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12 March 2024

## **AUDIT SCRUTINY COMMITTEE**

A meeting of the **Audit Scrutiny Committee** will be held on **Friday, 22nd March, 2024** in the **Council Chamber, Forde House, Brunel Road, Newton Abbot, TQ12 4XX** at **10.00 am**

PHIL SHEARS  
Managing Director

### **Membership:**

Councillors Jackman, Morgan (Chair), Purser, Radford, Thorne (Vice-Chair), Williams, Jeffries and Ryan

**Please Note:** Filming is permitted during Committee meeting with the exception where there are confidential or exempt items, which may need to be considered in the absence of the press and public. By entering the Council Chamber you are consenting to being filmed.

## **A G E N D A**

### **Part I**

1. **Apologies for Absence**
2. **Minutes of the previous meeting** (Pages 3 - 6)
3. **Declarations of Interest.**
4. **Public Questions (If any)**
5. **Members Questions (if any)**

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

The deadline for questions is no later than three clear working days before the

meeting.

6. **Grant Thornton**
  - a) 2020-21 Audit Findings Report (Pages 7 - 44)
  - b) 2020-21 Letter of Representation (Pages 45 - 48)
  - c) 2021-22 and 2022-23 joint Auditors Annual Report (Pages 49 - 104)
  - d) 2021-22 and 2022-23 Backstop letter (Pages 105 - 108)
  - e) 2023-24 External audit plan (Pages 109 - 134)
  - f) Audit Opinion
7. **Financial Waivers** (Pages 135 - 140)
8. **Final Accounts 2020-21** (Pages 141 - 278)
9. **Notices of Motion - Webcasting** (Pages 279 - 286)
10. **Internal Audit Progress Report** (Pages 287 - 292)

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## **AUDIT SCRUTINY COMMITTEE**

**13 DECEMBER 2023**

Present:

Councillors Morgan (Chair), Thorne (Vice-Chair), Jackman, Purser, Radford, Sanders and Williams

Members in Attendance:

Councillors Jeffries and Palethorpe

Apologies:

Councillors Daws

Officers in Attendance:

Sue Heath, Audit Manager

Neil Blaney, Head of Place & Commercial Services

Tammy Hayes, Housing Solutions Lead, Housing Options

Christopher Morgan, Trainee Democratic Services Officer

### **41. MINUTES OF THE PREVIOUS MEETING**

It was proposed by Councillor Morgan and seconded by Councillor Jackman that the minutes of the previous meeting were agreed as a correct record and signed by the chair.

Resolved

That the minutes of the previous meeting be signed by the chair.

### **42. CYBER SECURITY BRIEFING**

The Strata Compliance and Security Manager provided the briefing on Cybersecurity. The Chair suggested that cybersecurity training should be offered to all members, which the committee agreed with.

Discussion included the Committee having sight of Teignbridge's Public Sector Network security certificate for assurance, as well as avoiding QR code hacks.

### **43. FINANCIAL STATEMENTS & UPDATE ON CURRENT TIMETABLE FOR EXTERNAL AUDIT**

The Audit Manager introduced the item. It was suggested that the Committee request that the Leader and Chief Executive write to MPs and the ESA about

Audit Concerns. Other discussion included the external audit fee, the original audit parameters and that Grant Thornton would send a representative to the next committee meeting.

The Committee noted the current timetable for external audit.

#### **44. INTERNAL AUDIT UPDATE**

The Audit Manager provided the Internal Audit Plan Update. The discussion included the current operating model consisting of a mixed provision service with the Devon Audit Partnership, risk assessment follow ups, funding for the audit team, and an overview of the progress of the audit plan.

Resolved

That the update be noted.

#### **45. APPOINTMENT OF INDEPENDENT CO-OPTED MEMBERS TO AUDIT SCRUTINY COMMITTEE**

The Audit Manager introduced the item to the Committee. The Chair suggested that the ideal candidate would be from a local government and financial background and that advertising focus there. The Committee discussed the ideal candidate, interview plan, and role description.

It was proposed by Cllr Morgan and seconded by Cllr Williams that the Audit Scrutiny Committee recommend to Full Council the appointment of Independent co-opted member(s).

Resolved

That the Audit Scrutiny Committee recommend to Full Council the appointment of Independent co-opted member(s).

#### **46. FINANCIAL INSTRUCTIONS WAIVERS**

The Audit Manager introduced the item to the Committee. The Committee discussed the appointment of the Interim Business Manager. This included information discussed with the Head of Place and Commercial Services. The Committee noted that the pay provided to the Interim Business Manager was competitive. The Housing Needs Lead also provided information on the Waivers she had brought to the Committee.

Resolved

That the Committee note the Financial Instructions Waivers.

The meeting commenced at 10.00 am and finished at 12.15 pm.

Chair  
Cllr Sally Morgan

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# 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

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

## Appendices

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

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

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

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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.

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# 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.

Materiality levels remain the same as reported in our audit plan.

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|  | 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><b>Management override of controls</b></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"> <li>evaluated the design effectiveness of management controls over journals</li> <li>analysed the journals listing and determined the criteria for selecting high risk unusual journals</li> <li>identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration</li> <li>gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness</li> </ul> <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><b>Valuation of pension fund net liability</b></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"> <li>• 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;</li> <li>• Evaluated the instructions issued by management to their management expert (an actuary) for this estimates and the scope of the actuary's work</li> </ul> <p>We will also:</p> <ul style="list-style-type: none"> <li>• Assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;</li> <li>• Assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;</li> <li>• 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;</li> <li>• 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;</li> <li>• Agree the advance payment made to the pension fund during the year to the expected accounting treatment and relevant financial disclosures</li> <li>• 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</li> </ul> <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="100 735 136 783">17</p> <p data-bbox="114 520 645 552"><b>Recognition and Presentation of Grant Income</b></p> <ul data-bbox="114 560 779 911" style="list-style-type: none"> <li>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</li> </ul> | <p data-bbox="801 520 1227 552">As part of our work we have considered:</p> <ul data-bbox="801 560 1444 1031" style="list-style-type: none"> <li>whether the Council is acting as the principal or agent which would determine whether the authority recognises the grant at all</li> <li>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</li> <li>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).</li> <li>the adequacy of disclosure of judgements in the financial statements.</li> </ul> | <p data-bbox="1467 520 2123 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   |               |           |            |               |      |             |              |                       |      |            |              |               |      |           |              |  |           |                      |              |  |           |                     |              |  |
|--|---|---|--------------|---------------|-----------|------------|---------------|------|-------------|--------------|-----------------------|------|------------|--------------|---------------|------|-----------|--------------|--|-----------|----------------------|--------------|--|-----------|---------------------|--------------|--|
| <b>Net pension liability – £107.865m</b>         | <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"> <li>the actuary's experience, competence and professional qualifications;</li> <li>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);</li> <li>the impact of any changes to valuation method – none were noted;</li> </ul> <p>We have assessed:</p> <ul style="list-style-type: none"> <li>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;</li> <li>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</li> <li>the adequacy of disclosures of estimate in the financial statements.</li> </ul> <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> <p>We have no issues to report in this area.</p> | 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 |  |
| 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 |               |           |            |               |      |             |              |                       |      |            |              |               |      |           |              |  |           |                      |              |  |           |                     |              |  |

## 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"> <li>• Appropriateness of the underlying information used to determine the estimate;</li> <li>• Reviewed the reasonableness of the estimate; and</li> <li>• Reviewed the adequacy of the disclosure of estimate in the financial statements.</li> </ul> <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
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

# 2. Financial Statements - key judgements and estimates

| Significant judgement or estimate | Summary of management's approach  | Audit Comments  | Assessment |
|-----------------------------------|---|---|------------|
| Minimum Revenue Provision - £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"> <li>• 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"> <li>- £258k in 2020/21</li> <li>- £251k in 2019/20</li> <li>- £245k for 2018/19</li> </ul> </li> <li>• 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.</li> <li>• 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.</li> </ul> <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.

| 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



| 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/<br>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

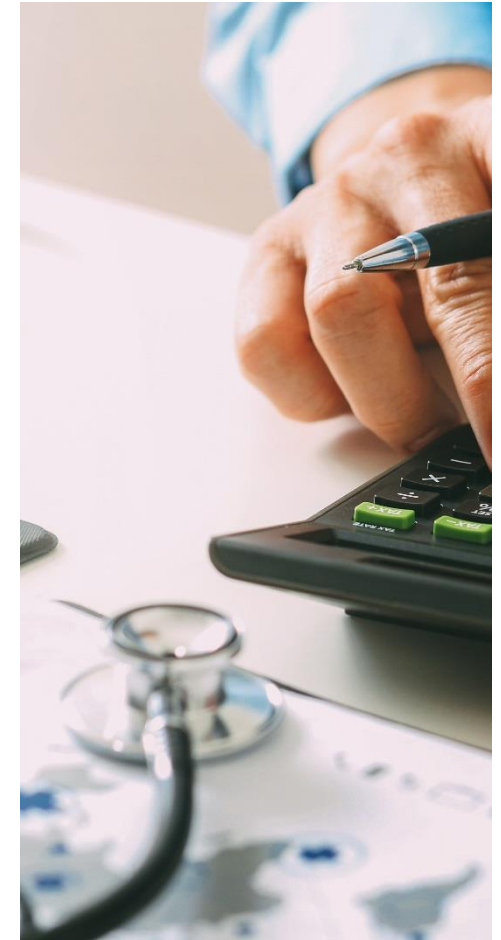
As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability 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"> <li>the use of the going concern basis of accounting is not a matter of significant focus of the auditor’s time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity’s services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities</li> <li>for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report.</li> </ul> <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we will consider and evaluate:</p> <ul style="list-style-type: none"> <li>the nature of the Council and the environment in which it operates</li> <li>the Council's financial reporting framework</li> <li>the Council's system of internal control for identifying events or conditions relevant to going concern</li> <li>management’s going concern assessment.</li> </ul> <p>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> |
| 26<br>Matters on which we report by exception | <p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> <li>• if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit,</li> <li>• if we have applied any of our statutory powers or duties.</li> <li>• where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es.</li> </ul> <p>We 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  |
|--|---|
| <b>Specified procedures for Whole of Government Accounts</b> | <p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>Detailed work is not required as the Council does not exceed the threshold.</p> |
| <b>Certification of the closure of the audit</b>             | <p>We intend to issue the certificate at the conclusion of our audit.</p>   |

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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

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## 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.

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# 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   |
|------------|---|---|
| 33<br>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. | <p>We would therefore recommend that Management revisit the prior year recommendations and prepare an action plan to address these issues.</p> <p><b>Management Response</b></p> <p>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.’</p> <p>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.’</p> <p>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’</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        | 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><b>Management Response</b></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><b>Management Response</b></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> |

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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  |
|------------|--|--|
| 35         | <p><b>Low</b></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><b>Management Response</b></p> <p>The change in economic lives was a professional judgement call. We will ensure all changes are fully documented with reasoning.</p>  |
|            | <p><b>Low</b></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><b>Management Response</b></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><b>Management Response</b></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> |
| 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><b>Management Response</b></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>   |

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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>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><b>Management Response</b></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><b>Management Response</b></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><b>Management Response</b></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><b>Management Response</b></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.

| <b>Detail</b> | <b>Comprehensive Income and Expenditure Statement £'000</b> | <b>Statement of Financial Position £' 000</b> | <b>Impact on total net expenditure £'000</b> |
|---------------|---|---|--|
| 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"> <li>- Correction of £39,268 in fees and other charges</li> <li>- Correction of £85,446 in employee benefits</li> <li>- Correction of £124,734 in other services expenditures</li> </ul> | 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 4PJ. 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 &amp; '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<br>£'000 | Statement of Financial Position<br>£' 000 | Reason for not adjusting |
|---|---|---|--------------------------|
| <p>Minimum Revenue Provision (MRP)</p> <p>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</p>  | £258  | -£258                                     | Not material             |
| <p>Housing Benefits</p> <p>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.</p>           | £131  | -£131                                     | Extrapolation            |
| <p>Grants received in advance</p> <p>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.</p> | -£558   | £558                                      | Extrapolation            |
| <b>Overall impact</b>   | <b>-£169</b>  | <b>£169</b>                               |                          |

## 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.

| <b>Audit fees</b>   | <b>PSAA approval status</b>    | <b>Proposed fee</b> | <b>Final fee</b> |
|---|--------------------------------|---------------------|------------------|
| 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          |
| 43 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          |
| <b>Total audit fees (excluding VAT)</b>   |                                | <b>£58,740</b>      | <b>£102,740</b>  |

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.

| <b>Non-audit fees for other services</b>                  | <b>Proposed fee</b> | <b>Final fee</b> |
|---|---------------------|------------------|
| Audit Related Services - Certification of Housing benefit | £10,500             | £12,500          |
| <b>Total non-audit fees (excluding VAT)</b>               | <b>£10,500</b>      | <b>£12,500</b>   |



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 Clarence**

Position **Chairman of the Council**

Date 23 April 2024

**Signed on behalf of the Council**



# Interim Auditor's Annual Report on Teignbridge District Council

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2021/22 and 2022/23

26 February 2024



mem 6c

# Contents



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.



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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. | <b>A</b> No significant weaknesses in arrangements identified, but three improvement recommendations made.    | <b>A</b> No weaknesses in arrangements identified, but nine improvement recommendations made.   | <b>A</b> No weaknesses in arrangements identified, but eight improvement recommendations made.   |
| Governance                                      | Three risks identified arising from our key recommendations in our previous report.  | <b>R</b> Three significant weaknesses in arrangements identified, and seven improvement recommendations made. | <b>R</b> Three significant weaknesses in arrangements carried forward and one new significant weakness raised. Four improvement recommendations made. Three prior year recommendations carried forward. | <b>R</b> 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.   | <b>A</b> No significant weaknesses in arrangements identified, but three improvement recommendations made.    | <b>A</b> No significant weaknesses in arrangements identified, but two improvement recommendations raised. Three prior year recommendations carried forward.  | <b>A</b> No significant weaknesses in arrangements identified, but two improvement recommendations raised. Three prior year recommendations carried forward.               |

|                                       |   |
|---------------------------------------|---|
| <span style="color: green;">■</span>  | No significant weaknesses in arrangements identified or improvement recommendation made.    |
| <span style="color: orange;">■</span> | No significant weaknesses in arrangements identified, but improvement recommendations made. |
| <span style="color: red;">■</span>    | 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><b>Statutory recommendations</b></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><b>Public Interest Report</b></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><b>Application to the Court</b></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><b>Advisory notice</b></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"> <li>is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,</li> <li>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</li> <li>is about to enter an item of account, the entry of which is unlawful.</li> </ul> | We did not issue an advisory notice.        | We did not issue an advisory notice.        |
| <p><b>Judicial review</b></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.

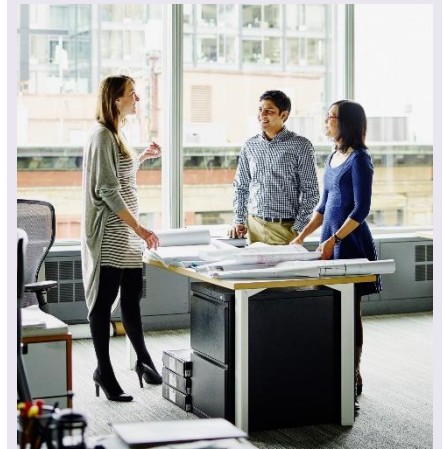
### Summary findings

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.

## 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.

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)

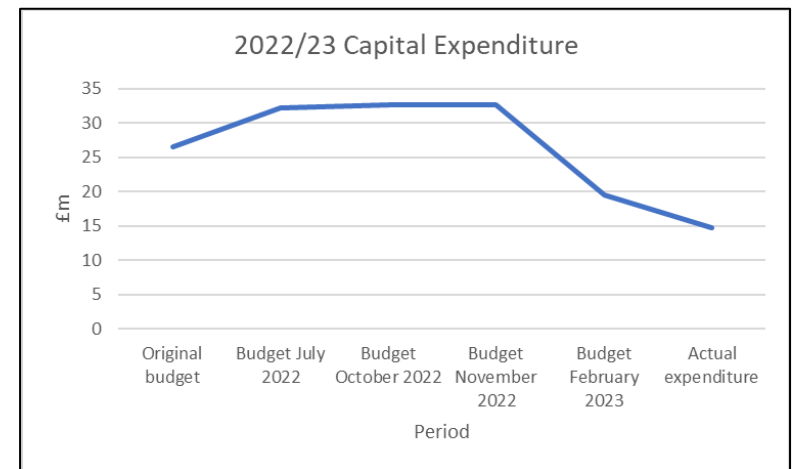
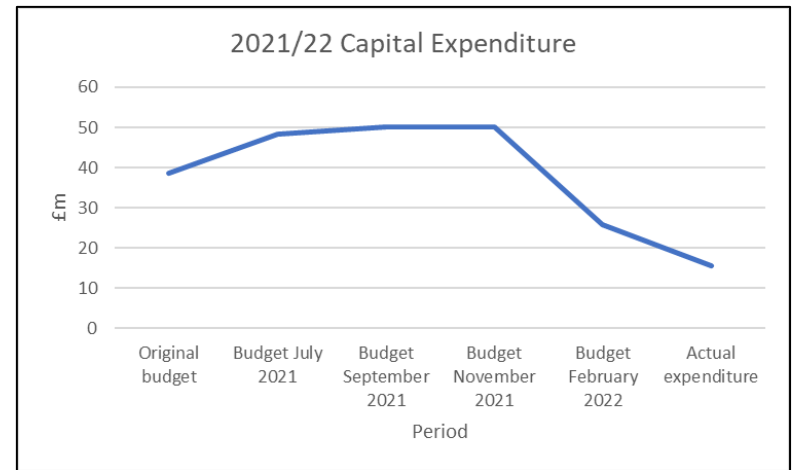
The Council saw a change in political administration in May 2023. The new administration will, quite rightly, be keen to implement its election pledges. In order to do this it needs to ensure that senior Members work with Officers to ensure that capital and revenue budgets are aligned to the pledges. 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."*

### In 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.



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.



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.



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.

73

### 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.



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.

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

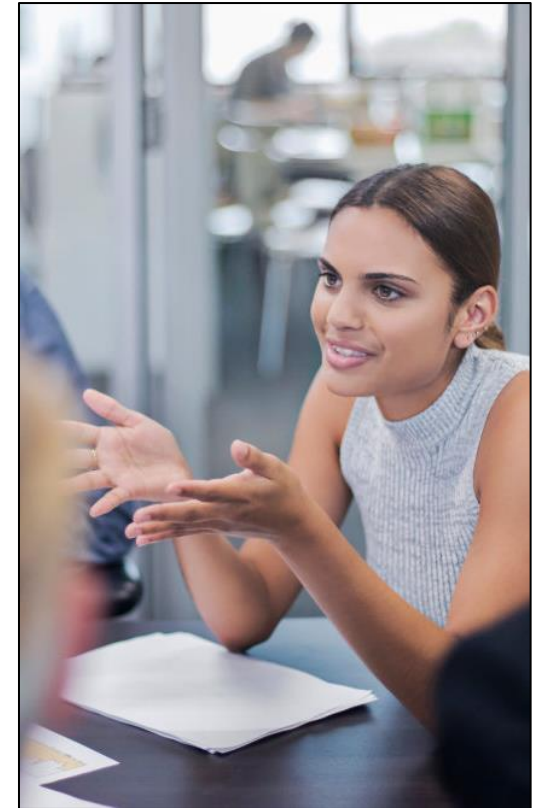
Risk management reports should ideally be presented to Members quarterly. Once a year is insufficient.

### 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.



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

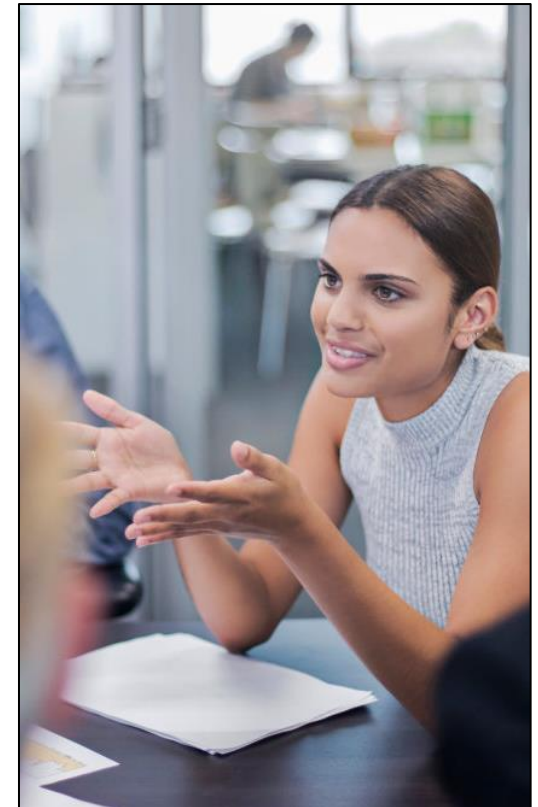
The Council has identified the need for risk registers for major capital projects. It needs to ensure that these are in place for all such projects.

### 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.

85

### 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

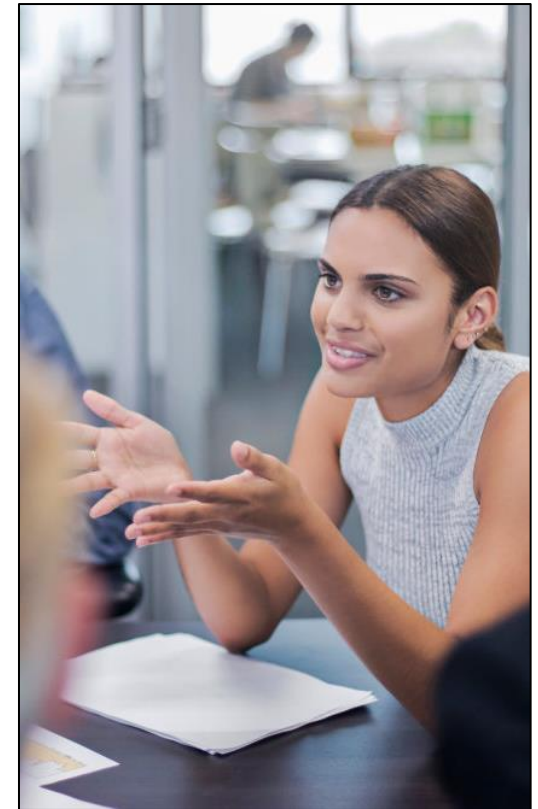
Regular and timely reporting of Internal Audit work is crucial in ensuring appropriate oversight of internal control and governance arrangements.

### 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

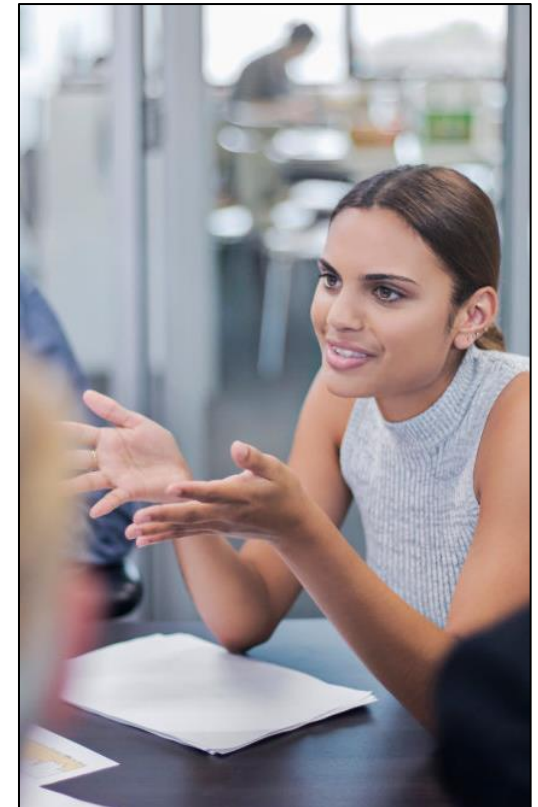
The Council needs to ensure that it has appropriate arrangements in place to allow scrutiny and challenge of decisions, but then implement those decisions in a timely way, without further changes to plans.

### 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.



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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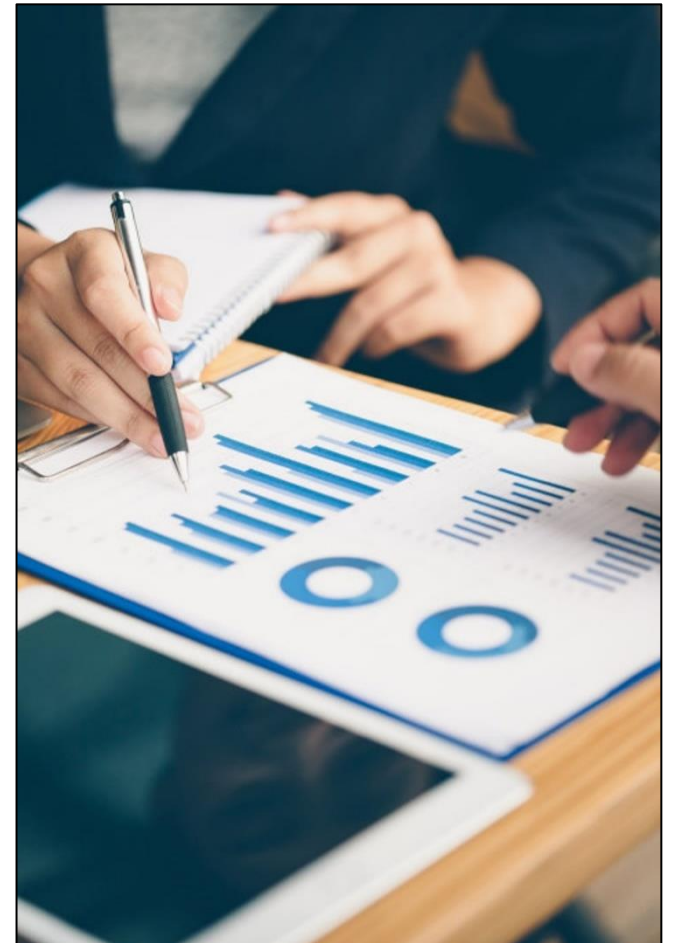
## Use of financial and performance information

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                       |
|---------------------------------------|--|---------------------------------------|--|
| <b>Housing Services</b>               | Housing advances                                 | <b>Housing Services</b>               | 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             |
| <b>Environmental &amp; regulatory</b> | Climate change costs                             | <b>Environmental &amp; regulatory</b> | 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                                 | <b>Central services</b>               | Revenue expenditure on surplus assets              |
| <b>Central services</b>               | Revenue expenditure on surplus assets            |                                       | Retirements benefits                               |
|                                       | Retirements benefits                             | <b>Planning and Development</b>       | 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.            |
| 2<br>94 | 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. |
| 95 | 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? |
|----|---|---|-------------|--|------------|-----------------|
| 96 | 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.            |



# 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.                                |
| 97 | 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.

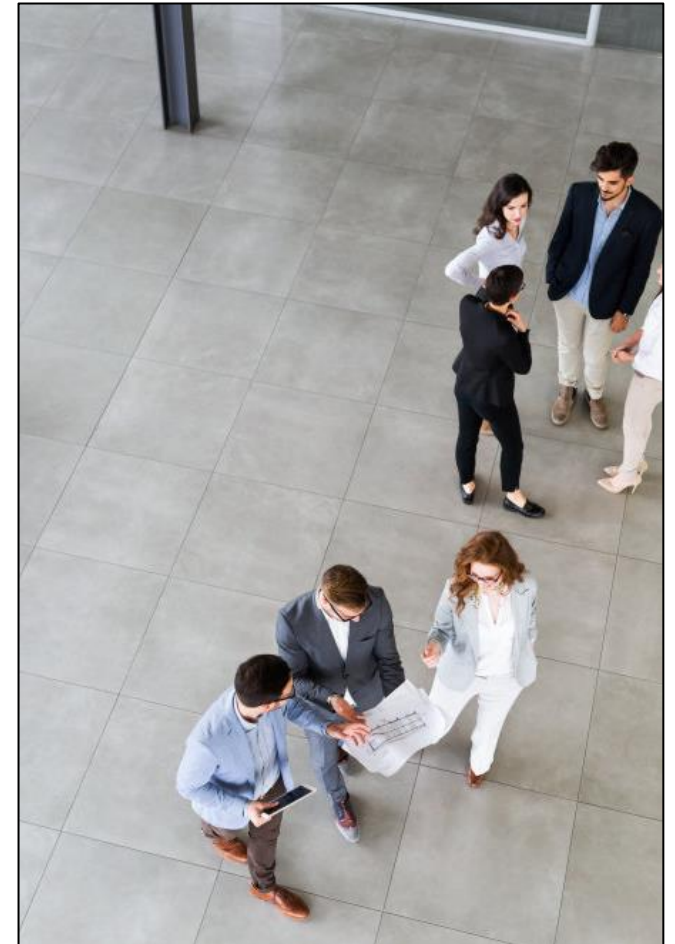
## Preparation of the accounts

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.

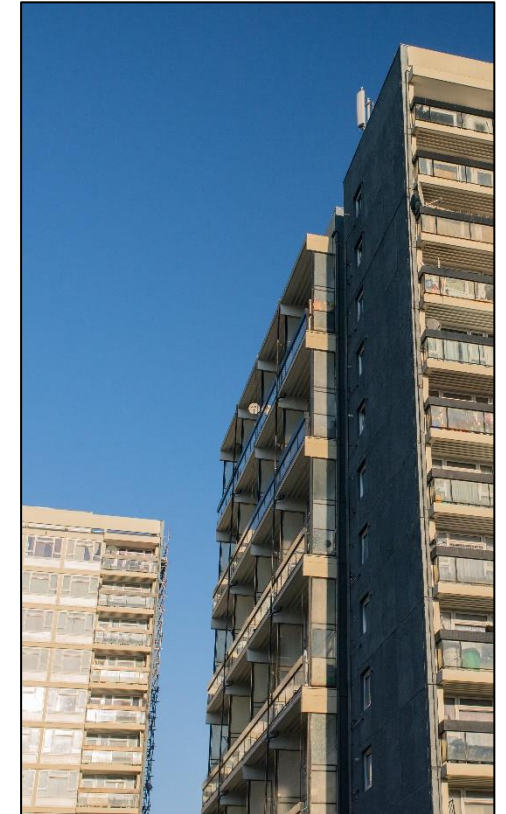
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All 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<br>101 | 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                    | 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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[Via email](#)

27 February 2024

Dear Martin

### **Proposed Government Backstop Dates for unaudited accounts**

I am following up on our recent discussions regarding the proposed local government backstop date for unaudited accounts.

#### **Proposed backstop date**

As you will aware, following discussion between the Department for Levelling Up, Housing and Communities (DLUHC), the Financial Reporting Council (the FRC) and the National Audit Office (NAO), DLUHC is now proposing a backstop date for all unaudited accounts up to and including 2022/23 of 30 September 2024. We understand this proposal has been approved by the Minister, Simon Hoare.

DLUHC have now issued their consultation on these proposals with the deadline for responses of the 7 March 2024. Consultation is expected to be followed by a change in legislation, in the form of an amendment to the Accounts and Audit Regulations.

The NAO Code of Audit Practice ('the Code') will also need to be updated to require auditors to issue an opinion by the proposed date (the backstop date) of 30 September 2024. All account audits up to and including 2022/23 not completed prior to or on 30 September 2024 will be subject to the backstop and an audit opinion will need to be issued by this date. Where the audit is not concluded, then the opinion will either need to be qualified or disclaimed, depending on the extent of work outstanding.

Whilst the Code of Audit Practice is expected to be amended to require audits to be completed by a due date, there are now no plans to change the scope of audit work required on the financial statements for accounting periods up to and including 2022/23. As such, all of these periods of accounts will require a full audit (assuming they can be completed by 30 September 2024).

#### **Delivery of audit for 2020/21**

You will be acutely aware of the continuing attempts that my colleague Julie Masci has been making to bring the 2020/21 opinion audit to a conclusion. The 2020/21 post-statements audit has now been in progress for over 2 years and will result in a qualified, disclaimer opinion given our inability to gain assurance over the carrying value of land and buildings at 31 March 2021.

We have recently discussed with you a way forward in this respect and very much hope this audit can be concluded following the meeting of Full Council on 23 April 2024. This should ensure your 2020/21 opinion is not impacted by the proposed backstop. However, it does have ramifications for both the 2021/22 and 2022/23 financial statements audits.

### **Delivery of audit for 2021/22 & 2022/23**

We have discussed the implications of the disclaimer opinion and the resulting timeframe to complete the 2020/21 opinion audit for Teignbridge District Council. In my view, it is not possible to complete the audits of your 2021/22 and 2022/23 accounts by 30 September 2024. We know you are of the same view but given the impact of this decision wanted to explicitly set out the basis of this decision to apply the backstop to both 2021/22 and 2022/23 formally in a letter.

Our logical to support this decision includes:

- Inadequate books and records – Our 2020/21 audit identified significant weaknesses in financial accounting and record keeping at the Council principally in relation to the lack of evidence available to support its PPE estimates recorded within the financial statements. The Council did not maintain adequate records to sufficiently support material balances within the financial statements. The limitations of the financial systems remain for both 2021/22 and 2022/23 and would impact on the timely delivery of the following years audits;
- Finance capacity – The finance team at Teignbridge is small and very stretched given the number of initiatives underway including ongoing internal financial reporting as well as the testing of a new finance system which will be implemented in due course. The later, once implemented, should prove beneficial for future audit but is currently placing additional time pressures on the finance team, amongst others;
- As a firm, we need to make careful choices as to how we use our audit resources most effectively. Our priority over the next few months will be to focus on those audits where we have a realistic prospect of concluding our work by September. We strongly feel that any resource input into your 2021/22 and 2022/23 audits at this late stage would not deliver an opinion by 30 September 2023 but would also delay the more timely commencement and conclusion of the 2023/24 audit. The part completion of the audits would provide limited benefit to the work required in the following year. The application of the backstop would allow us to make an earlier start on 2023/24 with the aspiration to sign off this set of accounts in a more timely manner.

### **Opening balances audit 2023/24**

There are ramifications to backstopping the 2021/22 and 2022/23 financial statements audits.

Where accounts are disclaimed we are required by auditing standards to consider what impact the modified opinion has on the opening balances for the following year. Potentially this could require significant additional audit work. We understand the FRC are considering setting out guidance on what audit work is required, and consideration is also being given to ways in which auditors may conduct this work as efficiently as possible whilst meeting auditing standards. We will let you know once we have further information on this.

**Summary**

The application of the backstop for 2021/22 and 2022/23, as set out above, would reduce the work we will need to undertake to conclude our responsibilities for 2021/22 and 2022/23 in terms of our opinion work. Although, yet to be confirmed this is likely to result in a lower fee for 2022/23 than if we have continued with the full audit. We have completed our 2021/22 and 2022/23 Value for Money work as planned, and this is due to be presented to the March 2024 meeting of the Audit Scrutiny Committee. We understand that PSAA will be issuing further guidance on fees in respect of backstopped audits in due course.

Whilst we now have a strong indication of a September 2024 backstop date, for all years up to 2022/23, this is still subject to consultation and legislation. Proposals may therefore be subject to change. We will let you know as and when the situation develops.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Peter Barber', is positioned above the typed name.

Peter Barber, Key Audit Partner

For Grant Thornton UK LLP

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# Teignbridge District Council audit plan

Year ending 31 March 2024

22 March 2024

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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.

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# Key matters

## National context

The national economic context continues to present challenges to the local government sector. There are increasing cost pressures nationally, such as a growing population and increasing demand for local government services, especially in adult and children's social care. Combined with inflationary pressures, pay demands and energy price rises, the environment in which local authorities operate is highly challenging. Local Government funding continues to be stretched and there have been considerable reductions in the grants received by local authorities from government.

Recently, we have seen the additional strain on some councils from equal pay claims, and there has been a concerning rise in the number of councils issuing s.114 notices. These are issued when a council's Chief Financial Officer does not believe the council can meet its expenditure commitments from its income. Additionally, the levels of indebtedness at many councils is now highly concerning, and we have seen commissioners being sent in to oversee reforms at a number of entities.

Our recent value for money work has highlighted a growing number of governance and financial stability issues at a national level, which is a further indication of the mounting pressure on audited bodies to keep delivering services, whilst also managing transformation and making savings at the same time.

## Audit Reporting Delays

Against a backdrop of ongoing audit reporting delays, in October 2023 PSAA found that only five local government accounts had been signed by the September deadline. In June 2023 the Public Accounts Committee (PAC) also produced a report setting out their concerns over these audit reporting delays. We issued our report [About time?](#) In March 2023 which explored the reasons for delayed publication of audited local authority accounts.

In our view, to enable a timely sign off of the financial statements, it is critical that draft local authority accounts are prepared to a high standard and are supported by strong working papers.

The Council has committed to producing draft 2023/24 financial statements by the end of June, which is after the 2024 deadline of 31 May.

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# Key matters - continued

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## Our Responses

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out in this Audit Plan has been agreed with the Chief Finance Officer.
- To ensure close work with audited bodies and an efficient audit process, our preference as a firm is either for our UK based staff to work on site with you and your staff or to develop a hybrid approach of on-site and remote working. Please confirm in writing if this is acceptable to you, and that your staff will make themselves available to our audit team.
- We offer a private meeting with the Chief Executive twice a year, and with the Director of Finance Quarterly as part of our commitment to keep you fully informed on the progress of the audit.
- At an appropriate point within the audit, we would also like to meet informally with the Chair of your Audit Committee, to brief them on the status and progress of the audit work to date.
- We will consider your arrangements for managing and reporting your financial resources as part of our audit in completing our Value for Money work.
- Our Value for Money work will also consider your arrangements relating to governance and improving economy, efficiency and effectiveness.
- We will continue to provide you and your Audit Committee with sector updates providing our insight on issues from a range of sources and other sector commentators via our Audit Committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretations, to discuss issues with our experts and to facilitate networking links with other audited bodies to support consistent and accurate financial reporting across the sector.

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# Key matters - continued



## Our Responses (continued)

- With the ongoing financial pressures being faced by local authorities, in planning this audit we have considered the financial viability of the Council. We are satisfied that the going concern basis remains the correct basis behind the preparation of the accounts. We will keep this under review throughout the duration of our appointment as auditors of the Council.
- There is an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to ongoing financial pressures. We are required to identify a significant risk with regard to management override of controls.
- There is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue – refer to page 8.

## Prior year disclaimer

The financial statements for the years ended 31 March 2022 and 31 March 2023 have been prepared by the Council but have not been audited, mainly due to the significant issues identified in the revaluation of Property, Plant & Equipment within the 2020/21 financial statements. The statements were presented for audit in July 2021, however due to the matters identified and the time required to consider these issues, we intend to issue a disclaimer opinion. The financial statements for the years ended 31 March 2022 and 31 March 2023 are therefore likely to be subject to the Local Audit Backstop, assuming it is implemented as currently proposed. A consultation is currently under way with the Financial Reporting Council (FRC) and Department for Levelling Up, Housing and Communities (DLUCH) and will close on 7 March 2024, with the outcomes due around Easter. We have requested further guidance from the FRC and National Audit Office (NAO) regarding some of the technical aspects of the consultation, notably potential modified opinions and work around opening balances. We will provide an update the Audit Scrutiny Committee when we understand what additional work will be required.

# Introduction and headlines

## Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Teignbridge District Council ('the Council') for those charged with governance.

## Respective responsibilities

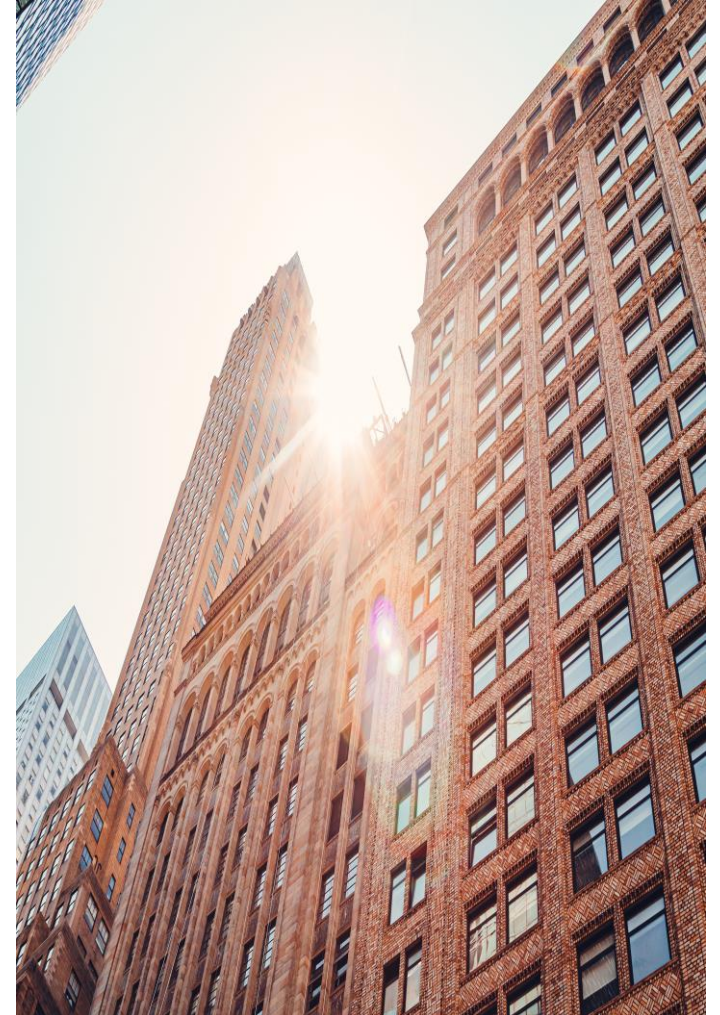
The NAO has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Teignbridge District Council. We draw your attention to these documents.

## 114 Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council financial statements that have been prepared by management with the oversight of those charged with governance (the Full Council); and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the council of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.



# Introduction and headlines

## Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management over-ride of controls
- Valuation of Land and Buildings
- 115 Valuation of Pension Fund Net Liability
- The revenue cycle includes fraudulent transactions (rebutted)
- The expenditure cycle includes fraudulent transactions (rebutted)

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

## Materiality

We have determined planning materiality to be £1.50m (2021/2022 planning materiality £1.45m\*) for the Council, which equates to 2% of your gross expenditure at net cost of services level from the prior period draft financial statements. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance.

Clearly trivial has been set at £75k (2021/2022 planning materiality £70k).

\* Note 2021/2022 is the last period in which audit materiality was calculated – see prior year disclaimer on page 5 for further information.

## Value for Money arrangements

Planning for our VFM review is not yet complete. At the time of writing this report, we expect there to be risks of significant weakness in 2023/2024 around those listed below. We will update the Audit Scrutiny Committee when our detailed value for money risk assessment is complete.

- Appropriate financial records to support the financial statements and further investment required in staff capacity and financial systems.
- Members and Officers must commit to building up respect and good working relationships.

We will continue to update our risk assessment until we issue our Auditor's Annual Report.

## Audit logistics

Our planning visit will take place in February and March 2024, our interim visit will take place in April 2024 and our final visit will take place in October to December 2024. Our key deliverables are this Audit Plan, our Audit Findings Report and our Auditor's Annual Report.

Our proposed fee for the audit will be £152,460 (2020/21 (last complete audit) £TBC) for the Council, subject to the Council delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) 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.

# Significant risks identified

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.

| Risk   | Reason for risk identification   | Key aspects of our proposed response to the risk                    |
|--|--|---|
| 116<br>The revenue cycle includes fraudulent transactions (rebutted) | <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• There is little incentive to manipulate revenue recognition</li> <li>• Opportunities to manipulate revenue recognition are very limited</li> <li>• The culture and ethical frameworks of local authorities, including Teignbridge District Council mean that all forms of fraud are seen as unacceptable.</li> </ul> | No specific work is planned as the presumed risk has been rebutted. |
| The expenditure cycle includes fraudulent transactions (rebutted)    | <p>In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period).</p> <p>We have rebutted this presumed risk for Teignbridge District Council because:</p> <ul style="list-style-type: none"> <li>• Expenditure is well controlled and the Council has a strong control environment; and</li> <li>• The Council has clear and transparent reporting of its financial plans and financial position to the Council.</li> </ul> <p>We therefore do not consider this to be a significant risk for Teignbridge District Council.</p>   | No specific work is planned as the presumed risk has been rebutted. |

‘Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.’ (ISA (UK) 315)

# Significant risks identified - continued

| Risk                            | Reason for risk identification  | Key aspects of our proposed response to the risk   |
|---------------------------------|---|--|
| Management override of controls | <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.</p> <p>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 assessed risks of material misstatement.</p> <p>We note that there is no automatic control that requires all journals to be authorised and that manual controls do not cover all journals. This increases the risk of misstatement.</p> | <p>We will:</p> <ul style="list-style-type: none"> <li>• Evaluate the design effectiveness of management controls over journals;</li> <li>• Analyse the journals listing and determine the criteria for selecting high risk unusual journals;</li> <li>• Test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;</li> <li>• Gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and</li> <li>• Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul> |

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Management should expect engagement teams to challenge areas that are complex, significant or highly judgmental. This may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies, with reference to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

# Significant risks identified - continued

| Risk  | Reason for risk identification  | Key aspects of our proposed response to the risk   |
|---|---|--|
| <p>Valuation of Land and Buildings (Rolling Revaluation)</p> <p>118</p> | <p>The Council revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved 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 (for surplus assets) at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p> | <p>We will:</p> <ul style="list-style-type: none"> <li>• Evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work</li> <li>• Evaluate the competence, capabilities and objectivity of the valuation expert</li> <li>• Write to the valuer to confirm the basis on which the valuation was carried out</li> <li>• Challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding</li> <li>• Test revaluations made during the year to see if they had been input correctly into the Council's asset register</li> <li>• Evaluating the assumptions made by 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.</li> </ul>   |
| <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.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£26.6 million in the Authority's balance sheet at 31/03/2023) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>   | <p>We will:</p> <ul style="list-style-type: none"> <li>• Update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls;</li> <li>• Evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;</li> <li>• Assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;</li> <li>• Assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;</li> <li>• 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;</li> <li>• Undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and</li> <li>• Agree the advance payment made to the pension fund during the year to the expected accounting treatment and relevant financial disclosures.</li> <li>• Obtain assurances 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.</li> </ul> |

# Other matters

## Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- 119 We consider our other duties under legislation and the Code, as and when required, including:
  - giving electors the opportunity to raise questions about your financial statements, consider and decide upon any objections received in relation to the financial statements;
  - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act);
  - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act;
  - issuing an advisory notice under section 29 of the Act.
- We certify completion of our audit.

## Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

# 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.

| Matter | Description   | Planned audit procedures  |
|--------|---|---|
| 1      | <p><b>Determination</b></p> <p>We have determined financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. Materiality at the planning stage of our audit is £1.50m, which equates to 2% of your draft gross expenditure for the period.</p> | <p>We determine planning materiality in order to:</p> <ul style="list-style-type: none"> <li>– establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements;</li> <li>– assist in establishing the scope of our audit engagement and audit tests;</li> <li>– determine sample sizes and</li> <li>– assist in evaluating the effect of known and likely misstatements in the financial statements.</li> </ul> |
| 2      | <p><b>Other factors</b></p> <p>An item does not necessarily have to be large to be considered to have a material effect on the financial statements.</p>  | <p>An item may be considered to be material by nature where it may affect instances when greater precision is required.</p> <ul style="list-style-type: none"> <li>– We have identified senior officer remuneration as a balance where we will apply a lower materiality level, as these are considered sensitive disclosures. We have set a materiality of £20k.</li> </ul>  |

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# 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.

| Matter | Description  | Planned audit procedures   |
|--------|--|--|
| 3      | <p><b>Reassessment of materiality</b></p> <p>Our assessment of materiality is kept under review throughout the audit process.</p>  | <p>We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.</p>   |
| 121    | <p><b>Other communications relating to materiality we will report to the Audit Scrutiny Committee</b></p> <p>Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p> | <p>We report to the Audit Scrutiny Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.</p> <p>In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £75k (2021/2022 planning trivial £70k). If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Scrutiny Committee to assist it in fulfilling its governance responsibilities.</p> |

# 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.

|  | Amount (£) | Qualitative factors considered   |
|--|------------|--|
| Materiality for the Council financial statements   | 1,500,000  | 2% of the gross expenditure for the year ended 31/03/2023.   |
| Materiality for specific transactions, balances or disclosures - senior officer remuneration | 20,000     | <p>In LG, the senior manager remuneration note typically includes around 10 individuals and discloses their pay and other benefits, including employer pension contributions. It does not include the overall value of the pension entitlement (unlike the CETVs disclosed in the NHS).</p> <p>This note is an element of the accounts which is of genuine concern to the user of the accounts, with the salaries of senior officers sometimes the subject of adverse publicity. The area requiring judgement is what level of error within the disclosures made would result in us qualifying our opinion – and therefore what level of materiality should drive our testing.</p> |



# IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

| IT system | Audit area          | Planned level IT audit assessment                    |
|-----------|---------------------|--|
| FMS       | Financial reporting | Detailed ITGC assessment (design effectiveness only) |
| Civica    | Housing Benefits    | Detailed ITGC assessment (design effectiveness only) |
| iTrent    | Payroll             | Detailed ITGC assessment (design effectiveness only) |

# Value for Money arrangements

Approach to Value for Money work for the period ended 31 March 2024.

The National Audit Office issued its latest Value for Money guidance to auditors in January 2023 . The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:



## 124 Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.



## Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.



## Governance

How the body ensures that it makes informed decisions and properly manages its risks.

# Risks of significant VFM weaknesses

Planning for our VFM review is not yet complete. At the time of writing this report, based on prior year findings, we expect there to be risks of significant weakness in 2023/2024 around those listed below. We will update the Audit Scrutiny Committee when our detailed value for money risk assessment is complete.

We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the second table below.

## Risks of significant weakness

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the body to deliver value for money. The risks listed below are the key recommendations made in the joint 2021/2022 and 2022/2023 Annual Auditors Report and we therefore expect to be risks of significant weakness in 2023/2024.



Appropriate financial records to support the financial statements and further investment required in staff capacity and financial systems.



Members and Officers must commit to building up respect and good working relationships.

## Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, 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

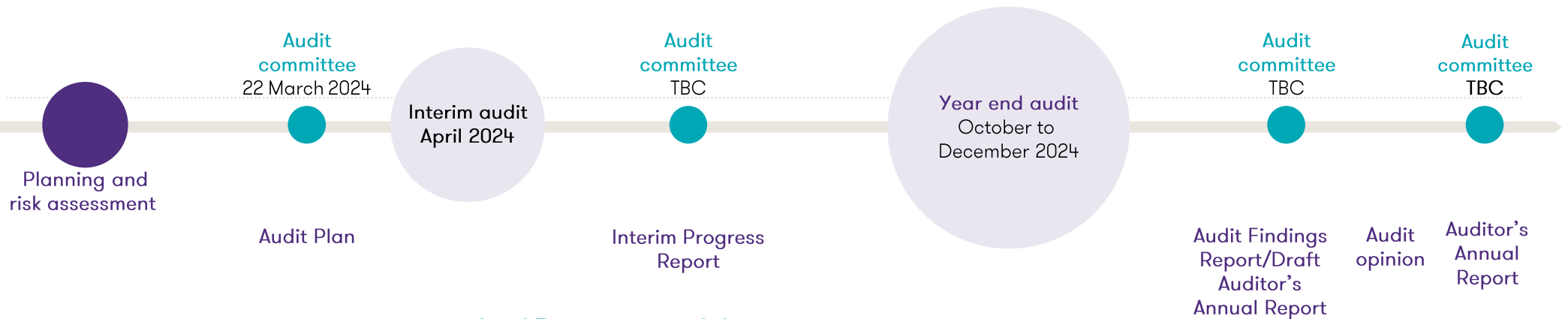
The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



### 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.

# Audit logistics and team



## Elmer Fernandes, Audit Incharge

Key audit contact responsible for the day to day management and delivery of the audit work



## Gail Turner-Radcliffe, Audit Manager

Provides oversight of the delivery of the audit including regular engagement with Governance Committees and senior officers



## Beth Bowers, Key Audit Partner

Provides oversight of the delivery of the audit including regular engagement with Governance Committees and senior officers

## Audited Entity responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audited bodies. Where the elapsed time to complete an audit exceeds that agreed due to an entity not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to an entity not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

## Our requirements

To minimise the risk of a delayed audit, you need to :

- ensure that you produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you via inflo
- ensure that the agreed data reports are cleansed, are made available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit (as per our responses to key matters set out on pages 3 to 5)
- respond promptly and adequately to audit queries.

# Audit fees and updated Auditing Standards

Audit fees are set by PSAA as part of their national procurement exercise. In 2017, PSAA awarded a contract of audit for Teignbridge District Council to begin with effect from 2018/19. This contract was re-tendered in 2023 and Grant Thornton have been re-appointed as your auditors. The scale fee set out in the PSAA contract for the 2023/24 audit is £144,930.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

- Production of the final auditor's annual report for the previous Audit Year (exception for new clients in 2023/24 only)
- Production of the draft audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here <https://www.psa.co.uk/appointing-auditors-and-fees/fee-variations-overview/>

## Assumptions

In setting these fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.

## Updated Auditing Standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

# Audit fees

## Proposed fee 2023/24

|   |          |
|---|----------|
| Teignbridge District Council Audit                | £144,930 |
| ISA 315   | £7,530   |
| Potential impact of delayed 2022/23 audit opinion | TBC      |
| Total audit fees (excluding VAT)                  | £TBC*    |

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\*IFRS 16 adoption - As set out page 21, IFRS 16 will need to be implemented by local authorities from 1 April 2024. The impact of this change will require disclosure in the 2023/24 statements and may necessitate further audit procedures. The impact on our fee of any additional audit work undertaken will be considered at the conclusion of the audit.

### Previous year

If the opinion on the 2022/2023 (and 2021/2022) audit is disclaimed due to the imposition of a backstop date, we will need to undertake further audit work in respect of opening balances. We will discuss the practical implications of this with you should this circumstance arise.

In 2020/2021 the scale fee set by PSAA was £37,240. The actual fee charged for the audit, is £TBC and will be reported in the 2020/21 Audit Findings Report.

### Relevant professional standards

In preparing our fees, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.



# IFRS 16 'Leases' and related disclosures

IFRS 16 will need to be implemented by local authorities from 1 April 2024. This Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. As this is a shadow year for the implementation of IFRS 16, we will need to consider the work being undertaken by the Council to ensure a smooth adoption of the new standard.

## Introduction

IFRS 16 updates the definition of a lease to:

“a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.”

In the public sector the definition of a lease is expanded to include arrangements with nil consideration.

IFRS 16 requires all leases to be accounted for 'on balance sheet' by the lessee (subject to the exemptions below), a major departure from the requirements of IAS 17 in respect of operating leases.

IFRS 16 requires a lessee to recognise assets and liabilities for leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. There is a single accounting model for all leases (similar to that of finance leases under IAS 17), with the following exceptions:

- leases of low value assets
- short-term leases (less than 12 months).

Lessor accounting is substantially unchanged leading to asymmetry of approach for some leases (operating) although if an NHS body is the intermediary and subletting there is a change in that the judgement between operating and finance lease is made with reference to the right of use asset rather than the underlying asset

## Council's systems and processes

We believe that most local authorities will need to reflect the effect of IFRS 16 changes in the following areas:

- accounting policies and disclosures
- application of judgment and estimation
- related internal controls that will require updating, if not overhauling, to reflect changes in accounting policies and processes
- systems to capture the process and maintain new lease data and for ongoing maintenance

## Planning enquiries

As part of our planning risk assessment procedures we will discuss arrangements with management.

## Further information

Further details on the requirements of IFRS16 can be found in the HM Treasury Financial Reporting Manual. This is available on the following link.

[IFRS 16 Application Guidance December 2020.docx \[publishing.service.gov.uk\]](#)

# Independence and non-audit services

## Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

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 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.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

# Independence and non-audit services

## Other services

The following other services provided by Grant Thornton were identified.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

| Service                             | Fees £  | Threats   | Safeguards   |
|-------------------------------------|---|---|--|
| Audit related                       |   |   |  |
| Certification of Housing Benefits * | £12,550 for 2021/2022<br>£12,550 for 2022/2023<br>£15,500 for 2023/2024 | 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 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. |

\* Fees are estimated at the time of drafting the Audit Plan

# Communication of audit matters with those charged with governance

| Our communication plan  | Audit Plan | Audit Findings |
|---|------------|----------------|
| Respective responsibilities of auditor and management/those charged with governance   | •          |                |
| Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters  | •          |                |
| Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons  | •          | •              |
| A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence | •          | •              |
| Significant matters in relation to going concern  | •          | •              |

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

# Communication of audit matters with those charged with governance

| Our communication plan   | Audit Plan | Audit Findings |
|--|------------|----------------|
| Significant findings from the audit  |            | •              |
| Significant matters and issue arising during the audit and written representations that have been sought   |            | •              |
| Significant difficulties encountered during the audit  |            | •              |
| Significant deficiencies in internal control identified during the audit   |            | •              |
| Significant matters arising in connection with related parties   |            | •              |
| Identification or suspicion of fraud( deliberate manipulation) involving management and/or which results in material misstatement of the financial statements ( not typically council tax fraud) |            | •              |
| Non-compliance with laws and regulations   |            | •              |
| Unadjusted misstatements and material disclosure omissions   |            | •              |
| Expected modifications to the auditor's report, or emphasis of matter  |            | •              |

## Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), 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.



**Teignbridge District Council**  
**Audit Scrutiny**  
**22 March 2024**  
**Part 1**

**FINANCIAL INSTRUCTIONS and CONTRACT RULES WAIVERS**

**Purpose of Report**

To inform Members of the number of times the Financial Instructions and Contract Procedure Rules have been waived and the reasons for this.

**Recommendation(s)**

**The Audit Scrutiny Committee resolves to note the report.**

**Financial Implications**

None - advisory report only.

**Legal Implications**

There are no specific legal implications arising out of this report. The reporting of Waivers to the Audit Scrutiny Committee is a requirement of the Financial Instructions and Contract Procedure Rules within the Constitution.

**Risk Assessment**

Risks are evaluated when individual waiver approval is sought. Waivers would not be approved if they presented unacceptable risk.

**Environmental / Climate Change Implications**

None.

**Report Author**

Sue Heath – Audit & Information Governance Manager

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**Executive Member**

Councillor Richard Keeling – Executive Member for Resources

**Appendices/Background Papers**

None.

## 1. PURPOSE

- 1.1 To inform Members of the number of times the Financial Instructions and Contract Procedure Rules have been waived and the reasons for this.

## 2 BACKGROUND

- 2.1 The Financial Instructions and Contract Procedure Rules provide the framework for managing the Council's financial affairs. They apply to every member and officer of the Council and anyone acting on its behalf. Sometimes there are instances where the rules cannot be followed and requests are made to waive them. One of the following criteria must be met:

|          |  |
|----------|--|
| <b>1</b> | <b>LIFE OR DEATH</b><br>There is significant chance that the life or health of officers, members, or the public will be put at real risk.                          |
| <b>2</b> | <b>INCREASED COST / LOSS OF INCOME</b><br>The Council will incur significant avoidable costs or lose significant income.   |
| <b>3</b> | <b>LIMITED MARKETS</b><br>The Council would be wasting its time tendering as supply of the product or service is demonstrably restricted to one or few businesses. |
| <b>4</b> | <b>URGENT ACTION REQUIRED</b><br>The Council would be criticised for failing to act promptly.  |

## 3 WAIVERS

- 3.1 The following waivers have been processed since the 13 December 2023 monitoring report:

| Proposing Officer              | Proposal / Reason   | Approval                         |
|--------------------------------|---|----------------------------------|
| Green Spaces Manager (Interim) | <p><b>Provision of tree consultancy and inspection 2024-2025</b></p> <p>To progress continuation of Devon Tree Services appointment for all tree consultancy work within the district.</p> <p>Value: <b>£62,000</b></p> | Food, Health, and Safety Manager |



|  |   |   |
|--|---|---|
|  | <p><b>Reason:</b> Continuity and to avoid increased costs, continuation of the existing service provider due to their knowledge of the district and tree stock which has taken eighteen months to establish.</p>  |   |
| HR Adviser   | <p><b>Financial professional qualification</b></p> <p>Two members of Finance to progress their professional qualifications through the Chartered Institute of Public Finance (CIPFA) <b>being paid for by the apprenticeship levy.</b></p> <p>Value: <b>£42,000</b></p> <p><b>Reason:</b> Limited Market. Other training bodies were considered however as these officers are progressing to ATT L7 which is awarded by CIPFA it makes sense that the apprenticeship is completed under CIPFA.</p>  | HR and Organisational Development Manager |
| Housing Accommodation Lead                             | <p><b>Provision of accommodation for former rough sleepers (funded by DHLUC)</b></p> <p>To facilitate the provision of accommodation and support by a registered social landlord for 4 x former rough sleepers that are ready to move on, and in turn, free up off street accommodation.</p> <p>Value: <b>£20,000</b></p> <p><b>Reason:</b> Urgent action required due to deadline to use this one off DLUHC funding by 31 March 2024. For continuity and to avoid increased costs, to continue the established working relationship with Teign Housing for this provision.</p> | Housing Needs Lead                        |
| Service Lead for Revenue & Benefits & Customer Support | <p><b>Single Person Discount Review Service</b></p> <p>Devon County Council have arranged and had agreement from all Devon local authorities to engage the services of a</p>  | Head of Communities & Service             |

|  |   |                                     |
|--|---|-------------------------------------|
|  | <p>company, Liberata UK Ltd, using their Capacitygrid Single Person Discount Review Service.</p> <p><b>Value: Not applicable</b> as Devon County Council fully funding the initiative.</p> <p><b>Reason:</b> Increased cost / Loss of Income. If TDC fail to participate it will miss an opportunity to increase income and detect fraud.</p>   |                                     |
| Interim Head of Development Management | <p><b>Planning Consultant for NA1 allocation</b></p> <p>Employment of Planning Contractor for six months to deliver the Planning Performance Agreement (PPA) for NA1 local plan allocation at Houghton Barton.</p> <p><b>Value: £62,492</b></p> <p><b>Reason:</b> Urgent action. Without this experienced planning contractor to manage and deliver the project in a timely manner we risk overruns and failure to deliver on the PPA and the allocation.</p> | Head of Place & Commercial Services |

#### 4. IMPLICATIONS, RISK MANAGEMENT & CLIMATE CHANGE IMPACT

##### 4.1 Financial

There are no direct financial implications as this is an advisory report only. The financial impacts of the spending covered by the waivers were assessed at the time these procurements were carried out.

##### 4.2 Legal

The reporting of Waivers to the Audit Scrutiny Committee is a requirement of the Financial Instructions and Contract Procedure Rules within the Constitution.

##### 4.3 Risks

Risks are evaluated when individual waiver approval is sought. Waivers would not be approved if they presented unacceptable risk.

**5. CONCLUSION**

That the report be noted.

**6. GROUPS CONSULTED**

Not applicable.

**7. ENVIRONMENTAL/CLIMATE CHANGE IMPACT**

Not applicable.

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

Not applicable.

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**Teignbridge District Council**  
**Audit Scrutiny**  
**22 March 2024**  
**Part i**

**2020/21 FINAL ACCOUNTS**

**Purpose of Report**

To bring an update on the statement of accounts for 2020/21 for Members to review and recommend to Council for approval.

**Recommendation(s)**

**The Audit Scrutiny Committee recommend the updated statement of accounts 2020/21 and updated Annual Governance Statement for approval to Council.**

**Financial Implications**

The financial implications are contained throughout the report. The main implication is that the accounts have been closed and audited and general reserves are as previously reported in November 2021 slightly above the budgeted level anticipated at 31 March 2021 - £2.060 million. See section 3.

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Head of Corporate Services  
Email: [martin.flitcroft@teignbridge.gov.uk](mailto: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  
Head of Corporate Services  
Email: [martin.flitcroft@teignbridge.gov.uk](mailto: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.

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## **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  
Email: david.eaton@teignbridge.gov.uk

## **Report Author**

Martin Flitcroft  
Head of Corporate Services  
Email: martin.flitcroft@teignbridge.gov.uk

## **Executive Member**

Councillor Richard Keeling – Executive Member for Resources

## **Appendices/Background Papers**

Statement of Accounts – final statement of accounts attached as appendix and see link to draft statement of accounts below

### **1. PURPOSE**

To bring an update on the statement of accounts 2020/21 for Members to review and recommend to Council for approval

### **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 2021 however the Covid 19 pandemic had triggered amendments to this deadline by extending this to the end of July 2021. Ordinarily the accounts have to be brought for full council approval after external audit and by 31 July 2021 however again this had been amended to the end of September 2021 for the financial year 2020/21.
- 2.2** At the Audit Scrutiny meeting of 24 August 2021 the committee was introduced to the draft accounts and the results for the year 2020/21 including those for treasury management. The draft accounts were published at the end of July 2021 in line with the statutory deadline.

- 2.2** The statement of accounts and financial records were audited by our external auditors Grant Thornton during August, September and October 2021. The accounts were then brought to Full Council for approval in November 2021 with some clarification still required around audit evidence on the valuation of property, plant and equipment before the audit opinion could be issued by Grant Thornton.
- 2.3** The conclusion of the audit will be published by advertisement on the Teignbridge website as required by legislation. After approval the final accounts will be available on the website or a hard copy can be obtained. Members can access the draft accounts via this link: [Teignbridge website](#) and a hard copy is available in the Finance department.
- 2.4** The Chartered Institute of Public Finance and Accountancy (CIPFA) Toolkit for Local Authority Audit Committees published in 2006 recommends the following focus in relation to the committee's review of the financial statements:
- the suitability of accounting policies and treatments
  - any changes in, and compliance with, accounting policies and treatments
  - major judgemental arrears such as provisions
  - significant adjustments and material weaknesses in internal control reported by the external auditor

The report to Audit Scrutiny in October 2021 concentrated on those areas and they have not changed. What needs to be considered is the work carried out and discussions held since November 2021 to resolve publishing of the final accounts as reported to Full Council at that time.

### **3 DRAFT STATEMENT OF ACCOUNTS 2020/21**

- 3.1** The audit of the statement of accounts is now finalised and there are no further major adjustments from those reported in 2021. Grant Thornton will discuss any findings separately. There was a small amendment to the cash flow statement and associated notes together with a number of small adjustment to notes to the accounts and presentation. There are no adjustments required to the Strata figures consolidated into the accounts of the Council. The draft closing general reserves at 31 March 2021 of £2.060 million are an improvement on the original budget of £80,000.
- 3.2** The draft 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.
- 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. This will take place at the Full Council meeting on 23 April 2024 to reaffirm the final accounts since the previous sign off in November 2021.

### **3.4 Accounting Policies and Treatments**

Note 1 of the notes to the financial statements identifies the accounting policies which follow CIPFA recommendations in the latest Code of Practice on Local Authority Accounting in the United Kingdom 2020/21. The most significant policies relate to property, plant and equipment, charges to revenue, accruals, pensions, reserves and provisions as follows:

- All expenditure over £10,000 on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis in the accounts. These are valued on the basis recommended by CIPFA and in accordance with The Statement of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors. The majority of assets are valued at fair value with some at depreciated historical cost. Property, plant and equipment excluding land are depreciated over their remaining useful life on a straight line basis.
- Charges for depreciation and impairment are made to the comprehensive income and expenditure account by direct allocation to the relevant service and then reversed out in the movement in reserves statement. Capital charges therefore help show the true cost of services but have a neutral impact on the amount required to be raised from council tax.
- The accounts are maintained on an accruals basis in accordance with the Code of Practice on Local Authority Accounting. That is all sums due to or from the council during the year are included whether or not the cash has actually been received or paid in the year.
- Accounting for the council's defined benefit pension scheme is prepared under the requirements of International Accounting Standard 19. Thus entries are made in the accounts and the valuation of liabilities is shown in the balance sheet. The notes explain that the cost of benefits is charged as they are earned but this cost is reversed out so that the charge against council tax is based on the cash payable in the year.
- Reserves are maintained to meet general rather than specific future expenditure although some can be earmarked for specific purposes. Provisions are only recognised when there is a liability that is of uncertain timing or amount. Provisions are required where Teignbridge has a present obligation as a result of a past event.



### 3.5 Provisions

The main provisions are those for bad debts (now described as an impairment allowance for bad debts) and the most significant of these are for sundry debtors, council tax, and national non domestic rates. An appeals provision is also held for potential appeals against business rates valuations charged. These are as follows:

- A provision of £1,129,000 or 35% has been made against a year end balance of £3,250,000 for sundry debts including rents. The majority of the debt relates to housing benefit overpayments where arrangement for regular affordable payments has been made. 30% is provided for small older debts still outstanding with specific appropriate provision for individual large debts. Write offs in the year were £45,000 or 0.4% of debt raised in year (2019/20 £149,000 or 1.2% of debt raised in year).
- The council tax gross debt at the year end was £4,665,000 (2019/20 £3,826,000) and write offs in the year were £125,000 (2019/20 £196,000). The write offs have remained low for each of the last five years at less than 0.3% of the debit raised. The debit raised in the year was £121 million. The bad debt provision for 2020/21 has been increased to £1,180,000 being 25% of the balance.
- For national non domestic rates the gross balance at the year end was £814,000 (2019/20 £474,000). Write offs were £16,000 (2019/20 £49,000). The value of the bad debt and appeals provision amounts to £2.0 million at 31 March 2021 to cover potential future bad debts and appeal adjustments on rating valuations. Write offs have remained low for each of the last five years at less than 0.5% of the debit raised. The debit raised in the year was £40 million.

- 3.6** External audit reports - all reports from Grant Thornton regarding internal control and any other relevant matters and the officer responses for review are brought to this audit scrutiny committee. The specific comments on these accounts are in the Annual Governance Report (AGR) which has already been published.

### 3.7 Further work to finalise the accounts

The requirements of the auditors has changed since the production of the 2019/20 accounts and one additional piece of audit evidence was required in 2020/21 in respect of the assumptions behind the calculations of our property, plant and equipment values. Subsequent discussions with our valuer who had left the Council and our newly appointed internal valuer soon established that it would be impossible to recreate the evidence that was missing around the majority of the valuations calculated and practically would be impossible to revisit the work and change the accounts again and get resubmitted before work on the 2021/22 accounts had to start. This would also mean that the

2021/22 accounts would not be prepared and published in draft to the required statutory deadlines. There were also insufficient resources in the Estates department to carry out this work and the important day to day work around lease renewals and negotiations etc. A decision was taken in March 2022 to accept that we would have to receive a qualification to the audit opinion in respect of the additional work on the one item in the accounts that the auditors couldn't complete for 2020/21 due to the lack of evidence. This was discussed at Audit Scrutiny and agreed and communicated to our external auditors. What then ensued was a period of time where the audit opinion didn't get issued for a number of reasons. Grant Thornton had to take the decision on how the audit opinion might look to various authorisation levels within their structure. Subsequent events nationally also deferred any ability to sign off the accounts due to some clarity on how infrastructure assets had been accounted for. This was then resolved satisfactorily for the auditors but staff sickness, staff continuity, resources available to progress the work required and ultimately a lack of auditing resources nationally to be able to complete outstanding and future audits has contributed to the significant delays since then. Another issue for all audits from 2020/21 is the increased level of audit work that audit firms need to carry out and the extra time and resource required by each client to provide that information. Government has been working on options about how to address the backlog with backstop dates for outstanding audits. We are now in a position where the accounts for 2020/21 can be signed off and the audit opinion is included in the accounts together with a slightly updated Annual Governance Statement for approval as an appendix to this report.

### **3.8 Annual Governance Statement update**

The Annual Governance Statement has been updated to reflect governance related events, particularly around member – officer relations which have evolved since it was originally approved in November 2021. These include the actions both already taken, and those ongoing, to address findings from reviews undertaken by the Centre for Governance and Scrutiny in 2021 and 2023.

## **4. RISKS**

The major risks to be aware of are around future funding and the adequacy of reserves going forward and confirmation as to the correct value of those reserves. Further action is still required to address the future 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. 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.

## **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 and Audit Opinion**

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

The auditors opinion is now included which has a disclaimer opinion due to the high value of property, plant and equipment in relation to the rest of the values in the accounts

## **6. GROUPS CONSULTED**

The draft accounts are advertised as available for inspection and are available on the website. The external auditors have now completed their audit. As required by legislation these will be updated with the final version including the external audit opinion on our website.

## **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)**

10.00 a.m. on 29 March 2024

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# TEIGNBRIDGE DISTRICT COUNCIL

## STATEMENT OF ACCOUNTS

2020/21

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## **STATEMENT OF ACCOUNTS 2020/2021**

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# Part 1

## Introduction



## **STATEMENT OF ACCOUNTS 2020/2021**

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### **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:

|  |  |
|--|--|
| <b>COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)</b> | 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. |
| <b>MOVEMENT IN RESERVES STATEMENT (MIRS)</b>                 | 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.   |
| <b>BALANCE SHEET</b>   | This shows on page 32 the assets and liabilities recognised by the Authority on 31 March 2021.   |
| <b>CASH FLOW STATEMENT</b>                                   | 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.

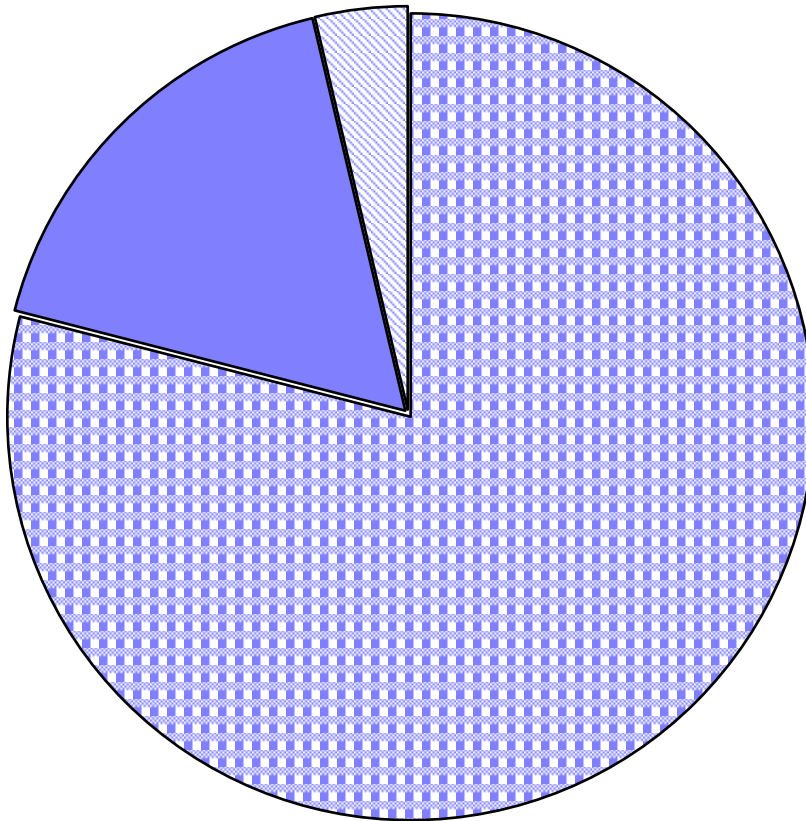
#### **SUPPLEMENTARY FINANCIAL STATEMENTS (Pages 113-114)**

##### **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.

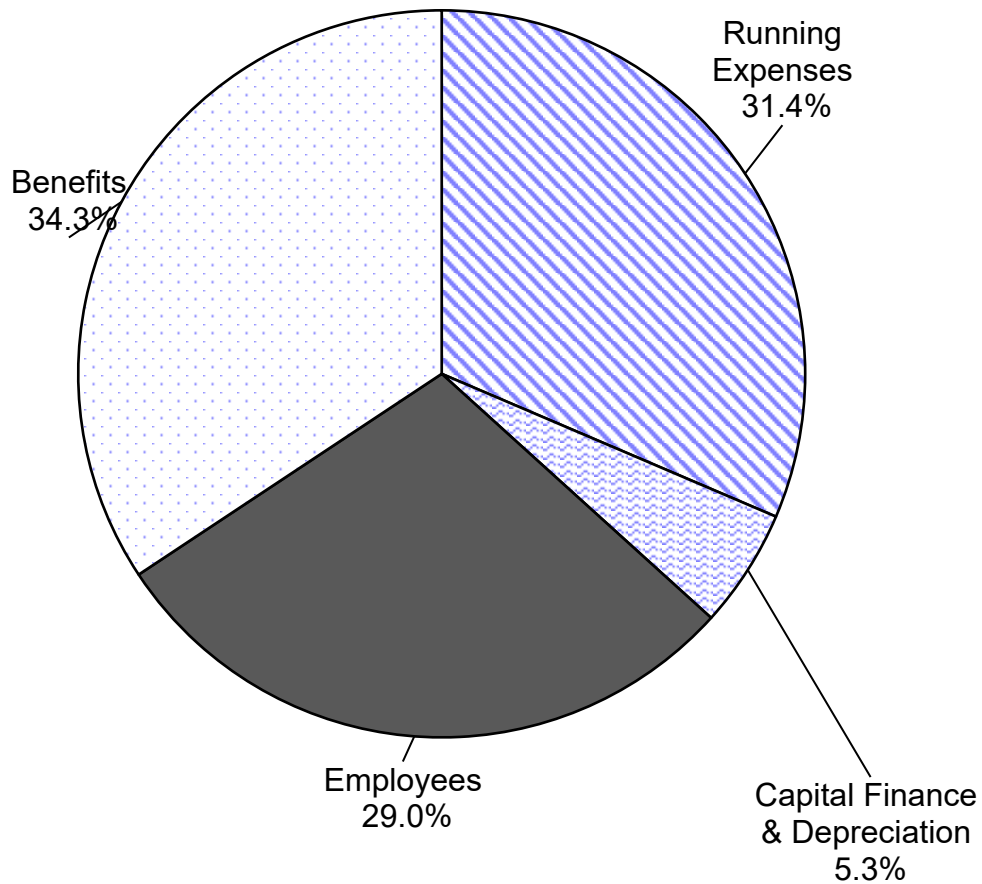
## WHERE THE MONEY COMES FROM



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



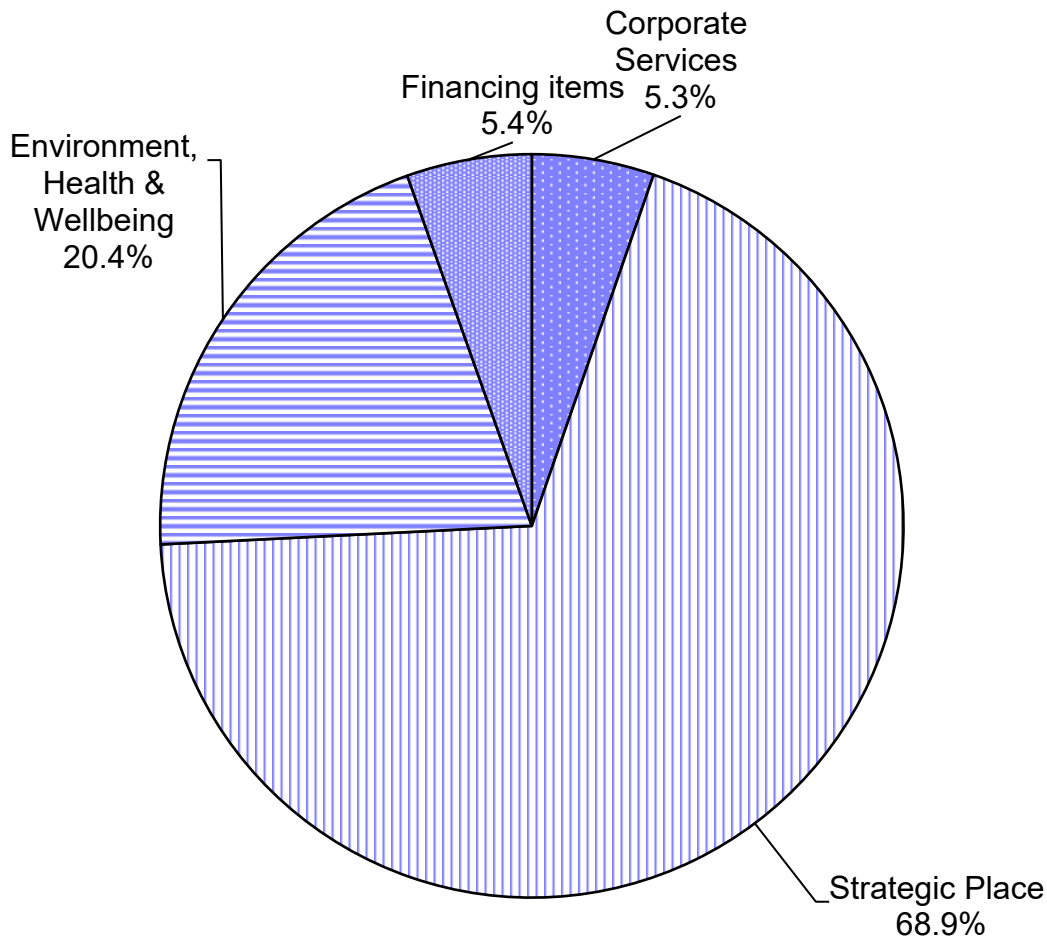
Benefits cover rent allowances and housing rent rebates and amount to 34.3%

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:-

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

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

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

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.

|                            | <b>Budget<br/>£'000</b> | <b>Actual<br/>£'000</b> | <b>Difference<br/>£'000</b> |
|----------------------------|-------------------------|-------------------------|-----------------------------|
| <b>Capital Investment:</b> |                         |                         |                             |
| General                    | 27,200                  | 4,733                   | 22,467                      |
| Housing                    | 5,432                   | 1,514                   | 3,918                       |
| <b>CAPITAL EXPENDITURE</b> | <b>32,632</b>           | <b>6,247</b>            | <b>26,385</b>               |
| <b>Financed by:</b>        |                         |                         |                             |
| 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                       |
| <b>CAPITAL FINANCING</b>   | <b>32,632</b>           | <b>6,247</b>            | <b>26,385</b>               |

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        |
|   | <b>£ 6.247 million</b> |

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        |
|   | <b>£38.477 million</b> |

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                               | <u>£ - million</u> |
|       | 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 3<sup>rd</sup> 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<br>2020/21       | Actual<br>2020/21       |
|---|-------------------------|-------------------------|
| <b>Clean scene</b>  |                         |                         |
| 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%                    |
| <b>Great places to live and work</b>  |                         |                         |
| Number of conservation areas with appraisal and management plan adopted within the last 5 years | 7                       | 3                       |
| <b>Going to town</b>  |                         |                         |
| % of businesses with the top food hygiene rating of 5   | 92%                     | 90%                     |
| <b>Health at the heart</b>  |                         |                         |
| 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                     |
| <b>Investing in prosperity</b>  |                         |                         |
| Processing of major planning applications within 13 weeks                                       | 60.0%                   | 86.8%                   |
| Processing of minor planning applications within 8 weeks  | 65.0%                   | 81.0%                   |
| <b>Out and about and active</b>   |                         |                         |
| 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 |
| <b>A roof over our heads</b>  |                         |                         |
| 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                     |
| <b>What else will we do</b>   |                         |                         |
| £ 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<br>2020/21 | Actual<br>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

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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

LEAVE BLANK FOR AUDIT OPINION AND CONCLUSION



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

XX XXXX 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           |
| <b>70,259</b>     | <b>(48,696)</b> | <b>21,563</b>   | <b>Cost of Services</b>   | <b>71,576</b>     | <b>(50,381)</b> | <b>21,195</b>   |
| 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)        |
|                   |                 | <b>1,803</b>    | <b>(Surplus) or Deficit on Provision of Services</b>                      |                   |                 | <b>(8,986)</b>  |
|                   |                 | (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          |
|                   |                 | <b>(5,282)</b>  | <b>Other Comprehensive (Income) and Expenditure</b>                       |                   |                 | <b>11,819</b>   |
|                   |                 | <b>(3,479)</b>  | <b>Total Comprehensive (Income) and Expenditure</b>                       |                   |                 | <b>2,833</b>    |

\*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                    |
| <b>Balance at 31 March 2019</b>   | <b>1,982</b>         | <b>9,762</b>       | <b>11,744</b>        | <b>5,249</b>             | <b>3,248</b>             | <b>20,241</b>         | <b>(6,320)</b>    | <b>13,921</b>            |
| <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                        |
| <b>Increase/(Decrease) in 2019/20 before transfer to earmarked reserves</b>     | <b>(633)</b>         | <b>0</b>           | <b>(633)</b>         | <b>593</b>               | <b>1,724</b>             | <b>1,684</b>          | <b>1,795</b>      | <b>3,479</b>             |
| Transfer to/from Earmarked Reserves   | 638                  | (638)              | 0                    | 0                        | 0                        | 0                     | 0                 | 0                        |
| <b>Increase/(decrease) in 2019/20</b>   | <b>5</b>             | <b>(638)</b>       | <b>(633)</b>         | <b>593</b>               | <b>1,724</b>             | <b>1,684</b>          | <b>1,795</b>      | <b>3,479</b>             |
| <b>Balance at 31 March 2020 carried forward</b>                                 | <b>1,987</b>         | <b>9,124</b>       | <b>11,111</b>        | <b>5,842</b>             | <b>4,972</b>             | <b>21,925</b>         | <b>(4,525)</b>    | <b>17,400</b>            |
| <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                        |
| <b>Increase/(Decrease) in 2020/21 before transfer to earmarked reserves</b>     | <b>13,897</b>        | <b>0</b>           | <b>13,897</b>        | <b>585</b>               | <b>6,068</b>             | <b>20,550</b>         | <b>(23,383)</b>   | <b>(2,833)</b>           |
| Transfer to/from Earmarked Reserves   | (13,824)             | 13,824             | 0                    | 0                        | 0                        | 0                     | 0                 | 0                        |
| <b>Increase/(decrease) in 2020/21</b>   | <b>73</b>            | <b>13,824</b>      | <b>13,897</b>        | <b>585</b>               | <b>6,068</b>             | <b>20,550</b>         | <b>(23,383)</b>   | <b>(2,833)</b>           |
| <b>Balance at 31 March 2021 carried forward</b>                                 | <b>2,060</b>         | <b>22,948</b>      | <b>25,008</b>        | <b>6,427</b>             | <b>11,040</b>            | <b>42,475</b>         | <b>(27,908)</b>   | <b>14,567</b>            |

## 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'

| <b>31 March<br/>2020</b> | <b>Notes</b>                         | <b>31 March<br/>2021</b> |                  |
|--------------------------|--------------------------------------|--------------------------|------------------|
| <b>£'000</b>             |                                      | <b>£'000</b>             |                  |
| 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            |
| <b>103,817</b>           | <b>Long Term Assets</b>              |                          | <b>115,171</b>   |
| 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           |
| <b>20,281</b>            | <b>Current Assets</b>                |                          | <b>48,865</b>    |
| 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)          |
| <b>(14,485)</b>          | <b>Current Liabilities</b>           |                          | <b>(35,015)</b>  |
| 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)             |
| <b>(92,213)</b>          | <b>Long Term Liabilities</b>         |                          | <b>(114,454)</b> |
| <b>17,400</b>            | <b>Net Assets</b>                    |                          | <b>14,567</b>    |
| 21,925                   | Usable Reserves                      | 26                       | 42,475           |
| (4,525)                  | Unusable Reserves                    | 27                       | (27,908)         |
| <b>17,400</b>            | <b>Total Reserves</b>                |                          | <b>14,567</b>    |

## 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.

| <b>2019/20</b> |  | <b>2020/21</b> |
|----------------|--|----------------|
| <b>£'000</b>   |  | <b>£'000</b>   |
| 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          |
| <b>8,170</b>   | <b>Cash and cash equivalents at the end of the reporting period (Note 22)</b>  | <b>21,132</b>  |

## 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
- unlisted 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 109-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.<br>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.

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

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            |
| <b>Expenditure / Income</b>                              |                 |                 |
| <b>Expenditure</b>                                       |                 |                 |
| 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)           |
| <b>Total expenditure</b>                                 | <b>75,007</b>   | <b>76,355</b>   |
| <b>Income</b>  |                 |                 |
| 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)        |
| <b>Total income</b>                                      | <b>(73,204)</b> | <b>(85,341)</b> |
| <b>(Surplus) or Deficit on the Provision of Services</b> | <b>1,803</b>    | <b>(8,986)</b>  |

\*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                         |
| <b>Adjustments primarily involving the Capital Adjustment Account:</b>   |                      |                          |                          |                               |
| <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                           |
| <b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>   |                      |                          |                          |                               |
| 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 |
|---|------|---|---|----|

**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) |
|--|-------|---|---|---------|

**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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|                          |              |            |              |                 |
|--------------------------|--------------|------------|--------------|-----------------|
| <b>Total Adjustments</b> | <b>4,911</b> | <b>585</b> | <b>6,068</b> | <b>(11,564)</b> |
|--------------------------|--------------|------------|--------------|-----------------|

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2019/20

|  | <u>Usable reserves</u>     |                                |                                |                                     |
|--|----------------------------|--------------------------------|--------------------------------|-------------------------------------|
|  | General<br>Fund<br>Balance | Capital<br>Receipts<br>Reserve | Capital<br>Grants<br>Unapplied | Movement in<br>Unusable<br>Reserves |
|  | £'000                      | £'000                          | £'000                          | £'000                               |
| <b>Adjustments primarily involving the Capital Adjustment Account:</b>   |                            |                                |                                |                                     |
| <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                                 |
| <b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>   |                            |                                |                                |                                     |
| 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 |
|---|-----|---|---|---|

**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) |
|--|----|---|---|------|

**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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|                          |              |            |              |                |
|--------------------------|--------------|------------|--------------|----------------|
| <b>Total Adjustments</b> | <b>1,170</b> | <b>593</b> | <b>1,724</b> | <b>(3,487)</b> |
|--------------------------|--------------|------------|--------------|----------------|

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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<br>1 April<br>2019 | Transfers<br>Out<br>2019/20 | Transfers<br>In<br>2019/20 | Balance at<br>31 March<br>2020 | Transfers<br>Out<br>2020/21 | Transfers<br>In<br>2020/21 | Balance at<br>31 March<br>2021 |
|---|-------------------------------|-----------------------------|----------------------------|--------------------------------|-----------------------------|----------------------------|--------------------------------|
|   | £'000                         | £'000                       | £'000                      | £'000                          | £'000                       | £'000                      | £'000                          |
| <b>General Fund:</b>                    |                               |                             |                            |                                |                             |                            |                                |
| 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                            |
| <b>Total</b>                            | <b>9,762</b>                  | <b>(3,140)</b>              | <b>2,502</b>               | <b>9,124</b>                   | <b>(4,581)</b>              | <b>18,405</b>              | <b>22,948</b>                  |

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**

| <b>2019/20</b> |  | <b>2020/21</b> |
|----------------|--|----------------|
| <b>£'000</b>   |  | <b>£'000</b>   |
| 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              |
| <b>2,796</b>   | <b>Total</b>   | <b>3,022</b>   |

**12. Financing and Investment Income and Expenditure**

| <b>2019/20</b> |   | <b>2020/21</b> |
|----------------|---|----------------|
| <b>£'000</b>   |   | <b>£'000</b>   |
| 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              |
| <b>1,952</b>   | <b>Total</b>  | <b>1,901</b>   |

**13. Taxation and Non Specific Grant Income and Expenditure**

| <b>2019/20</b> |  | <b>2020/21</b> |
|----------------|--|----------------|
| <b>£'000</b>   |  | <b>£'000</b>   |
| (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   |

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**(24,508)**

**Total**

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

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

## Comparative Movements in 2019/20:

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

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

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.



|                                  | <b>Other Land<br/>&amp;<br/>Buildings</b> | <b>Vehicles,<br/>Plant,<br/>Furniture &amp;<br/>Equipment</b> | <b>Surplus<br/>Assets</b> | <b>Infrastructure<br/>Assets</b> | <b>Community<br/>Assets</b> |
|----------------------------------|---|---|---------------------------|----------------------------------|-----------------------------|
|                                  | <b>£'000</b>                              | <b>£'000</b>  | <b>£'000</b>              | <b>£'000</b>                     | <b>£'000</b>                |
| 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:

| <b>2019/20</b> |  | <b>2020/21</b> |
|----------------|--|----------------|
| <b>£'000</b>   |  | <b>£'000</b>   |
| 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:

| <b>2019/20</b> |                              | <b>2020/21</b> |
|----------------|------------------------------|----------------|
| <b>£'000</b>   |                              | <b>£'000</b>   |
| 186            | Balance at start of the year | 128            |
| Additions:     |                              |                |
| 0              | Purchases                    | 0              |
| 0              | Construction                 | 0              |
|                | <b>217</b>                   |                |

|      |  |      |
|------|--|------|
| 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<br>£'000 | Total<br>£'000 | Other Assets<br>£'000 | Total<br>£'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)          |
| <b>Net carrying amount at end of year</b> | <b>391</b>            | <b>391</b>     | <b>404</b>            | <b>404</b>     |
| Comprising                                |                       |                |                       |                |
| • Gross carrying amounts                  | 1,246                 | 1,246          | 1,366                 | 1,366          |
| • Accumulated amortisation                | (855)                 | (855)          | (962)                 | (962)          |
|   | <b>391</b>            | <b>391</b>     | <b>404</b>            | <b>404</b>     |

## 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:

|                                      | <b>£000's</b> |
|--------------------------------------|---------------|
| Opening balance at 1 April 2020      | 0             |
| Purchase                             | 0             |
| Impairment                           | (0)           |
| <b>Closing balance 31 March 2021</b> | <b>0</b>      |

## 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:

|  | <b>31 March<br/>2020<br/>£'000</b> | <b>31 March<br/>2021<br/>£'000</b> |
|--|------------------------------------|------------------------------------|
| 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

| <b>31 March<br/>2020<br/>£'000</b> |                                  | <b>31 March<br/>2021<br/>£'000</b> |
|------------------------------------|----------------------------------|------------------------------------|
| 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                                |
| <b>11,933</b>                      | <b>Total</b>                     | <b>27,550</b>                      |

\*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:

| <b>31 March<br/>2020<br/>£'000</b> |                    | <b>31 March<br/>2021<br/>£'000</b> |
|------------------------------------|--------------------|------------------------------------|
| 244                                | Less than one year | 318                                |
| 125                                | One to three years | 180                                |
| 53                                 | Over three years   | 58                                 |
| <b>422</b>                         | <b>Total</b>       | <b>556</b>                         |

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:

| <b>31 March<br/>2020</b> |  | <b>31 March<br/>2021</b> |
|--------------------------|--|--------------------------|
| <b>£'000</b>             |  | <b>£'000</b>             |
| 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                      |
| <b>8,170</b>             | <b>Total Cash and Cash Equivalents</b>                               | <b>21,132</b>            |

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

|   | <b>Current</b> |                | <b>Non-Current</b> |                |
|---|----------------|----------------|--------------------|----------------|
|   | <b>2019/20</b> | <b>2020/21</b> | <b>2019/20</b>     | <b>2020/21</b> |
|   | <b>£'000</b>   | <b>£'000</b>   | <b>£'000</b>       | <b>£'000</b>   |
| <b>Balance outstanding at start of year</b>     | <b>0</b>       | <b>0</b>       | <b>0</b>           | <b>0</b>       |
| 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              |
| <b>Balance outstanding at year-end</b>          | <b>0</b>       | <b>0</b>       | <b>0</b>           | <b>0</b>       |

**24. Short Term Creditors**

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

\*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:

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

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 rateable 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:

| <b>31 March<br/>2020<br/>£'000</b> |  | <b>31 March<br/>2021<br/>£'000</b> |
|------------------------------------|--|------------------------------------|
| 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)                              |
| <b>(4,525)</b>                     | <b>Total Unusable Reserves</b>           | <b>(27,908)</b>                    |

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.

| <b>2019/20</b> |   | <b>2020/21</b> |
|----------------|---|----------------|
| <b>£'000</b>   |   | <b>£'000</b>   |
| <b>35,880</b>  | <b>Balance at 1 April</b>   | <b>35,944</b>  |
| 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)        |
| <b>35,944</b>  | <b>Balance at 31 March</b>  | <b>44,270</b>  |

### 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.

| <b>2019/20</b> |  | <b>2020/21</b> |
|----------------|--|----------------|
| <b>£'000</b>   |  | <b>£'000</b>   |
| <b>45,834</b>  | <b>Balance at 1 April</b>  | <b>46,500</b>  |
|                | 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/> |               |
| <b>46,500</b> | <b>Balance at 31 March</b>  |       | <b>46,470</b> |

#### 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       |
| <b>(38) Balance at 31 March</b>   | <b>0</b> |

### 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            |
| <b>(87,523)</b> | <b>Balance at 1 April</b>  | <b>(86,418)</b>  |
| 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            |
| <b>(86,418)</b> | <b>Balance at 31 March</b>   | <b>(110,393)</b> |

### 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      |
| <b>103</b> | <b>Balance at 1 April</b>   | <b>103</b> |
| 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) |
|--|---|-----|

|  |                                |            |
|--|--------------------------------|------------|
|  | <b>103 Balance at 31 March</b> | <b>103</b> |
|--|--------------------------------|------------|

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          |
|  | <b>(295) Balance at 1 April</b>   |  | <b>(323)</b>   |
|  | (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)        |
|  | <b>(323) Balance at 31 March</b>  |  | <b>(8,072)</b> |

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        |
|  | <b>(275) Balance at 1 April</b>  |  | <b>(293)</b> |
|  | 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            |
|  | <b>(293) Balance at 31 March</b>   |  | <b>(286)</b> |

## 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:

| <b>2019/20</b>  | <b>2020/21</b>  |
|---|-----------------|
| <b>£'000</b>  | <b>£'000</b>    |
| (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)         |
| <b>(8,396)</b>  | <b>(25,093)</b> |

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

| <b>2019/20</b>   | <b>2020/21</b> |
|--|----------------|
| <b>£'000</b>   | <b>£'000</b>   |
| 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:

| <b>2019/20</b> | <b>2020/21</b> |
|----------------|----------------|
| <b>£'000</b>   | <b>£'000</b>   |

|       |                   |      |
|-------|-------------------|------|
| (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)       |
| <b>(2,531)</b> | <b>Net cash flows from investing activities</b>  | <b>(1,257)</b> |

\*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        |
| <b>767</b> | <b>Net cash flows from financing activities</b>   | <b>12,920</b> |

\*\*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<br>at 1 April<br>2020 | Financing<br>cash flows |           | Non-cash changes |                               | Balance<br>at 31<br>March<br>2021 |
|--|-------------------------------|-------------------------|-----------|------------------|-------------------------------|-----------------------------------|
|  |                               | Proceeds                | Repayment | Acquisition      | Other non-<br>cash<br>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                                 |
| <b>Total liabilities from financing activities</b> | <b>0</b>                      | <b>0</b>                | <b>0</b>  | <b>0</b>         | <b>0</b>                      | <b>0</b>                          |

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



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

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

**2019 / 2020**

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

|   |          |              |              |
|---|----------|--------------|--------------|
| Gains on derecognition  | 0        | 0            | 0            |
| <b>Total income in Surplus or Deficit on the Provision of Services</b>  | <b>0</b> | <b>(130)</b> | <b>(130)</b> |
| 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            |
| <b>Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure</b> | <b>0</b> | <b>0</b>     | <b>0</b>     |
| <b>Net (gain) / loss for the year</b>   | <b>0</b> | <b>(130)</b> | <b>(130)</b> |

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:

|  | <b>Salary (inc. fees &amp; allowances)</b> | <b>Compensation for loss of employment</b> | <b>Benefits in Kind (e.g. car allowance)</b> | <b>Total Remuneration Excl. Employers pension contributions</b> | <b>Pension Contributions</b> | <b>Total Remuneration Inc. Employers pension contributions</b> |
|--|--|--|--|---|------------------------------|--|
|  | £  | £  | £  | £   | £                            | £  |
| 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:

|  | <b>Salary (inc. fees &amp; allowances)</b> | <b>Compensation for loss of employment</b> | <b>Benefits in Kind (e.g. car allowance)</b> | <b>Total Remuneration Excl. Employers pension contributions</b> | <b>Pension Contributions</b> | <b>Total Remuneration Inc. Employers pension contributions</b> |
|--|--|--|--|---|------------------------------|--|
|  | £  | £  | £  | £   | £                            | £  |
| 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)<br>Exit package<br>cost band<br>(including<br>special<br>payments) | (b)<br>Number of<br>compulsory<br>redundancies |         | (c)<br>Number of other<br>departures agreed |         | (d)<br>Total number of exit<br>packages by cost<br>band<br>[(b) + (c)] |         | (e)<br>Total cost of exit<br>packages in each<br>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 –<br>£40,000   | 0  | 0       | 0   | 2       | 0  | 2       | 0   | 66      |
| £40,001 -<br>£60,000   | 0  | 0       | 1   | 0       | 1  | 0       | 44  | 0       |
| £60,001 -<br>£80,000   | 0  | 0       | 1   | 0       | 1  | 0       | 74  | 0       |
| £80,001 -<br>£100,000  | 0  | 0       | 0   | 0       | 0  | 0       | 0   | 0       |
| £100,001 -<br>£150,000   | 0  | 0       | 0   | 0       | 0  | 0       | 0   | 0       |
| £150,001 -<br>£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   |          |          |          |          |          |           |                  |                  |
| <b>Total cost</b>  | <hr/>    |          |          |          |          |           |                  |                  |
| <b>Included in</b>   | <b>0</b> | <b>6</b> | <b>5</b> | <b>6</b> | <b>5</b> | <b>12</b> | <b>159</b>       | <b>138</b>       |
| <b>bandings</b>  |          |          |          |          |          |           |                  |                  |
| Add: Amounts provided for in Comprehensive Income & Expenditure Statement not included in bandings |          |          |          |          |          |           | 0                | 0                |
| <b>Total cost included in Comprehensive Income &amp; Expenditure Statement</b>                     |          |          |          |          |          |           | <hr/> <b>159</b> | <hr/> <b>138</b> |

#### 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        |
| <b>Total</b>   | <b>55</b> | <b>70</b> |

\* £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   |
| <b>Credited to Taxation and Non Specific Grant Income</b> |         |         |
| 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)         |
| <b>Total</b>                    | <b>(10,572)</b> | <b>(27,976)</b> |

|  | <b>2019/20</b>  | <b>2020/21</b>  |
|--|-----------------|-----------------|
|  | <b>£'000</b>    | <b>£'000</b>    |
| <b>Credited to Services</b>                          |                 |                 |
| 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)         |
| <b>Total</b>   | <b>(31,527)</b> | <b>(36,489)</b> |

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

| <b>Grants Receipts in Advance (Revenue Grants)</b>         | <b>31 March 2020</b> | <b>31 March 2021</b> |
|--|----------------------|----------------------|
|  | <b>£'000</b>         | <b>£'000</b>         |
| 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)           |
| <b>Total</b>                                  | <b>(4,098)</b> | <b>(10,885)</b> |

| <b>Grants Receipts in Advance (Capital Grants)</b>                    | <b>31 March<br/>2020<br/>£'000</b> | <b>31 March<br/>2021<br/>£'000</b> |
|---|------------------------------------|------------------------------------|
| 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)                              |
| <b>Total</b>  | <b>(2,557)</b>                     | <b>(6,218)</b>                     |

### Long term liabilities

| <b>Grants Receipts in Advance (Revenue Grants)</b>                      | <b>31 March<br/>2020<br/>£'000</b> | <b>31 March<br/>2021<br/>£'000</b> |
|---|------------------------------------|------------------------------------|
| 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)                            |
| <b>Total</b>  | <b>(5,309)</b>                     | <b>(5,137)</b>                     |



| <b>Grants Receipts in Advance (Capital Grants)</b> | <b>31 March<br/>2020<br/>£'000</b> | <b>31 March<br/>2021<br/>£'000</b> |
|--|------------------------------------|------------------------------------|
| Open Space and Recreation                          | (78)                               | (78)                               |
| <b>Total</b>                                       | <b>(78)</b>                        | <b>(78)</b>                        |

### 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            |
| <b>Increase/(decrease) in Capital Financing Requirement</b>  | <b>2,992</b> | <b>(298)</b> |

### 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:

| <b>31 March<br/>2020<br/>£'000</b> |                          | <b>31 March<br/>2021<br/>£'000</b> |
|------------------------------------|--------------------------|------------------------------------|
| 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:

| <b>31 March<br/>2020<br/>£'000</b> |   | <b>31 March<br/>2021<br/>£'000</b> |
|------------------------------------|---|------------------------------------|
| 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:

| <b>2019/20<br/>£'000</b> |                        | <b>2020/21<br/>£'000</b> |
|--------------------------|------------------------|--------------------------|
| 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:

| <b>31 March<br/>2020<br/>£'000</b> |   | <b>31 March<br/>2021<br/>£'000</b> |
|------------------------------------|---|------------------------------------|
|                                    | 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:

|                         | <b>Gross Investment in the Lease</b> |                                    | <b>Minimum Lease Payments</b>      |                                    |
|-------------------------|--------------------------------------|------------------------------------|------------------------------------|------------------------------------|
|                         | <b>31 March<br/>2020<br/>£'000</b>   | <b>31 March<br/>2021<br/>£'000</b> | <b>31 March<br/>2020<br/>£'000</b> | <b>31 March<br/>2021<br/>£'000</b> |
| 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:

| <b>31 March<br/>2020<br/>£'000</b> |   | <b>31 March<br/>2021<br/>£'000</b> |
|------------------------------------|---|------------------------------------|
| 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<br>Assets<br>£'000 | Pensions<br>Obligations<br>£'000 | Net Pensions<br>Liability<br>£'000 | Notes on Accounting Treatment  |
|--|---------------------------|----------------------------------|------------------------------------|--|
| <b>2020/21:</b>  |                           |                                  |                                    |  |
| <b>Opening balance at 1 April 2020</b>                                       | <b>85,448</b>             | <b>(171,866)</b>                 | <b>(86,418)</b>                    |  |
| 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                                   |
| <b>Closing Balance at 31 March 2021</b>                                      | <b>109,240</b>            | <b>(217,105)</b>                 | <b>(107,865)</b>                   |  |

|  | Scheme<br>Assets<br>£'000 | Pensions<br>Obligations<br>£'000 | Net Pensions<br>Liability<br>£'000 | Notes on Accounting Treatment  |
|--|---------------------------|----------------------------------|------------------------------------|--|
| <b>2019/20:</b>  |                           |                                  |                                    |  |
| <b>Opening balance at 1 April 2019</b>                                       | <b>92,673</b>             | <b>(180,196)</b>                 | <b>(87,523)</b>                    |  |
| 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                                   |
| <b>Closing Balance at 31 March 2020</b>                                      | <b>85,448</b>             | <b>(171,866)</b>                 | <b>(86,418)</b>                    |  |



## 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:   | <b>31<br/>March<br/>2020</b> | <b>31<br/>March<br/>2021</b> |
| Longevity at 65 for current pensioners:                                  |                              |                              |
| Men  | 22.9                         | 22.6                         |
| Women  | 24.1                         | 23.9                         |
| Longevity at 65 for future pensioners:<br>(assumed retiring in 20 years) |                              |                              |
| Men  | 24.3                         | 24.0                         |
| Women  | 25.5                         | 25.4                         |
| Take-up of option to convert annual pension into<br>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

|                   | <b>31 March 2020</b> | <b>31 March 2021</b> |
|-------------------|----------------------|----------------------|
|                   | <b>% p.a.</b>        | <b>% p.a.</b>        |
| 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<br>£'000 | Decrease in Assumption<br>£'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          |
| <b>Total</b>            | <b>85,448</b> | <b>100</b> | <b>109,240</b> | <b>100</b> |

\*\*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  |
| <b>Fixed interest government securities</b> | UK                         | 0.1           | 0           |
|   | Overseas                   | 3.3           | 0           |
| <b>Corporate bonds</b>                      | UK                         | 0.1           | 0           |
|   | Overseas                   | 2.3           | 0           |
| <b>Equities</b>                             | UK                         | 11.1          | 0           |
|   | Overseas                   | 51.6          | 0           |
| <b>Property</b>                             | All                        | 0             | 8.0         |
| <b>Others</b>                               | 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         |
|   |                            |               |             |
| <b>Net current assets</b>                   | Debtors                    | 0             | 0.1         |
|   | Creditors                  | 0             | (0.1)       |
| <b>Total</b>                                |                            | <b>84.8</b>   | <b>15.2</b> |

#### 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.<br><br>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.<br><br>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.<br><br>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.<br><br>'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                      |
| <b>Deposits with banks and building societies</b>            |                           |                                    |                            |
| 12-month credit losses                                       | 0                         | 0                                  | 0                          |
| <b>Other loans to businesses and voluntary organisations</b> |                           |                                    |                            |
| 12-month credit losses                                       | 0                         | 0                                  | 0                          |
| Lifetime credit losses                                       | 0                         | 0                                  | 0                          |
| Credit-impaired assets                                       | 0                         | 0                                  | 0                          |
| <b>Other debtors</b>   |                           |                                    |                            |
| Grouped assets   | 661                       | 468                                | 1,129                      |
| <b>Total loss allowances</b>                                 | <b>661</b>                | <b>468</b>                         | <b>1,129</b>               |

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<br>£'000 |
|--|--------------------------------|--------------------------------|
| <b>Other debtors</b>                       |                                |                                |
| Grouped assets                             | Not subject to credit rating * | 5,619                          |
| <b>Total amount exposed to credit risk</b> |                                | <b>5,619</b>                   |

\*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:

|                            | <b>31 March<br/>2020<br/>£'000</b> | <b>31 March<br/>2021<br/>£'000</b> |
|----------------------------|------------------------------------|------------------------------------|
| 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:

|  | <b>£'000</b> |
|--|--------------|
| Increase in interest payable on variable rate borrowings   | 0            |
| Increase in interest receivable on variable investments  | (94)         |
| <b>Impact on Surplus or Deficit on the Provision of Services</b>   | <b>(94)</b>  |
| 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:-

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

#### 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<br>£'000's | 2020/21<br>£'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                  |
| <b>Cost of Services`</b>                             | <b>460</b>         | <b>295</b>         |
| (Gain) / loss on disposal of assets                  | 0                  | 60                 |
| Net interest on the net defined benefit liability    | 46                 | 37                 |
| Interest receivable                                  | (3)                | 0                  |
| <b>(Surplus) or Deficit on Provision of Services</b> | <b>503</b>         | <b>392</b>         |
| Remeasurement of the net defined benefit liability   | (521)              | 1,075              |
| <b>Total CIES</b>                                    | <b>(18)</b>        | <b>1,467</b>       |

### 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)        |
| <b>Total Long Term Assets</b>  | <b>(1,367)</b> | <b>(324)</b> |
| Inventories  | 4              | 0            |
| Short Term Debtors   | 599            | 52           |
| Cash & Cash Equivalents  | 74             | 162          |
| <b>Total Current Assets</b>  | <b>677</b>     | <b>214</b>   |
| Short Term Creditors   | (170)          | (28)         |
| Grants Receipts in Advance – Capital   | (74)           | (106)        |
| <b>Total Current Liabilities</b>   | <b>(244)</b>   | <b>(134)</b> |

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

## 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.

|   | <b>2019/20<br/>Business<br/>Rates</b> | <b>2019/20<br/>Council<br/>Tax</b> | <b>2020/21<br/>Business<br/>Rates</b> | <b>2020/21<br/>Council<br/>Tax</b> |
|---|---------------------------------------|------------------------------------|---------------------------------------|------------------------------------|
|   | <b>£'000</b>                          | <b>£'000</b>                       | <b>£'000</b>                          | <b>£'000</b>                       |
| <b>INCOME</b>   |                                       |                                    |                                       |                                    |
| 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>                    |
| <b>EXPENDITURE</b>  |                                       |                                    |                                       |                                    |
| 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>                      |
| <b>Movements on the Collection Fund :</b>                     |                                       |                                    |                                       |                                    |
| <b>DEFICIT / (SURPLUS) FOR THE YEAR</b>                       | <b>(65)</b>                           | <b>58</b>                          | <b>19,399</b>                         | <b>1,394</b>                       |
| 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)        |
| <b>DEFICIT / (SURPLUS) CARRIED FORWARD</b> | <b>401</b> | <b>(193)</b> | <b>2,332</b> | <b>(1,299)</b> |

## 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<br>£'000 | Council Tax<br>£'000 | Business Rates<br>£'000 | Council Tax<br>£'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                  |
|   | 1,025                   | (693)                | 19,800                  | 1,201                |

## GLOSSARY OF FINANCIAL TERMS

|  |   |
|--|---|
| <b>ACCRUALS</b>  | 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.           |
| <b>ACTUARIAL GAINS &amp; LOSSES</b>                                  | 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. |
| <b>BALANCES</b>  | 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.   |
| <b>CAPITAL EXPENDITURE</b>   | 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.  |
| <b>CAPITAL FINANCING COSTS</b>                                       | Annual charges related to borrowing including interest, minimum revenue provision and repayments of principal on debt outstanding.  |
| <b>CAPITAL RECEIPTS</b>  | Income received from sale of assets which is available to finance other capital expenditure or to repay debt on assets financed from loan.  |
| <b>CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)</b> | The governing body responsible for issuing the statement of recommended practice to prepare the accounts.   |
| <b>COLLECTION FUND</b>   | A separate fund which must be maintained by a district for the proper administration of Council Tax and Non Domestic Rates.   |
| <b>CURRENT SERVICE COST</b>  | Amount chargeable to Services based on the Actuary's assessment of pension liabilities arising and chargeable to the financial year.  |
| <b>CURTAILMENTS</b>  | 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.  |
| <b>DEBT</b>  | Amounts borrowed to finance Capital Expenditure which are still to be repaid.   |



|   |   |
|---|---|
| <b>DEFINED BENEFIT SCHEME</b>   | 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).  |
| <b>DEMAND</b>   | The charging authorities own Demand is, in effect, its precept on the fund.   |
| <b>FEES &amp; CHARGES</b>   | 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.   |
| <b>FIFO</b>   | A method of valuing inventory (First In First Out) where stocks issued are assumed to be issued from the oldest available stocks.   |
| <b>FINANCIAL INSTRUMENTS</b>  | 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.  |
| <b>GOVERNMENT GRANTS</b>  | Payments by Central Government towards the cost of Local Authority services, including both Revenue and Capital.  |
| <b>IMPAIRMENT ALLOWANCE</b>   | A sum provided against income due to prudently allow for non collectable accounts.  |
| <b>INTEREST COST</b>  | 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.   |
| <b>INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) &amp; THE CODE OF PRACTICE (CODE)</b> | 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. |
| <b>LOCAL AUTHORITY (SCOTLAND) ACCOUNTS ADVISORY COMMITTEE (LASAAC)</b>                      | 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').  |
| <b>LOCAL DEVELOPMENT FRAMEWORK (LDF)</b>  | 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.  |

|  |  |
|--|--|
| <b>MINIMUM REVENUE PROVISION (MRP)</b> | A 'prudent' annual provision from revenue in respect of capital expenditure financed by borrowing or credit arrangements.  |
| <b>PAST SERVICE COST</b>               | 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.  |
| <b>PRECEPT</b>                         | 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.  |
| <b>PROJECTED UNIT METHOD</b>           | <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"><li>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, and</li><li>b) the accrued benefits for members in service on the valuation date.</li></ul> <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> |
| <b>PUBLIC WORKS LOAN BOARD (PWLB)</b>  | 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.  |
| <b>RATEABLE VALUE</b>                  | 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.  |
| <b>REVENUE EXPENDITURE</b>             | Recurring items of day to day expenditure consisting principally of Salaries and Wages, Debt Charges and general running expenses etc.   |
| <b>SANGS</b>                           | Suitable Alternative Natural Green Space. Accessible alternative green provision to migrate where development is close to a protected site.  |
| <b>SETTLEMENTS</b>                     | 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.   |

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

# Part 3

# Supplementary Information

# Annual Governance Statement

2020-2021

## 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 ~~270~~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"> <li>- enhancing the role of scrutiny to make it more effective, aided by the appointment of a Scrutiny Support Officer;</li> <li>- independent persons supporting the Standards Committee;</li> <li>- group leaders no longer sit on Standards removing the risk of it being politically led;</li> </ul> |

| 2021-2022 Challenges   | Planned Action  |
|--|---|
|  | <ul style="list-style-type: none"> <li>- integration of the LGA Model Code of Conduct into the Constitution;</li> <li>- we have reviewed and implemented a clearer process for complaints;</li> <li>- financial limits have been increased to aid decision making.</li> </ul> <p>Further improvements planned:</p> <ul style="list-style-type: none"> <li>- 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;</li> <li>- the CfGS have been commissioned to assist with the Constitution review;</li> <li>- a recent LGA Peer review has also been helpful and officers and members are proactively making plans to address the Peers’ findings;</li> <li>- we are looking at a more comprehensive programme of member training;</li> <li>- a new Council Strategy is being developed which should help direct the work of the Council.</li> </ul> <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 CO<sub>2</sub> 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](http://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](mailto:martin.flitcroft@teignbridge.gov.uk)

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

**Teignbridge District Council  
Audit Scrutiny Committee  
22 March 2023  
Part i**

## **Video Recording and Retention of Council Meetings**

### **Purpose of Report**

To consider the following Notices of Motion submitted to full Council. The Motions did not secure the required votes to be discussed at full Council, hence referral to this Committee for consideration.

### **Recommendation(s)**

**It is recommended that the Audit Scrutiny Committee considers the information presented in this report and makes a recommendation to Council on future video streaming and retention policy.**

### **Financial Implications**

Financial implications where known, are included in the report. There is no additional budget for these, so any costs arising from changes to current policy would be a budget pressure requiring savings to be found elsewhere.

### **Legal Implications**

There is no legal requirement for any Council meetings to be live streamed. The written minutes provide the formal record of the meeting in accordance with the [Local Government Act 1972](#). There are also Data Protection implications arising from the fact that the images and voices constitute personal data under the Data Protection Act 2018 and UK GDPR. These considerations are outlined in the report.

### **Risk Assessment**

There is a possible risk from non-compliance with Data Protection legislation should the Council not manage data lawfully.

Live streaming of meetings can also increase potential for legal exposure relating to any inappropriate behaviours of those in attendance, such as defamatory statements that could give rise to civil action. In mitigation, Councillors and Council Staff should be guided by their Codes of Conduct and refrain from making such statements.

## Environmental/ Climate Change Implications

Webcasting meetings may prevent the need for the public to travel unnecessarily, however, public participation is low for the meetings not currently live streamed, as can be seen by the statistics in the report, therefore any positive impact would be minimal in this respect.

If increased data storage caused a requirement for additional servers this may have a minor negative impact. Generally, the energy consumption of data centres is a growing concern, with some studies suggesting data centres account for around 1-2% of electricity used globally. YouTube is estimated to store over 500 hours of uploaded video every minute, which requires large scale data storage. The more we store the more we contribute this statistic.

## Report Author

Christopher Morgan  
Email: Christopher.Morgan@teignbridge.gov.uk

## Executive Member

Councillor Richard Keeling – Executive Member for Corporate Resources

## 1. Introduction

The Motions are set out below. One calls for the reinstating of webcasted footage held by the council onto a free, public website, for an indefinite period of time. One calls for live streaming of **all** Council meetings (as opposed to the current practice of doing this for just Full Council, Executive, Planning and Overview and Scrutiny Committees):

[17<sup>th</sup> October 2023](#) (item 63)

The following motion on recordings of meetings has been presented by Cllr Daws and supported by Cllrs Hall, J Taylor, P Parker, Gearon, Bradford, Macgregor, Mullone, Radford and Ryan.

Recordings of council meetings. The council records public meetings for ease of access for residents. To maintain a full public record of meetings it is proposed that the council halts with immediate effect its current policy of deleting recordings of meetings after a set number of years and maintains public access



to meetings on streaming platforms, such as YouTube currently. It is proposed that all meetings currently in the possession of the council or in existence, are reinstated to a free publicly available platform and that all future meetings saved and are uploaded in a similar manner.

[27<sup>th</sup> February 2024](#) (item 13)

The following motion on live streaming of public council meetings has been presented by Cllr J Taylor and supported by Cllrs Gearon, Hall, Bradford, Daws, Ryan, Radford, Macgregor, Atkins, P Parker

“I would like to discuss the issue of the live streaming of public council meetings.

I first identified that all meetings were not live streamed when attending a Standards meeting, which I expected to be live streamed but was not. My understanding was that this was due to an error and I wrongly assumed that all public meetings held in the Council Chamber were live streamed. Again, at the latest Procedures Committee, which covered many of the motions not debated in Full Council, which were of public interest, was not live streamed.

I raised this at that meeting and was informed that live streaming is not governed by a policy which rationalises or prioritises which meetings are to be live streamed and it was believed it was purely based on cost.

In the interest of transparency and public engagement, I propose that all public meetings which are held in the council chamber should be live streamed and that all public meetings, not to be live streamed have the reason recorded in the minutes.”

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## **2. Background Information for Consideration**

Whilst there is currently no legal requirement for public meetings to be video recorded, from 2020 onwards, meetings were held using Zoom and livestreamed on YouTube as a result of the Covid-19 pandemic. From mid-2021 public meetings returned to the Council Chamber where they have been recorded in person and uploaded to the Public-I Webcasting library on the Teignbridge website. From mid-2022 to May 2023 meetings were held in Buckland Athletic Football Club and were livestreamed to YouTube.

The current data retention policy for this footage is **two years** with our Webcasting provider, Public-I. This retention period was carefully chosen on the advice of relevant officers, to strike a balance between transparency, and data protection principles.

UK GDPR (General Data Protection Regulations) relevant provisions include:

- the Data Minimisation Principle: data should be adequate, relevant, and limited to what is necessary in relation to the purposes for which it is processed. We should therefore identify the MINIMUM amount of personal data required and hold no more.
- the Storage Limitation Principle: data must not keep data longer than required. Individuals have the right to be forgotten.

If footage is kept an unreasonable amount of time, we risk claims from individuals who did not expect their recorded presence to persist indefinitely under the right to erasure (council members, staff, public speakers). This could involve lengthy and potentially costly work to redact footage.

The prospect of being permanently recorded may also have a chilling effect, discouraging some individuals from participating freely in discussion.

### **Costs of Retention**

The current cost of retaining meetings for two years is **£3,087.60** per year. The cost of increasing this to indefinite online retention is an additional **£1,926.72** per year. Currently the webcasting is provided under a contract with Public-I who provide services to 150+ other councils.

### **YouTube**

The motion proposes using YouTube as a streaming platform and uploading all recordings currently in the possession of the Council to YouTube.

Use of YouTube is currently free, however there is a likelihood charges will be introduced in the future (amount unknown at present). There is also a degree of internal resource required to do this, as it takes some time to upload files. To reinstate an entire archive of files would be quite a considerable task.

## **Benchmarking**

Comparison with other Devon authorities found West Devon, North Devon, South Hams, and East Devon Councils livestream all meetings to Youtube. Exeter City Council only record Executive, Planning, and Full Council, also using Youtube. Mid Devon record the audio of meetings and upload it to Soundcloud.

The main difference between these authorities and Teignbridge is that Teignbridge uses the Public-I system and webcast library as part of a signed contract.

Benchmarking with our CIPFA nearest neighbour group revealed:

- West Norfolk and New Forest Councils upload all meetings to YouTube with no specified retention
- Fylde livestream full Council and upload (not livestream) planning meetings
- Arun and Lewes record all meetings but only keep for 6 months
- Fareham and Wyre don't record any meetings

## **Viewing Statistics**

The viewing figures for the past 6 months of livestreamed meetings highlight the variances between committees in terms of public interest. For example, September's Overview and Scrutiny 1 and 2 were watched live by 21 and 15 individual viewers respectively whereas October's Full Council meeting was viewed live by 232 people. When further analysed, the data reveals that at least half of those live viewers are from areas other than Teignbridge. The table below provides a breakdown of meetings held since May 2023 including views. It should be noted that the data includes repeat viewers, bots, and viewers from outside the county.

| Webcast      | Live date | All views | Live views | Archive views | Total length | Times shared |
|--------------|-----------|-----------|------------|---------------|--------------|--------------|
| Full Council | 23/05/23  | 46        | 114        | 354           | 237:06:24    | 0            |
| Full Council | 25/07/23  | 36        | 32         | 334           | 95:46:24     | 0            |
| Full Council | 17/10/23  | 34        | 232        | 116           | 233:02:13    | 0            |
| Planning     | 13/06/23  | 32        | 80         | 248           | 86:43:39     | 0            |
| Executive    | 12/09/23  | 19        | 27         | 164           | 38:39:28     | 1            |
| Full Council | 28/09/23  | 18        | 46         | 141           | 36:28:12     | 0            |
| Scrutiny     | 11/07/23  | 18        | 36         | 145           | 37:30:10     | 0            |
| Full Council | 05/09/23  | 17        | 91         | 86            | 67:19:25     | 0            |
| Planning     | 18/07/23  | 16        | 27         | 140           | 29:13:20     | 0            |
| Executive    | 06/06/23  | 15        | 19         | 136           | 32:57:10     | 0            |
| Planning     | 19/09/23  | 15        | 52         | 100           | 48:25:55     | 0            |
| Planning     | 22/08/23  | 13        | 40         | 96            | 23:34:09     | 0            |
| Executive    | 22/08/23  | 13        | 28         | 105           | 45:45:19     | 0            |
| Executive    | 10/07/23  | 13        | 25         | 105           | 20:00:38     | 0            |
| Executive    | 03/10/23  | 90        | 12         | 78            | 13:12:36     | 0            |
| Scrutiny     | 20/06/23  | 72        | 19         | 53            | 08:33:30     | 0            |
| Scrutiny     | 26/09/23  | 69        | 21         | 48            | 16:00:05     | 0            |
| Scrutiny     | 26/09/23  | 63        | 15         | 48            | 09:52:35     | 0            |
| Full Council | 29/04/23  | 47        | 0          | 47            | 04:28:13     | 0            |

### Request to live stream all meetings (NOM 27<sup>th</sup> February 2024)

Currently Teignbridge live stream:

- Full Council
- Executive
- Planning
- both Overview and Scrutiny committee meetings

Committee meetings not currently live streamed:

- Appointments and Remuneration
- Audit Scrutiny
- Devon Building Control Partnership
- Licensing and Regulatory
- Licensing Sub Committee
- Procedures

- Standards
- Strata – joint Executive
- Strata – joint Scrutiny

Live streamed meetings require at least two Democratic Services staff to facilitate. The team is already stretched and would require additional resources to be brought in to assist, should all meetings need to be webcast. It is estimated this could cost in the region of **£17,100** (including on cost) for a part time post.

Public-I charges would also increase. It currently costs £38.59 per hour per meeting and we have a contract for 80 hours. A very crude estimate based on the likely frequency of these additional meetings taking an average 2 hrs each would require an additional 60 hours added to the contract, costing approximately **£2,315**.

### **Options Summary**

Councillors are reminded that there are 3 aspects to the Notices of Motion:

- the online retention of future meetings indefinitely
- the reupload of any meetings held over 2 years ago
- the livestreaming and retention of recordings for **all** Council meetings

The choices for this Committee to consider are:

- to continue the current cycle of keeping recorded meetings online for 2 years
- to change the retention period to a longer time frame
- to make all future livestreamed meetings uploaded indefinitely but not reupload meetings from over 2 years ago
- to live stream **all** meetings as opposed to just key meetings, i.e. full Council, Executive, Planning and Overview and Scrutiny
- to keep to the current recording practice of just the key meetings mentioned above, or consider which, if any further meetings should be added

### **3. Conclusion**

The Local Government Act 1972 requires meetings to be open to the public however this is specifically for in-person attendance. The written minutes are the legal record of the meeting. There is no legal requirement for the livestreaming of council meetings. The retention period of meetings must be balanced when considering the good governance of data. There are costs to both retention of data and for webcasting additional meetings to those already covered. The decision made by Councillors must balance the desire for openness and transparency with a realistic understanding of the costs of administering webcasting.

## **Teignbridge District Council**

### **Audit Scrutiny**

**22 March 2023**

#### **Part 1**

### **INTERNAL AUDIT PROGRESS REPORT**

#### **Purpose of Report**

To advise members of the internal audit work completed and in progress.

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

**The Audit Scrutiny Committee is recommended to note the report.**

#### **Financial Implications**

None. The internal audit service is currently within budget.

#### **Legal Implications**

None. The Council is meeting its statutory duty to undertake an internal audit in accordance with the Accounts and Audit Regulations.

#### **Risk Assessment**

Risks are taken into account when planning internal audit work.

#### **Environmental / Climate Change Implications**

None.

#### **Report Author**

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#### **Executive Member**

Councillor Richard Keeling – Executive Member for Resources

## 1. INTRODUCTION / BACKGROUND

- 1.1 Internal audit provides an independent opinion on the Council's risk management, control environment, and governance. A plan of audit work was approved by Audit Committee members in August 2023, showing areas to be audited. This report shows progress against that plan.

## 2. AUDIT PLAN PROGRESS 2023-2024

| SYSTEM                                       | STATUS      | ASSURANCE |
|--|-------------|-----------|
| <b><u>Core Financial Systems</u></b>         |             |           |
| Main Accounting                              | Commenced   | -         |
| Payroll                                      | -           | -         |
| Council Tax                                  | Commenced   | -         |
| Housing Benefits & Council Tax Support       | TOR issued  | -         |
| Business Rates                               | Commenced   | -         |
| <b><u>Other Systems / Projects</u></b>       |             |           |
| Government Grants and Payment Schemes        | Completed   | Good      |
| Safeguarding                                 | Completed   | Good      |
| Health and Safety (Housing Stock)            | Completed   | Fair      |
| Health and Safety (Corporate)                | In progress | -         |
| Housing Grants (DGF etc.)                    | In Progress | -         |
| Estates – follow up of previous audit        | Completed   | -         |
| Car Park Debt – follow up of previous audit  | Completed   | -         |
| Councillors Community Fund                   | Completed   | Good      |
| Business Continuity Management               | -           | -         |
| Purchasing Cards (new system)                | -           | -         |
| Grant Certifications (as required)           | -           | N/A       |
| Risk Management 2023-2024                    | -           | -         |
| Governance and Annual Gov Statement          | Ongoing     | -         |
| Fraud Risk Analysis                          | Ongoing     | -         |
| National Fraud Initiative                    | Ongoing     | -         |
| Register of Interests, Gifts and Hospitality | Completed   | Good      |



|                    |                  |             |
|--------------------|------------------|-------------|
| Software Licensing | -                | -           |
| Mobile Billing     | <b>Completed</b> | <b>Good</b> |

Further detail for audits completed since the last monitoring report in January 2024 can be seen in the appendix below.

2.2 The Assurance Opinion descriptions for the work listed above are as follows:

| <b>Key to Assurance Opinions:</b> |   |
|-----------------------------------|---|
| <b>Excellent</b> ☆☆☆              | The areas reviewed were found to be well controlled, internal controls are in place and operating effectively. Risks against achieving objectives are well managed.   |
| <b>Good</b> ☆☆☆                   | Most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some areas for improvement have been identified.  |
| <b>Fair</b> ☆☆☆                   | Basic control framework in place, but most of the areas reviewed were not found to be adequately controlled. Generally risks are not well managed and require controls to be strengthened to achieve system objectives. |
| <b>Poor</b> ☆                     | Controls are seriously lacking or ineffective in their operation. No assurance can be given that the system's objectives will be achieved.  |

### 3. CONCLUSION

Internal Audit work is progressing reasonably well and assurance has generally been positive.

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| PROJECT TITLE  | SUMMARY   |
|--|---|
| <p><b>Housing H&amp;S Compliance</b></p> <p><b>Audit Opinion:</b><br/>Fair ☆☆</p>  | <p>As a landlord of residential housing stock, the Council has responsibilities to manage compliance of statutory health and safety obligations for fire safety, asbestos management, electrical safety, gas safety, water hygiene and lifts (if applicable) to ensure that tenants are safe in their homes. As well as standards set by the Regulator of Social Housing.</p> <p>The permanent social housing is being fully managed by Teign Housing. The temporary accommodation is being managed in house. For the Houses of Multiple Occupation (HMOs) Albany House and Luscombe Terrace, there is full evidence of the latest health and safety checks. This is due to having approved contractors with maintenance contracts who undertake periodic inspections.</p> <p>Recommendations have been included for the strategic asset management (SaM) system to be explored to ascertain if it could be used in centralising all records and conducting effective monitoring. There should be housing compliance policies and procedures to ensure that officers are clear about their roles and responsibilities for managing compliance, and health and safety obligations, including timeframes for inspection certifications. Also, a designated lead officer (nominated responsible person) responsible for the compliance of health and safety requirements for all of the Council owned housing stock.</p> <p>Furthermore, the risk of health and safety compliance should be changed from a service risk to corporate risk and a mechanism should be introduced for monitoring performance against standards to identify any areas of non-compliance.</p> |
| <p><b>Follow Up Audits</b></p> <p>The effectiveness of audits is increased if agreed actions are implemented. The audit cycle allows for a follow up check to be made on any important recommendations at an agreed time after each review. Details of completed follow ups are shown below:</p> |   |

| PROJECT TITLE  | SUMMARY  |
|--|--|
| <b>Climate Change</b><br><br>Audit Opinion:<br>Good ☆☆☆            | Original audit: November 2022<br><br>Followed up: April 2023 and January 2024<br><br><b>7 of the 14 recommendations actioned and implemented. 7 remain on-going.</b> |
| <b>System Admin Permissions</b><br><br>Audit Opinion:<br>Good ☆☆☆  | Original audit: December 2022<br><br>Followed up: April 2023<br><br><b>6 of the 6 recommendations actioned and implemented.</b>                                      |
| <b>Teignbridge 100</b><br><br>Audit Opinion:<br>Good ☆☆☆           | Original audit: August 2022<br><br>Followed up: April 2023<br><br><b>6 of the 6 recommendations actioned and implemented.</b>  |
| <b>Council Tax Energy Rebate</b><br><br>Audit Opinion:<br>Good ☆☆☆ | Original audit: November 2022<br><br>Followed up: May 2023<br><br><b>3 of the 4 recommendations actioned and implemented. Since follow up all now complete.</b>      |
| <b>Risk Management</b><br><br>Audit Opinion:<br>Good ☆☆☆           | Original audit: April 2023<br><br>Followed up: October 2023<br><br><b>9 of the 13 recommendations actioned and implemented. 4 remain on-going.</b>                   |

| PROJECT TITLE   | SUMMARY  |
|---|--|
| <p><b>Data Quality</b></p> <p>Audit Opinion:<br/>Good ☆☆☆</p>         | <p>Original audit: May 2023</p> <p>Followed up: August 2023</p> <p><b>7 of the 11 recommendations actioned and implemented. 4 remain on-going.</b></p>       |
| <p><b>Green Business Grant</b></p> <p>Audit Opinion:<br/>Good ☆☆☆</p> | <p>Original audit: June 2023</p> <p>Followed up: July 2023</p> <p><b>2 of the 3 recommendations actioned and implemented. 1 remain on-going.</b></p>         |
| <p><b>Utilities</b></p> <p>Audit Opinion:<br/>Fair ☆☆</p>             | <p>Original audit: November 2022</p> <p>Followed up: January 2023</p> <p><b>9 of the 14 recommendations actioned and implemented. 5 remain on-going.</b></p> |
| <p><b>Leisure</b></p> <p>Audit Opinion:<br/>Good ☆☆☆</p>              | <p>Original audit: April 2023</p> <p>Followed up: October 2023</p> <p><b>10 of the 16 recommendations actioned and implemented. 6 remain on-going.</b></p>   |