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27 September 2024

AUDIT SCRUTINY COMMITTEE

A meeting of the **Audit Scrutiny Committee** will be held on **Wednesday, 9th October, 2024** in the **Conference Room, Teignbridge Business Centre, Cavalier Road, Heathfield, Newton Abbot, Devon, TQ12 6TZ** at **10.00 am**

PHIL SHEARS
Managing Director

Membership:

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

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)
To approve and sign the minutes of the meeting held on 27 August
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. **Health and Safety Management - progress with recommendations**
Verbal Update
7. **Grant Thornton Updates** (Pages 7 - 80)
8. **Annual Governance Statement Updates 2021-2022 and 2022-2023** (Pages 81 - 86)
9. **2021/22 and 2022/23 Final Accounts** (Pages 87 - 366)
10. **Audit Scrutiny Committee - Terms of Reference** (Pages 367 - 370)
11. **Internal Audit Progress Report** (Pages 371 - 382)

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AUDIT SCRUTINY COMMITTEE**27 AUGUST 2024****Present:**

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

Apologies:

Councillors Purser, Jeffries and Steemson

Officers in Attendance:

Martin Flitcroft, Director of Corporate

Sue Heath, Audit Manager

Christopher Morgan, Trainee Democratic Services Officer

Beth Bowers, Grant Thornton Representative

22. MINUTES OF THE PREVIOUS MEETING

It was proposed by Cllr Radford and seconded by Cllr Jackman that the minutes of the previous meeting be agreed as a correct record and signed by the Chair

A vote was taken – all were in favour.

Resolved

that the minutes of the previous meeting be agreed as a correct record and signed by the Chair.

23. DECLARATIONS OF INTEREST.

None

24. PUBLIC QUESTIONS (IF ANY)

None

25. MEMBERS QUESTIONS (IF ANY)

None

26. AUDIT PROGRESS AND SECTOR UPDATE JUNE 2024

The Grant Thornton Representative introduced the item to the Committee

The Committee briefly paused to read the backstop letter. The Committee were informed that the Audit backstop would be effectively 'cut off' in order to ensure future Audit work could be underway. The External Audit fee would increase but this would allow increased capacity in the team and ensure the audit would run smoothly. In response to a members query, it was confirmed that the 21/22 external audit report had come to Committee in March 2024.

It was proposed by Cllr Morgan and seconded by Cllr Radford that the report be noted.

A vote was taken – all were in favour.

Resolved

That the report be noted.

27. DRAFT ACCOUNTS

The Director of Corporate introduced the item to the Committee.

The Committee were informed that draft accounts would now be produced for late June which would benefit the process. There had been increases in interest rates in investments. The Committee were informed of various sources of capital and revenue. The Committee also discussed the pension deficit and the Audit of 'prior periods'. The MTFP and IRP were looking at Members allowances.

It was proposed by Cllr Morgan and seconded by Cllr Radford that the Committee note the publishing of the Draft Accounts report and its appendices.

A vote was taken – all were in favour.

Resolved

That the Committee note the publishing of the Draft Accounts and its appendices.

28. REGULATION OF INVESTIGATORY POWERS ACT (RIPA) COMPLIANCE REPORT AND POLICY UPDATE

The Audit Manager introduced the item to the Committee.

The Committee were informed that the powers had only ever been used once and that they were only allowed to be used in specific circumstances, including magistrate approval. The use of RIPA powers must be overt, proportionate and as a final option.

It was proposed by Cllr Morgan and seconded by Cllr Jackman that the Committee approves the updated RIPA Surveillance Policy and Procedures

A vote was taken – all were in favour.

Resolved

That the Committee approves the updated RIPA Surveillance Policy and Procedures

29. FINANCIAL INSTRUCTION AND CONTRACT RULES WAIVERS

The Audit Manager introduced the item to the Committee.

It was explained to the Committee when waivers are used.

It was proposed by Cllr Morgan and seconded by Cllr Jackman that the report be noted.

A vote was taken – all were in favour.

Resolved

That the report be noted.

30. LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985 - EXCLUSION OF PRESS AND PUBLIC

It was proposed by Cllr Morgan and seconded by Cllr Thorne that the meeting exclude press and public and move into Part 2 as per paragraph 7 of Part 1 of Schedule 12A of the Local Government Act 1972.

A vote was taken – all were in favour.

The meeting then moved into Part 2.

31. FRAUD RISK ASSESSMENT 2024

The Audit Manager introduced the item to the Committee.

The Committee discussed the Fraud Risk prevention process and were given examples. It was suggested that a reminder be put in the Members and Officers Newsletters on the importance of updating registers of interest and declaring any interests if necessary .

It was proposed by Cllr Morgan and seconded by Cllr Radford that the report be noted.

A vote was taken – all were in favour.

Resolved

That the report be noted.

32. PART I ITEMS SUGGESTED FOR DISCUSSION WITH THE PRESS AND PUBLIC INCLUDED

It was proposed by Cllr Morgan and seconded by Cllr Radford that any press and public be readmitted to the meeting and the meeting move back into Part 1.

A vote was taken – all were in favour.

The meeting then moved back into Part 1.

33. INTERNAL AUDIT PLAN AND CHARTER 2024-2025

The Audit Manager introduced the item to the Committee.

Devon Audit Partnership had been involved in the internal audit as with previous years. It was suggested that a monitoring report become a standing item for the Committee. The Committee were informed that not every element of the Council is audited every year. They were also informed on how risks and their mitigations were tested. Monthly risk checks are undertaken for Cybersecurity. Monthly reports are provided to the Senior Leadership Team on risks.

It was proposed by Cllr Morgan and seconded by Cllr Jackman that the Committee approve the Audit Plan and Charter.

A vote was taken – all were in favour.

Resolved

That the Committee approves the Audit Plan and Charter.

The meeting commenced at 10.00 am and finished at 12.17 pm.

Chair
Cllr Sally Morgan

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

Report on the Audit of the Financial Statements

Disclaimer of opinion

We were engaged to audit the financial statements of Teignbridge District Council (the 'Authority') for the year ended 31 March 2022, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and Notes to the Financial Statements and Notes to the Collection Fund, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22.

We do not express an opinion on the accompanying financial statements of the Authority. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2022 by 13 December 2024 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements. We have not been able to obtain sufficient appropriate audit evidence by the backstop date to conclude that the Authority's financial statements for the year ended 31 March 2022 as a whole are free from material misstatement. We were also unable to obtain sufficient appropriate evidence for the corresponding figures for the same reason. We have therefore issued a disclaimer of opinion on the financial statements. This enables the Authority to comply with the requirement in the Regulations that they publish audited financial statements for the year ended 31 March 2022 by the backstop date. We have concluded that the possible effects on the financial statements of undetected misstatements arising from this matter could be both material and pervasive.

In addition, in our auditor's report for the year ended 31 March 2021, we reported that we were unable to confirm the accuracy of the valuation calculations for property, plant and equipment or obtain sufficient appropriate audit evidence to conclude whether the basis of the valuations were reasonable. We were also unable to obtain sufficient assurance that the value of car parks were not materially overstated. In addition, we identified significant weaknesses in financial accounting and record keeping at the Authority associated with its property, plant and equipment balances. The Authority did not maintain adequate records to sufficiently support material balances within the financial statements. Due to the significance of these matters, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements. These matters have not been resolved in the current year and therefore their impact could be both material and pervasive to the current year financial statements.

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

Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

Opinion on other matters required by the Code of Audit Practice

The Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Authority's financial statements and our auditor's report thereon. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, whether the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

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

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

As explained in the Statement of Responsibilities for the Statement of Accounts set out on [page 26](#), the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Finance Officer. The Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Authority's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on those financial statements.

We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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

The audit was defective in its ability to detect irregularities, including fraud, on the basis that we were unable to obtain sufficient appropriate audit evidence due to the matter described in the basis for disclaimer of opinion section of our report.

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

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

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in respect of the above matter except on 29 August 2023 we identified significant weaknesses in the Authority’s arrangements for governance. This was in relation to the following:

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

As part of our work on the Authority’s arrangements for governance for the year ended 31 March 2022, we have reviewed the Authority’s progress implementing these recommendations. Insufficient progress had been made by the Authority in addressing any of the significant weaknesses identified, therefore the significant weaknesses in arrangements remain in place.

Responsibilities of the Authority

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in October 2024. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

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

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

Report on other legal and regulatory requirements – Audit certificate

We certify that we have completed the audit of Teignbridge District Council for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

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

Signature:

Peter Barber, Key Audit Partner

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

Bristol

Date:

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

Report on the audit of the Financial Statements

Disclaimer of opinion

We were engaged to audit the financial statements of Teignbridge District Council (the 'Authority') for the year ended 31 March 2023, which comprise Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and Notes to the Financial Statements and Notes to the Collection Fund, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

We do not express an opinion on the accompanying financial statements of the Authority. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2023 by 13 December 2024 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements. We have not been able to obtain sufficient appropriate audit evidence by the backstop date to conclude that the Authority's financial statements for the year ended 31 March 2023 as a whole are free from material misstatement. We were also unable to obtain sufficient appropriate evidence for the corresponding figures for the same reason. We have therefore issued a disclaimer of opinion on the financial statements. This enables the Authority to comply with the requirement in the Regulations that they publish audited financial statements for the year ended 31 March 2023 by the backstop date. We have concluded that the possible effects on the financial statements of undetected misstatements arising from this matter could be both material and pervasive.

In addition, in our auditor's report for the year ended 31 March 2021, we reported that we were unable to confirm the accuracy of the valuation calculations for property, plant and equipment or obtain sufficient appropriate audit evidence to conclude whether the basis of the valuations were reasonable. We were also unable to obtain sufficient assurance that the value of car parks were not materially overstated. In addition, we identified significant weaknesses in financial accounting and record keeping at the Authority associated with its property, plant and equipment balances. The Authority did not maintain adequate records to sufficiently support material balances within the financial statements. Due to the significance of these matters, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements. These matters have not been resolved in the current year and therefore their impact could be both material and pervasive to the current year financial statements.

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

Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

Opinion on other matters required by the Code of Audit Practice

The Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Authority's financial statements and our auditor's report thereon. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, whether the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception²⁵

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

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

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

Responsibilities of the Authority and the Chief Finance Officer

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on **page 25**, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Finance Officer. The Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Authority's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on those financial statements.

We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations.

The audit was defective in its ability to detect irregularities, including fraud, on the basis that we were unable to obtain sufficient appropriate audit evidence due to the matter described in the basis for disclaimer of opinion section of our report.

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

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We have nothing to report in respect of the above matter except on 29 August 2023 we identified significant weaknesses in the Authority’s arrangements for governance. This was in relation to the following:

- An independent review of the relationship between members and officers by the Centre for Governance and Scrutiny (CFGs) identified a general lack of respect between members and also evidence of difficult relationships between members and officers. We recommended both members and senior officers commit to building up respect and good working relationships and demonstrate that significant progress has been made within a reasonable timeframe, to be agreed by the Managing Director and Group Leaders.
- A disclaimer opinion was issued on the 2020/21 financial statements. This was due to an imposed scope limitation to gain assurance over the carrying value of property, plant and equipment valuations at 31 March 2021. We recommended the Authority ensures its annual financial statements are supported by appropriately evidenced working papers that meet the increased expectations of current auditing standards.

As part of our work on the Authority’s arrangements for governance for the year ended 31 March 2023, we have reviewed the Authority’s progress implementing these recommendations. Insufficient progress had been made by the Authority in addressing the significant weaknesses identified, therefore the significant weaknesses in arrangements remain in place.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

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

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in October 2024. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

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

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

Report on other legal and regulatory requirements – Audit certificate

We certify that we have completed the audit of Teignbridge District Council for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 [and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited]. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature:

Peter Barber, Key Audit Partner

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

Bristol

Date:

1 October 2024

Councillor Sally Morgan
Chair of Audit Scrutiny Committee
Teignbridge District Council
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Dear Sally

Teignbridge District Council: Conclusion of the audit for 2021/22 and 2022/23 – letter to those charged with governance on the application of the local authority backstop

As you will be aware, on 5 September 2024 the government published draft Accounts and Audit (Amendment) Regulations 2024. These Regulations, which are expected to be approved by 30 September 2024, set a publication date for financial statements up to and including 2022/23 of 13 December 2024. The new National Audit Office Code, which is expected to be approved by Parliament towards the end of October 2024, also requires that auditors should issue their audit report in time for the relevant authority to publish its accounts by the specified date in those Regulations. Where audit work is not concluded, this will result in either a qualification or disclaimer of opinion.

As discussed with your Chief Finance Officer & Head of Corporate Services, and for reasons which I set out in more detail below, it will not be possible for us to complete our audits for 2021/22 and 2022/23 by the statutory backstop date. We therefore propose to issue a disclaimer of our audit opinion. I attach a draft copy of this disclaimer for the attention of the Audit Scrutiny Committee.

We are required under Auditing Standards to report certain matters to the Audit Scrutiny Committee, including our responsibilities as auditor, the scope of the audit, independence, audit fees and any matters arising from the audit. I set out more details on the audit below. Information regarding our responsibilities, the scope of the audit and fees are included in the Appendix.

Outcome of our audit for 2021/22 and 2022/23 – Disclaimer of the opinion on the financial statements

For reasons set out below, it will not be possible for us to undertake sufficient work to support an audit opinion by the statutory deadline of 13 December 2024. This means that the limitations of scope imposed by the backstop are pervasive and therefore we have been unable to form an opinion on the financial statements by the due date. We have also been unable to assess whether issues reported in our disclaimer of opinion for 2020/21 have been resolved. We therefore plan to issue a disclaimer of the audit opinion. We have provided the draft wording for our 2021/22 and 2022/23 Audit Reports alongside this letter for your information. All documents will be discussed at the October 2024 meeting of Audit Scrutiny Committee.

The main reason for the application of the backstop is that the completion of the 2020/21 audit was delayed whilst the Council responded to audit queries in respect of the valuation of property, plant and equipment and car parks. We were unable to obtain assurance in these areas. This combined with the processes required to enable us as your auditor's to issue the qualified opinion result in a significant delay in concluding the audit.

We issued a disclaimer of opinion on your 2020/21 financial statements on 2 May 2024. This disclaimer also drew attention to weaknesses in the Council's record keeping in respect of its assets.

We had agreed with the Council that the audit of the financial statements for the year ended 31 March 2022 would not commence until the previous audit was concluded. This meant there was no realistic prospect of the audit of Council's financial statements for subsequent years being completed in advance of the December 2024 backstop.

Outcome of this year's audit - Value for Money work and other work under the National Audit Office Code of Audit Practice

We undertook our Value for Money work for the years ended 31 March 2022 and 31 March 2023 and reported the outcome in a combined Annual Audit Report dated 26 February 2024. Our Annual Audit Report was presented to the Audit Scrutiny Committee on 22 March 2024 and full Council on 23 April 2024.

The key findings for the year ended 31 March 2022 noted four significant weaknesses in relation to governance as follows:

- a general lack of respect amongst members and difficult relationships between members and officers
- weaknesses in the Council's complaints investigation processes
- whistleblowing arrangements for officers and members to speak up were inadequate
- timeliness of the audit process due to the issues regarding asset valuations in the 2020/21 audit impacting the ability to start the 2021/22 and 2022/23 audit.

The key findings for the year 31 March 2023 noted that the significant weaknesses from the previous year had not been resolved in relation to:

- a general lack of respect amongst members and difficult relationships between members and officers
- timeliness of the audit process due to the issues regarding asset valuations in the 2020/21 audit impacting the ability to start the 2021/22 and 2022/23 audit.

We are also required to report by exception if we have applied any of our statutory powers or duties.

We have nothing to report in respect of the above comment on statutory powers and duties.

Independence

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 and consider that an objective reasonable and informed third party would take the same view. 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. 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 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.

Management letter of representation

We have asked management to provide separate letters of representation in respect of the financial statements for 2021/22 and 2022/23. This will be tabled as a separate agenda item at the October meeting of Audit Scrutiny Committee.

Looking ahead

The circumstances resulting in the application of the local authority backstop are clearly extremely unusual. The government has signalled its intent that where backstops have been applied, local authorities and their auditors work together to recover the position over subsequent years. We will follow relevant guidance including from the NAO and the FRC to work with you over the coming year, as we seek to rebuild audit assurance.

Yours sincerely

Peter Barber

For Grant Thornton UK LLP

cc Chief Finance Officer & Head of Corporate Services

Attachments: Draft Disclaimer of Opinion 2021/2022 and 2022/23

Appendix

Responsibilities

The National Audit Office ('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 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 both of these documents.

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's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit Scrutiny Committee); 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 Audit Scrutiny Committee of its responsibilities. It is the responsibility of the authority 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 authority is fulfilling these responsibilities.

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

Audit Plan

For the year ended 31 March 2022, we issued an indicative Audit Plan on 22 August 2022. In our plan we identified the following issues as significant audit risks:

- Management over-ride of controls
- Valuation of land and buildings
- Valuation of pension net fund liability
- Accounting treatment of Suitable Alternative Natural Green Space (SANGS)

We have not identified any other significant risks since the date we issued our audit plan as we have not undertaken further work.

Due to delays in the completion of prior year audits, we were unable to issue an audit plan in respect of the year ended 31 March 2023.

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.

Due to delays in the completion of prior year audits, we were unable to determine a materiality level for the audit of the year ended 31 March 2022 and 31 March 2023.

Key financial reporting and audit issues identified during the audit

As part of our 2021/22 planning, we commented on the Council's draft accounting treatment for the land purchases for SANGS (Suitable Alternative Natural Green Space). However, as no detailed work commenced on the 2021/22 draft financial statements we were unable to conclude our judgement on the appropriateness of the accounting treatment. We will review this as part of our forthcoming audit for 2023/24.

We recommend that the Council undertakes a review of the accounting treatment of the SANGS land purchases and engages with the auditor as part of the audit of the 2023/24 financial statements.

Going Concern

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).

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 sets out the following key principles for the consideration of going concern for public sector entities:

- the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities
- for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report.

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 a local authority meets this criteria, and so where undertaking work on your audit, we would normally expect to apply the continued provision of service approach. In doing so, we would consider and evaluate:

- the nature of the authority and the environment in which it operates
- the authority's financial reporting framework
- the authority's system of internal control for identifying events or conditions relevant to going concern
- management's going concern assessment.

As we have been unable to form an opinion on the financial statements, we are unable to draw a conclusion in this area.

Design effectiveness of internal controls

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to management.

We have nothing to report in respect of the above.

Other matters which we are required to report on to those charged with governance

We are required to confirm the following:

- We have not been made aware of any incidents of fraud in the period and no issues have been identified during the course of our audit procedures.
- We are not aware of any related party transactions which have not been disclosed.
- We are not aware of any significant incidences of non-compliance with applicable laws and regulations.

Audit fees and non-audit fees

PSAA set a scale fee for this the year ended 31 March 2022 of £40,240 and for the year ended 31 March 2023 of £44,740. Our audit plan for 2021/22 dated 22 August 2023 provided an indicative fee of £76,340 which included additional work required since the scale fee had been set. This included additional fees to reflect the increased work required under Value for Money (VFM) as a result of the new NAO code. No plan was issued for 2022/23.

Given the unusual circumstances of the backstop, we are awaiting a determination from PSAA as to the appropriate fee to be charged for each audit year. Our current estimate of final fees for both years is set out below and are based on estimated costs incurred to date. Final fees will be determined by PSAA and we will update the Council in due course once their final determination is made.

Estimated 2021/22 audit fees which includes planning, VFM, communication and reporting (including issuing the backstop opinion) is £30,500

Estimated 2022/23 audit fees which included VFM, communication and reporting (including issuing the backstop opinion) is £26,700.

We have also undertaken the following non audit work in respect of the year.

Audit Service	Proposed Fee	Final Fee
Audit of housing benefits grant return year ending 31 March 2022	£10,500	£10,500
Audit of housing benefits grant return year ending 31 March 2023	£14,500	£14,500

The fees do not reconcile to the financial statements, so we have provided a reconciliation

	31 March 2022	31 March 2023
Audit fees per financial statements	£76,000	£76,000
Accrual for additional fees based on 2020/21	(£35,750)	(£31,260)
Total audit fees per above	£40,240	£44,740
Certification of grants per financial statements	£12,000	£12,000
Accrual over or underestimated	(£1,500)	£2,500
Total grant fees per above	£10,500	£14,500

The level of these recurring fees taken on their own is not considered a significant threat to independence in comparison to the total original estimated fee for the audit for the year to 31 March 2022 of £76,340 and for the year to 31 March 2023 of £76,340 and in particular relative to Grant Thornton UK LLP's turnover overall. Further there is no contingent element to it. These factors all mitigate any perceived self-interest threat to an acceptable level.

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Auditor's Annual Report on Teignbridge District Council

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2021/22 and 2022/23

September 2024



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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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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.	A No significant weaknesses in arrangements identified, but three improvement recommendations made.	A No weaknesses in arrangements identified, but nine improvement recommendations made.	A No weaknesses in arrangements identified, but eight improvement recommendations made.
Governance	Three risks identified arising from our key recommendations in our previous report.	R Four significant weaknesses in arrangements identified, and seven improvement recommendations made.	R Three significant weaknesses in arrangements carried forward and one new significant weakness raised. Four improvement recommendations made. Three prior year recommendations carried forward.	R Two significant weaknesses in arrangements carried forward, two closed. Three improvement recommendations made. Three prior year recommendations carried forward.
Improving economy, efficiency and effectiveness	No risks identified.	A No significant weaknesses in arrangements identified, but three improvement recommendations made.	A No significant weaknesses in arrangements identified, but two improvement recommendations raised. Three prior year recommendations carried forward.	A No significant weaknesses in arrangements identified, but two improvement recommendations raised. Three prior year recommendations carried forward.

	No significant weaknesses in arrangements identified or improvement recommendation made.
	No significant weaknesses in arrangements identified, but improvement recommendations made.
	Significant weaknesses in arrangements identified and key recommendations made.

Executive summary



Financial sustainability

The Council's approach to budget setting is reasonable, with appropriate assumptions used. A Medium Term Financial Plan was prepared in February 2023 which has strengthened arrangements and supports the Council in longer term planning. The Council plans to use around £7.6m of reserves to balance its budget up to 2025/26. While it has sufficient reserves to do this it recognises this is not sustainable and has used consultants to support it in identifying potential savings. Difficult decisions are now needed to implement those savings to avoid significant financial challenges in the future.



Governance

Member behaviour continues, at times, to be poor. Relationships between Officers and Members still need to improve. This area continues to be one of significant weakness and our previous key recommendation is carried forward. The Council has made sufficient progress with its complaints procedure and whistleblowing arrangements for those areas to no longer be considered significant weaknesses for 2022/23 and the two key recommendations to be closed.

The external audit of the 2020/21, 2021/22 and 2022/23 financial statements is ongoing. Whilst recognising that there are a number of reasons for this it represents a significant weakness and we have raised a key recommendation.

Members are provided with appropriate information on which to make informed decisions, but changes in those decisions can hinder the Council in delivering its objectives and place it at financial risk.

Risk management and internal audit arrangements are appropriate, with scope for further improvement.



Improving economy, efficiency and effectiveness

The Council uses performance information appropriately and ensures that the underlying data is reliable and accurate. Use of external consultants has supported the Council in identifying areas where it can drive efficiency and reduce costs. Partnership working arrangements are sound.



2020/21

We have yet to complete our audit of your financial statements. This is due to a management imposed limitation in our inability to gain assurance over the carrying value of your Property, Plant and Equipment valuations at 31 March 2021. This will result in a disclaimer opinion on the Council's financial statements. We are awaiting Council's approval of the final financial statements and Annual Governance Statement to conclude this work.

This is impacting on our commencement of the 2021/22 and 2022/23 financial statements.

Our findings are set out in further detail on page 50.



Use of auditor's powers

We bring the following matters to your attention:

	2021/22	2022/23
Statutory recommendations 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	We did not issue statutory recommendations.	We did not issue statutory recommendations.
Public Interest Report 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.	We did not issue a Public Interest Report.	We did not issue a Public Interest Report.
Application to the Court 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.	We did not apply to the Court.	We did not apply to the Court.
Advisory notice 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: - is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure, - is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or - is about to enter an item of account, the entry of which is unlawful.	We did not issue an advisory notice.	We did not issue an advisory notice.
Judicial review 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.	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

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.

The range of recommendations that external auditors can make is explained in Appendix C.



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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.

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 that 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.

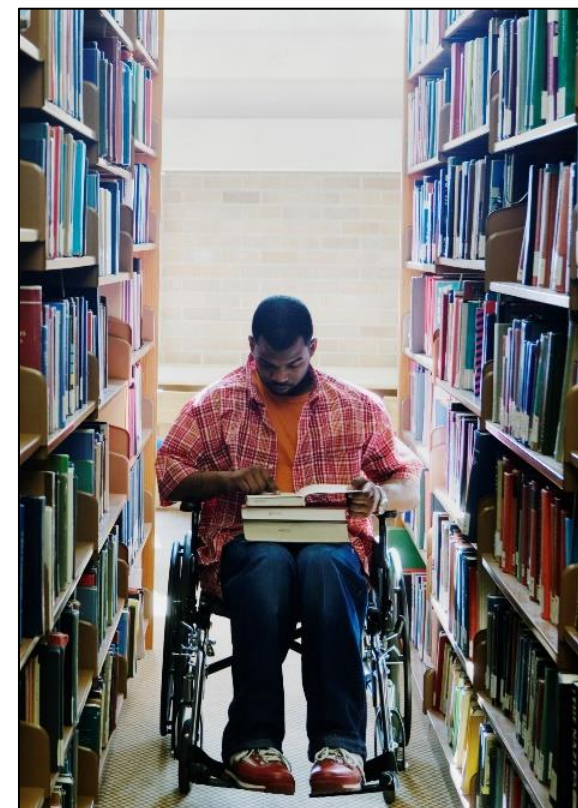


Improving economy, efficiency and effectiveness

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

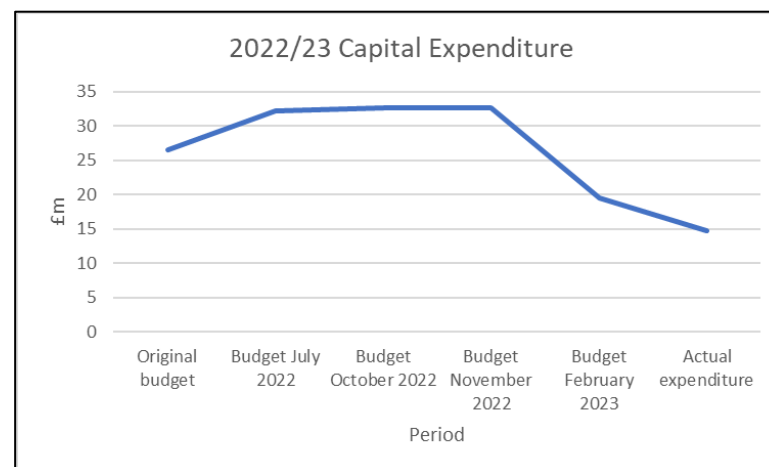
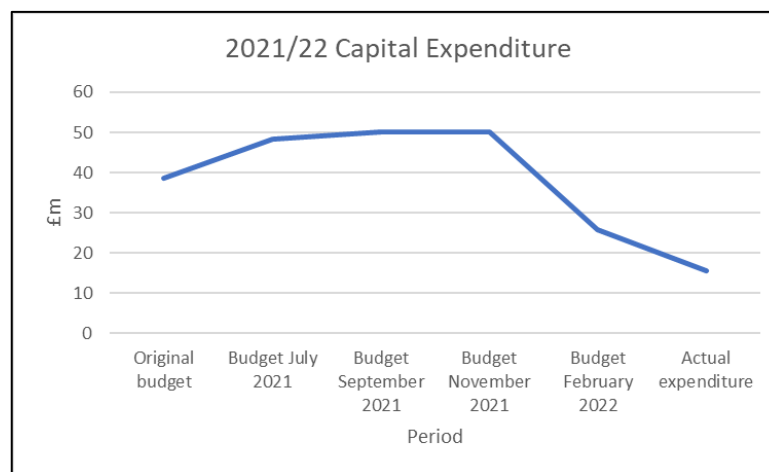
Council priority areas. This is an improvement area and we have made a

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

4 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.

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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 2002/23 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.



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.



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.



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.

49 **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.



The range of recommendations that external auditors can make is explained in Appendix C

Improvement recommendations



Financial sustainability

Recommendation 12	The Council should prepare a year end outturn report on the same basis as the quarterly finance reports and then reconcile this to the figures in the draft financial statements as part of the financial statements themselves.
Audit year	2021/22 and 2022/23.
Why/impact	The Council has appropriate arrangements in place for financial reporting during the first three quarters of each financial year, but reports in a different way at quarter four. This makes comparisons through the year and with the published financial statements very difficult.
Auditor judgement	For consistency the year end financial reports should follow the same format as in year ones.
Summary findings	While recognising that preparing a quarter four report on the same basis as earlier reports will create additional work for Officers, this is something worth doing in order to allow outturn expenditure to be more easily compared to in year forecasts.
Management Comments	We will look to reconcile the 23/24 outturn report to the financial statements surplus/deficit.



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The range of recommendations that external auditors can make is explained in Appendix C

Governance



We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process

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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.

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.



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The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations

 Governance

Recommendation 14	The Council needs to ensure that each major capital project has its own risk register and that this is kept up to date.
Audit year	2021/22 and 2022/23.
Why/impact	The Council does not have risk registers for all of its major capital projects. Given the value of these projects and the fact that each of them is intended to support the achievement of Council objectives, this is a weakness.
Auditor judgement	The Council has identified the need for risk registers for major capital projects. It needs to ensure that these are in place for all such projects.
Summary findings	The Council has a number of major capital projects. Not all of these are progressing as planned. Comprehensive risk registers for each project, with summary reporting to Members, is crucial to support informed decision making and risk management.
Management Comments	All schemes do have a risk register and we will ensure these continue to be up to date and complete.



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.

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.

Use of financial and performance information

The Council uses performance information appropriately in order to provide assurance over the delivery of its aims and objectives. It ensures that the underlying data used is accurate and reliable. The Council also uses benchmarking to identify areas for improvement or possible cost reduction.

Performance information

Key Performance Indicators (KPIs) are provided in the Council's strategy to enable monitoring of the body's performance and identify areas for improvement. The KPIs are rated based on their progress towards targets, and the performance against the ten priorities is monitored through annual business plans and performance monitoring reports reviewed by the Overview and Scrutiny Committee. The Council also reviews and updates the KPI targets to ensure they are appropriately written and challenging.

The Council has a 10-year strategy (2020-30) with eight main objectives supported by the "Teignbridge Ten" programmes for practical improvements. The Council Strategy provides a framework for prioritising and delivering services and projects. Performance against the ten priorities is monitored through annual business plans and performance monitoring reports reviewed by the Overview and Scrutiny Committee. In Quarter Four 2022/23, five KPIs were rated red, including net additional homes provided, number of self-build homes provided, and homelessness prevention. Overall, the Council is monitoring and reviewing its performance against its strategy and objectives.



Improving economy, efficiency and effectiveness (continued)

Use of financial and performance information (continued)

Accuracy of information used

The Council has several mechanisms in place to monitor and review its performance. These include quarterly reports shared with the Overview and Scrutiny Committee, monthly reports on treasury management, an annual internal audit report on data quality, and a Member development programme that includes scrutiny training. Overall, the positive assessments from internal audit suggest that the Council has effective processes in place to manage its financial operations and ensure the accuracy and reliability of its internal financial information.

The Centre for Governance and Scrutiny report identified areas for improvement in governance, scrutiny, and ethical behaviour, including the need for more effective work programming arrangements and methods for determining the effectiveness of scrutiny's work. The Council has responded to these recommendations by employing a new Scrutiny Officer, providing significant training on scrutiny, setting deadlines for work and feedback, and looking at the role of committees including audit scrutiny.

The Internal Audit Data Quality Report from March 2023. The "Opinion" provided is "Good" *"based on having a good data quality and governance framework in place. There is evidence of data quality checks being made by the Data and Performance Analyst before performance reports and Power BI dashboards are published and permissions given to other officers. As well as mechanisms in place to ensure accurate data within central government returns and information used to support new strategies and policies."*

Learning from others

The Council has compared its housing performance with England and the South West region, identifying areas for improvement such as excess cold, fuel poverty, and low-income households in the private rental sector. The Council also benchmarked its costs per head of population with statistically nearest neighbours and used the Local Government Association (LGA) research dashboard to compare its performance in various service areas with other local authorities. The dashboard showed that the Council's performance was worsening in certain areas, including council tax non-collection, primary school exclusion, and recycling rates.

The Council also conducted benchmarking through external consultants to review its services costs and alignment with strategic priorities. Findings related to the Council's performance reported underperformance in planning and an opportunity for better alignment of performance KPIs to the Corporate plan and outcomes.

The Council should consider regular reviews and updates to its action plans to incorporate specific and measurable targets for improving performance in the areas of low performance. This may involve exploring alternative solutions, investing in more sustainable practices, and partnering with community groups and stakeholders to increase public awareness and participation in these initiatives. This is an area for improvement and we have made a recommendation covering both years.

To support continuous improvement the Council should review and update action plans to ensure that targets remain appropriate, especially in areas where performance needs to improve. This relates to 2021/22 and 2022/23.

In our prior year report we made an improvement recommendation *"The Council should initiate an external Peer Review through the Local Government Association."* This took place in January 2024. However, for 2021/22 and 2022/23 it has not been actioned and our recommendation is carried forward.

Improving economy, efficiency and effectiveness (continued)

Use of financial and performance information (continued)

Grant Thornton benchmarking of the Council

We have used our own benchmarking tool (based on Revenue Outturn (RO) submissions to government) to compare unit costs to ten statistical nearest neighbours. We were able to identify services that had a "Very High Unit Cost" and compared the Council's performance in these areas. Our findings showed that the Council's unit cost was considerably higher than that of its ten statistical neighbours in 15 specific services across three main service areas in 2021/22. In 2022/23, we expanded the analysis to include four main service areas and 15 specific services. We found that the Council's unit cost remained high compared to its statistical neighbours. It is important to note that this analysis depends on the accuracy, consistency and comparability of returns.

Additionally, we observed that in 2022/23, the Council spent more in five specific services across Housing, Environmental & Regulatory, and Central services than it did in the previous year. These findings suggest that the Council may need to review its spending and identify areas where it can reduce costs while maintaining service delivery standards. This is an area for improvement and we have made a recommendation which covers both years.

The Council should review its expenditure and service delivery in the areas that our benchmarking analysis identified as outliers compared with ten statistical nearest neighbours. This relates to 2021/22 and 2022/23.

RO - Actual 2021/22	Very High Unit cost services	RO - Actuals 2022/23	Very High Unit cost services
Housing Services	Housing advances	Housing Services	Housing advances
	Nightly paid , private accommodation		Homeless Reduction Act: Administration and Support
	Other private sector housing renewal		Other private sector housing renewal
	Private sector accommodation leased by authority		Rent allowances - discretionary payments
	Rent allowances		Temporary accommodation administration
Environmental & regulatory	Climate change costs	Environmental & regulatory	Climate change costs
	Coast protection		Coast protection
	Defences against flooding		Food safety
	Land Drainage		Public conveniences
	Private rented housing		Defences against flooding
	Public conveniences		Private rented housing standards
	Recycling		Street cleansing
	Street cleansing	Central services	Revenue expenditure on surplus assets
Central services	Revenue expenditure on surplus assets		Retirements benefits
	Retirements benefits	Planning and Development	Other Planning Policy

Improving economy, efficiency and effectiveness (continued)

Assessing performance and identifying improvement

The Council has undertaken a wide ranging piece of work, using external consultants, to support it in identifying areas for improvement internally, through increased efficiency.

Service standards

There is no evidence to suggest that there is a failure to meet minimum service standards in core service areas or repeated/historic failure to achieve improvements in efficiency and productivity. Rather, the Council is actively monitoring and reporting on its financial and non-financial performance, identifying areas for improvement, and taking steps to address underperformance. The caution status reported for certain service areas is due to specific challenges, such as Covid-19-related delays and cost of living increases, rather than an indication of repeated or historic failure to achieve improvements. Additionally, the Council's plan to prepare the Teignbridge Local Plan 2020-2040 suggests a proactive approach to managing development and improving built and natural spaces in a zero carbon environment, with high standards of design, development, and living conditions.

In our prior year report we raised an improvement recommendation that *"The Council should ensure that there is a process by which savings reported by budget heads under the BETTER 2022 program are validated for accuracy on a regular basis."* There is no evidence that this has been done, therefore our improvement recommendation is carried forward. The Council has been working on improving its services as part of the Better 2022 initiative for the past two years and plans to continue this effort by implementing the Modern 25 agenda in the future. Briefings to Members show when benefits from the Modern 25 agenda are expected to be realised, with significant savings anticipated by September 2024. The Council will need to ensure that these savings are reported publicly and can be validated.

Review of Council priorities

On page 13 we report on how the Council aligns its finances to its objectives. On page 14 we note that the political administration changed in May 2023 and that this will bring with it new priorities.

The Council began a review of its Strategy in September 2023. A Council Strategy Working Group (CSWG) has been established with membership comprised of nine Members as the primary advisors and their involvement will ensure continuity throughout the process of preparing the Council Strategy. The CSWG is not a decision-making body. It will seek agreement and consensus on Council Strategy matters and advise Officers as appropriate.

The Council has a clear annual delivery plan for its Housing Strategy, which is regularly reviewed and monitored through quarterly reports to the Overview and Scrutiny and Executive Committees. The Council Strategy Review is carried out regularly, with the CSWG advising on high-level issues and specific, measurable projects aligned with the strategy's goals. The Council also has two Overview and Scrutiny Committees which review quarterly performance monitoring reports separately and occasionally hold joint meetings. The Council's approach to recovery from the Covid-19 pandemic includes seven projects aimed at training support for businesses, improving engagement with the community and voluntary sector, and combined data analysis.

The Council's plan to prepare the Teignbridge Local Plan 2020-2040, which will cover various areas, including climate change and energy, environmental conditions and protection, and health and wellbeing, suggests a commitment to considering a range of value factors beyond purely financial considerations.

Evaluating service delivery

The BETTER2022 programme of reviews is designed to help ensure value for money in services, suggesting that the Council is committed to identifying more cost-effective ways of delivering services. The ongoing work to improve automated performance reporting through the use of the Power BI reporting tool also suggests a focus on improving efficiency and reducing costs. Furthermore, the positive assurance provided to the Council's IT provider, Strata Service Solutions Limited, suggests that the Council is monitoring the performance of its suppliers to ensure that they are delivering value for money. The BETTER 2022 process has been subsumed into the Modern 25 agenda and the work with Ignite external consultants.

Responding to recommendations

The report by the Centre for Governance and Scrutiny (CFGs) [presented](#) in February 2023 identified six improvement areas in respect of governance, scrutiny and ethical behaviours. While the Council has made progress in some areas, such as reviewing the constitution and providing training for scrutiny, it appears that there has been little progress in addressing some of the key issues identified, such as the relationships between Members and Officers and decision-making arrangements. The fact that CFGs has had to revisit the issue and conduct further individual interviews with Members and Officers suggests that previous efforts to address these issues may not have been successful. Please refer to our governance work for detailed commentary on these areas.

Improving economy, efficiency and effectiveness (continued)

Partnership working

The Council has sound arrangements in place for working with partners, including obtaining assurance over their performance.

Partnership oversight

The Council maintains a partnership register consisting of 48 strategic partnerships and groups. The partnerships are categorised according to the different directorates, and they can be either statutory or voluntary. Partnerships may have formal or informal agreements, and the frequency of contact can range from monthly to quarterly. The partnership register includes details on budget funding/grants, the year involvement commenced, and the partnership objective, which is aligned with the Council's corporate objectives (Teignbridge Ten). Each partnership has a responsible officer assigned to it.

There are regular reports on the performance and progress of various partnerships, committees, and services. These reports provide updates on the priorities, achievements, and challenges faced by these entities. The Council also monitors the performance of its key suppliers, such as the Strata Partnership, through governance arrangements in accordance with the Shareholder Agreement. The Council has received grants and funding to support community safety initiatives and waste management strategies. However, there are some areas where reviews of Strata have identified that improvements are needed, such as in the governance structure of the Strata Partnership, which is currently under review, and infrequent Joint Scrutiny Executive Committee meetings. We have not repeated these recommendations.

Commissioning and procurement

The Council has appropriate arrangements in place when it commissions or procures services. Officers have agreed areas for further improvement identified by Internal Audit.

In the adjacent text box we set out some of the procurement challenges facing local authorities. Waivers to the Financial Instructions and Contracts Procedure Rules are reviewed by Internal Audit and the procurement team, and a report of all waivers is submitted to each Audit Scrutiny Committee meeting for monitoring. The Council has also identified the risk of contractor poor performance or failure in its strategic and corporate risk register. Several waivers have been processed since March 2021, with reasons such as urgent action required and limited markets. Additionally, the Council has utilized the Voluntary Ex-Ante Transparency (VEAT) notice (VEAT notices are used when contracts are awarded without prior publication of contract notice) for procurement, such as for the procurement of Time, Attendance and Payroll Software for three councils, which was deemed a commercially viable decision.

The Internal Audit Procurement Report from April 2023 provides "Good" assurance overall, with a number of recommendations which management have accepted.

In our prior year report we recommended that "The Devon Building Control Partnership should agree the frequency of internal audits of its internal control framework and specify this in the Partnership Agreement." Our review of the 2021/22 and 2022/23 Internal audit plans and reports show no evidence of the review of Devon Building Control Partnership. We understand from Officers that an audit was completed in August 2023 and that the Partnership Agreement has been updated. As this was not completed until 2023/24 our recommendation is carried forward.



Procurement

Local authorities in England spend around £82.4 billion a year on goods and services. More than a third of all UK government spending on goods and services is spent in the local government sector.

Allowing for capital spending as well, the UK public sector procures around £300 billion a year overall from commercial partners.

Within this, local authorities run local services and deliver high value capital projects every year, balancing the complicated requirements of the Procurement Act and the Social Value Act together, often under close review from electors and other stakeholders. Whole of Government Accounts show that local government spending on goods and services outweighs spending by any one other individual UK government sector.

Given the current focus on net zero, local growth, and efficiency, the opportunity for local authority procurement to make a difference to the wider government agenda has perhaps never been higher. The importance of maintaining good practice has also perhaps never been higher. Local authority members and officers, for the most part, already work well with the commercial partners they appoint. However, with so much public money at stake, there is always scope for continuous improvement and for learning from examples of procurements that did not work entirely as intended.

Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation 17	To support continuous improvement the Council should review and update action plans to ensure that targets remain appropriate, especially in areas where performance needs to improve.
Audit year	2021/22 and 2022/23.
Why/impact	Ensuring that targets and actions plans are up to date and remain relevant is a crucial part in supporting performance improvement where required.
Auditor judgement	The Council is committed to continuous service improvement, but needs to ensure that it is measuring the right things.
Summary findings	The Council has appropriate arrangements in place to learn from others, including through benchmarking. Ensuring that targets in service areas remain relevant will ensure performance is monitored appropriately.
Management Comments	We continue to ensure that our targets are SMART and comparable with others. This process continues including targets in departmental Business Plans.



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.
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 70	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?
71	4 The Council should ensure members fully understand their obligations with regard to Conflicts of Interest. This should include mandatory training.	Improvement – Governance	August 2023	Members Declarations of Interest are on their individual Council website page. From review of a selection of these we can see that they are made. We can also see from our review of Full Council minutes that declarations are made against specific items. However, we understand there are examples of where declarations have not been made appropriately despite training being provided and advice offered. Our recommendation is therefore carried forward. See page 34.	No.	Yes.
	5 The Council needs to address this issue of lack of member engagement in training courses. Essential training needs to be made mandatory with non-attendance treated as misconduct.	Improvement – Governance	August 2023	The 2023 Member Induction Programme is a comprehensive suite of training covering all key areas, including meeting key officers, Code of Conduct, IT, Cyber security, Equality & Diversity, Effective Scrutiny, Licensing, Planning, Safeguarding and finance. Although training has not been made "Mandatory" it is clear which training Members are expected to attend and a comprehensive programme has been established. Officers keep a record of attendance and are satisfied that "Any Member sitting on the regulatory committees attended the mandatory training. Our recommendation has been addressed. However, we would encourage Members to attend "optional" training which is designed to support them in undertaking their role as effectively as possible. See page 32.	Yes.	No.
	6 The Council should review its Record Retention Policy and ensure that it reflects the need to retain key evidence that may need to be accessed during the investigation of complaints.	Improvement – Governance	August 2023	As at December 2023, this has still to be concluded. Our recommendation is therefore carried forward. See page 34.	No.	Yes.
	7 The Council should review its procedures for how it deals with concerns about the mental capacity of members.	Improvement – Governance	August 2023	The Council response to this recommendation confirmed that support is provided by the Council's Democratic Services team and that the particular matter was referred to the Independent Person who decided no further action was necessary. Now that meetings are again "in person" the particular circumstance giving rise to our recommendation is unlikely to recur. Our recommendation is therefore closed. See page 34.	Yes.	No.

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
72	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.
73	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.

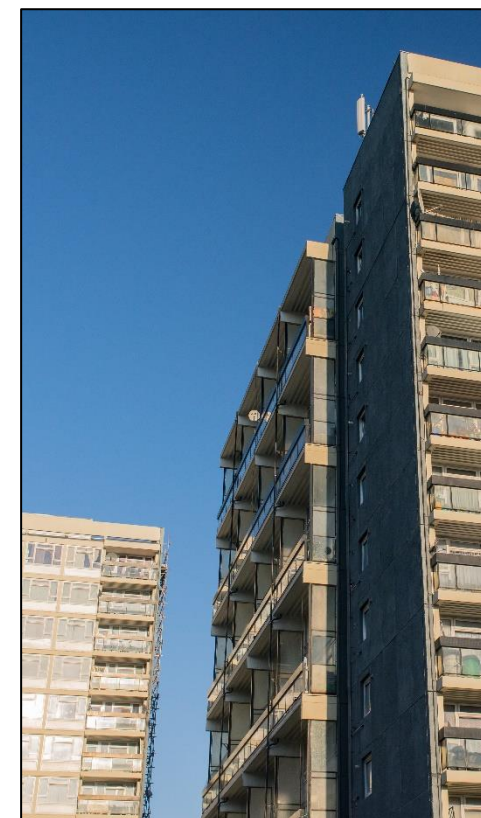
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

7.1 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	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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Teignbridge District Council
Audit Scrutiny
9 October 2024
Part 1

ANNUAL GOVERNANCE STATEMENT UPDATES 2021-2022 and 2022-2023

Purpose of Report

To approve Addendums to the Annual Governance Statements for the years 2021-2022 and 2022-2023 and to recommend these to Council for approval.

Recommendation(s)

The Audit Scrutiny Committee RECOMMENDS to Council that the Annual Governance Statement Addendums for 2021-2022 and 2022-2023 are approved.

Financial Implications

None.

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Legal Implications

The publication of an Annual Governance Statement is a statutory requirement.

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Head of Legal Services and Monitoring Officer
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Risk Assessment

Not applicable.

Environmental/ Climate Change Implications

The Annual Governance Statements include an overview of the Council's actions in relation to these issues, provided by the Council's Climate Change Officer.

Report Author

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Executive Member

Councillor Richard Keeling – Executive Member for Resources

1. PURPOSE

- 1.1 To review Addendums to the 2021-2022 and 2022-2023 Annual Governance Statements and recommend these to full Council for approval.

2. BACKGROUND

- 2.1 The preparation and publication of an Annual Governance Statement (AGS) is a mandatory requirement for local government. It describes the processes and procedures in place to enable the Council to carry out its functions, together with an opinion on the effectiveness of those arrangements. It must be published with the Council's Financial Statements.
- 2.2 The Chartered Institute of Public Finance Accountants (CIPFA) and Society of Local Authority Chief Executives (SOLACE) produce guidance which is regarded as the proper practice for production of an AGS. This states that the AGS should reflect the governance arrangements in place during the year to which it applies, but also be current at the date it is published.
- 2.3 As members will be aware, many authorities including Teignbridge have unaudited financial statements from previous years due to delays nationally completing external audits. In order to clear the backlog and effect a reset, the government recently introduced "backstop" legislation. As a result of this, a "Disclaimer Opinion" will be issued by external audit for Teignbridge's 2021-2022 and 2022-2023 financial statements which recognises that it has not been possible to carry out these audits. Following the disclaimer, the financial statements can be published. This is explained further in the other reports on today's agenda.
- 2.4 Due to this unprecedented situation, technically the AGS's for 2021-2022 and 2022-2023 are not yet finalised due to the need for them to be current at the date they are published.
- 2.5 The AGS's were originally reviewed and approved by the Audit Scrutiny Committee as below, and can be seen by following these links:
- 2021-2022: [30 August 2022](#)
 - 2022-2023: [29 August 2023](#)

- 2.6 In order to bring them up to date, it is proposed to add the following Addendums to each:

AGS ADDENDUM 2021-2022

The 2021-2022 draft Annual Governance Statement (AGS) was reviewed by the Audit Scrutiny Committee on 30th August 2022 and approved as part of the 2021-2022 Financial Statements.

The AGS should follow best practice guidance contained in the “Delivering Good Governance in Local Government Framework” (CIPFA/Solace) . The guidance states that the AGS should be kept up to date at the time of publication. During normal operations, this would mean the period between the end of the financial year, and the publication of the audit financial statements just a few months later. However, financial statements can only be formally published on conclusion of an external audit and there have been delays nationally with the completion of these, culminating in the government introducing “backstop” legislation to clear the backlogs of outstanding audits across the country. As a result of this, the Council received a “disclaimer opinion” from it’s external auditor in September 2024, hence it is only now able to publish the 2021-2022 financial statements.

In deciding whether any changes are required to the 2021-2022 AGS since the year end (March 2022) and September 2024, we have considered whether any significant governance issues have occurred that are pertinent to this prior year.

We have concluded that there are no additional matters to be reported, however it should be noted that work is ongoing to address recommendations made by the Centre for Governance and Scrutiny, and a Peer Review undertaken in January 2024, in respect of strengthening member and officer relationships to achieve effective decision making. For full details of these please refer to the 2023-2024 Annual Governance Statement.

AGS ADDENDUM 2022-2023

The 2022-2023 draft Annual Governance Statement (AGS) was reviewed by the Audit Scrutiny Committee on 29th August 2023 and approved as part of the 2022-2023 Financial Statements.

The AGS should follow best practice guidance contained in the “Delivering Good Governance in Local Government Framework” (CIPFA/Solace) . The guidance states that the AGS should be kept up to date at the time of publication. During normal operations, this would mean the period between the end of the financial year, and the publication of the audit financial statements just a few months later. However, financial statements can only be formally published on conclusion of an external audit and there have been

delays nationally with the completion of these, culminating in the government introducing “backstop” legislation to clear the backlogs of outstanding audits across the country. As a result of this, the Council received a “disclaimer opinion” from its external auditor in September 2024, hence it is only now able to publish the 2022-2023 financial statements.

In deciding whether any changes are required to the 2022-2023 AGS since the year end (March 2023) and September 2024, we have considered whether any significant governance issues have occurred and also whether they are pertinent to this prior year.

We have concluded that there are no additional matters to be included, however it should be noted that work is ongoing to address recommendations made by the Centre for Governance and Scrutiny, and a Peer Review undertaken in January 2024 in respect of strengthening member and officer relationships to achieve effective decision making. For full details please refer to the [2023-2024 Annual Governance Statement](#).

- 2.7 The Audit Scrutiny Committee’s role is to consider whether the AGS fairly reflects the arrangements within the Council.

3. CONCLUSION

- 3.1 The AGS must outline the arrangements in place for the year it applies to, but also remain current up until the date it is published. The Addendums outlined above follow CIPFA’s recommended approach in these unique circumstances. Members are asked to review these, and if content with this approach, to recommend the Addendums to Council for approval.

4. MAIN IMPLICATIONS

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

4.1 Legal

The Council is meeting its statutory obligation to publish an Annual Governance Statement (Accounts and Audit Regulations 2015), and following best practice in addressing the backlog issued by CIPFA.

4.2 Resources

There are no direct financial implications.

5. GROUPS CONSULTED

Strategic Leadership Team and Executive Member for Resources have been consulted.

6. ENVIRONMENTAL/CLIMATE CHANGE IMPACT

None. However, the Annual Governance Statement includes information on the actions the Council has taken during the reporting period in relation to this area.

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

Not applicable.

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Teignbridge District Council

Audit Scrutiny

9 October 2024

Part i

2021/22 AND 22/23 FINAL ACCOUNTS

Purpose of Report

To bring an update on the statement of accounts for 2021/22 and 2022/23 for Members to review and recommend to Council for approval.

Recommendation(s)

The Audit Scrutiny Committee recommend the final statement of accounts 2021/22 and 2022/23, updated Annual Governance Statements for 2021/22 and 2022/23 and letters of representation for 2021/22 and 2022/23 for approval to Council.

Financial Implications

The financial implications are contained throughout the report. The main implication is that the accounts have now been closed but not audited. General reserves are as previously reported in August 2022 and August 2023 being above the budgeted level anticipated at 31 March 2022 - £2.106 million and at 31 March 2023 - £2.317 million. See section 3.

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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.

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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.

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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
Letter of Representation 2021/22 and 2022/23

1. PURPOSE

To bring an update on the statement of accounts 2021/22 and 2022/23 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 however the Covid 19 pandemic had triggered amendments to this deadline by extending this to the end of July. Ordinarily the accounts have to be brought for full council approval after external audit and by 31 July however again this had been amended to the end of September 2021 for the financial year 2020/21. The dates for production of the draft accounts for 2022/23 were moved back to 31 May however this proved impractical for most due to the complexities of producing a set of draft accounts and so the deadline has now moved to 30 June for 2024/25.

- 2.2** At the Audit Scrutiny meetings of 30 August 2022 and 29 August 2023 the committee was introduced to the draft accounts and the results for the year 2021/22 and 2022/23 including those for treasury management. The draft accounts were published at the end of July 2022 and end of June 2023 for the respective years accounts.
- 2.2** The statement of accounts and financial records have not been audited for these two financial years by our external auditors Grant Thornton due to resourcing issues so remain unaltered from the draft accounts produced with a slight refinement to the Annual Governance Statement included in the accounts to reflect the current position for both of those years via the insertion of an Addendum. The accounts have to be signed off by Full Council due to the 'back stop' dates introduced for outstanding audits – being 13 December 2024 for years 2021/22 and 2022/23.
- 2.3** After approval by Full Council 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

There have been no changes to these areas of work and assumptions since the accounts for each of these years were produced.

3 FINAL STATEMENT OF ACCOUNTS 2021/22 AND 2022/23

- 3.1** The statement of accounts are now finalised, have not been audited and there are no further changes for 2021/22 or 2022/23 from those reported in 2022 and 2023. The closing general reserves at 31 March 2022 of £2.106 million are an improvement on the original budget of £46,000. The closing general reserves at 31 March 2023 of £2.317 million are an improvement on the original budget of £211,000.
- 3.2** The draft balance sheet for 2021/22 shows a net worth of £29.9 million at 31 March 2022 compared to a net worth of £14.6 million at 31 March 2021. This is due mainly to a reduction in the pension fund deficit, increase in short term investments and cash and cash equivalents. The draft balance sheet for

2022/23 shows a net worth of £110.4 million at 31 March 2023 compared to a net worth of £29.9 million at 31 March 2022. This is due mainly to a significant decrease in the pension fund deficit.

- 3.3** The regulations require the formal approval of the accounts and this will be signified by the Chair 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 29 October 2024.

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 for 2021/22 and 2022/23. 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 £1,198,000 or 38% has been made against a year end balance of £3,189,000 for sundry debts including rents for 2021/22. For 2022/23 a provision of £1,056,000 or 35% has been made against a year end balance of £3,015,000. The majority of the debt in both years 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 £69,000 or 0.6% of debt raised in year for 2021/22 and £86,000 or 0.6% of debt raised in year for 2022/23.
- The council tax gross debt at the end of 2021/22 was £5,366,000 (2020/21 £4,665,000) and write offs in the year were £132,000 (2020/21 £125,000). The write offs have remained low for each of the last five years at less than 0.3% of the debit raised. The council tax gross debt at the end of 2022/23 was £6,201,000 and write offs in that year were £109,000. The debit raised in the year 2021/22 was £128 million and in 2022/23 £133 million. The bad debt provision for 2021/22 has been increased to £1,381,000 being 26% of the balance and for 2022/23 stands at £1,624,000 a further increase of £243,000.
- For national non domestic rates the gross balance at the 2021/22 year end was £627,000 (2020/21 £814,000) and £581,000 at 31 March 2023. Write offs were £43,000 in 2021/22 (2020/21 £16,000) and £33,000 for 2022/23. The value of the bad debt and appeals provision amounts to £1.695 million at 31 March 2022 and £1.685 million at 31 March 2023 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 2021/22 was £40.8 million and for 2022/23 £40.4 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 Reports (AGR) which have already been published.

3.7 Audit work to finalise the accounts

There has been no audit of the 2021/22 or 2022/23 statement of accounts and ultimately a lack of auditing resources nationally to be able to complete outstanding and future audits has contributed to the significant delays. 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 2021/22 and 2022/23 need to be signed off to comply with the backstop dates for these accounting years of 13 December 2024. The appropriate audit opinion is included in the accounts together with a slightly updated Annual Governance Statement for approval as an appendix to this report for each of the years 2021/22 and 2022/23 via the insertion of an Addendum.

3.8 Annual Governance Statement updates 2021/22 and 2022/23

The Annual Governance Statements for each year have been reviewed to reflect governance related events, particularly around member – officer relations which have evolved since original publication of the draft AGS statements. 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 and subsequent Peer review.

3.9 Letter of Representation – 2021/22 and 2022/23

Our external auditor requires assurances from us on various financial matters including statutory and contractual requirements, reasonableness of estimates and provisions, responsibility for internal controls, various disclosures and information provided. These are detailed in the attached letters for 2021/22 and 2022/23 which needs recommendation for approval at full Council.

3.10 Final Auditors Annual Report 2021/22 and 2022/23

Grant Thornton have submitted their final version of this report which is unchanged from the 'interim' version previously circulated to Members other than to alter the title of the document to 'final' so no further action required.

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 2021/22 and 2022/23 need to be produced and should be 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 2022 and 31 March 2023.

The auditors 'disclaimer' opinion is now included within the statement of accounts.

6. GROUPS CONSULTED

The draft accounts are advertised as available for inspection and are available on the website. 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 16 October 2024

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TEIGNBRIDGE DISTRICT COUNCIL

STATEMENT OF ACCOUNTS

2021/22

STATEMENT OF ACCOUNTS 2021/2022

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Part 1

Introduction

STATEMENT OF ACCOUNTS 2021/2022

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 2022. 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 2021/22 are set out on pages 24-119. They consist of:

THE CORE FINANCIAL STATEMENTS:

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)	This statement on page 31 shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations, but this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
MOVEMENT IN RESERVES STATEMENT (MIRS)	This statement on page 32 shows the movement in the year on the different reserves held by the authority analysed into 'usable reserves' which can be used to fund expenditure or reduce local taxation and those that are unusable.
BALANCE SHEET	This shows on page 33 the assets and liabilities recognised by the Authority on 31 March 2022.
CASH FLOW STATEMENT	This shows on page 34 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 35-113. 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.

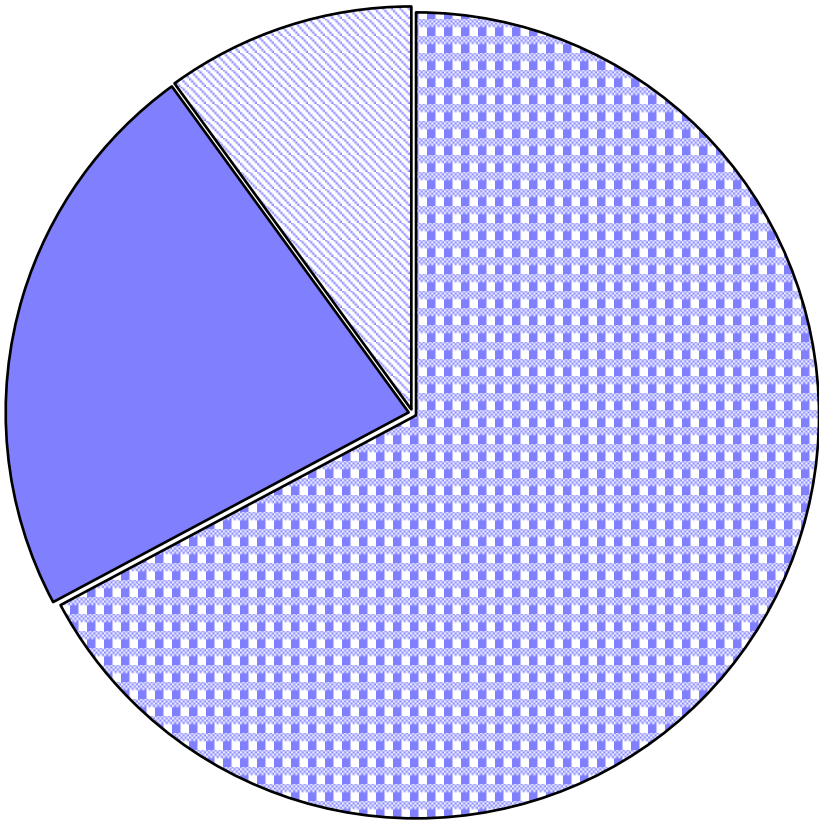
SUPPLEMENTARY FINANCIAL STATEMENTS (Pages 114-115)

COLLECTION FUND

A statutory fund showing administration of council tax and income from business ratepayers on page 114.

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.

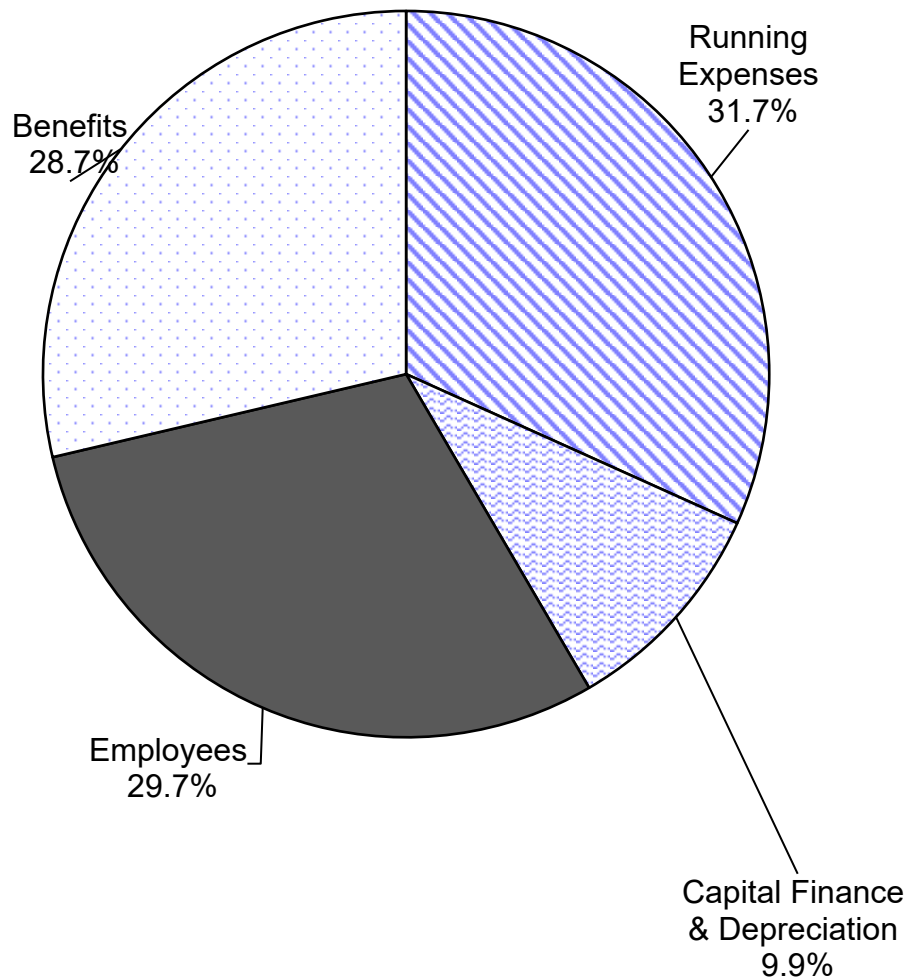
WHERE THE MONEY COMES FROM



The largest single item is Government Grants, for example rent allowances and revenue support grant, and other contributions which provide 67.2% of the total.

Income received from the services provided through fees, charges and other income including interest account for 22.8% of the total.

WHAT THE MONEY IS SPENT ON



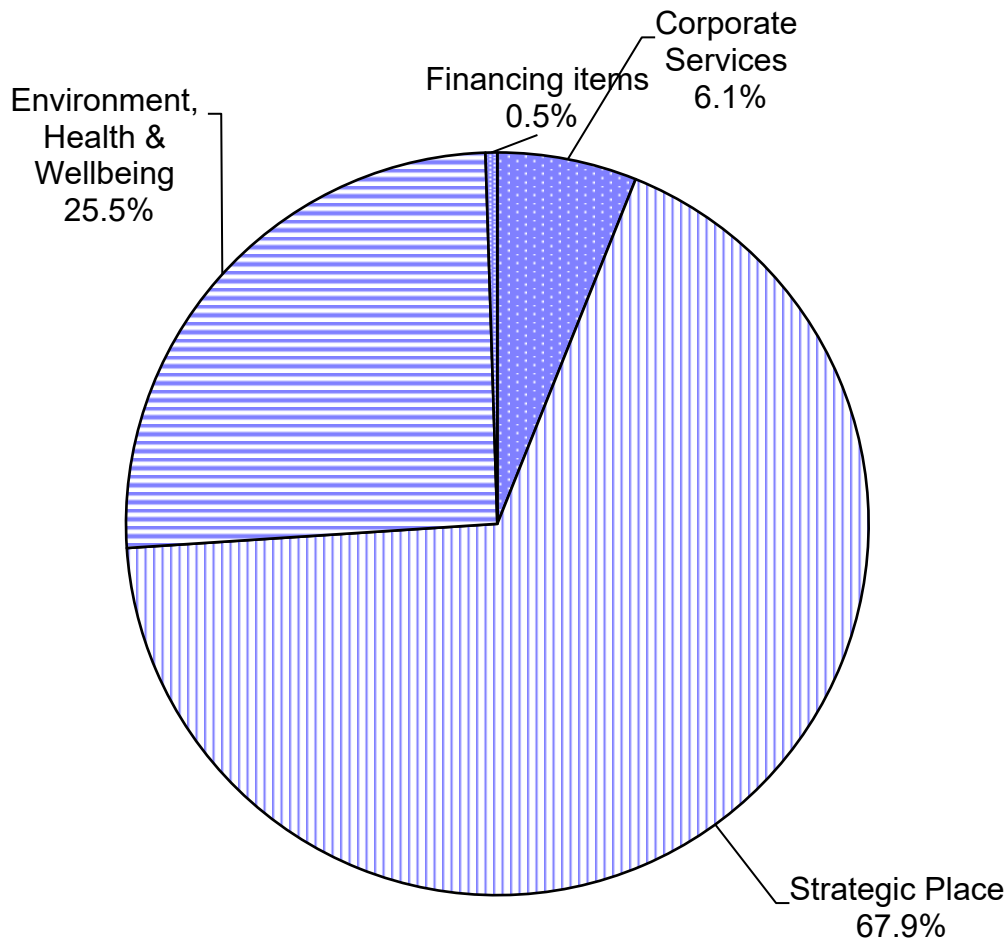
Benefits cover rent allowances and housing rent rebates and amount to 28.7%

Running expenses includes maintenance of buildings, operating vehicles and purchase of supplies and services and takes up 31.7% of the total expenditure.

Employees account for 29.7% of the total.

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

THE SERVICES PROVIDED



67.9% 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 32 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 £42.475 million to £43.848 million. This is mainly due to the increase in capital grants unapplied in the year and increase in earmarked reserves to assist funding of future revenue budget gaps (see the Movement in Reserves Statement).

Our unusable reserve position has improved. The reserves showed a negative £27.908 million at 31 March 2021 due to the deficit on the pension reserve. This deficit has decreased to a negative £13.928 million at 31 March 2022. This is mainly due to a decrease in the pension reserve deficit due to changes in financial assumptions shown in note 40 and a reduction in the deficit on the Collection Fund. Revenue reserves are £25.662 million at 31 March 2022 and capital receipts and grants unapplied are £18.186 million.

REVENUE EXPENDITURE

4. During the year regular budget monitoring has been carried out and reported to members. Overall net expenditure in 2021/22 was £13.102 million compared to the original approved budget of £15.295 million – a favourable variance of £2.193 million.

Income has started to increase again since the Covid 19 pandemic and the ending of lockdowns – in particular increases in fees and charges and sales with waste recycling sales showing a significant increase, property rental income has declined compared to budget. The Council continues to explore savings where possible. As a result there were savings in staffing costs, training, water, repairs and maintenance and advertising. Some costs have risen including energy and fuel. There was a decrease in income from government grants due to adjustments to business rates income to reflect adjustments to the Collection Fund balance deficit in previous years reducing the overall favourable variance to £0.654 million.

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

	Budget	Actual	Difference
	£'000	£'000	£'000
Net expenditure on services	15,245	13,102	(2,143)
Interest payable	50	0	(50)
NET EXPENDITURE	15,295	13,102	(2,193)
Income from Government Grants & Local Taxpayers	(15,295)	(13,756)	1,539
DEFICIT (SURPLUS) FOR THE YEAR	0	(654)	(654)

Actual net expenditure of £13.102 million can be reconciled to the Comprehensive Income and Expenditure Statement on page 31 being:-

	£'000
Deficit on Provision of Services	3,893
Adjustments between accounting basis & funding basis under regulations (note 9 on pages 57 to 61)	(4,547)
(Surplus) for the year	(654)
Add: Income from Government Grants and Local Taxpayers (as listed below)	13,756
Net expenditure (as above)	13,102

Income from Government Grants and Local Taxpayers of £13.576 million can be reconciled to the Comprehensive Income and Expenditure Statement on page 31 as the sum of the Council tax income excluding surplus of £12.578 million, Business Rates income less expenditure, excluding surplus, plus new homes bonus, other sundry general grants and Covid grants of £5.121 million, less precepts paid to Parish Councils of £3.943 million. These are highlighted in notes 11, 13 and 35 to the financial statements. The General Fund balance at 31 March 2022 is £25.662 million being general reserves of £2.106 million and earmarked reserves of £23.556 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. Revenue support grant is virtually zero and revisions to funding for New Homes Bonus are showing reductions in future years as Government intimates this will be eliminated.

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 2020/21 there were revaluation losses net of revaluation reversals relating to our land and building values charged to the Comprehensive Income & Expenditure Statement amounting to £0.35 million. Revenue expenditure funded from capital under statute was higher in 2021/22 at £6.9 million (£3.5 million in 2020/21) mainly due to a £1.25 million contribution to Houghton Barton link road, £1.5 million to the A382 road improvements and £1.3 million towards the Marsh Barton railway station. Of the £6.9 million, £6.8 million is charged to 'Strategic Place' within Cost of Services in 2021/22 and £3.4 million of the £3.5 million in 2020/21. In 2021/22 the revaluation losses net of revaluation reversals had increased to just under £5.2 million. £4.7 million was charged to 'Strategic Place' and £0.5 million to 'Environment, Health & Wellbeing' within Cost of Services. 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 charged to 'Financing items' in 'Cost of Services' within the Comprehensive Income & Expenditure Statement.

EXPENDITURE AND FUNDING ANALYSIS

Section 5 above identifies the actual deficit made of £3.893 million when compared to the original budget set in February 2021. 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 2020/21 and just over 60% for 2021/22 within Cost of Services.

CAPITAL EXPENDITURE

7. The table below shows the performance on Capital Investment for 2021/22.

The Council spent £15.575 million on capital projects compared with the original budget of £38.477 million.

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

	Budget	Actual	Difference
	£'000	£'000	£'000
Capital Investment:			
General	32,818	12,739	20,079
Housing	5,659	2,836	2,823
CAPITAL EXPENDITURE	38,477	15,575	22,902
Financed by:			
Capital Receipts	2,594	1,137	1,457
Revenue Contributions	0	393	(393)
Prudential Borrowing	17,919	1,264	16,655
Grants	14,466	8,141	6,325
Contributions	3,498	4,640	(1,142)
CAPITAL FINANCING	38,477	15,575	22,902

The analysis of Capital Investment in 2021/22 is:

Disrepair and Disabled Facilities Grants	£ 1.463 million
Affordable Housing	£ 1.374 million
Environmental Schemes	£ 2.433 million
Flood Alleviation and Prevention	£ 1.021 million
Sports Halls and Recreation	£ 1.118 million
Planning & Development	£ 0.489 million
Industrial, Commercial and Infrastructure	£ 4.302 million
Open spaces (including SANGS)	£ 3.247 million

Car Parks	£ 0.061 million
Other schemes	£ 0.067 million
	£ 15.575 million

The main projects were leisure site decarbonisation £1.410 million, Forde House decarbonisation and agile working £0.859 million, Regional Coastal Monitoring £1.021 million, disrepair and disabled facilities grants £1.463 million, affordable housing construction £0.960 million with a further £0.411 million spent on the purchase of affordable housing. Newton Abbot town centre regeneration accounted for £0.467 million, purchase, instatement and endowment arrangements for Dawlish and Ridgetop country parks £3.134 million, play area refurbishments £0.321 million, contribution to A382 improvements £1.500 million, forward funding Houghton Barton link road £1.250 million, contribution to Marsh Barton railway station £1.300 million, contribution to Teign Estuary Trail £0.100 million.

8. For 2022/23 the budgeted expenditure is as follows:

Sports Halls & Recreation	£ 0.631 million
Open Spaces	£ 1.168 million
Planning & Development	£ 7.271 million
Industrial, Commercial and Infrastructure	£ 4.119 million
Environmental Schemes	£ 3.593 million
Flood Alleviation & Prevention	£ 2.286 million
Disrepair, Disabled Facilities & Heating grants	£ 2.395 million
Affordable Housing	£ 4.536 million
Information Technology & Central Services	£ 0.578 million
	£26.577 million

Some of the specific schemes included in these totals are £1.690 million for the Forde House decarbonisation project. There is £3.479 million towards road improvements such as the Dawlish link road and bridge, the A382 and the Jetty Marsh link road. £1.998 million is budgeted for Regional Coastal Monitoring, funded by Environment Agency grant and £0.685 million for SANGS land purchase, instatement and endowment arrangements, funded from the Housing Infrastructure Fund. There is £0.670 million for Warm homes and Green homes grants, £1.274 million for Disabled Facilities grants, £7.021 million for town centre development including the Future High Street fund projects and £0.591 million for play area refurbishment. £0.250 million goes towards a contribution to superfast broadband, with £0.572 million towards modernising IT systems. In addition, there are provisions of £4.936 million for the construction and enabling of additional affordable housing, £0.370 million for cycle schemes, £1.378 million in relation to future funding rounds of the Public Sector

Decarbonisation Scheme and other carbon action plan items 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 2021/22 can be analysed as follows:

	Capital resources brought forward	£23.763 million
Add:	Received in year	£15.072 million
Less:	Capital financing applied to expenditure	£13.435 million
	Loan/other	£ 0 million
	Capital resources carried forward	£25.400 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 2022 of £98.867 million. The requirement to recognise the net pension liability in the balance sheet has reduced the reported net worth of the authority by 76.8% for 2021/22 and 88.1% for 2020/21 as shown on page 33.

The net deficit has decreased which is mainly due to a favourable movement on the actuarial financial assumptions. The deficit is derived by calculating the pension assets and liabilities at 31 March 2022. 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 100 -106 for further information.

CASH FLOW

During the year the cash flow of the Authority increased by £11.0 million. This was mainly due to an increase in grant receipts in advance, capital grants unapplied and a reduction in debtors at 31 March 2022.

BALANCE SHEET

During the year net assets at 31 March 2022 increased by £15.353 million. This was mainly due to a decrease in the pension liability and increases in capital grants unapplied and earmarked reserves. Also see pages 32 and 33 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 2021/22 our share of adjustments to the Comprehensive Income and Expenditure Statement amounted to £0.026 million. The cumulative effect on our balance sheet is to reduce net assets by £3.997 million.

CHANGE IN ACCOUNTING POLICIES

12. There have been no changes in accounting policies in 2021/22.

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 increasing from 96.77% to 98.99% for rates and decreasing from 98.13% to 97.92% 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 but many income streams are now showing significant recovery.

It is still unclear what the long term outcome from the Covid 19 pandemic will be on businesses as we continue to recover from the impacts and viability of the economy for businesses and the finances of the Council moving forward as inflationary and recessionary pressures are increasing.

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's Plan, Annual Report and 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 121 to 128. 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 various assurance sources including the work of internal and external audit.

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 2022 and includes all PIs and reviews of the projects that have started.

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

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

Within the report are details of key performance achievements including:

- Number of empty properties impacting on New Homes Bonus, 305, was ahead of target for the 4th consecutive year.
- 273 dwellings were improved through intervention by the Council
- We provided 49 additional gypsy and traveller pitches, according to identified need in Plan Teignbridge
- Homelessness preventions was well ahead of target on helping clients remain in existing homes (180, target 160)
- Household waste that is not recycled is within 3.23% of target
- The recycling rate is at 55.60%

- 100% of beaches rated as excellent or good water quality (target 100)
- 3,083 sqm of employment space has been completed
- 1 km of new cycle routes were provided by working with our partners

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

'Teignbridge Ten' programme heading and performance description	Target 2021/22	Actual 2021/22
Clean scene		
Street cleaning & litter responsibilities. £'s per household	£24.00	£23.33
Household waste collected: £'s per household	£67.66	£50.68
% Beaches rated as excellent or good water quality	100%	100%
Great places to live and work		
Number of conservation areas with appraisal and management plan adopted within the last 5 years	14	3
Going to town		
% of businesses with the top food hygiene rating of 5	89%	92%
Investing in prosperity		
Processing of major planning applications within 13 weeks	60%	85%
Processing of minor planning applications within 8 weeks	65%	75%
Out and about and active		
Number of young people under 18 participating in activities we organise	No data due to COVID-19	No data due to COVID-19
Number of older people over 60 participating in events we organise	No data due to COVID-19	No data due to COVID-19
A roof over our heads		
Number of households whose housing conditions have been improved through financial assistance	400	273
Net additional homes provided	753	513
Affordable homes delivered in urban areas as defined by the Local Plan	128	122
Homelessness prevented by client remaining in existing home	160	180
Homelessness prevented by assisting with alternative accommodation	267	205
What else will we do		
£ Income generated	£42,775,340	£49,247,784
£ External funding received	£1,732,220	£9,416,057
£ Cost per head of population on all services	£140.12	£113.68

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 Better 2022 process. 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 virtually 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 possibly 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 has probably had some implications for public services however these have 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. Income to the Council had reduced dramatically but is now seeing significant increases again, see also note 6 to the financial statements together with collection rates for Council tax, business rates and rental income. The budget for 2022/23 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 created budgetary financial pressures in the medium term financial plan which are being addressed.

We will continue to focus on our working methods, organisational structure 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 no longer available 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 not been audited and the Auditors' disclaimer opinion is on pages 27 to 30. The accounts are available on request in large print, Braille, different colour, e-mail attachment, MP3 file or disc. If English is not your first language we can also arrange for it to be produced in another language.

Martin Flitcroft – Chief Finance Officer

Part 2

Financial Statements

STATEMENT OF ACCOUNTS 2021/22**INDEX**

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THE STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required to:-

- ◆ make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Chief Finance Officer;
- ◆ manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- ◆ approve the Statement of Accounts.

The Chief Finance Officer's Responsibilities

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

In preparing this Statement of Accounts, the Chief Finance Officer has:-

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

The Chief Finance Officer has also:

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

The Chief Finance Officer has signed below to certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority at 31 March 2022 and its income and expenditure for the year ended 31 March 2022.

.....

MARTIN FLITCROFT – CHIEF FINANCE OFFICER

I confirm that these accounts were approved by the Council on 29 October 2024

.....

COUNCILLOR ROSIE DAWSON - CHAIR OF THE COUNCIL

29 October 2024

AUDIT OPINION AND CONCLUSION

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

Disclaimer of opinion

We were engaged to audit the financial statements of Teignbridge District Council (the 'Authority') for the year ended 31 March 2022, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and Notes to the Financial Statements and Notes to the Collection Fund, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22.

We do not express an opinion on the accompanying financial statements of the Authority. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2022 by 13 December 2024 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements. We have not been able to obtain sufficient appropriate audit evidence by the backstop date to conclude that the Authority's financial statements for the year ended 31 March 2022 as a whole are free from material misstatement. We were also unable to obtain sufficient appropriate evidence for the corresponding figures for the same reason. We have therefore issued a disclaimer of opinion on the financial statements. This enables the Authority to comply with the requirement in the Regulations that they publish audited financial statements for the year ended 31 March 2022 by the backstop date. We have concluded that the possible effects on the financial statements of undetected misstatements arising from this matter could be both material and pervasive.

In addition, in our auditor's report for the year ended 31 March 2021, we reported that we were unable to confirm the accuracy of the valuation calculations for property, plant and equipment or obtain sufficient appropriate audit evidence to conclude whether the basis of the valuations were reasonable. We were also unable to obtain sufficient assurance that the value of car parks were not materially overstated. In addition, we identified significant weaknesses in financial accounting and record keeping at the Authority associated with its property, plant and equipment balances. The Authority did not maintain adequate records to sufficiently support material balances within the financial statements. Due to the significance of these matters, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements. These matters have not been resolved in the current year and therefore their impact could be both material and pervasive to the current year financial statements.

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

Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

Opinion on other matters required by the Code of Audit Practice

The Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Authority's financial statements and our auditor's report thereon. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and

effectiveness in its use of resources, whether the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

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

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

As explained in the Statement of Responsibilities for the Statement of Accounts set out on page 26, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Finance Officer. The Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Authority's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on those financial statements.

We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that

material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The audit was defective in its ability to detect irregularities, including fraud, on the basis that we were unable to obtain sufficient appropriate audit evidence due to the matter described in the basis for disclaimer of opinion section of our report.

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

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

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in respect of the above matter except on 29 August 2023 we identified significant weaknesses in the Authority’s arrangements for governance. This was in relation to the following:

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

As part of our work on the Authority’s arrangements for governance for the year ended 31 March 2022, we have reviewed the Authority’s progress implementing these recommendations. Insufficient progress had been made by the Authority in addressing any of the significant weaknesses identified, therefore the significant weaknesses in arrangements remain in place.

Responsibilities of the Authority

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

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

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

Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in October 2024. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

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

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

Report on other legal and regulatory requirements – Audit certificate

We certify that we have completed the audit of Teignbridge District Council for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

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

Peter Barber, Key Audit Partner

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

XX XXXX 2024

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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.

2020/21				2021/22			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	
£'000	£'000	£'000		£'000	£'000	£'000	
3,805	(269)	3,536	Corporate Services	4,706	(573)	4,133	
49,309	(44,111)	5,198	Strategic Place**	52,574	(41,320)	11,254	
14,569	(5,847)	8,722	Environment, Health & Wellbeing	19,801	(8,008)	11,793	
3,893	(154)	3,739	Financing items*	395	(291)	104	
71,576	(50,381)	21,195	Cost of Services	77,476	(50,192)	27,284	
4,185	(1,163)	3,022	Other Operating Expenditure (Note 11)	8,723	(961)	7,762	
1,918	(17)	1,901	Financing and Investment (Income) and Expenditure (Note 12)	2,141	(34)	2,107	
10,568	(45,672)	(35,104)	Taxation and Non-Specific Grant (Income) and Expenditure (Note 13) ***	10,478	(43,738)	(33,260)	
		(8,986)	(Surplus) or Deficit on Provision of Services			3,893	
		(9,434)	(Surplus) or Deficit on revaluation of Property, Plant & Equipment assets			(3,723)	
		21,253	Re-measurements of the net defined benefit liability			(15,523)	
		11,819	Other Comprehensive (Income) and Expenditure			(19,246)	
		2,833	Total Comprehensive (Income) and Expenditure			(15,353)	

**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 – £2.5 million was paid in 2021/22 for business grants - see note 5(b) to the financial statements.

*** In 2020/21 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. In 2021/22 includes £0.6 million general Covid grants were received, £0.8 million for fees and charges compensation and £3.4 million retail relief grant for business rates (see note 13).

MOVEMENT IN RESERVES STATEMENT

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

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

	Unearmarked Reserves	Earmarked Reserves	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2020	1,987	9,124	11,111	5,842	4,972	21,925	(4,525)	17,400
<u>Movements in reserves during 2020/21</u>								
Total Comprehensive Income and Expenditure	8,986	0	8,986	0	0	8,986	(11,819)	(2,833)
Adjustments between accounting basis & funding basis under regulations (Note 9)	4,911	0	4,911	585	6,068	11,564	(11,564)	0
Increase/(Decrease) in 2020/21 before transfer to earmarked reserves	13,897	0	13,897	585	6,068	20,550	(23,383)	(2,833)
Transfer to/from Earmarked Reserves	(13,824)	13,824	0	0	0	0	0	0
Increase/(decrease) in 2020/21	73	13,824	13,897	585	6,068	20,550	(23,383)	(2,833)
Balance at 31 March 2021 carried forward	2,060	22,948	25,008	6,427	11,040	42,475	(27,908)	14,567
<u>Movement in reserves during 2021/22</u>								
Total Comprehensive Income and expenditure	(3,893)	0	(3,893)	0	0	(3,893)	19,246	15,353
Adjustments between accounting basis & funding basis under regulations (Note 9)	4,547	0	4,547	(756)	1,475	5,266	(5,266)	0
Increase/(Decrease) in 2021/22 before transfer to earmarked reserves	654	0	654	(756)	1,475	1,373	13,980	15,353
Transfer to/from Earmarked Reserves	(608)	608	0	0	0	0	0	0
Increase/(decrease) in 2021/22	46	608	654	(756)	1,475	1,373	13,980	15,353
Balance at 31 March 2022 carried forward	2,106	23,556	25,662	5,671	12,515	43,848	(13,928)	29,920

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'

31 March 2021	Notes	31 March 2022
£'000		£'000
109,583 Property, Plant & Equipment	14	106,730
102 Investment Property	15	94
404 Intangible Assets	16	341
0 Assets Held for Sale	23	0
0 Long Term Investments	17	0
5,082 Long Term Debtors	18	4,926
115,171 Long Term Assets		112,091
0 Short Term Investments	19	6,000
0 Assets Held for Sale	23	0
183 Inventories		208
27,550 Short Term Debtors	20	24,193
21,132 Cash and Cash Equivalents	22	32,103
48,865 Current Assets		62,504
0 Bank Overdraft	22	0
0 Short Term Borrowing		0
(17,324) Short Term Creditors	24	(15,264)
(588) Provisions	25	(510)
(10,885) Grants Receipts in Advance-Revenue	35	(14,506)
(6,218) Grants Receipts in Advance-Capital	35	(7,136)
(35,015) Current Liabilities		(37,416)
0 Provisions	25	0
(109,239) Other Long Term Liabilities	43	(102,027)
(5,137) Grants Receipts in Advance – Revenue	35	(5,154)
(78) Grants Receipts in Advance - Capital	35	(78)
(114,454) Long Term Liabilities		(107,259)
14,567 Net Assets		29,920
42,475 Usable Reserves	26	43,848
(27,908) Unusable Reserves	27	(13,928)
14,567 Total Reserves		29,920

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.

2020/21		2021/22
£'000		£'000
(8,986)	Net (surplus) or deficit on the provision of services	3,893
(25,093)	Adjustments to net surplus or deficit on the provision of services for non cash movements (Note 28(a))	(19,132)
9,454	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 28(b))	7,991
<u>(24,625)</u>	Net cash flows from Operating Activities	<u>(7,248)</u>
(1,257)	Investing Activities (Note 29)	5,228
<u>12,920</u>	Financing Activities (Note 30)	<u>(8,951)</u>
(12,962)	Net (increase) or decrease in cash and cash equivalents	(10,971)
8,170	Cash and cash equivalents at the beginning of the reporting period	21,132
<u>21,132</u>	Cash and cash equivalents at the end of the reporting period (Note 22)	<u>32,103</u>

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

a. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022. 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 2021/22, the Local Authorities (Capital Finance and Accounting)(England) Regulations 2003 (SI 2003 No 3146, as amended) supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The Statement of Accounts has been prepared using the going concern basis.

b. Accruals of Income and Expenditure

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

- The council recognises revenue from contracts with service recipients when it satisfies a performance obligation by transferring promised goods and services to a recipient, measured as the amount of the overall transaction price allocated to that obligation.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Revenue from council tax and business rates is measured at the full amount receivable (net of any impairment losses) and is accounted for on an accruals basis.

c. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than 95 days or less from the date of acquisition and that are readily convertible to known amounts of cash with

insignificant risk of change in value.

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

d. Material Items

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

e. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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

f. Charges to Revenue for Non-Current Assets

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

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

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

g. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and

paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate reporting segment (or Financing Items where they relate to pension enhancements) in the Comprehensive Income and Expenditure Statement to terminate at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring.

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

Post Employment Benefits

Employees of the Authority are members of the Local Government Pensions Scheme, administered by Devon County Council.

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

The Local Government Pension Scheme

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

- The liabilities of the Devon County Council pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the annualised yield on the Merrill Lynch AA rated corporate bond curve used by the actuary Barnet Waddington and with consideration of the duration of the liabilities of the Employer (Teignbridge District Council).
- The assets of the Devon County Council pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price

- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value.
- The change in the net pensions liability is analysed into the following components:
- Service cost comprising:
 - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
 - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Financing Items
 - net interest on the net defined benefit liability (asset), i.e. net interest expense for the Authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
 - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
 - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
 - contributions paid to the Devon County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

h. Events after the Reporting Period

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

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

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

i. Financial Instruments

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

Financial Liabilities

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

Financial Assets

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

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

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

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

Instruments Entered Into Before 1 April 2006

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

j. Government Grants and Contributions

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as a current or long term liability – 'grants receipts in advance'. If these are not obviously capital in nature then they are treated as revenue grants. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

k. Intangible Assets

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

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

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

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

l. Inventories

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

m. Investment Property

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

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

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

n. Leases

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

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

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

The Authority as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease.

The Authority as Lessor

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

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

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

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease.

o. Overheads/ Support Services/Central Costs

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

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

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

p. Property, Plant and Equipment

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

Recognition

Expenditure over £10,000 on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure

that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

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

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

Componentisation

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

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

Impairment

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

Where impairment losses are identified, they are accounted for by:

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

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

Depreciation

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

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

Depreciation is calculated on the following bases:

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

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

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

Disposals and Non-Current Assets Held for Sale

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

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

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

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

q. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

r. Reserves

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

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

s. Revenue Expenditure Funded from Capital under Statute

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

t. Value Added Tax (VAT)

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

u. Heritage Assets

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

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

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the

income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

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

Business Rates Retention

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

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

w. Joint Operations

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

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

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

x. Community Infrastructure Levy

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

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

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

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code) introduces changes in accounting policies that will have to be adopted fully by the authority in the 2022/23 financial statements i.e. from 1 April 2022.

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 2022/23 there are no standards issued not adopted that are expected to have a material impact on the 2022/23 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 2022/23. As IFRS 16 is effective on or after 1 April 2024, there will be no impact on 2021/22 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 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £0.052 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 £4.148 million. The assumptions interact in

	actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied. The value of pension assets is estimated based upon information available at the Balance Sheet date, but these valuations may be earlier than the Balance Sheet date. The actual valuations at the Balance Sheet date, which may not be available until sometime later, may give a different value of pension assets, but this difference is not considered to be material.	complex ways. During 2021/22, the Authority's actuaries advised that the net pensions liability had decreased by £9.267 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 £9.836 million.
Arrears	At 31 March 2022, the Authority had a balance of sundry debtors of £3.740 million. A review of significant balances suggested that an impairment of doubtful debts of 32.1% (£1.199 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.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £1.199 million to set aside as an allowance.

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

Arrears – It is not clear what the ongoing economic position will mean for collectability of debts and ability to pay. Increased inflation, cost of living and recessionary fears may exist for some time to come and the bad debt provisions 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 2020/21 there were revaluation losses net of reversals in relation to property, plant & equipment amounting to £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.

In 2021/22 the revaluation losses net of reversals has increased to just under £5.2 million. £4.7 million was charged to 'Strategic Place' and just under £0.5 million to 'Environment,

Health & Wellbeing' within Cost of Services'. The major revaluation adjustments relate to Market Walk shopping centre and car parking assets totalling £3.656 million.

Revenue expenditure funded from capital under statute was higher in 2021/22 at £6.9 million (£3.5 million in 2020/21) – mainly due to a £1.25 million contribution to Houghton Barton link road, £1.5 million to the A382 road improvements and £1.3 million towards the Marsh Barton railway station. Of the total £3.5 million, £3.4 million is charged to 'Strategic Place' within Cost of Services in 2020/21 and £6.8 million of the £6.9 million in 2021/22.

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

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

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. In 2021/22 these grants were also administered as agent (see note 46) with some received and paid as principal through the Comprehensive Income and Expenditure Statement. £2.8 million was received and £2.5 million paid in 'Strategic Place' in relation to business grants.

6. Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 29 October 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 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There are no events which took place after 31 March 2022 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.

2020/21				2021/22		
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
3,615	79	3,536	Corporate Services	3,588	(545)	4,133
1,718	(3,480)	5,198	Strategic Place	(658)	(11,912)	11,254
8,559	(163)	8,722	Environment, Health & Wellbeing	7,554	(4,239)	11,793
1,703	(2,036)	3,739	Financing Items	1,833	1,729	104
15,595	(5,600)	21,195	Net Cost of Services	12,317	(14,967)	27,284
(29,492)	689	(30,181)	Other Income and Expenditure	(12,971)	10,420	(23,391)
(13,897)	(4,911)	(8,986)	(Surplus)/Deficit	(654)	(4,547)	3,893
(11,111)			Opening General Fund Balance	(25,008)		
(13,897)			Less/Plus (Surplus) / Deficit on General Fund in year	(654)		
(25,008)			Closing General Fund Balance at 31 March	(25,662)		

7 a. Note to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis

				2021/22
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)	Total Adjustments
	£000	£000	£000	£000
Corporate Services	29	512	4	545
Strategic Place	10,091	1,825	(4)	11,912
Environment, Health & Wellbeing	1,848	2,385	6	4,239
Financing Items	0	(1,729)	0	(1,729)
Net Cost of Services	11,968	2,993	6	14,967
	148			

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)	Total Adjustments
Other income and expenditure from the Expenditure and Funding Analysis	(8,363)	2,290	(4,347)	(10,420)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	3,605	5,283	(4,341)	4,547

Adjustments between Funding and Accounting Basis

2020/21				
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)	Total Adjustments
	£000	£000	£000	£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 for Capital Purposes

- 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:

	2020/21	2021/22
Services	Income from Services	Income from Services
	£000	£000
Corporate Services	(157)	(202)
Strategic Place	(8,573)	(10,620)
Environment, Health & Wellbeing	(5,236)	(7,058)
Financing Items	(83)	(184)
Total income analysed on a segmental basis	(14,049)	(18,064)

The largest source of income for Strategic Place is car parking income at £4.041 million (2020/21 £2.682 million). Income from housing schemes including homelessness and rent allowance recoveries amounts to £0.845 million (2020/21 £0.818 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 £1.624 million (2020/21 £0.949 million) and recycling sales and credits at £3.379 million (2020/21 £2.687 million).

8. Expenditure and Income Analysed by Nature

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

Expenditure / Income	2020/21 £000	2021/22 £000
Expenditure		
Employee benefits expenses	21,269	23,629
Other services expenses*	48,248	47,941
Depreciation, amortisation, impairment	3,880	7,826
Interest payments	0	0
Precepts and levies	3,800	3,943
(Gain) or loss on the disposal of assets	(842)	3,752
Total expenditure	76,355	87,091
Income		
Fees, charges and other service income	(14,049)	(18,064)
Interest and investment income	(17)	(26)
Income from council tax, non-domestic rates (net)	(6,810)	(11,843)
Government grants and contributions**	(64,465)	(53,265)
Total income	(85,341)	(83,198)
(Surplus) or Deficit on the Provision of Services	(8,986)	3,893

*Includes £22.290 million rent allowances paid (£24.660 million in 2020/21) and charged to Strategic Place.

** Includes rent allowance subsidy of £22.367 million (£24.892 million in 2020/21) and charged to Strategic Place.

Rent allowances recovered are within fees, charges and other service income and also charged to Strategic Place (£0.206 million in 2021/22 and £0.031 million in 2020/21).

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 2021/22 and 2020/21 are as follows:

2021/22

	Usable reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:				
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Charges for depreciation and impairment of non current assets	2,379	0	0	(2,379)
Revaluation (gains) losses on Property, Plant and Equipment	5,557	0	0	(5,557)
Revaluation reversals on Property, Plant and Equipment	(386)	0	0	386
Movements in the market value of Investment Properties	8	0	0	(8)
Operating / finance lease income adjustment	0	0	0	0
Amortisation of intangible assets	129	0	0	(129)
Capital grants and contributions applied	(9,096)	0	0	9,096
Revenue expenditure funded from capital under statute (REFCUS)	6,936	0	0	(6,936)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	4,685	0	0	(4,685)
Income in relation to donated assets	0	0	0	0
Gain arising from donated assets	0	0	0	0
Amortisation of long term debtors	148	0	0	(148)
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	(231)	0	0	231
Financing of loan	0	0	0	0
Capital expenditure charged against the General Fund balance	(684)	0	0	684
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(4,889)	0	4,889	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	(3,414)	3,414

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	(10)	10	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(1,728)	0	1,728
Right to buy/shared ownership receipts	(911)	911	0	0
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	0	0	0	0
Loan repayment	(7)	29	0	(22)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	0	0	0	0
Renovation grants repaid	(22)	22	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	(0)	0	0	0

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)	9,155	0	0	(9,155)
Employer's pensions contributions and direct payments to pensioners payable in the year	(3,872)	0	0	3,872

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	(4,347)	0	0	4,347

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	5	0	0	(5)

Total Adjustments	4,547	(756)	1,475	(5,266)

2020/21

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

Adjustments primarily involving the Capital Receipts Reserve:

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

Adjustments primarily involving the Deferred Capital Receipts Reserve:

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

Adjustments primarily involving the Financial Instruments Adjustment Account:

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

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

Total Adjustments	4,911	585	6,068	(11,564)

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 2021/22.

	Balance at 1 April 2020	Transfers Out 2020/21	Transfers In 2020/21	Balance at 31 March 2021	Transfers Out 2021/22	Transfers In 2021/22	Balance at 31 March 2022
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund:							
Building control partnership reserve	344	(349)	196	191	(17)	172	346
Open spaces reserve	254	0	0	254	(6)	233	481
Collection fund reserve	0	0	8,136	8,136	(3,980)	0	4,156
Insurance reserve	85	0	0	85	0	0	85
Revenue contribution to capital reserve	1,405	(654)	136	887	(27)	490	1,350
Business rates / funding reserve	2,512	0	7,500	10,012	0	2,054	12,066
Sundry revenue grants reserve	2,906	(2,158)	1,366	2,114	(1,177)	1,729	2,666
Carry forward reserve	1,407	(1,407)	1,071	1,071	(1,071)	2,210	2,210
Strata usable reserves	211	(13)	0	198	(2)	0	196
Total	9,124	(4,581)	18,405	22,948	(6,280)	6,888	23,556

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

2020/21		2021/22
£'000		£'000
3,800	Parish council precepts	3,943
(796)	Shared ownership/Right to Buy receipts	(911)
64	Pension administration expenses	66
(46)	(Gains)/losses on the disposal of non current assets*	4,664
0	(Gain) on share of donated assets - Strata	0
3,022	Total	7,762

*Includes transfer of Dawlish and SW Exeter SANGS at a loss of £3.8 million to Land Trust and abortive capital costs of £0.85 million in 2021/22.

12. Financing and Investment Income and Expenditure

2020/21		2021/22
£'000		£'000
0	Interest payable and similar charges	0
1,918	Net interest on the net defined benefit liability	2,133
(22)	Interest receivable and similar income	(32)
5	Income and expenditure in relation to investment properties and changes in their fair value (see note 15)	6
0	Bank investment loss	0
1,901	Total	2,107

13. Taxation and Non Specific Grant Income and Expenditure

2020/21		2021/22
£'000		£'000
(12,332)	Council tax income (incl surplus/deficit)	(13,026)
(5,044)	Business rates (including surplus/deficit)	(9,292)
	Non ring fenced government grants:	
0	Revenue support grant	0
(1,809)	General Covid grants	(637)
(2,244)	New Homes Bonus	(1,485)
0	Lower tier services grant	(331)
(3,976)	Sales/fees and charges compensation	(773)

0	Donated asset	0
(9,283)	Capital grants and contributions**	(11,214)
(6,730)	Retail relief grant***	(3,435)
(8)	Transparency Code grant	(8)
(2,068)	Small business rate relief/threshold changes grant	(2,100)
(842)	Other business rates grants	(675)
(196)	Other general grants	(410)
9,513	Business rates tariff payment	9,623
1	Pooling/pilot costs	2
(320)	Pooling/pilot gain	(271)
(820)	Council tax support/ TIG grants	(81)
1,054	Business rates levy	853
(35,104)	Total	(33,260)

** includes various grants towards capital expenditure.

In 2021/22 £4.076 million relates to the Community Infrastructure Levy (CIL), and £3.161 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 2021/22:

	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
At 1 April 2021	98,015	4,751	4,355	7,570	152	2,392	117,235
Additions	2,724	547	0	215	0	2,053	5,539
Donations	0	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,756	0	0	0	(1)	0	1,755
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(6,169)	0	0	0	0	0	(6,169)
Derecognition - Disposals	(66)	(169)	0	(3,800)	0	(853)	(4,888)
Strata reclassify/additions/disposals	0	117	0	0	0	0	117
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0
Other movements/reclassifications in Cost or Valuation	453	0	0	0	440	(893)	0
At 31 March 2022	96,713	5,246	4,355	3,985	591	2,699	113,589

	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Accumulated Depreciation and Impairment							
At 1 April 2021	3,833	2,891	511	375	42	0	7,652
Depreciation charge	1,784	363	86	83	15	0	2,331
Depreciation written out to the Revaluation Reserve	(1,955)	0	0	0	(14)	0	(1,969)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(998)	0	0	0	0	0	(998)
Impairment losses/ (reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0
Derecognition – Disposals	(26)	(168)	0	(9)	0	0	(203)
Strata – reclassify/charge/disposals	0	46	0	0	0	0	46
Other movements in Depreciation and Impairment	0	0	0	0	0	0	0
At 31 March 2022	2,638	3,132	597	449	43	0	6,859
Net Book Value							
At 31 March 2022	94,075	2,114	3,758	3,536	548	2,699	106,730
At 31 March 2021	94,182	1,860	3,844	7,195	110	2,392	109,583

Comparative Movements in 2020/21:

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

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

The freehold and leasehold properties which comprise the Authority's property portfolio are valued by a qualified internal valuer, Chris Bouchard (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 60 years or less. The assets incurring depreciation have useful lives of between 5 and 60 years.

Capital commitments – There are contracts for future capital expenditure to carry out coastal monitoring work of £3.0 million and decarbonisation work on leisure centres of £0.6 million at 31 March 2022.

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 Chris Bouchard (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.

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Surplus Assets	Infrastructure Assets	Community Assets
	£'000	£'000	£'000	£'000	£'000
Carried at historical cost	0	5,246	0	4,355	3,985
Valued at current value in year:					
2021/22	76,540	0	502	0	0
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
Total cost or valuation *	288,480	5,246	698	4,355	3,985

* 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:

2020/21		2021/22
£'000		£'000
21	Rental income from investment property	2
(0)	Direct operating expenses arising from investment property	(0)
21	Net gain/(loss)	2

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:

2020/21		2021/22
£'000		£'000
128	Balance at start of the year	102
	Additions:	
0	Purchases	0
0	Construction	0
0	Subsequent expenditure	0
(0)	Disposals	(0)
(26)	Net gains/(losses) from fair value adjustments	(8)
	Transfers:	
(0)	To/from Inventories	(0)
0	To/from Property, Plant and Equipment	0
0	Other changes	0
102	Balance at end of the year	94

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 2022.

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

	2020/21		2021/22	
	Other Assets £'000	Total £'000	Other Assets £'000	Total £'000
Balance at start of year:				
• Gross carrying amounts	1,246	1,246	1,366	1,366
• Accumulated amortisation	(855)	(855)	(962)	(962)
Net carrying amount at start of year	391	391	404	404
Additions				
• Purchases	0	0	0	0
Retirements and disposals (net)	(0)	(0)	(0)	(0)
Strata reclassify/movements/additions	120	120	66	66
Amortisation for the period	(107)	(107)	(129)	(129)
Net carrying amount at end of year	404	404	341	341
Comprising				
• Gross carrying amounts	1,366	1,366	1,432	1,432
• Accumulated amortisation	(962)	(962)	(1,091)	(1,091)
	404	404	341	341

17. Long term Investments

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

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

	£000's
Opening balance at 1 April 2021	0
Purchase	0
Impairment	(0)
Closing balance 31 March 2022	0

18. Long term debtors

This balance covers the long term element of the Collection Fund balance from sharing local authorities and central government re. non domestic rates, mortgages / loans, sundry trade debtors and finance leases. In addition the transfer of SANGS at Dawlish and South West Exeter to the Land Trust has created a long term debtor for the improved public space and service potential. This is being written off over a 20 year period:

	31 March 2021 £'000	31 March 2022 £'000
Collection Fund balance – non domestic rates	1,399	0
SANGS	0	2,807
Sundry trade debtors/Community Infrastructure Levy	3,300	1,791
Mortgages / loans	365	310
Finance leases	18	18
	<u>5,082</u>	<u>4,926</u>

19. Short term investments

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

20. Short Term Debtors

31 March 2021 £'000		31 March 2022 £'000
16,624	Trade debtors*	12,585
109	Other debtors	79
9,610	Prepayments and accrued income	10,303
556	Council tax / Non domestic rates	583
651	Strata debtors	643
27,550	Total	24,193

*Includes Collection Fund debtors of £12.666 million at 31 March 2021 and £6.903 million at 31 March 2022.

21. Debtors for Local Taxation

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

31 March 2021 £'000		31 March 2022 £'000
318	Less than one year	344
180	One to three years	165
58	Over three years	74
556	Total	583

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

22. Cash and Cash Equivalents

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

31 March 2021		31 March 2022
£'000		£'000
75	Cash held by the Authority	27
6,821	Bank current/instant call accounts	4,036
14,000	Short term deposits with banks/building societies/money market funds	27,750
236	Strata	290
21,132	Total Cash and Cash Equivalents	32,103

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

23. Assets Held for Sale

	Current		Non-Current	
	2020/21	2021/22	2020/21	2021/22
	£'000	£'000	£'000	£'000
Balance outstanding at start of year	0	0	0	0
Assets newly classified as held for sale:				
• Property, Plant and Equipment	0	0	0	0
• Intangible Assets	0	0	0	0
Revaluation losses	0	0	0	0
Revaluation gains	0	0	0	0
Impairment losses	0	0	0	0
Assets declassified as held for sale:				
• Property, Plant and Equipment	0	0	0	0
• Intangible Assets	0	0	0	0
• Other assets / liabilities in disposal groups	0	0	0	0
Assets sold	0	0	0	0
Transfers from non current to current	0	0	0	0
Balance outstanding at year-end	0	0	0	0

24. Short Term Creditors

31 March 2021 £'000	31 March 2022 £'000
(5,096) Trade creditors	(4,905)
(292) Other creditors	(292)
(11,445) Accrued expenditure and income in advance*	(9,348)
(293) Council tax / Non domestic rates	(389)
(198) Strata creditors	(330)
(17,324) Total	(15,264)

*Includes £9.7 million of business rates grants repayable to Government at 31 March 2021 and £6.3 million at 31 March 2022.

25. Provisions

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

	Short Term Non Domestic Rates Appeals £'000	Total £'000
Balance at 1 April 2021	(588)	(588)
Additional provisions made in 2021/22	0	0
Amounts used in 2021/22	0	0
Unused amounts reversed in 2021/22	78	78
Balance at 31 March 2022	(510)	(510)

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 32. See also note 9 for further breakdown and note 10 for movement on earmarked reserves. The Council has the following usable reserves:

- Un-earmarked Reserves - Resources available to meet future running costs and provides a financial cushion should anything unexpected happen which would require unplanned expenditure.
- Earmarked Reserves - The Council has a carry forward reserve for monies reserved for specific projects and unspent at the end of the financial year and a sundry revenue grants reserve which covers grants received which have no repayment conditions attached to them and have not been spent in total or in part by the end of the financial year.

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

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

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

27. Unusable Reserves

The Council has the following unusable reserves and balances:

31 March 2021		31 March 2022
£'000		£'000
44,270	Revaluation Reserve	47,184
46,470	Capital Adjustment Account	42,956
0	Financial Instruments Adjustment Account	0
(110,393)	Pensions Reserve	(100,153)
103	Deferred Capital Receipts Reserve	103
(8,072)	Collection Fund Adjustment Account	(3,727)
(286)	Accumulated Absences Account	(291)
(27,908)	Total Unusable Reserves	(13,928)

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.

2020/21 £'000		2021/22 £'000	
35,944	Balance at 1 April		44,270
13,894	Upward revaluation of assets	11,145	
(4,460)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(7,422)	
9,434	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		3,723
(1,003)	Difference between fair value depreciation and historical cost depreciation	(770)	
(105)	Accumulated gains on assets sold or scrapped	(39)	
(1,108)	Amount written off to the Capital Adjustment Account		(809)
44,270	Balance at 31 March		47,184

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.

2020/21		2021/22	
£'000		£'000	
46,500	Balance at 1 April		46,470
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(3,423)	• Charges for depreciation and impairment of non current assets	(2,378)	
1	• Operating lease income adjustment	1	
(2,068)	• Revaluation losses on Property, Plant and Equipment	(5,557)	
1,717	• Revaluation reversals on Property, Plant & Equipment	386	
(107)	• Amortisation of intangible assets	(129)	
(3,456)	• Revenue expenditure funded from capital under statute	(6,936)	
(320)	• Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(4,685)	
0	• Amortisation of long term debtors	(148)	
(7,656)		(19,446)	
1,108	Adjusting amounts written out of the Revaluation Reserve	809	
(6,548)	Net written out amount of the cost of non current assets consumed in the year		(18,637)
	Capital financing applied in the year:		
586	• Use of the Capital Receipts Reserve to finance new capital expenditure/repay loan	1,728	
0	• Use of the Capital Receipts Reserve to meet previous year disposal costs	0	

4,596	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	9,096
1,063	• Application of grants to capital financing from the Capital Grants Unapplied Account	3,414
0	• Transfer to the Capital Receipts Reserve upon receipt of cash	0
169	• Statutory provision for the financing of capital investment charged against the General Fund balance	231
0	• Disposal costs relating to future capital disposal	0
0	• Financing of loan	0
130	• Capital expenditure charged against the General Fund balance	684
6,544		15,153
(26)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(8)
0	Bank investment written off	0
0	Loan repayment adjustment	(22)
0	Donated asset	0
46,470	Balance at 31 March	42,956

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.

2020/21 £'000	2021/22 £'000
(38) Balance at 1 April	0
38 Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement	0

are different from finance costs chargeable in the year in accordance with statutory requirements

0 Balance at 31 March

0

Pensions Reserve

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

2020/21		2021/22
£'000		£'000
(86,418)	Balance at 1 April	(110,393)
(21,253)	Re-measurements of the net defined benefit liability/(asset)	15,523
(6,536)	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	(9,155)
3,814	Employer's pensions contributions and direct payments to pensioners payable in the year	3,872
(110,393)	Balance at 31 March	(100,153)

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.

2020/21		2021/22
£'000		£'000
103	Balance at 1 April	103
0	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement/funding of loan from capital receipts	0

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

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.

2020/21		2021/22
£'000		£'000
(323)	Balance at 1 April	(8,072)
(7,749)	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	4,345
(8,072)	Balance at 31 March	(3,727)

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.

2020/21		2021/22
£'000		£'000
(293)	Balance at 1 April	(286)
293	Settlement or cancellation of accrual made at the end of the preceding year	286
(286)	Amounts accrued at the end of the current year	(291)
7	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	(5)
(286)	Balance at 31 March	(291)

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:

2020/21		2021/22
£'000		£'000
(3,495)	Depreciation	(2,379)
(279)	Impairment, downward valuations & revaluation reversals	(5,171)
(107)	Amortisation	(277)
(468)	(Increase)/ decrease in impairment for bad debts	(16)
(17,604)	(Increase)/decrease in creditors	(1,654)
7,638	Increase/(decrease) in debtors	(4,034)
5	Increase/(decrease) in inventories	25
(2,722)	Movement in pension liability	(5,283)
(320)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(4,685)
(7,741)	Other non-cash items charged to the net surplus or deficit on the provision of services	4,342
(25,093)		(19,132)

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

2020/21		2021/22
£'000		£'000
0	Proceeds from short-term (not considered to be cash equivalents) and long-term investments	0
362	Proceeds from the sale of property, plant & equipment, investment property and intangible assets	10
4,596	Capital grants and contributions applied	9,096
(3,456)	Revenue expenditure funded from capital under statute	(6,936)
7,952	Any other items for which the cash effects are investing or financing cash flows	5,821
9,454		7,991

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

2020/21		2021/22
£'000		£'000
(24)	Interest received	(20)
0	Interest paid	0

29. Cash Flow Statement – Investing Activities

2020/21		2021/22
£'000		£'000
2,818	Purchase of property, plant and equipment, investment property and intangible assets	5,659
8,000	Purchase of short term and long term investments	20,000
264	Investment in Strata Service Solutions Ltd	146
3,699	Other payments for investing activities	9,838
(362)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(10)
0	Proceeds from short term and long term investments	(14,000)
(15,676)	Other receipts from investing activities*	(16,405)
(1,257)	Net cash flows from investing activities	5,228
	*Includes s.106 monies, capital grants and right to buy receipts.	

30. Cash Flow Statement – Financing Activities

2020/21		2021/22
£'000		£'000
0	Cash receipts of short- and long-term borrowing	0
0	Other receipts from financing activities**	(8,951)
0	Cash payments for the reduction of the outstanding liabilities relating to finance leases	0
0	Repayments of short and long term borrowing	0
12,920	Other payments for financing activities**	0
12,920	Net cash flows from financing activities	(8,951)

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

Reconciliation of Liabilities arising from Financing Activities

	Balance at 1 April 2021	Financing cash flows		Non-cash changes		Balance at 31 March 2022
		Proceeds	Repayment	Acquisition	Other non- cash changes	
	£'000	£'000	£'000	£'000	£'000	£'000
Long-term borrowings	0	0	0	0	0	0
Short-term borrowings	0	0	0	0	0	0
Lease liabilities	0	0	0	0	0	0
Total liabilities from financing activities	0	0	0	0	0	0

31. Financial Instruments

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

Financial Liabilities

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

Financial Assets

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

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

Categories of Financial Instruments

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

	Long-Term		Current	
	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000
Investments				
Assets carried at amortised cost:	0	0	0	6,000
Total investments	0	0	0	6,000
Debtors				
Assets carried at amortised cost	383	3,136	5,619	6,439
Total included in debtors	383	3,136	5,619	6,439
Non financial assets	4,699	1,790	21,931	17,754
Total	5,082	4,926	27,550	24,193
Cash and cash equivalents	0	0	21,132	32,103
Total cash & cash equivalents	0	0	21,132	32,103
Borrowings				
Financial liabilities at amortised cost – bank overdraft	0	0	0	0
Total included in borrowings	0	0	0	0
Creditors				
Financial liabilities carried at amortised cost	0	0	(10,045)	(4,781)
Total creditors	0	0	(10,045)	(4,781)
Non financial assets	0	0	(7,279)	(10,483)
Total	0	0	(17,324)	(15,264)

**Income, Expense, Gains and Losses
2021 / 2022**

	Financial Liabilities measured at amortised cost	Financial Assets: measured at amortised cost	Total
	£'000	£'000	£'000
Interest expense	0	0	0
Losses on derecognition	0	0	0
Impairment losses	0	0	0
Total expense in Surplus or Deficit on the Provision of Services	0	0	0
Interest income	0	(32)	(32)
Interest income accrued on impaired financial assets	0	0	0
Gains on derecognition	0	0	0
Total income in Surplus or Deficit on the Provision of Services	0	(32)	(32)
Gains on revaluation	0	0	0
Losses on revaluation	0	0	0
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	0	0	0
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	0	0	0
Net (gain) / loss for the year	0	(32)	(32)

2020 / 2021

	Financial Liabilities measured at amortised cost	Financial Assets: measured at amortised cost	Total
	£'000	£'000	£'000
Interest expense	0	0	0
Losses on derecognition	0	0	0
Impairment losses	0	0	0
Total expense in Surplus or Deficit on the Provision of Services	0	0	0
Interest income	0	(22)	(22)
Interest income accrued on impaired financial assets	0	0	0

Gains on derecognition	0	0	0
Total income in Surplus or Deficit on the Provision of Services	0	(22)	(22)
Gains on revaluation	0	0	0
Losses on revaluation	0	0	0
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	0	0	0
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	0	0	0
Net (gain) / loss for the year	0	(22)	(22)

There is no substantial difference between the carrying amount of financial assets and liabilities and their fair value at 31 March 2022, 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 2021/22 (including travel and subsistence) amounts to £404,391 (2020/21 £403,323). 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	
	2020/21	2021/22		2020/21	2021/22
£50,000 - £54,999	6	5	£95,000 - £99,999	1	1
£55,000 - £59,999	5	6	£100,000 - £104,999	0	0
£60,000 - £64,999	1	4	£105,000 - £109,999	0	0
£65,000 - £69,999	1	0	£110,000 - £114,999	0	0
£70,000 - £74,999	0	0	£115,000 - £119,999	1	0
£75,000 - £79,999	1	0	£120,000 - £124,999	0	1
£80,000 - £84,999	2	3	£125,000 - £129,999	0	0
£85,000 - £89,999	0	0	£130,000 - £134,999	0	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 2021/22 are as follows:

	Salary (Inc. fees & allowances)	Compensation for loss of employment	Benefits in Kind (e.g. car allowance)	Total Remuneration Excl. Employers pension contributions	Pension Contributions	Total Remuneration Inc. Employers pension contributions
	£	£	£	£	£	£
Managing Director	120,900	0	0	120,900	19,910	140,810
Head of Corporate Services & Section 151 Officer	97,228	0	0	97,228	15,918	113,146
Head of Operations	82,596	0	0	82,596	13,494	96,090
Head of Service Delivery and Improvement	82,596	0	0	82,596	13,494	96,090
Head of Place and Commercial Services	82,596	0	0	82,596	13,494	96,090
Solicitor to the Council & Monitoring Officer (1)	38,251	6,647	0	44,898	5,504	50,402
Head of Legal Services & Monitoring Officer (2)	20,489	0	0	20,489	3,401	23,890
Head of HR and OD	62,304	0	0	62,304	10,179	72,483

(1) Solicitor to the Council & Monitoring Officer left the post on 26 September 2021.

(2) Head of Legal Services & Monitoring Officer started in post on 1 December 2021.

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:

	Salary (Inc. fees & allowances)	Compensation for loss of employment	Benefits in Kind (e.g. car allowance)	Total Remuneration Excl. Employers pension contributions	Pension Contributions	Total Remuneration Inc. Employers pension contributions
	£	£	£	£	£	£
Managing Director	119,288	0	0	119,288	19,758	139,046

Head of Corporate Services & Section 151 Officer	95,994	0	0	95,994	15,935	111,929
Head of Operations	81,173	0	0	81,173	13,475	94,648
Head of Service Delivery and Improvement	81,173	0	0	81,173	13,475	94,648
Head of Place and Commercial Services	78,090	0	0	78,090	12,963	91,053
Solicitor to the Council & Monitoring Officer	66,894	0	0	66,894	11,104	77,998
Head of HR and OD	61,230	0	0	61,230	10,164	71,394
Business Manager (1)	10,687	0	0	10,687	1,774	12,461

(1) Business Manager ceased role on 30 June 2020

(a) Exit package cost band (including special payments)	(b) Number of compulsory redundancies		(c) Number of other departures agreed		(d) Total number of exit packages by cost band [(b) + (c)]		(e) Total cost of exit packages in each band	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
							£'000	£'000
£0 - £20,000	6	1	4	4	10	5	72	28
£20,001 – £40,000	0	0	2	1	2	1	66	36
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	1	0	0	0	1	0	115
£150,001 - £200,000	0	0	0	0	0	0	0	0

£200,001 -	0	0	0	0	0	0	0	0
£250,000								
£250,001 -	0	0	0	0	0	0	0	0
£300,000								
Total cost								
Included in	6	2	6	5	12	7	138	179
bandings								
Add: Amounts provided for in Comprehensive Income & Expenditure Statement not included in bandings							0	0
Total cost included in Comprehensive Income & Expenditure Statement							138	179

Termination Benefits:

The Authority terminated the contracts of a number of employees in 2021/22, incurring liabilities of £89k (£134k in 2020/21). Six 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:

	2020/21	2021/22
	£'000	£'000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year*	59	76
Fees payable in respect of certification of grant claims provided by Grant Thornton during the year**	11	12
Total	70	88

* £21,760 relates to additional audit fees for changes to the audit scope in 2020/21. These are in addition to the scale fees of £37,240 set by PSAA. Any additional fees in excess of the scale fees of £40,240 in relation to the 2021/22 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 2021/22:

	2020/21	2021/22
	£'000	£'000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	0	0
Council tax support trans/new burdens	0	0
Small business rate relief/threshold changes grant	(2,068)	(2,100)
Community Infrastructure Levy	(7,042)	(4,076)
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	(3,976)	(773)
Homes England	(332)	(58)
General Covid grants	(1,809)	(637)
Dept for Levelling Up, Housing and Communities – Future High St Fund	0	(1,223)
Miscellaneous SANGS	(792)	(3,161)

New Homes Bonus	(2,244)	(1,485)
Retail relief grant	(6,730)	(3,435)
BEIS decarbonisation grants	0	(1,770)
Other business rates/TIG grants	(1,662)	(756)
Other contributions	(1,313)	(1,667)
Total	(27,976)	(21,149)

	2020/21	2021/22
	£'000	£'000
Credited to Services		
REFCUS grants:		
Renovation/Disabled/energy grants	(1,111)	(1,452)
Shoreline/Coastal Monitoring	(1,129)	(1,019)
Play/recreation	(204)	(102)
Other	0	(198)
Rent Allowance subsidy	(24,247)	(21,839)
Housing Benefit administration subsidy	(330)	(297)
Rent rebate subsidy	(401)	(363)
Garden Communities	(150)	(164)
Homelessness / rough sleeper grants	(642)	(950)
COMF grant	0	(164)
Elections	0	(278)
RPA/Habitat Regulations/open space	(119)	(25)
Business grants	(5,530)	(3,007)
Council tax / hardship fund / household support grants	(940)	(669)
Other grants/contributions	(1,686)	(1,589)
Total	(36,489)	(32,116)

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

Current liabilities

Grants Receipts in Advance (Revenue Grants)	31 March 2021	31 March 2022
	£'000	£'000
Miscellaneous crime/disorder/community regeneration grants	(96)	(56)
Business rates compensation	0	0
Estuary contributions	(50)	(47)

Watercourse improvement contributions	(170)	(170)
Air quality / environmental health	(229)	(233)
Heritage trail	(10)	(26)
Community facilities/open space contributions	(1,461)	(1,312)
Homelessness	(35)	0
Business grants	(8,590)	(12,118)
Hardship grant	(103)	(208)
Miscellaneous	(141)	(336)
Total	(10,885)	(14,506)

Grants Receipts in Advance (Capital Grants)	31 March 2021 £'000	31 March 2022 £'000
Environment Agency/Natural England – Flood Prevention and Alleviation	(558)	(2,853)
DFG (Better Care Fund)	(1,021)	(918)
DEFRA – Air Quality	(50)	(50)
Public Open Spaces and recreation	(9)	(9)
Dept for Energy/DCC – Central Heating Fund	(8)	(3)
Decarbonisation	(2,875)	(927)
Green Homes	(1,147)	(1,130)
Housing/infrastructure	(370)	(253)
Self build	0	(860)
Other	(180)	(133)
Total	(6,218)	(7,136)

Long term liabilities

Grants Receipts in Advance (Revenue Grants)	31 March 2021 £'000	31 March 2022 £'000
Dawlish Town Centre – community facilities	0	0
Parks, play & recreation facilities contribution	(2,484)	(2,331)
Carswells – open space contribution	0	0
Newton Abbot / Kingsteignton/Dawlish etc – air quality	(225)	(219)
Drainage - Kingsteignton	0	0
Miscellaneous open space, community facilities & wildlife contributions	(1,161)	(764)
Sundry drainage & flood defence contributions	0	0
Dawlish - drainage	0	(199)
Health contributions	(47)	(47)
Chudleigh – open space, indoor sports & play provision	(97)	0
Teignmouth town centre – pedestrianisation & public art	0	0
Other miscellaneous grants/contributions	(45)	(12)
Affordable housing	(1,078)	(1,582)
Total	(5,137)	(5,154)

	31 March 2021 £'000	31 March 2022 £'000
Grants Receipts in Advance (Capital Grants)		
Open Space and Recreation	(78)	(78)
Total	(78)	(78)

36. Related Parties

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

Central Government

Central government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grant receipts credited to the Comprehensive Income and Expenditure Statement and those outstanding at 31 March 2022 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 2021/22 is shown in Note 32.

Grants and payments for services rendered totalling £82,130 were paid to the Citizens Advice Bureau (CAB) in 2021/22. 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 £21,041 (£33,951 2020/21) in which seven Members had an interest. 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 2020/21 or 2021/22 and the company is currently dormant.

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.

	2020/21	2021/22
	£'000	£'000
Opening Capital Financing Requirement	19,944	19,646
Capital investment :		
Property, Plant and Equipment	2,526	5,539
Strata ICT Capital Investment	264	146
Intangible Assets	0	0
Revenue Expenditure Funded from Capital under Statute	3,456	6,936
Bank investment	0	0
Long term debtors relating to capital transactions	0	2,955
Expenditure re. future capital receipts/other	0	0
Sources of finance :		
Capital receipts	(586)	(1,728)
Government grants and other contributions	(5,659)	(12,510)
Sums set aside from revenue:		
Direct revenue contributions	(130)	(684)
Financing of loan/other	0	(0)
MRP	(169)	(231)
Closing Capital Financing Requirement	19,646	20,069
Explanation of movements in year:		
Increase (decrease) in underlying need to borrowing (unsupported by government financial assistance)	(298)	423
Repayments of long-term debtors/other	(0)	(0)
Assets acquired under finance leases	0	0
Increase/(decrease) in Capital Financing Requirement	(298)	423

38. LeasesAuthority as Lessee*Finance Leases*

The Council had the use of one leisure centre under a finance lease in 2021/22.

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

31 March 2021 £'000		31 March 2022 £'000
7,684	Other Land and Buildings	9,055
7,684		9,055

The Authority is not committed to making any lease payments under this lease and is only responsible for the day to day running costs.

There has been no subletting of any part of the premises held under this finance lease.

Operating Leases

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

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

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

31 March 2021 £'000		31 March 2022 £'000
1,650	Not later than one year	1,545
900	Later than one year and not later than five years	1,705
127	Later than five years	72
2,677		3,322

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:

2020/21	2021/22
£'000	£'000
1,635 Minimum lease payments	1,705
0 Contingent rents	0
0 (Sublease payments receivable)	0
1,635	1,705

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 69 and 86 years. These leases generate no / peppercorn rental streams on an annual basis and no residual value is anticipated for the buildings when the leases come to an end.

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

31 March	31 March
2021	2022
£'000	£'000
Finance lease debtor (net present value of minimum lease payments):	
0 • Current	0
18 • Non-current	18
64 Unearned finance income	62
0 Unguaranteed residual value of property	0
82 Gross investment in the lease	80

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

	Gross Investment in the Lease		Minimum Lease Payments	
	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000
Not later than one year	1	1	0	0
Later than one year and not later than five years	5	5	0	0
Later than five years	76	74	18	18
	82	80	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 2022 (£0 at 31 March 2021).

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 2021/22 £5k contingent rents were receivable by the Authority (2020/21 £2k).

Operating Leases

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

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

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

31 March 2021 £'000	31 March 2022 £'000
1,758 Not later than one year	1,643
3,073 Later than one year and not later than five years	2,426
6,397 Later than five years	6,044
11,228	10,113

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 2021/22 £57k contingent rents were receivable by the Authority (2020/21 £16k).

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 2020/21 and 2021/22 there were no impairment losses. There was no impairment reversal in 2021/22 credited to the Comprehensive Income & Expenditure Statement. There was an impairment reversal of £72,000 in 2020/21 which was credited to the Comprehensive Income & Expenditure Statement.

40. Defined Benefit Pension Scheme

Participation in Pension Scheme:

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

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

The principal risks to the Authority of the scheme are the longevity assumptions, statutory changes to the scheme (i.e. large-scale withdrawal from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the general fund the amounts required by statute as described in the accounting policies note.

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

Transactions Relating to Post-employment Benefits:

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

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

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

	Scheme Assets £'000	Pensions Obligations £'000	Net Pensions Liability £'000	Notes on Accounting Treatment
2021/22:				
Opening balance at 1 April 2021	109,240	(217,105)	(107,865)	
Current service cost		(7,648)	(7,648)	Absorbed into the total cost of services in the CIES
Past service cost and gains/losses on settlements		(154)	(154)	Charged to Financing items in the CIES
Interest income and expenses	2,163	(4,297)	(2,134)	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:	6,256		6,256	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		0	0	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		9,775	9,775	Debited as Remeasurements of the Net Defined Benefit Liability to Other Comprehensive Income and Expenditure in the CIES
• Other actuarial gains and losses	0	(508)	(508)	Credited as Remeasurements of the Net Defined Liability to Other Comprehensive Income and Expenditure in the CIES
Contributions:	2,630		2,630	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	847		847	Absorbed into the total cost of services in the CIES – netted off Current Service Cost
Retirement grants and pensions	(5,887)	5,887	0	Transactions in the Cash Flow Statement. Debited to the General Fund Balance in the MIRS as part of the Adjustments between Accounting and Funding basis
Closing Balance at 31 March 2022	115,183	(214,050)	(98,867)	

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

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 £98.867 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 £29.920 million at 31 March 2022. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy. The deficit will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.

Basis for Estimating Assets and Liabilities

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

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

Mortality assumptions:	31 March 2021	31 March 2022
Longevity at 65 for current pensioners:		
Men	22.6	22.7
Women	23.9	24.0
Longevity at 65 for future pensioners: (assumed retiring in 20 years)		
Men	24.0	24.0
Women	25.4	25.4
Take-up of option to convert annual pension into retirement lump sum	50%	50%

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

Financial Assumptions

	31 March 2021	31 March 2022
	% p.a.	% p.a.
Salary increases	3.80%	4.20%
Pension increases	2.80%	3.20%
Discount rate	2.00%	2.60%

Demographic / Statistical assumptions

These assumptions by the actuary are set with reference to market conditions at 31 March 2022. 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 adopting a Single Equivalent Inflation rate (SEIR) approach. The SEIR adopted is such that the single rate of inflation results in the same liability value when 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.

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 1.0% p.a. below the market implied increases in RPI i.e. 3.2% p.a. up to 2030 and will be in line with RPI inflation thereafter.

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.

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 Councils actuaries calculated a potential increase in pension liabilities which was incorporated into the accounting results at 31 March 2021. These results included an allowance which has been rolled forward and re-measured to obtain the accounting results as at 31 March 2022.

Impact on the Defined Benefit Obligation in the Scheme

	Increase in Assumption £'000	Decrease in Assumption £'000
Longevity (increase or decrease in 1 year) (increase is a shorter lifespan)	(9,836)	9,386
Rate of increase in salaries (increase or decrease by 0.1%)	(425)	423
Rate of increase in pensions (increase or decrease by 0.1%) and deferred revaluation	(3,778)	3,705
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	4,148	(4,233)

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 £2.186 million expected contributions to the scheme in 2022/23.

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

	31 March 2021		31 March 2022	
	£'000	%	£'000	%
Equities**	68,513	63	68,194	59
Gilts	3,715	3	15,319	13
Other Bonds	4,899	5	2,356	2
Property	8,775	8	10,852	10
Cash	1,126	1	1,361	1
Target Return Portfolio	10,284	9	10,647	9
Infrastructure	4,426	4	6,503	6
Other	7,502	7	(48)	0
Total	109,240	100	115,184	100

**At 31 March 2022 equities include £57.928 million of overseas equities.

Of the total fund asset at 31 March 2022, the following table identifies the split of those assets with a quoted market price and those that do not:

		31 March 2022	
		% Quoted	% Unquoted
Fixed interest government securities	UK	0	0
	Overseas	13	0
Corporate bonds	UK	0	0
	Overseas	0	0
Equities	UK	8	0
	Overseas	51	0
Property	All	0	10
Others	Absolute return portfolio	9	0
	Private Debt	0	2
	Infrastructure	0	6
	Multi sector credit fund	0	0
	Derivatives	0	0
	Cash/Temporary investments	0	1
Net current assets	Debtors	0	0
	Creditors	0	0
Total		81	19

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 2022 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 institution's lowest credit rating to be, at a minimum in the middle adequate range according to the Audit Commission report 'Risk and Return'. The Authority has a policy of not lending more than £3 million of its surplus balances to one institution with the exception of the Government (via Treasury Bills, other local authorities and the Debt Management office which is unlimited).	12 month expected credit losses have been assessed based upon risk factors which consider the credit rating and financial standing of the institution. The highest credit ratings for the deposits that the Authority has made mean that any allowance for expected credit losses would be insignificant.
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	Expected credit losses are calculated using historical data for defaults and risks specific to the borrower identified in the internal assessment process. No allowance required

<u>Asset type</u>	<u>Credit risk management practices</u>	<u>Estimation of impairment loss allowance</u>
	until there is no realistic prospect of recovery.	
Other debtors	Debtors are not subject to internal credit ratings and have been grouped for the purposes of calculating expected credit losses based upon time overdue. An element of balances are written off when they are more than 12 months past due plus specific provision for those greater than 12 months. Balances are written off but enforcement activity continues until there is no realistic prospect of recovery.	Expected credit losses are calculated using provision matrices based upon historical data and grouping of debtor ages and some specific debtors based upon financial data e.g. accounts etc. Between 1 April 2021 and 31 March 2022 the loss allowance increased from £1.129 million to £1.199 million as a result of a change in the volume of debtors and to provide for potential outcomes arising from the Covid 19 pandemic and economic conditions. ‘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 2021/22.

	Allowance at 1 April 2021	Increase / (decrease) in provision	Allowance at 31 March 2022
	£'000	£'000	£'000
Deposits with banks and building societies			
12-month credit losses	0	0	0
Other loans to businesses and voluntary organisations			
12-month credit losses	0	0	0

	Allowance at 1 April 2021	Increase / (decrease) in provision	Allowance at 31 March 2022
Lifetime credit losses	0	0	0
Credit-impaired assets	0	0	0
Other debtors			
Grouped assets	1,129	70	1,199
Total loss allowances	1,129	70	1,199

The total amount of undiscounted expected credit losses at recognition on financial assets initially recognised during 2021/22 was £0.

Exposure to Credit Risk

		Gross Carrying Amount £'000
Other debtors		
Grouped assets	Not subject to credit rating *	6,439
Total amount exposed to credit risk		6,439

*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 £0.173 million at 31 March 2022 and £0.168 million for non domestic rates. These are calculated based upon historic default patterns and economic conditions prevailing at the time.

During 2021/22 the Council wrote off financial assets with a contractual amount outstanding of £0.032 million (£0.012 million in 2020/21) that are still subject to enforcement activity.

b) Liquidity risk

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

term borrowing but any future plans will incorporate a sensible maturity structure for such loans.

The maturity analysis of financial liabilities is as follows:

	31 March 2021 £'000	31 March 2022 £'000
Less than one year	(10,045)	(4,781)
Between one and two years	0	0
Between two and five years	0	0
More than five years	0	0
	(10,045)	(4,781)

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 2022/23) 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 2022, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable investments	(108)
Impact on Surplus or Deficit on the Provision of Services	(108)
Decrease in fair value of fixed rate investment assets	0
Impact on Other Comprehensive Income and Expenditure	0
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income & Expenditure)	0

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

ii) Price risk

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

iii) Foreign exchange risk

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

43. Other Long Term Liabilities

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

The breakdown is as follows:-

31 March 2021 £'000		31 March 2022 £'000
(237)	Operating leases - income in advance	(234)
(1,137)	Collection Fund balance – council tax/NNDR	(2,926)
(107,865)	Pension Liability	(98,867)
(109,239)		(102,027)

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 collects 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 £39,040 for 2021/22 (£40,853 in 2020/21).
- (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 114 and 115.
- (c) The Authority carries out payroll services for various organisations for which it received total fee income of £5,121 in 2021/22 (£3,918 in 2020/21).
- (d) As part of the response to the Covid 19 pandemic the Authority acts as agent for Central Government to administer various business/restart/hospitality grants, local restrictions grants and track and trace grants. In 2021/22 £14.060 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)

	2020/21 £'000's	2021/22 £'000's
Fees	(1,890)	(1,955)
Cost of Sales	931	1,043
Admin Expenses	1,254	1,323
Transfer of pension scheme liability	0	0
Cost of Services`	295	411
(Gain) / loss on disposal of assets	60	0
Net interest on the net defined benefit liability	37	58
Interest receivable	0	0
(Surplus) or Deficit on Provision of Services	392	469
Remeasurement of the net defined benefit liability	1,075	(495)
Total CIES	1,467	(26)

Adjustments to Balance Sheet (cumulative for 2020/21 column)

Property, Plant & Equipment	125	71
Intangible assets	404	(63)
Investment in Strata removed upon consolidation and replaced with proportional share of assets and liabilities	(2,220)	(146)
Total Long Term Assets	(1,691)	(138)
Inventories	4	(1)
Short Term Debtors	651	(8)
Cash & Cash Equivalents	236	54
Total Current Assets	891	45
Short Term Creditors	(198)	(132)
Grants Receipts in Advance – Capital	(180)	47
Total Current Liabilities	(378)	(85)
Pension Scheme Liability	£'000's (2,845)	£'000's 204
Total Long Term Liabilities	(2,845)	204
Net Assets	(4,023)	26
Financed by:		
Usable reserves	198	(2)
Unusable reserves	(4,221)	28
Total Reserves	(4,023)	26

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.

	2020/21 Business Rates	2020/21 Council Tax	2021/22 Busines s Rates	2021/22 Council Tax
	£'000	£'000	£'000	£'000
INCOME				
Income from Council Tax		(97,394)		(104,648)
Business Rates Receivable	(13,289)		(22,811)	
(Plus): Transitional Protection/S13A Relief	48	(877)	34	(34)
	(13,241)	(98,271)	(22,777)	(104,682)
EXPENDITURE				
Precepts, Demands & Shares:				
Central Government	15,858		15,309	
Devon County Council	2,854	71,561	2,756	73,161
Devon & Cornwall Police Authority		11,019		11,452
Devon & Somerset Fire & Rescue Authority	317	4,387	306	4,357
Teignbridge District Council (net including Towns / Parishes)	12,686	12,508	12,248	12,666
Rates write offs and change in impairment allowance	200		(90)	
Council Tax written off and change in impairment allowance		190		201
Rates increase/(reduction) in provision for appeals	170		(195)	
Transitional Protection	302		(120)	
Renewable Energy disregard	62		90	
Business Rates – Cost of collection	191		194	
	32,640	99,665	30,498	101,837
Movements on the Collection Fund :				
DEFICIT / (SURPLUS) FOR THE YEAR	19,399	1,394	7,721	(2,845)
DEFICIT / (SURPLUS) BROUGHT FORWARD	401	(193)	2,332	496
ACCUMULATED DEFICIT / (SURPLUS)	19,800	1,201	10,053	(2,349)

(see note 4 to the Collection Fund)

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 £12.248 million (2020/21 £12.686 million) from the rates collection fund. The authority had to pay a tariff to government of £9.147 million (2020/21 £9.147 million) and a levy of £0.926 million (2020/21 £1.0 million). However as we are part of the Devon pool some of this was returned to us as a pooling gain of £0.293 million (2020/21 £0.327 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 £0.5 million surplus (2020/21 £2.5 million deficit) has been declared by Teignbridge as the council tax estimate in 2021/22. A £10.927 million (2020/21 £17.468 million) deficit was anticipated for non-domestic rates for 2021/22 however an actual deficit balance has arisen of £10.053 million (2020/21 £19.800 million).

2. Business Rates

The total business rateable value as at 31 March 2022 was £86.003 million (31 March 2021 £85.311 million) with a multiplier of 51.2 pence (51.2 pence 2020/21) in the pound 49.9 pence (49.9 pence 2020/21) in the pound for properties where the rateable value is less than £51,000 (£51,000 2020/21).

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 2021/22 was 49,651 (2020/21 50,216) adjusted for a collection rate of 97.5% to give Teignbridge's Tax Base of 48,410 (2020/21 49,714) Band D equivalents. The average Band D charge for the Teignbridge CT, excluding Parishes, was £180.17 (2020/21 £175.17).

4. Collection Fund Balance

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

	2020/21		2021/22	
	Business Rates	Council Tax	Business Rates	Council Tax
	£'000	£'000	£'000	£'000
Central Government	9,900		5,026	
Devon County Council	1,782	864	905	(1,686)
Devon & Cornwall Police Authority		131		(272)
Devon & Somerset Fire and Rescue Authority	198	54	101	(97)
In short / long term debtors / short term creditors / long term liabilities	11,880	1,049	6,032	(2,055)
Balance of Fund to Teignbridge District Council (in Collection Fund Adjustment Account)	7,920	152	4,021	(294)
	19,800	1,201	10,053	(2,349)

GLOSSARY OF FINANCIAL TERMS

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

DEFINED BENEFIT SCHEME	A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).
DEMAND	The charging authorities own Demand is, in effect, its precept on the fund.
FEES & CHARGES	In addition to the income from charge payers and the Governments, Local Authorities charge for services, including Planning Consents, Hire of Sporting Facilities, Car Parking etc.
FIFO	A method of valuing inventory (First In First Out) where stocks issued are assumed to be issued from the oldest available stocks.
FINANCIAL INSTRUMENTS	A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.
GOVERNMENT GRANTS	Payments by Central Government towards the cost of Local Authority services, including both Revenue and Capital.
IMPAIRMENT ALLOWANCE	A sum provided against income due to prudently allow for non collectable accounts.
INTEREST COST	For the pension fund this represents the discount rate at the start of the accounting period applied to the liabilities during the year based on the assumptions at the start of the accounting period.
INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) & THE CODE OF PRACTICE (CODE)	Formal financial reporting standards adopted by the accounting profession and to be applied when dealing with specific topics within its accounting Code. The Code is based on approved accounting standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements.
LOCAL AUTHORITY (SCOTLAND) ACCOUNTS ADVISORY COMMITTEE (LASAAC)	Formed a joint committee with CIPFA to produce the Code of Practice on Local Authority Accounting in the United Kingdom (referred to as the 'Code').
LOCAL DEVELOPMENT FRAMEWORK (LDF)	A plan which includes documents that establish the local policy towards the use of land and the vision for involving communities in the plan making process.

MINIMUM REVENUE PROVISION (MRP)	A 'prudent' annual provision from revenue in respect of capital expenditure financed by borrowing or credit arrangements.
PAST SERVICE COST	These will typically be additional benefits awarded on early retirement. This includes added years or augmentation and unreduced pension benefits awarded before eligible retirement age in the pension scheme.
PRECEPT	The levy made by precepting authorities including the County Council and Parish Councils, on the District Council requiring it to collect the required income from council taxpayers on their behalf.
PROJECTED UNIT METHOD	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: 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 b) the accrued benefits for members in service on the valuation date. 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.
PUBLIC WORKS LOAN BOARD (PWLb)	A Government Agency which provides longer term loans to Local Authorities at interest rates slightly higher than those at which the Government itself can borrow.
RATEABLE VALUE	A value placed on all properties subject to Rating. The value is based on a national rent that property could be expected to yield after deducting the cost of repairs.
REVENUE EXPENDITURE	Recurring items of day to day expenditure consisting principally of Salaries and Wages, Debt Charges and general running expenses etc.
SANGS	Suitable Alternative Natural Green Space. Accessible alternative green provision to migrate where development is close to a protected site.
SETTLEMENTS	A settlement will generally occur where there is a bulk transfer out of the Pension Fund or from the employer's share of the Fund to a new contractor's share of the Fund as a result of an outsourcing. It reflects the difference between the IAS 19 liability transferred and the assets transferred to settle the liability.

SHORT TERM LOAN	Borrowing from outside the authority that may be recalled within the year.
STRAIN ON FUND CONTRIBUTIONS	Additional employers pension contributions as a result of an employee's early retirement.
SUNDRY CREDITORS	Amounts owed by the Council at 31 March.
SUNDRY DEBTORS	Amounts owed to the Council at 31 March.
TEMPORARY BORROWING	Borrowing for revenue purposes for a period of less than one year.
VESTED RIGHTS	In relation to a defined benefit scheme, these are: a) for active members, benefits to which they would unconditionally be entitled on leaving the scheme; b) for deferred pensioners, their preserved benefits; c) for pensioners, pensions to which they are entitled. Vested rights include where appropriate the related benefits for spouses or other dependants.
VIREMENT	The authorised transfer of an under spending in one budget head to another head.

Part 3

Supplementary Information

Annual Governance Statement

2021-2022

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.

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 2022.

Impacts of the Covid-19 Pandemic on Governance

The 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.

As we learned to live with Covid and returned to business as usual, we transitioned from remote working to hybrid working in the office with a phased return from September 2021. We have continued to work closely with central Government, neighbouring authorities and the voluntary sector in providing ongoing community support as and when needed.

We developed a Recovery Plan in response to the pandemic which includes 5 work streams: Economy; Communities; Environment; Place; and Vital Viable Council. The operational leads have taken forward their respective projects, which are at various stages of completion.

Lockdown required arrangements for virtual Council meetings to be made urgently. These were facilitated using Zoom live streamed on YouTube initially, followed by the use of Webcasting as meetings recommenced upon the expiry of the legislation permitting virtual meetings in May 2021. This has enabled our democratic and decision making processes to remain open and accessible.

Governance has remained effective, and the commitment and resilience of our workforce, continues to be commendable.

The Governance Framework and how we comply:

Principle 1: 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 is reviewed on an ongoing basis to ensure it is fit for purpose.
- A Procedures Committee oversees operation of the Constitution including review of proposed amendments.
- 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.

Principle 2: Ensuring openness and comprehensive stakeholder engagement

- Our Consultation Toolkit sets out the principles of stakeholder engagement. We encourage 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.
- Meetings are available to the public through the Council's YouTube channel and through Webcasting, which provides transparency in decision making.
- Our Residents' Newsletter is used to communicate Council activity weekly and other matters of interest.
- Plain English principles are used in publications and digital content meets accessibility standards with a 96% AA rating on our website (above the Government's industry benchmark of 87%). 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. Where consultations are not able to be carried out face to face they are carried out virtually. These methods have been successful in attracting high levels of feedback.

Principle 3: 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.
- 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. Our Carbon Action Plan was approved by Council in July 2022. 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

mitigation measures, and work is underway to develop policies in support of low carbon development and renewable energy generation.

- 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.
- We are working jointly with our neighbouring authorities Exeter City Council, Mid Devon and East Devon District Councils, and Devon County Council, to achieve joined-up decision making on planning and infrastructure matters, and we are members of the Heart of the South West Local Enterprise Partnership.

Principle 4: 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.
- A digital transformation programme, digital strategy, and our annual business planning and review exercises “BETTER2022” drive service improvement and performance.
- A Partnership toolkit aids collaborative working and strong partnership governance.

Principle 5: 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 with oversight from the Procedures Committee.
- 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.

Principle 6: Managing risks and performance through robust internal control and strong public financial management

- Our Risk Management Strategy outlines our approach to managing risk 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 risk must be identified and considered in all decision making.

- Some risks have inevitably increased as a result of the pandemic and economic climate, and these have been kept under review to ensure appropriate mitigations are in place.
- Robust performance monitoring using a basket of indicators is undertaken by the SLT and Overview and Scrutiny Committees.
- Work with services is ongoing to improve automated performance reporting through the use of the Power BI reporting tool.
- 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.

Principle 7: Being transparent, with good practices in reporting and audit, to deliver effective accountability

- Agendas, reports, and minutes of Council meetings are published, along with a forward plan of 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 including Council spending and senior officer pay, 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.
- The Standards Committee is available to support the Monitoring Officer on standards of conduct and probity issues, and has dealt with a number of matters referred to it.
- The Overview and Scrutiny process has monitored the Council's policies and performance on an ongoing basis. 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 delivered counter fraud assurance work over the numerous Covid-19 support grants and payments distributed throughout the pandemic, and for other government schemes such as the energy rebate.
- The Council's external auditor provided the Council with their opinion on the Council's accounts, and the last Value for Money report received was positive. They attend 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 2021-2022. Strata's performance has been monitored 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 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 May 2021 elections were held in line with the performance standards set by the Electoral Commission.
- The Local Government Ombudsman upheld 1 of the 13 complaints referred to it.
- 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 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 - there have been no major reportable data breaches and average processing time for Freedom of Information and Environmental Information Regulation requests is above average compared to other organisations.
- 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.

- Reviews have been commissioned to examine specific areas such as: Centre for Government and Scrutiny, cyber governance, and a review of the Council's Operating Model, the outputs of which are being evaluated and addressed.

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 2022-2023.

2022-2023 Challenges	Planned Action
<u>Financial Sustainability</u> Having successfully navigated the ongoing financial risks created by the pandemic and its subsequent lockdowns, we need to continue to monitor the Council's financial position closely for both revenue and capital programmes, given the ongoing uncertainty around future levels of costs and government funding.	The Chief Financial Officer will continue to produce frequent updates on the financial position and update the Strategic Leadership Team. Anticipated shortfalls for future years will need to be addressed as part of the budget setting and monitoring processes. Work with consultants "Ignite" on a future operating model for the Council, together with ongoing service plan reviews, will help meet the shortfalls currently anticipated.
<u>Cyber governance</u> An independent review was commissioned using funding from the Local Government Association. This has highlighted a number of areas in which improvements should be made.	An action plan is being formalised and prioritised for officers to implement.
<u>Member and Officer roles and relationships</u> The Centre for Governance and Scrutiny (CfGS) reviewed officer/member roles and responsibilities, including consideration of values, behaviours, and ethical issues, and the constitutional provisions supporting these.	Officers are working through improvement actions arising from this work.
<u>Anti-fraud and Corruption and Whistleblowing policies</u> 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.	Anti-fraud and Corruption and Whistleblowing policies will be reviewed and updated in 2022-23

ADDENDUM to the 2021-2022 Annual Governance Statement

(September 2024)

The 2021-2022 draft Annual Governance Statement (AGS) was reviewed by the Audit Scrutiny Committee on 30th August 2022 and approved as part of the 2021-2022 Financial Statements.

The AGS should follow best practice guidance contained in the “Delivering Good Governance in Local Government Framework” (CIPFA/Solace). The guidance states that the AGS should be kept up to date at the time of publication. During normal operations, this would mean the period between the end of the financial year, and the publication of the audit financial statements just a few months later. However, financial statements can only be formally published on conclusion of an external audit and there have been delays nationally with the completion of these, culminating in the government introducing “backstop” legislation to clear the backlogs of outstanding audits across the country. As a result of this, the Council received a “disclaimer opinion” from its external auditor in September 2024, hence it is only now able to publish the 2021-2022 financial statements.

In deciding whether any changes are required to the 2021-2022 AGS since the year end (March 2022) and September 2024, we have considered whether any significant governance issues have occurred that are pertinent to this prior year.

We have concluded that there are no additional matters to be reported, however it should be noted that work is ongoing to address recommendations made by the Centre for Governance and Scrutiny, and a Peer Review undertaken in January 2024, in respect of strengthening member and officer relationships to achieve effective decision making. For full details of these please refer to the 2023-2024 Annual Governance Statement.

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 delivered a 20% reduction in carbon emissions within the authority, Teignbridge District Council has developed a Carbon Action Plan which is due for adoption by Full Council in July 2022; the plan will begin to set out a pathway to net zero emissions covering our organisational direct Scope 1 and 2 emissions, and indirect scope 3 supply chain emissions. As part of this emerging Carbon Action Plan, four major projects are already underway following two successful Public Sector Decarbonisation Scheme applications in January 2021; the combined schemes involve our main office building and three authority-run leisure sites. The projects will include installing air source heat pumps, solar photovoltaics, battery storage, electrical capacity upgrades and LED lighting. The combined measures are estimated to reduce emissions by 372 tonnes CO2 in year one.

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

www.teignbridge.gov.uk/carbonfootprint

2. Building Regulations Control Account –Year Ended 31 March 2022

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

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

3. Comments / Contacts

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

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

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TEIGNBRIDGE DISTRICT COUNCIL

STATEMENT OF ACCOUNTS

2022/23

STATEMENT OF ACCOUNTS 2022/2023

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Part 1

Introduction

STATEMENT OF ACCOUNTS 2022/2023

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

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TQ12 4XX

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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 2023. 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 2022/23 are set out on pages 23-118. They consist of:

THE CORE FINANCIAL STATEMENTS:

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)	This statement on page 30 shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations, but this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
MOVEMENT IN RESERVES STATEMENT (MIRS)	This statement on page 31 shows the movement in the year on the different reserves held by the authority analysed into 'usable reserves' which can be used to fund expenditure or reduce local taxation and those that are unusable.
BALANCE SHEET	This shows on page 32 the assets and liabilities recognised by the Authority on 31 March 2023.
CASH FLOW STATEMENT	This shows on page 33 the changes in cash and cash equivalents of the Authority during the reporting period.

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

The Expenditure and Funding Analysis statement note 7 on page 52 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.

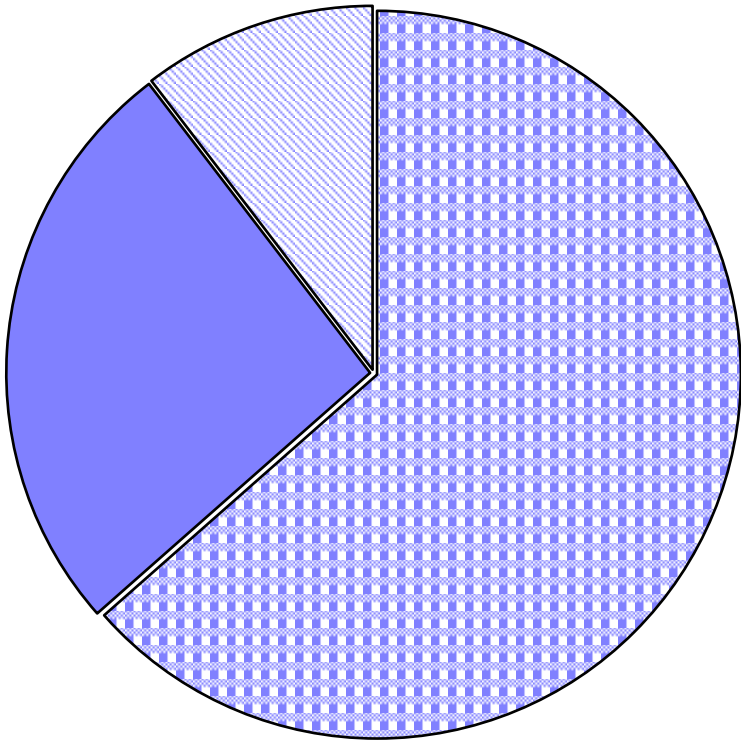
SUPPLEMENTARY FINANCIAL STATEMENTS (Pages 113-114)

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.

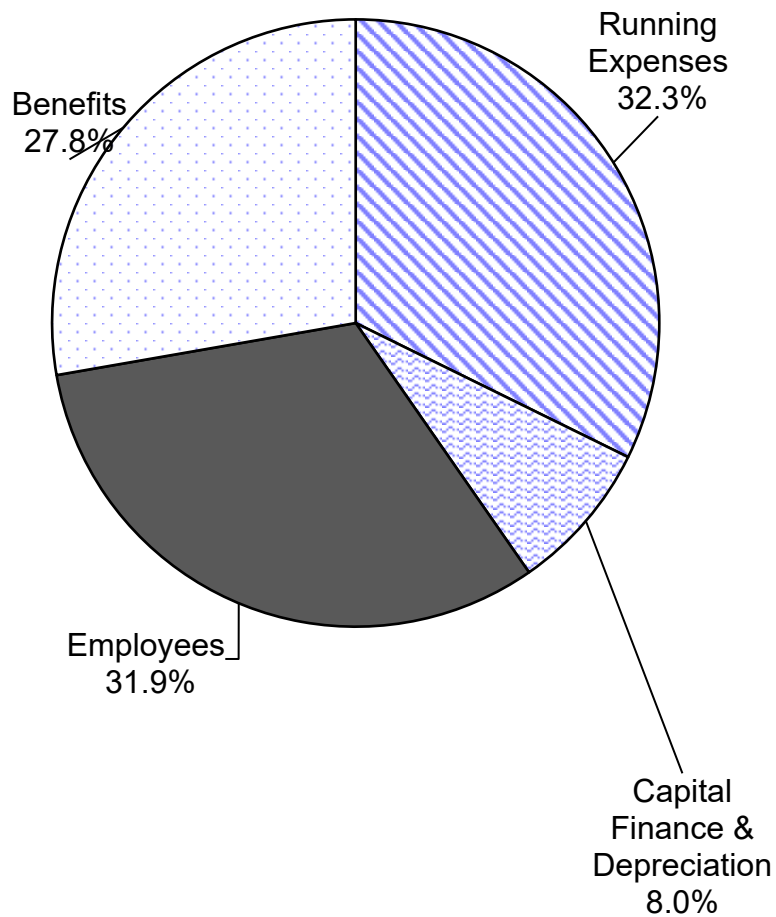
WHERE THE MONEY COMES FROM



The largest single item is Government Grants, for example rent allowances and revenue support grant, and other contributions which provide 63.5% of the total.

Income received from the services provided through fees, charges and other income including interest account for 26.1% of the total.

WHAT THE MONEY IS SPENT ON



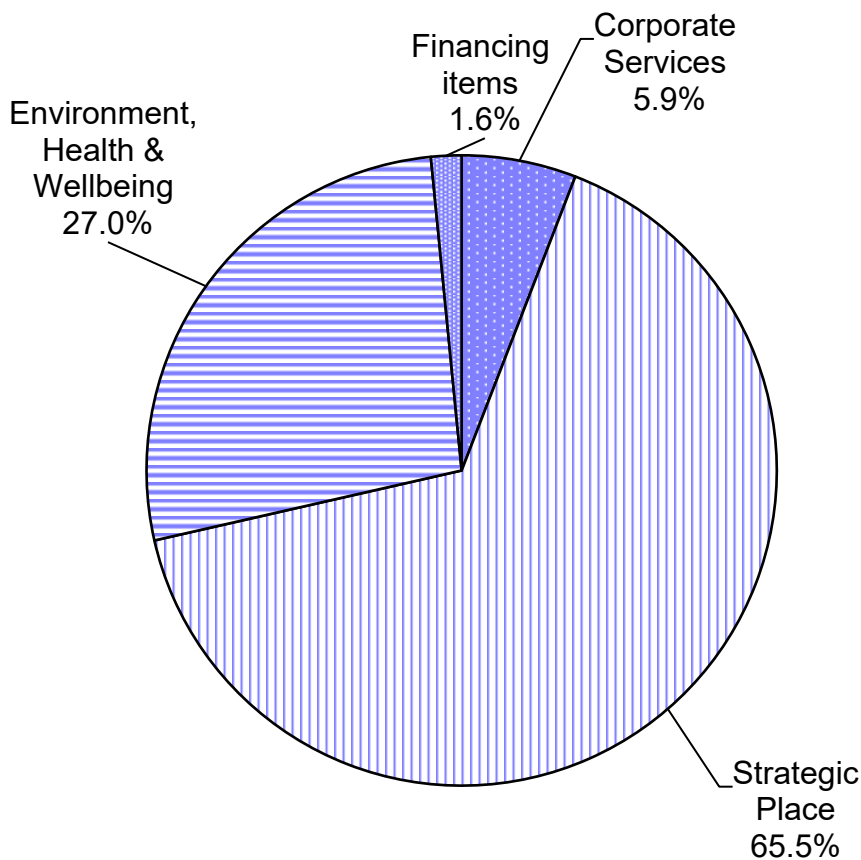
Benefits cover rent allowances and housing rent rebates and amount to 27.8%

Running expenses includes maintenance of buildings, operating vehicles and purchase of supplies and services and takes up 32.3% of the total expenditure.

Employees account for 31.9% of the total.

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

THE SERVICES PROVIDED



65.5% 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 £43.848 million to £48.114 million. This is mainly due to the increase in capital grants unapplied in the year (see the Movement in Reserves Statement).

Our unusable reserve position has improved. The unusable reserves showed a negative £13.928 million at 31 March 2022 due to the deficit on the pension reserve. This net deficit has been eliminated leaving unusable reserves in a positive position of £62.260 million at 31 March 2023. This is principally due to a decrease in the pension reserve deficit due mainly to changes in financial assumptions shown in note 40 and a reduction in the deficit on the Collection Fund. Revenue reserves are £24.229 million at 31 March 2023 and capital receipts and grants unapplied are £23.885 million.

REVENUE EXPENDITURE

4. During the year regular budget monitoring has been carried out and reported to members. Overall net expenditure in 2022/23 was £14.691 million compared to the original approved budget of £16.106 million – a favourable variance of £1.415 million.

Income has recovered and stabilised since the Covid 19 pandemic. There was a significant saving on VAT on leisure services following a change in VAT rules, other income which increased compared to the base budget included recycling sales, planning application income and rents. The Council continues to explore savings where possible. As a result there were savings in staffing costs, rates, water, repairs and maintenance and other miscellaneous costs. Some costs have risen including energy, fuel, audit fees, purchase/maintenance of equipment, contractors/consultants fees and bed and breakfast costs. There was a decrease in income from government grants due to adjustments to business rates income to reflect adjustments to the Collection Fund balance deficit in previous years changing the overall variance to £1.433 million adverse.

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

	Budget	Actual	Difference
	£'000	£'000	£'000
Net expenditure on services	16,074	14,691	(1,383)
Interest payable	32	0	(32)
NET EXPENDITURE	16,106	14,691	(1,415)
Income from Government Grants & Local Taxpayers	(16,106)	(13,258)	2,848
DEFICIT (SURPLUS) FOR THE YEAR	0	1,433	1,433

Actual net expenditure of £14.691 million can be reconciled to the Comprehensive Income and Expenditure Statement on page 30 being:-

	£'000
(Surplus) on Provision of Services	(2,742)
Adjustments between accounting basis & funding basis under regulations (note 9 on pages 56 to 61)	4,175
Deficit for the year	1,433
Add: Income from Government Grants and Local Taxpayers (as listed below)	13,258
Net expenditure (as above)	14,691

Income from Government Grants and Local Taxpayers of £13.258 million can be reconciled to the Comprehensive Income and Expenditure Statement on page 30 as the sum of the Council tax income excluding surplus of £13.451 million, Business Rates income less expenditure, excluding surplus, plus new homes bonus, other sundry general grants of £4.118 million, less precepts paid to Parish Councils of £4.311 million. These are highlighted in notes 11, 13 and 35 to the financial statements. The General Fund balance at 31 March 2023 is £24.229 million being general reserves of £2.317 million and earmarked reserves of £21.912 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. Revenue support grant is virtually zero and revisions to funding for New Homes Bonus are showing reductions in future years as Government intimates this will be eliminated.

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 2022/23 there were revaluation losses net of revaluation reversals relating to our land and building values charged to the Comprehensive Income & Expenditure Statement amounting to £3.6 million. Revenue expenditure funded from capital under statute was slightly higher in 2022/23 at £7.7 million (£6.9 million in 2021/22) mainly due to a £2.6 million contribution to the A382 road improvements and £0.5 million towards the Jetty Marsh link road and other contributions to town centre improvements and cycle routes. Of the £7.7 million, £7.5 million is charged to 'Strategic Place' within Cost of Services in 2022/23 and £6.8 million of the £6.9 million in 2021/22. In 2022/23 the revaluation losses net of revaluation reversals had reduced from £5.2 million to just under £3.6 million. £3.2 million was charged to 'Strategic Place' and £0.3 million to 'Environment, Health & Wellbeing' within Cost of Services.

EXPENDITURE AND FUNDING ANALYSIS

Section 5 above identifies the actual surplus made of £2.742 million when compared to the original budget set in February 2022. 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 2022/23 and just over 60% for 2021/22 within Cost of Services.

CAPITAL EXPENDITURE

7. The table below shows the performance on Capital Investment for 2022/23.

The Council spent £14.827 million on capital projects compared with the original budget of £26.577 million.

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

	Budget	Actual	Difference
	£'000	£'000	£'000
Capital Investment:			
General	19,646	11,597	8,049
Housing	6,931	3,230	3,701
CAPITAL EXPENDITURE	26,577	14,827	11,750

Financed by:			
Capital Receipts	(2,805)	(1,415)	(1,390)
Revenue Contributions	(250)	(1,188)	938
Prudential Borrowing	(5,432)	(1,076)	(4,356)
Grants	(12,824)	(6,183)	(6,641)
Contributions	(5,266)	(4,965)	(301)
CAPITAL FINANCING	(26,577)	(14,827)	(11,750)

The analysis of Capital Investment in 2022/23 is:

Disrepair, energy and Disabled Facilities Grants	£ 1.843 million
Affordable Housing	£ 1.387 million
Environmental Schemes	£ 4.517 million
Flood Alleviation and Prevention	£ 1.648 million
Sports Halls and Recreation	£ 0.890 million
Planning & Development	£ 0.789 million
Industrial, Commercial and Infrastructure	£ 3.443 million
Open spaces (including SANGS)	£ 0.062 million
Car Parks	£ 0.021 million
Other schemes	£ 0.227 million
	£ 14.827 million

The main projects were leisure site decarbonisation £0.790 million, Forde House decarbonisation and agile working £3.293 million, Regional Coastal Monitoring £1.618 million, disrepair and disabled facilities grants £1.843 million and £1.313 million spent on the purchase and refurbishment of affordable housing. Newton Abbot town centre regeneration accounted for £0.706 million, play area refurbishments and contributions £0.616 million, contribution to A382 improvements £2.600 million, contribution to Jetty Marsh Link Road £0.500 million, contribution to the Dawlish Link Rd and bridge £0.343 million.

8. For 2023/24 the budgeted expenditure is as follows:

Sports Halls & Recreation	£ 0.394 million
Open Spaces	£ 1.359 million
Planning & Development	£ 14.661 million
Industrial, Commercial and Infrastructure	£ 9.748 million
Environmental Schemes	£ 3.604 million
Flood Alleviation & Prevention	£ 1.961 million
Disrepair, Disabled Facilities & Energy grants	£ 1.274 million
Affordable Housing	£ 4.962 million
Information Technology & Central Services	£ 0.404 million
	£ 38.367 million

Some of the specific schemes included in these totals are £1.000 million for the Forde House decarbonisation project. There is £7.203 million towards road and transport improvements such as the Dawlish link road and bridge, the A382 and public transport hubs. £1.879 million is budgeted for Regional Coastal Monitoring, funded by Environment Agency grant and £1.105 million for future SANGS land purchase, instatement and endowment arrangements, funded from the Housing Infrastructure Fund. There is £1.250 million for Disabled Facilities grants, £13.646 million for town centre development including the Future High Street fund projects and £0.154 million for play area refurbishment, with £0.414 million towards modernising IT systems. In addition, there are provisions of £4.001 million for the construction and enabling of additional affordable housing, £0.795 million for cycle schemes, £2.439 million in relation to future carbon action plan and energy infrastructure items and £2.000 million for employment sites 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 2022/23 can be analysed as follows:

	Capital resources brought forward	£25.400 million
Add:	Received in year	£13.904 million
Less:	Capital financing applied to expenditure	£11.738 million
	Loan/other	
	Capital resources carried forward	£27.566 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 2023 of £26.609 million. The requirement to recognise the net pension liability in the balance sheet has reduced the reported net worth of the authority by 19.4% for 2022/23 and 76.8% for 2021/22 as shown on page 32.

The net deficit has decreased significantly which is mainly due to a favourable movement on the actuarial financial assumptions. The deficit is derived by calculating the pension

assets and liabilities at 31 March 2023. 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 decreased by £5.4 million. This was mainly due to a reduction in earmarked reserves and capital receipts and in grant receipts in advance at 31 March 2023.

There is no immediate necessity to borrow due to internal borrowing so no short term impact as a result of inflation and higher interest rates.

BALANCE SHEET

During the year net assets at 31 March 2023 increased by £80.454 million. This was mainly due to a significant decrease in the pension liability. 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 2022/23 our share of adjustments to the Comprehensive Income and Expenditure Statement amounted to (£2.280) million. The cumulative effect on our balance sheet is to reduce net assets by £1.717 million.

CHANGE IN ACCOUNTING POLICIES

12. There have been no changes in accounting policies in 2022/23.

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. Since the end of the pandemic the next major issue has been the cost of living crisis and high inflation and interest rates. In year collection of business rates and council tax has altered from last year increasing from 98.99% to 99.04% for rates and decreasing from 97.92% to 97.81% 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 but many income streams have recovered significantly and have been relatively stable.

It is still unclear what the long term outcome from the Covid 19 pandemic will be on businesses as we continue to recover from the impacts and viability of the economy for businesses and the finances of the Council moving forward as inflationary and other economic pressures are increasing.

The cost of living crisis has had a significant impact on residents and geo-political events such as Ukraine. The Council has supported residents through Government backed schemes with cost of living support as appropriate and funding for accommodating refugees within the District including the purchase of appropriate housing accommodation.

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's Plan, Annual Report and 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 various assurance sources including the work of internal and external audit.

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 2023 and includes all PIs and reviews of the projects that have started.

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

- All T10 programmes are reported
- A total of 59 performance indicators are reported
- 45 projects are reported

Within the report are details of key performance achievements including:

- Number of empty properties impacting on New Homes Bonus, 292, was on target or above for the 5th consecutive year.
- 466 dwellings were improved through intervention by the Council
- We provided 51 additional gypsy and traveller pitches, according to identified need in Plan Teignbridge
- Homelessness preventions was behind target on helping clients remain in existing homes (84, target 160)
- Household recycling rate is at 54%, on target
- 100% of beaches rated as excellent or good water quality (target 100)
- 1,166 sqm of employment space has been completed
- 1 km of new cycle routes were provided by working with our partners

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

'Teignbridge Ten' programme heading and performance description	Target 2022/23	Actual 2022/23
Clean scene		
Street cleaning & litter responsibilities. £'s per household	£25.75	£25.85
Household waste collected: £'s per household	£68.61	£74.87
% Beaches rated as excellent or good water quality	100%	100%
Great places to live and work		
Number of conservation areas with appraisal and management plan adopted within the last 5 years	21	0
Going to town		
% of businesses with the top food hygiene rating of 5	90%	88%
Investing in prosperity		
Processing of major planning applications within 13 weeks	60%	88%
Processing of minor planning applications within 8 weeks	65%	49%
Out and about and active		
Number of young people under 18 participating in activities we organise	No data, PIs under review	No data, PIs under review
Number of older people over 60 participating in events we organise	No data, PIs under review	No data, PIs under review
A roof over our heads		
Number of households whose housing conditions have been improved through financial assistance	392	466
Net additional homes provided	753	627
Affordable homes delivered in urban areas as defined by the Local Plan	128	200
Homelessness prevented by client remaining in existing home	160	84
Homelessness prevented by assisting with alternative accommodation	205	223

'Teignbridge Ten' programme heading and performance description	Target 2022/23	Actual 2022/23
What else will we do		
£ Income generated	£38,341,600	£45,588,872
£ External funding received	£1,161,980	£4,792,822
£ Cost per head of population on all services	£138.85	£121.40

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 Better 2022/Modern 25 process. 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 virtually 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 2021/22 and 2022/23 settlements have exacerbated this by eliminating any legacy payments from the New Homes Bonus allocation earned for 2021/22 and thereafter.

We only have a funding agreement from Government for one year in 2023/24. In addition we understand New Homes Bonus will be scrapped and possibly replaced with an alternative form of housing funding but we have no further details. The government is planning to review 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. **244**

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 has probably had some implications for public services however these have been masked by the Covid 19 pandemic and subsequent economic conditions.
18. Coronavirus Covid 19 – The overall impact of this virus has been difficult to determine. We don't know the long term impact on businesses and the economy. Income to the Council had reduced dramatically but has now recovered significantly - see also notes 5/6 to the financial statements and collection rates for Council tax, business rates and rental income above. The budget for 2023/24 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 (MTFP) /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 created budgetary financial pressures in the medium term financial plan which are being addressed.

We will continue to focus on our working methods, organisational structure and the annual review of business plans and service reviews through the Modern 25 process which 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 no longer available and future funding reforms are awaited from Government, however consultations on these are yet to emerge.

The MTFP is regularly updated and business cases revisited to reflect changes in estimates/inflation/interest rates etc and future predictions are built into plans to mitigate adverse changes.

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 not been audited and the Auditors' disclaimer 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 2023 and its income and expenditure for the year ended 31 March 2023.

.....

MARTIN FLITCROFT – CHIEF FINANCE OFFICER

I confirm that these accounts were approved by the Council on 29 October 2024

.....

COUNCILLOR ROSIE DAWSON, CHAIR OF THE COUNCIL

29 October 2024

AUDIT OPINION AND CONCLUSION

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

Disclaimer of opinion

We were engaged to audit the financial statements of Teignbridge District Council (the 'Authority') for the year ended 31 March 2023, which comprise Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and Notes to the Financial Statements and Notes to the Collection Fund, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

We do not express an opinion on the accompanying financial statements of the Authority. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2023 by 13 December 2024 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements. We have not been able to obtain sufficient appropriate audit evidence by the backstop date to conclude that the Authority's financial statements for the year ended 31 March 2023 as a whole are free from material misstatement. We were also unable to obtain sufficient appropriate evidence for the corresponding figures for the same reason. We have therefore issued a disclaimer of opinion on the financial statements. This enables the Authority to comply with the requirement in the Regulations that they publish audited financial statements for the year ended 31 March 2023 by the backstop date. We have concluded that the possible effects on the financial statements of undetected misstatements arising from this matter could be both material and pervasive.

In addition, in our auditor's report for the year ended 31 March 2021, we reported that we were unable to confirm the accuracy of the valuation calculations for property, plant and equipment or obtain sufficient appropriate audit evidence to conclude whether the basis of the valuations were reasonable. We were also unable to obtain sufficient assurance that the value of car parks were not materially overstated. In addition, we identified significant weaknesses in financial accounting and record keeping at the Authority associated with its property, plant and equipment balances. The Authority did not maintain adequate records to sufficiently support material balances within the financial statements. Due to the significance of these matters, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements. These matters have not been resolved in the current year and therefore their impact could be both material and pervasive to the current year financial statements.

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

Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

Opinion on other matters required by the Code of Audit Practice

The Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Authority's financial statements and our auditor's report thereon. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and

effectiveness in its use of resources, whether the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of the Authority and the Chief Finance Officer

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 25, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Finance Officer. The Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Authority's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on those financial statements.

We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations.

The audit was defective in its ability to detect irregularities, including fraud, on the basis that we were unable to obtain sufficient appropriate audit evidence due to the matter described in the basis for disclaimer of opinion section of our report.

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

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

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We have nothing to report in respect of the above matter except on 29 August 2023 we identified significant weaknesses in the Authority’s arrangements for governance. This was in relation to the following:

- An independent review of the relationship between members and officers by the Centre for Governance and Scrutiny (CFGs) identified a general lack of respect between members and also evidence of difficult relationships between members and officers. We recommended both members and senior officers commit to building up respect and good working relationships and demonstrate that significant progress has been made within a reasonable timeframe, to be agreed by the Managing Director and Group Leaders.
- A disclaimer opinion was issued on the 2020/21 financial statements. This was due to an imposed scope limitation to gain assurance over the carrying value of property, plant and equipment valuations at 31 March 2021. We recommended the Authority ensures its annual financial statements are supported by appropriately evidenced working papers that meet the increased expectations of current auditing standards.

As part of our work on the Authority’s arrangements for governance for the year ended 31 March 2023, we have reviewed the Authority’s progress implementing these recommendations. Insufficient progress had been made by the Authority in addressing the significant weaknesses identified, therefore the significant weaknesses in arrangements remain in place.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

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

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in October 2024. This guidance sets out the arrangements that fall within the scope of ‘proper arrangements’. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

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

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

Report on other legal and regulatory requirements – Audit certificate

We certify that we have completed the audit of Teignbridge District Council for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 [and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited]. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Peter Barber, Key Audit Partner

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

XX XXXX 2024

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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.

2021/22				2022/23			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	
£'000	£'000	£'000		£'000	£'000	£'000	
4,706	(573)	4,133	Corporate Services	4,434	(244)	4,190	
52,574	(41,320)	11,254	Strategic Place**	49,482	(40,282)	9,200	
19,801	(8,008)	11,793	Environment, Health & Wellbeing	20,381	(9,628)	10,753	
395	(291)	104	Financing items*	1,178	(194)	984	
77,476	(50,192)	27,284	Cost of Services	75,475	(50,348)	25,127	
8,723	(961)	7,762	Other Operating Expenditure (Note 11)	5,137	(222)	4,915	
2,141	(34)	2,107	Financing and Investment (Income) and Expenditure (Note 12)	2,525	(823)	1,702	
10,478	(43,738)	(33,260)	Taxation and Non-Specific Grant (Income) and Expenditure (Note 13) ***	10,991	(45,477)	(34,486)	
		3,893	(Surplus) or Deficit on Provision of Services			(2,742)	
		(3,723)	(Surplus) or Deficit on revaluation of Property, Plant & Equipment assets			(78)	
		(15,523)	Re-measurements of the net defined benefit liability****			(77,634)	
		(19,246)	Other Comprehensive (Income) and Expenditure			(77,712)	
		(15,353)	Total Comprehensive (Income) and Expenditure			(80,454)	

**In 2021/22 includes £2.5 million for payment of Covid business grants from Government grant funding received in response to the Covid pandemic – £0.049 million was paid in 2022/23 for business grants - see note 5(b) to the financial statements.

*** In 2021/22 includes Covid support of £0.8 million for fees and charges compensation, £0.6 million general Covid grants and £3.4 million retail relief grant for business rates. In 2022/23 there were no general Covid grants or fees and charges compensation grants however £0.049 million was received for business grants (see note 13).

**** see notes 4 and 5 (c) for explanation on the remeasurement of the net defined benefit liability.

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.

	Unearmarked Reserves £'000	Earmarked Reserves £'000	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2021	2,060	22,948	25,008	6,427	11,040	42,475	(27,908)	14,567
<u>Movements in reserves during 2021/22</u>								
Total Comprehensive Income and Expenditure	(3,893)	0	(3,893)	0	0	(3,893)	19,246	15,353
Adjustments between accounting basis & funding basis under regulations (Note 9)	4,547	0	4,547	(756)	1,475	5,266	(5,266)	0
Increase/(Decrease) in 2021/22 before transfer to earmarked reserves	654	0	654	(756)	1,475	1,373	13,980	15,353
Transfer to/from Earmarked Reserves	(608)	608	0	0	0	0	0	0
Increase/(decrease) in 2021/22	46	608	654	(756)	1,475	1,373	13,980	15,353
Balance at 31 March 2022 carried forward	2,106	23,556	25,662	5,671	12,515	43,848	(13,928)	29,920
<u>Movement in reserves during 2022/23</u>								
Total Comprehensive Income and expenditure	2,742	0	2,742	0	0	2,742	77,712	80,454
Adjustments between accounting basis & funding basis under regulations (Note 9)	(4,175)	0	(4,175)	(1,144)	6,843	1,524	(1,524)	0
Increase/(Decrease) in 2022/23 before transfer to earmarked reserves	(1,433)	0	(1,433)	(1,144)	6,843	4,266	76,188	80,454
Transfer to/from Earmarked Reserves	1,644	(1,644)	0	0	0	0	0	0
Increase/(decrease) in 2022/23	211	(1,644)	(1,433)	(1,144)	6,843	4,266	76,188	80,454
Balance at 31 March 2023 carried forward	2,317	21,912	24,229	4,527	19,358	48,114	62,260	110,374

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'

31 March 2022	Notes	31 March 2023
£'000		£'000
106,730 Property, Plant & Equipment	14	106,934
94 Investment Property	15	100
341 Intangible Assets	16	361
0 Assets Held for Sale	23	0
0 Long Term Investments	17	0
4,926 Long Term Debtors	18	6,079
112,091 Long Term Assets		113,474
6,000 Short Term Investments	19	4,000
0 Assets Held for Sale	23	0
208 Inventories		188
24,193 Short Term Debtors	20	18,234
32,103 Cash and Cash Equivalents	22	26,693
62,504 Current Assets		49,115
0 Bank Overdraft	22	0
0 Short Term Borrowing		0
(15,264) Short Term Creditors	24	(10,092)
(510) Provisions	25	(508)
(14,506) Grants Receipts in Advance-Revenue	35	(2,922)
(7,136) Grants Receipts in Advance-Capital	35	(3,629)
(37,416) Current Liabilities		(17,151)
0 Provisions	25	0
(102,027) Other Long Term Liabilities	43	(29,601)
(5,154) Grants Receipts in Advance – Revenue	35	(5,411)
(78) Grants Receipts in Advance - Capital	35	(52)
(107,259) Long Term Liabilities		(35,064)
29,920 Net Assets		110,374
43,848 Usable Reserves	26	48,114
(13,928) Unusable Reserves	27	62,260
29,920 Total Reserves		110,374

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.

2021/22		2022/23
£'000		£'000
3,893	Net (surplus) or deficit on the provision of services	(2,742)
(19,132)	Adjustments to net surplus or deficit on the provision of services for non cash movements (Note 28(a))	4,094
7,991	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 28(b))	12,294
<u>(7,248)</u>	Net cash flows from Operating Activities	<u>13,646</u>
5,228	Investing Activities (Note 29)	(2,057)
<u>(8,951)</u>	Financing Activities (Note 30)	<u>(6,179)</u>
(10,971)	Net (increase) or decrease in cash and cash equivalents	5,410
21,132	Cash and cash equivalents at the beginning of the reporting period	32,103
<u>32,103</u>	Cash and cash equivalents at the end of the reporting period (Note 22)	<u>26,693</u>

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

a. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. 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 2022/23, the Local Authorities (Capital Finance and Accounting)(England) Regulations 2003 (SI 2003 No 3146, as amended) supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The Statement of Accounts has been prepared using the going concern basis.

b. Accruals of Income and Expenditure

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

- The council recognises revenue from contracts with service recipients when it satisfies a performance obligation by transferring promised goods and services to a recipient, measured as the amount of the overall transaction price allocated to that obligation.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Revenue from council tax and business rates is measured at the full amount receivable (net of any impairment losses) and is accounted for on an accruals basis.

c. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than 95 days or less from the date of acquisition and that are readily convertible to known amounts of cash with

insignificant risk of change in value.

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

d. Material Items

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

e. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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

f. Charges to Revenue for Non-Current Assets

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

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

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

g. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and

paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate reporting segment (or Financing Items where they relate to pension enhancements) in the Comprehensive Income and Expenditure Statement to terminate at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring.

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

Post Employment Benefits

Employees of the Authority are members of the Local Government Pensions Scheme, administered by Devon County Council.

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

The Local Government Pension Scheme

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

- The liabilities of the Devon County Council pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the annualised yield on the Merrill Lynch AA rated corporate bond curve used by the actuary Barnet Waddington and with consideration of the duration of the liabilities of the Employer (Teignbridge District Council).
- The assets of the Devon County Council pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price

- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value.
- The change in the net pensions liability is analysed into the following components:
- Service cost comprising:
 - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
 - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Financing Items
 - net interest on the net defined benefit liability (asset), i.e. net interest expense for the Authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
 - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
 - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
 - contributions paid to the Devon County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

h. Events after the Reporting Period

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

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

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

i. Financial Instruments

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

Financial Liabilities

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

Financial Assets

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

Allowances for impairment losses have been calculated for amortised cost assets, applying the expected credit losses model (see Note 42 below). 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, ²⁰¹³2013 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 205-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 60 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 60 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 2023/24 (the Code) introduces changes in accounting policies that will have to be adopted fully by the authority in the 2023/24 financial statements i.e., from 1 April 2023.

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 2023/24 there are no standards issued not adopted that are expected to have a material impact on the 2023/24 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 2023/24. As IFRS 16 is effective on or after 1 April 2024, there will be no impact on 2022/23 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 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £0.057 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 £2.062 million. The assumptions interact in

	actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied. The value of pension assets is estimated based upon information available at the Balance Sheet date, but these valuations may be earlier than the Balance Sheet date. The actual valuations at the Balance Sheet date, which may not be available until sometime later, may give a different value of pension assets, but this difference is not considered to be material.	complex ways. During 2022/23, the Authority's actuaries advised that the net pensions liability had decreased by £82.186 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 £5.762 million.
Arrears	At 31 March 2023, the Authority had a balance of sundry debtors of £3.401 million. A review of significant balances suggested that an impairment of doubtful debts of 31% (£1.056 million) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £1.056 million to set aside as an allowance.

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

Arrears – It is not clear what the ongoing economic position will mean for collectability of debts and ability to pay. Increased inflation, cost of living and recessionary fears may exist for some time to come and the bad debt provisions 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 2021/22 there were revaluation losses net of reversals in relation to property, plant & equipment amounting to £5.2 million. £4.7 million was charged to 'Strategic Place' and £0.5 million to 'Environment, Health & Wellbeing' within Cost of Services. The major revaluation adjustments relate to Market Walk shopping centre and car parking assets totalling £3.7 million.

In 2022/23 the revaluation losses net of reversals has decreased to just under £3.6 million. £3.2 million was charged to 'Strategic Place' and just over £0.3 million to 'Environment, Health & Wellbeing' within Cost of Services'. The major revaluation

adjustments relate to revaluation losses to Forde House offices and housing properties totalling £3.9 million and a revaluation increase of £0.8 million relating to Market Walk shopping centre.

Revenue expenditure funded from capital under statute was higher in 2022/23 at £7.7 million (£6.9 million in 2021/22) – mainly due to a £2.6 million contribution to the A382 road improvements, £0.5 million to the Jetty Marsh link road and £1.6 million towards the regional coastal monitoring programme (an increase of £0.6 million compared to 2021/22). Of the total £6.9 million, £6.8 million is charged to 'Strategic Place' within Cost of Services in 2021/22 and £7.5 million of the £7.7 million in 2022/23.

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

In 2021/22 the Council administered a number of grants in relation to the Covid 19 pandemic/government initiatives – some as agent (see note 46) and some received and paid as principal through the Comprehensive Income and Expenditure Statement. £2.8 million was received and paid in Strategic Place in relation to business grants. In 2022/23 these grants were also administered as agent (see note 46) with some received and paid as principal through the Comprehensive Income and Expenditure Statement. £0.049 million was received and £0.049 million paid in 'Strategic Place' in relation to business grants.

In 2022/23 the pension liability has reduced by £72.258 million – see note 40 below – the main contributor is the change in financial assumptions. The IAS19 discount rate is determined based on bond yields at 31 March 2023. Bond yields have increased significantly over the year and therefore there will be a significant reduction in the expected pension liabilities.

The change in CPI inflation will also reduce the employer liabilities albeit to a lesser extent.

Demographic assumptions have been updated in line with the assumptions adopted for the 2022 valuation. The assumed life expectancies for members will therefore have reduced since last year and again will lead to a reduction in the pension liability.

6. Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Chief Finance Officer on XX XXXX 2023. 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 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There are no events which took place after 31 March 2023 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.

2021/22				2022/23		
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
3,588	(545)	4,133	Corporate Services	3,781	(409)	4,190
(658)	(11,912)	11,254	Strategic Place	33	(9,167)	9,200
7,554	(4,239)	11,793	Environment, Health & Wellbeing	7,246	(3,507)	10,753
1,833	1,729	104	Financing Items	2,934	1,950	984
12,317	(14,967)	27,284	Net Cost of Services	13,994	(11,133)	25,127
(12,971)	10,420	(23,391)	Other Income and Expenditure	(12,561)	15,308	(27,869)
(654)	(4,547)	3,893	(Surplus)/Deficit	1,433	4,175	(2,742)
(25,008)			Opening General Fund Balance	(25,662)		
(654)			Less/Plus (Surplus) / Deficit on General Fund in year	1,433		
(25,662)			Closing General Fund Balance at 31 March	(24,229)		

7 a. Note to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis

				2022/23
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)	Total Adjustments
£000	£000	£000	£000	£000
Corporate Services	84	327	(2)	409
Strategic Place	7,930	1,238	(1)	9,167
Environment, Health & Wellbeing	1,824	1,675	8	3,507
Financing Items	(277)	(1,673)	0	(1,950)

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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)	Total Adjustments
Net Cost of Services	9,561	1,567	5	11,133
Other income and expenditure from the Expenditure and Funding Analysis	(14,541)	2,524	(3,291)	(15,308)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(4,980)	4,091	(3,286)	(4,175)

Adjustments between Funding and Accounting Basis

2021/22				
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)	Total Adjustments
	£000	£000	£000	£000
Corporate Services	29	512	4	545
Strategic Place	10,091	1,825	(4)	11,912
Environment, Health & Wellbeing	1,848	2,385	6	4,239
Financing Items	0	(1,729)	0	(1,729)
Net Cost of Services	11,968	2,993	6	14,967
Other income and expenditure from the Expenditure and Funding Analysis	(8,363)	2,290	(4,347)	(10,420)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	3,605	5,283	(4,341)	4,547

Adjustments for Capital Purposes

- 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:

	2021/22	2022/23
Services	Income from Services	Income from Services
	£000	£000
Corporate Services	(202)	(226)
Strategic Place	(10,620)	(11,037)
Environment, Health & Wellbeing	(7,058)	(8,956)
Financing Items	(184)	(186)
Total income analysed on a segmental basis	(18,064)	(20,405)

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The largest source of income for Strategic Place is car parking income at £4.282 million (2021/22 £4.041 million). Income from housing schemes including homelessness and rent allowance recoveries amounts to £1.279 million (2021/22 £0.845 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 £2.831 million (2021/22 £1.624 million) and recycling sales and credits at £3.974 million (2021/22 £3.379 million).

8. Expenditure and Income Analysed by Nature

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

Expenditure / Income	2021/22 £000	2022/23 £000
Expenditure		
Employee benefits expenses	23,629	24,899
Other services expenses*	47,941	46,813
Depreciation, amortisation, impairment	7,826	6,281
Interest payments	0	0
Precepts and levies	3,943	4,311
(Gain) or loss on the disposal of assets	3,752	534
Total expenditure	87,091	82,838
Income		
Fees, charges and other service income	(18,064)	(20,405)
Interest and investment income	(26)	(824)
Income from council tax, non-domestic rates (net)	(11,843)	(12,754)
Government grants and contributions**	(53,265)	(51,597)
Total income	(83,198)	(85,580)
(Surplus) or Deficit on the Provision of Services	3,893	(2,742)

*Includes £20.827 million rent allowances paid (£22.290 million in 2021/22) and charged to Strategic Place.

** Includes rent allowance subsidy of £20.862 million (£22.367 million in 2021/22) and charged to Strategic Place.

Rent allowances recovered are within fees, charges and other service income and also charged to Strategic Place (£0.216 million in 2022/23 and £0.206 million in 2021/22).

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 2022/23 and 2021/22 are as follows:

2022/23

	Usable reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:				
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Charges for depreciation and impairment of non current assets	2,427	0	0	(2,427)
Revaluation (gains) losses on Property, Plant and Equipment	4,864	0	0	(4,864)
Revaluation reversals on Property, Plant and Equipment	(1,274)	0	0	1,274
Movements in the market value of Investment Properties	(6)	0	0	6
Operating / finance lease income adjustment	0	0	0	0
Amortisation of intangible assets	117	0	0	(117)
Capital grants and contributions applied	(7,055)	0	0	7,055
Revenue expenditure funded from capital under statute (REFCUS)	7,690	0	0	(7,690)
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	755	0	0	(755)
Income in relation to donated assets	0	0	0	0
Gain arising from donated assets	0	0	0	0
Amortisation of long term debtors	147	0	0	(147)
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	(277)	0	0	277
Financing of loan	0	0	0	0
Capital expenditure charged against the General Fund balance	(1,443)	0	0	1,443
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(10,681)	0	10,681	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	(3,838)	3,838

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	(63)	63	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(1,415)	0	1,415
Right to buy/shared ownership receipts	(159)	159	0	0
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	0	0	0	0
Loan repayment	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	(20)	20	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	29	0	(29)

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	0	0	0	0

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)	9,060	0	0	(9,060)
Employer's pensions contributions and direct payments to pensioners payable in the year	(4,970)	0	0	4,970

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	(3,295)	0	0	3,295

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	8	0	0	(8)

Total Adjustments

(4,175)	(1,144)	6,843	(1,524)

2021/22

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:				
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Charges for depreciation and impairment of non current assets	2,379	0	0	(2,379)
Revaluation (gains) losses on Property, Plant and Equipment	5,557	0	0	(5,557)
Revaluation reversals on Property, Plant and Equipment	(386)	0	0	386
Movements in the market value of Investment Properties	8	0	0	(8)
Operating / finance lease income adjustment	0	0	0	0
Amortisation of intangible assets	129	0	0	(129)
Capital grants and contributions applied	(9,096)	0	0	9,096
Revenue expenditure funded from capital under statute (REFCUS)	6,936	0	0	(6,936)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	4,685	0	0	(4,685)
Income in relation to donated assets	0	0	0	0
Gain arising from donated assets	0	0	0	0
Amortisation of long term debtors	148	0	0	(148)
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	(231)	0	0	231
Financing of loan	0	0	0	0
Capital expenditure charged against the General Fund balance	(684)	0	0	684
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(4,889)	0	4,889	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	(3,414)	3,414

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	(10)	10	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(1,728)	0	1,728
Right to buy/shared ownership receipts	(911)	911	0	0
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	0	0	0	0
Loan repayment	(7)	29	0	(22)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	0	0	0	0
Renovation grants repaid	(22)	22	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	0	0	0	0

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)	9,155	0	0	(9,155)
Employer's pensions contributions and direct payments to pensioners payable in the year	(3,872)	0	0	3,872

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	(4,347)	0	0	4,347

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	5	0	0	(5)

Total Adjustments	4,547	(756)	1,475	(5,266)

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 2022/23.

	Balance at 1 April 2021	Transfers Out 2021/22	Transfers In 2021/22	Balance at 31 March 2022	Transfers Out 2022/23	Transfers In 2022/23	Balance at 31 March 2023
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund:							
Building control partnership reserve	191	(17)	172	346	(25)	53	374
Open spaces reserve	254	(6)	233	481	(29)	20	472
Collection fund reserve	8,136	(3,980)	0	4,156	(2,956)	0	1,200
Insurance reserve	85	0	0	85	0	0	85
Revenue contribution to capital reserve	887	(27)	490	1,350	(995)	753	1,108
Business rates / funding reserve	10,012	0	2,054	12,066	(62)	0	12,004
Sundry revenue grants reserve	2,114	(1,177)	1,729	2,666	(1,372)	2,606	3,900
Carry forward reserve	1,071	(1,071)	2,210	2,210	(2,210)	2,578	2,578
Strata usable reserves	198	(2)	0	196	(5)	0	191
Total	22,948	(6,280)	6,888	23,556	(7,654)	6,010	21,912

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

2021/22		2022/23
£'000		£'000
3,943	Parish council precepts	4,311
(911)	Shared ownership/Right to Buy receipts	(159)
66	Pension administration expenses	70
4,664	(Gains)/losses on the disposal of non current assets*	693
0	(Gain) on share of donated assets - Strata	0
7,762	Total	4,915

*Includes transfer of Dawlish and SW Exeter SANGS at a loss of £3.8 million to Land Trust and abortive capital costs of £0.85 million in 2021/22.

12. Financing and Investment Income and Expenditure

2021/22		2022/23
£'000		£'000
0	Interest/tax payable and similar charges	2
2,133	Net interest on the net defined benefit liability	2,523
(32)	Interest receivable and similar income	(808)
6	Income and expenditure in relation to investment properties and changes in their fair value (see note 15)	(15)
0	Bank investment loss	0
2,107	Total	1,702

13. Taxation and Non Specific Grant Income and Expenditure

2021/22		2022/23
£'000		£'000
(13,026)	Council tax income (incl surplus/deficit)	(13,680)
(9,292)	Business rates (including surplus/deficit)	(10,035)
	Non ring fenced government grants:	
0	Revenue support grant	(1)
(637)	General Covid grants	0
(1,485)	New Homes Bonus	(1,270)
(331)	Lower tier services grant	(162)
(773)	Sales/fees and charges compensation	0
0	CARF grant	(886)

(11,214)	Capital grants and contributions**	(13,622)
(3,435)	Retail relief grant***	(1,521)
(8)	Transparency Code grant	(8)
(2,100)	Small business rate relief/threshold changes grant	(2,310)
(675)	Other business rates grants	(1,099)
(410)	Other general grants	(493)
9,623	Business rates tariff payment	10,081
2	Pooling/pilot costs	2
(271)	Pooling gain	(390)
(81)	Council tax support/ TIG grants	0
853	Business rates levy	908
(33,260)	Total	(34,486)

** includes various grants towards capital expenditure.

In 2021/22 £4.076 million relates to the Community Infrastructure Levy (CIL), and £3.161 million for SANGS. In 2022/23 £5.178 million relates to CIL and £5.005 million for Future High Street Funds.

14. Property, Plant and Equipment

Movements on Balances

Movements in 2022/23:

	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
At 1 April 2022	96,713	5,246	4,355	3,985	591	2,699	113,589
Additions	5,256	766	0	100	0	725	6,847
Donations	0	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(1,160)	0	0	0	(34)	0	(1,194)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(3,610)	0	0	0	(268)	0	(3,878)
Derecognition - Disposals	(626)	(203)	0	(84)	0	0	(913)
Strata reclassify/additions/disposals	0	(82)	0	0	0	0	(82)
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0
Other movements/reclassifications in Cost or Valuation	2,060	0	0	0	0	(2,060)	0
At 31 March 2023	98,633	5,727	4,355	4,001	289	1,364	114,369

	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Accumulated Depreciation and Impairment							
At 1 April 2022	2,638	3,132	597	449	43	0	6,859
Depreciation charge	1,782	400	87	83	15	0	2,367
Depreciation written out to the Revaluation Reserve	(1,272)	0	0	0	0	0	(1,272)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(287)	0	0	0	0	0	(287)
Impairment losses/ (reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0
Derecognition – Disposals	(2)	(156)	0	(3)	0	0	(161)
Strata – reclassify/charge/disposals	0	(71)	0	0	0	0	(71)
Other movements in Depreciation and Impairment	0	0	0	0	0	0	0
At 31 March 2023	2,859	3,305	684	529	58	0	7,435
Net Book Value							
At 31 March 2023	95,774	2,422	3,671	3,472	231	1,364	106,934
At 31 March 2022	94,075	2,114	3,758	3,536	548	2,699	106,730

Comparative Movements in 2021/22:

	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
At 1 April 2021	98,015	4,751	4,355	7,570	152	2,392	117,235
Additions	2,724	547	0	215	0	2,053	5,539
Donations	0	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,756	0	0	0	(1)	0	1,755
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(6,169)	0	0	0	0	0	(6,169)
Derecognition - Disposals	(66)	(169)	0	(3,800)	0	(853)	(4,888)
Strata reclassify/additions/disposals	0	117	0	0	0	0	117
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0
Other movements/reclassifications in Cost or Valuation	453	0	0	0	440	(893)	0
At 31 March 2022	96,713	5,246	4,355	3,985	591	2,699	113,589

	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Accumulated Depreciation and Impairment							
At 1 April 2021	3,833	2,891	511	375	42	0	7,652
Depreciation charge	1,784	363	86	83	15	0	2,331
Depreciation written out to the Revaluation Reserve	(1,955)	0	0	0	(14)	0	(1,969)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(998)	0	0	0	0	0	(998)
Impairment losses/ (reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0
Derecognition – Disposals	(26)	(168)	0	(9)	0	0	(203)
Strata – reclassify/charge/disposals	0	46	0	0	0	0	46
Other movements in Depreciation and Impairment	0	0	0	0	0	0	0
At 31 March 2022	2,638	3,132	597	449	43	0	6,859

The freehold and leasehold properties which comprise the Authority's property portfolio are valued by a qualified internal valuer, Chris Bouchard (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 31 December. 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 60 years or less. The assets incurring depreciation have useful lives of between 5 and 60 years.

Capital commitments – There are contracts for future capital expenditure to carry out coastal monitoring work of £2.0 million at 31 March 2023.

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 Chris Bouchard (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.

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Surplus Assets	Infrastructure Assets	Community Assets
	£'000	£'000	£'000	£'000	£'000
Carried at historical cost	0	5,727	0	4,355	4,001
Valued at current value in year:					
2022/23	78,156	0	200	0	0
2021/22	76,540	0	502	0	0
2020/21	82,082	0	0	0	0
2019/20	47,922	0	87	0	0
2018/19	59,154	0	109	0	0
Total cost or valuation *	343,854	5,727	898	4,355	4,001

* 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:

2021/22		2022/23
£'000		£'000
2	Rental income from investment property	9
(0)	Direct operating expenses arising from investment property	(0)
2	Net gain/(loss)	9

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:

2021/22		2022/23
£'000		£'000
102	Balance at start of the year	94
	Additions:	
0	Purchases	0
0	Construction	0
0	Subsequent expenditure	0
(0)	Disposals	(0)
(8)	Net gains/(losses) from fair value adjustments	6
	Transfers:	
(0)	To/from Inventories	(0)
0	To/from Property, Plant and Equipment	0
0	Other changes	0
94	Balance at end of the year	100

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 2023.

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

	2021/22		2022/23	
	Other Assets £'000	Total £'000	Other Assets £'000	Total £'000
Balance at start of year:				
• Gross carrying amounts	1,366	1,366	1,432	1,432
• Accumulated amortisation	(962)	(962)	(1,091)	(1,091)
Net carrying amount at start of year	404	404	341	341
Additions				
• Purchases	0	0	0	0
Retirements and disposals (net)	(0)	(0)	(0)	(0)
Strata reclassify/movements/additions	66	66	137	137
Amortisation for the period	(129)	(129)	(117)	(117)
Net carrying amount at end of year	341	341	361	361
Comprising				
• Gross carrying amounts	1,432	1,432	1,154	1,154
• Accumulated amortisation	(1,091)	(1,091)	(793)	(793)
	341	341	361	361

17. Long term Investments

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

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

	£000's
Opening balance at 1 April 2022	0
Purchase	0
Impairment	0
Closing balance 31 March 2023	0

18. Long term debtors

This balance covers the long term element of the Collection Fund balance from sharing local authorities and central government re. non domestic rates, mortgages / loans, sundry trade debtors and finance leases. In addition the transfer of SANGS at Dawlish and South West Exeter to the Land Trust has created a long term debtor for the improved public space and service potential. This is being written off over a 20 year period:

	31 March 2022 £'000	31 March 2023 £'000
Collection Fund balance – non domestic rates	0	815
SANGS	2,807	2,660
Sundry trade debtors/Community Infrastructure Levy	1,791	2,319
Mortgages / loans	310	267
Finance leases	18	18
	<u>4,926</u>	<u>6,079</u>

19. Short term investments

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

20. Short Term Debtors

31 March 2022 £'000		31 March 2023 £'000
12,585	Trade debtors*	6,734
79	Other debtors	86
10,303	Prepayments and accrued income	10,018
583	Council tax / Non domestic rates	642
643	Strata debtors	754
24,193	Total	18,234

*Includes Collection Fund debtors of £6.903 million at 31 March 2022 and £0.618 million at 31 March 2023.

21. Debtors for Local Taxation

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

31 March 2022 £'000		31 March 2023 £'000
344	Less than one year	342
165	One to three years	208
74	Over three years	92
583	Total	642

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

22. Cash and Cash Equivalents

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

31 March 2022		31 March 2023
£'000		£'000
27	Cash held by the Authority	89
4,036	Bank current/instant call accounts	3,908
27,750	Short term deposits with banks/building societies/money market funds	22,500
290	Strata	196
32,103	Total Cash and Cash Equivalents	26,693

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

23. Assets Held for Sale

	Current		Non-Current	
	2021/22	2022/23	2021/22	2022/23
	£'000	£'000	£'000	£'000
Balance outstanding at start of year	0	0	0	0
Assets newly classified as held for sale:				
• Property, Plant and Equipment	0	0	0	0
• Intangible Assets	0	0	0	0
Revaluation losses	0	0	0	0
Revaluation gains	0	0	0	0
Impairment losses	0	0	0	0
Assets declassified as held for sale:				
• Property, Plant and Equipment	0	0	0	0
• Intangible Assets	0	0	0	0
• Other assets / liabilities in disposal groups	0	0	0	0
Assets sold	0	0	0	0
Transfers from non current to current	0	0	0	0
Balance outstanding at year-end	0	0	0	0

24. Short Term Creditors

31 March 2022 £'000	31 March 2023 £'000
(4,905) Trade creditors	(4,601)
(292) Other creditors	(307)
(9,348) Accrued expenditure and income in advance*	(4,685)
(389) Council tax / Non domestic rates	(323)
(330) Strata creditors	(176)
(15,264) Total	(10,092)

*Includes £6.3 million of business rates grants repayable to Government at 31 March 2022 and £1.2 million at 31 March 2023.

25. Provisions

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

	Short Term	
	Non Domestic Rates Appeals	Total
	£'000	£'000
Balance at 1 April 2022	(510)	(510)
Additional provisions made in 2022/23	0	0
Amounts used in 2022/23	0	0
Unused amounts reversed in 2022/23	2	2
Balance at 31 March 2023	(508)	(508)

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:

31 March 2022		31 March 2023
£'000		£'000
47,184	Revaluation Reserve	45,939
42,956	Capital Adjustment Account	43,587
0	Financial Instruments Adjustment Account	0
(100,153)	Pensions Reserve	(26,609)
103	Deferred Capital Receipts Reserve	74
(3,727)	Collection Fund Adjustment Account	(432)
(291)	Accumulated Absences Account	(299)
(13,928)	Total Unusable Reserves	62,260

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.

2021/22		2022/23	
£'000		£'000	
44,270	Balance at 1 April		47,184
11,145	Upward revaluation of assets	8,196	
(7,422)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(8,118)	
3,723	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		78
(770)	Difference between fair value depreciation and historical cost depreciation	(711)	
(39)	Accumulated gains on assets sold or scrapped	(612)	
(809)	Amount written off to the Capital Adjustment Account		(1,323)
47,184	Balance at 31 March		45,939

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.

2021/22		2022/23	
£'000		£'000	
46,470	Balance at 1 April		42,956
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(2,378)	• Charges for depreciation and impairment of non current assets	(2,427)	
1	• Operating lease income adjustment	0	
(5,557)	• Revaluation losses on Property, Plant and Equipment	(4,864)	
386	• Revaluation reversals on Property, Plant & Equipment	1,274	
(129)	• Amortisation of intangible assets	(117)	
(6,936)	• Revenue expenditure funded from capital under statute	(7,690)	
(4,685)	• 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	(755)	
(148)	• Amortisation of long term debtors	(147)	
(19,446)		(14,726)	
809	Adjusting amounts written out of the Revaluation Reserve	1,323	
			(13,403)
(18,637)	Net written out amount of the cost of non current assets consumed in the year		
	Capital financing applied in the year:		
1,728	• Use of the Capital Receipts Reserve to finance new capital expenditure/repay loan	1,415	
	302		

0	• Use of the Capital Receipts Reserve to meet previous year disposal costs	0
9,096	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	7,055
3,414	• Application of grants to capital financing from the Capital Grants Unapplied Account	3,838
0	• Transfer to the Capital Receipts Reserve upon receipt of cash	0
231	• Statutory provision for the financing of capital investment charged against the General Fund balance	277
0	• Disposal costs relating to future capital disposal	0
0	• Financing of loan	0
684	• Capital expenditure charged against the General Fund balance	1,443
15,153		14,028
(8)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	6
0	Bank investment written off	0
(22)	Loan repayment adjustment	0
0	Donated asset	0
42,956	Balance at 31 March	43,587

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.

2021/22		2022/23
£'000		£'000
0	Balance at 1 April	0
0	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	0
0	Balance at 31 March	0

Pensions Reserve

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

2021/22		2022/23
£'000		£'000
(110,393)	Balance at 1 April	(100,153)
15,523	Re-measurements of the net defined benefit liability/(asset)	77,634
(9,155)	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	(9,060)
3,872	Employer's pensions contributions and direct payments to pensioners payable in the year	4,970
(100,153)	Balance at 31 March	(26,609)

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.

2021/22		2022/23
£'000		£'000
103	Balance at 1 April	103
0	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement/funding of loan from capital receipts	0
(0)	Transfer to the Capital Receipts Reserve upon receipt of cash	(29)
103	Balance at 31 March	74

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.

2021/22		2022/23
£'000		£'000
(8,072)	Balance at 1 April	(3,727)
4,345	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	3,295
(3,727)	Balance at 31 March	(432)

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.

2021/22		2022/23
£'000		£'000
(286)	Balance at 1 April	(291)
286	Settlement or cancellation of accrual made at the end of the preceding year	291
(291)	Amounts accrued at the end of the	(299)

	current year	
(5)	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	(8)
(291)	Balance at 31 March	(299)

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:

2021/22	2022/23
£'000	£'000
(2,379) Depreciation	(2,427)
(5,171) Impairment, downward valuations & revaluation reversals	(3,590)
(277) Amortisation	(264)
(16) (Increase)/ decrease in impairment for bad debts	143
(1,654) (Increase)/decrease in creditors	16,713
(4,034) Increase/(decrease) in debtors	(4,903)
25 Increase/(decrease) in inventories	(20)
(5,283) Movement in pension liability	(4,091)
(4,685) Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(755)
4,342 Other non-cash items charged to the net surplus or deficit on the provision of services	3,288
(19,132)	4,094

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

2021/22	2022/23
£'000	£'000
0 Proceeds from short-term (not considered to be cash equivalents) and long-term investments	2,000
10 Proceeds from the sale of property, plant & equipment, investment property and intangible assets	63
9,096 Capital grants and contributions applied	7,055

(6,936)	Revenue expenditure funded from capital under statute	(7,690)
5,821	Any other items for which the cash effects are investing or financing cash flows	10,866
7,991		12,294

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

2021/22		2022/23
£'000		£'000
(20)	Interest received	(670)
0	Interest paid	0

29. Cash Flow Statement – Investing Activities

2021/22		2022/23
£'000		£'000
5,659	Purchase of property, plant and equipment, investment property and intangible assets	7,040
20,000	Purchase of short term and long term investments	9,000
146	Investment in Strata Service Solutions Ltd	290
9,838	Other payments for investing activities	7,950
(10)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(16)
(14,000)	Proceeds from short term and long term investments	(11,000)
(16,405)	Other receipts from investing activities*	(15,321)
5,228	Net cash flows from investing activities	(2,057)

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

30. Cash Flow Statement – Financing Activities

2021/22		2022/23
£'000		£'000
0	Cash receipts of short- and long-term borrowing	0
(8,951)	Other receipts from financing activities**	(6,179)
0	Cash payments for the reduction of the outstanding liabilities relating to finance leases	0

0	Repayments of short and long term borrowing	0
0	Other payments for financing activities**	0

(8,951)	Net cash flows from financing activities	(6,179)

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

Reconciliation of Liabilities arising from Financing Activities

	Balance at 1 April 2022	Financing cash flows		Non-cash changes		Balance at 31 March 2023
		Proceeds	Repayment	Acquisition	Other non- cash changes	
	£'000	£'000	£'000	£'000	£'000	£'000
Long-term borrowings	0	0	0	0	0	0
Short-term borrowings	0	0	0	0	0	0
Lease liabilities	0	0	0	0	0	0
Total liabilities from financing activities	0	0	0	0	0	0

31. Financial Instruments

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

Financial Liabilities

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

Financial Assets

As the Authority's financial assets are basic lending arrangements and are not held to make

speculative gains through increases in their value, they are subsequently measured at amortised cost: the outstanding principal repayable (plus accrued interest). Within the category table below, long term debtors – assets carried at amortised cost include car loans and miscellaneous mortgage balances.

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

Categories of Financial Instruments

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

	Long-Term		Current	
	31 March 2022 £'000	31 March 2023 £'000	31 March 2022 £'000	31 March 2023 £'000
Investments				
Assets carried at amortised cost:	0	0	6,000	4,000
Total investments	0	0	6,000	4,000
Debtors				
Assets carried at amortised cost	3,136	2,945	6,439	6,741
Total included in debtors	3,136	2,945	6,439	6,741
Non financial assets	1,790	3,134	17,754	11,493
Total	4,926	6,079	24,193	18,234
Cash and cash equivalents	0	0	32,103	26,693
Total cash & cash equivalents	0	0	32,103	26,693
Borrowings				
Financial liabilities at amortised cost – bank overdraft	0	0	0	0
Total included in borrowings	0	0	0	0
Creditors				
Financial liabilities at amortised cost	0	0	0	0
Financial liabilities carried at contract amounts	0	0	(4,781)	(3,833)
Total creditors	0	0	(4,781)	(3,833)
Non financial assets	0	0	(10,483)	(6,259)
Total	0	0	(15,264)	(10,092)

**Income, Expense, Gains and Losses
2022 / 2023**

	Financial Liabilities measured at amortised cost	Financial Assets: measured at amortised cost	Total
	£'000	£'000	£'000
Interest expense	0	0	0
Losses on derecognition	0	0	0
Impairment losses	0	0	0
Total expense in Surplus or Deficit on the Provision of Services	0	0	0
Interest income	0	(808)	(808)
Interest income accrued on impaired financial assets	0	0	0
Gains on derecognition	0	0	0
Total income in Surplus or Deficit on the Provision of Services	0	(808)	(808)
Gains on revaluation	0	0	0
Losses on revaluation	0	0	0
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	0	0	0
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	0	0	0
Net (gain) / loss for the year	0	(808)	(808)

2021 / 2022

	Financial Liabilities measured at amortised cost	Financial Assets: measured at amortised cost	Total
	£'000	£'000	£'000
Interest expense	0	0	0
Losses on derecognition	0	0	0
Impairment losses	0	0	0
Total expense in Surplus or Deficit on the Provision of Services	0	0	0

Interest income	0	(32)	(32)
Interest income accrued on impaired financial assets	0	0	0
Gains on derecognition	0	0	0
Total income in Surplus or Deficit on the Provision of Services	0	(32)	(32)
Gains on revaluation	0	0	0
Losses on revaluation	0	0	0
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	0	0	0
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	0	0	0
Net (gain) / loss for the year	0	(32)	(32)

There is no substantial difference between the carrying amount of financial assets and liabilities and their fair value at 31 March 2023, 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 2022/23 (including travel and subsistence) amounts to £424,145 (2021/22 £404,391). 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	
	2021/22	2022/23		2021/22	2022/23
£50,000 - £54,999	5	8	£95,000 - £99,999	1	0
£55,000 - £59,999	6	3	£100,000 - £104,999	0	1
£60,000 - £64,999	4	6	£105,000 - £109,999	0	0
£65,000 - £69,999	0	1	£110,000 - £114,999	0	0
£70,000 - £74,999	0	0	£115,000 - £119,999	0	0
£75,000 - £79,999	0	0	£120,000 - £124,999	1	1
£80,000 - £84,999	3	2	£125,000 - £129,999	0	0
£85,000 - £89,999	0	0	£130,000 - £134,999	0	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 2022/23 are as follows:

	Salary (Inc. fees & allowances)	Compensation for loss of employment	Benefits in Kind (e.g. car allowance)	Total Remuneration Excl. Employers pension contributions	Pension Contributions	Total Remuneration Inc. Employers pension contributions
	£	£	£	£	£	£
Managing Director	122,825	0	0	122,825	20,229	143,054
Head of Corporate Services & Section 151 Officer	101,506	0	0	101,506	16,709	118,215
Head of Service Delivery and Improvement	84,521	0	0	84,521	14,031	98,552
Head of Place and Commercial Services	84,521	0	0	84,521	14,031	98,552
Head of Legal Services & Monitoring Officer (2)	69,557	0	0	69,557	10,960	80,517
Head of HR and OD	64,229	0	0	64,229	10,662	74,891

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 2021/22:

	Salary (Inc. fees & allowances)	Compensation for loss of employment	Benefits in Kind (e.g. car allowance)	Total Remuneration Excl. Employers pension contributions	Pension Contributions	Total Remuneration Inc. Employers pension contributions
	£	£	£	£	£	£
Managing Director	120,900	0	0	120,900	19,910	140,810
Head of Corporate Services & Section 151 Officer	97,228	0	0	97,228	15,918	113,146
Head of Operations	82,596	0	0	82,596	13,494	96,090
Head of Service Delivery and Improvement	82,596	0	0	82,596	13,494	96,090

Head of Place and Commercial Services	82,596	0	0	82,596	13,494	96,090
Solicitor to the Council & Monitoring Officer (1)	38,251	6,647	0	44,898	5,504	50,402
Head of Legal Services & Monitoring Officer (2)	20,489	0	0	20,489	3,401	23,890
Head of HR and OD	62,304	0	0	62,304	10,179	72,483

(1) Solicitor to the Council & Monitoring Officer left the post on 26 September 2021.

(2) Head of Legal Services & Monitoring Officer started in post on 1 December 2021.

(a) Exit package cost band (including special payments)	(b) Number of compulsory redundancies		(c) Number of other departures agreed		(d) Total number of exit packages by cost band [(b) + (c)]		(e) Total cost of exit packages in each band	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
							£'000	£'000
£0 - £20,000	1	0	4	2	5	2	28	7
£20,001 – £40,000	0	0	1	0	1	0	36	0
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	1	0	0	0	1	0	115	0
£150,001 - £200,000	0	0	0	0	0	0	0	0
£200,001 - £250,000	0	0	0	0	0	0	0	0
£250,001 - £300,000	0	0	0	0	0	0	0	0

Total cost								
Included in	2	0	5	2	7	2	179	7
bandings								
Add: Amounts provided for in Comprehensive Income & Expenditure Statement not included in bandings							0	0
Total cost included in Comprehensive Income & Expenditure Statement							179	7

Termination Benefits:

The Authority terminated the contracts of a number of employees in 2022/23, incurring liabilities of £7k (£89k in 2021/22). Two of the liabilities were payable in the form of compensation for loss of office with no enhancement of pension benefits and none 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 any 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:

	2021/22	2022/23
	£'000	£'000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year*	76	76
Fees payable in respect of certification of grant claims provided by Grant Thornton during the year**	12	12
Total	88	88

*Any additional fees in excess of the scale fees of £40,240 in relation to the 2021/22 or 2022/23 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 2022/23:

	2021/22 £'000	2022/23 £'000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	0	(1)
Council tax support trans/new burdens	0	0
Small business rate relief/threshold changes grant	(2,100)	(2,310)
Community Infrastructure Levy	(4,076)	(5,178)
Transparency code grant	(8)	(8)
Environment agency	0	0
Returned New Homes Bonus top slice	0	0
Refugee housing grant	0	(625)
Sales/fees and charges compensation grant	(773)	0
Homes England	(58)	(403)
General Covid grants	(637)	0
Dept for Levelling Up, Housing and Communities – Future High St Fund	(1,223)	(5,005)
Miscellaneous SANGS	(3,161)	(220)
New Homes Bonus	(1,485)	(1,270)
Retail relief grant	(3,435)	(1,521)
BEIS decarbonisation grants	(1,770)	(927)
Other business rates/TIG grants	(756)	(1,099)
Other contributions	(1,667)	(2,805)
Total	(21,149)	(21,372)

	2021/22 £'000	2022/23 £'000
Credited to Services		
REFCUS grants:		
Renovation/Disabled/energy grants	(1,452)	(1,824)
Shoreline/Coastal Monitoring	(1,019)	(1,645)
Play/recreation	(102)	(161)
Other	(198)	(483)
Rent Allowance subsidy	(21,839)	(20,455)
Housing Benefit administration subsidy	(297)	(295)
Rent rebate subsidy	(363)	(490)
Garden Communities	(164)	(250)
Homelessness / rough sleeper grants	(950)	(1,023)
COMF grant	(164)	0
Elections	(278)	0
RPA/Habitat Regulations/open space	(25)	(25)

Business grants	(3,007)	(49)
Council tax / hardship fund / household support grants	(669)	(878)
Ukrainian refugee support	0	(1,464)
Other grants/contributions	(1,589)	(1,183)
Total	(32,116)	(30,225)

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

Current liabilities

Grants Receipts in Advance (Revenue Grants)	31 March 2022	31 March 2023
	£'000	£'000
Miscellaneous crime/disorder/community regeneration grants	(56)	(15)
Business rates compensation	0	0
Estuary contributions	(47)	(48)
Watercourse improvement contributions	(170)	(170)
Air quality / environmental health	(233)	(139)
Heritage trail	(26)	(15)
Community facilities/open space contributions	(1,312)	(931)
Homelessness	0	0
Business grants	(12,118)	(1,300)
Hardship grant/ housing	(208)	(133)
Miscellaneous	(336)	(171)
Total	(14,506)	(2,922)

Grants Receipts in Advance (Capital Grants)	31 March 2022	31 March 2023
	£'000	£'000
Environment Agency/Natural England – Flood Prevention and Alleviation	(2,853)	(1,338)
DFG (Better Care Fund)	(918)	(792)
DEFRA – Air Quality	(50)	(50)
Public Open Spaces and recreation	(9)	(9)
Dept for Energy/DCC – Central Heating Fund	(3)	(3)
Decarbonisation	(927)	0
Green Homes	(1,130)	(116)
Housing/infrastructure	(253)	(248)
Self build	(860)	(860)
Other	(133)	(213)
Total	(7,136)	(3,629)

Long term liabilities

	31 March 2022 £'000	31 March 2023 £'000
Grants Receipts in Advance (Revenue Grants)		
Dawlish Town Centre – community facilities	0	0
Parks, play & recreation facilities contribution	(2,331)	(2,409)
Langdon - Dawlish	0	(198)
Newton Abbot / Kingsteignton/Dawlish etc – air quality	(219)	(207)
Drainage - Kingsteignton	0	0
Miscellaneous open space, community facilities & wildlife contributions	(764)	(1,153)
Sundry drainage & flood defence contributions	0	0
Dawlish - drainage	(199)	0
Health contributions	(47)	(47)
Chudleigh – open space, indoor sports & play provision	0	0
Teignmouth town centre – pedestrianisation & public art	0	0
Other miscellaneous grants/contributions	(12)	(255)
Affordable housing	(1,582)	(1,142)
Total	(5,154)	(5,411)

	31 March 2022 £'000	31 March 2023 £'000
Grants Receipts in Advance (Capital Grants)		
Open Space and Recreation	(78)	(52)
Total	(78)	(52)

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 2023 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 2022/23 is shown in Note 32.

Grants and payments for services rendered totalling £54,804 were paid to the Citizens Advice Bureau (CAB) in 2022/23. 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 £0 (£21,041 2021/22 in which seven Members had an interest). 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 2021/22 or 2022/23 and the company is currently not trading.

37. Capital Expenditure and Capital Financing

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 calculated by consolidating capital-related items in the Balance Sheet is shown below. The change to the CFR is analysed in the second part of this note.

	2021/22	2022/23
	£'000	£'000
Capital investment :		
Property, Plant and Equipment	106,534	106,750
Strata ICT Capital Investment	2,366	2,656
Intangible Assets	0	0
Investment Property	94	101
Long term assets held for sale	0	0
Long term debtors relating to capital transactions	2,921	2,774
Revaluation Reserve	(47,184)	(45,938)
Capital Adjustment Account	(44,509)	(45,323)
Closing Capital Financing Requirement	20,222	21,020

Explanation of movements in year:	
Increase (decrease) in underlying need to borrowing (unsupported by government financial assistance)	1,076
Repayments of long-term debtors/other	-1
Minimum Revenue Provision	-277
Assets acquired under finance leases	0
Increase/(decrease) in Capital Financing Requirement	798

38. Leases

Authority as Lessee

Finance Leases

The Council had the use of one leisure centre under a finance lease in 2022/23.

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

31 March 2022 £'000	31 March 2023 £'000
9,055 Other Land and Buildings	10,007
9,055	10,007

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

Operating Leases

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

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

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

31 March 2022 £'000	31 March 2023 £'000

1,545	Not later than one year	1,530
1,705	Later than one year and not later than five years	1,768
72	Later than five years	375
3,322		3,673

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:

2021/22	2022/23
£'000	£'000
1,705	1,531
0	0
0	0
1,705	1,531

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 68 and 85 years. These leases generate no / peppercorn rental streams on an annual basis and no residual value is anticipated for the buildings when the leases come to an end.

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

31 March 2022 £'000	31 March 2023 £'000
Finance lease debtor (net present value of minimum lease payments):	
0 • Current	0
18 • Non-current	18
62 Unearned finance income	61
0 Unguaranteed residual value of	0
320	

property	
80	79
Gross investment in the lease	

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

	Gross Investment in the Lease		Minimum Lease Payments	
	31 March 2022 £'000	31 March 2023 £'000	31 March 2022 £'000	31 March 2023 £'000
Not later than one year	1	1	0	0
Later than one year and not later than five years	5	5	0	0
Later than five years	74	73	18	18
	80	79	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 2023 (£0 at 31 March 2022).

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 2022/23 £3k contingent rents were receivable by the Authority (2021/22 £5k).

Operating Leases

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

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

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

31 March 2022 £'000		31 March 2023 £'000
1,643	Not later than one year	1,971
2,426	Later than one year and not later than five years	3,109
6,044	Later than five years	8,619
10,113		13,699

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 2022/23 £121k contingent rents were receivable by the Authority (2021/22 £57k).

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 2021/22 and 2022/23 there were no impairment losses or impairment reversals

40. Defined Benefit Pension Scheme

Participation in Pension Scheme:

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

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

The principal risks to the Authority of the scheme are the longevity assumptions, statutory changes to the scheme (i.e. large-scale withdrawal from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the general fund the amounts required by statute as described in the accounting policies note.

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

Transactions Relating to Post-employment Benefits:

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

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

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

	Scheme Assets £'000	Pensions Obligations £'000	Net Pensions Liability £'000	Notes on Accounting Treatment
2022/23:				
Opening balance at 1 April 2022	115,183	(214,050)	(98,867)	
Current service cost		(7,379)	(7,379)	Absorbed into the total cost of services in the CIES
Past service cost and gains/losses on settlements		0	0	Charged to Financing items in the CIES
Interest income and expenses	2,976	(5,499)	(2,523)	Charged as a net item to Financing and Investment Income and Expenditure in the CIES
Administration expenses	(70)		(70)	Charged to Other Operating Expenditure
Remeasurements:	(4,552)		(4,552)	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		12,936	12,936	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		78,780	78,780	Debited as Remeasurements of the Net Defined Benefit Liability to Other Comprehensive Income and Expenditure in the CIES
• Other actuarial gains and losses	1,521	(11,051)	(9,530)	Credited as Remeasurements of the Net Defined Liability to Other Comprehensive Income and Expenditure in the CIES
Contributions:	3,684		3,684	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	912		912	Absorbed into the total cost of services in the CIES – netted off Current Service Cost
Retirement grants and pensions	(6,039)	6,039	0	Transactions in the Cash Flow Statement. Debited to the General Fund Balance in the MIRS as part of the Adjustments between Accounting and Funding basis
Closing Balance at 31 March 2023	113,615	(140,224)	(26,609)	

2021/22:	Scheme Assets £'000	Pensions Obligations £'000	Net Pensions Liability £'000	Notes on Accounting Treatment
Opening balance at 1 April 2021	109,240	(217,105)	(107,865)	
Current service cost		(7,648)	(7,648)	Absorbed into the total cost of services in the CIES
Past service cost and gains/losses on settlements		(154)	(154)	Charged to Financing items in the CIES
Interest income and expenses	2,163	(4,297)	(2,134)	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: • Return on plan assets	6,256		6,256	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		0	0	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		9,775	9,775	Credited as Remeasurements of the Net Defined Benefit Liability to Other Comprehensive Income and Expenditure in the CIES
• Other actuarial gains and losses	0	(508)	(508)	Credited as Remeasurements of the Net Defined Liability to Other Comprehensive Income and Expenditure in the CIES
Contributions: • Council employer's contributions	2,630		2,630	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	847		847	Absorbed into the total cost of services in the CIES – netted off Current Service Cost
Retirement grants and pensions	(5,887)	5,887	0	Transactions in the Cash Flow Statement. Debited to the General Fund Balance in the MIRS as part of the Adjustments between Accounting and Funding basis
Closing Balance at 31 March 2022	115,183	(214,050)	(98,867)	

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 £26.609 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 £110.374 million at 31 March 2023. 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 2022.

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

Mortality assumptions:	31 March 2022	31 March 2023
Longevity at 65 for current pensioners:		
Men	22.7	21.8
Women	24.0	22.9
Longevity at 65 for future pensioners: (assumed retiring in 20 years)		
Men	24.0	23.1
Women	25.4	24.4
Take-up of option to convert annual pension into retirement lump sum	50%	50%

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

Financial Assumptions

	31 March 2022	31 March 2023
	% p.a.	% p.a.
Salary increases	4.20%	3.90%
Pension increases	3.20%	2.90%
Discount rate	2.60%	4.80%

Demographic / Statistical assumptions

These assumptions by the actuary are set with reference to market conditions at 31 March 2023. The estimate of the duration of the Authority's liabilities is 16 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 adopting a Single Equivalent Inflation rate (SEIR) approach. The SEIR adopted is such that the single rate of inflation results in the same liability value when 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.

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 1.0% p.a. below the market implied increases in RPI i.e. 2.9% p.a. up to 2030 and will be in line with RPI inflation thereafter.

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 2022.

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 Councils actuaries calculated a potential increase in pension liabilities which was incorporated into the accounting results at 31 March 2021. These results included an allowance which has been rolled forward and re-measured to obtain the accounting results as at 31 March 2023.

In 2022/23 the pension liability has reduced by £72.258 million – the main contributor is the change in financial assumptions. The IAS19 discount rate is determined based on bond yields at 31 March 2023. Bond yields have increased significantly over the year and therefore there will be a significant reduction in the expected pension liabilities.

The change in CPI inflation will also reduce the employer liabilities albeit to a lesser extent.

Demographic assumptions have been updated in line with the assumptions adopted for the 2022 valuation. The assumed life expectancies for members will therefore have reduced since last year and again will lead to a reduction in the pension liability.

The figures for the Council's pensions liabilities relating to 2021/22 movements and the 31 March 2022 values are based on the actuaries' report that was prepared for the 2021/22 unaudited accounts. Since then, the actuaries have completed their triennial review as at 31 March 2022 of the Local Government Pension Scheme administered by Devon County Council, as a result of which some of the assumptions have been updated from those applied in the 2021/22 report. Work is currently ongoing to consider the implications and determine a revised figure for the Council's pensions liabilities at 31 March 2022. As the 2021/22 statement of accounts has not been signed off by the auditors, it is likely that the updating will take place in that document and be reflected in adjustments to the 2021/22 comparatives and 1 April 2022 balance in this statement when its audit is complete.

In the triennial valuation, the Council's liabilities at 31 March 2022 (excluding the Strata element) were estimated to be £78.443 million, compared with the Teignbridge only element of the pensions liabilities recorded in the Balance Sheet at that date of £96.225 million. Note, though, that under the requirements of the Accounting Code not all of the updated assumptions made in the valuation will be applied to the Balance Sheet pensions liabilities.

Impact on the Defined Benefit Obligation in the Scheme

	Increase in Assumption £'000	Decrease in Assumption £'000
Longevity (increase or decrease in 1 year) (increase is a shorter lifespan)	(5,762)	5,508
Rate of increase in salaries (increase or decrease by 0.1%)	(210)	208
Rate of increase in pensions (increase or decrease by 0.1%) and deferred revaluation	(1,943)	1,894
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	2,062	(2,115)

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 2025.

The authority is anticipated to pay £3.976 million expected contributions to the scheme in 2023/24.

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

	31 March 2022		31 March 2023	
	£'000	%	£'000	%
Equities**	68,193	59	59,856	53
Gilts	15,319	13	0	0
Other Bonds	2,356	2	24,294	21
Property	10,852	10	9,959	9
Cash	1,361	1	1,350	1
Target Return Portfolio	10,647	9	7,896	7
Infrastructure	6,503	6	10,216	9
Other	(48)	0	44	0
Total	115,183	100	113,615	100

**At 31 March 2023 equities include £50.894 million of overseas equities.

Of the total fund asset at 31 March 2023, the following table identifies the split of those assets with a quoted market price and those that do not:

		31 March 2023	
		% Quoted	% Unquoted
Fixed interest government securities	UK	0	0
	Overseas	0	0
Corporate bonds	UK	6	0
	Overseas	0	0
Equities	UK	8	0
	Overseas	45	0
Property	All	0	9
Others	Absolute return portfolio	7	0
	Private Equity	0	1
	Infrastructure	0	9
	Private debt	0	3
	Multi sector credit	11	0
	Cash/Temporary investments	0	1
Net current assets	Debtors	0	0
	Creditors	0	0
Total		77	23

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 2023 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 institution's lowest credit rating to be, at a minimum in the middle adequate range	12 month expected credit losses have been assessed based upon risk factors which consider the credit rating and financial standing of the institution. The highest credit ratings for the deposits that the Authority has made mean that any allowance for expected credit losses would be insignificant.

<u>Asset type</u>	<u>Credit risk management practices</u>	<u>Estimation of impairment loss allowance</u>
	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).	
Other loans to businesses and voluntary organisations	Loans are subject to internal credit rating by reference to audited accounts etc. A significant increase in credit risk since initial recognition arises when a loan's categorisation changes adversely. Loans are credit impaired where financial difficulties are identified or where the borrower breaches contracted terms of the loan. Balances are not written off until there is no realistic prospect of recovery.	Expected credit losses are calculated using historical data for defaults and risks specific to the borrower identified in the internal assessment process. No allowance required
Other debtors	Debtors are not subject to internal credit ratings and have been grouped for the purposes of calculating expected credit losses based upon time overdue. An element of balances are written off when they are more than 12 months past due plus specific provision for those greater than 12 months. Balances are written off but enforcement activity continues until there is no realistic prospect of recovery.	Expected credit losses are calculated using provision matrices based upon historical data and grouping of debtor ages and some specific debtors based upon financial data e.g. accounts etc. Between 1 April 2022 and 31 March 2023 the loss allowance decreased from £1.199 million to £1.056 million as a result of a change in the volume of debtors and to provide for potential write offs and economic conditions. '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 2022/23.

	Allowance at 1 April 2022	Increase / (decrease) in provision	Allowance at 31 March 2023
	£'000	£'000	£'000
Deposits with banks and building societies			
12-month credit losses	0	0	0
Other loans to businesses and voluntary organisations			
12-month credit losses	0	0	0
Lifetime credit losses	0	0	0
Credit-impaired assets	0	0	0
Other debtors			
Grouped assets	1,199	(143)	1,056
Total loss allowances	1,199	(143)	1,056

The total amount of undiscounted expected credit losses at recognition on financial assets initially recognised during 2022/23 was £0.

Exposure to Credit Risk

		Gross Carrying Amount £'000
Other debtors		
Grouped assets	Not subject to credit rating *	6,741
Total amount exposed to credit risk		6,741

*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 £0.204 million at 31 March 2023 and £0.166 million for non domestic rates. These are calculated based upon historic default patterns and economic conditions prevailing at the time.

During 2022/23 the Council wrote off financial assets with a contractual amount outstanding of £0.034 million (£0.032 million in 2021/22) that are still subject to enforcement activity.

b) Liquidity risk

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

The maturity analysis of financial liabilities is as follows:

	31 March 2022 £'000	31 March 2023 £'000
Less than one year	(4,781)	(3,833)
Between one and two years	0	0
Between two and five years	0	0
More than five years	0	0
	(4,781)	(3,833)

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 2022/23) 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 2023, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable investments	(86)
Impact on Surplus or Deficit on the Provision of Services	(86)
Decrease in fair value of fixed rate investment assets	0
Impact on Other Comprehensive Income and Expenditure	0
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income & Expenditure)	0

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

ii) Price risk

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

iii) Foreign exchange risk

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

43. Other Long Term Liabilities

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

The breakdown is as follows:-

31 March 2022 £'000		31 March 2023 £'000
(234)	Operating leases - income in advance	(232)
(2,926)	Collection Fund balance – council tax/NNDR	(2,760)
(98,867)	Pension Liability	(26,609)
(102,027)		(29,601)

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 collects 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 £32,367 for 2022/23 (£39,040 in 2021/22).
- (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 £5,661 in 2022/23 (£5,121 in 2021/22).
- (d) As part of the response to the Covid 19 pandemic the Authority acted as agent for Central Government to administer various business/restart/hospitality grants, local restrictions grants and track and trace grants. In 2021/22 £14.060 million was paid out. In 2022/23 the agency work switched mainly to energy support £7.182 million, refugee support £0.378 million and other schemes including business grants of £0.362 million – total £7.922 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)

	2021/22	2022/23
	£'000's	£'000's
Fees	(1,955)	(2,247)
Cost of Sales	1,043	1,187
Admin Expenses	1,323	1,450
Transfer of pension scheme liability	0	0
Cost of Services`	411	390
(Gain) / loss on disposal of assets	0	4
Net interest on the net defined benefit liability	58	71
Interest receivable	0	(11)
(Surplus) or Deficit on Provision of Services	469	454
Remeasurement of the net defined benefit liability	(495)	(2,734)
Total CIES	(26)	(2,280)

Adjustments to Balance Sheet (cumulative for 2021/22 column)

Property, Plant & Equipment	196	(11)
Intangible assets	341	20
Investment in Strata removed upon consolidation and replaced with proportional share of assets and liabilities	(2,366)	(289)
Total Long Term Assets	(1,829)	(280)

Inventories	3	2
Short Term Debtors	643	111
Cash & Cash Equivalents	290	(94)
Total Current Assets	936	19

	2021/22	2022/23
Short Term Creditors	(330)	154
Grants Receipts in Advance – Capital	(133)	(80)
Total Current Liabilities	(463)	74
	£'000's	£'000's
Pension Scheme Liability	(2,641)	2,467
Total Long Term Liabilities	(2,641)	2,467
Net Assets	(3,997)	2,280
Financed by:		
Usable reserves	196	(5)
Unusable reserves	(4,193)	2,285
Total Reserves	(3,997)	2,280

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.

	2021/22 Business Rates	2021/22 Council Tax	2022/23 Business Rates	2022/23 Council Tax
INCOME	£'000	£'000	£'000	£'000
Income from Council Tax		(104,648)		(109,191)
Business Rates Receivable	(22,811)		(24,866)	
(Plus): Transitional Protection/S13A Relief	34	(34)	(39)	(10)
	(22,777)	(104,682)	(24,905)	(109,201)
EXPENDITURE				
Precepts, Demands & Shares:				
Central Government	15,309		13,885	
Devon County Council	2,756	73,161	2,499	77,252
Devon & Cornwall Police Authority		11,452		12,237
Devon & Somerset Fire & Rescue Authority	306	4,357	278	4,556
Teignbridge District Council (net including Towns / Parishes)	12,248	12,666	11,108	13,502
Rates write offs and change in impairment allowance	(90)		(5)	
Council Tax written off and change in impairment allowance		201		243
Rates increase/(reduction) in provision for appeals	(195)		(5)	
Transitional Protection	(120)		138	
Renewable Energy disregard	90		73	
Business Rates – Cost of collection	194		196	
	30,498	101,837	28,167	107,790
Movements on the Collection Fund :				
DEFICIT / (SURPLUS) FOR THE YEAR	7,721	(2,845)	3,262	(1,411)
DEFICIT / (SURPLUS) BROUGHT FORWARD	2,332	496	(874)	(2,747)
ACCUMULATED DEFICIT / (SURPLUS)	10,053	(2,349)	2,388	(4,158)

(see note 4 to the Collection Fund)

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 £11.108 million (2021/22 £12.248 million) from the rates collection fund. The authority had to pay a tariff to government of £9.147 million (2021/22 £9.147 million) and a levy of £0.802 million (2021/22 £0.926 million). However as we are part of the Devon pool some of this was returned to us as a pooling gain of £0.326 million (2021/22 £0.293 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 £1.000 million surplus (2021/22 £0.5 million surplus) has been declared by Teignbridge as the council tax estimate in 2022/23. A £1.972 million (2021/22 £10.927 million) deficit was anticipated for non-domestic rates for 2022/23 however an actual deficit balance has arisen of £2.388 million (2021/22 £10.053 million).

2. Business Rates

The total business rateable value as at 31 March 2023 was £86.116 million (31 March 2022 £86.003 million) with a multiplier of 51.2 pence (51.2 pence 2021/22) in the pound 49.9 pence (49.9 pence 2021/22) in the pound for properties where the rateable value is less than £51,000 (£51,000 2021/22).

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 2022/23 was 50,594 (2021/22 49,651) adjusted for a collection rate of 98.1% to give Teignbridge's Tax Base of 49,633 (2021/22 48,410) Band D equivalents. The average Band D charge for the Teignbridge CT, excluding Parishes, was £185.17 (2021/22 £180.17).

4. Collection Fund Balance

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

	2021/22		2022/23	
	Business Rates	Council Tax	Business Rates	Council Tax
	£'000	£'000	£'000	£'000
Central Government	5,026		1,194	
Devon County Council	905	(1,686)	215	(2,980)
Devon & Cornwall Police Authority		(272)		(480)
Devon & Somerset Fire and Rescue Authority	101	(97)	24	(175)
In short / long term debtors / short term creditors / long term liabilities	6,032	(2,055)	1,433	(3,635)
Balance of Fund to Teignbridge District Council (in Collection Fund Adjustment Account)	4,021	(294)	955	(523)
	10,053	(2,349)	2,388	(4,158)

GLOSSARY OF FINANCIAL TERMS

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

DEFINED BENEFIT SCHEME	A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).
DEMAND	The charging authorities own Demand is, in effect, its precept on the fund.
FEES & CHARGES	In addition to the income from charge payers and the Governments, Local Authorities charge for services, including Planning Consents, Hire of Sporting Facilities, Car Parking etc.
FIFO	A method of valuing inventory (First In First Out) where stocks issued are assumed to be issued from the oldest available stocks.
FINANCIAL INSTRUMENTS	A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.
GOVERNMENT GRANTS	Payments by Central Government towards the cost of Local Authority services, including both Revenue and Capital.
IMPAIRMENT ALLOWANCE	A sum provided against income due to prudently allow for non collectable accounts.
INTEREST COST	For the pension fund this represents the discount rate at the start of the accounting period applied to the liabilities during the year based on the assumptions at the start of the accounting period.
INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) & THE CODE OF PRACTICE (CODE)	Formal financial reporting standards adopted by the accounting profession and to be applied when dealing with specific topics within its accounting Code. The Code is based on approved accounting standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements.
LOCAL AUTHORITY (SCOTLAND) ACCOUNTS ADVISORY COMMITTEE (LASAAC)	Formed a joint committee with CIPFA to produce the Code of Practice on Local Authority Accounting in the United Kingdom (referred to as the 'Code').
LOCAL DEVELOPMENT FRAMEWORK (LDF)	A plan which includes documents that establish the local policy towards the use of land and the vision for involving communities in the plan making process.

MINIMUM REVENUE PROVISION (MRP)	A 'prudent' annual provision from revenue in respect of capital expenditure financed by borrowing or credit arrangements.
PAST SERVICE COST	These will typically be additional benefits awarded on early retirement. This includes added years or augmentation and unreduced pension benefits awarded before eligible retirement age in the pension scheme.
PRECEPT	The levy made by precepting authorities including the County Council and Parish Councils, on the District Council requiring it to collect the required income from council taxpayers on their behalf.
PROJECTED UNIT METHOD	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: 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 b) the accrued benefits for members in service on the valuation date. 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.
PUBLIC WORKS LOAN BOARD (PWLB)	A Government Agency which provides longer term loans to Local Authorities at interest rates slightly higher than those at which the Government itself can borrow.
RATEABLE VALUE	A value placed on all properties subject to Rating. The value is based on a national rent that property could be expected to yield after deducting the cost of repairs.
REVENUE EXPENDITURE	Recurring items of day to day expenditure consisting principally of Salaries and Wages, Debt Charges and general running expenses etc.
SANGS	Suitable Alternative Natural Green Space. Accessible alternative green provision to migrate where development is close to a protected site.
SETTLEMENTS	A settlement will generally occur where there is a bulk transfer out of the Pension Fund or from the employer's share of the Fund to a new contractor's share of the Fund as a result of an outsourcing. It reflects the difference between the IAS 19 liability transferred and the assets transferred to settle the liability.

SHORT TERM LOAN	Borrowing from outside the authority that may be recalled within the year.
STRAIN ON FUND CONTRIBUTIONS	Additional employers pension contributions as a result of an employee's early retirement.
SUNDRY CREDITORS	Amounts owed by the Council at 31 March.
SUNDRY DEBTORS	Amounts owed to the Council at 31 March.
TEMPORARY BORROWING	Borrowing for revenue purposes for a period of less than one year.
VESTED RIGHTS	In relation to a defined benefit scheme, these are: a) for active members, benefits to which they would unconditionally be entitled on leaving the scheme; b) for deferred pensioners, their preserved benefits; c) for pensioners, pensions to which they are entitled. Vested rights include where appropriate the related benefits for spouses or other dependants.
VIREMENT	The authorised transfer of an under spending in one budget head to another head.

Part 3

Supplementary Information

Annual Governance Statement

2022-2023

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.

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 2023 and up to the date we approved the statement of accounts.

The Governance Framework and how we comply:

Principle 1: 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 is reviewed on an ongoing basis to ensure it is fit for purpose.
- A Procedures Committee oversees operation of the Constitution including review of proposed amendments. Recommended improvements are pending Procedures Committee and Council approval.
- 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 commitment to equality and inclusion is incorporated in the work we do, and we publish our adherence to the Equality Act duties annually.

Principle 2: Ensuring openness and comprehensive stakeholder engagement

- Our Consultation Toolkit sets out the principles of stakeholder engagement. We encourage all members of the community to contribute to and participate in the work of the Council. Numerous consultations have been undertaken throughout the year, especially in respect of major projects.
- Our Modern 25 transformation programme involved focus groups to help us understand and improve customers' experiences when redesigning services.
- Members of the public have access to Council meetings, minutes and agendas.
- Most meetings are available to the public through the Council's YouTube channel and through Webcasting, which provides transparency in decision making.
- Our Residents' Newsletter is used to communicate Council activity weekly and other matters of interest.
- Plain English principles are used in publications and digital content meets accessibility standards with a 94.3% AA rating on our website (above the Government's industry benchmark of 88.1%). 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 participation and engagement processes for planning policy, and the revision of our Local Plan is currently underway. We are one of a small number of authorities nationally leading the way in terms of on line consultation, effectively harnessing modern methods of engagement in order to gather public views on proposals. Our Local Development Scheme sets out timescales for the various stages of the Local Plan, from inception to adoption.

Principle 3: 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. Following the local elections in May 2023 the Strategy is under review to support the new Council.
- Our elected members called a Climate Emergency in 2019 and we have since taken a series of steps to progress climate action across both Teignbridge and Devon as a whole. Through our membership of the Devon Climate Emergency, a consortium of public bodies, infrastructure providers, and academic institutions, we have supported development of the Devon Carbon Plan, which was finalised in August 2022 and endorsed by Council in December 2022. The Devon Carbon Plan contains a series of actions highlighting the changes that need to take place for Devon to reach net zero.
- Under our in-house Carbon Action Plan, we have progressed a series of heat decarbonisation projects across our four most carbon intensive buildings including two leisure centres, a public lido and our main offices at Forde House; these projects are in varying stages of completion and will collectively reduce our demand for natural gas by up to 88% across the buildings we own and occupy as a local authority.
- We are also progressing a fleet decarbonisation strategy under our in-house carbon action plan to consider how we can transition to a low-carbon vehicle fleet, with the results expected to be relayed to elected members in 2023/24.
- Our Local Plan team have undertaken significant work to prepare our 2020 – 2040 Local Plan for inspection due later this year; the plan contains a dedicated chapter for Climate Change and details policies supporting sustainable development, site allocations for renewable energy, policies supporting battery energy storage, and policies setting standards for electric vehicle charging infrastructure.
- The emerging local plan also amalgamates a nationally significant line of enquiry to progress the Newton Abbot and Kingsteignton Garden Communities Project, which features climate change adaptation and mitigation as principle levers for change.
- 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. A Sustainable Procurement policy sets out our approach to purchasing sustainably and with social value.
- An Economic Development Plan aids local businesses and the local economy, together with a Jobs Plan which was implemented in June 2021.
- We have been awarded £2.1M under the UK Shared Prosperity and Rural England fund and are defining projects to take forward under these levelling up schemes.
- A number of small grants and funding schemes are provided, which benefit local communities.
- We are working jointly with our neighbouring authorities Exeter City Council, Mid Devon and East Devon District Councils, and Devon County Council, to achieve

joined-up decision making on planning and infrastructure matters, and we are members of the Heart of the South West Local Enterprise Partnership.

Principle 4: 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 ongoing financial challenges facing the Council.
- 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.
- Our Modern 25 transformation programme has been developed and launched to modernise the way we work, looking at processes, structure and outcomes for customers.
- A digital transformation programme, digital strategy, and our annual business planning and review exercises “BETTER2022” drive service improvement and performance.
- A Partnership toolkit aids collaborative working and strong partnership governance.

Principle 5: 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 with oversight from the Procedures Committee.
- HR policies aim to promote the health and wellbeing of the workforce, and the Investors in People accreditation is maintained.

Principle 6: Managing risks and performance through robust internal control and strong public financial management

- Our Risk Management Strategy outlines our approach to managing risk 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 risk must be identified and considered in all decision making.
- Some risks have inevitably increased as a result of the pandemic and economic climate, and these have been kept under review to ensure appropriate mitigations are in place.
- Robust performance monitoring using a basket of indicators is undertaken by the SLT and Overview and Scrutiny Committees.
- Work with services is ongoing to improve automated performance reporting through the use of the Power BI reporting tool.
- 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.
- Managers are responsible for ensuring internal control systems are in place, and a programme of auditing reviews the effectiveness of these

Principle 7: Being transparent, with good practices in reporting and audit, to deliver effective accountability

- Agendas, reports, and minutes of Council meetings are published, along with a forward plan of Key Decisions, and meetings are accessible with live stream and recordings on our website where appropriate.
- 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 including Council spending and senior officer pay, and timely responses are given to information requests.
- Freedom of Information, Data Subject Access, and other information requests are dealt with fully and promptly.

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.
- The Standards Committee is available to support the Monitoring Officer on standards of conduct and probity issues.
- The Overview and Scrutiny process has monitored the Council's policies and performance on an ongoing basis. Executive Members 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 delivered counter fraud assurance work over the numerous government support grants and payments distributed as a result of the pandemic, and for other government schemes such as the energy rebate.

- The Council's external auditor would have normally provided the Council with their opinion on the Council's accounts, but this work is delayed. However, the last Value for Money report received was positive.
- As a significant group relationship, our IT provider Strata Service Solutions Limited is audited by the Devon Audit Partnership, as the provider of its internal audit services in 2022-2023. Strata's performance has been monitored by the Council's IT Requirements Board, and by the Joint Executive and Scrutiny Committees. A governance review is in progress to ensure future arrangements are fit for purpose.
- 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, which also provides wider assurance as the PSN controls cover the complete Council 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 use of NCSC WebCheck, MailCheck, Protective Domain Name System security, and the Early Warning Vulnerability Service. Strata are also working towards the NCSC Local Government Cyber Assessment Framework.
- The May 2023 elections were held in line with the performance standards set by the Electoral Commission.
- Equalities performance has been self assessed against the Equality Framework for Local Government 2021.
- The Local Government Ombudsman received six cases in the year 2022-2023, none of which were upheld. Two further cases from the previous year were upheld and we have addressed the recommendations made.
- 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 assessed against CIPFA's Financial Management Code with positive findings. This has a 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 - there have been no major reportable data breaches and average processing time for Freedom of Information and Environmental Information Regulation requests is above average compared to other organisations.
- 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.
- Reviews have been commissioned to examine specific areas such as: Centre for Governance and Scrutiny, cyber governance, and a review of the Council's Operating Model, the outputs of which are being evaluated and addressed.

Conclusion

Our governance arrangements continue to be regarded as fit for purpose in accordance with the governance framework. Set out below, are the challenges and actions highlighted by last year's Annual Governance Statement, and issues we will focus on during 2023-2024.

2022-2023 Challenges	Planned Action
<u>Financial Sustainability</u> Having successfully navigated the ongoing financial risks created by the pandemic and its subsequent lockdowns, we need to continue to monitor the Council's financial position closely for both revenue and capital programmes, given the ongoing uncertainty around future levels of costs and government funding.	The Chief Financial Officer will continue to produce frequent updates on the financial position and update the Strategic Leadership Team. Anticipated shortfalls for future years will need to be addressed as part of the budget setting and monitoring processes. Work with consultants "Ignite" on a future operating model for the Council, together with ongoing service plan reviews, will help meet the shortfalls currently anticipated.
<u>Update and plans for 2023-2024</u> The risk of future financial sustainability remains due to high inflation rates, increasing interest rates, high energy and food costs and a likely recession. The work outlined above, including our Modernisation Programme M25, continues with the aim of addressing the anticipated shortfalls. Further detailed information is included in our Financial Plan. Future decisions on spending will be contentious and/or politically sensitive requiring members to make difficult choices.	
<u>Cyber governance</u> An independent review was commissioned using funding from the Local Government Association. This has highlighted a number of areas for improvement.	An action plan is being formalised and prioritised for officers to implement.
<u>Update and plans for 2023-2024</u> A new suite of policies has been developed for implementation, with further improvement actions, including a review of Business Continuity plans to be addressed in Autumn 2023. A new post has been created to assist with this work.	

2022-2023 Challenges	Planned Action
<u>Member and Officer roles and relationships</u> The Centre for Governance and Scrutiny (CfGS) reviewed officer/member roles and responsibilities, including consideration of values, behaviours, and ethical issues, and the constitutional provisions supporting these.	Officers are working through improvement actions arising from this work.
<u>Update and plans for 2023-2024</u> This is a continued area of concern, and 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.	
<u>Anti-fraud and Corruption and Whistleblowing policies</u> 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.	Anti-fraud and Corruption and Whistleblowing policies will be reviewed and updated in 2022-23
<u>Update and plans for 2023-2024</u> Completed with revised policies approved by Council in May 2023. Further work to raise awareness of Whistleblowing is being undertaken.	

ADDENDUM to the 2022-2023 Annual Governance Statement

(September 2024)

The 2022-2023 draft Annual Governance Statement (AGS) was reviewed by the Audit Scrutiny Committee on 29th August 2023 and approved as part of the 2022-2023 Financial Statements.

The AGS should follow best practice guidance contained in the “Delivering Good Governance in Local Government Framework” (CIPFA/Solace) . The guidance states that the AGS should be kept up to date at the time of publication. During normal operations, this would mean the period between the end of the financial year, and the publication of the audit financial statements just a few months later. However, financial statements can only be formally published on conclusion of an external audit and there have been delays nationally with the completion of these, culminating in the government introducing “backstop” legislation to clear the backlogs of outstanding audits across the country. As a

result of this, the Council received a “disclaimer opinion” from it’s external auditor in September 2024, hence it is only now able to publish the 2022-2023 financial statements.

In deciding whether any changes are required to the 2022-2023 AGS since the year end (March 2023) and September 2024, we have considered whether any significant governance issues have occurred and also whether they are pertinent to this prior year.

We have concluded that there are no additional matters to be included, however it should be noted that work is ongoing to address recommendations made by the Centre for Governance and Scrutiny, and a Peer Review undertaken in January 2024 in respect of strengthening member and officer relationships to achieve effective decision making. For full details please refer to the 2023-2024 Annual Governance Statement.

Signed on behalf of Teignbridge District Council:

Managing Director

Leader of the Council

OTHER INFORMATION AND CONTACTS

1. Environmental Footprint/Climate Change

Teignbridge District Council declared a Climate Emergency in April 2019 and has since taken a series of steps to progress climate action within Teignbridge and across Devon as a whole.

Through our membership of the Devon Climate Emergency, a consortium of public bodies, infrastructure providers, and academic institutions, we have supported development of the Devon Carbon Plan, which was finalised in August 2022 and endorsed by Council in December 2022. The Devon Carbon Plan contains a series of actions highlighting the changes that need to take place for Devon to reach net zero emissions in the shortest feasible timeframe.

Following our endorsement of the Devon Carbon Plan, we have begun to transpose the Devon Carbon Plan into a specific District Carbon Action Plan for Teignbridge, which will highlight the actions reflecting Teignbridge communities, economies and landscapes. The development of this plan is progressing well following the completion of draft actions, and a first round of residents and staff engagement workshops.

Our in-house Carbon Action Plan was adopted by Full Council in July 2022 and sets out a series of actions, targets, and policies working towards achieving net zero emissions covering our direct scope 1 and 2 carbon footprint, as well as our indirect scope 3 supply chain carbon footprint.

Under our in-house Carbon Action Plan, we have progressed a series of heat decarbonisation projects across our four most carbon intensive buildings including two leisure centres, a public lido and our main offices at Forde House; these projects are in varying stages of completion and will collectively reduce our demand for natural gas by up to 88% across the buildings we own and occupy as a local authority.

We are also progressing a fleet decarbonisation strategy under our in-house carbon action plan to consider how we can transition to a low-carbon vehicle fleet, with the results expected to be relayed to elected members in 2023/24.

Our Local Plan team have undertaken significant work to prepare our 2020 – 2040 Local Plan for inspection due later this year; the plan contains a dedicated chapter for Climate Change and details policies supporting sustainable development, site allocations for renewable energy, policies supporting battery energy storage, and policies setting standards for electric vehicle charging infrastructure.

The emerging local plan also amalgamates a nationally significant line of enquiry to progress the Newton Abbot and Kingsteignton Garden Communities Project, which features climate change adaptation and mitigation as principal levers for change

www.teignbridge.gov.uk/carbonfootprint

2. Building Regulations Control Account –Year Ended 31 March 2023

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

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

3. Comments / Contacts

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

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



Please Ask For: Martin Flitcroft
Tel: 01626 215246
Email: martin.flitcroft@teignbridge.gov.uk

Grant Thornton UK LLP
2, Glass Wharf
Temple Quay
Bristol
BS2 0EL

Dear Sirs

29 October 2024

**Teignbridge District Council
Financial Statements for the year ended 31 March 2022**

This representation letter is provided in connection with the audit of the financial statements of Teignbridge District Council for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the Council financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 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 2021/22 ("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 the revaluation of land & buildings, accruals and the valuation of net pension liabilities. 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. During the year we evaluated our estimation process for the appeals provision for business rates however no changes were made to the estimation process. 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 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.
- vii. 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; and
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. 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.
- ix. 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.
- x. The Council's financial statements are free from material misstatements, misclassifications and disclosure changes and misstatements, including omissions.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiii. There are no prior period adjustments disclosed in Note 5 to the financial statements and there are no other prior period errors to bring to your attention.
- xiv. 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.

- xv. The Council has complied with all aspects of ring-fenced grants that could have a material effect on the Council's financial statements in the event of non-compliance.

Information Provided

- xvi. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xvii. 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.
- xviii. On 5 September 2024 parliament approved the Accounts and Audit (Amendment) Regulations 2024. These Regulations set a publication date for financial statements in respect of 2021/22 of 13 December 2024. The new National Audit Office Code which was approved on 9 September 2024 also requires that where auditors are unable to conclude their work, they should issue either a qualified audit opinion or a disclaimer of opinion by this date, known as the 'statutory backstop date'. It has not been possible to provide you with the all the required information for you to complete your audit for the year ending 31 March 2022 by the statutory backstop date. This includes the following:
 - a. providing you with:
 - i. 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;
 - ii. additional information that you have requested from us for the purpose of your audit; and
 - iii. access to persons within the Council via remote arrangements from whom you determined it necessary to obtain audit evidence.
 - b. communicating to you all deficiencies in internal control of which management is aware.
 - c. disclosing to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
 - d. disclosing to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
 - i. management;

- ii. employees who have significant roles in internal control; or
- iii. others where the fraud could have a material effect on the financial statements.
- e. disclosing 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.
- f. disclosing 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.
- g. disclosing to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

- xix. 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

- xx. 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 Full Council at its meeting on 29 October 2024.

Yours faithfully

Martin Flitcroft
Chief Finance Officer
29 October 2024

Councillor Rosie Dawson
Chair of the Council
29 October 2024

Signed on behalf of the Council

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Please Ask For: Martin Flitcroft
Tel: 01626 215246
Email: martin.flitcroft@teignbridge.gov.uk

Grant Thornton UK LLP
 2, Glass Wharf
 Temple Quay
 Bristol
 BS2 0EL

Dear Sirs

29 October 2024

Teignbridge District Council
Financial Statements for the year ended 31 March 2023

This representation letter is provided in connection with the audit of the financial statements of Teignbridge District Council for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the Council financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 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 2022/23 ("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 the revaluation of land & buildings, accruals and the valuation of net pension liabilities. 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. During the year we evaluated our estimation process for the appeals provision for business rates however no changes were made to the estimation process. 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 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.
- vii. 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; and
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. 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.
- ix. 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.
- x. The Council's financial statements are free from material misstatements, misclassifications and disclosure changes and misstatements, including omissions.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiii. There are no prior period adjustments disclosed in note 5 to the financial statements and there are no other prior period errors to bring to your attention.
- xiv. 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.

- xv. The Council has complied with all aspects of ring-fenced grants that could have a material effect on the Council's financial statements in the event of non-compliance.
- xvi. There are no other matters that the auditor may consider appropriate.

Information Provided

- xvii. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xviii. 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.
- xix. On 5 September 2024 parliament approved the Accounts and Audit (Amendment) Regulations 2024. These Regulations set a publication date for financial statements in respect of 2022/23 of 13 December 2024. The new National Audit Office Code which was approved on 9 September 2024 also requires that where auditors are unable to conclude their work, they should issue either a qualified audit opinion or a disclaimer of opinion by this date, known as the 'statutory backstop date'. It has not been possible to provide you with the all the required information for you to complete your audit for year ending 31 March 2023 by the statutory backstop date. This includes the following:
 - a. providing you with:
 - i. 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;
 - ii. additional information that you have requested from us for the purpose of your audit; and
 - iii. access to persons within the Council via remote arrangements from whom you determined it necessary to obtain audit evidence.
 - b. communicating to you all deficiencies in internal control of which management is aware.
 - c. disclosing to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
 - d. disclosing to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:

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 - ii. employees who have significant roles in internal control; or
 - iii. others where the fraud could have a material effect on the financial statements.
- e. disclosing 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.
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Narrative Report

- xxi. 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 Full Council at its meeting on 29 October 2024.

Yours faithfully

Martin Flitcroft
Chief Finance Officer
29 October 2024

Councillor Rosie Dawson
Chair of the Council
29 October 2024

Signed on behalf of the Council

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Teignbridge District Council

Audit Scrutiny

9 October 2024

Part 1

AUDIT SCRUTINY COMMITTEE - Terms of Reference Amendment

Purpose of Report

To propose changes to the Audit Scrutiny Committee's terms of reference to enable it to approve the financial statements, the Annual Governance Statement, and the Council Tax base.

Recommendation(s)

The Audit Scrutiny Committee RECOMMENDS to Council that the revised terms of reference and authorisation process for the Council Tax base, the Annual Governance Statement, and the Financial Statements, are approved.

Financial Implications

There are no direct financial implications, but minor efficiencies may be achieved through the streamlining of the approvals process. Reduced attendance by the external auditor at Committee meetings will assist in minimising the audit fees incurred by eliminating duplication.

Martin Flitcroft

Director – Corporate

Email: martin.flitcroft@teignbridge.gov.uk

Legal Implications

The approval of the Council Tax base can vary depending on the specific governance arrangements of the local authority. The **Local Government Finance**

Act 1992 and the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012 allow for flexibility in this process.

The **Accounts and Audit Regulations 2015** provide for both the Financial Statements and the Annual Governance Statement to be considered and approved by either the full Council, or a Committee designated for this purpose.

The proposal as set out is therefore lawful, and in accordance with the Council's Constitution.

Paul Woodhead
Head of Legal Services and Monitoring Officer
Email: paul.woodhead@teignbridge.gov.uk

Risk Assessment

Not applicable.

Environmental/ Climate Change Implications

The removal of the requirement for a two-stage approval process reduces the need for meeting resources and for attendees, (particularly external auditors), to travel to twice to in-person meetings for the Financial Statements approval.

Sue Heath
Audit and Information Governance Manager
Email: sue.heath@teignbridge.gov.uk

Report Author

Paul Woodhead – Head of Legal Services and Monitoring Officer
Tel: 01626 215139 Email: paul.woodhead@teignbridge.gov.uk

Sue Heath – Audit and Information Governance Manager
Tel: 01626 215258 Email: sue.heath@teignbridge.gov.uk

Executive Member

Councillor Richard Keeling – Executive Member for Resources

1. PURPOSE

- 1.1 To enable the Audit Scrutiny Committee to operate more effectively / efficiently by approving the Financial Statements, the Annual Governance Statement, and the Council Tax base.

2. BACKGROUND

- 2.1 The Audit Scrutiny Committee's terms of reference are set out in the [Council's Constitution](#) at section 3.8. Full Council is ultimately responsible for all decisions, but delegates decisions to the Executive, and to other Committees as appropriate. Some matters by law, must be reserved to Council.
- 2.2 The following tasks are currently dealt with by referral to full Council:
- approval of the Council Tax Base
 - approval of the Annual Governance Statement (AGS), and
 - approval of the Financial Statements

The Financial Statements and Annual Governance Statement are considered initially by the Audit Scrutiny Committee, who then recommend for Council to approve.

- 2.3 In all three cases, the legislation appertaining to these tasks provides flexibility for them to be approved by a committee of the Council. Many Councils have realised efficiencies from streamlining their approvals process in this way. This is especially relevant to the Financial Statements, which must adhere to a strict statutory timetable, as well as catering for the external auditor's

attendance at each meeting. This can be challenging when both Audit Scrutiny and full Council meetings need to be scheduled virtually back-to-back with just enough time to meet agenda deadlines and secure auditor attendance.

- 2.2 The Council Tax Base, follows a set calculation formula prescribed in statute, hence there is little scope for members to change the calculation. Similarly the Financial Statements and Annual Governance Statement are a backward looking, factual presentation of the authority's accounts and governance.
- 2.3 The Audit Scrutiny Committee are best placed to consider whether the Financial Statements and Council Tax Base have followed proper practice, and whether the Annual Governance Statement fairly reflects the governance arrangements within the Council.

3. CONCLUSION

- 3.1 Delegating the approval of the Financial Statements, Annual Governance Statement and Council Tax base to the Audit Scrutiny Committee will:

- streamline the approval process
- provide efficiencies
- fully utilise the Committee's skills and experience to undertake these tasks
- allow full Council to focus on broader strategic issues

- 3.2 Any full Council member interested in maintaining financial oversight can still actively participate in the process through attendance at the Audit Scrutiny Committee.

Teignbridge District Council

Audit Scrutiny

9 October 2024

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

Sue Heath – Audit & Information Governance Manager

Tel: 01626 215258

Email: sue.heath@teignbridge.gov.uk

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 2024, showing areas to be audited. This report shows progress against that plan. It also summarises the findings previous audits.

2. AUDIT PLAN PROGRESS 2023-2024

SYSTEM	STATUS	ASSURANCE
<u>Core Financial Systems</u>		
Main Accounting & Budgetary Control	Planned Q4	-
Creditor Payments	Planned Q4	-
Debtors	Planned Q4	-
Payroll	Planned Q4	-
<u>Other Systems / Projects</u>		
Housing Temporary Accommodation	June 2025	-
Housing Finance	June 2025	-
Housing Household Support Fund	Completed	Excellent
Procurement	Planned Dec 2024	-
Ombudsman Complaint Code	Planned Q4	-
Democratic Services Review	In Progress	-
Data Protection	Planned Q4	-
Climate Change	Planned Q4	-
Business Continuity Management	Planned Q3	-
Emergency Planning	Planned Q3	-
Purchasing Cards (new system)	Completed	Good
Partnerships and Funding Arrangements	In Progress	-
Communications – Social Medis	Planned Q3	-
Waste and Recycling	Planned Q4	-
Risk Management	Planned Q4	-
National Fraud Initiative	Ongoing	-
Fraud Risk Analysis	Ongoing	-

Governance	Ongoing	-
Health and Safety*	Completed	Fair
Council Tax*	Completed	Good
Housing Benefits and Council Tax Support *	Completed	Good
Housing Grants *	Completed	Excellent
Main Accounting System *	Completed	Excellent
Business Rates*	Completed	Good
Payroll *	Completed	Good

(Audits marked with “*” were not included in this year’s plan but were completed since the previous monitoring report.)

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

Key to Assurance Opinions:		
Excellent	★★★★	The areas reviewed were found to be well controlled, internal controls are in place and operating effectively. Risks against achieving objectives are well managed.
Good	★★★	Most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some areas for improvement have been identified.
Fair	★★	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.
Poor	★	Controls are seriously lacking or ineffective in their operation. No assurance can be given that the system’s objectives will be achieved.

2.3 The following follow up audits were also undertaken to check progress with agreed actions. Details are shown in the Appendix.

Safeguarding	Housing Health and Safety
Building Control	Debtors (2023)
Housing Benefits (2023)	

3. CONCLUSION

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

Internal Audit Reports – Overview 9 October 2024

PROJECT TITLE	SUMMARY
Household Support Fund Audit Opinion: Excellent ☆☆☆	Teignbridge District Council has been allocated £297,517.18 to distribute under the Household Support Fund for the period 1 April to 30 September 2024 to households who are experiencing financial difficulties and need essential financial support. This funding is being delivered through a combination of direct one off £40.00 Post Office vouchers to households receiving working age council tax reduction and care leavers and an open application scheme where support is provided by payment of goods and supermarket vouchers. Also, through funding provided to the Teignbridge Community and Voluntary Sector and Exeter Community Energy. The sampling exercise gave assurance that the direct award payments and application based awards were paid to eligible applicants and reconciled to the Financial Management System. Supermarket voucher spreadsheets are being maintained and monthly management reports submitted to Devon County Council showing the combined cumulative spend. A recommendation has been included for access to the supermarket voucher spreadsheets to be restricted. It was announced on 2 September 2024 that the Household Support Fund would be extended for another six months period up to April 2025 with an additional funding allocation.

PROJECT TITLE	SUMMARY
Managing Health and Safety within the Council Audit Opinion: Fair ☆☆	The Council has a statutory duty to manage its workplace with due regard to the health and safety of the workforce and those affected by the Council's activities. The main requirements on employers are to carry out risk assessments and record any significant findings, plan to assist with the implementation of necessary measures, appoint competent advisors to implement the arrangements and help managers understand the technical and legal issues, set up emergency procedures, arrange for clear information and training of employees. There are good health and safety management systems for DSE assessments, first aid provision, incident reporting and investigating, together with reporting mechanisms to the Strategic Leadership Team and Health and Safety Committee. Recommendations have been included for monitoring systems to be introduced to ensure that all staff have completed the mandatory health and safety e-learning module refresher training, risk assessments are up-to-date and fire risk assessments completed by competent officers. Staff awareness needs to be raised of fire exits, routes, extinguisher locations and training in how to use them. As well as a corporate health and safety action plan to be implemented with key performance indicators identified to enable measurement and monitoring of performance along with a programme of periodic health and safety inspection and audits across services to monitor compliance. Also, for Duty holders and/or 'Responsible persons' to be identified for statutory duties of asbestos, water, gas, electrical, lift and fire safety along with specialised training for these roles and responsibilities. The internal Health and Safety team consists of the Food, Health and Safety Manager / Health and Safety Manager with support from the Regulatory Support Officer. These limited resources are used for reactive work with additional competent resources needed to make the necessary improvements identified. This also applies in waste, assets, leisure, and housing services to fulfil their health and safety compliance.

PROJECT TITLE	SUMMARY
Purchasing Cards Audit Opinion: Good ☆☆☆	The Lloyds Bank Visa purchasing card is a charge card that enables the council to make electronic payments for goods and services. These cards fall under the procurement framework available to UK public sector bodies owned by the Crown Commercial Service and are provided free of charge. This new purchasing card system has been running in parallel since 1 July 2023 with the existing RBS Visa purchasing card system until June 2024. New Lloyds Bank cards were phased in from June 2023 to June 2024 and are issued in the name of an individual officer rather than a generic service name. The sampling exercise gave assurance that the cards are being used to purchase approved goods and services, providing the relevant VAT receipts, and reconciled to the payments made to the card company. Recommendations have been included for the twenty six cardholders to sign an employee agreement so aware of their responsibilities and appropriate card use as stated in the financial instructions, for single transaction limits to be set and to develop and publish a purchasing card policy / procedures for guidance and transparency purposes.
Payroll Audit Opinion: Good ☆☆☆	The key risk areas for the payroll system are: ○ Inappropriate access to the payroll system and loss of data. ○ Inappropriate or inaccurate amendments to the payroll system or to the MAS. ○ Untimely, inappropriate, or inaccurate payments made or not recovered. Based on the tests undertaken, the payroll function was working effectively with no errors evident from the testing. Whilst there has been some progress with previous recommendations, reporting is an ongoing concern, and waste and leisure timesheets are still a manual process. For business continuity, a digital version of the payroll instructions manual needs to be created and kept updated.

PROJECT TITLE	SUMMARY
Council Tax Audit Opinion: Good ★★★	The Council has a statutory obligation to administer and collect council tax within Teignbridge which is shared with Devon County Council, Devon and Cornwall Police & Crime Commissioner, Devon and Somerset Fire and Rescue Service and parishes to provide local services. Annual council tax bills are produced and sent to the liable council taxpayers of each domestic dwelling in the district during March. It is a property tax, with the amount charged according to the valuation band of the individual property. There are some instances where reductions or exemptions of the council tax can occur which are based on nationally set criteria such as student residences and specific unoccupied dwellings. Discounts and disregards are available for single occupancy residences, and in other circumstances. The sampling exercise highlighted that discounts, disregards and exemptions are being correctly awarded. However, regular reviews should be undertaken to ensure that these are still accurate. Recommendations have been included to have a rolling programme of reviews, so all discounts, disregards and exemptions are reviewed at least every two years to ensure that initial award is still accurate. Also, to finalise the National Fraud Initiative which is an annual mandatory exercise matching electronic data between public and some private sector bodies to prevent and detect fraud including council tax records.
Housing Benefits and Council Tax Support Audit Opinion: Good ★★★	Housing Benefit (HB) and Council Tax Support are means tested schemes which help those on low incomes meet their housing rental costs and council tax liabilities. The audit covered the risk of inaccurate or untimely payments being made or not recovered. Tests included: ○ Benefit assessments are correctly calculated. ○ Processing is timely and in line with targets. ○ Data being subject to accuracy checks. ○ Changes to parameter data being checked, tested, and authorised. ○ Internal reconciliations, verifications and balancing procedures are regularly undertaken.

	○ Mismatched data being promptly investigated. ○ Authorisation and reconciliation of payments. ○ Overpayments are correctly identified. ○ Prompt and appropriate recovery action is taken. ○ Written off debt is appropriate. The results were good with processing times withing target and Teignbridge comparing favourably to other similar councils, and no issues with accuracy from the sample tested. One minor recommendation was made in respect of publicising the correct recovery action process as this was unclear.
Main Accounting System Audit Opinion: Excellent ★★★★★	The Main Accounting System (MAS) is the primary record of financial transactions used to produce the annual Statement of Accounts. The MAS has been in operation for many years and is a part of the wider Financial Management System (FMS). A replacement FMS system was planned to go live earlier this year, however this project has been postponed until later in 2024/25. The audit covered the following controls: ○ Changes to budgets are approved ○ Financial performance is regularly monitored, and appropriate corrective action taken ○ The overall financial position is regularly reviewed by senior management and members ○ There is appropriate separation of duties ○ Internal reconciliations, verifications and balancing procedures are regularly undertaken ○ Periodic bank reconciliations are prepared and independently reviewed Assurance was excellent as compliance was found in all areas. It is recognised that outstanding recommendations from the previous audit cannot be taken forward until the new system is implemented. These include increasing the fund categories available for cash receipting, and a new process to evidence review of reconciliations.

PROJECT TITLE	SUMMARY
Housing Grants Audit Opinion: Excellent ★★★★★	The systems for administering Disabled Facilities Grants were reviewed covering the following risks: ○ Breach of regulations, legislation and Council Policy; ○ Grants are awarded to ineligible people or properties – i.e. scheme criteria not met; ○ Conditions attached to grants are not complied with; ○ Fraud, corruption or misappropriation; ○ System and data security compromised. Only minor recommendations were made, which included speed of processing and prioritisation of OT assessments. Loans are also provided through an external company Lendology audited in December 2023 by the South West Audit Partnership with a substantial assurance opinion provided.
Business Rates Audit Opinion: Good ★★★	The risks to the business rates system include inappropriate or inaccurate amendments to the system and inadequate or inappropriate recovery or write off action. The following tests were carried out to see how well these risks were managed: ○ Changes to standing / parameter data being checked, tested, and authorised. ○ Liability calculations are accurately calculated, and appropriate evidence obtained for any discounts, exemptions, or reliefs. ○ Refunds are properly checked and authorised. ○ Prompt and appropriate recovery action is taken in line with procedures. ○ Recovery action via external agencies is effectively monitored. ○ The decision to write off debt is appropriate and properly authorised. ○ Performance targets are set, monitored, and reported, and appropriate action taken. Strong controls were evidenced. The collection rate is extremely high at 99.64% for the 23/24 year. Small Business Rates Reliefs are reviewed using an external company and other reliefs are reviewed internally.

Follow Up Audits

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 recently completed follow ups are shown below:

Housing Benefits and Council Tax Support

Original audit: June 2024

Followed up: July 2024

Audit Opinion:
Good ☆☆☆

1 of the 1 recommendation actioned and implemented.

Safeguarding

Original audit: November 2023

Followed up: March 2024 and July 2024

Audit Opinion:
Good ☆☆☆

6 of the 11 recommendations actioned and implemented. 5 remain on-going:

- review of safeguarding policy complete, to be added to the forward plan for adoption by Council.
- safeguarding role included in job description. Will be considered as part of the restructure.
- safeguarding requirements included in the Hackney Carriages and Private Hire policy, which is being reviewed.
- identification of officers needing to undertake higher-level specialised safeguarding training and to arrange face to face safeguarding training for the refuse and street cleansing staff.
- to promote safeguarding training for all members

Building Control

Original audit: August 2023

Followed up: March 2024 and July 2024

Audit Opinion: Good ☆☆☆	2 of the 5 recommendations actioned and implemented. 3 remain on-going (2 awaiting installation of software): • historic personal data in the system requires prioritisation and action from the new software / functionality via Strata. • card payments are being taken by telephone without two-factor authentication, awaiting roll-out by Adelante of PSD (Payment Service Directive) 2 compliant package. • staff processing personal and secure data have not been vetted using DBS. To be implemented April 2024, no new starters as yet
Debtors Audit Opinion: Good ☆☆☆	Original audit: July 2023 Followed up: January 2024 7 of the 23 recommendations actioned and implemented. The remainder are reliant on the new e-fins system rollout.
Housing H&S Compliance Audit Opinion: Fair ☆☆	Original audit: February 2024 Followed up: May 2024, June 2024, and August 2024 10 of the 11 recommendations actioned and implemented. 1 remain on-going: • For those properties managed in house, 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. Currently in draft.

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