financial sustainability (continued)

Identifying savings

The Council plans to use around £7.6m of reserves to balance its budget to 2025/26. While reserves are sufficient to allow this, it is an unsustainable position and the Council has developed savings plans which would significantly reduce the financial risk. Members and Officers need to work together to ensure that difficult decisions are made in a timely manner in order to safeguard the Council financially.

The financial challenge

The Council has clearly identified and reported the financial challenge it faces over the next few years. The Financial Plan, presented to Cabinet in February 2023, reported use of reserves to balance the budget of £1.5m in 2022/23, £2.2m in 2023/24, £0.5m in 2024/25 and £3.4m in 2025/26, totalling £7.6m. The 2022/23 draft financial statements showed Earmarked Reserves, which could potentially be used to balance the budget of "Business rates / funding reserve" of £12.0m, "Sundry revenue grants reserve" of £3.9m and "Carry forward reserve" of £2.6m, totalling £18.5m. General Fund unearmarked reserves were £2.32m. The Council has sufficient reserves to balance the budget in the medium term, but recognises that this is not a long term proposition.

Identifying savings

Throughout 2021/22 and 2022/23 the Council did not have a clear savings plan against which it reported publicly. Where savings had been identified, for example, through fewer staff, these were removed from the budget. This represents a weakness in arrangements and is included in our improvement recommendation on the next page.

The Council recognises that, in order to achieve the savings required, it needs to change many of its internal practices. It engaged external consultants to support it in developing a new operating model, delivering £2.6m of phased savings by April 2026.

The consultants' report, from June 2022, notes "Overall there are significant changes that can be made to the Target Operating Model to support a modernised and sustainable council and delivery against the vision and case for change. The savings will need to include changes to the way the council operates (delivering around £770k of benefits) alongside some challenging strategic projects (delivering around £1.7m of benefits)." The £0.77m savings are analysed across activity type, and involve reducing Full Time Equivalent staff by 22, with no savings in front line services such as waste collection. The review then identifies £2.1m of opportunities through service reviews, but comments that ideally the value in scope

would be two to three times this in order to achieve the required savings. Difficult decisions will be needed to implement the savings plans and ensure that the Council remains financially sustainable. Whilst Members have been kept informed of developments through a series of briefings progress has been too slow, although we note that arrangements have improved in 2023/24. This is an improvement area and we have made a recommendation.

Members need to make the difficult and possibly unpalatable decisions necessary to implement the savings identified through the Target Operating Model to ensure that the medium to longer term financial sustainability of the Council is secured and avoid the need for more drastic measures in a few years time. This relates to 2022/23 only.

As noted above, the Council is dependent on the use of reserves to balance its budget in the medium term. However, it has been proactive in increasing fees and charges part way through 2023/24 in order to help to address the in-year budget deficit. The Council has identified higher than expected pay increases, lower income from the sale of recyclable materials and general inflation as key budget pressures. The Council anticipates that the in-year additional income from the increases will be around £0.145m, with a £0.346m full year effect. It is also clear why some fees have not been increased.

While this proactive approach is to be commended, the minutes of the meeting show that three additional recommendations were made by the Executive Member for Corporate Resources and seconded by the Leader of the Council without prior discussion with the Section 151 Officer. In order to effectively address the financial challenges the Council faces Officers and Members need to work together in an open, transparent and trusting manner and the role of the three statutory officers in particular should be respected. This is an improvement area and we have made a recommendation which covers both years.

Members and Officers need to work together in an open, transparent and trusting manner to ensure that the financial position of the Council is secured in the best way possible and that both Officers and Members have ample time to consider and evaluate proposals. This is particularly important where service users and residents could be impacted. This relates to 2021/22 and 2022/23.

Financial sustainability (continued)

Identifying savings (continued)

Consultation and approval of savings plans

In developing the savings opportunities the external consultants engaged with the Senior Leadership Team (SLT), Programme Team, selected members of the Corporate Management Team (CMT) and Members (through the Executive). The report notes that public consultation on the design of services and performance measures comes later.

Arrangements for approving savings schemes are based on financial limits for decision making, as set out in the Council's Constitution, coupled with an awareness of where an issue is likely to be sensitive and will therefore need Member approval.

216 In our prior year report we made an improvement recommendation "The savings to be delivered through the BETTER 2022 programme should be clearly set out, reported and monitored at a strategic level." Management's response was that the BETTER 2022 process had been subsumed into the Modern 25 agenda and the work with Ignite (external consultants). Finance reports to Executive include details on the savings expected from Strata and salary vacancies. There is also a narrative section on Better 2022 but, throughout 2021/22 and 2022/23 this has not included any values. The Council is planning for this programme to deliver £2.6m of phased savings by April 2026. Members have been kept informed of developments through a series of briefings. Having asked Members to make difficult decisions around savings, which may impact the public, and in order to demonstrate whether these savings are actually being delivered and the benefits of the work undertaken realised, the Council should report publicly against these savings clearly and transparently. This should include reporting savings on individual projects to ensure appropriate detail for informed decision making where projects are off track. This continues to be an improvement area and we have made an expanded recommendation which covers both years.

The Council needs to publicly report on the delivery of planned savings, ideally by each project. This should include the projected saving, the savings to date, the risk of achieving the full saving, and any corrective action being taken. This relates to 2021/22 and 2022/23.



Financial sustainability (continued)

Financial planning and strategic priorities

In 2021/22 and 2022/23 the Council had clear objectives which were aligned to its capital programme. There is scope to make links with revenue expenditure clearer. For 2023/24 the Council needs to clearly articulate its priorities and be clear that both revenue and capital budgets support these.

Aligning finances to Council objectives

The Council is clear that it needs to provide appropriate levels of statutory services as a minimum. It has sought to maximise income streams in order that it is able to continue to invest in non-statutory services.

The Council Strategy 2020-2030 sets out that the vision is "Making Teignbridge a healthy and desirable place where people want to live, work and visit." This is underpinned by eight objectives (please see the adjacent text box). These objectives will be delivered through ten programmes - "The Teignbridge Ten". The Capital Programme includes a column showing which of the ten programmes each of the schemes will support. This is good practice.

In our prior year report we made an improvement recommendation "A summary of total capital outturn should be aligned and reported against the Council's Corporate Strategic Objectives." This was introduced from November 2022. It was therefore an improvement area for 2021/22 only.

The Council needs to include a total for capital expenditure for each of the ten programmes which will more clearly demonstrate how capital expenditure is supporting delivery of the Council objectives. This relates to 2021/22 only.

Strategic Objectives and The Teignbridge Ten

The eight strategic objectives are:

- A carbon neutral district
- Better quality and affordable housing
- Good wages and jobs for all
- Active and sustainable travel choices
- Encouraging our young people to stay
- A healthier population living in resilient communities
- A clean, green and safe environment
- An open Council

The Teignbridge Ten programmes are:

- Action on climate - to be a carbon neutral district
- A roof over our heads - to provide more, better and affordable homes
- Clean scene - to keep the district clean
- Going to town - to invest in town centres
- Great places to live and work - to provide well designed quality neighbourhoods
- Investing in prosperity - to create jobs and wealth
- Moving up a gear - to improve travel options
- Out and about and active - to provide opportunities for healthy active lifestyles
- Strong communities - to liaise with, help and support our communities
- Vital, viable Council - to deliver quality, value for money and flexible services

Financial sustainability (continued)

Financial planning and strategic priorities (continued)

Aligning finances to Council objectives (continued)

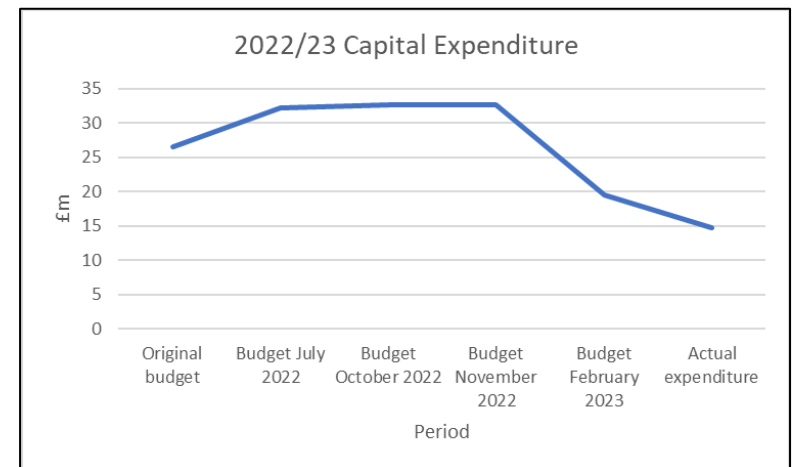
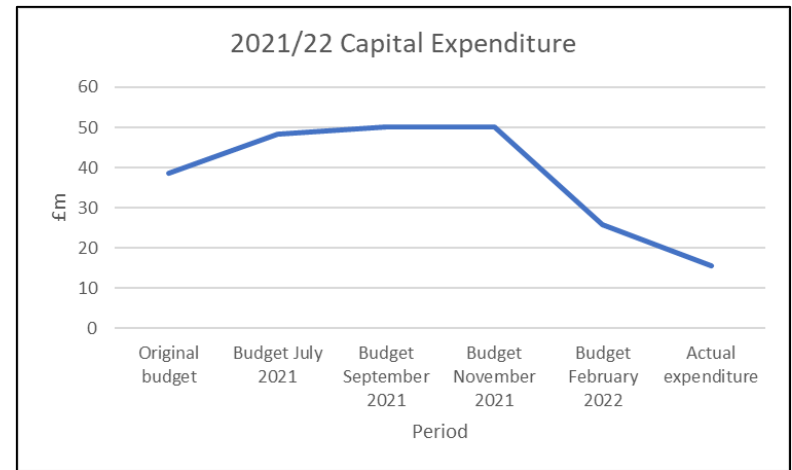
The Council saw a change in political administration in May 2023. The new administration will, quite rightly, be keen to implement its election pledges. In order to do this it needs to ensure that senior Members work with Officers to ensure that capital and revenue budgets are aligned to the pledges. As this relates to 2023/24 we have not made a recommendation.

The budget setting report does not indicate how revenue investments will support achievement of the Council objectives. The Council should consider reporting these items in a similar way to the capital programme, where schemes are clearly linked to Council priority areas. This is an improvement area and we have made a recommendation covering both years.

When setting its revenue budget the Council should clearly demonstrate how investments in services will support delivery of its objectives. This relates to 2021/22 and 2022/23.

Forecasting capital expenditure

As shown in the adjacent graphs, forecast capital expenditure has fluctuated throughout the year in both 2021/22 and 2022/23, and then been significantly lower at year end. Whilst recognising that this is an area many councils find challenging, accurate forecasting of capital expenditure makes treasury management easier and helps to keep projects on track. This is an improvement area and we have made a recommendation, combined with the recommendation on the next page.



Financial sustainability (continued)

Financial planning and other operational plans

The Council is taking steps to develop a Workforce Plan to support its transformation project. There is scope to improve the accuracy of forecasting capital expenditure and to prepare a financial outturn report which is consistent with the previous quarterly reports.

Workforce Plan

The adjacent text box sets out some of the workforce related challenges many local authorities face. The Council does not currently have a Workforce Plan, but is taking steps to develop one with an aim for this to be agreed in the first quarter of 2024. "People" and "Workforce" is a theme that runs through the work undertaken by external consultants to support the Council in identifying savings opportunities, with the summary indicating that employees are not necessarily doing the right activities. As the Council moves forward in changing the way it works having an up to date Workforce Plan, aligned to the Council priorities, is crucial in ensuring that the right people are in the right place at the right time. The Council is aware of this and plans to develop one after the current restructuring and pay review has been completed. This is an improvement area and we have made a recommendation covering both years.

To ensure it has the right staff with the right skills at the right time the Council is developing a Workforce Plan which will support it as it seeks to implement its transformation plan. This relates to 2021/22 and 2022/23.

Capital programming

Finance reports to Executive include narrative on the capital programme for each portfolio and a summary of the latest capital programme by each project. However, there is no reference to how projects are progressing or whether there is any slippage or cost overruns. Whilst there is no evidence of major capital investment being postponed or cancelled without a sound rationale capital reporting could be further enhanced by including progress, slippage or cost overruns on major projects. This should include any remedial action being taken to bring projects back on track. This is an improvement area and we have made a recommendation covering both years. This incorporates our recommendation in relation to forecasting capital expenditure on the previous page.

The Council should enhance reporting of its capital programme and expenditure by

- Improving the accuracy of forecast expenditure
- Including progress, slippage or cost overruns on major projects. This should include any remedial action being taken to bring projects back on track.

This relates to 2021/22 and 2022/23.



Workforce

Local government faces multiple workforce challenges including skill shortage in areas like social work (upper tier councils only) and planning and the lessening attractiveness of local government as a career choice when staff can be paid more for less stressful work in other sectors.

This trend has seen an increase in the use of more expensive agency staff and use of interims.

The need for future workforce planning to ensure the Council has the appropriate staff, with the right skills, at the right time to deliver sustainable council services is therefore clear.

To achieve this aim, councils need to develop a workforce plan or strategy which not only sets out aims and aspirations but also a roadmap with numerical targets against which outcomes can be measured and assessed.

The workforce strategy needs to be clearly linked with strategic objectives and financial planning. Without a corporate workforce plan, councils cannot take a strategic view of how the needs of the council in terms of human resources will develop over the medium term and appropriate development through training and recruitment may not be undertaken.

Financial sustainability (continued)

Financial planning and other operational plans (continued)

Treasury management

The Treasury Management Policy is presented to Council each February as part of the budget and council tax setting papers. The policy sets out the objective of treasury management - to ensure that the Council has funds available for day to day and capital expenditure, and to invest surplus funds *"commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return. It is paramount to ensure adequate security of the sums invested, as a loss of principal would result in a loss to the General Fund Balance."*

15 year financial reporting

Finance reports to Executive include the main variations to the budget and are within the range we would expect. However, there have been significant differences between the position reported for 2021/22 in November 2021 (with figures up to 30 September 2021) of a £0.736m favourable variance and the final position in the 2021/22 draft financial statements of a £2.193m favourable variance. Likewise the finance report to November 2022 Executive, with figures up to the end of September 2022, reported a £0.146m favourable variance for 2022/23, but the draft 2022/23 financial statements reported a £1.415m favourable variance.

The year end finance reports to Executive in September 2021 for 2020/21 and October 2022 for 2021/22 refer to the Narrative Report in the draft financial statements for the outturn position. As noted above, there are significant differences to the previous financial reports. These may be due to having to account for items differently in the financial statements. However, this does not provide clarity on the outturn position which should be reported on the same basis as during the rest of the year. We would expect to see a Quarter Four outturn report presented to Executive on a consistent basis with the earlier reports and this report then being reconciled to the financial statements in the draft statements themselves. This is an improvement area and we have made a recommendation covering both years.

The Council should prepare a year end outturn report on the same basis as the quarterly finance reports and then reconcile this to the figures in the draft financial statements as part of the financial statements themselves. This relates to 2021/22 and 2022/23.

Managing risks to financial resilience

The Council has identified the projected budget deficit over the MTFP and is planning to use reserves to address this while it develops savings and income generation plans. In February 2023 the Council was planning to use around £8m of reserves up to 2025/26. The 2022/23 draft financial statements showed Earmarked Reserves including "Business rates / funding reserve" of £12.0m, "Sundry revenue grants reserve" of £3.9m and "Carry forward reserve" of £2.6m. Totalling £18.5m.

Using reserves in the short term is reasonable, as long as longer term plans are developed alongside. We have made an improvement recommendation on page 11.

Financial governance

Annual budget setting

The Council has sound arrangements in place for both internal and external involvement in the budget setting process.

Internal and external engagement

The Council has robust arrangements in place for external consultation in the budget setting process. This includes a survey on the Council website which is then advertised and promoted. Responses are reported in the budget setting report.

Internally, finance department accountants and service managers work together to develop budget proposals which are then presented to Members for initial comment. Further meetings are then held to finalise the budget.

Budgetary control

The Council has appropriate arrangements in place for internal financial reporting and budget monitoring. However, the fact that the Council has three years of unaudited financial statements outstanding represents a significant weakness in arrangements and we have made a key recommendation.

Internal financial reporting

In our prior year report we made an improvement recommendation "The Council should ensure that variations in budget identified within year are immediately reflected in a revised MTFS where appropriate." Budget variations are included in the quarterly finance reports to Executive and the MTFP updated annually. Our recommendation has been addressed.

In our prior year report we made an improvement recommendation "The Council should determine how it will obtain independent assurance over the operation of Covid related Grants administration." The Internal Audit Annual Report to August 2022 Audit Scrutiny Committee states "The final Covid grant scheme closed on 31 March 2022. We are now working with BEIS (Dept of Business, Energy and Industrial Strategy, undertaking reconciliation for each scheme, providing evidence for their sampling exercises, and completing data requests." Assurance has therefore been provided to the government department. For 2022/23 there were no Covid-19 related grants. Our recommendation has been addressed.

In our prior year report we made an improvement recommendation "Additional analysis should be provided in budget reports to distinguish between recurring and non-recurring variances that together make up the net revenue position." Budget monitoring reports to Executive include narrative explaining this. For example, the budget monitoring report to November 2022 Executive, with figures up to the end of December includes "Renewal of the building cleansing contract has added a budget pressure of £12,940 for 2022/23 and an ongoing annual budget pressure of £25,890 for future years." Our recommendation has been addressed.

External financial reporting

The 2020/21 financial statements audit is ongoing, largely owing to being unable to obtain sufficient evidence to support the carrying value of land and buildings. The 2021/22 and 2022/23 audits have not begun, although the Council has published draft financial statements. More broadly, arrangements for producing complete and accurate accounts are generally weak with the use of a poor, out of date, financial system that results in the need for a high number of manual interventions and use of manual working papers. A new finance system is being tested and will be implemented in due course. This represents a significant weakness in arrangements and we have raised a key recommendation.

The Council needs to ensure its annual financial statements are supported by appropriately evidenced working papers that meet the increased expectations of current auditing standards. Further investment is required to ensure sufficient skills and capacity exist within the finance team and that the financial system is capable of providing audit evidence in a fully electronic format. This relates to 2021/22 and 2022/23..

Improvement recommendations



Financial sustainability

Recommendation 3

In order to enhance public reporting of the annual budget the Council should include all of the key assumptions used. For example, inflation rates.

Audit year

2021/22 and 2022/23.

Why/impact

Budget setting uses appropriate assumptions in key areas such as income, expenditure and inflation. However, not all of the key assumptions are publicly reported.

Auditor judgement

The Council has undertaken appropriate analysis on which to base its assumptions, but needs to improve public reporting of them.

Summary findings

Publicly reporting all key assumptions increases transparency and supports the reader in coming to their own view regarding the robustness of the budget.

Management Comments

We will review reporting of smaller budget assumptions as part of the 25/26 budget process.

2022



The range of recommendations that external auditors can make is explained in Appendix C

Improvement recommendations



Financial sustainability

Recommendation 4

The Council needs to develop and publish a Medium Term Financial Plan alongside its budget setting report. This should cover a period of at least three years, and ideally include projections over a five year period.

Audit year

2021/22 and 2022/23.

Why/impact

A Medium Term Financial Plan is essential for local authorities to be able to identify any need for savings or income generation and to be able to implement these appropriately. The Council recognises this and has developed such a plan for 2022/23 onwards.

Auditor judgement

Not having a Medium Term Financial Plan for 2021/22 is a weakness in arrangements.

Summary findings

The Council has recognised the need for a Medium Term Financial Plan to underpin its approach to financial sustainability. As the Council did not have an MTFP place until February 2023 we consider that this also represents a weakness for 2022/23 arrangements. While this is now in place, the absence of such a plan until February 2023 is a weakness in arrangements.

Management Comments

Noted. Our current MTFP (Appendix 8) of the Full Council budget papers meets this requirement.



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The range of recommendations that external auditors can make is explained in Appendix C

Improvement recommendations



Financial sustainability

Recommendation 5

Members need to make the difficult and possibly unpalatable decisions necessary to implement the savings identified through the Target Operating Model to ensure that the medium to longer term financial sustainability of the Council is secured and avoid the need for more drastic measures in a few years time.

Audit year

2022/23.

Why/impact

The Council has recognised that its current financial position and use of reserves to balance its budget is unsustainable. It has used external consultants to support it in developing plans which could save £2.6m by April 2026. Some of these plans will require Members to make difficult decisions as they may impact service provision. However, failure to make these decisions in a timely manner will have a detrimental financial impact on the Council.

Auditor judgement

Members need to make difficult decisions in order to protect the financial viability of the Council.

Summary findings

Many local authorities are experiencing significant financial challenges. Some are having to issue "Section 114 notices" which effectively declares them bankrupt. By taking action to reduce costs the Council will significantly improve its financial sustainability and avoid even harder decisions in future years.

Management Comments

Noted. Modern 25 savings suggestions will continue to be explored and decisions made.



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The range of recommendations that external auditors can make is explained in Appendix C

Improvement recommendations



Financial sustainability

Recommendation 6

Members and Officers need to work together in an open, transparent and trusting manner to ensure that the financial position of the Council is secured in the best way possible and that both Officers and Members have ample time to consider and evaluate proposals. This is particularly important where service users and residents could be impacted.

Audit year

2021/22 and 2022/23.

Why/impact

The Council identified the need to increase fees and charges part way through 2023/24 and swiftly implemented this, with a clear public report. However, last minute changes to the proposals were recommended by Members without giving Officers the opportunity to properly consider the impact. While elected Members clearly have the democratic right to, where legal, approve their own wishes, failing to work constructively with Officers whose role it is to protect the Council finances is counter productive.

Auditor judgement

The statutory role of the Section 151 Officer needs to be respected, providing sufficient notice for the financial impact of recommendations to be assessed. Failing to do so places the Council at risk and is a weakness in arrangements.

Summary findings

Members need to ensure that their wishes are communicated to Officers with sufficient time for the financial impact to be assessed and included in reports. Failing to do so places the Council at financial risk if decisions have not been properly costed.

Management Comments

Agreed.



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The range of recommendations that external auditors can make is explained in Appendix C

Improvement recommendations



Financial sustainability

Recommendation 7

The Council needs to publicly report on the delivery of planned savings, ideally by each project. This should include the projected saving, the savings to date, the risk of achieving the full saving, and any corrective action being taken.

Audit year

2021/22 and 2022/23.

Why/impact

As the Council begins to implement its savings plans, some of which will have required Members to make difficult decisions and could impact service delivery, it is crucial that the impact of these decisions is publicly reported. This provides Members, Officers and service users with assurance that the desired impact is being achieved, or allows for corrective action to be taken if required.

Auditor judgement

Having made difficult decisions and embarked on a savings programme it is crucial that progress is publicly reported and any corrective actions required identified.

Summary findings

The Council recognises the need to make savings and has a plan to support this. Public reporting against the plan is essential.

Management Comments

We have fed previous savings into the annual budget process. Savings drops are identified in the Modern 25 papers. Savings delivered to date have been included in the budget papers.



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The range of recommendations that external auditors can make is explained in Appendix C

Improvement recommendations



Financial sustainability

Recommendation 8

The Council needs to include a total for capital expenditure for each of the ten programmes which will more clearly demonstrate how capital expenditure is supporting delivery of the Council objectives.

Audit year

2021/22 only.

Why/impact

Public reporting clearly shows how the capital programme supports delivery of Council priorities. Each capital project is aligned to one of the ten Council aims. Reporting could be further enhanced by including a total for each of the ten aims.

Auditor judgement

Alignment of the capital programme to Council aims is good, but the addition of totals for each aim would complete the picture. This was introduced from November 2022, so is an improvement recommendation for 2021/22 only.

Summary findings

The Council has good arrangements in place to link individual capital projects to its aims, but can further enhance this with totals for each aim.

Management Comments

Agreed and now in place.



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The range of recommendations that external auditors can make is explained in Appendix C

Improvement recommendations



Financial sustainability

Recommendation 9

When setting its revenue budget the Council should clearly demonstrate how investments in services will support delivery of its objectives.

Audit year

2021/22 and 2022/23.

Why/impact

The Council has arrangements in place to demonstrate how capital projects support achievement of its aims, but does not have the same arrangements in place for revenue investments in services.

Auditor judgement

Demonstrating how increased revenue investment in services will support delivery of Council aims is crucial, particularly as revenue budgets become increasingly tight.

Summary findings

It is important for Members and service users to understand how increased expenditure in certain areas will impact on services and achievement of the Council's aims.

Management Comments

The Corporate Plan is currently under review and we will look to align revenue expenditure to match the revised aims and objectives.



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The range of recommendations that external auditors can make is explained in Appendix C

Improvement recommendations



Financial sustainability

Recommendation 10

To ensure it has the right staff with the right skills at the right time the Council is developing a Workforce Plan which will support it as it seeks to implement its transformation plan.

Audit year

2021/22 and 2022/23.

229

Why/impact

The Council recognises that a Workforce Plan is needed to support its transformational plans. It intends to develop such a plan once the internal restructuring is complete.

Auditor judgement

Whilst an adopted workforce strategy is not in place the Council is undertaking a comprehensive programme of workforce development activity and seeks to have an adopted plan in place by March 2024. This will support it in implementing the transformation plan.

Summary findings

The Council recognises the need for a Workforce Plan and is working to develop one. This needs to be completed as soon as possible.

Management Comments

Noted.



The range of recommendations that external auditors can make is explained in Appendix C

Improvement recommendations



Financial sustainability

Recommendation 11

- The Council should enhance reporting of its capital programme and expenditure by
- Improving the accuracy of forecast expenditure
 - Including progress, slippage or cost overruns on major projects. This should include any remedial action being taken to bring projects back on track.

Audit year

2021/22 and 2022/23.

Why/impact

Forecasting the timing of capital expenditure is not easy. It is something many councils struggle with. However, accurately forecasting the timing of expenditure makes financing projects easier and allows for more reliable monitoring of progress on delivery.

Auditor judgement

The Council has struggled to accurately forecast the timing of capital expenditure and has not reported in sufficient detail on major projects.

Summary findings

Capital programmes represent a very significant area of expenditure, but are not reported in the same detail as revenue expenditure. The Council needs to improve the accuracy of forecast expenditure and more clearly explain the reasons why projects fall behind plan and what is being done about it.

Management Comments

The capital review group helps to aid timing of project delivery which is often delayed due to Member decisions or unforeseen circumstances e.g. inflationary costs, design issues, weather hampering timing of delivery etc. Best evidence will continue to be used to determine likely spend dates. Significant changes to contract values are reported to Executive/Full Council as appropriate with relevant updates through in year financial update reports and year end financial reports to Members.



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The range of recommendations that external auditors can make is explained in Appendix C

Improvement recommendations



Financial sustainability

Recommendation 12

The Council should prepare a year end outturn report on the same basis as the quarterly finance reports and then reconcile this to the figures in the draft financial statements as part of the financial statements themselves.

Audit year

2021/22 and 2022/23.

Why/impact

The Council has appropriate arrangements in place for financial reporting during the first three quarters of each financial year, but reports in a different way at quarter four. This makes comparisons through the year and with the published financial statements very difficult.

Auditor judgement

For consistency the year end financial reports should follow the same format as in year ones.

Summary findings

While recognising that preparing a quarter four report on the same basis as earlier reports will create additional work for Officers, this is something worth doing in order to allow outturn expenditure to be more easily compared to in year forecasts.

Management Comments

We will look to reconcile the 23/24 outturn report to the financial statements surplus/deficit.



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The range of recommendations that external auditors can make is explained in Appendix C

Governance



We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

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Risk management and internal controls

The Council has appropriate arrangements in place for effective risk management, but there are areas where further improvements could be made. Internal Audit is effective, providing a wide range of comprehensive reports. Reporting of work needs to be more frequent however. The Council has improved its whistleblowing arrangements from January 2023 and this area is no longer a significant weakness for 2022/23, but was in 2021/22.

Risk management

The Council's risk management strategy was updated in July 2023. This sets out that the Council's approach is to identify and manage risk, rather than avoid it. The Council uses a 3x3 likelihood / impact scoring approach, with high scoring risks (nine) reviewed by the responsible officer monthly. The frequency of review decreases proportional to the risk score. The Council uses its SPAR.net system, in which it records all risk information, including details of risk, risk scores, mitigating actions, responsible officers, and risk reviews.

The Internal Audit Risk Management report from January 2023 includes a review of the different categories of risk and benchmarking with other local authorities. The "Opinion" provided is "Good" for strategic, corporate and project risks and "Fair" for service risks. The report states *"This rating is based on having a good risk management and governance framework in place with assigned roles and responsibilities. There is evidence of regular reviews of the strategic and corporate risks and their mitigations, together with reporting mechanisms to the Overview and Scrutiny Committee, Audit Scrutiny Committee and the Strategic Leadership Team...some service risks reviews are not being updated promptly on the Spar.net system by the risk responsible officers despite receiving automatic email reminders from the Spar.net monitoring system."* A number of recommendations have been made and accepted by Officers.

Strategic and Corporate Risk Reports to Audit Scrutiny Committee provide an appropriate level of assurance that risks are being identified and managed appropriately. Where actions are needed to further mitigate risks these are clearly set out and the reports include links to the underlying risk management system should Members wish to delve deeper. For 2022/23 reports were presented in August 2022, January 2023 and March 2023, which is sufficiently regular. However, for 2021/22 the only report is August 2021. This means that a whole year passed by without any public risk reporting. This is an area for improvement for 2021/22 and we have raised a recommendation.

For the period August 2021 to August 2022 no risk management reports were presented to the Audit Scrutiny Committee. The Council needs to ensure that reporting of risk is sufficiently frequent to provide Members with the assurance they need that risks are being managed appropriately. This relates to 2021/22 only.

Governance

Risk management and internal controls (continued)

Risk management (continued)

Risk reports include some background to aid understanding of the process and different categories of risk. Throughout 2021/22 and 2022/23 reports have shown that there have been around 25 risks in the Strategic Risk register which are the risks the Council considers could impact heavily on its ability to deliver essential services and meet important objectives. In addition, there are 11 corporate risks, 'common risks', that apply to many sections of the Council and for which it states it has corporate processes in place to deal with them.

The risk report to March 2023 Audit Scrutiny Committee shows that, of the eight major capital projects included, the risk register for two was being developed. Not having properly developed risk registers for major capital projects is, in itself a risk, and we have made an improvement recommendation covering both years.

The Council needs to ensure that each major capital project has its own risk register and that this is kept up to date. This relates to 2021/22 and 2022/23.

In our prior year report we made an improvement recommendation "Risks within the Council's Corporate risk register should include more detailed description of the risk as well as the mitigating actions, the date the risk score was last reviewed and the previous risk score for that particular risk. Risk registers should be put in place prior to the commencement of major projects." Review of the Strategic and Corporate Risk Reports to Audit Scrutiny Committee indicates that this further detail has not been included. We note the management response that further information is available in the risk management system, but this is not available to the public and our recommendation is carried forward.

Risk management and internal controls

Internal Audit

The Council's Internal Audit service is a "mixed provision" of internal staff (Audit Manager and one Auditor), supplemented with a number of audit days commissioned from the Devon Audit Partnership.

The 2021/22 Internal Audit Plan was presented to Audit Scrutiny Committee in August 2021. It includes a list of the areas to be reviewed, which are appropriate, covering financial and non financial areas. However, there is no indication of the timing of the reviews, resources required, or when the areas were last reviewed. We see this information included at other clients but recognise this decision has been made to allow the plan to be fluid. Officers also feel that this is consistent with best practice. The Internal Audit Annual Report was presented in August 2022, providing reasonable assurance around the operation and effectiveness of systems and controls. However, there was no reporting on progress between these two meetings. Whilst recognising that some Internal Audit staff were re-assigned to other areas of the Council as part of the response to the Covid-19 pandemic, this does not provide Members with the assurance they need that Internal Audit is effective. Officers recognises this and are taking steps to increase the frequency of meetings in 2023/24. This is an improvement area and we have made a recommendation.

The 2022/23 Internal Audit Plan was presented in August 2022, with a progress report which includes a table showing the status and assurance level for each assignment presented in January 2023. The Annual Report was presented in August 2023. We do not consider that one high level progress report during the year is sufficient to allow the Audit Scrutiny to effectively discharge its oversight of Internal Audit. We also note that the same content we noted as missing from the 2021/22 audit plan was also missing from the 2022/23 plan. Our recommendation therefore covers 2021/22 and 2022/23.

The Council needs to ensure that the work of Internal Audit is reported to the Audit Scrutiny Committee on a frequent basis. We would expect this to be at least quarterly. This relates to 2021/22 and 2022/23.

Review of the Internal Audit reports most relevant to our work indicates that the work is thorough, with findings evidence based and judgements clearly communicated. Appropriate recommendations are made, to which Officers have responded positively.

Governance

Risk management and internal controls (continued)

Fraud and whistleblowing

Internal Audit conduct an annual Fraud Risk Analysis for all Council services. The assessment covers all major service areas, identifying the fraud risk and mitigating controls. This is good practice.

The adjacent text box includes information on the importance of local authorities having effective whistleblowing arrangements in place.

2023 In our prior year report we made a key recommendation "The Council should review its whistleblowing arrangements and in particular how it will protect whistleblowers from reprisal." The Council presented an updated policy to Audit Scrutiny Committee in January 2023 and then to Full Council in May 2023. Full Council requested an external review of the policy, which found the policy to be "of generally high quality. It is clearly structured, succinct and demonstrates a commitment to transparency and good governance." A number of changes were recommended, which have been made. The updated Policy was re-presented to Audit Scrutiny Committee in August 2023. The Council provided an externally delivered whistleblowing presentation to Members on 5 September 2023. The presentation contains appropriate content and was well attended. Our recommendation has therefore been addressed in 2022/23, but remained in place for 2021/22.



Whistleblowing

With a focus on accountability and transparency converging with flexible working trends, it is more important than ever that for a council to have a Whistleblowing Policy in place but it also understands how the effectiveness of the policy is being assured and how the council is sighted on issues raised.

Those charged with governance should ensure that:

- Whistleblowing arrangements are effective, accessible and inclusive to all staff groups in all premises.
- All staff know how to raise concerns and do not experience detriment as a result.
- There are arrangements in place to allow triangulation of whistleblowing concerns with wider performance and delivery of a service, and
- The Council are sufficiently sighted on all whistleblowing concerns and the actions taken to investigate and respond.

As the National Audit Office has reported, concerns raised by staff can be an important source of information on which to base improvements. However, to raise concerns or 'blow the whistle' can make people vulnerable. Alongside clear, comprehensive and accessible policies to support and reassure staff at what is likely to be a stressful time, these policies must be backed up by a culture of transparency and openness, so that employees feel enabled to raise concerns.

Governance (continued)

Informed decision making including the Audit Scrutiny Committee

Reports to Members provide them with the information they need on which to make informed decisions. However, changes to some decisions have stifled progress, particularly in regard to the Future High Street Fund projects, placing the Council at financial risk. While it is important that decisions can be scrutinised and challenged appropriately, changes to decisions that have been appropriately made can be damaging. There is also scope for the level of scrutiny to be improved, including through more Members attending the optional training provided.

Making informed decision making

Reports to Members contain appropriate information for them to make major decisions. Members request further analysis or evidence where they feel it is required. For example, the Extraordinary Full Council meeting on 4 May 2021 "to enable works in connection with the Forde House decarbonisation project and the Agile Working project." This required approval for £0.672m of Public Sector Decarbonisation Grant Scheme Funding and a further £2.722m from prudential borrowing and capital receipts. The report provides sufficient explanation of the need for the investment, analysis done on the anticipated benefit and associated risks to allow Members to make an informed decision.

The Council's performance against key governance metrics is set out in the table below.

	2022/23	2021/22
Annual Governance Statement (control deficiencies)	None	None
Head of Internal Audit opinion	"...the framework for governance was as described in the Annual Governance Statement; Risk Management operated consistently; and controls are generally effective. There are matters relating to member – officer relations and other governance issues that remain to be resolved."	"...the framework for governance was as described in the Annual Governance Statement; Risk Management operated consistently; and controls were generally effective."

The "Future High Street Fund project – Cinema market report" to November 2022 Full Council states "At Full Council on 6 September 2022 members requested that officers 'engage consultants who specialise in cinemas and the night-time economy in the South-West as a whole in order to establish how viable a new four screen cinema is.'" The report summarises the key messages. One of the catalysts for the request for additional evidence was the cinema operator indicating that the capital costs of the fit out had increased and it required a further £0.6m from the Council. A report on the same agenda requests approval for the additional funding.

However, the report states "Monies paid via the FHSF must be spent by end March 2024". We understand from Officers that Government allows extensions and this is being explored with absolute spend likely to be March 2025. The Capital Programme report to September 2023 Executive shows that this project spent on £0.2m against an initial budget of £5.4m for 2022/23 and that over £5.3m is now budgeted for 2024/25. The Council therefore needs to ensure that decisions are made in a timely manner to allow capital projects to proceed as planned and avoid the risk of any Government clawback of unspent funding. This is an improvement area and we have made a recommendation covering both years.

To avoid potential recall of allocated capital funding the Council needs to ensure that decisions are made and stuck to in order to allow projects to proceed as required. This relates to 2021/22 and 2022/23.

Governance (continued)

Informed decision making including the Audit Scrutiny Committee (continued)

Making informed decision making (continued)

In our prior year report we made a key recommendation as below:

Both Members and senior officers must commit to building up respect and good working relationships and demonstrate that significant progress has been made within a reasonable timeframe, to be agreed by the Managing Director and Group Leaders. This should also include commitment from Group Leaders that party members will be held to account for unruly behaviours. Senior leadership, both officers and members, must demonstrate that there is zero tolerance to inappropriate behaviours. This includes changing the organisational culture in relation to complaints.

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The Council's 2022/23 Annual Governance Statement to August 2023 Audit Scrutiny Committee states "some decision making has been delayed due to a failure to appreciate roles and professional responsibilities. A disregard for professional officer advice, and / or proposals put forward without such, has also resulted in increased risk in some areas, the Future High Street work being an example of this. A revised officer and member protocol, to give clarity of roles and aid decision making has been drafted. This protocol, together with previously recommended improvements to the Constitution proposed in July 2022, which are still pending Council approval, need to be taken forward and implemented as soon as practical."

We understand that, as at December 2023, the planned Member / Office Protocol has still not been agreed and that external support is now being sought in an attempt to resolve the issue. Senior Members need to work with Officers, particularly Statutory Officers, in a more collaborative, respectful and supportive manner. This includes tackling Member behaviour which falls short of the high standards expected of those in public office. This is a significant weakness and is linked to our key recommendation which is carried forward from the prior year as set out on page seven.

Effective scrutiny

In our prior year report we made an improvement recommendation "The Council needs to address this issue of lack of Member engagement in training courses. Essential training needs to be made mandatory with non-attendance treated as misconduct." The Council has developed a suite of training for 2021/22 and 2022/23, which is overseen by the Procedures Committee. The programme states "Except where specific training is defined as 'essential', the offer of learning and development will be presented as an opportunity to become Members to personally decide how you wish to engage with Member development." Review of the programme shows that "Essential" training is limited to specific committees, such as planning, licensing and Audit Scrutiny. The purpose and outcome of the training are clearly set out. The 2023 Member Induction Programme is a comprehensive suite of training covering all key areas, including meeting key officers, Code of Conduct, IT, Cyber security, Equality & Diversity, Effective Scrutiny, Licensing, Planning, Safeguarding and finance. Although training has not been made "Mandatory" it is clear which training Members are expected to attend and a comprehensive programme has been established. Officers keep a record of attendance and are satisfied that "Any Member sitting on the regulatory committees attended the mandatory training". Our recommendation has therefore been addressed. However, we would encourage Members to attend "optional" training which is designed to support them in undertaking their role as effectively as possible.

In order for the Audit Scrutiny Committee to be able to discharge its responsibilities as effectively as possible it is important that Members attend each meeting. Where absences are unavoidable the Council allows appropriate informed substitutes to attend. We note that one Committee Member did not attend a meeting for two years, and that this appears to have gone without comment or a substitute attending.

Throughout 2021/22 and 2022/23 there was little change in the membership of Audit Scrutiny Committee. In 2023/24 this has changed, with only two Members the same as before. While we recognise that there is inevitably change, particularly after local elections, and that a fresh perspective can be beneficial, this level of change risks undermining the effectiveness of the Committee owing to the loss of corporate knowledge. We have not raised an improvement recommendation, but would suggest it is something the Council needs to be conscious of.

Governance (continued)

Standards and behaviours

Too often poor Member behaviour and a failure to work constructively with Officers for the greater good of the Council is impacting on the ability of Officers to do their work as effectively as possible. Too much time is taken up managing relationships and responding to last minute requests or changes of plan. Until this culture changes the Council will be unable to achieve its full potential.

Creating the right culture

The Committee on Standards in Public Life is an advisory non-departmental public body of the Government, established in 1994 to advise on ethical standards of public life. It promotes a code of conduct called the Seven Principles of Public Life, also known as the Nolan principles after the first chairman of the committee, Lord Nolan. We have set these out in the adjacent text box.

There have been instances over the last few years where Member behaviour has fallen short of the standards expected by the code.

As reflected in our prior year report, the Council has struggled to ensure that Officers and Members work constructively together. Too much time has been taken up with complaints and investigations. Independent external investigations have found the conduct of some Members to be below expectations. Equally, the Council has been found at fault over how it conducted an investigation into alleged breaches of its Code of Conduct by a Member. A number of remedies were recommended, which the Council has addressed, including, as noted on the next page, a new procedure for dealing with complaints. As reported on the previous page, our key recommendation on developing a better culture is carried forward.

As reported on page 42, progress in implementing recommendations, particularly those made by the Centre for Governance and Scrutiny (CFGs), which would improve the culture, has been too slow.



The Seven Principles of Public Life

The Seven Principles of Public Life (also known as the Nolan Principles) apply to anyone who works as a public office-holder. This includes all those who are elected or appointed to public office, nationally and locally, and all people appointed to work in the Civil Service, local government, the police, courts and probation services, non-departmental public bodies (NDPBs), and in the health, education, social and care services. All public office-holders are both servants of the public and stewards of public resources. The principles also apply to all those in other sectors delivering public services.

Selflessness

Holders of public office should act solely in terms of the public interest.

Integrity

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

Objectivity

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

Accountability

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

Openness

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

Honesty

Holders of public office should be truthful.

Leadership

Holders of public office should exhibit these principles in their own behaviour and treat others with respect. They should actively promote and robustly support the principles and challenge poor behaviour wherever it occurs.

Governance (continued)

Standards and behaviours (continued)

Investigating complaints

In our prior year report we made a key recommendation "The Council should review its procedures for investigating and dealing with complaints of misconduct by members. The Council should also review how many complaints are in progress and ensure that complaints are investigated and closed as quickly as possible so that further learning points can be identified quickly and introduced into the Council's processes." A similar recommendation was made by the Local Government and Social Care Ombudsman in its report discussed at Extraordinary Full Council on 14 February 2023. Standards Committee agreed a new investigation process at its meeting in March 2022. Our recommendation has therefore been addressed for 2022/23 but remained in place in 2021/22.



The role of the Monitoring Officer

The role of the Monitoring Officer is set out in the Local Government and Housing Act 1989. In summary, it is the role of the Monitoring Officer to report on matters they believe to be illegal or amount to maladministration, to be responsible for matters relating to the conduct of councillors and officers and, to be responsible for the operation of the council's constitution. They are often, but not always, the head of legal services in a local authority.

In our prior year report we made an improvement recommendation "The Council should review its Record Retention Policy and ensure that it reflects the need to retain key evidence that may need to be accessed during the investigation of complaints." We understand that, as at December 2023, this has still to be concluded. Our recommendation is therefore carried forward.

In our prior year report we made an improvement recommendation "The Council should review its procedures for how it deals with concerns about the mental Capacity of members." The Council response to this recommendation confirmed that support is provided by the Council's Democratic Services team and that the particular matter was referred to the Independent Person who decided no further action was necessary. Now that meetings are again "in person" the particular circumstance giving rise to our recommendation is unlikely to recur. Our recommendation is therefore closed.

Compliance with the Council's Code of Conduct

The adjacent text box sets out the key role that the Monitoring Officer plays in ensuring compliance with codes of conduct. Throughout 2021/22 and 2022/23 there have been a number of instances where alleged non-compliance with the Council's Code of Conduct have been investigated. Some of these have been referred for independent external consideration. Where appropriate, sanctions have been applied to individual Members and remedies and apologies made to Members where the Council has been found at fault. There is no evidence of significant or repeated departure from key regulatory and statutory requirements or professional standards.

In our prior year report we made an improvement recommendation "The Council should ensure members fully understand their obligations with regard to Conflicts of Interest. This should include mandatory training." Members Declarations of Interest are on their individual Council website page. From review of a selection of these we can see that declarations are made. We can also see from our review of Full Council minutes that declarations are made against specific items. However, we understand that there are examples of Members not making declarations appropriately. Members need to be aware that these requirements are designed to protect them from any misconception of wrongdoing and should ensure that all declarations or conflicts of interest are made in a timely manner. Our recommendation is therefore ongoing.

Procurement governance

The Council reviews its Financial Thresholds - Contract Procedure Rules annually. In 2021/22 this included an external review by the Local Government Association (LGA). The review included benchmarking against the other eight Devon councils and seven from other parts of the country. Audit Scrutiny Committee receives reports on waiving of contract rules. The number (around 12 per year) is reasonable, and reports include appropriate details, including the value, contractor, why the waiver was needed, and who approved it. In many cases waivers are approved by the Managing Director and Leader of the Council, as well as the Head of Service.

Improvement recommendations



Governance

Recommendation 13

For the period August 2021 to August 2022 no risk management reports were presented to the Audit Scrutiny Committee. The Council needs to ensure that reporting of risk is sufficiently frequent to provide Members with the assurance they need that risks are being managed appropriately.

Audit year

2021/22 only.

Why/impact

Failing to keep Members up to date with merging or changing risks could adversely affect the achievement of Council priorities.

Auditor judgement

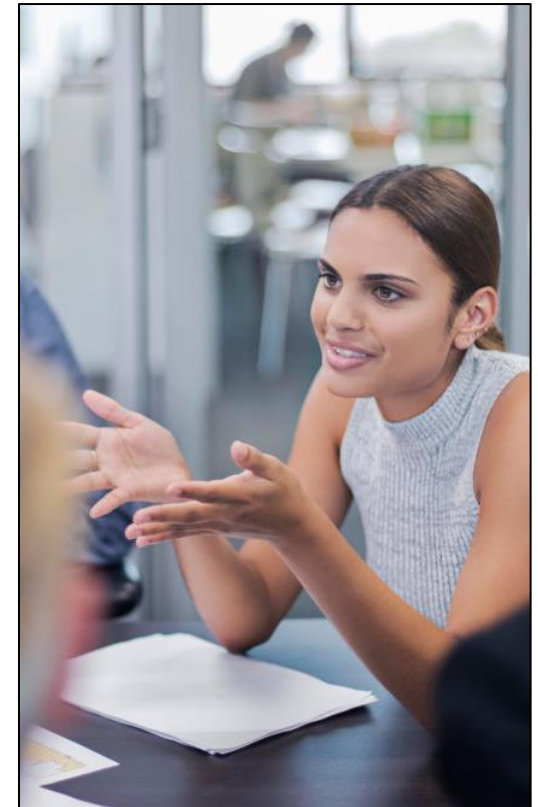
Risk management reports should ideally be presented to Members quarterly. Once a year is insufficient.

Summary findings

The Council has sound arrangements in place for risk management, but needs to ensure that risks which may impact the achievement of Council objectives are regularly reported to Members.

Management Comments

Reports were reduced in 2021/22 due to staff being reassigned to Covid related activities. More regular reporting has continued since then with greater detail.



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The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Governance

Recommendation 14

The Council needs to ensure that each major capital project has its own risk register and that this is kept up to date.

Audit year

2021/22 and 2022/23.

Why/impact

The Council does not have risk registers for all of its major capital projects. Given the value of these projects and the fact that each of them is intended to support the achievement of Council objectives, this is a weakness.

Auditor judgement

The Council has identified the need for risk registers for major capital projects. It needs to ensure that these are in place for all such projects.

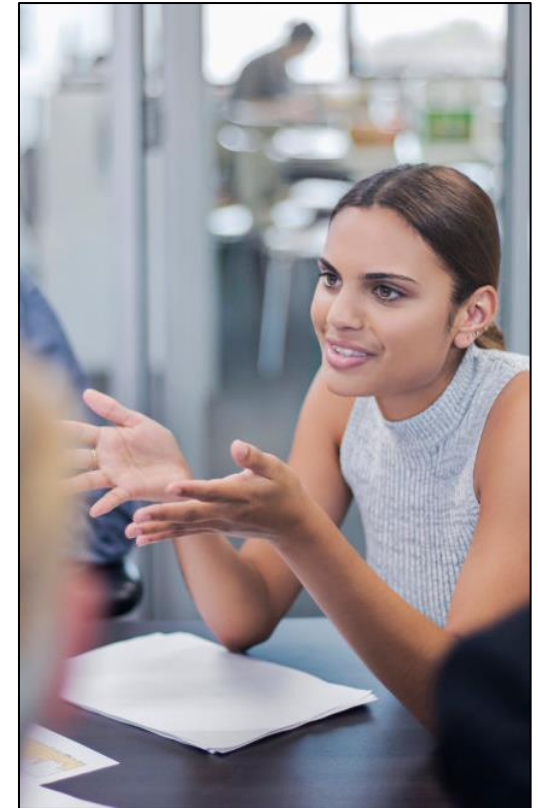
Summary findings

The Council has a number of major capital projects. Not all of these are progressing as planned. Comprehensive risk registers for each project, with summary reporting to Members, is crucial to support informed decision making and risk management.

Management Comments

All schemes do have a risk register and we will ensure these continue to be up to date and complete.

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The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Governance

Recommendation 15

The Council needs to ensure that the work of Internal Audit is reported to the Audit Scrutiny Committee on a frequent basis. We would expect this to be at least quarterly.

Audit year

2021/22 and 2022/23.

241

Why/impact

Failing to provide regular progress report to the Audit Scrutiny Committee means that they are unable to discharge their responsibilities effectively.

Auditor judgement

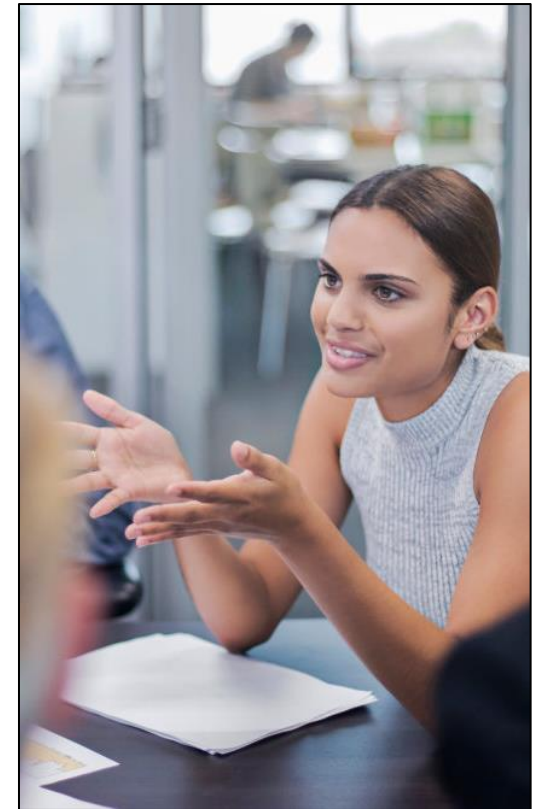
Regular and timely reporting of Internal Audit work is crucial in ensuring appropriate oversight of internal control and governance arrangements.

Summary findings

The Council has an effective Internal Audit service which provides a wide range of comprehensive reports. This work needs to be reported to Members in a timely manner.

Management Comments

Noted. Resourcing and Covid related activities has played a part for some of the work and frequency of meetings including the lack of year end auditing to report on the agenda.



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Governance

Recommendation 16

To avoid potential recall of allocated capital funding the Council needs to ensure that decisions are made and stuck to in order to allow projects to proceed as required.

Audit year

2021/22 and 2022/23.

Why/impact

Preparing business cases and funding applications takes a lot of Officer time. Public funding is not unlimited and councils essentially compete for it. To be awarded public funding for a project intended to help regenerate a town centre and then fail to use it in time represents a weakness in arrangements.

Auditor judgement

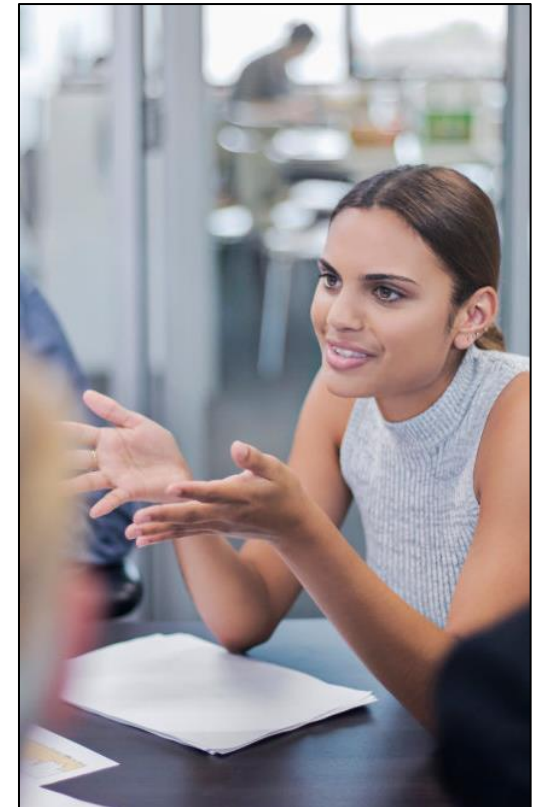
The Council needs to ensure that it has appropriate arrangements in place to allow scrutiny and challenge of decisions, but then implement those decisions in a timely way, without further changes to plans.

Summary findings

While it is entirely appropriate for decisions to be scrutinised and challenged this should not be done in a way that jeopardises funding and places the Council at financial risk.

Management Comments

Agreed.



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The range of recommendations that external auditors can make is explained in Appendix C.

Improving economy, efficiency and effectiveness



We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

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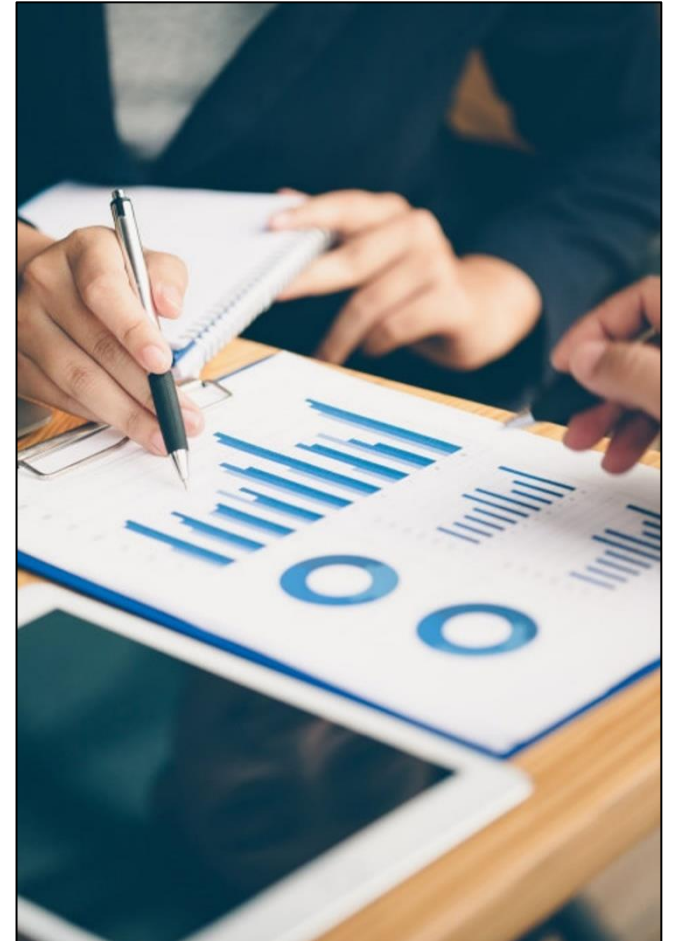
Use of financial and performance information

The Council uses performance information appropriately in order to provide assurance over the delivery of its aims and objectives. It ensures that the underlying data used is accurate and reliable. The Council also uses benchmarking to identify areas for improvement or possible cost reduction.

Performance information

Key Performance Indicators (KPIs) are provided in the Council's strategy to enable monitoring of the body's performance and identify areas for improvement. The KPIs are rated based on their progress towards targets, and the performance against the ten priorities is monitored through annual business plans and performance monitoring reports reviewed by the Overview and Scrutiny Committee. The Council also reviews and updates the KPI targets to ensure they are appropriately written and challenging.

The Council has a 10-year strategy (2020-30) with eight main objectives supported by the "Teignbridge Ten" programmes for practical improvements. The Council Strategy provides a framework for prioritising and delivering services and projects. Performance against the ten priorities is monitored through annual business plans and performance monitoring reports reviewed by the Overview and Scrutiny Committee. In Quarter Four 2022/23, five KPIs were rated red, including net additional homes provided, number of self-build homes provided, and homelessness prevention. Overall, the Council is monitoring and reviewing its performance against its strategy and objectives.



Improving economy, efficiency and effectiveness (continued)

Use of financial and performance information (continued)

Accuracy of information used

The Council has several mechanisms in place to monitor and review its performance. These include quarterly reports shared with the Overview and Scrutiny Committee, monthly reports on treasury management, an annual internal audit report on data quality, and a Member development programme that includes scrutiny training. Overall, the positive assessments from internal audit suggest that the Council has effective processes in place to manage its financial operations and ensure the accuracy and reliability of its internal financial information.

The Centre for Governance and Scrutiny report identified areas for improvement in governance, scrutiny, and ethical behaviour, including the need for more effective work programming arrangements and methods for determining the effectiveness of scrutiny's work. The Council has responded to these recommendations by employing a new Scrutiny Officer, providing significant training on scrutiny, setting deadlines for work and feedback, and looking at the role of committees including audit scrutiny.

The Internal Audit Data Quality Report from March 2023. The "Opinion" provided is "Good" *"based on having a good data quality and governance framework in place. There is evidence of data quality checks being made by the Data and Performance Analyst before performance reports and Power BI dashboards are published and permissions given to other officers. As well as mechanisms in place to ensure accurate data within central government returns and information used to support new strategies and policies."*

Learning from others

The Council has compared its housing performance with England and the South West region, identifying areas for improvement such as excess cold, fuel poverty, and low-income households in the private rental sector. The Council also benchmarked its costs per head of population with statistically nearest neighbours and used the Local Government Association (LGA) research dashboard to compare its performance in various service areas with other local authorities. The dashboard showed that the Council's performance was worsening in certain areas, including council tax non-collection, primary school exclusion, and recycling rates.

The Council also conducted benchmarking through external consultants to review its services costs and alignment with strategic priorities. Findings related to the Council's performance reported underperformance in planning and an opportunity for better alignment of performance KPIs to the Corporate plan and outcomes.

The Council should consider regular reviews and updates to its action plans to incorporate specific and measurable targets for improving performance in the areas of low performance. This may involve exploring alternative solutions, investing in more sustainable practices, and partnering with community groups and stakeholders to increase public awareness and participation in these initiatives. This is an area for improvement and we have made a recommendation covering both years.

To support continuous improvement the Council should review and update action plans to ensure that targets remain appropriate, especially in areas where performance needs to improve. This relates to 2021/22 and 2022/23.

In our prior year report we made an improvement recommendation *"The Council should initiate an external Peer Review through the Local Government Association."* This took place in January 2024. However, for 2021/22 and 2022/23 it has not been actioned and our recommendation is carried forward.

Improving economy, efficiency and effectiveness (continued)

Use of financial and performance information (continued)

Grant Thornton benchmarking of the Council

We have used our own benchmarking tool (based on Revenue Outturn (RO) submissions to government) to compare unit costs to ten statistical nearest neighbours. We were able to identify services that had a "Very High Unit Cost" and compared the Council's performance in these areas. Our findings showed that the Council's unit cost was considerably higher than that of its ten statistical neighbours in 15 specific services across three main service areas in 2021/22. In 2022/23, we expanded the analysis to include four main service areas and 15 specific services. We found that the Council's unit cost remained high compared to its statistical neighbours. It is important to note that this analysis depends on the accuracy, consistency and comparability of returns.

Additionally, we observed that in 2022/23, the Council spent more in five specific services across Housing, Environmental & Regulatory, and Central services than it did in the previous year. These findings suggest that the Council may need to review its spending and identify areas where it can reduce costs while maintaining service delivery standards. This is an area for improvement and we have made a recommendation which covers both years.

The Council should review its expenditure and service delivery in the areas that our benchmarking analysis identified as outliers compared with ten statistical nearest neighbours. This relates to 2021/22 and 2022/23.

RO - Actual 2021/22	Very High Unit cost services	RO - Actuals 2022/23	Very High Unit cost services
Housing Services	Housing advances	Housing Services	Housing advances
	Nightly paid , private accommodation		Homeless Reduction Act: Administration and Support
	Other private sector housing renewal		Other private sector housing renewal
	Private sector accommodation leased by authority		Rent allowances - discretionary payments
	Rent allowances		Temporary accommodation administration
Environmental & regulatory	Climate change costs	Environmental & regulatory	Climate change costs
	Coast protection		Coast protection
	Defences against flooding		Food safety
	Land Drainage		Public conveniences
	Private rented housing		Defences against flooding
	Public conveniences		Private rented housing standards
	Recycling		Street cleansing
	Street cleansing	Central services	Revenue expenditure on surplus assets
Central services	Revenue expenditure on surplus assets		Retirements benefits
	Retirements benefits	Planning and Development	Other Planning Policy

Improving economy, efficiency and effectiveness (continued)

Assessing performance and identifying improvement

The Council has undertaken a wide ranging piece of work, using external consultants, to support it in identifying areas for improvement internally, through increased efficiency.

Service standards

There is no evidence to suggest that there is a failure to meet minimum service standards in core service areas or repeated/historic failure to achieve improvements in efficiency and productivity. Rather, the Council is actively monitoring and reporting on its financial and non-financial performance, identifying areas for improvement, and taking steps to address underperformance. The caution status reported for certain service areas is due to specific challenges, such as Covid-19-related delays and cost of living increases, rather than an indication of repeated or historic failure to achieve improvements. Additionally, the Council's plan to prepare the Teignbridge Local Plan 2020-2040 suggests a proactive approach to managing development and improving built and natural spaces in a zero carbon environment, with high standards of design, development, and living conditions.

In our prior year report we raised an improvement recommendation that *"The Council should ensure that there is a process by which savings reported by budget heads under the BETTER 2022 program are validated for accuracy on a regular basis."* There is no evidence that this has been done, therefore our improvement recommendation is carried forward. The Council has been working on improving its services as part of the Better 2022 initiative for the past two years and plans to continue this effort by implementing the Modern 25 agenda in the future. Briefings to Members show when benefits from the Modern 25 agenda are expected to be realised, with significant savings anticipated by September 2024. The Council will need to ensure that these savings are reported publicly and can be validated.

Review of Council priorities

On page 13 we report on how the Council aligns its finances to its objectives. On page 14 we note that the political administration changed in May 2023 and that this will bring with it new priorities.

The Council began a review of its Strategy in September 2023. A Council Strategy Working Group (CSWG) has been established with membership comprised of nine Members as the primary advisors and their involvement will ensure continuity throughout the process of preparing the Council Strategy. The CSWG is not a decision-making body. It will seek agreement and consensus on Council Strategy matters and advise Officers as appropriate.

The Council has a clear annual delivery plan for its Housing Strategy, which is regularly reviewed and monitored through quarterly reports to the Overview and Scrutiny and Executive Committees. The Council Strategy Review is carried out regularly, with the CSWG advising on high-level issues and specific, measurable projects aligned with the strategy's goals. The Council also has two Overview and Scrutiny Committees which review quarterly performance monitoring reports separately and occasionally hold joint meetings. The Council's approach to recovery from the Covid-19 pandemic includes seven projects aimed at training support for businesses, improving engagement with the community and voluntary sector, and combined data analysis.

The Council's plan to prepare the Teignbridge Local Plan 2020-2040, which will cover various areas, including climate change and energy, environmental conditions and protection, and health and wellbeing, suggests a commitment to considering a range of value factors beyond purely financial considerations.

Evaluating service delivery

The BETTER2022 programme of reviews is designed to help ensure value for money in services, suggesting that the Council is committed to identifying more cost-effective ways of delivering services. The ongoing work to improve automated performance reporting through the use of the Power BI reporting tool also suggests a focus on improving efficiency and reducing costs. Furthermore, the positive assurance provided to the Council's IT provider, Strata Service Solutions Limited, suggests that the Council is monitoring the performance of its suppliers to ensure that they are delivering value for money. The BETTER 2022 process has been subsumed into the Modern 25 agenda and the work with Ignite external consultants.

Responding to recommendations

The report by the Centre for Governance and Scrutiny (CFGs) [presented](#) in February 2023 identified six improvement areas in respect of governance, scrutiny and ethical behaviours. While the Council has made progress in some areas, such as reviewing the constitution and providing training for scrutiny, it appears that there has been little progress in addressing some of the key issues identified, such as the relationships between Members and Officers and decision-making arrangements. The fact that CFGs has had to revisit the issue and conduct further individual interviews with Members and Officers suggests that previous efforts to address these issues may not have been successful. Please refer to our governance work for detailed commentary on these areas.

Improving economy, efficiency and effectiveness (continued)

Partnership working

The Council has sound arrangements in place for working with partners, including obtaining assurance over their performance.

Partnership oversight

The Council maintains a partnership register consisting of 48 strategic partnerships and groups. The partnerships are categorised according to the different directorates, and they can be either statutory or voluntary. Partnerships may have formal or informal agreements, and the frequency of contact can range from monthly to quarterly. The partnership register includes details on budget funding/grants, the year involvement commenced, and the partnership objective, which is aligned with the Council's corporate objectives (Teignbridge Ten). Each partnership has a responsible officer assigned to it.

There are regular reports on the performance and progress of various partnerships, committees, and services. These reports provide updates on the priorities, achievements, and challenges faced by these entities. The Council also monitors the performance of its key suppliers, such as the Strata Partnership, through governance arrangements in accordance with the Shareholder Agreement. The Council has received grants and funding to support community safety initiatives and waste management strategies. However, there are some areas where reviews of Strata have identified that improvements are needed, such as in the governance structure of the Strata Partnership, which is currently under review, and infrequent Joint Scrutiny Executive Committee meetings. We have not repeated these recommendations.

Commissioning and procurement

The Council has appropriate arrangements in place when it commissions or procures services. Officers have agreed areas for further improvement identified by Internal Audit.

In the adjacent text box we set out some of the procurement challenges facing local authorities. Waivers to the Financial Instructions and Contracts Procedure Rules are reviewed by Internal Audit and the procurement team, and a report of all waivers is submitted to each Audit Scrutiny Committee meeting for monitoring. The Council has also identified the risk of contractor poor performance or failure in its strategic and corporate risk register. Several waivers have been processed since March 2021, with reasons such as urgent action required and limited markets. Additionally, the Council has utilized the Voluntary Ex-Ante Transparency (VEAT) notice (VEAT notices are used when contracts are awarded without prior publication of contract notice) for procurement, such as for the procurement of Time, Attendance and Payroll Software for three councils, which was deemed a commercially viable decision.

The Internal Audit Procurement Report from April 2023 provides "Good" assurance overall, with a number of recommendations which management have accepted.

In our prior year report we recommended that *"The Devon Building Control Partnership should agree the frequency of internal audits of its internal control framework and specify this in the Partnership Agreement."* Our review of the 2021/22 and 2022/23 Internal audit plans and reports show no evidence of the review of Devon Building Control Partnership. We understand from Officers that an audit was completed in August 2023 and that the Partnership Agreement has been updated. As this was not completed until 2023/24 our recommendation is carried forward.



Procurement

Local authorities in England spend around £82.4 billion a year on goods and services. More than a third of all UK government spending on goods and services is spent in the local government sector.

Allowing for capital spending as well, the UK public sector procures around £300 billion a year overall from commercial partners.

Within this, local authorities run local services and deliver high value capital projects every year, balancing the complicated requirements of the Procurement Act and the Social Value Act together, often under close review from electors and other stakeholders. Whole of Government Accounts show that local government spending on goods and services outweighs spending by any one other individual UK government sector.

Given the current focus on net zero, local growth, and efficiency, the opportunity for local authority procurement to make a difference to the wider government agenda has perhaps never been higher. The importance of maintaining good practice has also perhaps never been higher. Local authority members and officers, for the most part, already work well with the commercial partners they appoint. However, with so much public money at stake, there is always scope for continuous improvement and for learning from examples of procurements that did not work entirely as intended.

Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation 17

To support continuous improvement the Council should review and update action plans to ensure that targets remain appropriate, especially in areas where performance needs to improve.

Audit year

2021/22 and 2022/23.

Why/impact

Ensuring that targets and actions plans are up to date and remain relevant is a crucial part in supporting performance improvement where required.

Auditor judgement

The Council is committed to continuous service improvement, but needs to ensure that it is measuring the right things.

Summary findings

The Council has appropriate arrangements in place to learn from others, including through benchmarking. Ensuring that targets in service areas remain relevant will ensure performance is monitored appropriately.

Management Comments

We continue to ensure that our targets are SMART and comparable with others. This process continues including targets in departmental Business Plans.



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The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation 18

The Council should review its expenditure and service delivery in the areas that our benchmarking analysis identified as outliers compared with ten statistical nearest neighbours.

Audit year

2021/22 and 2022/23.

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Why/impact

Grant Thornton's own benchmarking has identified areas where the Council appears to be an outlier in terms of unit cost expenditure on services. There is an opportunity for the Council to consider why this might be, and possibly identify savings areas.

Auditor judgement

The Council undertakes its own benchmarking and this appears to be consistent with Grant Thornton benchmarking. There are opportunities to potentially reduce costs in some areas.

Summary findings

The Council uses benchmarking appropriately and needs to supplement this with Grant Thornton benchmarking in order to maximise the benefits arising.

Management Comments

We will review this analysis with our own information to assist with our Modern 25 agenda work.



The range of recommendations that external auditors can make is explained in Appendix C.

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?	
	1	Both members and senior officers must commit to building up respect and good working relationships and demonstrate that significant progress has been made within a reasonable timeframe, to be agreed by the Managing Director and Group Leaders. This should also include commitment from Group Leaders that party members will be held to account for unruly behaviours. Senior leadership, both officers and members, must demonstrate that there is zero tolerance to inappropriate behaviours. This includes changing the organisational culture in relation to complaints.	Key – Governance	August 2023	The Council has commissioned several external consultants to support it in this area. However, progress in implementing recommendations has not been at the pace required. Officers have also provided Members with training around roles and behaviours. In its 2022/23 Annual Governance Statement, presented to Audit Scrutiny Committee in August 2023, the Council clearly articulates that this continues to be an area of concern, and some of the impacts it has had. Our key recommendation is therefore carried forward. See page 32.	No.	Yes.
250		The Council should review its procedures for investigating and dealing with complaints of misconduct by members. The Council should also review how many complaints are in progress and ensure that complaints are investigated and closed as quickly as possible so that further learning points can be identified quickly and introduced into the Council's processes.	Key – Governance	August 2023	A similar recommendation was made by the Local Government and Social Care Ombudsman in its report discussed at Extraordinary Full Council on 14 February 2023. Standards Committee agreed a new investigation process at its meeting in March 2022. Our recommendation has therefore been addressed for 2022/23, but remained in place in 2021/22. See page 34.	Yes.	No.
	3	The Council should review its whistleblowing arrangements and in particular how it will protect whistleblowers from reprisal.	Key – Governance	August 2023	The Council presented an updated policy to Audit Scrutiny Committee in January 2023 and then to Full Council in May 2023. Full Council requested an external review of the policy, which found the policy to be "of generally high quality. It is clearly structured, succinct and demonstrates a commitment to transparency and good governance." A number of changes were recommended, which have been made. The updated Policy was re-presented to Audit Scrutiny Committee in August 2023. Our recommendation has therefore been addressed for 2022/23 but remained in place in 2021/22. See page 30.	Yes.	No.

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
4	The Council should ensure members fully understand their obligations with regard to Conflicts of Interest. This should include mandatory training.	Improvement – Governance	August 2023	Members Declarations of Interest are on their individual Council website page. From review of a selection of these we can see that they are made. We can also see from our review of Full Council minutes that declarations are made against specific items. However, we understand there are examples of where declarations have not been made appropriately despite training being provided and advice offered. Our recommendation is therefore carried forward. See page 34.	No.	Yes.
5	The Council needs to address this issue of lack of member engagement in training courses. Essential training needs to be made mandatory with non-attendance treated as misconduct.	Improvement – Governance	August 2023	The 2023 Member Induction Programme is a comprehensive suite of training covering all key areas, including meeting key officers, Code of Conduct, IT, Cyber security, Equality & Diversity, Effective Scrutiny, Licensing, Planning, Safeguarding and finance. Although training has not been made "Mandatory" it is clear which training Members are expected to attend and a comprehensive programme has been established. Officers keep a record of attendance and are satisfied that "Any Member sitting on the regulatory committees attended the mandatory training. Our recommendation has been addressed. However, we would encourage Members to attend "optional" training which is designed to support them in undertaking their role as effectively as possible. See page 32.	Yes.	No.
6	The Council should review its Record Retention Policy and ensure that it reflects the need to retain key evidence that may need to be accessed during the investigation of complaints.	Improvement – Governance	August 2023	As at December 2023, this has still to be concluded. Our recommendation is therefore carried forward. See page 34.	No.	Yes.
7	The Council should review its procedures for how it deals with concerns about the mental capacity of members.	Improvement – Governance	August 2023	The Council response to this recommendation confirmed that support is provided by the Council's Democratic Services team and that the particular matter was referred to the Independent Person who decided no further action was necessary. Now that meetings are again "in person" the particular circumstance giving rise to our recommendation is unlikely to recur. Our recommendation is therefore closed. See page 34.	Yes.	No.

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?	
8	Risks within the Council's Corporate risk register should include more detailed description of the risk as well as the mitigating actions, the date the risk score was last reviewed and the previous risk score for that particular risk. Risk registers should be put in place prior to the commencement of major projects.	Improvement – Governance	August 2023	Review of the Strategic and Corporate Risk Reports to Audit Scrutiny Committee indicates that this further detail has not been included. We note the management response that further information is available in the risk management system, but this is not available to the public and our recommendation is carried forward. See page 29.	No.	Yes.
9	The Council should determine how it will obtain independent assurance over the operation of Covid related grants administration.	Improvement – Governance	August 2023	The Internal Audit Annual Report to August 2022 Audit Scrutiny Committee states "The final Covid grant scheme closed on 31 March 2022. We are now working with BEIS (Dept of Business, Energy and Industrial Strategy, undertaking reconciliation for each scheme, providing evidence for their sampling exercises, and completing data requests." Assurance has therefore been provided to the government department. For 2022/23 there were no Covid-19 related grants. Our recommendation is therefore closed. See page 17.	Yes.	No.
10	Additional analysis should be provided in budget reports to distinguish between recurring and non-recurring variances that together make up the net revenue position.	Improvement – Governance	August 2023	Budget monitoring reports to Executive include narrative explaining this. For example, the budget monitoring report to November 2022 Executive, with figures up to the end of September includes "Renewal of the building cleansing contract has added a budget pressure of £12,940 for 2022/23 and an ongoing annual budget pressure of £25,890 for future years." Our recommendation has been addressed. See page 17.	Yes.	No.
11	The Council should ensure that there is a process by which savings reported by budget heads under the BETTER 2022 program are validated for accuracy on a regular basis.	Improvement – Improving economy, efficiency and effectiveness	August 2023	Officers have provided briefings to Members on the Modern 25 agenda, including when benefits should be realised. However, significant savings are not expected until September 2024. This has not therefore been actioned. Our recommendation is carried forward. See page 42.	No.	Yes.

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Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
12	The Council should initiate an external Peer Review through the Local Government Association.	Improvement – Improving economy, efficiency and effectiveness	August 2023	This took place in January 2024. As this has not been completed until 2023/24 our recommendation is carried forward. See page 40.	No.	Yes.
13	The Devon Building Control Partnership should agree the frequency of internal audits of its internal control framework and specify this in the Partnership Agreement.	Improvement – Improving economy, efficiency and effectiveness	August 2023	Review of the 2021/22 and 2022/23 Internal Audit plans and reports show no evidence of the review of Devon Building Control Partnership. We understand from Officers that an audit was completed in August 2023 and that the Partnership Agreement has been updated. As this was not completed until 2023/24 our recommendation is carried forward. See page 43.	No.	Yes.
253	The savings to be delivered through the BETTER 2022 programme should be clearly set out, reported and monitored at a strategic level.	Improvement – Financial sustainability	August 2023	Finance reports to Executive include a section on savings. In respect of Better 2022, there is a narrative explaining that review of service business plans will continue to identify savings that will be fed into the budget process together with the work and findings from Ignite. There is no reporting of actual savings delivery. We have therefore made a further, expanded, recommendation. See page 12.	In part.	Address the updated recommendation.
15	The Council should ensure that variations in budget identified within year are immediately reflected in a revised MTFs where appropriate.	Improvement – Financial sustainability	August 2023	Budget variations are included in the quarterly finance reports to Executive and the MTFP updated annually. Our recommendation has been addressed. See page 17.	Yes.	No.
16	A summary of total capital outturn should be aligned and reported against the Council's Corporate Strategic Objectives.	Improvement – Financial sustainability	August 2023	This was introduced from November 2022. It was therefore an improvement area for 2021/22 only. See page 13.	Yes.	No.

Opinion on the financial statements for 2021/22 and 2022/23



Audit opinion on the financial statements

This is due to a management imposed limitation in our inability to gain assurance over the carrying value of your Property, Plant and Equipment valuations at 31 March 2021. This will result in a disclaimer opinion on the Council's financial statements. We are awaiting Council's approval of the final financial statements and Annual Governance Statement to conclude this work.

Audit Findings Report

More detailed findings can be found in our Audit Findings Report, which was published in October 2021 and reported to the Council's Audit Scrutiny Committee on 27 October 2021.

As a result of the inability to obtain sufficient, appropriate audit evidence in the area of valuation of land and buildings (part of the Property, Plant and Equipment disclosure) we are proposing a disclaimer in our audit opinion highlighting this. We are currently discussing this with the Chief Financial Officer.

This is impacting on our commencement of the 2021/22 and 2022/23 financial statements.

Preparation of the accounts

The Council provided draft accounts in line with the national deadline. The audit identified significant weaknesses in financial accounting and record keeping at the Authority. The Council did not maintain adequate records to sufficiently support the PPE balances within the 2020-21 financial statements. The qualification of the 2020-21 financial statements will impact the audit opinion of subsequent years, due to the impact on the comparative PPE balances reported in the 2021-22 and 2022-23 accounts.

Issues arising from the accounts:

The valuation of the land and buildings for 2020-21 was completed by a valuer who subsequently left the Council's employment before the audit commenced. The valuation calculations were documented in an excel workbook, but no supporting evidence was available to support the assumptions and judgements made by the valuer. We have therefore been unable to test the accuracy of the calculations.

In addition, car parks had been valued using the average of the prior three years car parking income. However, this valuation did not include consideration of the impact of Covid-19 on the car-parks income and the fact that during the financial year income would have been restricted due to the national lockdowns in force.



Appendices

Appendix A – Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

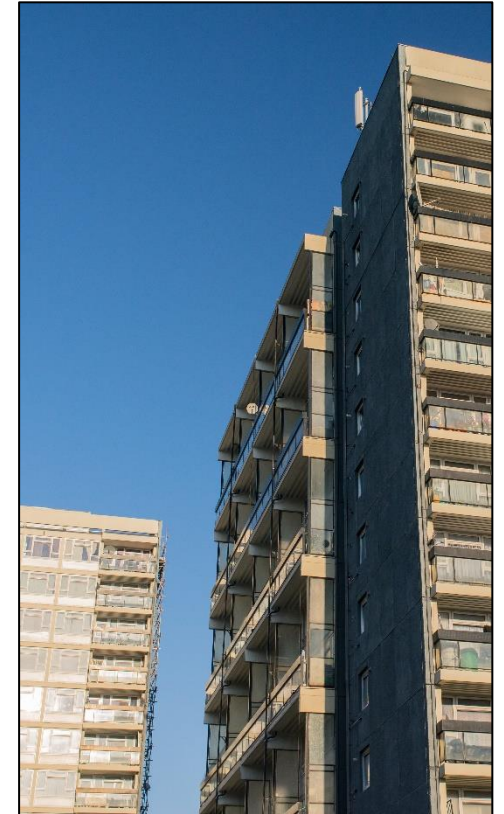
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

256 Local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B – Risks of significant weaknesses, our procedures and findings

As part of our planning and assessment work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we identified are detailed in the table below, along with the further procedures we performed, our findings and the final outcome of our work:

Year of audit	Risk of significant weakness	Procedures undertaken	Findings	Outcome
2021/22 and 2022/23 257	Financial sustainability was identified as a potential significant weakness as previous years surpluses have been made as a result of Covid-19 funding and our recommendations made in 2020/21.	To address this risk we reviewed the February 2023 budget setting report and Medium Term Financial Plan. We reviewed the key financial planning assumptions made and the savings plan the Council has developed. We reviewed finance reports to Members and met with the Chief Finance Officer.	The Council has appropriate arrangements in place to ensure it remains financially stable, but needs to make difficult decisions in order to implement savings plans.	No significant weakness identified, but improvement recommendations made.
2021/22 and 2022/23	Governance was identified as a potential significant weakness owing to the significant weakness identified in 2020/21 relating to Member and Officer relationships and Member behaviour.	To address this risk we reviewed Executive and Council papers and minutes, plus the Annual Governance Statement, and met with the Managing Director, Chief Finance Officer and Monitoring Officer.	We noted several instances where Member behaviour was inappropriate and where the Officer / Member relationship did not function as it should.	The significant weakness identified in 2020/21 is carried forward.
2021/22 and 2022/23	Governance was identified as a potential significant weakness owing to the significant weakness identified in 2020/21 relating to complaints investigation procedures.	To address this risk we reviewed relevant papers, including those of Standards Committee. We met with the Monitoring Officer.	Standards Committee agreed a new investigation process at its meeting in March 2022	Prior year significant weakness closed.
2021/22 and 2022/23	Governance was identified as a potential significant weakness owing to the significant weakness identified in 2020/21 relating to whistleblowing arrangements.	To address this risk we reviewed relevant papers, including those of the Audit Scrutiny Committee and Full Council.	Following internal processes and review, plus an external review process, the updated Policy was re-presented to Audit Scrutiny Committee in August 2023.	Prior year significant weakness closed.

Appendix C – An explanatory note on recommendations

A range of different recommendations can be raised by the Council’s auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No.	N/A.
Key 258	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as ‘key recommendations’.	Yes.	6 and 7.
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council’s arrangements.	Yes.	18-27, 35-38, 44 and 45.



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**Teignbridge District Council
Full Council
23rd April 2024**

Housing Compliance Officer.

Purpose of Report

To seek Member approval for an additional post of Housing Compliance Officer to be added to the establishment.

Recommendation

That Full Council approve the recruitment of a Housing Compliance Officer to work within Housing Services to ensure that the Councils Housing stock meets the compliance regime as set out by the Social Housing Regulator.

Financial Implications

The post is currently subject to job evaluation with a likely salary of £18,000 to £21,000 plus oncosts for a 3-day week, providing a full cost of up to £27,000 to be funded initially from reserves with longer term funding to be determined as part of the annual budget process.

Martin Flitcroft
Chief Finance Officer & Head of Corporate Services
Email: martin.flitcroft@teignbridge.gov.uk

Legal Implications

The Social Housing (Regulation) Act 2023 introduced new measures and obligations to improve the standards, safety and operation of social housing. The addition of this post will help to ensure that the Council meets its statutory obligations.

Paul Woodhead
Head of Legal Services and Monitoring Officer
Email: paul.woodhead@teignbridge.gov.uk

Risk Assessment

The risk to the Council is extremely high if the Health and Safety of the Housing Stock is not conducted in accordance with the regulations of the Social Housing Regulator.

This could be a reputational risk or in an extreme case of death or injury in one of our properties the risk of a corporate manslaughter charge.

Graham Davey
Housing Enabling and Development Manager
Email: graham.davey@teignbridge.gov.uk

Environmental / Climate Change Implications

There are no specific implications.

Report Author

Graham Davey
Housing Enabling and Development Manager (HE&DM)
Email: graham.davey@teignbridge.gov.uk

Executive Member

Councillor Linda Goodman Bradbury Portfolio Holder for Homes, Communities and Human Resources

1. Background.

1.1 Teignbridge District Council is a stock holding Council and a Registered Provider with Homes England. We have a variety of stock ranging from a traveller site, hostel accommodation, temporary accommodation, homes for refugees and permanent accommodation.

1.2. Due to recent high-profile cases in social housing such as Grenfell and Awaab Ishaks death due to damp and mould there has been greater scrutiny of the role of landlords and their duty of care to their tenants. This has resulted in the Social Housing (Regulation) Act receiving Royal Assent in July 2023. The majority of powers come into effect on 1st April 2024 together with greater powers given to the Social Housing Regulator to scrutinise compliance of social housing stock and ensuring a greater voice for tenants. The new standards are intended to improve the health and safety of social housing and the enforcement of customer standards compliance.

1.3. Our compliance role has recently been the subject of an internal audit report which was reported to the Audit Scrutiny Committee on 22nd March 2024 which received a "fair" assessment. The report however, highlighted areas for improvement which require resourcing. Recommendation 5.2 – “There should be a dedicated lead officer (nominated responsible person) responsible for the compliance of health and safety requirements for all of the Council owned housing stock”.

1.4. Therefore, to ensure that all risks are mitigated a dedicated resource is required to oversee the following areas.

- To be the named Health and Safety Lead for the Council in respect of its Housing Stock.
- To ensure compliance of the Councils Housing Stock across multiple compliance workstreams, including Gas, Asbestos, Fire, Electrical, Water Hygiene and Passenger lifts.
- To monitor the Management and Maintenance Contracts of third-party contractors providing services on behalf of Teignbridge and tender as appropriate.
- Monitoring Key Performance Indicators and keeping the Risk Register up to date.
- Ensure compliance with Regulations as set out by the Regulator for Social Housing including ensuring all Policies and Procedures are up to date.
- Ensuring compliance with the Regulations as set out by the Housing Ombudsman's Service Complaint Handling Code.

1.5. The skills and capacity are not currently available within Housing Services. Therefore, approval is required for the recruitment of this key post which will report to the Housing Enabling and Development Manager who currently leads on the Councils T100 home building pipeline.

1.6. This matter has previously been highlighted by Officers in the T100 Risk Assessment presented to Full Council on 12th September 2023 as part of a wider update to Members on the Council home building programme.

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**Teignbridge District Council
Full Council
23 April 2024
Part i**

Devon Home Choice Policy Review Report

Purpose of Report

1. To seek approval for the policy changes to Devon Home Choice, the Social Housing Register for Teignbridge and Devon local authorities.

Recommendation(s)

The Council RESOLVES to:

- (1) Approve the proposed policy changes

Financial Implications

There are no financial implication to this policy change.

Martin Flitcroft
Head of Corporate Services
Email: martin.flitcroft@teignbridge.gov.uk

Legal Implications

There are no specific legal implications arising out of this report save that the Council has a statutory duty to allocate accommodation pursuant to Part 6 Housing Act 1996 and to administer the Housing Register.

Paul Woodhead Head of Legal Services and Monitoring Officer
Email: Paul.Woodhead@teignbridge.gov.uk

Risk Assessment

Report author to comment on the Risk Assessment
Tammy Hayes, Housing Needs Lead
Email: tammy.hayes@teignbridge.gov.uk

There is medium risk to these changes. Any change to the policy will impact some applications either currently active or applications made in the future through changes to priority, banding or time on list and the likelihood of being offered a

tenancy through Devon Home Choice.

The housing register has increased from approximately 1000 active applications with a housing need pre-pandemic to around 1500 at the time of this report. The policy changes will not increase the number of properties available or being developed but looks to try to adapt the policy to meet the housing needs most effectively.

Environmental/ Climate Change Implications

Low - There is no identified environmental or climate change impact in this report.

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1. INTRODUCTION/BACKGROUND

1.1 Devon Home Choice

Devon Home Choice (DHC) is the choice-based lettings scheme for Teignbridge District Council social housing register. The DHC partnership includes East Devon District Council, Mid Devon District Council, North Devon District Council, Torridge Council, Exeter City Council, Torbay Council, South Hams & West Devon Council and Plymouth City Council and all the housing associations who provide homes in Devon for social rent.

We complete an annual review of the Devon Home Choice policy to ensure it continues to meet the needs of the partners, applicants and the housing providers. Legal changes to the policy are implemented when introduced. There are no legal changes in this policy review.

The DHC Board has compiled a list of recommended changes to the policy to commence April 2024. These policy changes have been voted for by each local authority and housing provider as a recommendation to update the policy. Also included in this report is details of the changes the board has not voted in favour of at this review.

Any local authority may make the decision to not support all recommendations by the board but any differences to the overall policy may require amendment to reflect Teignbridge's position or a separate allocation policy to cover our variance.

Full Council is required where the policy changes are beyond procedural or mandatory lawful requirement.

Proposals made are from any partners within the DHC Board and then voted upon. Recommended proposals have board approval to change.

1.2 Recommended Proposals

1.2.1 Proposal 1:

That care leavers (as defined in The Children (Leaving Care) Act 2000) who are in a care placement, residential care or supported accommodation and are confirmed as being ready to move on to independent living may be awarded Band B through the Move On procedure. When ready for move on and have an ongoing support plan from social care will be offered Band B for 3 months. It will be reviewed at the 3 month point to ensure the young person is bidding appropriately, has not unreasonably declined a property and is proactively engaging with searches for private rented accommodation where deemed appropriate.

This extends our definition of care placements to expressly include placements in young persons supported accommodation. Teignbridge already adopt this approach and therefore no change directly to us. If other Local Authorities have not adopted this approach there may broadly be some increase to the number of Band B households across the county. We intend to consider the development of a multi-agency move on panel including representatives from each local authority to ensure consistency in approach.

This will be subject to a 6 month trial and full impact assessment across the county.

1.2.2 Proposal 2

We extend the backdate of applications for care leavers to include care leavers who have moved from care into supported accommodation to their 16th birthday unless they have lived independently in between. The current policy only offers the backdate to the 16th birthday for care leavers leaving a care or residential placement. This approach is to free up scarce social care placements and supported accommodation provision.

The overall impact of this change would see approximately 44 care leavers from across the County, be awarded additional time on list (from their 16th Birthday). Care Leavers are considered to have a “local connection” to all areas of Devon so could bid on homes in any district with same level of priority/preference awarded.

The current Devon Home Choice IT system did not ask applicants to identify if they are a care leaver, so we are unable to advise how many are currently registered. We requested this be added to applications and has recently gone live on our systems.

The impact on the housing register in Teignbridge is a particular area of concern which we wish to highlight. Teignbridge has proportionally the lowest number of general needs one-bedroom social tenancies advertised in the County. By awarding additional time on list this will prioritise care leavers over other households on the register seeking one-bedroom homes including, homeless households who may be in temporary accommodation.

To mitigate this, preference can still be awarded on adverts to support move on from temporary accommodation to balance the priorities proportionally.

In 2022/23, Teignbridge District Council awarded only 2 care leavers leaving supported accommodation Band B that would qualify for this proposed backdate.

Future planning of the impact of this change is challenging. It is not known how many current children in care may need supported accommodation in the future and therefore be impacted by this policy change, but this will remain under review. We have indicative figures below which we have collated through our own records and that of Devon County Council's but have requested from Devon County Council more accurate figures for future assessment.

Estimated future financial impact

Age profile	0 to 5	6 to 11	12 to 14	15 to 17	Total
East Devon District Council	30	18	14	39	101
Exeter City Council	19	17	19	55	110
Mid Devon District Council	16	15	13	21	65
North Devon District Council	15	28	22	32	97
South Hams District Council	11	13	7	5	36
Teignbridge District Council	27	35	28	36	126
Torrige District Council	16	20	24	14	74
West Devon Borough Council	10	10	3	10	33

We will be working with Devon County Council and other partners to try to support additional delivery of one-bedroom homes and pursuing alternative housing options such as houses of multiple occupation to increase the overall options for care leavers to live independently. We have also asked Housing Associations locally, to review their housing stock to ensure the demand for older person units is reflective of housing need in our area and whether any should be converted to general purpose homes to enable more care leavers to secure homes locally.

We agreed with the board that this proposal should be piloted for 6 months and reviewed monthly to ensure this change did not adversely impact other households on the housing register disproportionately.

Our recommendation is to support this proposal. The rise in demand for care leaver placements in supported accommodation provision is increasing due in part to lack of move on opportunities. Care Leavers needing additional support from supported accommodation should be

afforded the same backdated preference as those that do not need additional support leaving care. A 6 month pilot will enable us to monitor closely the impacts before decision is made to continue permanently or for longer pilot.

1.2.3 Proposal 3

Applicants who are downsizing from a home with 3 or more bedrooms will have their band start date backdated by 5 years. This is done to assist in freeing up scarce high demand larger accommodation and supporting in efforts to reduce the numbers each local authority has in temporary accommodation and waiting times for larger homes.

The board voted for a trial for 1 year with the numbers moving to be monitored.

Below is a breakdown by local authority of all applicants who have qualified for “under occupying social tenant” banding on Devon Home Choice with a 3bed+ size home and their new bedroom need. The backdate would apply to 43 cases in Teignbridge.

Local authority	Bedroom need				Grand Total
	1	2	3	4	
East Devon	19	34	4		57
Exeter	16	52	14	1	83
Mid Devon	5	13	1		19
North Devon	8	24	6		38
Plymouth	44	72	7		123
South Hams	13	41	3		57
Teignbridge	9	28	6		43
Torbay	12	22	2		36
Torridge	5	21	3		29
West Devon	5	18	3		26
Grand Total	136	325	49	1	511

We have reviewed of the 9 households needing one beds in our area and only 1 household would be expected to be bidding on general purpose homes that would benefit from additional time on list from this policy change.

Local authority	Bedroom need				Grand Total
	1	2	3	4	
East Devon	3	9	4		16
Exeter	4	20	7	1	32
Mid Devon	1	5	1		7
North Devon		7	4		11
Plymouth	12	41	7		60
South Hams	2	21	1		24
Teignbridge	1	12	6		19
Torbay	4	5	2		11
Torrige	2	8	2		12
West Devon	2	9	3		14
Grand Total	31	137	37	1	206

Our current numbers in temporary accommodation reflect a need for 28 one beds properties and 14 two bed homes. We currently have 14 households in temporary accommodation needing 3bed + so any support to assist social tenants to downsize will enable those homes to be considered to homeless households.

We will manage the impact of this through offering preference to homeless households on some adverts to ensure that they are supported out of temporary accommodation when suitable homes are available.

We will monitor over the 12-month pilot of this to measure the impact of any households from other areas in Devon with local connection to Teignbridge to determine if this will policy change will continue.

We therefore recommend this proposal is accepted.

1.2.4 Proposal 4

Remove the requirement for an interim accommodation duty to be triggered before offering Band B for households left in occupation of social tenancies with no rights to succeed the tenancy and would otherwise be eligible for Devon Home Choice.

The local authority may not have a legal duty to accommodate all households at risk of homeless. When a person is left in occupation of a social tenancy without succession rights and have lived there for 12 months or more, the housing provider could seek eviction through the courts. In most instances, the household left in occupation is left under occupying the property following the death of the tenant and therefore housing associations and local authorities wish to support the move to alternative accommodation effectively but empathetically.

Given the acute shortage of social tenancies, this proposal will enable us to move the person to a smaller home more effectively and free up larger homes.

1.2.5 Proposal 5 (two part)

The local authority to be permitted to choose if Band A applicants should be placed on autobid from the point of application, removing the current 4 week choice of bids.

1.2.6 The local authority to be permitted to choose if Band B Homeless households owed the full duty are placed onto autobid, removing the current 4 week choice of bids.

This proposal allows local authorities to determine if they wish to remove the 4 week choice based biddings to be in place for these groups of applications. It is likely that some local authorities may adopt this and others choose not to.

Our recommendation is to agree this policy change but Teignbridge will not be introducing this at this time. We believe that the fundamental principles of a choice-based lettings scheme should be available for 4 weeks of initial bidding to allow applicants to choose, from what is advertised, what they wish to bid on.

Forcing applicants to accept housing that is not of their choosing may impact how they treat their home, how they integrate into the area and their ability to sustain their tenancy. We wish to continue this element of choice for the initial 4 weeks of banding and monitor bidding, only enforcing bidding where the applicant is unable or unwilling to do so unreasonably.

2. Implications, Risk Management and Climate Change Impact

2.1 Implications

The Devon Home Choice policy is reviewed annually. This enables local authorities and housing partners to assess emerging housing needs and demands effectively. Failure to make changes to the policy may further embed housing crisis' for individuals and not manage the lettings of social housing reflective of these needs.

2.2 Risk Management

All changes to the policy will be monitored over the coming year to assess the impact and if the changes are effective at addressing key areas of housing need locally. The policy changes have been agreed by all 8 Devon local authorities and housing associations across the county and based on the available data contained within the exiting housing register, homelessness data and data from Devon County Council specifically regarding Care Leavers.

2.3 Environmental/Climate Change Impact

There are no environmental/Climate Change impact linked to this report.

3. Alternative Options

Teignbridge can choose not to adopt all policy changes or some but if the housing providers are not in agreement with our policy, they are not legally or contractually required to adopt any regional variations. Regional variations can also add additional layer of complexity for residents and housing providers so where possible, we only employ regional policies where absolutely necessary to meet local housing need that differs from other areas in Devon.

4. Conclusion

We support the recommended Devon Home Choice policy changes to better support emerging needs locally. We must however seek to increase delivery of one-bedroom homes on new developments to help meet the current need of over 750 households seeking this size of home on Devon Home Choice.

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