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3 February 2025

AUDIT SCRUTINY COMMITTEE

A meeting of the **Audit Scrutiny Committee** will be held on **Thursday, 13th February, 2025** in the **Council Chamber, Forde House, Brunel Road, Newton Abbot, TQ12 4XX** at **10.00 am**

PHIL SHEARS
Managing Director

Membership:

Councillors Morgan (Chair), Jackman, Thorne, Steemson, Nuttall, and 3 Vacancies

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. **Election of Vice-Chair**
   To elect a Vice-Chair of the Committee up until Annual Council in May 2025.

3. **Minutes of the previous meeting** (Pages 3 - 8)
   To approve and sign the minutes of the meeting held on 18 December 2024.

4. **Declarations of Interest.**

5. **Public Questions (If any)**

6. **Members Questions (if any)**

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

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

7. **External Audit Value For Money report, Audit Findings Report, and Final Audit Opinion Update 2023/24** (Pages 9 - 120)

8. **Annual Governance Statement** (Pages 121 - 136)

9. **Final statement of accounts 2023/24** (Pages 137 - 280)

10. **Review of Contract Procedural Rules** (Pages 281 - 364)

11. **Update on Implementation of Recommendations from an Internal Audit of Car Parks**

Verbal update.

12. **Financial Instructions and Contract Rules Waivers** (Pages 365 - 370)

13. **Internal Audit Progress Report** (Pages 371 - 378)

14. **Exclusion of Press and Public**

RECOMMENDED that, under Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting of items 16 on the grounds that it involves the likely disclosure of exempt information as defined in Paragraph 7 of Part 1 of Schedule 12A of the Act.

Part II (Private)

Items which may be taken in the absence of the Public and Press on grounds that Exempt Information may be disclosed.

15. **IPCO (Investigatory Powers Commissioner's Officer) inspection report 2025** (Pages 379 - 380)

Report following a recent inspection of the Council's compliance with RIPA (Regulation of Investigatory Powers Act).

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

AUDIT SCRUTINY COMMITTEE

18 DECEMBER 2024

Present:

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

Members in Attendance:
Councillors Parrott

Apologies:
Councillors Jeffries

Absent
Councillor Ryan

Officers in Attendance:
Martin Flitcroft, Director of Corporate Services
Sue Heath, Audit Manager
Christopher Morgan, Trainee Democratic Services Officer
Paul Nicholls, Food Health & Safety Manager

44. MINUTES OF THE PREVIOUS MEETING

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

5 were in favour and 1 abstained.

Resolved

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

45. DECLARATIONS OF INTEREST.

None.

46. PUBLIC QUESTIONS (IF ANY)

The response to the public question was published before the meeting.

47. MEMBERS QUESTIONS (IF ANY)

None.

48. HEALTH AND SAFETY - FOLLOW UP

The Environmental Health - Food, Health and Safety Manager updated the Committee on the work being done to address the recommendations raised by the internal audit and improve Health and Safety in the Council. The update included the following:

- Procurement of an online Health and Safety management system to improve the current implementation of the council's health and safety policy and arrangements.
- Procurement of a lone worker monitoring system which includes work being undertaken by the BTT team to identify lone workers,
- Top-down health and safety training and the planned introduction of a standardised health and safety training matrix for managers/team leaders and nominated staff.
- Ongoing de-escalation training for identified lone workers.
- How employees' access to the Employee Protection Register (EPR) and the ongoing reviews into the EPR.
- Ongoing work to ensure completion of risk assessments and display screen equipment assessments.
- The role of the Health and Safety Committee

Members raised concern related to an incident at another council depot when a fire swept through their vehicle fleet and requested assurance that the Waste depot was not tightly parking its vehicles together.

Members also raised concerns that Officers risk not having access to the Employee Protection Register when making home visits. The FHS Manager confirmed the EPR only covered the members of the public known to be higher risk, this is a minority group and doesn't cover all people or situations. The Committee were advised that there would always be risk when interacting with people. He assured members that de-escalation training and dynamic risk assessment were the best approach when dealing with the public. Staff are advised to leave if they feel they are in danger. Services with lone workers have access to the EPR and use it to update their own databases to inform officers.

It was an attack on a member of staff at Forde House that had resulted in a red rating on the SPAR risk.

It was noted there is no security in Forde House Reception and the public and members who visit the Forde House campus would be covered by the councils CCTV and arrangements for dealing with situations as they happen. Further training would be offered to staff regarding dealing with difficult or dangerous people.

49. GRANT THORNTON - AUDIT PROGRESS REPORT & SECTOR UPDATE

The Chief Financial Officer introduced the item.

The Committee raised their concerns around the completion of the External Audit.

In response, the CFO informed the committee on the massive workload that the External Audit had put of officers with extra hours, and this was during time of staff shortages. There had been disagreements over issues such as SANGS. The Audit Backstop from previous years could not be reopened, and it was noted that the backstop from previous years had affected the work of the current audit. A report would come to the next committee regarding the value for money, as well as another update on the external audit.

The Committee noted the update.

50. STRATEGIC & CORPORATE RISK REPORT

The Audit Manager introduced the report to the Committee.

The Committee noted that the report highlighted issues with members breaching the Code of Conduct and reaching house-building targets.

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

All were in favour.

Resolved

That the report be noted.

51. COUNCIL TAX BASE 2025-26

The Chief Financial Officer introduced the report to the Committee.

Audit Scrutiny Committee had been granted the ability to approve the Council Tax Base. The CFO explained how the Council Tax Base had been calculated and that this included second homes.

The CFO was challenged on the Council Tax Base figures.

In response to comments from Councillors, he clarified that extra Council Tax is saved for use when necessary in the future, and that ongoing issues with under delivery of housebuilding would affect the amount of Council Tax received. There had been 0.65 percent growth since last year, and a lower collection rate

was expected for this year. It was noted that Covid hadn't affected house-building figures.

It was proposed by Cllr Purser and seconded by Cllr Morgan that the Committee approve the Council Tax Base as set out in the report.

A vote was taken and the result was unanimously in favour.

Resolved

That the Committee approve the Council Tax Base as set out in the report.

52. GOVERNANCE ACTION PLAN MONITORING REPORT

The Committee were informed that two reports would be due to go to Full Council regarding the Teignbridge Strategy and the Officer/Member protocol.

Democratic Services would update the Members' Information Hub regarding the new changes to the Heads of Services.

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

Resolved

That the report be noted.

53. INTERNAL AUDIT PROGRESS REPORT

The Audit Manager introduced the item to the Committee.

She advised that the Audit progress was satisfactory Devon Assurance Partnership audits were underway. Work was being undertaken to enforce Penalty Charge Notices. The Council had hired bailiffs to enforce these but due to issues with integrating them with the car parking system this had taken extra time.

The end date of the internal Audit was March 2025 which was earlier than previous years. The Housing audit had been delayed due to having to spend time on a new electronic system. The Democratic Services Audit had been paused due to resourcing issues. The Waste Audit was about to begin. There would also be a light touch risk management audit as this area had been recently assessed.

It was noted by members that there were a large number of ongoing or soon to start audits. Members asked to see the full details of the Devon Assurance Partnership's audits.

The Committee discussed how audit findings are laid out and rated such as the use of ‘poor’ as an assurance rating. It was noted that other assurance rankings exist. The chair asked that a column be added to explain who is carrying out the audit and provided some more background information.

The Audit Manager said she would look at the Better Governance Forum to see what upcoming training was available on reviewing accounts.

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

Resolved

That the report be noted.

The meeting commenced at 10.00 am and finished at 12.38 pm.

Chair
Cllr Sally Morgan

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Grant Thornton

Auditor's Annual Report on Teignbridge District Council

Auditor's Annual Report for the year ended 31 March 2024

February 2025



Agenda Item 9

Contents

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

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



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting, based on the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction

Purpose of the Auditor's Annual Report

This report brings together a summary of all the work we have undertaken Teignbridge District Council (the Council) during 2023/24 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements.

All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of 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.

Responsibilities of the appointed auditor

Opinion on the financial statements

Auditors provide an opinion on the financial statements which confirms whether they:

- give a true and fair view of the financial position of the Council on 31 March 2024 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2023/24
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

We also consider the Annual Governance Statement and undertake work relating to the Whole of Government Accounts consolidation exercise.

Value for money

We report our judgements on whether the Council has proper arrangements in place regarding arrangements under the three specified criteria:

- financial sustainability
- governance
- Improving economy, efficiency and effectiveness

The Value for Money auditor responsibilities are set out in Appendix B.

Auditor powers

Auditors of a local authority have a duty to consider whether there are any issues arising during their work that require the use of a range of auditor's powers.

These powers are set out on page 12 with a commentary on whether any of these powers have been used during this audit period.



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Executive summary

Executive summary

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 NAO has consulted and updated the Code to align it to accounts backstop legislation. The new Code requires auditors to share a draft Auditors Annual Report ("the Report") with those charged with governance by a nationally set deadline each year (30th November) and for the audited body to publish the Report thereafter. These new requirements will be introduced from November 2025. As a firm, we are committed to reporting the results of our local audit work on as timely a basis as possible and are bringing forward our 2024 reporting in advance of the Code change. Our summary findings are set out below.

Our work included document reviews (including budget and outturn documents); looking at minutes of and reports to Full Council, Executive, Audit Scrutiny Committee and the Overview and Scrutiny Committees; watching recordings of meetings; reviewing findings from other external organisations (for example, Ofsted, LGA and the Centre for Governance and Scrutiny); and conducting a series of interviews. We have interviewed: The s151 Officer; the Monitoring Officer; the Managing Director; the Director of Place; the Audit and Information Governance Officer; the Risk Manager; the Future High Street Funds Project Lead; the Corporate Procurement Officer; and the four councillors who held Group Leader roles during 2023/24.

Our recommendations and management responses are summarised in the section starting on page 26.

Governance

There are significant weaknesses in arrangements for governance and these are not new. We raised key recommendations around the need to improve behaviour and relationships in August 2023 (AAR for 2020/21) and in February 2024 (AAR for 2021/22 and 2022/23). The Centre for Governance and Scrutiny made similar observations as early as 2022 and the findings from an LGA Peer Review visit from 9th to 11th January 2024 were similar again.

In February 2024, we reported that commitment was required from group leaders that party members be held to account for behaviour. We commented on relationships both between members and their fellow members; and between members and officers. A new member/officer protocol was adopted in July 2024, but underlying poor behaviour has persisted.

Within this report, we raised a new statutory recommendation **(SR1, page 8)** around behaviour and standards. In the event that our statutory recommendation is not complied with, we will consider the use of further audit powers in future years.

Lack of trust seems to underpin some of the behavioural issues we observed. Matters were identified over the course of our audit that suggested members do not always understand which aspects of Council business they do or do not have access to by law. There is also evidence to suggest that members are not always confident that interests have been declared by fellow members. In this report, we raised two new key recommendations around arrangements that might help build trust **(KR 1 and 2, page 19).**

Issues with relationships and trust seem to affect arrangements for supporting decisions once they have been made. Our Auditor's Annual Report for 2021/22 and 2022/23 highlighted the importance of sticking to decisions once they are made. We raised a new key recommendation in this report around the need to work collaboratively once decisions have been made and, where necessary, to revisit decisions constitutionally rather than by other means **(KR3, page 19).**

Within this report, we raised six new improvement recommendations around arrangements for monitoring the Council's action plan; risk register reviews; committees; the finance system; and draft accounts **(IRs 1 to 6, page 20).**

Due to the backstop legislation, we have been unable to completed our audit of your financial statements and plan to issue a disclaimed audit opinion in February 2025. Our findings are set out in further detail on page 11.

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Executive summary (continued)

Financial sustainability

The Council wrote off £522,000 when it abandoned a cinema project during the year. The Council has other high profile capital projects, and it will be important that decision-making is applied carefully around them. In this respect, the key recommendation we made around decision-making is also relevant to financial sustainability **(KR3, page 19).**

In other respects, the Council performed relatively well financially during 2023/24. The Council generated a small surplus of £1.392 million during the year. Forecasts available when we completed our testing indicated that the Council was expected to underspend again by £1 million in 2024/25. However, the medium-term financial plan prepared in February 2024 did anticipate some reliance on reserves – for example, a £2.2 million draw on reserves in 2025/26 and a £4.2 million draw on reserves in 2026/27. The Funding Reserve to cover such gaps was valued at £12 million on 31 March 2024. This would be unsustainable in the long term and is something the Council should seek to move away from. We raised one new improvement recommendation to this effect **(IR7, page 23).**

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Improving economy, efficiency and effectiveness

There is evidence to suggest that the difficulty some have had with supporting decisions once they have been made may affect the Council's progress with capital projects. In this respect, the key recommendation we made around decision-making is also relevant to improving economy, efficiency and effectiveness **(KR3, page 19).**

We also note that at one stage in the year 2023/24, the Council's Planning Service was under threat of being placed in special measures for poor performance on non-major planning applications. Performance has since improved. The Council has implemented processes within the Planning Service to ensure that performance on non-major planning applications remains above the government's minimum target. This needs to be maintained. We raised one new improvement recommendation to this effect **(IR8, page 25).**

Conclusion

Our Auditor's Annual Report for 2020/21 (published in August 2023) raised three key recommendations and thirteen improvement recommendations. By February 2024 (when our Auditor's Annual Report for 2021/22 and 2022/23 was published), one of the key recommendations and seven of the improvement recommendations still needed to be addressed.

Our Auditor's Annual Report for 2021/22 and 2022/23 (published in February 2024) raised two key recommendations and sixteen improvement recommendations. Some of the themes were the same as, or similar to, the year before – these included themes around behaviour. New themes in the Auditor's Annual Report for 2021/22 and 2022/23 surrounded decision-making; and reporting and monitoring for the capital programme, similar to the themes raised in this February 2025 report.

Although there has been some progress, for example with the new member/ officer protocol finalised in July 2024, in other respects there is still much work left to do now in February 2025.



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Executive summary (continued)

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

Overall summary of our Value for Money assessment of the Council's arrangements

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. A summary of our judgements are set out in the table below.

Criteria	2020/21 Auditor judgement on arrangements		2021/22 and 2022/23 Auditor judgement on arrangements		2023/24 Auditor judgement on arrangements		Direction of travel
Governance	R	Three key recommendations identified. Seven improvement recommendations identified.	R	Two key recommendations identified. Four improvement recommendations identified.	R	Significant weakness identified. One statutory recommendation identified. Three new key recommendations identified. Six new improvement recommendations identified. Our new key recommendation around decision-making for a cinema project is also relevant to financial sustainability and to improving economy, efficiency and effectiveness.	↓
Financial sustainability	A	Three improvement recommendations identified.	A	Ten improvement recommendations identified.	R	Significant weakness identified. Our new key recommendation around decision-making for a cinema project is also relevant to financial sustainability. In addition, one new improvement recommendation identified.	↓
Improving economy, efficiency and effectiveness	A	Three improvement recommendations identified.	A	Two improvement recommendations identified.	R	Significant weakness identified. Our new key recommendation around decision-making for a cinema project is also relevant to improving economy, efficiency and effectiveness. In addition, one new improvement recommendation identified.	↓

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Statutory Recommendation

Statutory Recommendation

The Nolan Principles include a principle of Leadership, which states that "Holders of public office..... should treat others with respect". The two previous Auditors Annual Reports published in August 2023 and February 2024 identified significant weaknesses in the Council's arrangements for upholding good standards in member behaviour and in member-officer relationships. Weaknesses in behaviour and relationships have also been highlighted by the Centre for Governance and Scrutiny (in 2022) and a recent LGA Peer Review (in January 2024). The Council successfully finalised a new member/ officer protocol in July 2024. However, there is still evidence of bullying and aggressive behaviour having persisted among some members. This impacts on the Council's reputation. working culture, and ability to transact business as usual.

The Council should:

1. Commission a suitably qualified expert to investigate the underlying causes of member behaviours which contravene the standards set out in the Council's constitution under the members' code of conduct and the member/officer protocol; and which have impacted the Council's reputation and working culture. The Council should then develop an action plan to enable members and officers to address those issues.
2. Adopt a consistent zero-tolerance approach to any swearing; lack of respect for other people attending meetings; or other abusive behaviour towards other members or officers in meetings. This should be done by making full use of the procedural rules set out in the Council's constitution by: Immediately adjourning the meeting; moving a motion that the member concerned be not heard; or moving a motion that the member concerned should leave the meeting.
3. Consider amendments to its constitution to extend those procedural rules to all meetings of committees of the Council and amend the Member Code of Conduct to include an obligation for all members to reinforce standards of behaviour and to support the Chair of the Council and chairs of committees of the Council in their use of procedural rules to ensure proper conduct. Group Leaders should model good behaviour and discipline members of their groups whose behaviour breaches the Code of Conduct and the member/officer protocol.
4. Continue to provide information and support to ensure that members and officers who are subjected to aggressive and abusive behaviour from individual members can, if they wish, submit a written complaint to the Monitoring Officer immediately, so that it can be dealt with under the Council's Standards procedures.
5. Ensure that Group Leaders take responsibility for their members working collaboratively with officers and for their members improving behaviours and relationships.
6. Review membership of the Standards Committee, with only members who have an excellent behavioural track record being eligible to join it. Meetings should then resume. A Governance Committee should be introduced to reinforce the work of the Standards Committee. As with the Standards Committee, members on the Governance Committee must have an unblemished behavioural track record.

Securing good standards and behaviour amongst members will help to strengthen corporate governance and working culture. This in turn should help to create a positive environment from which the Council can build better relationships and address the other issues it faces, such as transacting business as usual and maintaining respect and co-operation around decisions once they have been taken.

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Statutory Recommendation (continued)

Management responses to our statutory recommendation

Recommendation Part 1 - The council has commissioned the CFGS to conduct reviews and are currently working with them to review the constitution. Members of the administration have had workshops with officers to improve the working relationship and clarify roles. To date a small number of independent councillors who refuse to moderate their behaviour and their group leaders either refuse to or are unwilling to address the behaviour to which you refer.

Recommendation Part 2 - Agreed. Support and training is given to chairs and members but there is a lack of support from councillors across the chamber to address this behaviour in meetings.

Recommendation Part 3 - The Council has adopted the LGA model code and as stated above Chairs receive specific training.

Recommendation Part 4 - Members and officers are aware of the process to raise a standards complaint and are supported to do so.

Recommendation Part 5 - Agreed.

Recommendation Part 6 – Agreed.

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Opinion on the financial statements and use of auditor's powers

Opinion on the financial statements

Audit opinion on the financial statements

Unfortunately, owing to the challenges of undertaking an audit where the previous audits were disclaimed due to the local authority backstop, this year we have been unable to regain full assurance, and it has not been possible for us to undertake sufficient work to support an unmodified audit opinion in advance of the proposed backstop date of 28 February 2025.

We propose to issue a disclaimed opinion on the Council's financial statements in February 2025.

The full opinion is included in the Council's Annual Report for 2023/24, which can be obtained from the Council's website.

Grant Thornton provides an independent opinion on whether the Councils financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2024 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2023/24
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with:

- International Standards on Auditing (UK)
- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Findings from the audit of the financial statements

The Council provided draft accounts after the national deadline, but in line with agreed timescales.

As at the date of this report, we have not been able to conclude our work on the 2023/24 financial statements. The Audit Findings Report sets out our work undertaken and the closing status, along with details of the work undertaken and any audit findings and recommendations.

We have identified one adjustments to the financial statements that would have resulted in a £2.5m adjustment to the Council's Comprehensive Income and Expenditure Statement, this is in relation to SANGS however management have made the decision not amend the financial statements.

The limitations imposed by not having assurance on opening balances mean that we will be unable to form an opinion on the financial statements. Our anticipated financial statements audit report opinion will be a disclaimed opinion.

Our audit opinion will also include a qualification over PPE balances due to the disclaimed opinion from 2020/21 being carried forward and also a qualification of the SANGS balance, which will be explicitly mentioned in the audit opinion.

Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. A final version of our report was presented to the Council's Audit Scrutiny Committee on 13 February 2025. Requests for this Audit Findings Report should be directed to the Council.

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Use of auditor's powers

We bring the following matters to your attention:

	2023/24
Statutory recommendations Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make recommendations to the audited body which need to be considered by the body and responded to publicly.	We make one statutory recommendation under Schedule 7 of the Local Audit and Accountability Act 2014. The statutory recommendation is shown on page 8 of this report.
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. This may be considered in future years.
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 make an application 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 any advisory notices.
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 make an application for judicial review.

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Value for Money Commentary on arrangements

The current local government landscape

It is within this context that we set out our commentary on the Council's value for money arrangements in 2023/24 and make recommendations where any significant weaknesses or improvement opportunities in arrangements have been identified.

National context

Local government in England remains a challenged sector. In recent years, generationally significant levels of inflation put pressure on councils' General Fund revenue and capital expenditure. The associated cost of living crisis drove an increase in demand for council services such as social care and homelessness. At the same time, the crisis impacted adversely on key areas of council income that were needed to service the increase in demand, for example fees and charges and the collection rates for council tax, business rates and rents.

In January 2024, the UK government announced an additional £600 million for local government, but the Spring Budget for 2024 brought little in the way of any further support. Rising costs of delivering services, coupled with workforce shortages in key areas, supply chain fragility, and rising interest rates for servicing debt, brought a level of crisis to the local government sector perhaps never experienced before. Current warning signs of difficulty include:

- Seven councils issuing eleven section 114 notices between 2019 and 2023, compared with two councils issuing notices between 2001 and 2018, with an increasing number of other councils publicly warning of a section 114 risk;
- Twenty councils being with government approval for exceptional financial support during 2024/25, totalling approximately £1.5 billion. Only six of these councils had previously issued a section 114 notice.; and
- The Local Government Association warning that councils in England face a funding gap of £4 billion over 2023/24 and 2024/25.

Local government is coming under an increased spotlight in terms of how the sector responds to the financial challenge it faces. Since the start of 2024, the UK government has emphasised the need for increased productivity rather than increased funding. New plans were announced by the Chancellor in March 2024 for public sector productivity to deliver up to £1.8 billion worth of benefits by 2029. Councils have subsequently been asked to submit productivity plans, showing how they will improve service performance and reduce wasteful spend.

The general election that took place on 4 July 2024 led to a change in government, and changes to government policy and legislation relating to the sector are still emerging at the time of producing this report.

Local context

Teignbridge is a district in South Devon, located between Exeter and Torbay and the south-eastern area of Dartmoor. The district was first formed on 1 April 1974 under the Local Government Act 1972. There are 24 wards in Teignbridge. The Council is based in the town of Newton Abbot. At the time of writing this report, the Council has forty-seven councillors. Twenty-five councillors are members of the Liberal Democratic party. Ten councillors are members of the Conservative party; nine councillors describe themselves as Independent; and three councillors describe themselves as Independent (Unaligned). Until November 2024, some of the independent councillors had been members of the South Devon Alliance.

LG Inform data published by the Council shows that the resident population of Teignbridge in 2021 was 134,803 people. The predominant age band in Teignbridge in 2023 was 55 – 59 years old. The largest ethnic group in Teignbridge in 2021 was "White" (97.7% of the district's population). The largest number of households in Teignbridge lives in "Owns Outright" accommodation. The geographical area includes beaches and nature reserves.

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Governance

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

We considered how the Audited Body:	Commentary on arrangements	Assessment
monitors and ensures appropriate standards, such as meeting legislative/ regulatory requirements and standards in terms of staff and board member behaviour and where it procures and commissions services.	The Nolan Principles include a principle of Leadership, which states that "Holders of public office..... should treat others with respect". The two previous Auditor's Annual Reports published in August 2023 and February 2024 identified significant weaknesses in the Council's arrangements for upholding good standards in member behaviour and in member-officer relationships. Both reports included a key recommendation stating that "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 … 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". The Centre for Governance and Scrutiny highlighted weaknesses in relationships in 2022 and an LGA Peer Review visit from 9th to 11th January 2024 highlighted weaknesses again in January 2024. We note that the Council officers did finalise a new member/ officer protocol in July 2024; and did formally adopt an LGA Peer Review action plan in October 2024. However, officers inform us that the timescale for formally adopting the LGA action plan was in some measure slowed down by key members of the Council focusing on the 2024 national election. By the time that the action plan was formally adopted, some nine to ten months had passed since the LGA Peer Review report had been shared with the Council. Recent examples of poor behaviour since the start of 2023/24 include one member swearing at their fellow-member Chair of a Full Council meeting; members talking over one another, using condescending and aggressive language; members arguing about whether hands had been raised at the Overview and Scrutiny Committees in place until May 2024; and members muting one another's microphone and exiting the room early rather than stay in the new Overview and Scrutiny Committee meetings since May 2024. All groups have been involved to some extent or other and some incidents we observed have occurred even as late as July 2024 when the new member/ officer protocol was being agreed. Overall, behaviour and relationships were challenging in 2023/24 – regardless of the numerous recommendations that the Council has already received. We note that the Standards Committee has not met since July 2023, in part because there were behavioural issues on that Committee itself. A Procedures Committee has continued to meet, and officers have argued for the creation of a Governance Committee. We raised a new statutory recommendation, in six parts, on page 8 of this report, around behaviour and standards **(SR1).** In the event of our statutory recommendation not being acted on, additional audit powers may be considered in future years. Lack of trust seems to underpin some of the behavioural issues we observed. Matters were identified over the course of our audit that suggested members do not always understand which aspects of Council business they do or do not have access to by law. There is also evidence to suggest that members are not always confident that interests have been declared by fellow members. Because clarity, trust and confidence in one another will be important to actioning our statutory recommendation, we raised two new key recommendations on page 19 of this report **(KR1 and KR2).** It will be important that the Council does monitor progress against the action plan it adopted in October 2024. We raised an improvement recommendation to this effect on page 20 of this report **(IR1).**	R

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Governance (continued)

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

We considered how the Audited Body:	Commentary on arrangements	Assessment
monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	The Audit Scrutiny Committee did not receive any reports on the corporate risk register during 2023/24. The corporate risk register was shared with the Audit Scrutiny Committee on 26th June 2024 - but that was the first time the Committee had seen it since 6th January 2023, a gap of some seventeen months. This was despite the Committee having had three meetings between those two dates (29th August; 13th December; and 22nd March). Our understanding is that the Overview and Scrutiny Committee had requested the performance reporting to that committee which incorporates risks be such that only those areas with concern be summarised and presented. We understand that gaps in reviewing the risk register were also in part because of rescheduling of meetings and the oversight of omitting from one agenda; impacts of Covid on meetings; and changes in priorities. Officers inform us that circumstances are returning to normal and twice-yearly reviews of the register will now continue. We raise an improvement recommendation on page 20 confirming that this should be done **(IR2)**. We will review risk reporting to committees during our audit for 2024/25. Looking more widely at audit and scrutiny functions across the Council, we note that there is a need for independent members on committees; and for clarification around the roles of the respective committees – where the Committee with an "Audit" brief focuses on governance, internal control and risk; and the Committee with a "Scrutiny" brief focuses on policies and decisions. CIPFA's Position Statement on Audit Committees in 2022 stated that 'Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements'. The Position Statement goes on to say that Audit Committees should be independent of both executive and of scrutiny functions and be able to provide objective oversight. Teignbridge District Council's Audit Scrutiny Committee has no independent members. Furthermore. both the Audit Scrutiny Committee and the Overview and Scrutiny Committee are chaired by members of the political party with overall control. There is a risk that this could undermine objectivity. Section 3 of the Council's constitution implies that the Audit Scrutiny Committee has a role to play in helping to develop policy, which is incompatible with being independent. Furthermore, the name "Audit Scrutiny Committee" implies that the audit and scrutiny functions are joined, which they are not. We note that during 2023/24, there was the further complexity of there being two Overview and Scrutiny Committees in operation (both chaired by members of the party with overall control). This was streamlined in May 2024 and there is now one Committee exercising this function. This reduces duplication, which is positive. We raised two improvement recommendations in respect of the committees on page 20 of this report **(IR3 and IR4)**.	A

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Governance (continued)

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

We considered how the Audited Body:	Commentary on arrangements	Assessment
ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee	On 31st October 2023, the Executive Committee decided to amend a cinema planning application (reducing the surface area it covered); spend £70,000 on exploring options around a new business model for the cinema site; and then determine the overall direction of the new cinema project. Officers have provided links that showed this was contrary to the evidence they had provided. Officers inform us that this was one of a series of continued attempts to reverse earlier decisions or slow down progress of the cinema project. They have made us aware of the creation of an Informal Advisory Group, but we could see no evidence of a mandate or Terms of Reference for this group, which causes concerns over transparency. That group, chaired by the Leader of the Council, sought to influence decisions contrary to those approved by Council. Our understanding is that that there were also continued attempts to promote an alternative proposal for the Alexandra cinema building, although we also understand that there were various reasons why the alternative proposal could not progress. The decision made on 31st October was called-in by Overview and Scrutiny Committee 2 on 2nd December 2023. Councillors on Overview and Scrutiny Committee 2 argued that the 31st October decision: • exceeded powers delegated to the Executive Committee; • did not represent good value for money; • had been made within too short a timescale to allow for proper evaluation; and • was not supported by appropriate justification. The decision was referred by Overview and Scrutiny Committee 2 to the Full Council meeting on 16th January 2024. At that Full Council meeting, it was decided that there would be a project adjustment for the Future High Streets Fund projects. The new cinema project was abandoned. A separate capital project (Bradley Lane) was put forward by the Council in July 2024 as a replacement project for the purposes of continuing to access the Future High Street Funds that would have been spent on the cinema. Weaknesses in decision making were highlighted by the Centre for Governance and Scrutiny in 2022 and again by the LGA Peer review in January 2024. They surrounded the lack of a Forward Plan; (although we understand that this is now being kept up to date); the need to involve a wider pool of people where decision making is strategically important; and the need to factor in more time for robust evaluation before a decision is made. Our Auditor's Annual Report for 2021/22 and 2022/23 stated that the Council needs to ensure that decisions are stuck to once made, to allow projects to proceed as required. The cancellation of the cinema project in January 2024 meant that £522,000 had to be written-off and changes were made at a very late stage to the wider Future High Streets Fund programme. In this respect, weaknesses around supporting decisions made impacted not only on governance, but on arrangements for financial sustainability and improving economy, efficiency and effectiveness as well. We raised a new key recommendation on page 19 of this report around not only the need to strengthen the ongoing arrangements for decision-making, but the need also to ensure that decisions are supported once made; and to ensure that if decisions do need to be revisited, this is done in line with the Constitution **(KR3)**.	R

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Governance (continued)

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

We considered how the Audited Body:	Commentary on arrangements	Assessment
approaches and carries out its annual budget setting process	The Council's budget setting and financial management systems run on a J base in-house system that is old and now has limited support available. In January 2024, the LGA recommended that these be urgently updated. A new income management system was rolled out by the Council in October 2024. The Council informs us that this needed to be prioritised first because the previous system was due to be discontinued. Work is now ongoing to introduce a new finance system - this is going to include discussing needs with service departments. The need for the new finance system was flagged as "urgent" in January 2024 but the work was still in early stages in November 2024. We are aware that the situation is being closely monitored. Progress is shared with the portfolio holder on a six-monthly basis, and is also covered in quarterly reports to the Executive Committee. This monitoring should continue. We will review progress again as part of our audit for 2024/25. We raised a new improvement recommendation on page 20 of this report **(IR5)**.	A
ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships	2023/24 financial data (shared with members in public papers on a quarterly basis and at year end) was presented in a narrative rather than tabular form, with limited data on variances, savings and capital. However, a clearer budget monitoring report was shared with the Executive in September 2024, which is an improvement. Draft accounts for 2023/24 were published two weeks after the statutory deadline (31st May 2024). This did not impact our external audit process for 2023/24, but it will be important that the Council meets the statutory deadline for 2024/25 (30th June 2025). We do note that the Council has been ahead of many of its peers for 2023/24, but new backstop arrangements for external audit have been introduced, and the timescales for audit completion will move forward over the coming years. External audits for financial years 2023/24 and 2024/25 will need to be completed by the end of February 2025 and 2026, respectively. External audits for the financial year 2025/26 will need to be completed by the end of January 2027. External audits for 2026/27 and 2027/28 will need to be completed by 30th November 2027 and 2028, respectively. It will be essential that draft accounts are provided within the statutory deadline and are supported on a timely basis by a strong audit trail. Due to capacity constraints, loss of key officers and additional devolution agenda, we have been unable to conclude all areas of work in 2023/24. As a result, some 2023/24 closing balances will remain subject to a backstop-imposed disclaimer. Moving forward it will be important that the Council invests in capacity to support the audit process in to regain assurance over time. We raise a new improvement recommendation on page 20 of this report **(IR6)**.	A

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Governance (continued)

Significant weakness(es) identified

Lack of trust seems to underpin some of the behavioural issues we observed. Matters were identified over the course of our audit that suggested members do not always understand which aspects of Council business they do or do not have access to by law. There is also evidence to suggest that members are not always confident that interests have been declared by fellow members. We raised two new key recommendations around arrangements that may help rebuild trust.

We have observed evidence that decisions, once made, are not always stuck to and are sometimes undermined. The Council changed its approach to a cinema project and Future High Street Funds projects during 2023/24. We raised a new key recommendation around the need to work collaboratively once decisions have been made and, where necessary, to revisit decisions constitutionally.

Key Recommendation 1 : Matters were identified over the course of our audit that suggested members do not always understand which aspects of Council business they do or do not have access to by law. Members need to be clear about what they can and can not have access to. The Constitution outlines matters for meetings that members of the public are excluded from ("Part 2 meetings"). Where Part 2 meetings are used, all present should adhere to the legal confidentiality requirements of Part 2 meetings.

Key Recommendation 2 : The Council should review arrangements around declarations of interest and investigations. An internal audit of declarations of interest should be arranged to identify any areas for improvement.

Key Recommendation 3: Decision-making arrangements at Executive Committee and Full Council level should be reviewed and, where necessary, strengthened. A decision flowchart should be completed and used. If necessary, longer timescales for evaluation of the impact of decisions should be introduced.

As we recommended in our Auditor's Annual Report for 2021/22 and 2022/23, the Council needs to ensure that once decisions are made, they are stuck to - to allow projects to proceed as required. Once decisions are made, they should be treated with trust and respect by members and officers, and they should be acted on in a spirit of mutual co-operation. This will require wider relationships to be working well.

Over time, if there are reasons to revisit a decision, this should be done through main constitutional arrangements.

The events of 2023/24 show that financial loss and delayed project progress can result when decisions are undermined from outside the main constitutional process. Lack of trust between members and officers may be one of the underlying causes of member behaviour contravening standards set out in the constitution. The lack of trust and the poor relationships and behaviours ensuing from it may be undermining business as usual processes.

The Council wrote off £522,000 when it abandoned the cinema project. The Council has other high profile capital projects, and it will be important that decision-making is applied carefully around them to ensure any delays and financial impacts are kept to a minimum.

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Governance (continued)

Areas for improvement

We make six new improvement recommendations around arrangements for monitoring the Council's action plan; risk register review; committees; the finance system; and draft accounts. For the draft accounts and audit process, we note that deadlines for preparation and audit of accounts will be moving forward in the coming years. It will be essential that draft accounts are provided within their statutory deadlines and are supported on a timely basis by a strong audit trail.

Improvement Recommendation 1: An action plan was shared with Full Council on 29th October 2024 for improvements around relationships, the constitution, strategy and partnerships, and the functioning of the authority. Initial monitoring arrangements have been put in place. Reports regarding changes to the Constitution are due to be presented to the next full Council. Standards issues are due to be presented by Statutory Officers to Group Leaders; and a report on Governance issues is due to be presented to annual Council. It will be important not only that this initial monitoring does take place, but that continuous monitoring is then adopted on a permanent basis

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Improvement Recommendation 2: The Council should continue with its return to Audit and Scrutiny Committee reviewing the risk register twice a year.

Improvement Recommendation 3: The Council should review and revise relevant sections of the constitution to bring the terms of reference of the Audit Scrutiny Committee into line with CIPFA recommended good practice, including the co-option of an external independent member and the election of a chair who is not a member of the administration. The Committee should be renamed to remove the term 'Scrutiny'.

Improvement Recommendation 4: The Council should recognise good practice and consider the election of an opposition or independent member as Chair of the Overview and Scrutiny Committee.

Improvement Recommendation 5 : The Council should continue to monitor progress with implementing a new finance system.

Improvement recommendation 6: Draft accounts for 2024/25 should be published in line with their statutory deadline and supported by a comprehensive set of working papers, and sufficient capacity to service an audit to completion. We note that in relative terms, the Council has performed well compared to many peers in timescales for preparing draft accounts. The Council has put itself in a good position to now comply with statutory deadlines going forward.

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Financial sustainability

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

We considered how the Audited Body:	Commentary on arrangements	Assessment
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	2023/24 saw significant capital programme delays and rescheduling, including the cancellation of the high-profile Future High Street Funds cinema project. The Council originally planned for 2023/24 capital spend of £38.367 million. By the end of 2023/24, this plan had been restated to £24.065 million. Actual capital spend by the end of the year however was £15.328 million. Issues leading up to the cancellation of the Future High Street Funds cinema project included the pandemic; the operator pulling out; difficulty securing a new tenant; an inability to finalise a deal around smaller footprint; and a public declaration by the Leader at Council that the scheme would not be granted planning permission. We have already seen on page 17 of this report that attempts to reverse the earlier cinema decisions had involved the creation of an Informal Advisory Group that in the view of officers, lacked transparency and operated without a mandate from Council or a Terms of Reference. Capital spend of £522,000 was written off when the cinema project was abandoned, and we have raised a key recommendation on page 19 of this report **(KR3).** Although the precise combination of circumstances was unique for the cinema, the Council does undertake other high profile capital projects. Where decisions are made around those, it will be important again that they are either stuck to or, where necessary, challenged through constitutional means. We note that in other respects, the Council's operational planning supports the financial plan. There is a Treasury Management Strategy; the Council is developing a Workforce Strategy in line with previous Auditor's Annual Report recommendations; and recently the Council updated its Strategic Asset Plan. The Council has a Carbon Action Plan. This does not include any financial data, but it covers a list of planned projects. Financial data is provided in the Medium-Term Financial Plan where schemes are being developed and provisions made where appropriate.	R
ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;	The Council generated a small surplus of £1.392 million for 2023/24 but was unable to prepare a balanced budget for 2024/25 without planning for the use of earmarked reserves (£3.6 million). Although latest forecasts are that the Council will underspend by £1 million in 2024/25 (meaning a lower value reserve transfer required), the Council's Medium-Term Financial Plan shows that a further £2.2 million will be needed in 2025/26 and £4.2 million will be needed in 2026/27. On 31 March 2024, the Council held £12 million in a Funding Reserve, which it intends to use to cover the budget gaps identified. We note that a recent LGA Peer Review commented that the Funding Reserve balance might be better used funding invest to save initiatives which might result in a sustainable solution for closing future budget gaps. We raised a new improvement recommendation around this point on page 23 **(IR7).**	A

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Financial sustainability (continued)

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

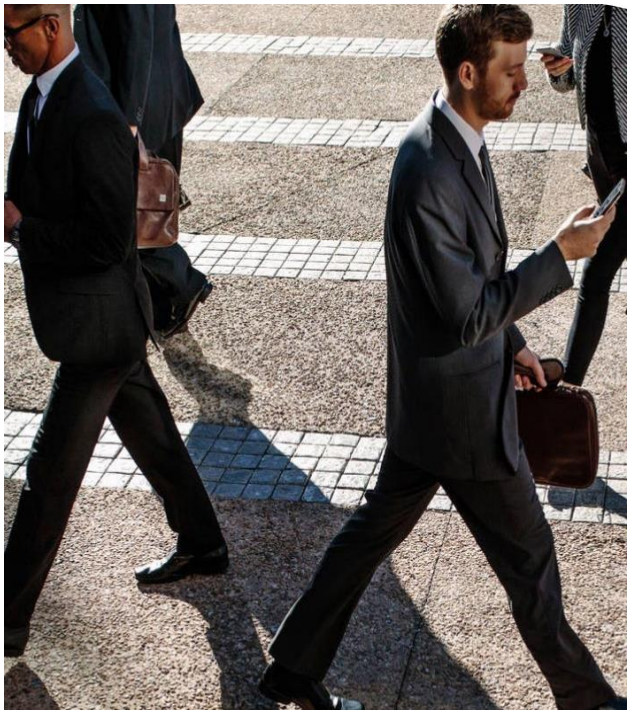
We considered how the Audited Body:	Commentary on arrangements	Assessment
plans to bridge its funding gaps and identifies achievable savings	The Council has a long-term transformation plan in place, named Modern 25. Modern 25 was developed with a view to securing recurring savings of £2.6 million by April 2026. An Executive update in October 2024 shows that the target recurring saving has now been increased to £3 million, but the overall target delivery date has moved back to 2027. Notwithstanding that the overall delivery date has moved back to 2027, progress within the programme had been good at the time we competed our work. Planning and development milestones were not expected to be reached in 2023/24. Financial benefits were expected to be incurred from 2024/25 onwards. However, some savings have been achieved sooner than expected. By the end of 2023/24, recurring savings of some £650,000 had already been secured, as well as non-recuring savings of a further £675,000. This performance is ahead of target. Progress with Modern 25 has been shared with members in briefings. Progress with Modern 25 savings was included within other budget variances in the reports during 2023/24. Additional data has since been added to the September 2024 budget monitoring report.	G
plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	Revenue and capital spend plans are consistent with corporate objectives. The Council has a good understanding of the make-up of its costs and is actively engaged in programmes to reduce discretionary areas of spend. Budget reports include helpful unit costs analysis.	G
identifies and manages risks to financial resilience	The Council has appropriate arrangements in place for identifying and mitigating risk in the budget. The most recent budget setting report shared with members in February 2024 included data on sensitivity and risk (including income risk, interest rates risk, new homes bonus risk and business rates risk). Finance is assessed as an "Amber" risk by the Council and reported on to members as such. This is consistent with our own assessment.	G

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Financial sustainability (continued)

Significant weakness identified

Capital spend of £522,000 was written off when the cinema project was abandoned, and we raised a key recommendation on page 19 of this report **(KR3).** The Council has other high profile capital projects, and it will be important that decision-making is applied carefully around them.



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Areas for improvement

The Council's Medium Term Financial Plan prepared in February 2024 included some dependency on reserves to balance the budget in future years. For 2025/26, the Plan anticipated using reserves of £2.2 million. For 2026/27, it anticipated using reserves of £4.2 million. The Council held a Funding Reserve of £12 million on 31 March 2024, and we do not consider the planned use of reserves to pose a risk of significant weakness at this stage. However, use of reserves in the long term would not be sustainable, and this is something the Council should seek to move away from.

Improvement recommendation 7: The Council should seek to reduce its dependency on the Funding Reserve to close budget gaps. The Council should then aim to stabilise its reserves over the medium-term.

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Improving economy, efficiency and effectiveness

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

We considered how the Audited Body:	Commentary on arrangements	Assessment
commissions or procures services, assessing whether it is realising the expected benefits	The Council's procurement function supports not only Teignbridge District Council and its jointly owned subsidiary, but another Council in the region as well. The Council has introduced risk registers for individual capital projects. At a Full Council meeting on 16th January 2024, it was decided that there would be a project adjustment for the Future High Streets Fund projects. The new cinema project was abandoned. A separate capital project (Bradley Lane) was put forward by the Council in July 2024 as a replacement project for the purposes of continuing to access the Future High Street Funds that would have been spent on the cinema. We have seen on page 17 that there had been weaknesses in the support for the cinema project decision. At one stage, delegated authorities for the project had been removed, which made project progress difficult. We raised a key recommendation on Page 19 around the need to collaborate with decisions once they have been made so that projects can proceed as intended **(KR3)**.	R
evaluates the services it provides to assess performance and identify areas for improvement	The Council's Planning service was under threat of being placed in special measures by the Department for Homes, Communities and Local Government in December 2023 due to poor performance in processing non major planning applications. The Council's compliance rate was 67% against a government target of 70%. The Council commissioned a review from the Planning Advisory Service and brought in a planning performance specialist. An action plan was agreed and implemented, and using funding secured from the planning skills delivery fund, additional support was commissioned. This resulted in an improved application processing time of above 70% in quarter one 2024/2025, increasing to 73% at the end of June 2024.The Council was able to evidence in August 2024 that improvement had been sustained. MHCLG has confirmed that the Council is no longer at threat of special measures. It will be important that the new arrangements are sustained so that performance standards do not decline again. We raised an improvement recommendation on page 25 **(IR8)**.	A
uses information about its costs and performance	Non-financial performance information is comprehensive and timely. The Overview and Scrutiny Committee receives quarterly RAG rated data on ten programmes, 45 projects and 67 individual key performance indicators. Relevant lead contacts and executive members are named in the reports and there are appropriate narrative explanations for key trends. The Council's performance reports did not contain benchmarking data against other Councils during 2023/24, but the January 2024 LGA Peer Review highlighted that the Council is developing a suite of Power BI corporate and service level dashboards summarising performance with key tasks - designed to help with monitoring and benchmarking performance indicators in future.	G
ensures it delivers its role within significant partnerships	Officers inform us the Council's two biggest partnerships are with a local building control partnership (between Teignbridge District Council and two other Councils) and with the Council's shared IT company (Strata - owned jointly by Teignbridge District Council and two other Councils). Teignbridge's internal audit team include the building control partnership within their programme of work on a cyclical basis. The most recent report was in July 2023 and provided GOOD overall assurance. For the services solution company, an external review by consultants in 2022 provided assurance that the arrangement was meeting business objectives and generating a positive financial return, but that it could benefit from a new target operating model. The company then developed a new business plan to enable transformation options at the three councils the company serves from 2024/25.	G

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Improving economy, efficiency and effectiveness (continued)

Significant weakness identified

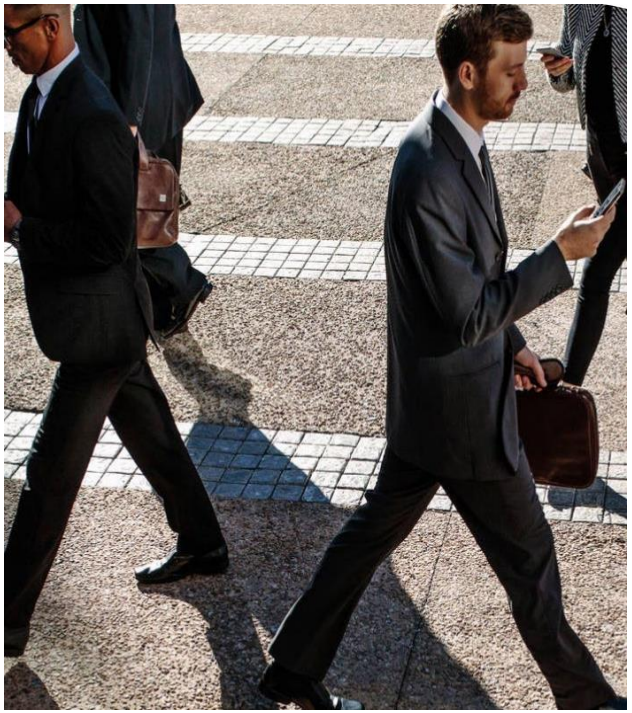
A Future High Streets Fund-ed new cinema project was cancelled in January 2024, with an alternative project put forward at a late stage to avoid losing Future High Streets Funding. Some members had difficulty supporting the new cinema project and attempts to reverse the decision or slow its progress included, at one stage, the removal of delegated authority. We raised a key recommendation around supporting decisions and working through the constitution on page 19 of this report **(KR3).** It is important that the Council considers whether there are implications for relationship and project performance on similar capital projects.

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Areas for improvement

We note that at one stage in the year 2023/24, the Council's Planning Service was under threat of being placed in special measures. Performance has since improved, but this needs to be sustained.

Improvement Recommendation 8: The Council should maintain the arrangements now in place so that performance on non-major planning applications remains above the government's minimum target



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Value for Money Recommendations raised in 2023/24

Recommendations raised in 2023/24

	Recommendation	Status*	Criteria	Comments and Actions agreed by Management
SR1	The Council should: 1. Commission a suitably qualified expert to investigate the underlying causes of member behaviours which contravene the standards set out in the Council's constitution under the Members' Code of Conduct and the member/officer protocol; and which have impacted the Council's reputation and working culture. The Council should then develop an action plan to enable members and officers to address those issues. 2. Adopt a consistent zero-tolerance approach to any swearing; lack of respect for other people attending meetings; or other abusive behaviour towards other members or officers in meetings. This should be done by making full use of the procedural rules set out in the Council's constitution by: Immediately adjourning the meeting; moving a motion that the member concerned be not heard; or moving a motion that the member concerned should leave the meeting. 3. Consider amendments to its constitution to extend those procedural rules to all meetings of committees of the Council and amend the Member Code of Conduct to include an obligation for all members to reinforce standards of behaviour and to support the Chair of the Council and chairs of committees of the Council in their use of procedural rules to ensure proper conduct. Group Leaders should model good behaviour and discipline members of their groups whose behaviour breaches the Code of Conduct and the member/officer protocol. 4. Continue to provide information and support to ensure that members and officers who are subjected to aggressive and abusive behaviour from individual members can, if they wish, submit a written complaint to the Monitoring Officer immediately, so that it can be dealt with under the Council's Standards procedures. 5. Ensure that Group Leaders take responsibility for their members working collaboratively with officers and for their members improving behaviours and relationships. 6. Review membership of the Standards Committee, with only members who have an excellent behavioural track record being eligible to join it. Meetings should then resume. A Governance Committee should be introduced to reinforce the work of the Standards Committee. As with the Standards Committee, members on the Governance Committee must have an unblemished behavioural track record. Securing good standards and behaviour amongst members will help to strengthen corporate governance and working culture. This in turn should help to create a positive environment from which the Council can build better relationships and address the other issues it faces, such as transacting business as usual and maintaining respect and co-operation around decisions once they have been taken.	Statutory	Governance	**Management comments** Shown on page 9 of this report. **Management actions** **Actions:** As per details on page 9. **Responsible Officer:** Paul Woodhead (MO) **Executive Lead:** Martin Flitcroft (s151) **Due Date:** Next 12 months

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

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Recommendations raised in 2023/24

	Recommendation	Status*	Criteria	Actions agreed by Management
KR1	**Recommendation:** Matters were identified over the course of our audit that suggested members do not always understand which aspects of Council business they do or do not have access to by law. Members need to be clear about what they can and can not have access to. The Constitution outlines matters for meetings that members of the public are excluded from ("Part 2 meetings"). Where Part 2 meetings are used, all present should adhere to the legal confidentiality requirements of Part 2 meetings **Management comments:** Noted and agreed. Officers will continue to work with Members to reiterate the importance of aspects of confidentiality and Part 2 matters.	Key	Governance	**Actions:** As per details in management comments. **Responsible Officer:** Paul Woodhead (MO) **Executive Lead:** Martin Flitcroft (s151) **Due Date:** Next 12 months
KR2	**Recommendation:** The Council should review arrangements around declarations of interest and investigations. An internal audit of declarations of interest should be arranged. **Management comments:** Noted – We will review and audit as part of our annual audit plan.	Key	Governance	**Actions:** We will review and audit as part of our annual plan. **Responsible Officer:** Sue Heath (Audit and Information Governance Manager) **Executive Lead:** Martin Flitcroft (s151) **Due Date:** Next 12 months

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

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Recommendations raised in 2023/24

	Recommendation	Status*	Criteria	Actions agreed by Management
KR3	**Recommendation:** Decision-making arrangements at Executive Committee and Full Council level should be reviewed and, where necessary, strengthened. The planned decision flowchart should be completed. If necessary, longer timescales for evaluation of the impact of decisions should be introduced. As we recommended in our Auditor's Annual Report for 2021/22 and 2022/23, the Council needs to ensure that once decisions are made, they are stuck to - in order to allow projects to proceed as required. Once decisions are made, they should be treated with trust and respect by members and officers, and they should be acted on in a spirit of mutual co-operation. This will require wider relationships to be working well. Over time, if there are reasons to revisit a decision, this should be done through main constitutional arrangements. The events of 2023/24 show that financial loss and delayed project progress can result when decisions are undermined from outside the main constitutional process. Lack of trust between members and officers may be one of the underlying causes of member behaviour contravening standards set out in the constitution. The lack of trust and the poor relationships and behaviours ensuing from it may be undermining business as usual processes. The Council wrote off £522,000 when it abandoned the cinema project. The Council has other high profile capital projects, and it will be important that decision-making is applied carefully around them. **Management comments:** Agreed – we are currently progressing a decision flow chart.	Key	Governance Financial sustainability Improving economy, efficiency and effectiveness	**Actions:** Decision flowchart to be progressed. **Responsible Officer:** Paul Woodhead (MO) **Executive Lead:** Martin Flitcroft (s151) **Due Date:** Next 6 months

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Recommendations raised in 2023/24

	Recommendation	Status*	Criteria	Management Response
IR1	**Recommendation:** An action plan was shared with Full Council on 29th October 2024 for improvements around relationships, the constitution, strategy and partnerships, and the functioning of the authority. Initial monitoring arrangements have been put in place. Reports regarding changes to the Constitution are due to be presented to the next full Council. Standards issues are due to be presented by Statutory Officers to Group Leaders; and a report on Governance issues is due to be presented to annual Council. It will be important not only that this initial monitoring does take place, but that continuous monitoring is then adopted on a permanent basis **Management comments:** Noted. This work is being revisited as part of the CFGS Working Groups agreed work programme.	Improvement	Governance	**Actions:** This work is being revisited as part of the CFGS Working Groups agreed work programme. **Responsible Officer:** Paul Woodhead (MO) **Executive Lead:** Martin Flitcroft (s151) **Due Date:** Next 6 months
IR2	**Recommendation:** The Council should continue with its return to Audit and Scrutiny Committee reviewing the risk register twice a year. **Management comments:** Agreed. This is being implemented within the Audit Scrutiny Committee work programme.	Improvement	Governance	**Actions:** This is being implemented within the Audit Scrutiny Committee work programme **Responsible Officer:** Sue Heath (Audit and Information Governance Manager) **Executive Lead:** Martin Flitcroft (s151) **Due Date:** Bi-annually

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Recommendations raised in 2023/24

	Recommendation	Status*	Criteria	Management Response
IR3	**Recommendation:** The Council should review and revise relevant sections of the constitution to bring the terms of reference of the Audit Scrutiny Committee into line with CIPFA recommended good practice, including the co-option of an external independent member and the election of a chair who is not a member of the administration. The Committee should be renamed to remove the term 'Scrutiny'. **Management comments:** The Constitution is being reviewed as part of the work with the CFGS including use of external independent members. The Constitution was comprehensively reviewed 3 years ago. The resultant recommendations were supported by the Centre for Governance and Scrutiny which included changes to the Audit Scrutiny Committee. The recommendations were presented to the relevant committee numerous times over a period of 18 months but were opposed or blocked by previous leaders. This work is being revisited as part of the Centre for Governance and Scrutiny Working Group's agreed work programme. Independent person – We have agreed the remuneration for such a person, the job description and job advertisement are ready to go.	Improvement	Governance	**Actions:** A review is taking place as part of the work with the CFGS including use of independent members. **Responsible Officer:** Paul Woodhead (MO) **Executive Lead:** Martin Flitcroft (s151) **Due Date:** Next 6 months
IR4	**Recommendation:** The Council should recognise good practice and consider the election of an opposition or independent member as Chair of the Overview and Scrutiny Committee. **Management comments:** Agreed. The Council recognises what is generally considered to be best practice whereby an opposition member or independent is appointed as chair of Overview and Scrutiny and consideration has been given to that. However, it also recognises that it is guidance and the importance of having the right person in that role.	Improvement	Governance	**Actions:** Suggestions to be put to Members for future appointments. **Responsible Officer:** Paul Woodhead (MO) **Executive Lead:** Martin Flitcroft (s151) **Due Date:** Next 6 months

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Recommendations raised in 2023/24

	Recommendation	Status*	Criteria	Management Response
IR5	**Recommendation:** The Council should continue to monitor progress with implementing a new finance system. **Management comments:** Agreed.	Improvement	Governance	**Actions:** Updates will be provided as part of the quarterly financial updates provided to Members. **Responsible Officer:** Martin Flitcroft (s151) **Executive Lead:** Martin Flitcroft (s151) **Due Date:** Dates will be profiled to financial update reporting dates.
IR6	**Recommendation:** Draft accounts for 2024/25 should be published in line with their statutory deadline and supported by a comprehensive set of working papers, and sufficient capacity to service an audit to completion. We note that in relative terms, the Council has performed well compared to many peers in timescales for preparing draft accounts. The Council has put itself in a good position to now comply with statutory deadlines going forward. **Management comments:** Noted – our timetable for year end 24/25 closedown works towards these revised dates. We are progressing sufficient staffing resources and will look to negotiate an external audit that takes place in a timely manner that doesn't clash with other key work or priorities. We note that in the prior year, timing clashing with other key work e.g. budget setting and implementation of the IMS system.	Improvement	Governance	**Actions:** Year end timetable to meet 30 June 25 deadline for draft accounts. **Responsible Officer:** Martin Flitcroft (s151) **Executive Lead:** Martin Flitcroft (s151) **Due Date:** 30 June 25 for draft accounts and final accounts in line with back stop dates.

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

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Recommendations raised in 2023/24

	Recommendation	Status*	Criteria	Management Response
IR7	**Recommendation:** The Council should seek to reduce its dependency on the Funding Reserve to close budget gaps. The Council should then aim to stabilise its reserves over the medium-term. **Management comments:** Agreed.	Improvement	Financial sustainability	**Actions:** Pursue savings plans through the Modern 25 agenda, business plans and other savings ideas to reduce use of reserves over the medium term. **Responsible Officer:** Martin Flitcroft/ Amanda Pujol **Executive Lead:** Martin Flitcroft/ Amanda Pujol **Due Date:** Next 12 months and ongoing
IR8	**Recommendation:** The Council should maintain the arrangements now in place so that performance on non-major planning applications remains above the government's minimum target **Management comments:** Agreed. The Council has implemented processes to maintain the current high level of performance. These arrangements are currently working well.	Improvement	Improving economy, efficiency and effectiveness	**Actions:** Continue with current arrangements and monitor. **Responsible Officer:** Neil Blaney, Director of Place **Executive Lead:** Neil Blaney, Director of Place **Due Date:** Ongoing

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

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Appendices

Appendix A:
Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

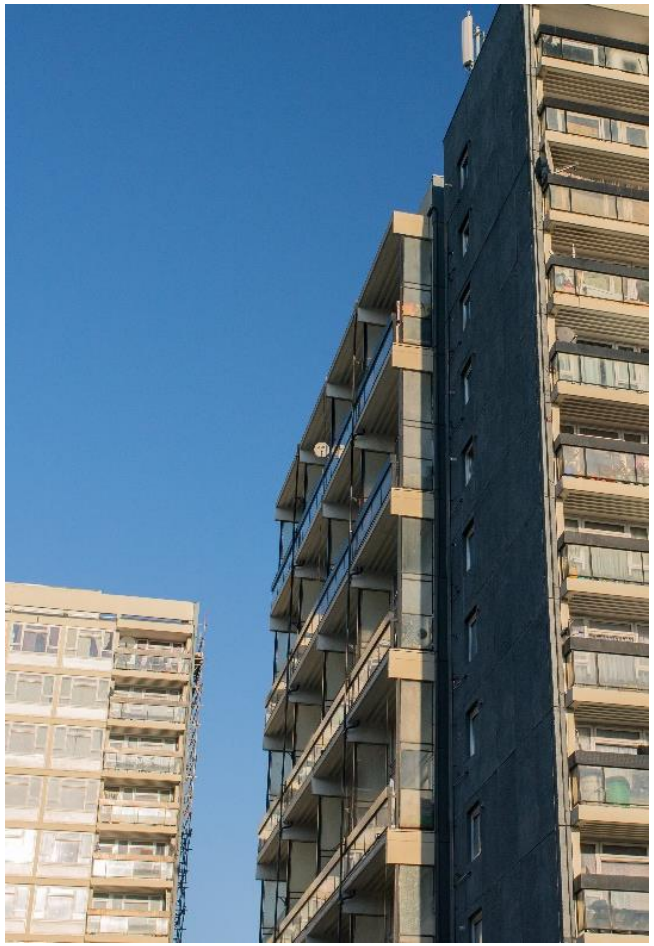
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) 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.



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Appendix B:
Value for Money Auditor responsibilities

Value for Money arrangements work

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 audited body'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 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 National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

Financial Sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).

Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

2023/24 is the fourth year of the Code, and we undertake and report the work in three phases as set out in the Code.

Phase 1 – Planning and initial risk assessment

As part of our planning, we assess our knowledge of the Council's arrangements and whether we consider there are any indications of risks of significant weakness. This is done against each of the reporting criteria and continues throughout the reporting period

Information which informs our risk assessment	
Cumulative knowledge and experience of the audited body	Annual Governance Statement and the Head of Internal Audit annual opinion
Interviews and discussions with key stakeholders	The work of inspectorates and other regulatory bodies
Progress with implementing recommendations	Key documents provided by the audited body
Findings from our opinion audit	Our knowledge of the sector as a whole

Phase 2 – Additional risk-based procedures and evaluation

Where we identify risks of significant weakness in arrangements, we will undertake further work to understand whether there are significant weaknesses. We use auditor's professional judgement in assessing whether there is a significant weakness in arrangements and ensure that we consider any further guidance issued by the NAO.

Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations. A range of different recommendations can be raised by the Council's auditors as follows:

- Statutory recommendations – actions which should be taken where significant weaknesses are identified with arrangements. These are made under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014 and require discussion at full Council and a public response.
- Key recommendations – actions which should be taken by the Council where significant weaknesses are identified within arrangements.
- Improvement recommendations – actions which should improve arrangements in place but are not a result of identifying significant weaknesses in the Council's arrangements.

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Appendix C:
Follow-up of prior year recommendations

	Recommendation	Type of recommendation	AAR	Current status	Further action required
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.	Key	21/22 and 22/23	Ongoing.	Yes Draft accounts for 2023/24 were published two weeks after their statutory deadline. Draft accounts for 2024/25 will need to be published in line with their statutory deadline.
2	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	21/22 and 22/23 (also raised for 2020/21)	Not yet fully addressed.	Yes Behavioural and relationship issues have persisted. A new member/officer protocol was adopted in July 2024, but we have still observed instances of unruliness and poor co-operation. In this report, we raised one new statutory recommendation and two new key recommendations in respect of ongoing relationship issues.
3	In order to enhance public reporting of the annual budget the Council should include all the key assumptions used. For example, inflation rates.	Improvement	21/22 and 22/23	Closed. Data and narrative on assumptions around pay rises, inflation, investment returns and income from Council Tax was shared with Full Council in budget papers presented on 27th February 2024.	No

Our Auditor's Annual Report for 2021/22 and 2022/23 raised two key recommendation and sixteen improvement recommendations in its report on arrangements in place until 31 March 2023.

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Appendix C:
Follow-up of prior year recommendations

	Recommendation	Type of recommendation	AAR	Current status	Further action required
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 projects over a five-year period.	Improvement	21/22 and 22/23	Closed. A Medium-Term Financial Plan was shared with Full Council on 27th February 2024.	No
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.	Improvement	21/22 and 22/23	In progress.	Ongoing We note that progress with the Modern 25 savings scheme has been positive. By the end of 2023/24, recurring savings of some £650,000 had already been secured, as well as non-recuring savings.
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.	Improvement	21/22 and 22/23	Not yet fully addressed.	Yes Behavioural and relationship issues have persisted despite there being a new member/ officer protocol in July 2024. New issues around decision-making have also emerged and are now the subject of a new key recommendation in this report.
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 to achieving the full saving, and any corrective action being taken.	Improvement	21/22 and 22/23 (a similar recommendation was raised for 2020/21)	In progress. Progress with the Modern 25 savings scheme has been positive. New reporting was introduced in September 2024. It will be important that this continues.	No specific new action over and above work already underway.

Our Auditor's Annual Report for 2021/22 and 2022/23 raised two key recommendation and sixteen improvement recommendations in its report on arrangements in place until 31 March 2023.

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Appendix C:
Follow-up of prior year recommendations

	Recommendation	Type of recommendation	AAR	Current status	Further action required
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.	Improvement	21/22 and 22/23	Closed. We reviewed capital programme data shared with the Executive in February 2024 and September 2024. Appropriate sub totals were included in both sets of data.	No
9	When setting its revenue budget, the Council should clearly demonstrate how investments in services will support delivery of its objectives.	Improvement	21/22 and 22/23	**Closed**. From our audit testing for 2023/24, we have not identified any spend of a nature that was inconsistent with corporate objectives.	No
10	To ensure it has the right staff at the right time the Council is developing a Workforce Plan which will support it as it seeks to implement its transformation plan.	Improvement	21/22 and 22/23	In progress. There is a Workforce Strategy in draft and the Council plans to take it to the Council's Management Team in November.	No new action required to in addition to work already ongoing.
11	The Council should enhance reporting of its capital programme and expenditure by: • Improving the accuracy of forecast expenditure; and • Including progress, slippage or cost overruns on major projects. This should include any remedial action taken to bring projects back on track.	Improvement	21/22 and 22/23	Closed. Capital outturn data has been included in the budget monitoring report shared with the Executive in September 2024.	No
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.	Improvement	21/22 and 22/23	Closed. Reports to the Executive Committee in September each year include links to the draft accounts - meaning that members can read across from budget data to financial statements data.	No

Our Auditor's Annual Report for 2021/22 and 2022/23 raised two key recommendation and sixteen improvement recommendations in its report on arrangements in place until 31 March 2023.

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Appendix C:
Follow-up of prior year recommendations

	Recommendation	Type of recommendation	AAR	Current status	Further action required
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.	Improvement	21/22 and 22/23 (observations around risk were also raised for 2020/21).	In progress	Twice yearly reviews are being re-introduced in 2024/25. We will review these as part of our audit of 2024/25.
14	The Council needs to ensure that each major capital project has its own risk register and that this is kept up to date.	Improvement	21/22 and 22/23	Closed. Schemes have risk registers.	No
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.	Improvement	21/22 and 22/23	Closed. Internal audit reports were shared with the Audit Scrutiny Committee regularly in 2023/24.	No
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.	Improvement	21/22 and 22/23	Not yet fully addressed.	We raised a new key recommendation on page 19 of this report around supporting decisions (on capital projects); and around the need for constitutional channels to be used if challenge does become necessary.

Our Auditor's Annual Report for 2021/22 and 2022/23 raised two key recommendation and sixteen improvement recommendations in its report on arrangements in place until 31 March 2023.

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Appendix C:
Follow-up of prior year recommendations

	Recommendation	Type of recommendation	AAR	Current status	Further action required
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.	Improvement	21/22 and 22/23	Closed. Action plans for low performing key performance indicators are reviewed and updated through the departmental business planning process.	No
18	The Council should review its expenditure and service delivery in the areas that our benchmarking analysis identified as outliners compared with ten statistical nearest neighbours.	Improvement	21/22 and 22/23	In progress. The LGA Peer Review highlights that the Council is developing a suite of Power BI corporate and service level dashboards summarising performance with key tasks - designed to help with monitoring performance indicators.	No new action required to in addition to work already ongoing.

Our Auditor's Annual Report for 2021/22 and 2022/23 raised two key recommendation and sixteen improvement recommendations in its report on arrangements in place until 31 March 2023.

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Appendix C:
Follow-up of prior year recommendations

	Recommendation	Type of recommendation	AAR	Current status	Further action required
19	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	2020/21* (this was also raised for 2021/22 and 2022/23)	Not yet addressed.	Yes Behavioural and relationship issues have persisted. A new member/officer protocol was adopted in July 2024, but we have still observed instances of unruliness and poor co-operation. We raised one statutory recommendation and two new key recommendations in respect of ongoing relationship issues.
20	The Council should ensure members fully understand their obligations with regard to conflicts of interest. This should include mandatory training.	Improvement	2020/21*	Not yet fully addressed.	There seems to be distrust around declarations of interest. We raised a new key recommendation within this report.
21	The Council should review its record retention policy and ensure that it reflects the need to retain key evidence that may be needed to investigate complaints.	Improvement	2020/21*	Closed. However, we note that record retention remains relevant.	No specific new action required. However, as we raised a new key recommendation highlighting that challenges to decisions should be through constitutional means, record retention will remain relevant.

Our Auditor's Annual Report for 2020/21 raised three key recommendation and thirteen improvement recommendations. Of these, by February 2024, our Auditor's Annual Report for 2021/22 and 2022/23 reported that one key recommendation was still open; six improvement recommendations were still open; and one improvement recommendation was in effect open because it had been updated.

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Appendix C:
Follow-up of prior year recommendations

	Recommendation	Type of recommendation	AAR	Current status	Further action required
22	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	2020/21* (there were also observations around risk for 2021/22 and 2022/23).	Closed. The risk report includes the risk description, mitigation actions, date of last risk review, previous risk score. Also, major projects have a risk register implemented before the project starts.	No
23	The Council should ensure that there is a process by which savings reported by budgets heads under the BETTER 2022 program are validated for accuracy on a regular basis.	Improvement	2020/21*	Superseded. BETTER 2022 has now been replaced by the Modern 25 savings plan. Management consultants supported the planning process. We have no observations around inputs into that process.	No
24	The Council should initiate an external Peer Review through the Local Government Association.	Improvement	2020/21*	Ongoing. An LGA Peer Review reported in January 2024. After some delay, as action plan was formally adopted by the Council at the end of October 2024.	Yes. We raised a new improvement recommendation that the action plan is now implemented and monitored.
25	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	2020/21*	Closed. Internal audit arrangements are in place for the partnership.	No

Our Auditor's Annual Report for 2020/21 raised three key recommendation and thirteen improvement recommendations. Of these, by February 2024, our Auditor's Annual Report for 2021/22 and 2022/23 reported that one key recommendation was still open; six improvement recommendations were still open; and one improvement recommendation was in effect open because it had been updated.

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Appendix C:
Follow-up of prior year recommendations

	Recommendation	Type of recommendation	AAR	Current status	Further action required
26	The savings to be delivered through the BETTER 2022 programme should be clearly set out, reported and monitored at a strategic level.	Improvement	2020/21* (a similar recommendation was raised for 2020/21)	Closed. BETTER 2022 has now been replaced by the Modern 25 savings plan. New reporting has been introduced.	No specific new actions other than those already underway.

Our Auditor's Annual Report for 2020/21 raised three key recommendation and thirteen improvement recommendations. Of these, by February 2024, our Auditor's Annual Report for 2021/22 and 2022/23 reported that one key recommendation was still open; six improvement recommendations were still open; and one improvement recommendation was in effect open because it had been updated.

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This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.
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Grant Thornton

The Audit Findings for Teignbridge District Council

Year ended 31 March 2024

5 February 2025



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Audit Findings for Teignbridge District Council for the 31 March 2024

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

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

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 expressing our opinion on the financial statements. 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 control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to drive audit quality by reference to the Audit Quality Framework. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at transparency-report-2023.pdf (grantthornton.co.uk).

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Beth Bowers

Director
For Grant Thornton UK LLP

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

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Teignbridge District Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2024 for the attention of those charged with governance.

Financial Statements

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

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

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

As at the date of this report, we have not been able to conclude our work. Appendix D sets out our work undertaken and the closing status, along with details of the work undertaken and any audit findings and recommendations.

Our findings from the work undertaken to date are summarised on pages 7 to 23. We have identified one adjustments to the financial statements that would have resulted in a £2.5m adjustment to the Council's Comprehensive Income and Expenditure Statement, this is in relation to SANGS however management have made the decision not amend the financial statements. Further detail on SANGS can be found on pages 14 and 40. Audit adjustments are detailed at Appendix D. We have also raised recommendations for management as a result of our audit work. These are set out at Appendix B. Our follow up of recommendations from the prior year's audit are detailed at Appendix C.

Unfortunately, owing to the challenges of undertaking an audit where the previous audits were disclaimed due to the local authority backstop, this year we have been unable to regain full assurance and it has not been possible for us to undertake sufficient work to support an unmodified audit opinion in advance of the proposed backstop date of 28 February 2025. The limitations imposed by not having assurance on opening balances mean that we will be unable to form an opinion on the financial statements. Our anticipated financial statements audit report opinion will be a disclaimed opinion.

Our audit opinion will also include a qualification over PPE balances due to the disclaimed opinion from 2020/21 being carried forward and also a qualification of the SANGS balance, which will be explicitly mentioned in the audit opinion.

Our draft Audit Report is attached at Appendix G.

We have concluded that the other information to be published with the financial statements, including the Annual Governance Statement, is consistent with our knowledge of your organisation and with the financial statements we have audited.

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1. Headlines

Value for Money (VFM) arrangements	
Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit. Auditors are required to report their commentary on the Council's arrangements under the following specified criteria: • Improving economy, efficiency and effectiveness; • Financial sustainability; and • Governance	Our work on the Council's value for money (VFM) arrangements will be reported in our commentary on the Council's arrangements in our Auditor's Annual Report (AAR). We have not been able to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. During our work we have raised a statutory recommendation around member behaviour and three significant weaknesses. Further explanations of the statutory recommendation and significant weaknesses we have identified in the Council's arrangements are detailed on page 25 and 26 of this report. We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report. We identified a significant weakness in the Council's arrangements and so are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Our findings are set out in the value for money arrangements section of this report (Section 3).
Statutory duties	
The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • to certiftify the closure of the audit.	We have issued a statutory recommendation around member behaviour at the Council. We intend to delay issuing the certificate due to the National Audit Office requiring us to keep this open in relation to Whole of Government Accounts and due to the incomplete work on an objection received on the financial statements.
Significant matters	We identified capacity and capability (through loss of corporate knowledge) of the Finance Team as a significant matter during the course of our work, as detailed in Section 2 of our report.

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2. Financial Statements

Overview of the scope of our audit

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

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

As highlighted in page 3 of this report, unfortunately it will not be possible for us to undertake sufficient work to support an unmodified audit opinion. We therefore plan to issue a disclaimer of the audit opinion. The draft wording of our Audit Report is set out at Appendix G.

The disclaimer opinion is being issued due to insufficient time to complete the planned audit procedures as a result of the statutory backstop deadline.

The circumstances resulting in the application of the local authority backstop to prior year audits 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 years, as we seek to rebuild audit assurance.

Recognising the backstop date of 28 February 2025, we anticipate issuing a disclaimed audit opinion following the Audit Scrutiny Committee meeting on 13 February 2025, as detailed at Appendix G. Outstanding items include:

- receipt of management representation letter; and
- review of the final set of financial statements.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff. During the course of the audit both your finance team and our audit team faced audit challenges again this year, such as the capacity and capability of the Finance Team. This resulted in us having to attend the Authority's premises to complete testing and resolve queries as well as adding resources to the audit team to assist given the delays experienced in receiving audit evidence. See page 13 for further details.

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2. Financial Statements

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan in March 2024.

	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	1.051m	Materiality has been based on 1.5% of Gross Operating Expenditure.
Performance materiality	578k	Low level of deficiencies in control environment and quality of financial statements in prior years. Calculated as 55% of materiality.
Trivial matters	52.6k	Based on 5% of materiality.
Materiality for senior officers remuneration	20k	We have identified senior officer remuneration as a balance where we will apply a lower materiality level, as these are considered sensitive disclosures. We have set a materiality of £20k.



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2. Financial Statements: Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most assessed risks of material misstatement. We note that there is no automatic control that requires all journals to be authorised and that manual controls do not cover all journals. This increases the risk of misstatement.	We have: • evaluated the design and implementation of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness During our audit work there was a delay in obtaining a full general ledger download. In order to assess journals therefore, we were able to download a report showing the journals over £50k which had been posted. A review of this download highlighted that the CFO and the Deputy CFO had been posting journals throughout the financial year. We therefore selected each of their journals to test. In total, we therefore selected 113 journals to test, with 42 being posted by the Director of Finance and 43 by the Deputy Director of Finance. Our testing also noted gaps in the sequential numbers of the journals posted. This is due to a manual numbering system being used and users “taking” journal numbers to use and then that then number no longer being needed. We also noted that users can self-authorise their own journals. We therefore recommend that management consider amending their processes such that the self-authorisation of journals is removed. Our testing of journals has been completed, subject to review. Please see Appendix B for actions raised.

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2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
The revenue cycle includes fraudulent transactions (rebutted) Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • There is little incentive to manipulate revenue recognition • Opportunities to manipulate revenue recognition are very limited • The culture and ethical frameworks of local authorities, including Teignbridge District Council mean that all forms of fraud are seen as unacceptable.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • There is little incentive to manipulate revenue recognition • Opportunities to manipulate revenue recognition are very limited • The culture and ethical frameworks of local authorities, including Teignbridge District Council mean that all forms of fraud are seen as unacceptable. Throughout the audit we have continually reviewed this assessment and our judgement still stands, therefore we do not consider this to be a significant risk of for the Authority.
The expenditure cycle includes fraudulent transactions (rebutted) In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period).	We have rebutted this presumed risk for Teignbridge District Council because: • Expenditure is well controlled and the Council has a strong control environment; and • The Council has clear and transparent reporting of its financial plans and financial position to the Council. Throughout the audit we have continually reviewed this assessment and our judgement still stands, therefore we do not consider this to be a significant risk of for the Authority..

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2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Closing Valuation of land and buildings The Council revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used. We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.	We have: • Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • Evaluated the competence, capabilities and objectivity of the valuation expert • Written to the valuer to confirm the basis on which the valuation was carried out Due to the previous two financial statements audit being subject to a backstop disclaimer opinion we do not have assurance on assets valued in prior years. In addition, in the 20/21 audit opinion, we disclaimed the Valuation of land and buildings due to little evidence being provided to support the calculations. We received the Fixed Asset Register and the valuers report and used these as a basis for selecting a sample for testing. However, due to time constraints imposed by the statutory audit backstop, we are unable to conclude our work in this area. Please see Appendix D for further detail.

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2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of pension fund net liability The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£18.5m in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.	We have: • Updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • Evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • Assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • Assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • Tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • Undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • Obtained assurances from the auditor of the Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. Management had considered the impact of IFRIC14 and included an asset ceiling adjustment in the draft financial statements. We reviewed the calculations undertaken by the Actuary. We have also reviewed the IAS19 letter received from the Auditor of the Devon Pension Fund. As a result of the limitations imposed by the backstop date, we have been unable to obtain sufficient appropriate audit evidence over the Authority's opening balances reported in the financial statements for the year ended 31 March 2024. Consequently, we have been unable to satisfy ourselves over the in-year movements in the net pension liability. Please see Appendix D for further detail.

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2. Financial Statements - Observations in respect of other risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan.

Issue	Commentary
Capacity and Capability of Finance Team to deliver the audit The audit commenced in September 2024, however there was a delay in receiving downloads of reports needed as the Finance Systems Analyst/Administrator was seconded to the project team for implementing the income management system. No-one else within the Council could provide these system reports due to the age and limitation of the financial ledger system. We also noted that due to the small finance team, delays were faced as the finance team faced deadlines such as preparation of the Council's 2025/26 financial budget. The Deputy CFO had resigned from the Council before the audit commenced and therefore a new key audit contact was appointed as a replacement. Due to the loss of corporate knowledge, delays in receiving audit evidence and responses to sample queries were experienced whilst the newly appointed individual became familiar with the Council's teams and processes. As the previous two years financial statements were subject to backstopped disclaimed audit opinions, materiality for this audit was reduced and as a result sample sizes were increased from those previously experienced by the Council. This also added to the delays whilst we awaited sample evidence to be returned.	To support the Council through the audit process, the audit team attended the Council's premises and completed part of the testing and query resolution on-site. In addition to the above, additional resources throughout the month of January was added to the audit as the December deadline was not achieved. **Auditor view** We recommend that the Council prepares and plans in advance for the delivery of the 2024/25 audit to ensure sufficient capacity is available to facilitate the completion of the audit in a timely manner. **Management response** We have a timetable to complete the draft accounts by 30 June and will look to negotiate an audit timeframe that doesn't clash with other key priorities including budget setting as occurred for the 23/24 audit.

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2. Financial Statements: new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Risks identified in our Audit Plan	Commentary
Accounting treatment of Suitable Alternative Natural Green Space (SANGS) The Council has purchased areas of land for the use of Suitable Alternative Natural Green Space (SANGS). SANGS is required for the Council to be able to expand housing developments – planning permission will not be granted where there is not adequate SANGS in place. The Council is working with a Land Trust to maintain the land in perpetuity, which will be done via an endowment. The details are as follows: - The Council lets a 999 year peppercorn lease - The Council pay an endowment to the Land Trust (£1.315m in relation to Dawlish and £2.5m in relation to SW Exeter) - The Land Trust investment the endowment in shares etc and use the returns to fund the land maintenance The Council sought the Auditors view on the initial accounting treatment to treat the expenditure as capital. We replied that in our view the treatment proposed by the Council did not meet the definition under the Capital Regulations. The Council therefore reconsidered their proposal and provided the Auditor with an updated proposal in September 2021. This was reviewed by the Auditors Technical Team and we subsequently indicated that in our view the new approach to treat the payment as a lease incentive did not meet the requirements of the leasing standards. The Auditor therefore re-confirmed that the endowment should not be treated as a capital transaction. The Council has accounted for the endowment payment as capital in nature. The long term debtor created as a result of this transaction has therefore been written off to the capital adjustment account as there is no income against which to match the cost. The audit team have reviewed the breakdown of cost types that are covered by the endowment and are of the view that these are revenue in nature as they relate to the maintenance of the land. The risk identified for the audit is that the financial statements has a material error.	We have • Reviewed the transactions created by the Council to account for the SANGS • Assessed the impact of the transactions being treated by the Council as Capital on the financial statements audit opinion • Reviewed evidence from the Council that the conditions of usage of the SANGS grant from Devon County Council have been met and it will not need to refund Devon County Council. We sample tested the SANGS expenditure going back to the 2021/22 financial year. The view of the audit team is that the transactions we tested, which gave us coverage of 96% of the balance, are revenue in nature and therefore should be removed from the balance sheet. We challenged management to provide communications from Homes England confirming that the grant funding to cover this expenditure would not be re-payable given that this was a capital grant but spent on a revenue transaction. Management have confirmed that no evidence is available to support this as this confirmation was received verbally from someone who has since left the employment of Homes England. The Director of Finance has confirmed that the financial statements will not be amended for SANGS and therefore the disclaimer of opinion will refer specifically to the incorrect treatment of this balance. See Appendix C for details of the unadjusted error. **Management response to finding:** Having taken external professional advice we are of the opinion that SANGS can be treated as capital and have discussed this with other parties involved in funding the transaction to gain their approval and Members in 2021/22. We undertook considerable due diligence work with Homes England in order for the transaction to be approved and signed off as a capital project.

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2. Financial Statements: new issues and risks

Issue	Commentary	Auditor view
IFRS 16 implementation • Following consultation and agreement by FRAB, the Code will provide for authorities to opt to apply IFRS 16 in advance of the revised implementation date of 1 April 2024. In advance of this standard coming into effect, we would expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases, along with the estimated impact of IFRS 16 on the accounts	The draft financial statements presented for audit included disclosures around IFRS16 however due to time constraints imposed by the statutory audit backstop, we are unable to complete our planned audit procedures in this area.	We have no assurance over the accounting of IFRS 16 for 2023/24. We will follow-up on the accounting treatment and disclosures of IFRS 16 in 2024/25.
Recognition and Presentation of Grant Income The Council receives a number of grants and contributions and is required to follow the requirements set out in sections 2.3 and 2.6 of the Code. The main considerations are to determine whether the Council is acting as principal / agent, and if there are any conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income. The Council also needs to assess whether grants are specific, and hence credited to service revenue accounts, or of a general or capital nature in which case they are credited to taxation and non-specific grant income.	The Council receives several grants from Central Government and other bodies. As the Council has not had an audit for several years, there is a consideration over the accounting treatment of grants i.e. agent / principal, whether grant conditions have been met or not, including whether restrictions exist. We had selected a sample of 24 grants to test and were unable to complete our work due to the time limitations imposed by the backstop legislation.	We have no assurance over the accounting of grant income in 2023/24. We will follow-up on the accounting treatment of grants and other contributions in 2024/25.

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2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £118.6m	Other land and buildings comprises of assets, which are required to be valued at either current market value or depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged the District Valuer to complete the valuation of properties as at 31 December 2023 on a five yearly cyclical basis. 39.9% of total assets were revalued during 2023/24. The total year end valuation of land and buildings was £118.6m, a net increase of £20m from 2022/23 (£98.6m).	We have: • Reconciled the valuation report to the Fixed Asset Register • Reviewed the valuation report to identify any changes in valuation basis from the prior year. • Performed review over indices to compare the valuation movement to the expected movement using Gerald Eve reports • Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • Evaluated the competence, capabilities and objectivity of the valuation expert • Written to the valuer to confirm the basis on which the valuation was carried out Due to the previous two financial statements audit being subject to a backstop disclaimer opinion we do not have assurance on assets valued in prior years. In addition, in the 20/21 audit opinion, we disclaimed the Valuation of land and buildings due to little evidence being provided to support the calculations. We received the Fixed Asset Register and the valuers report and used these as a basis for selecting a sample for testing. However, due to time constraints imposed by the statutory audit backstop, we are unable to conclude our work in this area.	No overall conclusion formed this year, as our opinion has been disclaimed.

Assessment

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- {Amber} We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension liability – £18.5m	The Council's net pension liability at 31 March 2024 is £18.5m (PY £26.6m) The Council uses Barnett Waddingham to provide actuarial valuations of the Council's assets and liabilities derived from the Devon County Pension Fund. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2022. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £8.1m net actuarial gain during 2023/24.	In assessing the estimate, we have considered the following: • the actuary's experience, competence and professional qualifications; • the actuary's approach, through the use of PwC as an auditors expert, used to assess the methods and assumptions used (see below table for consideration of the assumptions adopted); • the impact of any changes to valuation method – none were noted; • the completeness and accuracy of the underlying information used to determine the estimate by comparing it to source records and other data provided through the audit; • the assurances provided by the auditor of Devon Pension Fund over the process and controls in place at the Fund over the information provided to the actuary; and • the adequacy of disclosures of estimate in the financial statements.	No overall conclusion formed this year, as our opinion has been disclaimed. No issues identified from our work.

Assumption	Actuary Value	PwC range	Assessment
Discount rate	4.9%	4.8% - 4.95%	●
Pension increase rate	2.9%	2.85% - 3.0%	●
Salary growth	3.9%	2.85% - 4.0%	●
Life expectancy – Males currently aged 45/65	21.5-22.8	19.2-21.8/20.6-23.1	●
Life expectancy – Females currently aged 45/65	22.7-24.1	22.6-24.3/24.1-25.7	●

Assessment

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Amber] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

			ITGC control area rating		
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure
FMS (Financial reporting)	ITGC assessment (design and implementation effectiveness only)	●	●	●	●
iTrent (Payroll)	ITGC assessment (design and implementation effectiveness only)	●	●	●	●

Assessment

- ● Significant deficiencies identified in IT controls relevant to the audit of financial statements
- ● Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- ● IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ● Not in scope for testing

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2. Financial Statements: Digital Audit

We have invested significantly in our digital tools and our audit approach is underpinned by a suite of tools, enabling us to capture and analyse the detailed data contained within the general ledger. This supports more efficient and effective testing, with a focus on higher risk areas and unusual transactions. The ability to obtain full ledger data quickly and effectively is key to the progress of audit work, as is documentation of the Council's methodology for mapping code structures to the financial statements and use of off-ledger adjustments. Difficulties and delays in obtaining data adversely impact on the scheduling and delivery of the audit and it is important that management engage with the audit teams to understand the requirements for data transfer, providing a clearly documented understanding of how financial statement entries are produced from underlying ledger and a timetable for doing so.

We requested several reports/documents from the Council to aid with this and these are summarised in the table below along with comments on delivery.

Document requested	Date requested	Date received	Comments
Closing trial balance for 2022-23	2 September 2024	24 October 2024	We were unable to observe the report being downloaded in a timely manner as the only individual who could run these reports was seconded to another project and was not available to provide assistance to the audit.
Opening trial balance for 2023-24	2 September 2024	29 October 2024	We were unable to observe the report being downloaded in a timely manner as the only individual who could run these reports was seconded to another project and was not available to provide assistance to the audit.
Closing trial balance for 2023-24	2 September 2024	24 October 2024	We were unable to observe the report being downloaded in a timely manner as the only individual who could run these reports was seconded to another project and was not available to provide assistance to the audit.
All general ledger transactions during 2023-24	1 August 2024	24 October 2024	We were unable to observe the report being downloaded in a timely manner as the only individual who could run these reports was seconded to another project and was not available to provide assistance to the audit.
Mapping between the trial balance and the financial statements for 2023-24	2 September 2024	10 September 2024	During our review of the mapping we noted that this was complex and therefore we attending the Council's premises to work with the S151 Officer to obtain an understand of how this worked.

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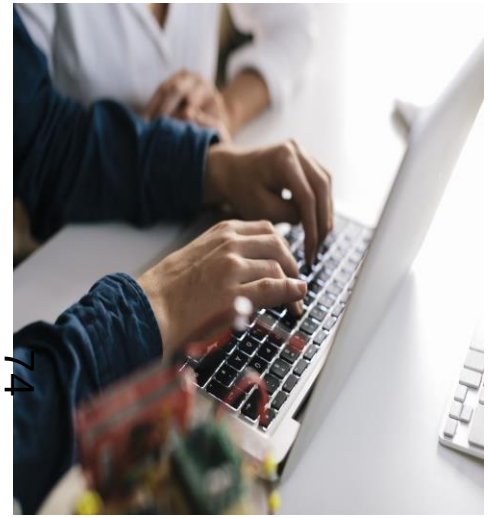
2. Financial Statements: other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit Scrutiny Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council.

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2. Financial Statements: other communication requirements



Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council's banks. This permission was granted and the requests were sent. Some of these requests were returned with positive confirmation however eight requests were not received from the third party so we undertook alternative procedures, including obtaining the deposit confirmations or relevant statements from within the Councils internal records where we observed management locate, download and upload the same to the audit team.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review to date has found no material omissions in the financial statements, although due to time constraints imposed by the statutory audit backstop, we are unable to complete our planned audit procedures in these areas.
Audit evidence and explanations/ significant difficulties	Whilst some sample evidence and response to queries were provided by management, not all information and explanations requested from management has been provided. We have encountered challenges during the audit due to the continued use of scanned documents and limited digital audit working papers. The financial system in use by the Council has also hindered our interrogation of the finance system as the data we need to be able to complete our work has not been readily available due to the reporting limitations of the current software being used and the availability of the Council's finance team. See "Financial Statements – Observations in respect of other risks" at page 13 for more information.

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2. Financial Statements: other communication requirements



Our responsibility

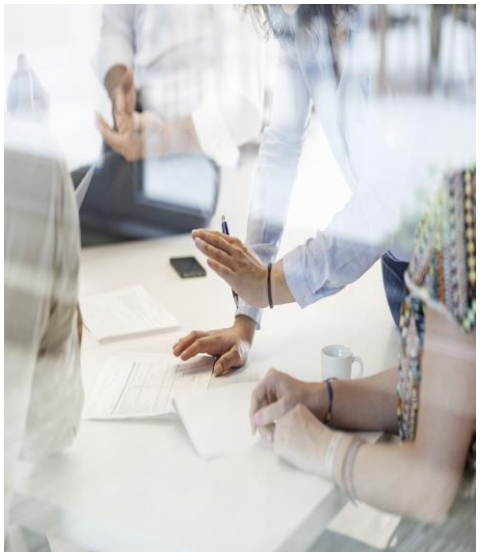
As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • 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 the Council meets this criteria, and so we have applied the continued provision of service approach. . In doing so, we planned to consider and evaluate: • the nature of the Council and the environment in which it operates • the Council's financial reporting framework • the Council's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. However, as we have been unable to conclude our audit in advance of the backstop date, we have not been able to obtain sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. Due to time constraints imposed by the statutory audit backstop, we are unable to complete our planned audit procedures in these areas.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. Our Auditors Annual Report includes a Statutory Recommendation due to the members behaviour, the member-officer relationship and bullying and aggressive behaviour having persisted among some members. In addition, three significant weaknesses were noted around Governance. As we have been unable to conclude our audit in advance of the backstop date, we have not been able to obtain sufficient appropriate audit evidence to enable us to conclude our audit, the Annual Governance Statement will be subject to the disclaimer opinion.
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. This work is not required as the Council does not exceed the threshold.
Certification of the closure of the audit	We intend to delay certification of the 2023/24 audit of Teignbridge District Council in the audit report, as detailed at Appendix G, due to the NAO requiring certificates to remain open. We also intend to delay the certification as we have not completed work on abjection received on the financial statements.



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3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2023/24

The National Audit Office issued its guidance for auditors in April 2020. The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3–5 years)

Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:

Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

Key recommendation

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

Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

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3. VFM: our procedures and conclusions

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented on the same agenda in the Audit Scrutiny Committee meeting.

We have concluded that it is appropriate for us to use our powers to make written recommendations under section 24 of the Local Audit and Accountability Act, due evidence of bullying and aggressive behaviours having persisted among some members. We have therefore raised the statutory recommendation below.

Area	Recommendation
Members behaviour	The Council should: 1. Commission a suitably qualified expert to investigate the underlying causes of member behaviours which contravene the standards set out in the Council's constitution under the members' code of conduct and the member/officer protocol; and which have impacted the Council's reputation and working culture. The Council should then develop an action plan to enable members and officers to address those issues. 2. Adopt a consistent zero-tolerance approach to any swearing; lack of respect for other people attending meetings; or other abusive behaviour towards other members or officers in meetings. This should be done by making full use of the procedural rules set out in the Council's constitution by: Immediately adjourning the meeting; moving a motion that the member concerned be not heard; or moving a motion that the member concerned should leave the meeting. 3. Consider amendments to its constitution to extend those procedural rules to all meetings of committees of the Council and amend the Member Code of Conduct to include an obligation for all members to reinforce standards of behaviour and to support the Chair of the Council and chairs of committees of the Council in their use of procedural rules to ensure proper conduct. Group Leaders should model good behaviour and discipline members of their groups whose behaviour breaches the Code of Conduct and the member/officer protocol. 4. Continue to provide information and support to ensure that members and officers who are subjected to aggressive and abusive behaviour from individual members can, if they wish, submit a written complaint to the Monitoring Officer immediately, so that it can be dealt with under the Council's Standards procedures. 5. Ensure that Group Leaders take responsibility for their members working collaboratively with officers and for their members improving behaviours and relationships. 6. Review membership of the Standards Committee, with only members who have an excellent behavioural track record being eligible to join it. Meetings should then resume. A Governance Committee should be introduced to reinforce the work of the Standards Committee. As with the Standards Committee, members on the Governance Committee must have an unblemished behavioural track record. Securing good standards and behaviour amongst members will help to strengthen corporate governance and working culture. This in turn should help to create a positive environment from which the Council can build better relationships and address the other issues it faces, such as transacting business as usual and maintaining respect and co-operation around decisions once they have been taken.

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3. VFM: our procedures and conclusions

As part of our work, we considered whether there were any significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. As well as the statutory recommendation set out on the previous page, we raised three key recommendations as a result of identifying significant weaknesses in arrangements. These are set out below.

Significant weakness(es) identified

Lack of trust seems to underpin some of the behavioural issues we observed. Matters were identified over the course of our audit that suggested members do not always understand which aspects of Council business they do or do not have access to by law. There is also evidence to suggest that members are not always confident that interests have been declared by fellow members. We raised two new key recommendations around arrangements that may help rebuild trust.

We have observed evidence that decisions, once made, are not always stuck to and are sometimes undermined. The Council changed its approach to a cinema project and Future High Street Funds projects during 2023/24. We raised a new key recommendation around the need to work collaboratively once decisions have been made and, where necessary, to revisit decisions constitutionally.

Key Recommendation 1 : Matters were identified over the course of our audit that suggested members do not always understand which aspects of Council business they do or do not have access to by law. Members need to be clear about what they can and can not have access to. Part two meetings should be used to discuss any sensitive issues that members do have legal access to. Where Part two meetings are used, all present should adhere to the legal confidentiality requirements of Part two meetings.

Key Recommendation 2 : The Council should review arrangements around declarations of interest and investigations. An internal audit of declarations of interest should be arranged to identify any areas for improvement.

Key Recommendation 3: Decision-making arrangements at Executive Committee and Full Council level should be reviewed and, where necessary, strengthened. A decision flowchart should be completed and used. If necessary, longer timescales for evaluation of the impact of decisions should be introduced.

As we recommended in our Auditor's Annual Report for 2021/22 and 2022/23, the Council needs to ensure that once decisions are made, they are stuck to - to allow projects to proceed as required. Once decisions are made, they should be treated with trust and respect by members and officers, and they should be acted on in a spirit of mutual co-operation. This will require wider relationships to be working well.

Over time, if there are reasons to revisit a decision, this should be done through main constitutional arrangements.

The events of 2023/24 show that financial loss and delayed project progress can result when decisions are undermined from outside the main constitutional process. Lack of trust between members and officers may be one of the underlying causes of member behaviour contravening standards set out in the constitution. The lack of trust and the poor relationships and behaviours ensuing from it may be undermining business as usual processes.

The Council wrote off £522,000 when it abandoned the cinema project. The Council has other high profile capital projects, and it will be important that decision-making is applied carefully around them to ensure any delays and financial impacts are kept to a minimum.

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4. Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers and managers).
In this context, we disclose the following to you:

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed at Appendix E.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Grant Thornton International Transparency report 2023.

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4. Independence considerations

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Company that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Group or investments in the Group held by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Group
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Group's board, senior management or staff [that would exceed the threshold set in the Ethical Standard]

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. The firm and each covered person [and network firms] have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

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4. Independence considerations

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefit	2022/23 - £14,500* 2023/24 - £TBC	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £14,500, in comparison to the total fee for the audit as set out on page 59 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services) Management threat	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

*estimated fee as work is still in the concluding stages

These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit Scrutiny Committee.

None of the services provided are subject to contingent fees.

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Appendices

A. Communication of audit matters to those charged with governance

B. Action plan – Audit of Financial Statements

C. Follow up of prior year recommendations

D. Audit Adjustments

E. Fees and non-audit services

F. Auditing developments

G. Management Letter of Representation

H. Audit opinion

I. Audit letter in respect of delayed VFM work

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A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

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

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

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B. Action Plan – Audit of Financial Statements

We have identified eight recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2023/24 audit . The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Medium	The audit was delayed by the age and user-friendliness of the finance system as there is typically only one member of the finance team the Finance Systems Analyst/Administrator, who can integrate the system and pull-down financial reports. At the start of the audit, this individual was seconded to a project team to roll out a new income management system and therefore was not able to assist the finance team in providing reports to the audit team such as a trial balance and general ledger reports.	We would recommend that Management consider training for the finance team on how to download the appropriate reports needed for audit purposes. **Management response** we are currently finalising our resources within Finance and will look as part of the spread of experience, training in various aspects where knowledge is limited to specific members of the team. This has been hampered due to new systems implementation and loss of key members of Finance staff in the last 12 months.
Medium	The PPE valuations are undertaken as at 31 December and therefore we challenged Management to confirm that the difference between the valuation date and the value in the financial statements is not material. We asked Management if any indexation exercise is undertaken. Management confirmed that no such exercise was performed.	We therefore recommend that Management should consider completing an indexation exercise upon the valuations to obtain assurance that the values stated within the financial statements are not materially misstated. **Management response** for 24/25 we are changing the revaluation date to be 31 March to eliminate this uncertainty
Low	During our work we have noted that there are multiple codes within the trial balance where they do not relate to only one area of the balance sheet. For example, debtors and creditors are routinely posted to one nominal ledger code and manually split out at year end. We have therefore had difficulty in reconciling account codes and listings in order to performing sampling.	We would therefore recommend having trial balance codes which only relates to one area of the balance sheet and income statement to reduce the risk of financial misreporting. **Management response** integrated systems do not identify splits between long and short term so such work is more complicated. This can be picked up as part of the new FMS system implementation work and user requirements. The working papers clearly identify how the data is split across trial balance headings.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

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B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Low	During our testing of payroll we check a sample of starters, leavers and those employees who have changed roles within the year. Our testing noted that Several of the forms we were provided with were not signed by the employee and/or their manager and one form was even signed with the wrong name and date. This is not in line with the Council's policies. We also noted that Two of our samples related to members and upon investigation it was noted that there are no official starters and leavers process for Councillors.	We would therefore recommend to Management that: 1. The HR team are reminded of the importance of accurate and timely record keeping. 2. Consideration is given to whether a formal starters and leavers process should be introduced for members. **Management response** It is not always practical or possible for leavers forms to be signed by the employee e.g. through dismissal. We have a process in place for Members who are starting at the Council. Notifications are made and communicated for those Members who leave and this process can be picked up by the internal audit of the Democratic services function currently taking place.
Low	We obtained the listing for the REFCUS expenditure and selected 11 samples. For each sample, we documented the nature of the expenditure and agreed the nature and value of the expenditure to supporting evidence. We then assessed whether the item was correctly accounted for as REFCUS in line with the CIPFA Code. No issues were noted in our testing on the classification and value of REFCUS expenditure, however the expenditure for one of our samples was noted to have occurred in the prior financial period. We have challenged Management as to the inclusion of this expenditure in this financial year and note that this was not recorded in the prior financial year and therefore needs to be included now. This is due to a timing issue and the accrual for this item was missed by Management when preparing the financial statements.	We would therefore recommend that Management perform rigorous checks to ensure that all accruals are included within the financial statements at the year end. **Management response** we have robust checks to ensure invoices are posted to the correct time period. these are also based on materiality and time constraints to close the ledger and produce the accounts in a timely fashion.
Medium	A review of the journals download highlighted that the Director of Finance and the Deputy Director of Finance had been posting journals throughout the financial year. We therefore selected each of their journals to test to give us assurance over the management override of controls. In total, we therefore selected 113 journals to test, with 42 being posted by the Director of Finance and 43 by the Deputy Director of Finance. Posting of journals by the S151 was also raised as an issue in the prior audit.	We would therefore recommend that the S151 Officer does not post journals. **Management response** due to having only a small Finance team this is a necessity. We are looking at knowledge in the team and allocating tasks to reduce the level of journals completed moving forward which along with the appointment of an experienced local government Head of Financial & Audit Services will improve business continuity within the team.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

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B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Low	Our testing of journals also noted gaps in the sequential numbers of the journals posted. This is due to a manual numbering system being used and users "taking" journal numbers to use and then that then number no longer being needed.	We would therefore recommend to Management that the numbering system for journals is reviewed and consideration is given to whether another more robust system could be implemented such that journal numbers remain sequential for audit trail purposes. **Management response** the existing system is robust in that it ensures no duplicate journal numbers can be entered. Any links to controls over journal input will be considered as part of the new FMS system.
Medium	We also noted that users can self-authorise their own journals. During our testing we noted that one of the S151 journals had not been reviewed.	We would therefore recommend that Management implement a robust system for ensuring that journals are reviewed before being posted to the ledger. **Management response** response: CFO and Deputy CFO journals are checked. The CFO also receives downloads of all material journals in the year to check for validity.

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Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

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C. Follow up of prior year recommendations

We identified the following issues in the audit of Teignbridge District Council's 2020/21 financial statements, which resulted in eleven recommendations being reported in our 2020/21 Audit Findings report. We have followed up on the implementation of our recommendations and note five are still to be completed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	Recommendations made in the 2019/20 Audit Findings Report had not been actioned. These included: - Journals posted by S151 Officer - Electronic working papers - Fixed Assets Register	During our 2023/24 audit procedures we noted that journals were posted by the S151 Officer. This action therefore remains open. We note improvements have been made with regard to the production of electronic working papers.
X	We recommend that Management consider documenting the reasons behind any future decisions to change Useful Economic lives of assets and that this documentation is retained by the Council for auditing purposes.	We were unable to obtain supporting documentation for the Useful Economic Lives used during 2023/24 audit testing.
X	We recommend that Management look to consider installing a modern accounting software that would bring efficiencies to Management and always interrogation by the Auditors.	The new financial management system has not yet been implemented.
✓	We recommend that the Council review its process for undertaking valuations to ensure that appropriate and sufficient evidence for each asset valuation is retained for auditing purposes.	During the 2023/24 financial statements audit, we have been provided with evidence relating to the asset valuations, however due to the statutory audit backstop, we lack sufficient time to complete the planned audit procedures in this area. Consequently, we are unable to conclude our work in this area.
✓	We recommend that Management consider documenting the reasons behind any future decisions to change Useful Economic lives of assets and that this documentation is retained by the Council for auditing purposes.	No issues noted in relation to this recommendation in our work for 2023/24.

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Assessment

✓ Action completed

X Not yet addressed

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C. Follow up of prior year recommendations - continued

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	We recommend that Management consider a review of the Useful Economic Lives used in the MRP calculations and ensure that these are commensurate with those in the Fixed Asset Register.	No issues noted in relation to this recommendation in our work for 2023/24.
✓	We recommend that Management undertakes a review of the annuity rate charged and considers whether this is prudent within its MRP calculations.	No issues noted in relation to this recommendation in our work for 2023/24.
✓	We recommend that Management ensures that each asset is considered consistently within its MRP calculations.	No issues noted in relation to this recommendation in our work for 2023/24.
✓	We recommend that Management ensure that documentary evidence exists for all leases and subsequent updates to agreements and that these are retained for auditing purposes.	No issues noted in relation to this recommendation in our work for 2023/24.
X	We recommend that Management implement a system to ensure that there are no gaps in the numbers allocated to journals.	We noted a small amount of gaps within the sequential numbering of the journals during our audit work for 2023/24.
X	We recommend that Management develops a system to ensure that journal approvals are maintained.	Within our audit work we have noted one journal where the S151 Officer had prepared and posted the journal, but these have not been counter-signed as approved.

Assessment

✓ Action completed

X Not yet addressed

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D. Status of audit testing 2023/24

Primary Statement							
Balance Sheet							
Financial Statement Line Item	**Status**	**Likely to be materially misstated**	**Total sample size (#)**	**Samples with appropriate evidence (#)**	**Failed samples (#)**	**Inconclusive samples (#)**	**Auditor Comments**
Property Plant and Equipment (PPE) – Opening balance		2023/24: unknown 2022/23: unknown	35	-	24 – no evidence provided	11	The audit opinion for Teignbridge District Council for financial years 2021/22 & 2022/23 have been subject to backstopped audit opinions. For 2023/24, we were therefore unable to rely upon audited brought forward balances from the 2022/23 financial year audit. We considered the practicalities of completing the 2023/24 audit engagement with the best assurance we can obtain in the timescale and selected samples for testing. At the time of drafting this report, out of the 35 samples selected, no evidence had been provided for 24 items. Whilst we had received evidence for 11 sample items, due to the statutory audit backstop, we lack sufficient time to complete the planned audit procedures in this area. Consequently, we are unable to conclude our work in this area.
PPE – Additions & REFCUS		2023/24: No 2022/23: unknown	21	21	-	-	During the audit we selected 10 samples for additions and 11 for REFCUS. Supporting evidence was provided for each of these samples and the testing was completed. During our testing of REFCUS, we noted that there were no issues in relation to the classification and value of the item, however the expenditure occurred in the prior financial period. We challenged management as to the inclusion of the item in the current financial year and noted that this was not recorded in the prior year as expenditure. We have therefore raised a recommendation to management– see Appendix B.
PPE – Disposals (and the associated gain/loss on disposal)		2023/24: No 2022/23: unknown	5	5	-	-	A sample of 5 items was selected and the supporting evidence was provided by management. No issues were identified that require reporting to those charged with governance.

Assessment

- [Red] We were unable to fully test the balance/transaction.
- [Amber] We reviewed the balances and where applicable tested on a sample of transactions, however, we identified a number of issues/exceptions to be able to conclude.
- [Green] We were able to test the balances and conclude for 23/24 and we did not identify any significant issues

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D. Status of audit testing 2023/24

Primary Statement							
Balance Sheet							
Financial Statement Line Item	**Status**	**Likely to be materially misstated**	**Total sample size (#)**	**Samples with appropriate evidence (#)**	**Failed samples (#)**	**Inconclusive samples (#)**	**Auditor Comments**
Depreciation charge		2023/24: no 2022/23: unknown	14	14	-	-	Due to the previous two financial years being subject to a backstopped opinion, we were not able to complete a depreciation SAP. Instead a sample was selected comprising of 14 items. We have recalculated the depreciation charge and no issued noted.
PPE Revaluation and impairment (Other land & building) [Significant risk]		2023/24: unknown 2022/23: unknown	39	-	-	39	We have agreed the financial statement notes to the Fixed Asset Register, Valuers Report and Trial Balance. We have also agreed that the Valuers Report agrees to the Fixed Asset Register. We have confirmed the value of assets not revalued. We have been unable to check the PPE revaluation movements reconcile within the financial statements as work on the Movement in Reserves Statement is incomplete. We have undertaken a high level review of the significant assumptions we would expect to see within each valuation method and what evidence we would expect to observe for each assumption.. We completed a sampling strategy and identified 39 assets for testing. We have received the evidence for the 39 assets however due to the statutory audit backstop, we lack sufficient time to complete the planned audit procedures in this area. The PPE valuations are undertaken as at 31 December and therefore we challenged Management to confirm that the difference between the valuation date and the value in the financial statements is not material. We asked Management if any indexation exercise is undertaken. Management confirmed that no such exercise was performed. We therefore raised a recommendation in the Audit Findings Report that Management should consider completing an indexation exercise upon the valuations to obtain assurance that the values stated within the financial statements are not materially misstated.
Property Plant and Equipment (PPE) – closing balance		2023/24: unknown 2022/23: unknown	39	-	-	39	We have been unable to test the opening PPE and the revaluation movement in the financial year due to the statutory audit backstop, we lack sufficient time to complete the planned audit procedures in this area. Consequently, we are unable to conclude our work in this area.

Assessment

- [Red] We were unable to fully test the balance/transaction.
- [Amber] We reviewed the balances and where applicable tested on a sample of transactions, however, we identified a number of issues/exceptions to be able to conclude.
- [Green] We were able to test the balances and conclude for 23/24 and we did not identify any significant issues

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D. Status of audit testing 2023/24

Primary Statement							
Balance Sheet							
Financial Statement Line Item	**Status**	**Likely to be materially misstated**	**Total sample size (#)**	**Samples with appropriate evidence (#)**	**Failed samples (#)**	**Inconclusive samples (#)**	**Auditor Comments**
Investments – long term and short term		2023/24: no 2022/23: unknown	5	5	-	-	Long term The long term investment held by the Council relates to its share of the investment held in Strata. We have agreed this value back to the Strata consolidation and no issues were noted. Short term We obtained investment confirmations for balances as at 31 March 2023 and 2024 and for those where confirmations were not received, we completed alternative procedures. We also confirmed that the classification of the investment was correct in terms of whether this should be recorded as a short term investment or a cash and cash equivalent balance. We also completed cut-off testing to confirm that investments had been captured in the correct financial year and no issues were noted. We obtained the breakdown of investment income and split the population into debits, credits and low value. We have determined a sample size of 5. We obtained supporting evidence to show that the samples were correctly stated and no issues were noted.
Short term debtors (Including Completeness testing)		2023/24: unknown 2022/23: unknown	40	38	-	2	Completeness testing – payments received – we selected a sample of 25 items to test cutoff procedures to ensure that transactions have been recorded in the correct financial period. We received the evidence for the 25 sample items and no issues were noted. Completeness testing – invoices raised - we selected a sample of 15 items to test cutoff procedures to ensure that transactions have been recorded in the correct financial period. At the date of drafting this report, we had a query on 1 sample item which remains with the Council and the Council had not been able to provide evidence for 1 sample item. Sampling of short term debtors – we requested a breakdown of the nominal ledger codes which made up the balance on short term debtors. At the date of drafting this report, this breakdown has not been provided and therefore due to the statutory audit backstop, we lack sufficient time to complete the planned audit procedures in this area. Consequently, we are unable to conclude our work in this area.

Assessment

- [Red] We were unable to fully test the balance/transaction.
- [Amber] We reviewed the balances and where applicable tested on a sample of transactions, however, we identified a number of issues/exceptions to be able to conclude.
- [Green] We were able to test the balances and conclude for 23/24 and we did not identify any significant issues

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D. Status of audit testing 2023/24

Primary Statement							
Balance Sheet							
Financial Statement Line Item	**Status**	**Likely to be materially misstated**	**Total sample size (#)**	**Samples with appropriate evidence (#)**	**Failed samples (#)**	**Inconclusive samples (#)**	**Auditor Comments**
Long term debtors		2023/24: yes 2022/23: yes	**n/a**	n/a	n/a	n/a	Long term debtors is made up of the following: **Collection fund** – The debtor has been agreed back to Council tax and NNDR supporting documentation., however we have been unable to complete our testing over the Collection Fund. **SANGS** – The Council received a grant from Homes England through Devon County Council to fund an endowment policy such that the returns could be used to fund the maintenance of green space within housing developments. The Council proposed that accounting treatment for this expenditure would be to include it within long term debtors and amortise the cost over a 20 year period. The audit team's view, is that this would be revenue expenditure and therefore should be removed from the Balance Sheet. During the audit, we have obtained a breakdown covering the whole of the expenditure on SANGS from when the project commenced in 2021/22 and selected a sample of 5 items to test (with a 96% coverage over the population). We tested this sample back to supporting evidence and confirmed that the expenditure relates to revenue items such as legal fees and the endowment policy for maintaining the land. This supports the view that SANGS should be treated as revenue and removed from the balance sheet. Management disagree with our proposal and therefore have opted not to amend the financial statements. We will therefore specifically refer to the incorrect treatment of the SANGS balance within our opinion. **Community Infrastructure Levy** – At the date of drafting this report, this breakdown has not been provided and therefore due to the statutory audit backstop, we lack sufficient time to complete the planned audit procedures in this area. Consequently, we are unable to conclude our work in this area. **Sundry Debtors** - At the date of drafting this report, this breakdown has not been provided and therefore due to the statutory audit backstop, we lack sufficient time to complete the planned audit procedures in this area. Consequently, we are unable to conclude our work in this area.

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Assessment

- [Red] We were unable to fully test the balance/transaction.
- [Amber] We reviewed the balances and where applicable tested on a sample of transactions, however, we identified a number of issues/exceptions to be able to conclude.
- [Green] We were able to test the balances and conclude for 23/24 and we did not identify any significant issues

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D. Status of audit testing 2023/24

Primary Statement							
Balance Sheet							
Financial Statement Line Item	**Status**	**Likely to be materially misstated**	**Total sample size (#)**	**Samples with appropriate evidence (#)**	**Failed samples (#)**	**Inconclusive samples (#)**	**Auditor Comments**
Allowance for bad debts		2023/24: no 2022/23: unknown	n/a	n/a	n/a	n/a	We have recalculated the bad debt provision and note that the percentages used within the calculation are similar to previous years and there isn't a material movement compared to the prior years provision. This section has not identified any reporting points to be communicated to management and those charged with governance.
Cash and Cash equivalents		2023/24: no 2022/23: unknown	22	22	-	-	Testing within this section included: - Sample testing of reconciling items as at 31 March 2023 -11 reconciling items were selected for testing. Supporting evidence was provided for each sample item and no issues noted. - Inter-account transactions as at 31 March 2023 – all transactions occurring within the week before and the week after the year end were selected for testing and agreed that these had been recorded correctly. - Cash equivalents testing as at 31 March 2023 – all balances at year end were agreed to supporting information either obtained by receiving this direct from the third party or through alternative procedures performed while the audit team were onsite. No issues were noted. - Sample testing of reconciling items as at 31 March 2024 - 11 reconciling items were selected for testing. Supporting evidence was provided for each sample item and no issues noted. - Inter-account transactions as at 31 March 2024 - all transactions occurring within the week before and the week after the year end were selected for testing and agreed that these had been recorded correctly - Cash equivalents testing as at 31 March 2024 - all balances at year end were agreed to supporting information either obtained by receiving this direct from the third party or through alternative procedures performed while the audit team were onsite. No issues were noted.

Assessment

- [Red] We were unable to fully test the balance/transaction.
- [Amber] We reviewed the balances and where applicable tested on a sample of transactions, however, we identified a number of issues/exceptions to be able to conclude.
- [Green] We were able to test the balances and conclude for 23/24 and we did not identify any significant issues

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D. Status of audit testing 2023/24

Primary Statement							
Balance Sheet							
Financial Statement Line Item	**Status**	**Likely to be materially misstated**	**Total sample size (#)**	**Samples with appropriate evidence (#)**	**Failed samples (#)**	**Inconclusive samples (#)**	**Auditor Comments**
Short-term Creditors (Including Completeness testing)		2023/24: unknown 2022/23: unknown	66	8	-	58	During our work we have noted that there are multiple codes within the trial balance where they do not relate to only one area of the balance sheet. For example, debtors and creditors are receireceived butone nominal ledger code and manually split out at year end. We have therefore had difficulty in reconciling account codes and listings received but perform sampling. We would therefore recommend having trial balance codes which only relates to one area of the balance sheet and income statement to reduce the risk of financial misreporting. Completeness testing – invoices received - we selected a sample of 23 items to test cutoff procedures to ensure that transactions have been recorded in the correct financial period. 8 had been tested and evidence for the remaining sample items was received, but not tested due to time limitations. Completeness testing – payments made - we selected a sample of 25 items to test cutoff procedures to ensure that transactions have been recorded in the correct financial period. At the time of drafting this report we were waiting for information on all 25 sample items. Short term Creditors – Due to the way in which the transactions are recorded within the nominal ledger codes, the long term and short term creditors are amalgamated within the codes. The split between short term and long term is therefore completed manually at year end. We therefore reviewed the codes and obtained listings of transactions. We cleansed these listings to remove contra entries. We then subjected the listings to sampling procedures and determined a sample size of 18 samples, which was provided to the Council. Due to the statutory audit backstop, we lack sufficient time to complete the planned audit procedures in this area. Consequently, we are unable to conclude our work in this area.

Assessment

- [Red] We were unable to fully test the balance/transaction.
- [Amber] We reviewed the balances and where applicable tested on a sample of transactions, however, we identified a number of issues/exceptions to be able to conclude.
- [Green] We were able to test the balances and conclude for 23/24 and we did not identify any significant issues

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D. Status of audit testing 2023/24

Primary Statement							
Balance Sheet							
Financial Statement Line Item	**Status**	**Likely to be materially misstated**	**Total sample size (#)**	**Samples with appropriate evidence (#)**	**Failed samples (#)**	**Inconclusive samples (#)**	**Auditor Comments**
Grants received in advance		2023/24: unknown 2022/23: unknown	12	-	-	12	The grants received in advance are split into: Revenue – current (£971k), Revenue – long term (£4,323k) capital (£3,286k). We obtained the listings for the nominal ledger codes and determined a sample size of 5 revenue samples and 7 capital samples, which were submitted to the Council. At the date of drafting this report, we have not received evidence for any of these samples and therefore due to the statutory audit backstop, we lack sufficient time to complete the planned audit procedures in this area. Consequently, we are unable to conclude our work in this area.

Assessment

- [Red] We were unable to fully test the balance/transaction.
- [Amber] We reviewed the balances and where applicable tested on a sample of transactions, however, we identified a number of issues/exceptions to be able to conclude.
- [Green] We were able to test the balances and conclude for 23/24 and we did not identify any significant issues

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D. Status of audit testing 2023/24

Primary Statement							
Balance Sheet							
Financial Statement Line Item	**Status**	**Likely to be materially misstated**	**Total sample size (#)**	**Samples with appropriate evidence (#)**	**Failed samples (#)**	**Inconclusive samples (#)**	**Auditor Comments**
Pensions Liability [Significant risk]		2023/24: unknown 2022/23: unknown	n/a	n/a	n/a	n/a	Areas covered within this section include: - IAS19 – we have agreed the values in the IAS19 report agrees to the values included within the nominal ledgers and the draft statement of accounts both for the Council and those including the Council's share of the Strata values. - Reviewed the competence, capability and objectivity of the Managements expert – no issues noted - Source data – we reviewed the source data, including the Council's records which contains employer and employee pension contributions and pensionable payroll data. No issues were noted. - Analytical reviews – we performed a series of analytical reviews and evaluated the results. The cumulative absolute difference (£412.6k) exceeded our set acceptable difference (£317.9k) however the net difference was £244.6k and therefore provides us assurance that there is no material misstatement. - Pension liabilities – we have assessed the actuarial assumptions and methods behind the actuary's calculations and have noted no issues. - Pension assets – we have reviewed the letter of assurance provided by the pension fund auditor and have noted no issues. - IFRIC14 – We have recalculated the IFRIC14 values and have agreed these back to the Actuary's figures as well as to the values in the financial statements.

97

Assessment

- [Red] We were unable to fully test the balance/transaction.
- [Amber] We reviewed the balances and where applicable tested on a sample of transactions, however, we identified a number of issues/exceptions to be able to conclude.
- [Green] We were able to test the balances and conclude for 23/24 and we did not identify any significant issues

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D. Status of audit testing 2023/24

Primary Statement							
Balance Sheet							
Financial Statement Line Item	**Status**	**Likely to be materially misstated**	**Total sample size (#)**	**Samples with appropriate evidence (#)**	**Failed samples (#)**	**Inconclusive samples (#)**	**Auditor Comments**
Reserves		2023/24: unknown 2022/23: unknown	**n/a**	n/a	n/a	n/a	Areas covered within this section include: - Working paper prepared for the Movement In Reserves Statement showing that the totals agree to CIES, adjustments between accounting basis and funding basis note and the transfer to / from ear marked reserves note. No issues were noted. - Adjustments between accounting basis and funding basis note – cross referenced the values in this note to where each item is testing within the file. No issues were noted. - Usable reserves – cross referenced to other notes / where tested on file. No issues were noted. - Transfers to / from ear marked reserves – agreement back to Council meeting minutes showing that the members have agreed the values to be carried forward. No issues were noted. - Unusable reserves - cross referenced to other notes / where tested on file. No issues were noted. - Management prepared the MIRS consistency checker however differences were noted. Due to the time constraints imposed by the backstop it is not practical to resolve the remaining differences.

Assessment

- [Red] We were unable to fully test the balance/transaction.
- [Amber] We reviewed the balances and where applicable tested on a sample of transactions, however, we identified a number of issues/exceptions to be able to conclude.
- [Green] We were able to test the balances and conclude for 23/24 and we did not identify any significant issues

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D. Status of audit testing 2023/24

Primary Statement							
Comprehensive Income and Expenditure Statement							
Financial Statement Line Item	**Status**	**Likely to be materially misstated**	**Total sample size (#)**	**Samples with appropriate evidence (#)**	**Failed samples (#)**	**Inconclusive samples (#)**	**Auditor Comments**
Fees and charges		2023/24: unknown 2022/23: unknown	34	19	-	15	The population for fees and charges was obtained, agreed to the nominal ledger and a sample of 34 items were selected for testing. During our testing, we queried samples relating to leisure centre charges as reconciliations were not provided of how our samples were traced to receipts within the bank transactions. Due to the statutory audit backstop, we lack sufficient time to complete the planned audit procedures in this area. Consequently, we are unable to conclude our work in this area.
Grant income		2023/24: unknown 2022/23: unknown	41	16	-	25	Areas covered within this section include: - Completeness of grant income – All Government grants and contributions within Note 35 were compared to the prior year and the variances noted. Only one grant, the Future High Street Fund was received in the prior year and not in the current year, we were aware the Council would not be receiving this,. - Housing Benefits (HB) Grant – the total of £20,769k was tested in its entirety by agreeing the value back to the figure included in the MPF720A claim form. - Community Infrastructure Levy (CIL) Grant – the listings for the CIL grants were obtained. The sample sizes determined were 1 key item, 10 credits samples and 5 debit samples. No issues were noted. - Residual grants - the listings for the residual grants were obtained.. We selected 25 samples of residual grants for testing, however have been unable to clear any of these. After initial review of the information queries were raised. Due to the statutory audit backstop, we lack sufficient time to complete the planned audit procedures in this area. Consequently, we are unable to conclude our work in this area.

Assessment

- [Red] We were unable to fully test the balance/transaction.
- [Amber] We reviewed the balances and where applicable tested on a sample of transactions, however, we identified a number of issues/exceptions to be able to conclude.
- [Green] We were able to test the balances and conclude for 23/24 and we did not identify any significant issues

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D. Status of audit testing 2023/24

Primary Statement							
Comprehensive Income and Expenditure Statement							
Financial Statement Line Item	**Status**	**Likely to be materially misstated**	**Total sample size (#)**	**Samples with appropriate evidence (#)**	**Failed samples (#)**	**Inconclusive samples (#)**	**Auditor Comments**
Employee Benefit Expenditure		2023/24: unknown 2022/23: unknown	Routine 1 – 2 samples Routine 2 – 53 samples Routine 3 – 5 samples Routine 4 – 5 samples Routine 5 – 5 samples Routine 6 – 5 samples Starters / leavers and changes in circumstances – 36 samples	Routine 1 – 2 samples Routine 2 – 53 samples Routine 3 – 5 samples Routine 4 – 5 samples Routine 5 – 5 samples Routine 6 – 2 samples Starters / leavers and changes in circumstances – 36 samples	Routine 1 – 0 samples Routine 2 – 0 samples Routine 3 – 0 samples Routine 4 – 0 samples Routine 5 – 0 samples Routine 6 – 3 samples Starters / leavers and changes in circumstances – 0 samples	-	Payroll reconciliation – management have been unable to provide a payroll reconciliation that agrees the payroll reports to the general ledger. Payroll testing – Due to the previous two years being subject to a backstop disclaimer opinion, we have been unable to complete a payroll SAP and have therefore used the AAA digital tool to inform our testing strategy. Within the payroll testing, we have completed the following: - Agreed the total of each month's payroll to the bank statement to confirm that the figures were the same - Recalculated the pension calculation using the payroll costs and multiplied by the pension contribution rate and compared this to the pension contributions figure in the financial statements. No issues have been noted in this area. - Recalculated the National Insurance using the payroll costs, average number of full-time equivalent staff and multiplied by the NI Contribution rate and compared this to the National Insurance contributions figure in the financial statements. No issues have been noted in this area. - Routine 1 – duplicate details – the digital tool highlighted two individuals who had the same bank account details. We therefore reviewed their payslips and starters forms and confirmed that the two individuals share an address. Management confirmed that these two individuals are married. No issues have been noted in this area. - Routine 2 – employees paid outside of their employment period – the digital tool has highlighted 53 employees that appear to have been paid before the individual started or more than 30 days after they left employment. We have reviewed all 53 employees and noted that these payments relate to payments made in the month following the employees last working day, back dated pay after the individual leaves employment where the bank details need to be confirmed before paying over and some instances where the tool picked up nil entries. No issues have been noted in this area.

100

Assessment

- [Red] We were unable to fully test the balance/transaction.
- [Amber] We reviewed the balances and where applicable tested on a sample of transactions, however, we identified a number of issues/exceptions to be able to conclude.
- [Green] We were able to test the balances and conclude for 23/24 and we did not identify any significant issues

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D. Status of audit testing 2023/24

Primary Statement							
Comprehensive Income and Expenditure Statement							
Financial Statement Line Item	**Status**	**Likely to be materially misstated**	**Total sample size (#)**	**Samples with appropriate evidence (#)**	**Failed samples (#)**	**Inconclusive samples (#)**	**Auditor Comments**
Employee Benefit Expenditure - continued		2023/24: unknown 2022/23: unknown					- Routine 3 – employees with more than one payment on the same day – the digital tool highlighted 5 employees who appear to have more than one payment on the same day – we reviewed the corresponding payslips and noted that these employees have more than one role with this Council and therefore no issues have been noted in this area. - Routine 4 – monthly increases in pay above 5% - the digital tool highlighted 5 employees who appear to have a monthly increase above 5%. For these 5 employees, we reviewed two payslips (the month selected as having an increase of greater than 5% and the previous month) and confirmed that in each case, backdated pay had been awarded resulting in the higher pay. No issues have been noted in this area. - Routine 5 – larger than average salaries - The digital tool has analysed payroll reports uploaded, to identify any payments made that are greater than 2 standard deviations from the mean salary for that job role and selected 5 items to test. We have reviewed the payslip for each of these 5 employees and confirmed that these were selected due to back pay being awarded in the month. No issues have been noted in this area. Routine 6 – sample testing of payroll reports – we selected a sample of 5 payments to be tested and for each payment we agreed the sample back to supporting evidence, agreed that the computation is accurate, checked that the amount is accurately recorded, agreed that the amount occurred and pertains to the entity and that the amount has been recorded in the correct financial period. The Council was unable to provide any supporting documentation in relation to 3 elements of one employees payslip which did not allow for the audit team to recalculate the earnings per the payslip. Under normal circumstances, the audit team would conduct further testing but due to the legal backstop deadline and timing of client responses there is insufficient time to allow for this. - Starters, leavers and changes in circumstances – we selected a sample of 12 starters, 12 leavers and 12 changes in circumstances. We tested these samples back to supporting evidence to show that these were valid.

101

Assessment

- [Red] We were unable to fully test the balance/transaction.
- [Amber] We reviewed the balances and where applicable tested on a sample of transactions, however, we identified a number of issues/exceptions to be able to conclude.
- [Green] We were able to test the balances and conclude for 23/24 and we did not identify any significant issues

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D. Status of audit testing 2023/24

Primary Statement							
Comprehensive Income and Expenditure Statement							
Financial Statement Line Item	**Status**	**Likely to be materially misstated**	**Total sample size (#)**	**Samples with appropriate evidence (#)**	**Failed samples (#)**	**Inconclusive samples (#)**	**Auditor Comments**
Employee Benefit Expenditure - continued		2023/24: unknown 2022/23: unknown					Our work has resulted in two findings to bring to the attention of those charged with governance. 1. Several of the forms we were provided with were not signed by the employee and/or their manager and one form was even signed with the wrong name and date. This is not in line with the Council's policies. We would therefore recommend to Management that the HR team are reminded of the importance of accurate and timely record keeping. 2. Two of our samples related to members and upon investigation it was noted that there are no official starters and leavers process for Councillors. We would therefore recommend to Management that consideration is given to whether a formal starters and leavers process should be introduced for members.

Assessment

- [Red] We were unable to fully test the balance/transaction.
- [Amber] We reviewed the balances and where applicable tested on a sample of transactions, however, we identified a number of issues/exceptions to be able to conclude.
- [Green] We were able to test the balances and conclude for 23/24 and we did not identify any significant issues

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D. Status of audit testing 2023/24

Primary Statement							
Comprehensive Income and Expenditure Statement							
Financial Statement Line Item	**Status**	**Likely to be materially misstated**	**Total sample size (#)**	**Samples with appropriate evidence (#)**	**Failed samples (#)**	**Inconclusive samples (#)**	**Auditor Comments**
Housing Benefits		2023/24: no 2022/23: unknown	33	33	-	-	Areas covered within this section include: - Module 2 – within this testing we check to ensure that the parameters of the software used have been updated so that the calculations are correct - Module 5 – within this testing we check to ensure that the correct software version is being used by the Council and that any software patches have been updated - HB expenditure testing – the total population of HB expenditure is £21.2m broken down into Rent Allowances of £20.2m and non-HRA of £1m. We cleansed the population from contra entries and using the AAA digital tool, split the population into large items, debits, credits and low value items. This has determined a sample size of 33 items (28 from debits and 5 from low value items). No issues were noted.
Other Services Expenditure		2023/24: unknown 2022/23: unknown	97	5	-	92	We obtained the listing for operating expenditure and agreed this back to the trial balance and financial statements. We determined a sample size of 97 items. Due to the statutory audit backstop, we lack sufficient time to complete the planned audit procedures in this area. Consequently, we are unable to conclude our work in this area.
Precepts and levies		2023/24: no 2022/23: unknown	7	7	-	-	**To test precept income, we obtained the listing of precepts due to the Council from the face of the Collection Fund within the financial statements and agreed each precept back to supporting documentation. No issues were noted.** **To test precept expenditure, we obtained a listing and agreed this back to the expenditure noted in the financial statements. We then pivoted the data such that the precept for the selected parish could be tested as a whole. The sample size determined was 7. The samples were agreed to supporting documentation and no issues were no noted.**

Assessment

- [Red] We were unable to fully test the balance/transaction.
- [Amber] We reviewed the balances and where applicable tested on a sample of transactions, however, we identified a number of issues/exceptions to be able to conclude.
- [Green] We were able to test the balances and conclude for 23/24 and we did not identify any significant issues

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D. Status of audit testing 2023/24

Primary Statement							
Comprehensive Income and Expenditure Statement							
Financial Statement Line Item	**Status**	**Likely to be materially misstated**	**Total sample size (#)**	**Samples with appropriate evidence (#)**	**Failed samples (#)**	**Inconclusive samples (#)**	**Auditor Comments**
Council tax income and non-domestic rates		2023/24: unknown 2022/23: unknown	20	10	-	10	For Council tax, we performed substantive analytical procedures (SAP) to determine a value for council tax and compared this to the values in the financial statements. We did not note any issues. Within the council tax SAP, we included a number of council tax reliefs. We therefore selected a sample of 10 of these tax reliefs and re-performed the calculations and agreed the values back to source documentation. We did not note any issues. For non-domestic rates, we performed substantive analytical procedures (SAP) to determine a value for NNDR income and compared this to the values in the financial statements. We did not note any issues. Within the council tax SAP, we included a number of NNDR reliefs. We therefore selected a sample of 10 of these tax reliefs, however at that time of drafting this report management had not been able to provide sufficent supporting documentation for this sample. Due to the statutory audit backstop, we lack sufficient time to complete the planned audit procedures in this area. Consequently, we are unable to conclude our work in this area.

104

Assessment

- [Red] We were unable to fully test the balance/transaction.
- [Amber] We reviewed the balances and where applicable tested on a sample of transactions, however, we identified a number of issues/exceptions to be able to conclude.
- [Green] We were able to test the balances and conclude for 23/24 and we did not identify any significant issues

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D. Status of audit testing 2023/24

Primary Statement							
Other areas of testing							
Financial Statement Line Item	**Status**	**Likely to be materially misstated**	**Total sample size (#)**	**Samples with appropriate evidence (#)**	**Failed samples (#)**	**Inconclusive samples (#)**	**Auditor Comments**
Expenditure and Funding Analysis		2023/24: no 2022/23: unknown	**n/a**	n/a	n/a	n/a	We have agreed the Expenditure and Funding Analysis (EFA) and related noted to the outturn reporting and to the comprehensive income and expenditure statement.
Remuneration disclosures		2023/24: unknown 2022/23: unknown	**n/a**	n/a	n/a	n/a	We have reviewed the senior officer remuneration note and requested payslips for Senior Officers as well as to support the bandings disclosed in the financial statements. At the time of drafting this report, this evidence remains outstanding. Therefore, due to the statutory audit backstop, we lack sufficient time to complete the planned audit procedures in this area. Consequently, we are unable to conclude our work in this area.
Leases		2023/24: no 2022/23: unknown	**15**	15	-	-	Areas covered within this section include: We have obtained a listing of leases that the Council currently have open both as lessee and lessor and have selected a sample of each type – 6 (as lessee) and 9 (as lessor). There have been some trivial differences noted. We have also reviewed the leases disclosure note and have confirmed that this is in line with the CIPFA code.
Audit fees		2023/24: no 2022/23: unknown	**n/a**	n/a	n/a	n/a	We agreed the figures in the audit note to the general ledger and to the values stated in the audit plan. No issues were noted.

Assessment

- [Red] We were unable to fully test the balance/transaction.
- [Amber] We reviewed the balances and where applicable tested on a sample of transactions, however, we identified a number of issues/exceptions to be able to conclude.
- [Green] We were able to test the balances and conclude for 23/24 and we did not identify any significant issues

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D. Status of audit testing 2023/24

Primary Statement							
Other areas of testing							
Financial Statement Line Item	**Status**	**Likely to be materially misstated**	**Total sample size (#)**	**Samples with appropriate evidence (#)**	**Failed samples (#)**	**Inconclusive samples (#)**	**Auditor Comments**
Capital Expenditure and Financing		2023/24: no 2022/23: unknown	**n/a**	n/a	n/a	n/a	**Areas covered within this section include:** - Minimum Revenue Provision (MRP) – we recalculated the MRP and compared the values to those used by Management. A difference was noted between the values due to our calculations using an updated PWLB rate compared to that used by the Council as they have used an average rate to be more prudent. We reviewed the MRP policy and note that this is in-line with CIPFA guidance. We also reviewed the matters raised in the prior year audit findings report with regard to the MRP calculation and note that these matters have been resolved. - Capital Financing Requirement (CFR) – we have agreed the values back to management's working papers and supporting notes within the financial statements.
Financial Instruments		2023/24: no 2022/23: unknown	**n/a**	n/a	n/a	n/a	We have agreed the financial instruments note back to other notes within the financial statements and no issues were noted. We also reviewed the disclosures around financial instruments and agreed that these are in agreement with IFRS 7 and IFRS 9.
Statement of cash flows		2023/24: unknown 2022/23: unknown	**n/a**	n/a	n/a	n/a	We have agreed the cash flow statement and related notes to other notes within the financial statements. We noted the following: - A balancing figure of £32,912 is included within 'Other investing activities' - Note 30 – has nil values for both years in several lines within the note - Two incorrect entries shown in note 29 for the proceeds and purchases of investments – these entries do however contra to nil in the note. See Disclosure misstatements in Appendix E. However, as the work over the cash flow statement compares the cash movement between balances sheet categories such as PPE, Debtors and Creditors and we (as per sections above in this note) are not giving assurances over the closing balances of these sections, we cannot therefore give assurance over the cash flow statement as at 31 March 2024.

Assessment

- [Red] We were unable to fully test the balance/transaction.
- [Amber] We reviewed the balances and where applicable tested on a sample of transactions, however, we identified a number of issues/exceptions to be able to conclude.
- [Green] We were able to test the balances and conclude for 23/24 and we did not identify any significant issues

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D. Status of audit testing 2023/24

Primary Statement							
Other areas of testing							
Financial Statement Line Item	**Status**	**Likely to be materially misstated**	**Total sample size (#)**	**Samples with appropriate evidence (#)**	**Failed samples (#)**	**Inconclusive samples (#)**	**Auditor Comments**
Journals		n/a	113	113	n/a	n/a	During our audit work we noted that a full general ledger download could not be provided in a timely manner by Management. In order to assess journals therefore, we were able to download a report showing the journals over £50k which had been posted. A review of this download highlighted that the Director of Finance and the Deputy Director of Finance had been posting journals throughout the financial year. We therefore selected each of their journals to test to give us assurance over the management override of controls. In total, we therefore selected 113 journals to test, with 42 being posted by the Director of Finance and 43 by the Deputy Director of Finance. Our testing also noted gaps in the sequential numbers of the journals posted. This is due to a manual numbering system being used and users "taking" journal numbers to use and then that then number no longer being needed. We also noted that users can self-authorise their own journals. We therefore recommend that management consider amending their processes such that the self-authorisation of journals is removed. Please see Appendix B for actions raised.

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Assessment

- [Red] We were unable to fully test the balance/transaction.
- [Amber] We reviewed the balances and where applicable tested on a sample of transactions, however, we identified a number of issues/exceptions to be able to conclude.
- [Green] We were able to test the balances and conclude for 23/24 and we did not identify any significant issues

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E. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2024.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £' 000	Impact on total net expenditure £'000	Impact on general fund £'000
None noted	nil	nil	nil	nil

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure Omission	Adjusted?
Note 14 (1) Add sub-heading 'Revaluations' before revaluations narrative to make it more clear what the paragraphs relate to (2) Request that the Capital commitments be reported before or below the revaluation narratives as it currently sits in the middle (3) Request that the Council add 22/23 comparative figures for Capital Commitments to Note 14.	✓
Note 29 'Purchases of short term and long term investments' Cashflows from Investing Activities have been understated by £1 million and as a result, sales proceeds were also understated by £1million. We would expect an increase in 'Purchases of short term and long term investments' from £7m to £8m, an increase of 'Proceeds from short term and long term investments' from (£9m) to (£10m) with no net movement to cash flows from investing activities.	✓
Note 33 -In line with CIPFA guidance I144, the Chief Executive's name should be disclosed along with salary for those earning a salary of over £150k.	✓
During the audit, various other minor disclosure updates were made to the financial statements to improve readability or correct more trivial findings.	✓

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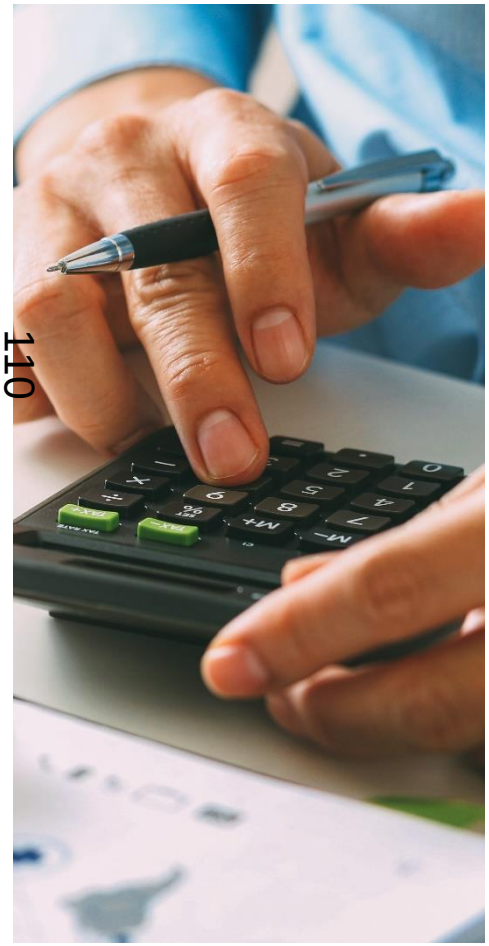
E. Audit Adjustments

Misclassification and disclosure changes - continued

Disclosure Omission	Adjusted?
Narrative Report We noted that there is no information about the backstop audit in prior years in the Narrative Report. We recommended that this disclosed.	X
Accounting Policies We noted that accounting policies have been included within the financial statements for investment property and heritage assets. We recommended that these policies should be removed as these are not material values.	X
Note 14 The disclosure included within the note suggested that all properties within the Council's portfolio were valued by the internal valuer. We noted that some of the properties had been valued by an external valuer and therefore we recommended that this matter be disclosed.	X

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E. Audit Adjustments (continued)



Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2023/24 audit which have not been made within the final set of financial statements. The Audit Scrutiny Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £' 000	Impact on total net expenditure £'000	Impact on general fund £'000	Reason for not adjusting
SANGS – See page 13 for details. This will be included as a qualification in the audit opinion.	Dr Expenditure 2,512	Cr Long Term Debtors (2,512)	2,512	2,512	Management preference
Overall impact	£2,512	(£2,512)	£2,512	2,512	

Impact of prior year unadjusted misstatements

Due to the 2022/23 financial statements being subject toa backstopped audit opinion, no unadjusted misstatements were recorded.

We have reviewed the unadjusted misstatements in the 2020/21 Audit Findings Report, as the last year of audit, and note that none of these would carry forward in to the 2023/24 financial year.

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F. Fees and non-audit services

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee	Final fee
Scale fee	£144,930	£144,930
ISA 315	£7,530	£9,415
Additional VFM Fee	TBC	£58,550
Reduced materiality and general delays in the audit process	TBC	£62,280
Objection	TBC	TBC
Total audit fees (excluding VAT)	**£152,460**	**£275,175**

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F. Fees and non-audit services

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services Grant Claims	£14,500	TBC
Total non-audit fees (excluding VAT)	**£14,500**	**£TBC**

Total audit and non-audit fee	
(Audit Fee) £275,175	(Non Audit Fee) £14,500

The initial fees reconcile to the financial statements. fees per financial statements. Updated fees are to be approved by PSAA, and have not been reflected in the draft financial statements.

None of the above services were provided on a contingent fee basis

This covers all services provided by us and our network to the group/company, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence.

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G. Audit opinion

See separately submitted paper

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Appendix G - 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 2024, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies and notes to the financial statements. 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 2023/24.

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

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2024 by 28 February 2025 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements. The latest date on which unaudited accounts could be published to enable local elector rights to be met in time for the backstop was 16 January 2025. The authority published its unaudited accounts on 14 June 2024. We have been unable to obtain sufficient appropriate audit evidence by the backstop date to conclude that the Authority's financial statements for the year ended 31 March 2024 as a whole are free from material misstatement. We were also unable to obtain sufficient appropriate evidence over the corresponding figures or whether there was any consequential effect on the Authority Comprehensive Income and Expenditure Statement for the year ended 31 March 2024 for the same reason. We have concluded that the possible effects on the financial statements of undetected misstatements arising from this matter could be both material and pervasive. 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 2024 by the backstop date.

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

Valuation of Property, Plant and Equipment

The CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2023/24 requires that for Property. Plant and Equipment assets recorded at current value, that the Authority performs valuations with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using the current value at the end of the reporting period.

The valuation of the Authority's land and buildings at 31 March 2021 was undertaken by professionally qualified valuer who subsequently left the Authority's employment before the audit commenced. Insufficient documentation was retained by the Authority to appropriately evidence the significant assumptions and judgements made by the valuer in their certified valuation. The backstop date has prohibited us from undertaking sufficient procedures in the current year to obtain assurance over the accuracy of the valuations. We were therefore unable to confirm the accuracy of the valuation calculations or obtain sufficient appropriate audit evidence to conclude whether the basis of the valuations were reasonable.

In addition, the Authority's car parks had been valued based on the average car parking income for the prior three accounting periods. However, this valuation did not include consideration of the impact of Covid-19 on the car parks' likely future income trends, given the fact that actual income levels for 2020-

21 had significantly declined due to the national lockdowns in force. The backstop date has prohibited us from undertaking sufficient procedures in the current year to obtain assurance over the accuracy of the valuations. As a result, we were unable to obtain sufficient assurance that the value of car parks were not materially overstated.

Suitable Area of Natural Green Space (SANGS)

The 2023/24 includes a long-term debtor in relation to SANGS, which is expenditure that the Authority has capitalised and plans to amortise over a twenty year period. The audit team have reviewed the transactions that created this debtors balance and believe these to be revenue transactions for the maintenance of the land and should not therefore appear on the balance sheet but should instead be written off to expenditure. Management have chosen not to amend the financial statements in this respect. We have therefore been unable to confirm that the balance sheet is not materially misstated.

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

Because of the significance of the matters 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 the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdon 2023/24, 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 matters 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 except on 4 February 2025 we made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in relation to the behaviour of some members. We recommended that the Authority should:

- Commission a suitably qualified expert to investigate the underlying causes of member behaviours which contravene the standards set out in the Council's constitution under the members' code of conduct and the member/officer protocol; and which have impacted the Council's reputation and working culture. The Council should then develop an action plan to enable members and officers to address those issues.

- Adopt a consistent zero-tolerance approach to any swearing; lack of respect for other people attending meetings; or other abusive behaviour towards other members or officers in meetings. This should be done by making full use of the procedural rules set out in the Council's constitution by: Immediately adjourning the meeting; moving a motion that the member concerned be not heard; or moving a motion that the member concerned should leave the meeting.
- Consider amendments to its constitution to extend those procedural rules to all meetings of committees of the Council and amend the Member Code of Conduct to include an obligation for all members to reinforce standards of behaviour and to support the Chair of the Council and chairs of committees of the Council in their use of procedural rules to ensure proper conduct. Group Leaders should model good behaviour and discipline members of their groups whose behaviour breaches the Code of Conduct and the member/officer protocol.
- Continue to provide information and support to ensure that members and officers who are subjected to aggressive and abusive behaviour from individual members can, if they wish, submit a written complaint to the Monitoring Officer immediately, so that it can be dealt with under the Council's Standards procedures.
- Ensure that Group Leaders take responsibility for their members working collaboratively with officers and for their members improving behaviours and relationships.
- Review membership of the Standards Committee, with only members who have an excellent behavioural track record being eligible to join it. Meetings should then resume. A Governance Committee should be introduced to reinforce the work of the Standards Committee. As with the Standards Committee, members on the Governance Committee must have an unblemished behavioural track record.

Responsibilities of the Authority and the Chief Finance Officer

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, 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 2023/24, 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 matters 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

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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 matters 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 2024.

We have nothing to report in respect of the above matter except on 4 February 2025 we identified two significant weaknesses in the Council's governance arrangements. We identified that members did not always understand their responsibilities and the information they can gain access to by law. We recommended that members be clear what they can and can not have access to and that where appropriate, 'Part two' meetings should be used to discuss any sensitive issues.

We also identified that the Council could strengthen it's arrangements around declarations of interest. We recommended that an Internal audit of declarations be undertaken to identify areas for improvement.

Finally, we identified one significant weakness in how the Authority plans and manages its resources to ensure it can continue to deliver its services. This was in relation to the Authority's decision making. We recommended that the Authority strengthen it's decision-making arrangements by implementing the following:

- A decision flowchart should be completed and used. If necessary, longer timescales for evaluation of the impact of decisions should be introduced and;
- Once decisions are made, they should be treated with trust and respect by members and officers, and they should be acted on in a spirit of mutual co-operation.

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 November 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 – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Teignbridge District Council for the year ended 31 March 2024 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary in relation to consolidation returns, including Whole of Government Accounts (WGA), and the National Audit Office has concluded their work in respect WGA for the year ended 31 March 2024. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2024.

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 85 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.

Beth Bowers, Key Audit Partner

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

Bristol

Date:

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Teignbridge District Council
Audit Scrutiny
13 February 2025
Part 1

ANNUAL GOVERNANCE STATEMENT 2023-2024 - UPDATE

Purpose of Report

To approve amendments to the 2023-2024 Annual Governance Statement for the years and to recommend these to Council for approval.

Recommendation(s)

The Audit Scrutiny Committee RECOMMENDS to Council that amended Annual Governance Statement 2023-2024 is approved.

Financial Implications

None.

Martin Flitcroft
Director – Corporate
Email: martin.flitcroft@teignbridge.gov.uk

Legal Implications

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

Paul Woodhead
Head of Legal Services and Monitoring Officer
Email: paul.woodhead@teignbridge.gov.uk

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

Sue Heath – Audit and Information Governance Manager
Tel: 01626 215258 Email: sue.heath@teignbridge.gov.uk

Executive Member

Councillor John Parrott – Executive Member for Corporate Resources

1. PURPOSE

1.1 To review proposed amendments to Annual Governance Statement 2023-2024 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 kept up to date at the time of publication.**

2.3 The Audit Scrutiny Committee's role is to consider whether the AGS fairly reflects the arrangements within the Council. The 2023-2024 AGS was originally reviewed and approved by Audit Scrutiny members in June 2024 (agenda item 21).

2.4 As the financial statements (including the AGS) can only formally be published on conclusion of the external audit, and as this has only just been finalised, various updates have been necessary for the AGS to remain current. These are shown *in red and italic text.*

3. CONCLUSION

3.1 The AGS should detail the arrangements for the applicable year and remain current until its publication date. The following amendments are proposed to ensure it is up to date. Members are requested to review these changes and, if satisfied, recommend them to the 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 issued by CIPFA and SOLACE.

4.2 **Resources**

There are no direct financial implications.

5. GROUPS CONSULTED

Strategic Leadership Team and Leader of the Council 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.

Annual Governance Statement 2023-2024
(Draft update January 2025)

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 2024 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.
- An updated Member and Officer protocol, which clarifies roles and responsibilities, ~~is due to be~~ *was* approved by Council in July 2024.
- The Constitution is reviewed on an ongoing basis to ensure it is fit for purpose.
- The Centre for Governance and Scrutiny have been assisting the Council with exploring ways to better support good governance.
- 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 the Monitoring Officer are responsible for ensuring 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 and Standards Committees, 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

- We encourage all members of the community to contribute to and participate in the work of the Council. Our Consultation Toolkit sets out the principles of stakeholder engagement.
- 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, and most meetings are available to the public through Webcasting, which provides transparency in decision making.
- Key decisions are published on-line and are subject to a "call in" process which enables non-Executive members to raise any concerns they may have.
- Our weekly Residents' Newsletter, websites and social media channels are used to communicate Council activity and other matters of interest.
- Plain English principles are used in publications and digital content meets the required Government Digital Services accessibility standards with a 93.4% AA rating on our website. Our website has been continually improved based on our customer's feedback.
- We have developed a Digital Strategy to guide the way services will be delivered with a digital first approach.
- A Statement of Community Involvement sets out participation and engagement processes for planning policy. We engage and consult our communities on-line and in person, and the Council is a frontrunner in trialling artificial intelligence and modern methods of engagement in order to gather public views on proposals.
- Our Local Development Scheme is kept up to date and on our website, setting out clear timescales for the various stages of the Local Plan, from inception to adoption. The Local Plan has been submitted to the Secretary of State and ~~is being~~ *has been* examined by independent inspectors *through public hearings.* ~~who will be conducting public hearings later in 2024.in 2025.~~ *We now await the Inspector's letter, which will be followed by public consultation on change to the Plan in Spring 2025 and adoption by Council in Summer 2025.*

Principle 3: Defining outcomes in terms of sustainable economic, social and environmental benefits

- ~~The Council Strategy guides our work. The priorities are currently homes, jobs and climate change. Although the current Strategy runs until 2030, it is currently under review, incorporating extensive research, and consultation with residents, businesses and partners, to help shape future objectives.~~
- *Our Council Strategy was formally updated at Full Council in January 2025 following a series of community and stakeholder engagement events. Through this work, we have established an evidence base identifying community priorities and a framework setting out how we will engage with communities to deliver objectives covering five themes: Community, Economy, Environment, Homes, and Infrastructure. Through this overarching strategy, we will work to consider the environment in everything that we do and encourage others to do the same. Delivery plans for each of the strategic themes are being developed which will involve further engagement with our communities and partners.*

- ~~Our elected members declared d a Climate Emergency in 2019 and pledged to do what is within our powers to become a net zero district. Through our membership of the Devon Climate Emergency, we are supporting the implementation of the Devon Carbon Plan though a host of activities including knowledge sharing, funding, collaboration, and place-based approaches to decarbonisation.~~
- *The Council has formally declared a Climate Emergency and is a signatory and active member of the Devon Climate Emergency group; through this group and our endorsement of the Devon Carbon Plan, we have committed to a common goal of achieving net-zero emissions across Devon as soon as possible and by 2050 at the very latest.*

- ~~We have progressed a series of projects under our in-house Carbon Action Plan. These include replacing fossil fuel heating with heat pumps and supporting measures within our top four most carbon intensive buildings. Two projects have been completed at Forde House and the Teignmouth Lido, with two in progress at Newton Abbot Leisure Centre and Broadmeadow Sports Centre. Under the same plan we are installing fleet electric vehicle charging infrastructure at three sites including Forde Road Depot, ahead of receiving our first phase of electric vehicles in 2024.~~
- ~~Through our Making Changes Study residents focus group, engagement with businesses and town and parish councils, and consultation with officers, we are currently working on a District Carbon Action Plan to transpose actions from the Devon Carbon Plan into a plan for Teignbridge representing the specific needs of our local communities and businesses. We intend to publish this plan alongside our Teignbridge Climate Hub communications engagement website later this year.~~

- *We have already made significant progress contributing to actions within the Devon Carbon Plan; this includes the establishment of new climate change policies within our emerging Local Plan promoting sustainable development, delivering active travel infrastructure under our Local Walking and Cycling Infrastructure Plan, and working through our Housing and Economy teams to support homes and businesses in benefiting from low carbon technology.*

- *Work is underway to transpose the Devon Carbon Plan into a specific plan for Teignbridge to form our District Carbon Action Plan. This plan will form part of the Environment theme of the Council Strategy and establish what actions we can influence as a local authority, and what the council can do to support communities in pursuit of our net-zero objective whilst reflecting local need.*

- *Through our in-house Carbon Action Plan, we have progressed a series of high-impact projects working to reduce our own carbon footprint and show leadership as we pursue efforts to achieve our net-zero objective. This includes a pipeline of policies and targets within our Part 1 Carbon Action Plan, including heat decarbonisation projects covering four of our top five most carbon-intensive buildings and the electrification of our vehicle fleet.*

- Our Local Plan team have undertaken significant work to prepare our 2020 – 2040 Local Plan ~~for inspection due later this year~~ *which is finishing the examination process 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, amongst further sustainability policies for specific site allocations.

- The submitted Local Plan also amalgamates objectives relating to the national Garden Community programme. It sets out policies to deliver the Newton Abbot and Kingsteignton Garden Communities Project, which features climate change adaptation and mitigation as principal levers for change, as well as wider social, economic and environmental objectives relating to the Garden Community, such as green infrastructure delivery and our Local Walking and Cycling Infrastructure Plan (LCWIP).
- Budgets, the financial plan, and the capital programme direct financial resources to priorities.
- A Task and Finish Group set up by the Overview and Scrutiny Committee has been tasked with reviewing the Medium Term Financial Plan with a view to closing the future predicted budget gap.
- 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 running projects under these levelling up schemes.
- Our successful Future High Street Fund award is anticipated to bring benefits to Newton Abbot in 2024 from enhancements to Queen Street and Market area. The decision was taken by members at and extraordinary council meeting in November 2022 to remove the Alexandra Cinema from the original plans, causing a delay in delivering this scheme.
- 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 *cross border* planning and infrastructure matters. ~~and we are members of the Heart of the South West Local Enterprise Partnership~~. A non-statutory Joint Strategy (called “Our Shared Coordinates”) sets out the shared challenges, future vision and shared objectives for the sub-region.

Principle 4: Determining the interventions necessary to achieve intended outcomes

- Performance measures track progress with delivery of our Strategy.
- A Medium Term Financial Plan 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. As above, a Task and Finish Group also monitors this.
- 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 to modernise the way we work, looking at processes, structure and outcomes for customers. Working with consultants, Ignite, we have undertaken strategic alignment review and developed a new target operating model which is in the process of implementation.
- A digital transformation programme, digital strategy, and our annual business planning and review exercises, also 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, including a comprehensive induction training programme for members. Staff inductions include mandatory training in key areas such as Data Protection, Safeguarding and working safely.
- Training and development needs are tracked through annual personal development and performance interviews for staff.
- Periodically, managers' conferences are held to help build resilience and support the transformation and change processes the Council is undertaking.
- *We have invested significantly in the training and development of the new Heads of Service following a management restructure in 2024.*
- Ongoing member development needs are co-ordinated by the Democratic Services Team Leader with oversight from the Procedures Committee. The Council is working towards obtaining member development charter status.
- HR polices 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. *(Note: we aim to facilitate Audit Scrutiny reviews is bi-annually, and although this wasn't achieved in 2023, reports resumed in 2024 with the June and December 2024 meetings considering risks and reviewing the Risk Management Strategy).*
- The Risk Management 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. Risks have been kept under review to ensure appropriate mitigations are in place.
- Performance against the Council Strategy is monitored through annual business plans with performance monitoring reports to the SLT and Overview and Scrutiny Committees.
- Service managers use automated performance reporting through the Power BI reporting tool, which produces a suite of dashboards linked to a data warehouse. This is supplemented by reporting from service specific systems.

- Data from consultants Ignite, CIPFA, and LGA inform is used to benchmark cost and productivity across services.
- A programme of service reviews 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 and advises the Council on financial matters.
- Managers are responsible for ensuring internal control systems are in place, and a programme of internal auditing reviews the effectiveness of these.
- Internal financial control is based on a framework of Financial Instructions, Contract Procedure Rules, system and administrative procedures, and a scheme of delegation and accountability.
- A Medium Term Financial Plan is in place and updated regularly with Revenue and Capital budget planning based on corporate priorities undertaken by Corporate and Strategic Managers, and approved by full Council.
- Revenue and Capital budget monitoring reports are produced and scrutinised on a regular basis.

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 undertakes an annual programme of audits and reports to both the SLT and Audit Scrutiny Committee who also receive and consider the external auditors' findings.
- The Audit Scrutiny Committee are appointing an independent member in 2025 to strengthen independence.
- The Council has published its draft Financial Statements for 2021-2022, and 2022-2023, however, in line with national backstop legislation, brought in to address a recognised national issue with delayed external audit across the public sector, ~~these have not been audited by the external auditor~~ *disclaimed opinions were received. The external auditor's final findings report and annual report for 2021/22 and 2022/23 (combined) were issued September 2024*. The external audit of the 2023-2024 accounts ~~should~~ commenced in October 2024 *and a report is imminent.*
- Key data is published including Council spending and senior officer pay.
- Freedom of Information, Data Subject Access, and other information requests are dealt with fully and promptly with above average performance in processing times.

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.~~ *did not receive risk monitoring reports during 2023/24, however these resumed in June and December 2024 providing assurance for this more recent period.*

- Counter fraud arrangements have been kept under review through a Fraud Risk Assessment and fraud controls are evaluated during internal audit work.

- The Council's external auditor reviews the Council's financial statements and arrangements for value for money. Plans are in place to address external audit's recommendations from the recently completed audit of the 2020-2021 financial statements and value for money opinion. As already mentioned above, across the sector there is a significant number of audits not completed, resulting in our previous 2 year's financial statements remaining unaudited, however, ~~we expect 2023-2024 to be back on track with an audit commencing Autumn 2024~~ *work resumed in Autumn 2024.*

- 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 2023-2024. Strata's performance has also 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, 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 2024 elections were held in line with the performance standards set by the Electoral Commission.

- We have reviewed our delivery on equality and inclusion against the Equality Framework for Local Government and are working through an action plan to implement areas of improvement identified through the self-assessment.

- The Local Government Ombudsman contacted us regarding 13 cases in the year 2023-2024. 7 cases were not investigated after initial enquiries, 2 cases were premature / temporarily closed, 2 cases were upheld and 2 are ongoing. 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, which helps ensure financial resilience.

- 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 – the Council self-reported just one data breach to the Information Commissioner's Office and notified the affected data subjects. Although it was low risk and below the threshold for notifying, in the interests of transparency it was decided to inform people affected. Average processing time for Freedom of Information and Environmental Information Regulation requests is above average compared to other similar 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 including:

  - Centre for Governance and Scrutiny review: to help us improve our governance framework
  - an assessment of cyber governance by an independent external consultant
  - a review of the Council's Operating Model by consultants Ignite
  - an independent review of our Development Management service commissioned from the Planning Advisory Service
  - Local Government Association – Corporate Peer Challenge: a team of expert peers comprising senior local government councillors and officers, reviewed how the council operates and made suggestions for improvement

which are being addressed in an action plan developed with members and partners.

- *The Council's management team was restructured in Autumn 2025, to support the Modern 25 transformation programme, and Executive Member areas were aligned to areas of responsibility. A Workforce Plan is being implemented in 2025 and a robust Business Planning process involving the new Heads of Service is imminent.*

Conclusion

Our governance arrangements continue to be regarded as fit for purpose in accordance with the governance framework. Set out below, are the most significant challenges and actions we need to focus on during 2024-2025.

Issue	Planned Action
Financial Sustainability The risk of future financial sustainability remains due to high inflation having an impact on business cases, relatively high interest rates, and low growth. Ongoing uncertainty around future levels of government funding also cause concern. It is recognised that there is a significant deficit in our Medium Term Financial Plan. Consultants "Ignite" were appointed to assist us in developing a new operating model for the Council. This has now become the Council's Modern 25 Programme which aims to deliver a proportion of the required savings. We have also updated our Strategic Asset Management Plan, following officer and members workshops, which will provide direction and clarity in the way we manage our land and buildings.	The Chief Financial Officer will continue to produce frequent analysis of the financial position and update the Strategic Leadership Team. Our Modernisation Programme M25, is ongoing with the aim of addressing the anticipated shortfalls. A re-structure of the Corporate Management Team was launched in May 2024 in order to realign the management structure to the target operating model. A Task and Finish Group set up by the Overview and Scrutiny Committee has been charged with reviewing the Medium Term Financial Plan with a view to closing the future predicted budget gap. Further detailed information is included in our Financial Plan.
Member and Officer roles and relationships Good working relationships are crucial to good governance. *The Council continued to experience challenges in this area during 2023/2024.* The Centre for Governance and Scrutiny (CfGS) were commissioned to review officer/member roles and responsibilities, including consideration of values, behaviours, and	Work is ongoing to implement the recommendations from both reviews. Specific actions relevant to this issue, remaining to be addressed in 2024-25 include: ○ Completing the Constitution Review. Workshops have been held on various topics and feedback from these will

ethical issues, and the constitutional provisions supporting these. The Peer Review completed in January 2024 also made recommendations around enhancing communication and collaboration, strengthening trust and moral, and implementing methods for effective decision making. *An action plan was agreed and submitted to full Council*. ~~Planned development of the new Member and Officer protocol , and the Constitution review, which are essential components of the governance framework have been delayed.~~ *A new Member and Officer protocol was developed and agreed in July 2024, however the Constitution review remains a work in progress.*	be used to inform a revised Constitution. *This will include the planned review of the terms of reference of the Audit Scrutiny Committee, in accordance with CIPFA guidance.* ○ ~~Finalising the Member and Officer protocol. This will give clarity of roles and aid decision making. A draft protocol will be reviewed by the Procedures Committee in July 2024 before presenting full Council for approval.~~ ○ Continuing the enhanced member training programme. ○ ~~Delivering the new Council Strategy which is currently in progress. Member and other stakeholder working groups are being held, to ensure they are full engaged with this . The Strategy will help give clarity and direct the work of the Council when it is completed.~~ ○ *The Audit Committee will continue to monitor the governance action plan approved by full Council in October 2024.* ○ *The Peers are also scheduled to visit the Council in February 2025 to review progress*
<u>Planning Performance</u> Our Planning service was under threat of being placed in special measures by the Department for Homes, Communities and Local Government (DHLUC) in December 2023 due to poor performance processing non major planning applications. Our compliance rate was 68.53% against a government target of 70%.	We commissioned a review from the Planning Advisory Service and brought in a planning performance specialist. An action plan was agreed and implemented, and using funding secured from the planning skills delivery fund, additional support was commissioned. This has resulted in an increased application processing time ~~of above 70% in quarter one 2024-2025,~~

	~~increasing to 73% at the end of June 2024.~~ *and led to significant improvements in a short period of time. By the end of quarter one 2024-2025 the rolling two year figure was at 74.52% . This trajectory was set to continue and was put to DHLUC in a letter respectfully requesting the Council be acknowledged as no longer being under the threat of designation. This was accepted and the confirmation that the Council was no longer under threat was received on 3 October 2024.* We continue to work through the action plan to ensure sustainable changes are embedded we continue to reduce our dependency on temporary resources. Processes have been streamlined, performance reports are produced in real time and used to drive performance, training has been increased, including a town and parish forum. ~~By the end of June 2024 we aim to be in a position to formally request release from the threat of special measures by DHLUC.~~ *Government recently changed the performance indicator from a two year rolling figure to a one year figure. We currently stand at 92.8% for non-major against a target of 70%.*
Cyber Security and Resilience *, and use of Artificial Intelligence (AI)* External cyber attack is an ever present threat and although we have numerous mitigations in place to protect our infrastructure and systems, there is a continuing need to ensure we are in a state of preparedness. *We are carefully exploring the use of certain AI technologies due to the potential benefits these may provide, whilst being mindful of the risks and challenges of doing so responsibly. All staff involved in AI trials have signed up to a new AI policy setting out guidelines and their obligations to comply.*	A Business Continuity lead has been appointed and work is underway to ensure our BC Plans are reviewed and up to date. *The target date is March 2025.* ~~*A management workshop is taking place in June 2024.*~~ Key IT user policies have been reviewed and updated for general acceptable ICT use.These ~~will be finalised and released to staff during Summer 2024~~ *will be released to staff in 2025 through updated policy management software.*

Signed on behalf of Teignbridge District Council:

Managing Director **Leader of the Council**

Teignbridge District Council
Audit Scrutiny
13 February 2025
Part i

2023/24 FINAL ACCOUNTS

Purpose of Report

To bring an update on the statement of accounts for 2023/24 for Members to review and approve.

Recommendation(s)

To approve the final statement of accounts, updated Annual Governance Statement and letter of representation for 2023/24.

Financial Implications

The financial implications are contained throughout the report. The main implication is that the accounts have now been closed and partly audited. General reserves are as previously reported in August 2024 being slightly above the budgeted level anticipated at 31 March 2024 - £2.434 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 John Parrott – 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 2023/24

1. PURPOSE

To bring an update on the statement of accounts 2023/24 for Members to review and approve

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 for 2021/22. The regulations have since been amended and reverted to 31 May as the target date for production of the 2022/23 and 2023/24 statement of accounts. These changes failed to recognize the additional demands of the external auditors who increased the challenge and robustness around use of and reliance on estimates within the numbers when producing the accounts by such a date when the reversion was proposed. The LGA requested that the date for production be re-set to a more realistic date of 30 June but this was ignored by the previous Government and CIPFA. We published the accounts on 14 June for 2023/24 slightly earlier than 2022/23 accounts which were published

at the end of June 2023. The final accounts currently have to be approved by 30 September 2024. The Government have now announced updated dates to clear the back log of accounts audits with 28 February 2025 being the new back stop date for 2023/24. The deadline for production of draft accounts for 2024/25 has now moved to 30 June.

2.2 At the Audit Scrutiny meeting of 27 August 2024 the committee was introduced to the draft accounts and the results for the year 2023/24 including those for treasury management. The draft accounts were published on 14 June 2024.

2.2 The statement of accounts and financial records have been partially audited by our external auditors Grant Thornton. A full audit was not possible due to resourcing issues, audit clash with work required to implement a key financial system and with the preparation of the annual budget for 2025/26. Further difficulties were encountered by the level of testing and sampling which has increased considerably due to a change in the materiality threshold because of the backstop implications. Some minor changes to notes and wording within the accounts have been made however the core financial statements and reserves remain unaltered from the draft accounts produced. There have been some refinements to the Annual Governance Statement included in the accounts to reflect the current position. The accounts have to be signed off due to the legislative 'back stop' dates introduced for outstanding audits – being 28 February 2025 for 2023/24.

2.3 After approval the final accounts will be available on the website or a hard copy can be obtained. Members can access the draft accounts via this link: Teignbridge website and a hard copy is available in the Finance department.

2.4 The Chartered Institute of Public Finance and Accountancy (CIPFA) Toolkit for Local Authority Audit Committees published in 2006 recommended 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.

A further publication from CIPFA called Practical Guidance for Local Authority Audit Committees published in 2022 recommends focus in relation to the committee's review of the financial reporting:

- to monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met
- To review the annual statement of accounts. Specifically to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council
- To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts

3 FINAL STATEMENT OF ACCOUNTS 2023/24

3.1 The statement of accounts are now finalised, have been partially audited and there are some changes to the notes to the accounts in relation to the cash flow statement, display of a note on property, plant & equipment and other miscellaneous wording amendments. A recommendation from the auditors to reverse the capital treatment of SANGS as a prior year adjustment for the 2021/22 transaction has not been applied to the accounts. The closing general reserves at 31 March 2024 of £2.434 million are an improvement on the original budget of £134,000.

3.2 The balance sheet for 2023/24 shows a net worth of £143.2 million at 31 March 2024 compared to a net worth of £110.4 million at 31 March 2023. This is due mainly to a reduction in the pension fund deficit, increase in the value of property, plant & equipment and an increase in capital grants unapplied.

3.3 The regulations require the formal approval of the accounts and this will be signified by the Chair of Audit Scrutiny signing and dating the accounts on the page entitled the Statement of Responsibilities for the Statement of Accounts at the Audit Scrutiny meeting. This statement is from the Chief Finance Officer and will be signed by him at the same time. In addition the Annual Governance Statement will be signed at the same time by the Managing Director and Leader of the Council.

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 2023/24. 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 £1,007,000 or 31% has been made against a year end balance of £3,260,000 for sundry debts including rents for 2023/24. The majority of the debt relates to housing benefit overpayments where arrangement for regular affordable payments has been made. 30% is provided for small older debts still outstanding with specific appropriate provision for individual large debts. Write offs in the year were £174,000 or 1.3% of debt raised in year for 2023/24.

- The council tax gross debt at the end of 2023/24 was £7,154,000 (2022/23 £6,201,000) and write offs in the year were £159,000 (2022/23 £109,000). The write offs have remained low for each of the last five years at less than 0.3% of the debit raised. The debit raised in the year 2023/24 was £142 million and in 2022/23 £133 million. The bad debt provision for 2023/24 has

been increased to £1,946,000 being 27% of the balance - an increase of £322,000.

- For national non domestic rates the gross balance at the 2023/24 year end was £457,000 (2022/23 £581,000). Write offs were £33,000 in 2023/24 (2022/23 £33,000). The value of the bad debt and appeals provision amounts to £1.726 million at 31 March 2024 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 0.2% of the debit raised. The debit raised in the year 2023/24 was £41.0 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 Report (AGR).

3.7 Audit work to finalise the accounts

There has been a partial audit of the 2023/24 statement of accounts. As detailed above this was due to a number of factors including availability of resources, the audit clashing with the introduction of a key finance system and the work required to prepare the annual budget proposals. Added to that the complications of back stop dates to accounts preparation reduced the materiality thresholds for the auditors meaning the sample sizes in all areas increased significantly meaning even more time obtaining the relevant evidence etc. The accounts have to be signed off by the back stop date of 28 February 2025. The appropriate audit opinion will be included in the accounts when published together with an updated Annual Governance Statement for approval as an appendix to this report. We understand the audit opinion will be a 'disclaimed' opinion due to partial completion of the audit, the difference of opinion in relation to the treatment of SANGS and the brought forward disclaimer in relation to Property, Plant and Equipment. The draft audit opinion will be presented by Grant Thornton at the meeting as a separate agenda item and when confirmed and finalised incorporated into the statement of accounts.

3.8 Annual Governance Statement update

The Annual Governance Statement must reflect the 2023/24 financial year and has been reviewed and updated to reflect governance related and other events which have evolved since original publication of the draft AGS statement.

3.9 Letter of Representation

Our external auditor requires assurances from us on various financial matters including statutory and contractual requirements, reasonableness of estimates and provisions, responsibility for internal controls, various disclosures and information provided. These are detailed in the attached letter which needs

approval. I am currently clarifying elements of the letter for confirmation that their inclusion is valid. This will be clarified at the meeting.

3.10 Final Auditors Annual Report 2023/24

Grant Thornton will submit their final version of this report after the meeting for subsequent insertion into the statement of accounts. As referenced in 3.7 above we understand this will be a 'disclaimed' opinion. See separate agenda item.

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 2023/24 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 higher than originally budgeted at 31 March 2024.

The auditors 'disclaimed' opinion will be included within the statement of accounts when published at the end of February.

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)

No call in applicable.

TEIGNBRIDGE DISTRICT COUNCIL

STATEMENT OF ACCOUNTS

2023/24

STATEMENT OF ACCOUNTS 2023/2024

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Part 1

Introduction

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

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 2024. 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 2023/24 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 2024.
CASH FLOW STATEMENT	This shows on page 33 the changes in cash and cash equivalents of the Authority during the reporting period.

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

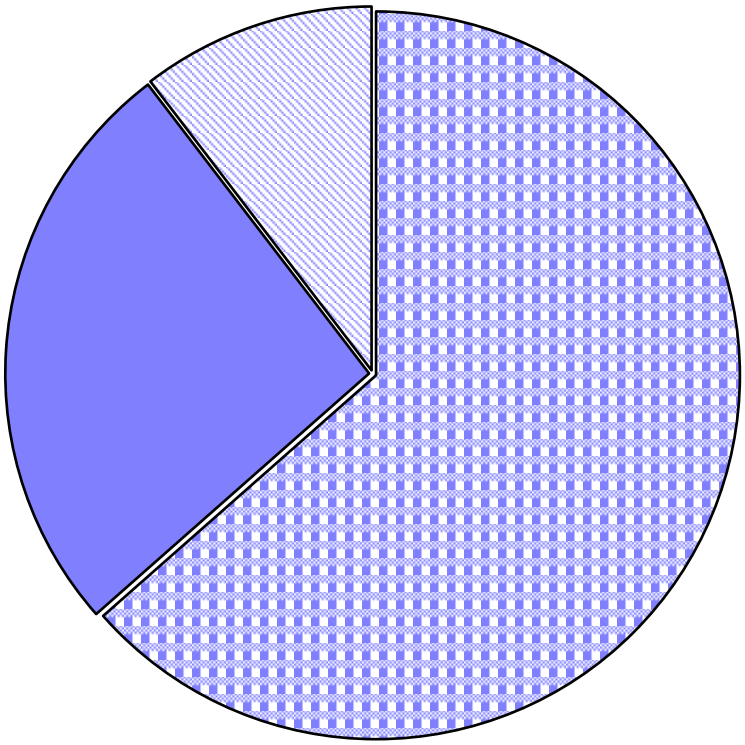
The Expenditure and Funding Analysis statement note 7 on page 53 shows how annual expenditure is used and funded from resources in comparison with those resources consumed or earned in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision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

SUPPLEMENTARY FINANCIAL STATEMENTS (Pages 113-114)

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

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

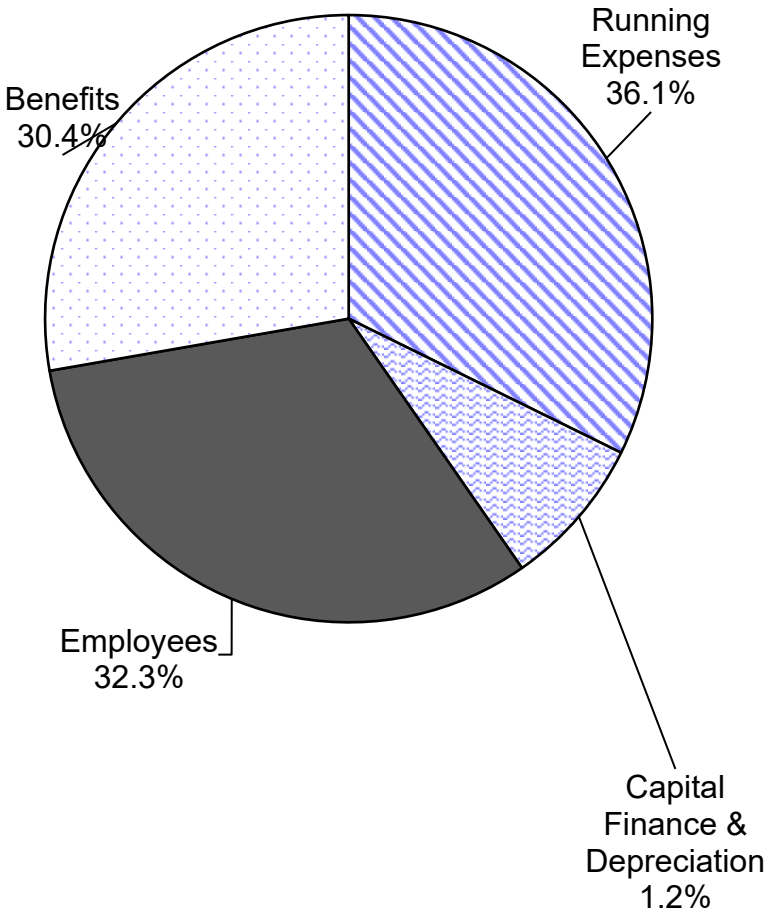
WHERE THE MONEY COMES FROM



The largest single item is Government Grants, for example rent allowances and revenue support grant, and other contributions which provide 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



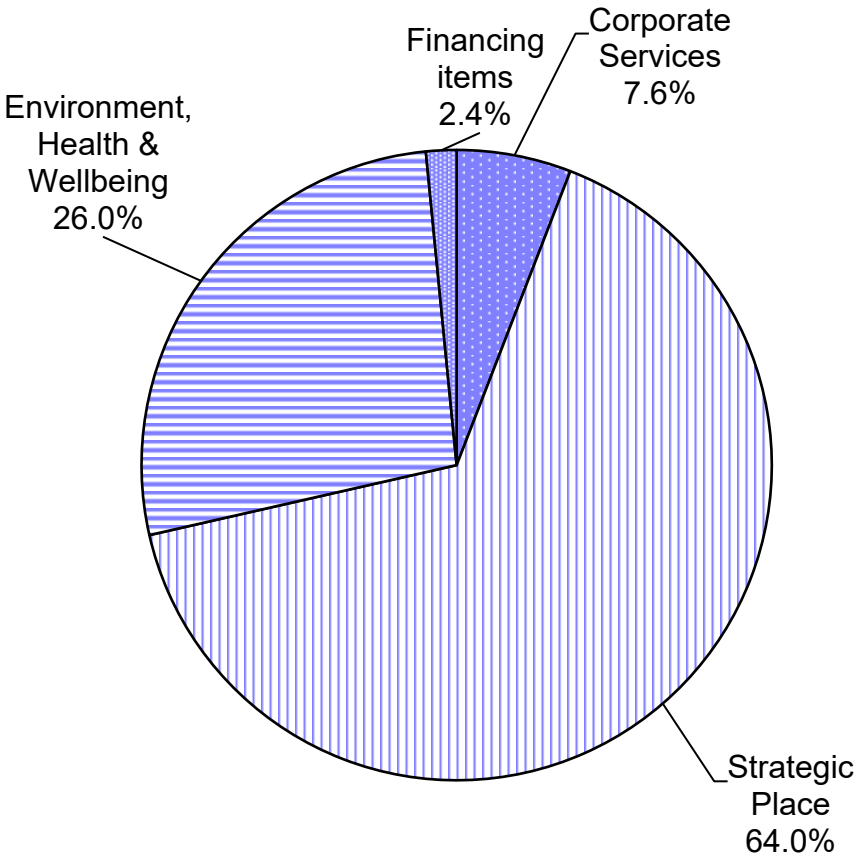
Benefits cover rent allowances and housing rent rebates and amount to 30.4%

Running expenses includes maintenance of buildings, operating vehicles and purchase of supplies and services and takes up 36.1% of the total expenditure.

Employees account for 32.3% of the total.

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

THE SERVICES PROVIDED



64.0% 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 £48.114 million to £55.063 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 were £62.260 million at 31 March 2023 and £88.205 million at 31 March 2024. This is principally due to an increase in the revaluation reserves and a decrease in the pension reserve deficit due mainly to changes in financial assumptions shown in note 40. Revenue reserves are £25.621 million at 31 March 2024 and capital receipts and grants unapplied are £29.442 million.

REVENUE EXPENDITURE

4. During the year regular budget monitoring has been carried out and reported to members. Overall net expenditure in 2023/24 was £16.806 million compared to the original approved budget of £17.634 million – a favourable variance of £0.828 million.

   Some income streams have increased compared to the base budget – for example leisure memberships and other leisure income, however others have reduced e.g. planning application fees. Interest received on investment income was significantly higher due to the increased interest rates. The Council continues to explore savings where possible. As a result there were savings in staffing costs, training, water, rates, fuel, leasing and audit fees. Some costs have risen including bed and breakfast costs, contractors costs, purchase/maintenance of equipment and other miscellaneous costs. Further government grants were received to assist with new burdens helping with the overall variance of £1.392 million favourable.

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

	Budget	**Actual**	**Difference**
	£'000	**£'000**	**£'000**
Net expenditure on services	17,634	16,806	(828)
Interest payable	0	0	0
NET EXPENDITURE	17,634	16,806	(828)
Income from Government Grants & Local Taxpayers	(17,634)	(18,198)	(564)
DEFICIT (SURPLUS) FOR THE YEAR	**0**	**(1,392)**	**(1,392)**

Actual net expenditure of £16.806 million can be reconciled to the Comprehensive Income and Expenditure Statement on page 30 being:-

	£'000
(Surplus) on Provision of Services	(11,363)
Adjustments between accounting basis & funding basis under regulations (note 9 on pages 57 to 61)	9,971
Deficit for the year	**(1,392)**
Add: Income from Government Grants and Local Taxpayers (as listed below)	18,198
Net expenditure (as above)	**16,806**

Income from Government Grants and Local Taxpayers of £18.198 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 £14.416 million, Business Rates income less expenditure, excluding surplus/deficit, plus new homes bonus, other sundry general grants of £8.608 million, less precepts paid to Parish Councils of £4.826 million. These are highlighted in notes 11, 13 and 35 to the financial statements. The General Fund balance at 31 March 2024 is £25.621 million being general reserves of £2.434 million and earmarked reserves of £23.187 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 low and possible revisions to funding for New Homes Bonus could reduce future core Government funding.

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 and is currently being refreshed. 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 further 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 2023/24 there were revaluation losses net of revaluation reversals relating to our land and building values charged to the Comprehensive Income & Expenditure Statement amounting to a net reversal of £2.1 million. Revenue expenditure funded from capital under statute was slightly higher in 2023/24 at £8.0 million (£7.7 million in 2022/23) mainly due to a £2.8 million contribution to the Dawlish link road improvements and £1.7 million towards the regional coastal monitoring programme. Of the £8.0 million, £7.9 million is charged to 'Strategic Place' within Cost of Services in 2023/24 and £7.5 million of the £7.7 million in 2022/23. In 2023/24 the revaluation losses net of revaluation reversals had reduced from £3.6 million to a net reversal of £2.1 million. £1.5 million was credited to 'Strategic Place' and £0.6 million to 'Environment, Health & Wellbeing' within Cost of Services.

EXPENDITURE AND FUNDING ANALYSIS

Section 5 above identifies the actual surplus made of £11.363 million when compared to the original budget set in February 2023. 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. Just over half of the net expenditure chargeable to the General Fund relates to the segment 'Environment, Health and Wellbeing' for 2023/24 and half for 2022/23 within Cost of Services.

CAPITAL EXPENDITURE

7. The table below shows the performance on Capital Investment for 2023/24.

The Council spent £15.328 million on capital projects compared with the original budget of £38.367 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	32,131	8,170	23,961
Housing	6,236	7,158	(922)
CAPITAL EXPENDITURE	**38,367**	**15,328**	**23,039**
Financed by:			
Capital Receipts	(2,249)	(587)	(1,662)
Revenue Contributions	(405)	(262)	(143)
Prudential Borrowing	(12,166)	(2,295)	(9,871)
Grants	(16,704)	(10,285)	(6,419)
Contributions	(6,843)	(1,899)	(4,944)
CAPITAL FINANCING	**(38,367)**	**(15,328)**	**(23,039)**

The analysis of Capital Investment in 2023/24 is:

Disrepair, energy and Disabled Facilities Grants	£ 2.407 million
Affordable Housing	£ 4.751 million
Environmental Schemes	£ 1.226 million
Flood Alleviation and Prevention	£ 1.722 million
Sports Halls and Recreation	£ 0.670 million
Planning & Development	£ 0.938 million
Industrial, Commercial and Infrastructure	£ 2.957 million
Open spaces (including SANGS)	£ 0.464 million
Car Parks	£ 0.014 million
Other schemes	£ 0.179 million
	£ 15.328 million

The main projects include £0.748 million completing the Forde House decarbonisation scheme and £0.168 million commencing the next decarbonisation phase at Broadmeadow Sports Centre. There was also £0.200 million for green business grants. £4.608 million was invested in the purchase of affordable housing, including the local authority housing fund scheme. £1.921 million was spent on disrepair and disabled facilities grants, plus a further £0.486 million on housing energy efficiency grants. £1.655 million went to Regional Coastal Monitoring while Newton Abbot town centre regeneration accounted for £0.927 million. £0.301 million was invested in leisure centre equipment and improvements; £0.252 million on tennis court refurbishments and £0.166 million on play area refurbishments and contributions. A contribution of £2.767 million went to the Dawlish Link Rd and bridge.

8. For 2024/25 the budgeted expenditure is as follows:

Sports Halls & Recreation	£ 3.761 million
Open Spaces	£ 1.752 million
Planning & Development	£11.337 million
Industrial, Commercial and Infrastructure	£ 9.025 million
Environmental Schemes	£15.254 million
Flood Alleviation & Prevention	£ 2.429 million
Disrepair, Disabled Facilities & Energy grants	£ 1.437 million
Affordable Housing	£ 7.410 million
Information Technology & Central Services	£ 0.262 million
Car parks	£ 0.647 million
	£ 53.314 million

Some of the specific schemes included in these totals are £3.025 million towards road and transport improvements such as cycle paths, the Dawlish link road and bridge and public transport hubs. £2.210 million is budgeted for Regional Coastal Monitoring, funded by Environment Agency grant and £1.367 million for future SANGS land purchase, instatement and endowment arrangements, funded from the Housing Infrastructure Fund. A further £0.365 million is committed to habitat and wildlife protection. There is £1.424 million for Disabled Facilities grants and £0.562 million for grants in relation to the UK Shared Prosperity Fund, including green business grants. £4.413 million goes towards the Future High Street fund market redevelopment project and £0.220 million for play area refurbishment, with £0.394 million towards modernising IT systems. In addition, there are provisions of £6.825 million for the construction and enabling of additional affordable housing, £3.990 million in relation to Broadmeadow Sports Centre decarbonisation and refurbishment and other future carbon action plan items. There is a provision of £2.000 million for employment sites and £4.000 million for Education which will be brought back to Full Council for approval in due course. £13.274 million is allowed for the new waste fleet. While the vehicles will be leased, accounting rules treat such arrangements as the acquisition of right-of-use assets, hence its inclusion here.

9. Capital funds:

The capital receipts, grants and contributions received including capital receipts in advance for 2023/24 can be analysed as follows:

	Capital resources brought forward	£27.566	million
Add:	Received in year	£15.800	million
Less:	Capital financing applied to expenditure	£10.142	million
	Loan/other	£0.275	million
	Capital resources carried forward	£32.949	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 2024 of £18.529 million. The requirement to recognise the net pension liability in the balance sheet has reduced the reported net worth of the authority by 11.5% for 2023/24 and 19.4% for 2022/23 as shown on page 32.

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 2024. 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 -105 for further information.

CASH FLOW

During the year the cash flow of the Authority increased by £4.1 million. This was mainly due to an increase in capital grants unapplied at 31 March 2024.

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

BALANCE SHEET

During the year net assets at 31 March 2024 increased by £32.894 million. This was mainly due to an increase in capital grants unapplied, revaluation increases to property, plant and equipment and a 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 2023/24 our share of adjustments to the Comprehensive Income and Expenditure Statement amounted to (£0.052) million. The cumulative effect on our balance sheet is to reduce net assets by £1.769 million.

CHANGE IN ACCOUNTING POLICIES

12. There have been no changes in accounting policies in 2023/24.

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 (although inflation has now fallen back). In year collection of business rates and council tax has altered from last year increasing from 99.04% to 99.32% for rates and decreasing from 97.81% to 97.69% 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 with some encouraging growth in some areas.

It is still unclear what the long term direction of the economy will be on businesses and the finances of the Council moving forward as economic pressures continue to provide financial challenges.

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 Auditors Annual Report.
    - Review of risk management.
    - Treasury management including mid-year review.

    The Annual Governance Statement can be found on pages 120 to 130. 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 2024 and includes all PIs and reviews of the projects that have started.

At the end of 2023/24 for the Council Strategy:

- 8 of the T10 programmes are reported on Track. 2 are on Caution status.
- A total of 67 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, 291, was on target or above for the 6th consecutive year.
- 459 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 (37, target 80)
- Household recycling rate is at 54%, on target
- 100% of beaches rated as excellent or good water quality (target 100)
- 10,416 sqm of employment space has been completed

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

'Teignbridge Ten' programme heading and performance description	Target 2023/24	Actual 2023/24
Clean scene		
Street cleaning & litter responsibilities. £'s per household	£29.77	£28.03
Household waste collected: £'s per household	£67.41	£73.31
% 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	6	0
Going to town		
% of businesses with the top food hygiene rating of 5	90%	89%
Investing in prosperity		
Processing of major planning applications within 13 weeks	60%	94%
Processing of minor planning applications within 8 weeks	65%	77%
Out and about and active		
Number of young people under 18 participating in activities we organise	81,269	103,830
Number of people 30-60 participating in activities we organise	88,414	102,975
Number of older people over 60 participating in events we organise	92,487	123,555
A roof over our heads		

'Teignbridge Ten' programme heading and performance description	Target 2023/24	Actual 2023/24
Number of households whose housing conditions have been improved through financial assistance	242	299
Net additional homes provided	720	495
Affordable homes delivered in urban areas as defined by the Local Plan	128	126
Homelessness prevented by client remaining in existing home	80	37
Homelessness prevented by assisting with alternative accommodation	205	212
What else will we do		
£ Income generated	£38,921,580	£43,909,735
£ External funding received	£1,732,220	£4,942,933
£ Cost per head of population on all services	£146.92	£119.91

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 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 significantly lower than historic funding, potential reductions in New Homes Bonus and review of business rates

We continue to have lower levels of 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 more recent 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 2024/25. In addition there is the potential for New Homes Bonus to be scrapped and possibly replaced with an alternative form of housing funding but we have no further details. There has always been a plan by government to review the major national funding distribution of business rates which creates significant uncertainties for future financial planning. (See also 18 below).

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 subsequent historic events such as the Covid 19 pandemic and subsequent economic condition changes.

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 since the end of the pandemic and we are seeing encouraging increases in some income streams - see also notes 5/6 to the financial statements and collection rates for Council tax, business rates and rental income above. The budget for 2024/25 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. Property, Plant & Equipment values are increasing and the pension liability has decreased. More detail on this is available in note 4 to the financial statements. The Covid pandemic created financial pressures in the medium term financial plan which are being addressed as part of the Modern 25 agenda.

    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. 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 been partially audited and the Auditors' opinion and conclusion is on pages 26 to 29. The accounts are available on request in large print, Braille, different colour, e-mail attachment, MP3 file or disc. If English is not your first language we can also arrange for it to be produced in another language.

    Martin Flitcroft – Chief Finance Officer

Part 2

Financial Statements

STATEMENT OF ACCOUNTS 2023/24

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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 2024 and its income and expenditure for the year ended 31 March 2024.

…….

MARTIN FLITCROFT – CHIEF FINANCE OFFICER

I confirm that these accounts were approved by the Audit Scrutiny Committee on 13 February 2025

…….

COUNCILLOR SALLY MORGAN, CHAIR OF AUDIT SCRUTINY COMMITTEE

13 February 2025

AUDIT OPINION AND CONCLUSION

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

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LEAVE BLANK FOR AUDIT OPINION AND CONCLUSION

LEAVE BLANK FOR AUDIT OPINION AND CONCLUSION

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

XX February 2025

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.

2022/23				2023/24		
Gross Expenditure	**Gross Income**	**Net Expenditure**		**Gross Expenditure**	**Gross Income**	**Net Expenditure**
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
4,434	(244)	4,190	Corporate Services	5,332	(749)	4,583
49,482	(40,282)	9,200	Strategic Place	44,841	(44,132)	709
20,381	(9,628)	10,753	Environment, Health & Wellbeing	18,255	(8,153)	10,102
1,178	(194)	984	Financing items	1,687	(185)	1,502
75,475	**(50,348)**	**25,127**	**Cost of Services**	**70,115**	**(53,219)**	**16,896**
5,137	(222)	4,915	Other Operating Expenditure (Note 11)	5,951	(210)	5,741
2,525	(823)	1,702	Financing and Investment (Income) and Expenditure (Note 12)	1,163	(1,977)	(814)
10,991	(45,477)	(34,486)	Taxation and Non-Specific Grant (Income) and Expenditure (Note 13)	12,981	(46,167)	(33,186)
		(2,742)	**(Surplus) or Deficit on Provision of Services**			**(11,363)**
		(78)	(Surplus) or Deficit on revaluation of Property, Plant & Equipment assets			(14,238)
		(77,634)	Re-measurements of the net defined benefit liability****			(7,293)
		(77,712)	**Other Comprehensive (Income) and Expenditure**			**(21,531)**
		(80,454)	**Total Comprehensive (Income) and Expenditure**			**(32,894)**

**** 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	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 2022	**2,106**	**23,556**	**25,662**	**5,671**	**12,515**	**43,848**	**(13,928)**	**29,920**
Movements in reserves during 2022/23								
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**
Movement in reserves during 2023/24								
Total Comprehensive Income and expenditure	11,363	0	11,363	0	0	11,363	21,531	32,894
Adjustments between accounting basis & funding basis under regulations (Note 9)	(9,971)	0	(9,971)	(16)	5,573	(4,414)	4,414	0
Increase/(Decrease) in 2023/24 before transfer to earmarked reserves	**1,392**	**0**	**1,392**	**(16)**	**5,573**	**6,949**	**25,945**	**32,894**
Transfer to/from Earmarked Reserves	(1,275)	1,275	0	0	0	0	0	0
Increase/(decrease) in 2023/24	**117**	**1,275**	**1,392**	**(16)**	**5,573**	**6,949**	**25,945**	**32,894**
Balance at 31 March 2024 carried forward	**2,434**	**23,187**	**25,621**	**4,511**	**24,931**	**55,063**	**88,205**	**143,268**

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' (Martin Flitcroft 13 February 2025)

31 March 2023		**Notes**	**31 March 2024**
£'000			**£'000**
106,934	Property, Plant & Equipment	14	126,629
100	Investment Property	15	92
361	Intangible Assets	16	358
0	Assets Held for Sale	23	0
0	Long Term Investments	17	0
6,079	Long Term Debtors	18	7,620
113,474	**Long Term Assets**		**134,699**
4,000	Short Term Investments	19	2,000
0	Assets Held for Sale	23	0
188	Inventories		177
18,234	Short Term Debtors	20	21,060
26,693	Cash and Cash Equivalents	22	30,802
49,115	**Current Assets**		**54,039**
0	Bank Overdraft	22	0
0	Short Term Borrowing		0
(10,092)	Short Term Creditors	24	(13,221)
(508)	Provisions	25	(554)
(2,922)	Grants Receipts in Advance-Revenue	35	(971)
(3,629)	Grants Receipts in Advance-Capital	35	(3,507)
(17,151)	**Current Liabilities**		**(18,253)**
0	Provisions	25	0
(29,601)	Other Long Term Liabilities	43	(22,894)
(5,411)	Grants Receipts in Advance – Revenue	35	(4,323)
(52)	Grants Receipts in Advance - Capital	35	0
(35,064)	**Long Term Liabilities**		**(27,217)**
110,374	**Net Assets**		**143,268**
48,114	Usable Reserves	26	55,063
62,260	Unusable Reserves	27	88,205
110,374	**Total Reserves**		**143,268**

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.

2022/23		**2023/24**
£'000		**£'000**
(2,742)	Net (surplus) or deficit on the provision of services	(11,363)
4,094	Adjustments to net surplus or deficit on the provision of services for non cash movements (Note 28(a))	4,402
12,294	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 28(b))	9,898
13,646	Net cash flows from Operating Activities	2,937
(2,057)	Investing Activities (Note 29)	(6,068)
(6,179)	Financing Activities (Note 30)	(978)
5,410	Net (increase) or decrease in cash and cash equivalents	(4,109)
32,103	Cash and cash equivalents at the beginning of the reporting period	26,693
26,693	**Cash and cash equivalents at the end of the reporting period (Note 22)**	**30,802**

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

a. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2023/24 financial year and its position at the year-end of 31 March 2024. 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 2023/24, 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.

Changes in effect of asset ceiling – an increase in the pensions liabilities recognised by the Council to reflect the current commitment to pay employer's contributions to recover a deficit in the Pension Fund that had been assessed as greater than the net pension's liability established under Accounting Code requirements.

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, 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.

<u>Recognition</u>

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 2024/25 (the Code) introduces changes in accounting policies that will have to be adopted fully by the authority in the 2024/25 financial statements i.e., from 1 April 2024.

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 the 2024/25 financial year, the Council must implement IFRS 16 Leases, applying the provisions as they have been adopted in the 2024/25 Accounting Code.

The main impact of IFRS 16 will relate to property that the Council holds under operating leases, for which assets and liabilities are not recognised and rents are generally charged as revenue expenditure when they are payable. Under IFRS 16, the accounting treatment for all leases (except those with a term of less than 12 months and those involving low value items) will be to recognise a right-of-use asset in the Balance Sheet, measuring the value of the Council's right to use the property over the remaining term of the lease. The Balance Sheet will also include a liability for the rents payable before the lease expires.

When rents are paid, they will be applied partly to write down the liability and partly charged as interest on the outstanding liability. The cost of the right-of-use asset will be reflected in depreciation charges in the Comprehensive Income and Expenditure Statement. However, statutory arrangements are in place that will allow the impact on the General Fund Balance to be unchanged – ie, that the overall charge for each year will be the rents payable in that year

Based on the minimum lease payments outstanding at 31 March 2024 disclosed in Note 38 it is estimated that the transition will result in the recognition of new assets and liabilities in the Balance Sheet of £1.499 million.

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 2024 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	Assets are depreciated over useful lives that are dependent on assumptions about	If the useful life of assets is reduced, depreciation increases

Equipment	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.	and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £0.660 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 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.	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 £2.054 million. The assumptions interact in complex ways. During 2023/24, the Authority's actuaries advised that the net pensions liability had decreased by £3.803 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 £5.686 million.
Arrears	At 31 March 2024, the Authority had a balance of sundry debtors of £3.260 million. A review of significant balances suggested that an impairment of doubtful debts of 30% (£0.972 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 £0.972 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 2022/23 there were revaluation losses net of reversals in relation to property, plant & equipment amounting to £3.6 million. £3.2 million was charged to 'Strategic Place' and £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 revaluation increase of £0.8 million to Market Walk shopping centre.

In 2023/24 the revaluation losses were £2.4 million and reversals £4.5 million thus a net reversal of £2.1 million. £1.5 million was credited to 'Strategic Place' and £0.6 million to Environment, Health & Wellbeing' within Cost of Services. The major revaluation adjustments relate to a revaluation increase of £1.5 million for the Market Walk shopping centre and revaluation losses of £0.5 million on housing properties and £0.5 million for the retail market.

Revenue expenditure funded from capital under statute was slightly higher in 2023/24 at just over £8.0 million (£7.7 million in 2022/23) – mainly due to a £2.8 million contribution to the Dawlish link road improvement and £1.7 million towards the regional coastal monitoring programme (an increase of £0.1 million compared to 2022/23). Of the total £7.7 million, £7.5 million is charged to 'Strategic Place' within Cost of Services in 2022/23 and £7.9 million of the £8.0 million in 2023/24.

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

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 were updated in line with the assumptions adopted for the 2022 valuation. The assumed life expectancies for members will therefore have reduced for 2022/23 and again will lead to a reduction in the pension liability.

In 2023/24 the pension liability has reduced by a further £8.080 million mainly due to the return on plan assets and changes in actuarial assumptions.

6. Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 13 February 2025. 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 2024, 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 2024 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.

2022/23				2023/24		
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**
3,781	(409)	4,190	Corporate Services	4,695	112	4,583
33	(9,167)	9,200	Strategic Place	871	162	709
7,246	(3,507)	10,753	Environment, Health & Wellbeing	10,010	(92)	10,102
2,934	1,950	984	Financing Items	2,606	1,104	1,502
13,994	(11,133)	25,127	Net Cost of Services	18,182	1,286	16,896
(12,561)	15,308	(27,869)	Other Income and Expenditure	(19,574)	8,685	(28,259)
1,433	4,175	(2,742)	(Surplus)/Deficit	(1,392)	9,971	(11,363)
(25,662)			Opening General Fund Balance	(24,229)		
1,433			Less/Plus (Surplus) / Deficit on General Fund in year	(1,392)		
(24,229)			Closing General Fund Balance at 31 March	(25,621)		

7 a. Note to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis

2023/24

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	34	(154)	8	(112)
Strategic Place	397	(574)	15	(162)
Environment, Health & Wellbeing	972	(898)	18	92
Financing Items	(719)	(385)	0	(1,104)
Net Cost of Services	684	(2,011)	41	(1,286)
Other income and expenditure from the Expenditure and Funding Analysis	(9,989)	1,225	79	(8,685)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(9,305)	(786)	120	(9,971)

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
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)
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 for Capital Purposes

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

Net Change for the Pensions Adjustments

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

Other differences

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

7 b. Segmental Income

Income received on a segmental basis is analysed below:

Revenue from external customers:

	2022/23	2023/24
Services	**Income from Services**	**Income from Services**
	£000	**£000**
Corporate Services	(226)	(300)
Strategic Place	(11,037)	(12,016)
Environment, Health & Wellbeing	(8,956)	(8,012)
Financing Items	(186)	(185)
Total income analysed on a segmental basis	**(20,405)**	**(20,513)**

The largest source of income for Strategic Place is car parking income at £4.710 million (2022/23 £4.282 million). Income from housing schemes including homelessness and rent allowance recoveries amounts to £1.413 million (2022/23 £1.279 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 £2.372 million (2022/23 £2.831 million) and recycling sales and credits at £3.385 million (2022/23 £3.974 million).

8. Expenditure and Income Analysed by Nature

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

	2022/23	2023/24
Expenditure / Income	**£000**	**£000**
Expenditure		
Employee benefits expenses	24,899	23,059
Other services expenses*	46,813	47,372
Depreciation, amortisation, impairment	6,281	869
Interest payments	0	0
Precepts and levies	4,311	4,826
(Gain) or loss on the disposal of assets	534	842
Total expenditure	**82,838**	**76,968**
Income		
Fees, charges and other service income	(20,405)	(20,513)
Interest and investment income	(824)	(1,977)
Income from council tax, non-domestic rates (net)	(12,754)	(13,469)
Government grants and contributions**	(51,597)	(52,372)
Total income	**(85,580)**	**(88,331)**
(Surplus) or Deficit on the Provision of Services	**(2,742)**	**(11,363)**

*****Includes £20.330 million rent allowances paid (£20.827 million in 2022/23) and charged to Strategic Place.
****** Includes rent allowance subsidy of £20.399 million (£20.862 million in 2022/23) and charged to Strategic Place.
Rent allowances recovered are within fees, charges and other service income and also charged to Strategic Place (£0.030 million in 2023/24 and £0.216 million in 2022/23).

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 2023/24 and 2022/23 are as follows:

2023/24

	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:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non current assets	2,759	0	0	(2,759)
Revaluation (gains) losses on Property, Plant and Equipment	2,369	0	0	(2,369)
Revaluation reversals on Property, Plant and Equipment	(4,516)	0	0	4,516
Movements in the market value of Investment Properties	8	0	0	(8)
Operating / finance lease income adjustment	(2)	0	0	2
Amortisation of intangible assets	110	0	0	(110)
Capital grants and contributions applied	(10,820)	0	0	10,820
Revenue expenditure funded from capital under statute (REFCUS)	8,040	0	0	(8,040)
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	647	0	0	(647)
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
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(313)	0	0	313
Financing of loan	0	0	0	0
Capital expenditure charged against the General Fund balance	(611)	0	0	611
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(6,853)	0	6,853	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	(1,280)	1,280

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	(22)	22	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(322)	0	322
Right to buy/shared ownership receipts	(161)	161	0	0
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	0	0	0	0
Loan repayment	(17)	50	0	(33)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	0	0	0	0
Renovation grants repaid	(73)	73	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)	4,177	0	0	(4,177)
Employer's pensions contributions and direct payments to pensioners payable in the year	(4,964)	0	0	4,964
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	81	0	0	(81)
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	43	0	0	(43)
Total Adjustments	**(9,971)**	**(16)**	**5,573**	**4,414**

2022/23

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	**£'000**	**£'000**	**£'000**
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
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
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
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)**

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 2023/24.

	Balance at 31 March 2022	Transfers Out 2022/23	Transfers In 2022/23	Balance at 31 March 2023	Transfers Out 2023/24	Transfers In 2023/24	Balance at 31 March 2024
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund:							
Building control partnership reserve	346	(25)	53	374	(192)	0	182
Open spaces reserve	481	(29)	20	472	(8)	63	527
Collection fund reserve	4,156	(2,956)	0	1,200	(59)	118	1,259
Insurance reserve	85	0	0	85	0	0	85
Revenue contribution to capital reserve	1,350	(995)	753	1,108	(327)	443	1,224
Business rates / funding reserve	12,066	(62)	0	12,004	0	0	12,004
Sundry revenue grants reserve	2,666	(1,372)	2,606	3,900	(505)	1,148	4,543
Carry forward reserve	2,210	(2,210)	2,578	2,578	(533)	1,127	3,172
Strata usable reserves	196	(5)	0	191	0	0	191
Total	**23,556**	**(7,654)**	**6,010**	**21,912**	**(1,624)**	**2,899**	**23,187**

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

2022/23 £'000		2023/24 £'000
4,311	Parish council precepts	4,826
(159)	Shared ownership/Right to Buy receipts	(161)
70	Pension administration expenses	73
693	(Gains)/losses on the disposal of non current assets **	1,003
0	(Gain) on share of donated assets - Strata	0
4,915	**Total**	**5,741**

**Includes £0.9 million written off aborted projects in 2023/24.

12. Financing and Investment Income and Expenditure

2022/23 £'000		2023/24 £'000
2	Interest/tax payable and similar charges	4
2,523	Net interest on the net defined benefit liability	1,159
(808)	Interest receivable and similar income	(1,970)
(15)	Income and expenditure in relation to investment properties and changes in their fair value (see note 15)	(7)
0	Bank investment loss	0
1,702	**Total**	**(814)**

13. Taxation and Non Specific Grant Income and Expenditure

2022/23 £'000		2023/24 £'000
(13,680)	Council tax income (incl surplus/deficit)	(14,626)
(10,035)	Business rates (including surplus/deficit)	(11,872)
	Non ring fenced government grants:	
(1)	Revenue support grant	(245)
0	General Covid grants	0
(1,270)	New Homes Bonus	(405)
(162)	Lower tier/services/ funding guarantee	(1,258)
0	Sales/fees and charges compensation	0
(886)	CARF grant	0

(13,622)	Capital grants and contributions**	(10,243)
(1,521)	Retail relief grant	(2,289)
(8)	Transparency Code grant	(8)
(2,310)	Small business rate relief/threshold changes grant	(2,236)
(1,099)	Other business rates grants	(2,526)
(493)	Other general grants	(71)
10,081	Business rates tariff payment	11,795
2	Pooling costs	2
(390)	Pooling gain	(388)
0	Council tax support/ TIG grants	0
908	Business rates levy	1,184
(34,486)	**Total**	**(33,186)**

** includes various grants towards capital expenditure.
In 2023/24 £6.541 million relates to the Community Infrastructure Levy (CIL). 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 2023/24:

	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 2023	**98,633**	**5,727**	**4,355**	**4,001**	**289**	**1,364**	**114,369**
Additions	5,809	596	0	124	0	578	**7,107**
Donations	0	0	0	0	0	0	**0**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	12,296	0	0	0	0	0	**12,296**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	2,030	0	0	0	0	0	**2,030**
Derecognition - Disposals	(137)	(149)	0	0	0	(928)	**(1,214)**
Strata reclassify/additions/disposals	0	14	0	0	0	0	**14**
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	**0**
Other movements/reclassifications in Cost or Valuation	0	0	0	0	0	0	**0**
At 31 March 2024	**118,631**	**6,188**	**4,355**	**4,125**	**289**	**1,014**	**134,602**

	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 2023	**2,859**	**3,305**	**684**	**529**	**58**	**0**	**7,435**
Depreciation charge	2,069	439	86	86	15	0	**2,695**
Depreciation written out to the Revaluation Reserve	(1,942)	0	0	0	0	0	**(1,942)**
Depreciation written out to the Surplus/Deficit on the Provision of Services	(117)	0	0	0	0	0	**(117)**
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	(55)	(107)	0	0	0	0	**(162)**
Strata – reclassify/charge/disposals	0	64	0	0	0	0	**64**
Other movements in Depreciation and Impairment	0	0	0	0	0	0	**0**
At 31 March 2024	**2,814**	**3,701**	**770**	**615**	**73**	**0**	**7,973**
Net Book Value							
At 31 March 2024	**115,817**	**2,487**	**3,585**	**3,510**	**216**	**1,014**	**126,629**
At 31 March 2023	**95,774**	**2,422**	**3,671**	**3,472**	**231**	**1,364**	**106,934**

Comparative 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**

Revaluations - The freehold and leasehold properties which comprise the Authority's property portfolio are valued by a qualified internal valuer, Will Madden (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.

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 Will Madden (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	6,188	0	4,355	4,125
Valued at current value in year:					
2023/24	98,342	0	200	0	0
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
Total cost or valuation *	383,042	6,188	989	4,355	4,125

* 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.

Capital commitments - There are contracts for future capital expenditure to carry out coastal monitoring work of £1.5 million at 31 March 2024 (£2.0 million at 31 March 2023 for coastal monitoring).

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:

2022/23 £'000		**2023/24 £'000**
9	Rental income from investment property	15
(0)	Direct operating expenses arising from investment property	(0)
9	Net gain/(loss)	15

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:

2022/23 £'000		**2023/24 £'000**
94	Balance at start of the year	100
	Additions:	
0	Purchases	0
0	Construction	0
0	Subsequent expenditure	0
(0)	Disposals	(0)
6	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
100	Balance at end of the year	92

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 2024.

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

	2022/23		2023/24	
	Other Assets £'000	**Total £'000**	**Other Assets £'000**	**Total £'000**
Balance at start of year:				
• Gross carrying amounts	1,432	1,432	1,154	1,154
• Accumulated amortisation	(1,091)	(1,091)	(793)	(793)
Net carrying amount at start of year	341	341	361	361
Additions				
• Purchases	0	0	0	0
Retirements and disposals (net)	(0)	(0)	(0)	(0)
Strata reclassify/movements/additions	137	137	107	107
Amortisation for the period	(117)	(117)	(110)	(110)
Net carrying amount at end of year	**361**	**361**	**358**	**358**
Comprising				
• Gross carrying amounts	1,154	1,154	1,258	1,258
• Accumulated amortisation	(793)	(793)	(900)	(900)
	361	**361**	**358**	**358**

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 2023	0
Purchase	0
Impairment	0
Closing balance 31 March 2024	**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 2023 £'000	**31 March 2024 £'000**
Collection Fund balance – non domestic rates	815	603
SANGS	2,660	2,512
Sundry trade debtors/Community Infrastructure Levy	2,319	4,231
Mortgages / loans	267	256
Finance leases	18	18
	6,079	7,620

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 2023 £'000		**31 March 2024 £'000**
6,734	Trade debtors*	6,925
86	Other debtors	91
10,018	Prepayments and accrued income	12,230
642	Council tax / Non domestic rates	710
754	Strata debtors	1,104
18,234	**Total**	**21,060**

*Includes Collection Fund debtors of £1.267 million at 31 March 2024 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 2023 £'000		**31 March 2024 £'000**
342	Less than one year	368
208	One to three years	235
92	Over three years	107
642	**Total**	**710**

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 2023		31 March 2024
£'000		£'000
89	Cash held by the Authority	224
3,908	Bank current/instant call accounts	1,803
22,500	Short term deposits with banks/building societies/money market funds	28,500
196	Strata	275
26,693	**Total Cash and Cash Equivalents**	**30,802**

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	
	2022/23	2023/24	2022/23	2023/24
	£'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 2023 £'000		31 March 2024 £'000
(4,601)	Trade creditors	(6,427)
(307)	Other creditors	(373)
(4,685)	Accrued expenditure and income in advance*	(5,609)
(323)	Council tax / Non domestic rates	(271)
(176)	Strata creditors	(541)
(10,092)	**Total**	**(13,221)**

*****Includes £0.032 million of business rates grants repayable to Government at 31 March 2024 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 2023	**(508)**	**(508)**
Additional provisions made in 2023/24	(46)	**(46)**
Amounts used in 2023/24	0	**0**
Unused amounts reversed in 2023/24	0	**0**
Balance at 31 March 2024	**(554)**	**(554)**

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 2023		**31 March 2024**
£'000		**£'000**
45,939	Revaluation Reserve	59,236
43,587	Capital Adjustment Account	48,279
0	Financial Instruments Adjustment Account	0
(26,609)	Pensions Reserve	(18,529)
74	Deferred Capital Receipts Reserve	74
(432)	Collection Fund Adjustment Account	(513)
(299)	Accumulated Absences Account	(342)
62,260	**Total Unusable Reserves**	**88,205**

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.

2022/23		**2023/24**	
£'000		**£'000**	
47,184	**Balance at 1 April**		**45,939**
8,196	Upward revaluation of assets	18,605	
(8,118)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(4,367)	
78	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		14,238
(711)	Difference between fair value depreciation and historical cost depreciation	(941)	
(612)	Accumulated gains on assets sold or scrapped	0	
(1,323)	Amount written off to the Capital Adjustment Account		(941)
45,939	**Balance at 31 March**		**59,236**

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.

2022/23		**2023/24**	
£'000		**£'000**	
42,956	**Balance at 1 April**		**43,587**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(2,427)	• Charges for depreciation and impairment of non current assets	(2,759)	
0	• Operating lease income adjustment	2	
(4,864)	• Revaluation losses on Property, Plant and Equipment	(2,369)	
1,274	• Revaluation reversals on Property, Plant & Equipment	4,516	
(117)	• Amortisation of intangible assets	(110)	
(7,690)	• Revenue expenditure funded from capital under statute	(8,040)	
(755)	• 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	(647)	
(147)	• Amortisation of long term debtors	(147)	
(14,726)		(9,554)	
1,323	Adjusting amounts written out of the Revaluation Reserve	941	
(13,403)	Net written out amount of the cost of non current assets consumed in the year		(8,613)
	Capital financing applied in the year:		
1,415	• Use of the Capital Receipts Reserve to finance new capital expenditure/repay loan	322	

0	• Use of the Capital Receipts Reserve to meet previous year disposal costs	0	
7,055	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	10,517	
3,838	• Application of grants to capital financing from the Capital Grants Unapplied Account	1,583	
0	• Transfer to the Capital Receipts Reserve upon receipt of cash	0	
277	• Statutory provision for the financing of capital investment charged against the General Fund balance	313	
0	• Disposal costs relating to future capital disposal	0	
0	• Financing of loan	0	
1,443	• Capital expenditure charged against the General Fund balance	611	
14,028			13,346
6	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		(33)
0	Donated asset		0
43,587	**Balance at 31 March**		**48,279**

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.

2022/23 £'000		2023/24 £'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.

2022/23		2023/24
£'000		**£'000**
(100,153)	**Balance at 1 April**	**(26,609)**
77,634	Re-measurements of the net defined benefit liability/(asset)	7,293
(9,060)	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	(4,177)
4,970	Employer's pensions contributions and direct payments to pensioners payable in the year	4,964
(26,609)	**Balance at 31 March**	**(18,529)**

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.

2022/23 £'000		2023/24 £'000
103	**Balance at 1 April**	**74**
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
(29)	Transfer to the Capital Receipts Reserve upon receipt of cash	0
74	**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.

2022/23 £'000		2023/24 £'000
(3,727)	**Balance at 1 April**	**(432)**
3,295	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	(81)
(432)	**Balance at 31 March**	**(513)**

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.

2022/23 £'000		2023/24 £'000
(291)	**Balance at 1 April**	**(299)**
291	Settlement or cancellation of accrual made at the end of the preceding year	299
(299)	Amounts accrued at the end of the	(342)

	current year		
(8)	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		(43)
(299)	**Balance at 31 March**		**(342)**

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:

2022/23		**2023/24**
£'000		**£'000**
(2,427)	Depreciation	(2,759)
(3,590)	Impairment, downward valuations & revaluation reversals	2,147
(264)	Amortisation	(257)
143	(Increase)/ decrease in impairment for bad debts	50
16,713	(Increase)/decrease in creditors	1,127
(4,903)	Increase/(decrease) in debtors	4,087
(20)	Increase/(decrease) in inventories	(11)
(4,091)	Movement in pension liability	787
(755)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(647)
3,288	Other non-cash items charged to the net surplus or deficit on the provision of services	(122)
4,094		**4,402**

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

2022/23		**2023/24**
£'000		**£'000**
2,000	Proceeds from short-term (not considered to be cash equivalents) and long-term investments	0
63	Proceeds from the sale of property, plant & equipment, investment property and intangible assets	22
7,055	Capital grants and contributions applied	10,820

(7,690)	Revenue expenditure funded from capital under statute	(8,040)
10,866	Any other items for which the cash effects are investing or financing cash flows	7,096
12,294		9,898

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

2022/23 £'000		**2023/24 £'000**
(670)	Interest received	(1,774)
0	Interest paid	0

29. Cash Flow Statement – Investing Activities

2022/23 £'000		**2023/24 £'000**
7,040	Purchase of property, plant and equipment, investment property and intangible assets	7,149
9,000	Purchase of short term and long term investments	8,000
290	Investment in Strata Service Solutions Ltd	180
7,950	Other payments for investing activities	6,932
(16)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(22)
(11,000)	Proceeds from short term and long term investments	(10,000)
(15,321)	Other receipts from investing activities*	(18,307)
(2,057)	**Net cash flows from investing activities**	**(6,068)**

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

30. Cash Flow Statement – Financing Activities

2022/23 £'000		**2023/24 £'000**
0	Cash receipts of short- and long-term borrowing	0
(6,179)	Other receipts from financing activities**	(978)
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
(6,179)	**Net cash flows from financing activities**	**(978)**

**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 2023	**Financing cash flows**		**Non-cash changes**		**Balance at 31 March 2024**
		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 2023 £'000	**31 March 2024 £'000**	**31 March 2023 £'000**	**31 March 2024 £'000**
Investments				
Assets carried at amortised cost:	0	0	4,000	2,000
Total investments	**0**	**0**	**4,000**	**2,000**
Debtors				
Assets carried at amortised cost	2,945	2,786	6,741	5,571
Total included in debtors	**2,945**	**2,786**	**6,741**	**5,571**
Non financial assets	3,134	4,834	11,493	15,489
Total	**6,079**	**7,620**	**18,234**	**21,060**
Cash and cash equivalents	0	0	26,693	30,802
Total cash & cash equivalents	**0**	**0**	**26,693**	**30,802**
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	(3,833)	(7,358)
Total creditors	**0**	**0**	**(3,833)**	**(7,358)**
Non financial assets	0	0	(6,259)	(5,863)
Total	**0**	**0**	**(10,092)**	**(13,221)**

Income, Expense, Gains and Losses

2023 / 2024	**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	(1,970)	(1,970)
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**	**(1,970)**	**(1,970)**
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**	**(1,970)**	**(1,970)**

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)**

There is no substantial difference between the carrying amount of financial assets and liabilities and their fair value at 31 March 2024, 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 2023/24 (including travel and subsistence) amounts to £432,179 (2022/23 £424,145). 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**	
	2022/23	**2023/24**		**2022/23**	**2023/24**
£50,000 - £54,999	8	14	£95,000 - £99,999	0	0
£55,000 - £59,999	3	2	£100,000 - £104,999	1	1
£60,000 - £64,999	6	6	£105,000 - £109,999	0	0
£65,000 - £69,999	1	3	£110,000 - £114,999	0	0
£70,000 - £74,999	0	0	£115,000 - £119,999	0	0
£75,000 - £79,999	0	1	£120,000 - £124,999	1	0
£80,000 - £84,999	2	0	£125,000 - £129,999	0	1
£85,000 - £89,999	0	2	£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 2023/24 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 - Phil Shears	127,090	0	0	127,090	24,721	151,811
Head of Corporate Services & Section 151 Officer	104,257	0	0	104,257	20,266	124,523
Head of Service Delivery and Improvement	87,480	0	0	87,480	17,146	104,626
Head of Place and Commercial Services	87,480	0	0	87,480	17,146	104,626
Head of Legal Services & Monitoring Officer	76,143	0	0	76,143	14,924	91,067
Head of HR and OD	66,721	0	0	66,721	13,077	79,798

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:

	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 – Phil Shears	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	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

(a)	**(b)**		**(c)**		**(d)**		**(e)**	
Exit package cost band (including special payments)	**Number of compulsory redundancies**		**Number of other departures agreed**		**Total number of exit packages by cost band [(b) + (c)]**		**Total cost of exit packages in each band**	
	2022/23	**2023/24**	**2022/23**	**2023/24**	**2022/23**	**2023/24**	**2022/23**	**2023/24**
							£'000	£'000
£0 - £20,000	0	1	2	0	2	1	7	9
£20,001 – £40,000	0	0	0	0	0	0	0	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	0	0	0	0	0	0	0	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 bandings	**0**	**1**	**2**	**0**	**2**	**1**	**7**	**9**

Add: Amounts provided for in Comprehensive Income & Expenditure Statement not included in bandings	0	0
Total cost included in Comprehensive Income & Expenditure Statement	**7**	**9**

Termination Benefits:

The Authority terminated the contract of a one employee in 2023/24, incurring liabilities of £9k (£7k in 2022/23). The payment was for redundancy. Terminations are 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:

	2022/23	**2023/24**
	£'000	**£'000**
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year*	76	152
Fees payable in respect of certification of grant claims provided by Grant Thornton during the year**	12	16
Total	**88**	**168**

*****Any additional fees in excess of the scale fees 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 2023/24:

	2022/23 £'000	2023/24 £'000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	(1)	(245)
Council tax support trans/new burdens	0	0
Small business rate relief/threshold changes grant	(2,310)	(2,236)
Community Infrastructure Levy	(5,178)	(6,711)
Transparency code grant	(8)	(8)
Environment agency	0	0
Returned New Homes Bonus top slice	0	0
Refugee housing grant	(625)	(2,369)
Sales/fees and charges compensation grant	0	0
Homes England	(403)	(11)
General Covid grants	0	0
Dept for Levelling Up, Housing and Communities – Future High St Fund	(5,005)	0
Miscellaneous SANGS	(220)	(56)
New Homes Bonus	(1,270)	(405)
Retail relief grant	(1,521)	(2,289)
BEIS decarbonisation grants	(927)	0
Other business rates/TIG grants	(1,099)	(2,526)
Other contributions	(2,805)	(2,425)
Total	**(21,372)**	**(19,281)**

	2022/23 £'000	2023/24 £'000
Credited to Services		
REFCUS grants:		
Renovation/Disabled/energy grants	(1,824)	(2,376)
Shoreline/Coastal Monitoring	(1,645)	(1,719)
Play/recreation	(161)	(76)
Dawlish link road / Other	(483)	(3,263)
Rent Allowance subsidy	(20,455)	(19,950)
Housing Benefit administration subsidy	(295)	(285)
Rent rebate subsidy	(490)	(534)
Garden Communities	(250)	0
Homelessness / rough sleeper grants/ housing	(1,023)	(1,525)
COMF grant	0	0
Elections	0	(323)
RPA/Habitat Regulations/open space	(25)	(26)

Business grants	(49)	(184)
Council tax / hardship fund / household support grants	(878)	(1,194)
Ukrainian refugee support	(1,464)	(387)
Other grants/contributions	(1,183)	(1,249)
Total	**(30,225)**	**(33,091)**

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 2023**	**31 March 2024**
	£'000	**£'000**
Miscellaneous crime/disorder/community regeneration grants	(15)	(24)
Business rates compensation	0	0
Estuary contributions	(48)	(43)
Watercourse improvement contributions	(170)	(162)
Air quality / environmental health	(139)	0
Heritage trail	(15)	0
Community facilities/open space contributions	(931)	(570)
Homelessness	0	0
Business grants	(1,300)	(32)
Hardship grant/ housing	(133)	(81)
Miscellaneous	(171)	(59)
Total	**(2,922)**	**(971)**

Grants Receipts in Advance (Capital Grants)	**31 March 2023**	**31 March 2024**
	£'000	**£'000**
Environment Agency/Natural England – Flood Prevention and Alleviation	(1,338)	(1,717)
DFG (Better Care Fund)	(792)	(260)
DEFRA – Air Quality	(50)	(49)
Public Open Spaces and recreation	(9)	(9)
Dept for Energy/DCC – Central Heating Fund	(3)	(3)
Shared prosperity/ Rural England prosperity	0	(205)
Green Homes	(116)	0
Housing/infrastructure	(248)	(273)
Self build	(860)	(585)
Changing places	0	(185)
Other	(213)	(221)
Total	**(3,629)**	**(3,507)**

Long term liabilities

Grants Receipts in Advance (Revenue Grants)	**31 March 2023 £'000**	**31 March 2024 £'000**
Dawlish Town Centre – community facilities	0	0
Parks, play & recreation facilities contribution	(2,409)	(1,862)
Langdon - Dawlish	(198)	(199)
Newton Abbot / Kingsteignton/Dawlish etc – air quality	(207)	(159)
Drainage - Kingsteignton	0	0
Miscellaneous open space, community facilities & wildlife contributions	(1,153)	(1,225)
Sundry drainage & flood defence contributions	0	0
Dawlish - drainage	0	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	(255)	(250)
Affordable housing	(1,142)	(581)
Total	**(5,411)**	**(4,323)**

Grants Receipts in Advance (Capital Grants)	**31 March 2023 £'000**	**31 March 2024 £'000**
Open Space and Recreation	(52)	0
Total	**(52)**	**0**

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 2024 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 2023/24 is shown in Note 32.

Grants and payments for services rendered totalling £54,618 were paid to the Citizens Advice Bureau (CAB) in 2023/24. 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 (£0) 2022/23 in which 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 2022/23 or 2023/24 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 and is for Teignbridge District Council only.

	2022/23	**2023/24**
	£'000	**£'000**
Capital investment :		
Property, Plant and Equipment	106,750	126,494
Strata ICT Capital Investment	2,656	2,835
Intangible Assets	0	0
Investment Property	101	92
Long term assets held for sale	0	0
Long term debtors relating to capital transactions	2,774	2,594
Revaluation Reserve	(45,938)	(59,236)
Capital Adjustment Account	(45,323)	(50,187)
Closing Capital Financing Requirement	21,020	22,592

Explanation of movements in year:		
Increase (decrease) in underlying need to borrowing (unsupported by government financial assistance)	1,076	1,885
Repayments of long-term debtors/other	(1)	0
Minimum Revenue Provision	(277)	(313)
Assets acquired under finance leases	0	0
Increase/(decrease) in Capital Financing Requirement	798	1,572

38. Leases

Authority as Lessee

Finance Leases

The Council had the use of one leisure centre under a finance lease in 2023/24.

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 2023 £'000		**31 March 2024 £'000**
10,007	Other Land and Buildings	9,813
10,007		9,813

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 2023 £'000		**31 March 2024 £'000**
1,530	Not later than one year	869

1,768	Later than one year and not later than five years	1,286
375	Later than five years	122
3,673		2,277

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:

2022/23 £'000		**2023/24 £'000**
1,531	Minimum lease payments	1,538
0	Contingent rents	0
0	(Sublease payments receivable)	0
1,531		1,538

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 67 and 84 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 2023 £'000		**31 March 2024 £'000**
	Finance lease debtor (net present value of minimum lease payments):	
0	• Current	0
18	• Non-current	18
61	Unearned finance income	61
0	Unguaranteed residual value of property	0
79	Gross investment in the lease	79

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 2023 £'000	31 March 2024 £'000	31 March 2023 £'000	31 March 2024 £'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	73	73	18	18
	79	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 2024 (£0 at 31 March 2023).

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 2023/24 £3k contingent rents were receivable by the Authority (2022/23 £3k).

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 2023 £'000		31 March 2024 £'000
1,971	Not later than one year	1,803
3,109	Later than one year and not later than five years	2,832
8,619	Later than five years	9,005
13,699		13,640

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 2023/24 £78k contingent rents were receivable by the Authority (2022/23 £121k).

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 2022/23 and 2023/24 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.

2023/24:	Scheme Assets £'000	Pensions Obligations £'000	Effect of the Asset Ceiling £'000	Net Pensions Liability £'000	Notes on Accounting Treatment
Opening balance at 1 April 2023	**113,615**	**(140,224)**		**(26,609)**	
Current service cost		(3,946)		(3,946)	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	5,451	(6,610)		(1,159)	Charged as a net item to Financing and Investment Income and Expenditure in the CIES
Administration expenses	(73)			(73)	Charged to Other Operating Expenditure
Remeasurements: • Return on plan assets	7,744			7,744	Credited as Remeasurements of the Net Defined Benefit Liability to Other Comprehensive Income and Expenditure in the CIES
• Actuarial gains and losses arising from changes in demographic assumptions		1,992		1,992	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		2,224		2,224	Credited as Remeasurements of the Net Defined Benefit Liability to Other Comprehensive Income and Expenditure in the CIES
• Other actuarial gains and losses	0	(413)		(413)	Debited as Remeasurements of the Net Defined Liability to Other Comprehensive Income and Expenditure in the CIES
• Changes in the effect of the asset ceiling	0		(4,254)	(4,254)	
Contributions: • Council employer's contributions	4,964			4,964	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	1,001			1,001	Absorbed into the total cost of services in the CIES –

					netted off Current Service Cost
Retirement grants and pensions	(6,080)	6,080		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 2024	**126,622**	**(140,897)**	**(4,254)**	**(18,529)**	

2022/23:	Scheme Assets £'000	Pensions Obligations £'000		Net Pensions Liability £'000	Notes on Accounting Treatment
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: • Return on plan assets	(4,552)			(4,552)	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		12,936		12,936	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		78,780		78,780	Credited 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: • Council employer's 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.
• 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)**	

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 net liability of £18.529 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 £143.268 million at 31 March 2024. 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 2023**	**31 March 2024**
Longevity at 65 for current pensioners:		
Men	21.8	21.5
Women	22.9	22.7
Longevity at 65 for future pensioners: (assumed retiring in 20 years)		
Men	23.1	22.8
Women	24.4	24.1
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 2023	**31 March 2024**
	% p.a.	**% p.a.**
Salary increases	3.90%	3.90%
Pension increases	2.90%	2.90%
Discount rate	4.80%	4.90%

Demographic / Statistical assumptions

These assumptions by the actuary are set with reference to market conditions at 31 March 2024. An estimate of the Employer's future cashflows is made using notional cashflows based on the estimated duration. 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 up to 2030 and will be in line with market implied inflation from the Bank of England inflation curve.

Salaries are assumed to increase at 1% 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 2020. These results included an allowance which has been rolled forward and re-measured to obtain the accounting results as at 31 March 2024.

In 2023/24 the pension liability has reduced by £8.080 million – the main contributors are the return on plan assets and change in financial assumptions. The IAS19 discount rate is determined based on bond yields at 31 March 2024. Asset returns have been higher than the discount rate assumed at the previous accounting date.

Demographic assumptions have been updated. The assumed life expectancies for members have reduced since last year and again will lead to a reduction in the pension liability.

	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)	(5,686)	5,437
Rate of increase in salaries (increase or decrease by 0.1%)	(207)	205
Rate of increase in pensions (increase or decrease by 0.1%) and deferred revaluation	(1,938)	1,890
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	2,054	(2,105)

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 £4.249 million expected contributions to the scheme in 2024/25.

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

	31 March 2023		**31 March 2024**	
	£'000	**%**	**£'000**	**%**
Equities**	59,856	53	69,481	55
Gilts	0	0	0	0
Other Bonds	24,294	21	28,774	23
Property	9,959	9	9,725	8
Cash	1,350	1	2,850	2
Target Return Portfolio	7,896	7	2,991	2
Infrastructure	10,216	9	12,827	10
Other	44	0	(26)	0
Total	**113,615**	**100**	**126,622**	**100**

**At 31 March 2024 equities include £67.702 million of overseas equities.

Of the total fund asset at 31 March 2024, the following table identifies the split of those assets with a quoted market price and those that do not:

		31 March 2024	
		% Quoted	% Unquoted
Fixed interest government securities	UK	0	0
	Overseas	0	0
Corporate bonds	UK	7	0
	Overseas	0	0
Equities	UK	1	0
	Overseas	53	0
Property	All	0	8
Others	Absolute return portfolio	2	0
	Private Equity	0	1
	Infrastructure	0	11
	Private debt	0	3
	Multi sector credit	12	0
	Cash/Temporary investments	0	2
Net current assets	Debtors	0	0
	Creditors	0	0
Total		**75**	**25**

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:

Asset type	**Credit risk management practices**	**Estimation of impairment loss allowance**
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 2024 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

Asset type	**Credit risk management practices**	**Estimation of impairment loss allowance**
	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 2023 and 31 March 2024 the loss allowance decreased from £1.056 million to £1.007 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 2023/24.

	Allowance at 1 April 2023	**Increase / (decrease) in provision**	**Allowance at 31 March 2024**
	£'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

	Allowance at 1 April 2023	Increase / (decrease) in provision	Allowance at 31 March 2024
Other debtors			
Grouped assets	1,056	(49)	1,007
Total loss allowances	**1,056**	**(49)**	**1,007**

The total amount of undiscounted expected credit losses at recognition on financial assets initially recognised during 2023/24 was £0.

Exposure to Credit Risk

		Gross Carrying Amount £'000
Other debtors		
Grouped assets	Not subject to credit rating *	5,571
Total amount exposed to credit risk		**5,571**

*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 £0.247 million at 31 March 2024 and £0.136 million for non domestic rates. These are calculated based upon historic default patterns and economic conditions prevailing at the time.

During 2023/24 the Council wrote off financial assets with a contractual amount outstanding of £0.076 million (£0.034 million in 2022/23) 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 2023 £'000	31 March 2024 £'000
Less than one year	(3,833)	(7,358)
Between one and two years	0	0
Between two and five years	0	0
More than five years	0	0
	(3,833)	(7,358)

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 2024/25) 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 2024, 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	(77)
Impact on Surplus or Deficit on the Provision of Services	**(77)**
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 2023 £'000		**31 March 2024 £'000**
(232)	Operating leases - income in advance	(229)
(2,760)	Collection Fund balance – council tax/NNDR	(3,301)
0	CIL creditors	(835)
(26,609)	Pension Liability	(18,529)
(29,601)		**(22,894)**

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 £29,944 for 2023/24 (£32,367 in 2022/23).

(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 £6,497 in 2023/24 (£5,661 in 2022/23).

(d) The Authority acted as agent for Central Government to administer various grants. In 2022/23 the agency work was 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. In 2023/24 the agency work totalled £0.558 million of which £0.333 million related to the Ukrainian refugee support scheme and £0.167 million in relation to energy support. £0.058 million related to other schemes.

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)

	2022/23 £'000's	**2023/24 £'000's**
Fees	(2,247)	(2,414)
Cost of Sales	1,187	1,050
Admin Expenses	1,450	1,551
Transfer of pension scheme liability	0	0
Cost of Services`	**390**	**187**
(Gain) / loss on disposal of assets	4	0
Net interest on the net defined benefit liability	71	11
Interest receivable	(11)	(23)
(Surplus) or Deficit on Provision of Services	**454**	**175**
Remeasurement of the net defined benefit liability	(2,734)	(123)
Total CIES	**(2,280)**	**52**
Adjustments to Balance Sheet (cumulative for 2022/23 column)		
Property, Plant & Equipment	185	(50)
Intangible assets	361	(3)
Investment in Strata removed upon consolidation and replaced with proportional share of assets and liabilities	(2,655)	(180)
Total Long Term Assets	**(2,109)**	**(233)**
Inventories	5	3
Short Term Debtors	754	350
Cash & Cash Equivalents	196	79
Total Current Assets	**955**	**432**
Short Term Creditors	(176)	(365)
Grants Receipts in Advance – Capital	(213)	(8)
Total Current Liabilities	**(389)**	**(373)**
	£'000's	£'000's
Pension Scheme Liability	(174)	122
Total Long Term Liabilities	**(174)**	**122**
Net Assets	**(1,717)**	**(52)**
Financed by:		
Usable reserves	191	0
Unusable reserves	(1,908)	(52)
Total Reserves	**(1,717)**	**(52)**

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.

	2022/23 Business Rates	**2022/23 Council Tax**	**2023/24 Business Rates**	**2023/24 Council Tax**
INCOME	**£'000**	**£'000**	**£'000**	**£'000**
Income from Council Tax		(109,191)		(116,237)
Business Rates Receivable	(24,866)		(26,564)	
(Plus): Transitional Protection/S13A Relief	(39)	(10)	(3,455)	(267)
	(24,905)	(109,201)	(30,019)	(116,504)
EXPENDITURE				
Precepts, Demands & Shares:				
Central Government	13,885		16,079	
Devon County Council	2,499	77,252	2,894	82,058
Devon & Cornwall Police Authority		12,237		13,134
Devon & Somerset Fire & Rescue Authority	278	4,556	322	4,860
Teignbridge District Council (net including Towns / Parishes)	11,108	13,502	12,863	14,403
Rates write offs and change in impairment allowance	(5)		(75)	
Council Tax written off and change in impairment allowance		243		322
Rates increase/(reduction) in provision for appeals	(5)		116	
Transitional Protection	138		245	
Renewable Energy disregard	73		78	
Business Rates – Cost of collection	196		198	
	28,167	107,790	32,720	114,777
Movements on the Collection Fund :				
DEFICIT / (SURPLUS) FOR THE YEAR	**3,262**	**(1,411)**	**2,701**	**(1,727)**
DEFICIT / (SURPLUS) BROUGHT FORWARD	(874)	(2,747)	416	(4,056)
ACCUMULATED DEFICIT / (SURPLUS)	2,388	(4,158)	3,117	(5,783)

(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 £12.863 million (2022/23 £11.108 million) from the rates collection fund. The authority had to pay a tariff to government of £10.078 million (2022/23 £9.147 million) and a levy of £1.184 million (2022/23 £0.802 million). However, as we are part of the Devon pool some of this was returned to us as a pooling gain of £0.388 million (2022/23 £0.326 million).

- The surplus or deficit on collection funds at the end of the year is required to be distributed to or made good by contributions from the Authority and major preceptors/ shares in a subsequent financial year. A £2.0 million surplus (2022/23 £1.0 million surplus) has been declared by Teignbridge as the council tax estimate in 2023/24. A £2.112 million (2022/23 £1.972 million) deficit was anticipated for non-domestic rates for 2023/24 however an actual deficit balance has arisen of £3.117 million (2022/23 £2.388 million).

2. Business Rates

The total business rateable value as at 31 March 2024 was £95.417 million (31 March 2023 £86.116 million) with a multiplier of 51.2 pence (51.2 pence 2022/23) in the pound and 49.9 pence (49.9 pence 2022/23) in the pound for properties where the rateable value is less than £51,000 (£51,000 2022/23).

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 divided 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 2023/24 was 51,292 (2022/23 50,594) adjusted for a collection rate of 97.9% (2022/23 98.1%) to give Teignbridge's Tax Base of 50,215 (2022/23 49,633) Band D equivalents. The average Band D charge for the Teignbridge CT, excluding Parishes, was £190.71 (2022/23 £185.17).

4. Collection Fund Balance

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

	2022/23		2023/24	
	Business Rates £'000	**Council Tax £'000**	**Business Rates £'000**	**Council Tax £'000**
Central Government	1,194		1,559	
Devon County Council	215	(2,980)	281	(4,144)
Devon & Cornwall Police Authority		(480)		(663)
Devon & Somerset Fire and Rescue Authority	24	(175)	31	(243)
In short / long term debtors / short term creditors / long term liabilities	1,433	(3,635)	1,871	(5,050)
Balance of Fund to Teignbridge District Council (in Collection Fund Adjustment Account)	955	(523)	1,246	(733)
	2,388	(4,158)	3,117	(5,783)

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 2023-2024

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 2024 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.
- An updated Member and Officer protocol, which clarifies roles and responsibilities, was approved by Council in July 2024.
- The Constitution is reviewed on an ongoing basis to ensure it is fit for purpose.
- The Centre for Governance and Scrutiny have been assisting the Council with exploring ways to better support good governance.
- 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 the Monitoring Officer are responsible for ensuring 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 and Standards Committees, 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

- We encourage all members of the community to contribute to and participate in the work of the Council. Our Consultation Toolkit sets out the principles of stakeholder engagement.
- 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, and most meetings are available to the public through Webcasting, which provides transparency in decision making.

- Key decisions are published on-line and are subject to a “call in” process which enables non-Executive members to raise any concerns they may have.
- Our weekly Residents’ Newsletter, websites and social media channels are used to communicate Council activity and other matters of interest.
- Plain English principles are used in publications and digital content meets the required Government Digital Services accessibility standards with a 93.4% AA rating on our website. Our website has been continually improved based on our customer’s feedback.
- We have developed a Digital Strategy to guide the way services will be delivered with a digital first approach.
- A Statement of Community Involvement sets out participation and engagement processes for planning policy. We engage and consult our communities on-line and in person, and the Council is a frontrunner in trialling artificial intelligence and modern methods of engagement in order to gather public views on proposals.
- Our Local Development Scheme is kept up to date and on our website, setting out clear timescales for the various stages of the Local Plan, from inception to adoption. The Local Plan has been submitted to the Secretary of State and has been examined by independent inspectors through public hearings. We now await the Inspector’s letter which will be followed by public consultation on change to the Plan in Spring 2025 and adoption by Council in Summer 2025.

Principle 3: Defining outcomes in terms of sustainable economic, social and environmental benefits

- Our Council Strategy was formally updated at Full Council in January 2025 following a series of community and stakeholder engagement events. Through this work, we have established an evidence base identifying community priorities and a framework setting out how we will engage with communities to deliver objectives covering five themes: Community, Economy, Environment, Homes, and Infrastructure. Through this overarching strategy, we will work to consider the environment in everything that we do and encourage others to do the same. Delivery plans for each of the strategic themes are being developed which will involve further engagement with our communities and partners.
- The Council has formally declared a Climate Emergency and is a signatory and active member of the Devon Climate Emergency group; through this group and our endorsement of the Devon Carbon Plan, we have committed to a common goal of achieving net-zero emissions across Devon as soon as possible and by 2050 at the very latest.
- We have already made significant progress contributing to actions within the Devon Carbon Plan; this includes the establishment of new climate change policies within our emerging Local Plan promoting sustainable development, delivering active travel infrastructure under our Local Walking and Cycling Infrastructure Plan, and working through our Housing and Economy teams to support homes and businesses in benefiting from low carbon technology.
- Work is underway to transpose the Devon Carbon Plan into a specific plan for Teignbridge to form our District Carbon Action Plan. This plan will form part of the Environment theme of the Council Strategy and establish what actions we can influence as a local authority, and what the council can do to support communities in pursuit of our net-zero objective whilst reflecting local need.
- Through our in-house Carbon Action Plan, we have progressed a series of high-impact projects working to reduce our own carbon footprint and show leadership as we pursue efforts to achieve our net-zero objective. This includes a pipeline of policies and targets within our Part 1 Carbon Action Plan, including heat decarbonisation

projects covering four of our top five most carbon-intensive buildings and the electrification of our vehicle fleet.

- Our Local Plan team have undertaken significant work to prepare our 2020 – 2040 Local Plan which is finishing the examination process 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, amongst further sustainability policies for specific site allocations.
- The submitted Local Plan also amalgamates objectives relating to the national Garden Community programme. It sets out policies to deliver the Newton Abbot and Kingsteignton Garden Communities Project, which features climate change adaptation and mitigation as principal levers for change, as well as wider social, economic and environmental objectives relating to the Garden Community, such as green infrastructure delivery and our Local Walking and Cycling Infrastructure Plan (LCWIP).
- Budgets, the financial plan, and the capital programme direct financial resources to priorities.
- A Task and Finish Group set up by the Overview and Scrutiny Committee has been tasked with reviewing the Medium Term Financial Plan with a view to closing the future predicted budget gap.
- 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 running projects under these levelling up schemes.
- Our successful Future High Street Fund award is anticipated to bring benefits to Newton Abbot in 2024 from enhancements to Queen Street and Market area. The decision was taken by members at and extraordinary council meeting in November 2022 to remove the Alexandra Cinema from the original plans, causing a delay in delivering this scheme.
- 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 cross border planning and infrastructure matters. A non-statutory Joint Strategy (called “Our Shared Coordinates”) sets out the shared challenges, future vision and shared objectives for the sub-region.

Principle 4: Determining the interventions necessary to achieve intended outcomes

- Performance measures track progress with delivery of our Strategy.
- A Medium Term Financial Plan 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. As above, a Task and Finish Group also monitors this.
- 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 to modernise the way we work, looking at processes, structure and outcomes for customers. Working with

consultants, Ignite, we have undertaken strategic alignment review and developed a new target operating model which is in the process of implementation.
- A digital transformation programme, digital strategy, and our annual business planning and review exercises, also 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, including a comprehensive induction training programme for members. Staff inductions include mandatory training in key areas such as Data Protection, Safeguarding and working safely.
- Training and development needs are tracked through annual personal development and performance interviews for staff.
- Periodically, managers' conferences are held to help build resilience and support the transformation and change processes the Council is undertaking.
- We have invested significantly in the training and development of the new Heads of Service following a management restructure in 2024.
- Ongoing member development needs are co-ordinated by the Democratic Services Team Leader with oversight from the Procedures Committee. The Council is working towards obtaining member development charter status.
- HR polices 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. (Note: we aim to facilitate Audit Scrutiny reviews is bi-annually, and although this wasn't achieved in 2023, reports resumed in 2024 with the June and December 2024 meetings considering risks and reviewing the Risk Management Strategy).
- 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. Risks have been kept under review to ensure appropriate mitigations are in place.
- Performance against the Council Strategy is monitored through annual business plans with performance monitoring reports to the SLT and Overview and Scrutiny Committees.
- Service managers use automated performance reporting through the Power BI reporting tool, which produces a suite of dashboards linked to a data warehouse. This is supplemented by reporting from service specific systems.
- Data from consultants Ignite, CIPFA, and LGA inform is used to benchmark cost and productivity across services.
- A programme of service reviews 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 and advises the Council on financial matters.
- Managers are responsible for ensuring internal control systems are in place, and a programme of internal auditing reviews the effectiveness of these.

- Internal financial control is based on a framework of Financial Instructions, Contract Procedure Rules, system and administrative procedures, and a scheme of delegation and accountability.
- A Medium Term Financial Plan is in place and updated regularly with Revenue and Capital budget planning based on corporate priorities undertaken by Corporate and Strategic Managers, and approved by full Council.
- Revenue and Capital budget monitoring reports are produced and scrutinised on a regular basis.

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 undertakes an annual programme of audits and reports to both the SLT and Audit Scrutiny Committee who also receive and consider the external auditors' findings.
- The Audit Scrutiny Committee are appointing an independent member in 2024 to strengthen independence.
- The Council has published its draft Financial Statements for 2021-2022, and 2022-2023, however, in line with national backstop legislation, brought in to address a recognised national issue with delayed external audit across the public sector, disclaimed opinions were received. The external auditor's final findings report and annual report for 2021/22 and 2022/23 (combined) were issued September 2024. The external audit of the 2023-2024 accounts commenced in October 2024 and a report is imminent.
- Key data is published including Council spending and senior officer pay.
- Freedom of Information, Data Subject Access, and other information requests are dealt with fully and promptly with above average performance in processing times.

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 did not receive risk monitoring reports during 2023/24, however these resumed in June and December 2024 providing assurance for this more recent period.

- Counter fraud arrangements have been kept under review through a Fraud Risk Assessment and fraud controls are evaluated during internal audit work.

- The Council's external auditor reviews the Council's financial statements and arrangements for value for money. Plans are in place to address external audit's recommendations from the recently completed audit of the 2020-2021 financial statements and value for money opinion. As already mentioned above, across the sector there is a significant number of audits not completed, resulting in our previous 2 year's financial statements remaining unaudited, however work resumed in Autumn 2024.

- 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 2023-2024. Strata's performance has also 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, 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 2024 elections were held in line with the performance standards set by the Electoral Commission.

- We have reviewed our delivery on equality and inclusion against the Equality Framework for Local Government and are working through an action plan to implement areas of improvement identified through the self-assessment.

- The Local Government Ombudsman contacted us regarding 13 cases in the year 2023-2024. 7 cases were not investigated after initial enquiries, 2 cases were premature / temporarily closed, 2 cases were upheld and 2 are ongoing. 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, which helps ensure financial resilience.

- 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 – the Council self-reported just one data breach to the Information Commissioner's Office, and notified the affected data subjects. Although it was low risk and below the threshold for notifying, in the interests of transparency it was decided to inform people affected. Average processing time for Freedom of Information and Environmental Information Regulation requests is above average compared to other similar 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 including:

  - Centre for Governance and Scrutiny review: to help us improve our governance framework
  - an assessment of cyber governance by an independent external consultant
  - a review of the Council's Operating Model by consultants Ignite
  - an independent review of our Development Management service commissioned from the Planning Advisory Service
  - Local Government Association – Corporate Peer Challenge: a team of expert peers comprising senior local government councillors and officers, reviewed how the council operates and made suggestions for improvement which are being addressed in an action plan developed with members and partners.

- The Council's management team was restructured in Autumn 2025, to support the Modern 25 transformation programme, and Executive Member areas were aligned to areas of responsibility. A Workforce Plan is being implemented in 2025 and a robust Business Planning process involving the new Heads of Service is imminent.

Conclusion

Our governance arrangements continue to be regarded as fit for purpose in accordance with the governance framework. Set out below, are the most significant challenges and actions we need to focus on during 2024-2025.

Issue	Planned Action
Financial Sustainability	The Chief Financial Officer will continue to produce frequent analysis

Issue	Planned Action
The risk of future financial sustainability remains due to high inflation having an impact on business cases, relatively high interest rates, and low growth. Ongoing uncertainty around future levels of government funding also cause concern. It is recognised that there is a significant deficit in our Medium Term Financial Plan. Consultants "Ignite" were appointed to assist us in developing a new operating model for the Council. This has now become the Council's Modern 25 Programme which aims to deliver a proportion of the required savings. We have also updated our Strategic Asset Management Plan, following officer and members workshops, which will provide direction and clarity in the way we manage our land and buildings.	of the financial position and update the Strategic Leadership Team. Our Modernisation Programme M25, is ongoing with the aim of addressing the anticipated shortfalls. A re-structure of the Corporate Management Team was launched in May 2024 in order to realign the management structure to the target operating model. A Task and Finish Group set up by the Overview and Scrutiny Committee has been charged with reviewing the Medium Term Financial Plan with a view to closing the future predicted budget gap. Further detailed information is included in our Financial Plan.
Member and Officer roles and relationships Good working relationships are crucial to good governance. The Council continued to experience challenges in this area during 2023/2024.The Centre for Governance and Scrutiny (CfGS) were commissioned to review officer/member roles and responsibilities, including consideration of values, behaviours, and ethical issues, and the constitutional provisions supporting these. The Peer Review completed in January 2024 has also made recommendations around enhancing communication and collaboration, strengthening trust and moral, and implementing methods for effective decision making. An action plan was agreed and submitted to Full Council. A new Member and Officer protocol was developed and agreed in July 2024, however the Constitution review remains a work in progress.	Work is ongoing to implement the recommendations from both reviews. Specific actions relevant to this issue, remaining to be addressed in 2024-25 include: - Completing the Constitution Review. Workshops have been held on various topics and feedback from these will be used to inform a revised Constitution. This will include review of the terms of reference of the Audit Scrutiny Committee in accordance with CIPFA guidance. - Continuing the enhanced member training programme. - The Audit Committee will continue to monitor the governance action plan approved by full Council in October. - The Peers are also scheduled to visit the Council in February 2025 to review progress.

Issue	Planned Action
<u>Planning Performance</u> Our Planning service was under threat of being placed in special measures by the Department for Homes, Communities and Local Government (DHLUC) in December 2023 due to poor performance processing non major planning applications. Our compliance rate was 67% against a government target of 70%.	We commissioned a review from the Planning Advisory Service and brought in a planning performance specialist. An action plan was agreed and implemented, and using funding secured from the planning skills delivery fund, additional support was commissioned. This has resulted in an increased application processing time and led to significant improvements in a short period of time. By the end of quarter one 2024-2025 the rolling two year figure was at 74.52% . This trajectory was set to continue and was put to DHLUC in a letter respectfully requesting the Council be acknowledged as no longer being under the threat of designation. This was accepted and the confirmation that the Council was no longer under threat was received on 3 October 2024. We continue to work through the action plan to ensure sustainable changes are embedded and dependency on temporary resources is reduced. Processes have been streamlined, performance reports are produced in real time and used to drive performance, training has been increased, including a town and parish forum. Government recently changed the performance indicator from a two year rolling figure to a one year figure. We currently stand at 92.8% for non-major against a target of 70%.
<u>Cyber Security and Resilience and use of Artificial Intelligence (AI)</u> External cyber attack is an ever present threat and although we have numerous mitigations in place to protect our infrastructure and systems, there is a	A Business Continuity lead has been appointed and work is underway to ensure our BC Plans are reviewed

Issue	Planned Action
continuing need to ensure we are in a state of preparedness. We are carefully exploring the use of certain AI technologies due to the potential benefits these may provide, whilst being mindful of the risks and challenges of doing so responsibly. All staff involved in AI trials have signed up to a new AI policy setting out guidelines and their obligations to comply.	and up to date. The target date is March 2025. Key user policies have recently been reviewed and updated for general acceptable ICT use. These will be released to staff in 2025 through updated policy management software.

Signed on behalf of Teignbridge District Council:

Phil Shears

Managing Director

13 February 2025

Richard Keeling

Leader of the Council

13 February 2025

OTHER INFORMATION AND CONTACTS

1. Environmental Footprint/Climate Change

Teignbridge District Council declared a Climate Emergency in April 2019 and has pledged to do what is within its powers to achieve a net zero district. Through our membership of the Devon Climate Emergency, a consortium of public bodies, infrastructure providers, and academic institutions, we have supported the 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 setting out the changes needed to achieve a zero-carbon Devon in the shortest feasible timeframe and by 2050 at the latest.

Following our endorsement of the Devon Carbon Plan, we have taken steps to transpose the plan into a specific Carbon Action Plan for Teignbridge in a way which reflects the needs of our residents, businesses, and district geographies. We have shaped this plan through a series of engagement campaigns involving residents, businesses, town & parish councils, and officers to develop specific actions reflecting the things we need to address to reduce further contribution to climate change. This included our Making Changes Study, where we sought the views of residents on how to approach climate-positive action under the themes of energy, transport, home, and food. Once complete, the plan will form a strand of our emerging Council Strategy under the Environment theme, with action on climate influencing everything that we do as a local authority.

Our emerging Local Plan (2020-2040) was inspected in Autumn 2024 and features a whole new chapter on Climate Change. It includes policies covering home energy efficiency standards, site allocations for renewable energy, battery energy storage, electric vehicle charging infrastructure, and place-based policies linking with sustainable transport. The emerging Local Plan incorporates the Newton Abbot Garden Communities Project and priorities of our Local Cycling and Walking Infrastructure Plan, which both reflect the ambition to create sustainable communities. In addition to this work, we are currently running a third round of the successful Green Business Grant, providing financial support for local businesses to invest in low carbon solutions; further to this work, we are also continuing to support the Heathfield Energy Solutions project, which gained funding from the South West Net Zero Hub to explore options for industrial estate-scale decarbonisation pathways.

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 becoming a net zero authority. Under this plan, we have progressed five major projects, including our fleet electrification project and heat decarbonisation projects involving the replacement of gas-fired heating systems with air source heat pumps and supporting measures in four of our most energy-intensive buildings. Two heat decarbonisation projects have been completed at Forde House and the Teignmouth Lido, and two projects are under construction at Newton Abbot Leisure Centre and Broadmeadow Sports Centre. Although unsuccessful in our application for funding under the Public Sector Decarbonisation Scheme Low Carbon Skills Fund in 2024, Full Council agreed to plans that same year to invest in renewable energy and energy efficiency measures covering all three of our swimming pool sites in conjunction with grant funding from Sport England

www.teignbridge.gov.uk/carbonfootprint

2. Building Regulations Control Account –Year Ended 31 March 2024

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 Grant Thornton UK LLP 13 February 2025

Teignbridge District Council
Financial Statements for the year ended 31 March 2024

This representation letter is provided in connection with the audit of the financial statements of Teignbridge District Council for the year ended 31 March 2024.

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 2023/24 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. 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.

iii. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

iv. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include land and buildings valuations, defined benefit pensions liabilities, accruals, fair value of financial instruments, allowance for bad debts, and depreciation. We are satisfied

that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

v. 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.

vi. 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.

vii. 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.

viii. 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.

ix. We have considered the adjusted misstatements and misclassification, and disclosures changes schedules included in your Audit Findings Report. The Council's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

x. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as they are either immaterial to the results of the Council and its financial position at the year-end or in the case of Suitable Alternative Green Spaces (SANGS) we do not agree this constitutes a misstatement as we are of the view that the amounts can be treated as capital. The financial statements are free of material 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. 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.

xiv. 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 30 September 2024 parliament approved the Accounts and Audit (Amendment) Regulations 2024. These Regulations set a publication date for financial statements in respect of 2023/24 of 28 February 2025. The new National Audit Office Code which was approved on 14 November 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 2024 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

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 Audit Scrutiny at its meeting on 13 February 2025.

Yours faithfully

Martin Flitcroft

Chief Finance Officer

13 February 2025

Councillor Sally Morgan

Chair of Audit Scrutiny

13 February 2025

Signed on behalf of the Council

Teignbridge District Council
Audit Scrutiny Committee
13th February 2025

Review of Contract Procedure Rules

Purpose of Report

To review the Contract Procedure Rules in line with the release of The Procurement Act 2023.

Recommendation(s)

The Committee RECOMMENDS to Council that:

(1) the council approves the revised Contract Procedure Rules 2025 to recognise changes to procurement legislation.

Financial Implications

Complying with the mandatory 10% social value weighting for all procurements over £100,000 could affect the prices we receive. However, the volume of bids may mitigate final prices submitted and the weighting in the evaluation is often in favour of price.

Martin Flitcroft – Director of Corporate Services
Email: Martin.Flitcroft@teignbridge.gov.uk

Legal Implications

The revised Contract Procedure Rules ensure controls are in place to meet the requirements of The Procurement Act 2023.

Only contracts outside of The Councils standard terms, framework terms or any standard works contracts (e.g. NEC/JCT) shall be reviewed by The Monitoring Officer.

Paul Woodhead – Head of Legal and MO
Email: paul.woodhead@teignbridge.gov.uk

Risk Assessment

The key risks associated with the changes to Procurement activity include:

- an increased administrative burden. Mitigated by the use of procurement champions.

- public procurement contains complex legislation and procedures increasing the risk of non-compliance. Mitigated by training and briefing sessions along with internal audit review.
- Increased risk of challenge from suppliers. Mitigated by meet the buyer days and effective tender documentation and evaluation processes.
- The use of procurement champions, whilst helpful, could introduce compliance and capacity risks. Mitigation is ongoing. Briefings and ability of The Procurement Officer to routinely assess procurement activity on a risk basis. Internal audit review.

Rosanna Wilson – Procurement Officer
Email: rosanna.wilson@teignbridge.gov.uk

Environmental/ Climate Change Implications

The advent of mandated social value within procurements increases the opportunity to encourage and assess environmental benefits, utilising the experience and professionalism of the councils' Climate Change Officer for all procurements over The Procurement Act threshold and on selective procurements where relevant.

Rosanna Wilson - Procurement Officer
Email: rosanna.wilson@teignbridge.gov.uk

Report Author

Rosanna Wilson – Procurement Officer
Email: rosanna.wilson@teignbridge.gov.uk

Executive Member

Cllr John Parrott – Executive Member for Finance & Corporate

Appendices/Background Papers

Contract Procedure Rules

1. Introduction/Background

The Public Contracts Regulations 2015 and The Public Contracts Directive 2014 are being replaced by The Procurement Act 2023.The objectives under the new act are:

- Delivering value for money
- Maximising public benefit
- Sharing information
- Acting with integrity

Because the regulations have been overhauled, there is an opportunity to update our own internal Contract Procedure Rules. These rules sit under The Procurement Act 2023 and it is our duty to incorporate The Acts objectives within our lower value/below threshold procurements.

2. **How were the changes developed?**

   Benchmarking was used with authorities who have already overhauled their internal contract procedure rules namely Somerset County Council and Torbay Council. A guidance document was also referred to https://llg.org.uk/news/blog-friday-8th-november-2024-anthony-collins-corporate-partner/ along with The Procurement Act 2023 guidance documents.

3. **Key Changes**

   - We already have an approved signatory list for signing off procurements. It is our intention to add values to this to create a transparent and accountable scheme of delegation.
   - We have introduced a memorandum of understanding for all procurements that Teignbridge District Council lead on behalf of other authorities (not including South Hams and West Devon Councils as these are covered by the procurement shared service).
   - Officers will complete the procurement pipeline drawing on a range of business intelligence to support a council wide procurement plan covering a minimum 18-month lead in time.
   - A 10% social value weighting for all procurements over £100,000
   - The Climate Change Officer to be consulted on all procurements above The Procurement Act 2023 threshold (i.e. £214k for goods and services and £4.3m for works) and other procurements where relevant.
   - An increase of the lowest value threshold from £20,000 to £30,000 in line with reporting requirements under The Procurement Act 2023
   - More emphasis on local spend
   - Pricing will be redacted by The Procurement Officer for all procurements above The Procurement Act 2023 threshold and shared with officers during the moderation
   - The standstill period has changed from 10 calendar days to 8 working days

- More emphasis on contract management and early market engagement
- Increasing delegation to the Procurement Champions due to the increasing demands from The Procurement Act 2023
- Greater transparency around conflicts of interest declarations
- Language updated to reflect The Procurement Act 2023
- Justifications for exemptions (waivers) have changed from: -
    - Life or Death
    - Increased Cost / Loss of Income
    - Limited Markets
    - Urgent Action Required

  To: -
    - Limited Markets
    - Urgent Action Required (Unforeseen)
    - Legislation Prevents a Procurement Process Being Followed
    - Patents
    - Increased Costs/Loss of Income
    - Additional Goods/Services
    - Advantageous Terms on Insolvency

4. Implications, Risk Management and Climate Change Impact

4.1 Financial

- Introducing a mandatory 10% social value weighting for all procurements over £100,000 could affect the prices we receive. However, a majority of the time, the price takes precedence over the quality within a tender submission

4.2 Legal

- Updating these Contract Procedure Rules means that we will be adhering to The Procurement Act 2023

4.3 Risks

- Increased delegation to Procurement Champions could mean that the procurement regime is less controlled, however, a facility is built into the procurement portal to enable The Procurement Officer to view and approve procurements over £30,000.
- The new contract management system will mean better control of contracts. However, we must ensure that contract managers are

updated in the system (e.g. leavers replaced with new contract managers) to ensure the process remains robust. Procurement are currently in discussions with HR about how we can include this in the leaver forms.

4.4 Environmental/Climate Change Impact

- Adding a mandatory 10% social value weighting to all procurements above £100,000 means that we can evaluate environmental issues as environmental variables sit under the umbrella of Social Value
- Consulting The Climate Change Officer for all procurements over The Procurement Act 2023 threshold

4. Alternative Options

There is no alternative option. If we do not update our contract procedure rules we will not be following the new procurement legislation.

5. Conclusion

It is recommended that The Council approves the new iteration of The Contract Procedure Rules that reflects new procurement legislation.

6. Appendices

Appendix A – 2021 Contract Procedure Rules

Appendix B – 2025 Contract Procedure Rules

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7. Financial Procedures
(c) Contract Procedure Rules

December 2021

Teignbridge
DISTRICT COUNCIL
South Devon

CONTRACT PROCEDURE RULES



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Section 1: Introduction

These Contract Procedure Rules (issued in accordance with section 135 of the 1972 Local Government Act) are intended to promote good procurement practice and public accountability and deter corruption. Following the rules is the best defence against allegations that a purchase has been made incorrectly or fraudulently.

Officers responsible for purchasing or disposal must comply with these Contract Procedure Rules. They lay down minimum requirements and a more thorough procedure may be appropriate for a particular *contract*. (For example, if you would normally require that quotes be obtained, it might be appropriate in particular circumstances to seek additional quotations or tender submissions. Equally, it may not always be appropriate to make use of a waiver under even if one might apply or be granted).

For the purposes of these rules, where there is a requirement for communication to be in writing, this shall be deemed to include e-mail (or other e-communication systems e.g. e-tendering).

- Follow the rules whenever you purchase goods or services or works.
- Take all necessary procurement, legal, financial and professional advice.
- Declare any personal financial interest in a *contract*. Corruption is a criminal offence.
- Conduct any Value for Money review and appraise the purchasing need.
- Check whether there is an existing *Corporate Contract* or *Framework Agreement* in place you can make use of before undergoing a competitive process.
- For purchases using the RFQ procedure, consider competition between local suppliers where possible.
- For purchases below £20,000 consider local suppliers in the first instance.
- Normally allow at least four weeks for submission of *Bids* (not to be submitted by hard copy, fax or e-mail).
- Keep *Bids* confidential to minimise the risk of bid rigging and collusion
- Complete a written *contract* or Council purchase order before supply or works begin.
- Identify a contract manager with responsibility for ensuring the *contract* delivers as intended.
- Keep records of dealings with suppliers.
- Assess each *contract* during the term and afterwards to see how well it met the purchasing need and quality of delivery requirements.

In accordance with the *Constitution*, the *Section 151 Officer* may propose amendments to these Contract Procedure Rules after consultation with the *Council's*

Solicitor, Internal Audit and the Corporate Procurement Officer. Proposed amendments must be submitted to the Audit Scrutiny Committee, with a recommendation to Council for approval, where appropriate.

Terms in *italics* are defined in the Definitions Appendix at the end the rules.

1 Basic Principles

All purchasing procedures and the letting of *Concession Contracts* must:

- comply with these Contract Procedure Rules and Financial Instructions (both at Part 4 of the *Constitution*);
- achieve Value for Money for public money spent;
- be consistent with the highest standards of integrity, having regard to the Council's Anti-Fraud and Corruption Strategy. The Bribery Act 2010 and the Office of Fair Trading guidance on Anti-Competitive Behaviour;
- ensure fairness in allocating public *contracts;*
- comply with all legal requirements;
- ensure that Non-commercial Considerations do not influence any *Contracting Decision;*
- support the Council's corporate and departmental aims and policies;
- comply with the Council's Procurement Strategies, Sustainable Procurement Policy and Procedure and The Devon Districts Procurement Strategy; and
- be followed by *Officers* of the Council in all procurement activities including circumstances where there has been any challenge by the community.

2 Officer Responsibilities

2.1 Officers responsible for purchasing or disposal must comply with these Contract Procedure Rules, Financial Instructions, the Code of Conduct and with all UK legal requirements. Officers must ensure that any Agents, Consultants and contractual partners acting on their behalf also comply.

2.2 Officers must:

- have regard to the Council's purchasing and contract guidance;
- ensure that the appropriate approved budgetary provision is in place;
- check whether a suitable Corporate Contract exists before seeking to let another contract; where a suitable Corporate Contract exists, this must be used unless there is an auditable reason not to;
- keep the records required by Rule 12;
- take all necessary legal, financial and professional advice.

2.3 (TUPE) Transfer of Undertakings (Protection of Employment) Regulations 2006

When any employee either of the authority or of a service provider may be affected by any transfer arrangement, Officers must ensure that the Transfer of Undertaking (Protection of Employment) (TUPE) issues are considered and obtain legal advice before proceeding with inviting Tenders or Quotations.

2.4 Heads of Service and Service Managers Responsibilities

Business Leads / Business Managers must:

- ensure that their staff comply with Rule 2.1
- keep registers of:
  - contracts completed by signature, rather than by the Council's seal (see Rule 22.3) and arrange their safekeeping on Council premises; and
  - waivers recorded under Rule 3.2.

3 Waivers

3.1 The Council and its Executive have power to authorise waivers from the requirement to seek quotations or invite tenders for specific projects, and any such decision may be a Key Decision.

3.2 Where a waiver is necessary because of an unforeseeable emergency involving immediate risk to persons, property or serious disruption to Council services (Life or Death, Increased Costs / Loss of Income, Limited Markets, Reputation or Continuity and Compatibility) the Officer must seek the approval of their Business Manager or Business Lead, Corporate Procurement Officer, Internal Audit, the Leader/Deputy Leader of the Council, and the Chief Executive, who may jointly approve the waiver. A report must be prepared for the next Executive to support the action taken. Terms are defined as:

- **Life or Death**
  Is there a significant chance that the life or health of officers, members or the public will be put at real risk?
- **Increased Costs / Loss of Income**
  Will the Council incur significant avoidable costs or lose significant income (significant shall be taken to mean material in the sense that it is either material to the project, the service or the Council)?
- **Limited Markets/Continuity and Compatibility**

Would the Council be wasting its time obtaining quotations as supply of the product or service is demonstrably restricted to one or few businesses (or an Approved List if it is recommended by Central Government which evidences that the market has been tested)? Does the supplier already know about the project? Are the goods being purchased only compatible with dependent parts already owned by The Council.

- **Urgent Action Required**
  Would the Council be criticised for failing to act promptly?

3.3 No waiver can be used if the FTS Procedure applies. The latest FTS procurement limits are available from either the Corporate Procurement Officer or Internal Audit.

3.4 All waivers, and the reasons for them, must be recorded. These shall be completed by the Officer and signed by their Business Manager / Business Lead, Internal Audit, the Leader / Deputy Leader of the Council and the Chief Executive.

3.5 Waiver forms must be used and are available on the Council's intranet or from Internal Audit who will monitor the use of waivers and ensure that all waivers are reported to the next Executive and Audit Scrutiny Committees.

4 Contracts between One or More Public Bodies (Teckal Exemption)

4.1 Where the Council seeks to provide goods, works or services through its own internal resources it may do so without triggering a procurement exercise (links to Financial Instructions).

4.2 Where the Council seeks to provide goods, works or services by entering in to a formal arrangement with another public sector body over which it has some ownership or control it may do so without triggering a procurement exercise where it can be demonstrated that three limited conditions are met, that:

- the Council must exercise over the body to be awarded the *Contract* "a control which is similar to that which it exercises over its own departments"; meaning that the Council must have a power of decisive influence over both strategic objectives and significant decisions of the body awarded the *Contract*; More than 80% of the activities of the body to be awarded the *Contract* must be carried out in the performance of tasks entrusted to it by the Council; and

- there must be no direct private capital participation in the body to be awarded the *Contract*.

4.3 Where the public sector body that is controlled by the Council seeks to provide goods, works or services by entering in to a formal arrangement with its controlling Council or another public sector body controlled by the same Council it may do so without triggering a procurement exercise where it can be demonstrated that a limited condition is met, that:

- there is no direct private capital participation in the body being awarded the *Contract*.

4.4 Where the Council seeks to provide goods, works or services by entering in to a formal arrangement with one or more public sector bodies over which it has no control it may do so without triggering a procurement exercise where it can be demonstrated that three limited conditions are met, that:

- the Council must exercise jointly with other public sector bodies "a control which is similar to that which it exercises over its own departments" over the body to be awarded the *Contract;*
- more than 80% of the activities of the body to be awarded the *Contract* must be carried out in the performance of tasks entrusted to it by the joint public sector bodies; and
- there must be no direct private capital participation in the body to be awarded the *Contract*.

The Council and other public sector bodies can be said to exercise joint control over another body where all of the following conditions are met; that:

- the decision-making bodies of the controlled body are composed of representatives of all participating public sector bodies;
- the participating public sector bodies are able to jointly exert decisive influence over the strategic objectives and significant decisions of the body awarded the Contract; and
- the body to be awarded the *Contract* does not pursue any interests which are contrary to those of the controlling public sector bodies.

4.5 A *Contract* concluded exclusively between two or more public sector bodies may not trigger a procurement exercise where it can be demonstrated that three limited conditions are met, that:

- the *Contract* establishes or implements a co-operation between the participating public sector bodies with the aim of ensuring that public

services they have to perform are provided with a view to achieving common objectives;
- the implementation of that co-operation is governed solely by considering relating to the public interest; and
- the participating public sector bodies perform on the open market less than 20% of the activities with which the *Contract* is concerned.

4.6 *Officers* must proceed with caution when invoking any of the exceptions given within this section, and advice must be sought from the *Corporate Procurement Officer*.

5 Collaborative Arrangements

5.1 The *Corporate Procurement Officer* must be consulted prior to commencing a procurement process using any purchasing consortia contracts or the terms and conditions of *Contract* applicable to any purchasing consortia arrangement, including the requirement to undertake competition between providers, must be fully complied with.

5.2 In order to secure *Value for Money,* the Council may enter into collaborative procurement arrangements. The *Officer* must consult the *Corporate Procurement Officer* where the purchase is to be made using collaborative procurement arrangements with another local authority, government department, statutory undertaker or public service purchasing consortium.

5.3 All purchases made via a purchasing consortium are deemed to comply with these Contract Procedure Rules and no waiver is required. However, purchases above the FTS Threshold must be let under the FTS Procedure, unless the consortium has demonstrated that it has satisfied this requirement already by letting their contract in accordance with the FTS Procedures on behalf of the authority and other purchasing consortium members.

5.4 Any contracts entered into through collaboration with other local authorities or other public bodies, where a competitive process has been followed that complies with the Contract Procedure Rules of the leading organisation, will be deemed to comply with these Contract Procedure Rules and no waiver is required. However, **advice must be sought from the *Corporate Procurement Officer*.**

5.5 The use of electronic procurement technology enhances the administrative process for tendering (audit trails etc.) but does not negate the requirement to comply with all elements of these contract procurement rules, particularly those relating to competition and Value for Money.

6 Relevant Contracts

6.1 All *Relevant Contracts* must comply with these Contract Procedure Rules. A *Relevant Contract* is any arrangement made by, or on behalf of, the authority for the carrying out of works or for the supply of goods, materials or services. These include arrangements for:

- the supply of goods (for disposal of goods and assets see the *Financial Instructions*);
- the hire, rental or lease of goods or equipment;
- the delivery of services, including (but not limited to) those related to:
  - the recruitment of staff;
  - financial, legal and *Consultancy* services;
- Development Agreements under certain circumstances (see Section 31 for further details); and
- *Concession Contracts.*

and where the *Supplier* is:

- another public sector organisation, to include a town and / or parish council;
- a body wholly or jointly owned or controlled by the *Council*; and
- a third sector organisation, to include social enterprises, not-for-profit organisations or charities.

6.2 *Relevant Contracts* do not include:

- contracts of employment which make an individual a direct employee of the authority; or
- agreements regarding the acquisition, disposal, or transfer of land (for which *Financial Instructions* shall apply); or
- *Section151 Officer* dealing in the money market or obtaining finance for the Council; or
- contracts made by the *Council's Solicitor* for the appointment of counsel.

Section 2: Thresholds

7 Purchasing: Requirements to Obtain Quotations or Tenders

7.1 The ***Total Value*** of a *Contract* is the whole of the value or estimated value (in money or equivalent value) for a single purchase in the following circumstances:

- the total amount payable, net of VAT, as estimated by the Authority, including any form of option and any renewals of the contracts as explicitly set out in the procurement documents, to include any prizes or payments that the Authority intends to make to the Applicant's;
- where the purchase is regular in nature or is intended to be renewed within a given period, the calculation of the estimated contract value shall be based on either of the following:—
  i. the total actual value of the successive contracts of the same type awarded during the preceding 12 months or financial year adjusted, where possible, to take account of the changes in quantity or value which would occur in the course of the 12 months following the initial contract;
  ii. the total estimated value of the successive contracts awarded during the 12 months following the first delivery, or during the financial year where that is longer than 12 months.
- where the *Contract* does not indicate a total price, the basis for calculating the estimated *Contract* value shall be the following:—
  i. in the case of fixed-term contracts where that term is less than or equal to 48 months, the total value for their full term;
  ii. in the case of contracts without a fixed term or with a term greater than 48 months, the monthly value multiplied by 48.
- where a proposed work or a proposed provision of services may result in contracts being awarded in the form of separate lots, account shall be taken of the total estimated value of all such lots;
- where the Contract relates to the leasing, hire, rental or hire purchase of products, the value to be taken as a basis for calculating the estimated contract value shall be as follows:—
  i. for fixed-term *Contracts*, where that term is less than or equal to 12 months, the total estimated value for the term of the contract or, where

the term of the contract is greater than 12 months, the total value including the estimated residual value;

ii. for *Contracts* without a fixed term, or public contracts the term of which cannot be defined, the monthly value multiplied by 48.

- for *Contracts* for insurance services, the premium payable and other forms of remuneration;
- for *Contracts* for banking and other financial services, the fees, commissions payable, interest and other forms of remuneration;
- for design *Contracts*, the fees, commissions payable and other forms of remuneration;
- where a Authority is comprised of separate operational units, account shall be taken of the total estimated value for all those units except where the separate operational unit is independently responsible for its procurement, or certain categories of its procurement, the values may be estimated at the level of the unit in question;
- in the case of *Framework Agreements* and *Dynamic Purchasing Systems*, the value to be taken into consideration shall be the maximum estimated value, net of VAT, of all the C*ontracts* envisaged for the total term of the *Framework Agreement* or the *Dynamic Purchasing System;*
- in the case of innovation partnerships, the value to be taken into consideration shall be the maximum estimated value, net of VAT, of the research and development activities to take place during all stages of the envisaged partnership as well as of the supplies, services or works to be developed and procured at the end of the envisaged partnership;
- for *Works Contracts*, the calculation of the estimated value shall take account of both the cost of the *Works* and the total estimated value of the *Goods* and *Services* that are made available to the contractor by the Authority provided that they are necessary for executing the *Works*.

7.2 The general rules when calculated the *Total Value* of a *Contract* are as follows:

- the choice of the method used to calculate the estimated value of a *Contract* shall not be made with the intention of excluding it from the scope of the Contract Procedure Rules;
- a *Contract* shall not be subdivided with the effect of preventing it from falling within the scope of the Contract procedure Rules;
- the estimated value shall be calculated as at the moment at which the call for competition is sent or, at the moment at which the authority commences the procurement procedure; and

- the *Total Value* shall be that part of the main *Contract* to be fulfilled by the *Nominated Supplier or Sub-contractor*.
- The Total Value taking into account any options e.g. 3+2 years

7.3 The following procedures apply where there are no other procedures which take precedence (such as agency agreements with government). If in doubt, *Officers* must seek the advice of the *Corporate Procurement Officer*.

7.4 Where the *Total Value* for a purchase is within the values in the first column below, the *Award Procedure* in the second column must be followed. *Short listing* shall be done by the persons specified in the third column.

7.5 Where it can be demonstrated that there are insufficient suitably qualified *Candidates* to meet the competition requirement, all suitably qualified *Suppliers* must be invited to quote and *Tender* and the *Corporate Procurement Officer* informed. If it can be clearly demonstrated that less than the required quotations are available, then the Waiver procedure in line with paragraph 3 must be followed.

7.6 Where the *FTS Procedure* is required, the *Officer* shall consult the *Corporate Procurement Officer,* as appropriate, to determine the method of conducting the purchase. See tables at sections 8 and 9.

7.7 Where the Council procures on behalf of itself and other partners (acting as lead authority, the *Total Value* will be the overall value of the *Contract* and not the element of cost that applies to the Council itself.

7.8 Where procurement is for a service to be shared between authorities, it must be stated in advance both how the costs are to be apportioned between the partners and where the ownership of any assets falls.

8 Thresholds for Goods, Services and Works (Table 1)

Total Value (excl. VAT)	Award Procedure
£0 - £20,000	• A minimum of 1 written quotation, however, preferably 3 quotes demonstrating best value for money. Quotes must be sought from suppliers with a Teignbridge postcode. • If there are no suppliers based in Teignbridge who can fulfil the requirement; Officers are asked to look at suppliers based in the Devon District. • If there are no suppliers based in the Devon district, Officers are asked to look at national suppliers. • If using national suppliers, please use their geographical location as part of your best value for money evidence e.g. a supplier closer to the Devon district is a more environmentally sustainable solution if delivering goods, or if travelling is needed for services and works. • Please use the supplier database in the first instance. If there are no suppliers within the database who can fulfil your requirement, please use internet searches via a search engine.
£20,001 - £100,000	• A minimum of three formal written Quotations (Request for Quotation) demonstrating best value for money. • *Please use the Supply Devon portal in the first instance to conduct your Request for Quotation.* • *If there are no suppliers on the Supply Devon portal who can fulfil your requirement,* please use the procurement portal (www.supplyingthesouthwest.org.uk) to conduct your Request for Quotation. • If not using Supply Devon, Officers have the option to either directly invite specific suppliers to the opportunity via the procurement portal (ideally a minimum of 5 to guarantee 3 responses) or advertise this requirement nationally via Contracts Finder. • Once awarded, all awarded contracts must be awarded via Contracts Finder.

£100,000 – FTS Threshold	• Invitation to Tender by advertisement via Contracts Finder.
FTS Threshold and over	• Invitation to Tender by advertisement via Contracts Finder and Find a Tender Service

9.1 Officers must ensure that they use a variety of suppliers for various projects. Officers must not use the same supplier or contractor for purchases under £20,000.

9 Collaborative, Partnership Arrangements, Consultants and External Purchasers

Collaborative and Partnership Arrangements

10.1 Collaborative and partnership arrangements are subject to all UK procurement legislation and must follow these Contract Procedure Rules. If in doubt, *Officers* must seek the advice of the *Council's Solicitor* and the *Corporate Procurement Officer*.

The Appointment of *Consultants* to Provide Services

10.2 Construction *Consultants,* to include architects, engineers and surveyors, financial and management *Consultants,* legal advisors and *Consultants* and any other professional persons considered *Consultants* as per the definition provided shall be selected and commissions awarded in accordance with the limits and procedures detailed within these Contract Procedure Rules and as outlined at Rule 7.1

10.3 The engagement of a *Consultant* shall follow the agreement of a brief that adequately describes the scope of the services to be provided and shall be subject to completion of a formal letter or *Contract* of appointment to be in the form agreed by the *Council's Solicitor.*

10.4 Records of consultancy appointments shall be maintained in accordance with. Rule 18.

10.5 *Consultants* shall be required to provide evidence of, and maintain professional indemnity insurance policies to the satisfaction of the Council's Insurance Officer for the periods specified in the respective agreement.

10.6 *Officers* must be aware of the Council's duty to assess the employment status of individuals and to assess whether they will be working for the Council in an "employed capacity" or "self-employed". The **HM Revenue and Customs checklist** must be used in the assessment of status and if the individual could be deemed as employed, the Council's recruitment and payroll procedures must be followed.

Contracts to Provide Services to External Purchasers

10.7 The *Council's Solicitor, Corporate Procurement Officer* and *Financial Instructions* must be consulted where contracts to work for organisations other than the authority are contemplated

Section 3: Pre-procurement

Steps Prior to Purchase

11.1 The Officer must appraise the purchase, in a manner commensurate with its complexity and value and taking into account any *purchasing guidance*, by:

- ensuring the Social Value (Public Services) Act 2012 is complied with for all service contracts where the Total Value exceeds the FTS Threshold;
- Ensuring that sustainable procurement procedures are used where appropriate (*please refer to Sustainable Procurement Policy and Procedure*)
- taking into account the requirements from any relevant Value for Money review;
- appraising the need for the expenditure and its priority;
- defining the objectives of the purchase and consider whether it is appropriate to tender on the same basis as any existing arrangement (see also Rule 2.2);
- assessing the risks associated with the purchase and how to manage them;
- considering what procurement method is most likely to achieve the purchasing objectives, including internal or external sourcing, partnering, packaging strategy and collaborative procurement arrangements with another local authority, government department, statutory undertaker or public service purchasing consortium;
- consulting users as appropriate about the proposed procurement method, contract standards and performance and user satisfaction monitoring;
- drafting appropriate terms and conditions to apply to the proposed contract (if other than the Council's standard terms and conditions, the advice of the *Corporate Procurement Officer* and the *Council's Solicitor* must be sought
- setting out these matters in writing if the Total Value of the purchase exceeds quotations needed outside of the portal. i.e. £20,000 for goods and service and £15,000 for works.

11.2 The officer must also confirm that:

- there is member or delegated approval for the expenditure and the purchase accords with the approved policy framework and scheme of delegation as set out in the *Constitution; and*

- if the purchase is a Key Decision, all appropriate steps have been taken.

Records and Reporting

12.1 The following records must be kept:

- invitations to quote and Quotations;

A record:

- of any waivers and the reasons for them;
- of the reason if the lowest price is not accepted (Nb. to accept a *Quotation* other than the lowest, the *Officer* must be satisfied that the *Tender* represents the most economically advantageous *Bid* and best value for money. The *Award Criteria* for this should have been set out in advance and evaluation records must be retained. See rule 16 for further detail on *Award Criteria*); and
- written records of communications with the successful contractor or an electronic record if a written record of the transaction would normally not be produced.

12.2 Where the *Total Value* exceeds £50,000 the *Officer* must record:

- the method for obtaining *Bids*
- any *Contracting Decision* and the reasons for it;
- any waiver under Rule 3 together with the reasons for it;
- the *Selection Criteria* in descending order of importance;
- the *Award Criteria* in descending order of importance;
- *Invitation to Tender* documents sent to and received from *Suppliers;*
- pre-tender market research;
- clarification and post-tender negotiation (including minutes of meetings);
- legal advice;
- the contract documents and any variations or extensions;
- post-contract evaluation and monitoring;
- communications with *Suppliers* and with the successful contractor throughout the period of the *Contract; and*
- ongoing checking of the financial position of the successful contractor throughout the period of the *Contract*.

Please see Appendix A for the contract award report to assist with adherence to this rule 12.2.

12.3 Records must be kept for six years after the end of the contract. However, written documents which relate to unsuccessful *Suppliers* must be destroyed after

12 months from award of successful contract, provided there is no dispute about the award.

12.4 Where the ***Total Value*** **exceeds the** ***FTS Threshold*** the *Officer* shall draw up a written report which shall include at least the following:

- the name and address of the *Council*, the subject-matter and value of the *Contract, Framework Agreement* or *Dynamic Purchasing System*;
- where applicable, the results of the *Selection* stage and reduction in *Tenderers*, namely:-
    - the names of the selected *Tenderers* and the reason for their selection; and
    - the names of the rejected *Tenderers* and the reasons for their rejection;
- The reasons for the rejection of *Tenders* found to be abnormally low; the name of the successful *Tenderer* and the reasons why its *Tender* was selected and, where known:-
    - the share (if any) of the *Contract* or *Framework Agreement* which the *Tenderer* intends to subcontract to third parties; and
    - the names of the main contractor's subcontractors (if any);
- for *Competitive Procedures with Negotiation* and *Competitive Dialogue* the circumstances which justify the use of those procedures;
- for *Negotiated Procedures without Prior Publication*, the circumstances which justify the use of this procedure
- where applicable, the reasons why the *Council* has decided not to award a *Contract* or *Framework Agreement* or to establish a *Dynamic Purchasing System*
- where applicable, the reasons why means of communication other than electronic means have been used for the submission of *Tenders*;
- where applicable, conflicts of interest and subsequent measures taken

Where the *Contract Award Notice* contains the information required above, the *Council* may refer to that notice.

Advertising

Identifying and Assessing Potential Candidates

13.1 The tender thresholds sections 8 and 9, and wherever practicable, *Officers* shall ensure that where the *Total Value* of the proposed *Contract* does not exceed the tender threshold they shall invite a minimum of three suppliers, one of whom must have a head office which is registered within the Council's

boundaries. Officers shall be seen to alternate the Suppliers to whom quotation documentation is sent so as to ensure fair competition within the market.

13.2 *Officers* shall ensure that, where proposed contracts, irrespective of their *Total Value,* might be of interest to potential *Candidates*, a sufficiently accessible advertisement is published. Generally, the greater the interest of the contract to potential bidders from other member states, the wider the coverage of the advertisement should be.

13.3 For all procurements that are over the RFQ threshold, advertisements must be placed on the *Council's* electronic tendering system

13.4 For all procurements over £20,000, advertisements must be placed on *Contracts Finder*. https://www.gov.uk/contracts-finder

13.5 Advertisements must include at least:

- the time by which any interested *Supplier* must respond to the opportunity;
- how and to whom the *Supplier* is to respond; and
- any other requirements for participating in the procurement.

13.6 Where the *Council* published information on *Contracts Finder* it shall by means of the internet offer unrestricted and full direct access free of charge to the relevant contract documents and specify in the information published on *Contracts Finder* the internet address at which those documents are available.

In addition to the above, advertisements may also be placed in:

- the Council's website;
- the Council's social media
- the Council's electronic tendering system;
- national official journals, or
- Find a Tender Service (FTS)

Notices must be placed in Find a Tender Service for *Contracts* with a value exceeding the *FTS Threshold*

13.7 For proposed contracts that are expected to exceed the RFQ threshold assessment and selection will be in conjunction with the *Corporate Procurement Officer*.

Assessing:

13.8 The *Council* shall not include a pre-qualification stage in a procurement under the *FTS Threshold*.

In any event the *Council* may ask *Suppliers* to answer *Selection* questions to assess their ability to meet requirements or minimum standards of suitability, capability, legal status or financial standing, only if each such question is:

- relevant to the subject-matter of the procurement; and
- proportionate

Approved Lists

13.9 *Approved Lists* will not be maintained due to the costs of proper administration and the need to ensure that competition is maximised.

13.10 Suppliers interested in doing business with the Council must register on the Council's electronic tendering system, which is available at: www.supplyingthesouthwest.org.uk

13.11 A register of pre-qualified contractors and *Consultants* maintained by or on behalf of central government (e.g. Constructionline, Accredit) will not be deemed to be an *Approved List* for the purpose of these Contract Procedure Rules.

Framework Agreements and Dynamic Purchasing Systems (DPS)

Framework Agreements

14.1 A *Framework Agreement* is an arrangement of one or more contracting authorities with one or more suppliers in order to establish the terms governing the contracts awarded during a given period.

14.2 The term of a *Framework Agreement* must not exceed four years. There must be one (a single-provider framework), or more than two (2) (multi-provider framework) *Suppliers* within an agreement under UK procurement law. The Council's *Corporate Procurement Officer* must always be consulted before any action is taken.

14.3 Contracts based on *Framework Agreements* may be awarded by either:

- applying the terms laid down in the *Framework Agreement* (where such terms are sufficiently precise to cover the particular call-off) without reopening competition (also known as a *direct award*); or
- where the terms laid down in the Framework Agreement are not precise enough or complete for the particular call off by holding a **mini competition** in accordance with the following procedure:
    - inviting the organisations within the *Framework Agreement* that are capable of executing the subject of the contract to submit written *Tenders;*
    - fixing a time limit which is sufficiently long to allow *Tenders* for each specific contract to be submitted, taking into account factors such as the complexity of the subject of the contract; and
    - awarding the contract to the tenderer who has submitted the best *Tender* on the basis of the *Award Criteria* set out in the specifications of the *Framework Agreement*.

14.4 Contracts based on a *Framework Agreement* may under no circumstances entail substantial modifications to the terms laid down in that *Framework Agreement*.

14.5 When a *Framework Agreement* has been selected for use, only the *Suppliers* that appear on the agreement may be approached to provide the Contract. Multiple *Framework Agreements* may not be selected for use to procure one single *Contract*.

14.6 Contracts may be awarded beyond the life of a *Framework Agreement* provided that such contracts are not awarded improperly or in a way that seeks to distort competition. As an example it would serve to distort competition to award a *Contract* that significantly exceeded the life of the *Framework Agreement* where it was not common practice or expected by the market to do so.

14.7 A *Contract* procured under a *Framework Agreement* by another user may not be used by way of avoiding running a further competition, unless expressly permitted by the terms of the *Framework Agreement* or resultant call-off contract.

14.8 The *Standstill* obligations need only be applied to contracts awarded against a *Framework Agreement* that will exceed the *FTS Threshold*.

Dynamic Purchasing Systems (DPS)

14.9 A *Dynamic Purchasing System* is similar to a *Framework Agreement* insofar as it is an arrangement of one or more contracting authorities with one or more suppliers in order to establish the terms governing the contracts

awarded during a given period, the term must not exceed four years and its *Total Value* must be the total of all contracts that are anticipated to be awarded under it.

The way in which the *Dynamic Purchasing System* is different to a *Framework Agreement* is that additional *Suppliers* can be added throughout the life of the arrangement and the life of the arrangement can be for a period, which is proportionate to the nature of the works, services or goods to be procured under it, as specified by the *Council*.

14.10 In opening up access to *Suppliers* to the *Dynamic Purchasing System* the *Officer* must:

- offer unrestricted, direct and full access to the procurement documents by electronic means at all times throughout the life of the Dynamic Purchasing System;
- allow new applications to be submitted throughout the life of the Dynamic Purchasing System;
- complete the evaluation of a newly submitted application within ten days of its receipt;
- admit to the Dynamic Purchasing System all new Suppliers that satisfy the Selection criteria, and
- notify Suppliers of their admission to the Dynamic Purchasing System or rejection of their application.

14.11 In awarding a *Contract* under the *Dynamic Purchasing System* the *Officer* must:

place an advertisement against the *Dynamic Purchasing System* to notify Suppliers of the requirement to award a *Contract*. Where the *Dynamic Purchasing System* has been established in accordance with the UK procurement rules, i.e. where the *Total Value* exceeds the *FTS Threshold*,

- evaluate any new applications in response to the advertisement prior to issuing *Invitations to Tender* under the *Dynamic Purchasing System.*

All *Suppliers* admitted to the *Dynamic Purchasing System* must be given an opportunity to respond to the *Invitation to Tender*; and
the *Contract* shall be awarded to the *Supplier* that submits the best *Bid* in accordance with the *Selection* and *Award Criteria* set out in the original advertisement

14.12 The Council's *Corporate Procurement Officer* must always be consulted before any action is taken to establish a *Dynamic Purchasing System*.

Early Market Engagement and Consultation (Soft Market Test)

15.1 The *Officer* responsible for the purchase: may, prior to the issue of the *Invitation to Tender* or *Quotation,* consult potential suppliers in general terms about the nature, level and standard of the supply, *Contract* packaging and other relevant matters, provided this does not prejudice any potential *Supplier*.

15.2 The *Officer* may seek or accept advice from potential *Suppliers* that can be used in the planning and conduct of the procurement procedure, provided that it does not have the effect of distorting competition and does not result in the violation of the principles of non-discrimination and transparency.

15.3 The *Officer* shall take appropriate measures to ensure that competition is not distorted, including:

- communicating to the other *Tenderers* any relevant information exchanged resulting from the involvement of the *Supplier's*; and

- fixing adequate time limits for the receipt of *Tenders*.

15.4 *Supplier's* that have assisted the *Officer* in preparing the procurement procedure shall only be excluded from the procedure where there are no other means to ensure compliance with the duty to treat all *Supplier's* equally and *Supplier's* shall be given the opportunity to prove that their involvement in preparing the procurement procedure is not capable of distorting competition.

15.5 A Soft Market Test exercise can be conducted via www.supplyingthesouthwest.org.uk, advice must be sought from the Corporate Procurement Officer before conducting any such exercise.

15.6 For service contracts where the *Total Value* will exceed the *FTS Threshold* the *Officer* must give due consideration to the Social Value (Public Services) Act 2012 prior to the commencement of the procurement process.

Section 4: The Procurement

Standards and Award Criteria

16.1 The *Officer* must define the *Selection Criteria* that are related and proportionate to the subject matter of the *Contract*. These shall form a stage one assessment of whether a Tenderer may progress with a *Tender* process, whether from the *Pre-Qualification Questionnaire (PQQ)* to *Tender* stage or from the *Selection* stage evaluation to the *Award* stage evaluation in an open *Tender*. The criteria to be assessed against may be chosen from the following:

- criteria for the mandatory exclusion of the *Supplier*; such as conspiracy, prior criminal convictions, evidence of corruption, bribery, fraud, terrorism, money laundering, tax evasion, etc. (this list is not exhaustive);
- criteria for the discretionary exclusion of the *Supplier*, such as bankruptcy, grave professional misconduct, evidence of distorting competition, conflict of interest, significant deficiencies in the delivery of a prior public contract, etc. (this list is not exhaustive);
- information as to economic and financial standing; such as, insurances, statements of accounts, statements of turnover, etc. (this list is not exhaustive); and
- information as to technical or professional ability; such as
  - the *Supplier's* professional ability, taking into account in particular that economic operator's skills, efficiency, experience and reliability;
  - evidence of a sufficient level of experience demonstrated by suitable references from contracts performed in the past; and
  - evidence that the *Supplier* possesses the necessary human and technical resources and experience to perform the contract to an appropriate quality standard (this list is not exhaustive).

16.2 The *Officer* shall include within its procurement procedures the Crown Commercial Services Standard Pre-Qualification Questionnaire for the purposes of assessing the *Selection* criteria. This shall apply to all procurement procedures with the exception of contract for *Works*, which can include the PAS 91 standard for assessing the *Selection* criteria.

The *Corporate Procurement Officer* must be consulted where the *Total Value* of the *Contract* is likely to exceed the *FTS Threshold and in any event to provide advice and guidance concerning the Crown Commercial Services Pre-Qualification Questionnaire to ensure that the questions are related and proportionate to the subject matter of the contract.*

16.3 *Selection Criteria* must not include:

- *Award Criteria;*
- *Non-commercial Considerations* (See Definitions Appendix); and
- criteria that is not related and proportionate to the subject matter of the *Contract.*

16.4 The *Officer* must ascertain what are the relevant British or equivalent European or international standards which are linked to the subject matter of the *Contract* and are appropriate to define characteristics of the *Works, Goods* or *Services* that are the subject-matter of the *Contract*. The Officer must include those standards which are necessary properly to describe the required quality. This includes sustainability, environmental, and health and safety standards. The *Council's Solicitor* and *Corporate Procurement Officer* must be consulted if it is proposed to use standards other than European standards.

16.5 The *Officer* must set out the technical specification in the procurement documents that lay down the characteristics required of the *Works, Services* or *Goods*, which can include the following:

- levels of environmental and climate performance;
- design for all requirements (including accessibility for disabled persons);
- performance;
- safety or dimensions;
- procedures concerning quality assurance;
- packaging;
- rules relating to design and costing; and
- inspection and acceptance conditions, etc. (this list is not exhaustive).

16.6 The *Officer* must define *Award Criteria* that are appropriate to the purchase and designed to secure an outcome giving Value for Money for the authority. The basic criteria shall be:

- 'Lowest price' where payment is to be made by the authority when the *Award Criteria* is price alone;

- ‘Highest price’ if payment is to be received; or
- ‘Most economically advantageous’, where considerations in addition to price also apply.

If the former criterion is adopted, it must be further defined by reference to sub-criteria which may refer only to relevant considerations. The criteria to be assessed against may be chosen from the following:

- quality, including technical merit, aesthetic and functional characteristics, social, environmental and innovative characteristics;
- organisation, qualification and experience of staff assigned to perform the contract;
- after-sales service and technical assistance; and
- cost, on the basis of a fixed price or life-cycle costing, etc. (this list is not exhaustive)

Award Criteria must be accompanied by the relative weightings ranked in order of importance to the Council in the context of the specific procurement and must be linked to the subject-matter of the *Contract*.

16.7 *Award Criteria* must not include:

- *Selection Criteria;*
- Non-commercial Considerations;
- matters which discriminate against suppliers, irrespective of size, from the
- criteria that is not related and proportionate to the subject matter of the *Contract.*

Procurement Documentation

17.1 Council *Officers* must prepare their *Procurement Documentation* using the Council’s standard templates, which are available on the Council’s Intranet site or via the *Corporate Procurement Officer*.

17.2 The *Procurement Documentation* shall state that no *Bid* will be considered unless it is received by the date and time stipulated. No *Bid* delivered in contravention of this clause shall be considered under any circumstances.

17.3 All *Procurement Documentation* shall include the following:

- a specification that describes the authority’s requirements in sufficient detail to enable the submission of competitive offers;

- a requirement for *Suppliers* to declare that the *Bid* content, price or any other figure or particulars concerning the *Bid* have not been disclosed by the *Supplier* to any other party (except where such a disclosure is made in confidence for a necessary purpose);

- a requirement for *Suppliers* to complete fully and sign all *Bid* documents including a form of Tender and certificates relating to canvassing and non-collusion;

- notification that *Bids* are submitted to the Council on the basis that they are compiled at the *Supplier's* expense;

- in the event that the *Contract* will not be divided in to separate *Lots*, the procurement documents will indicate the main reasons why not

- a description of the *Award Procedure* and, unless defined in a prior advertisement, a definition of the *Award Criteria* in objective terms and if possible in descending order of importance;

- notification that no *Bid* will be considered unless it is submitted via the Council's approved electronic tendering system;

- a stipulation that any Tenders submitted by fax or e-mail shall not be considered,

- the method by which any arithmetical errors discovered in the submitted *Bids* is to be dealt with. In particular, whether the overall price prevails over the rates in the *Tender* or vice versa;

- instructions to *Suppliers* concerning the procurement process and *Procurement Documentation* and information concerning the contract opportunity;

- the pricing schedule, schedule of rates, whole life costing schedule or other such appropriate pro-forma for gathering the *Supplier's* pricing;

- a requirement for *Suppliers* to indicate in its *Tender* any share of the *Contract* that it intends to subcontract to third parties and details of those subcontractors, if known; and

- a requirement for *Suppliers* to indicate in its *Tender* whether it is bidding as part of a consortium and details of the other consortia members.

17.4 All *Suppliers* invited to *Bid* must be issued with the same information at the same time and be subject to the same conditions. Any supplementary information must be given on the same basis.

17.5 All *Procurement Documentation* must specify the goods, service or works that are required, together with the terms and conditions of *Contract* that will apply

17.6 The *Procurement Documentation* must state that the Council is not bound to accept any *Quotation* or *Tender,* either as a whole or in part.

Shortlisting

18.1 The *Officer* will not include a Pre-Qualification stage in any procurement under the relevant *FTS* Threshold. *Officers* may reject *Bids* from *Suppliers* submitted against procurement procedures under this threshold only in accordance with the mandatory or discretionary rejection *Selection* criteria.

18.2 Where the procurement exceeds the *FTS* Threshold, any *shortlisting* must be done in accordance with the permitted *Selection Criteria.*

18.3 Evaluation criteria must be transparent and any sub-criteria specified. *Shortlisting* records must be kept and held for the period specified in the Council's Document Retention Policy and Rule 18.

18.4 Where the *Contract* is subdivided in to *Lots* the procurement documents shall indicate whether *Tenders* may be submitted for one, for several or for all of the *Lots*.

18.5 Where the *Contract* is subdivided in to *Lots* the procurement documents may state the number of *Lots* that may be awarded to one *Supplier* and any criteria or rules that will be applied in determining the way in which the *Lots* will be awarded.

18.6 *Officers* must contact the *Corporate Procurement Officer* prior to implementing *shortlisting* criteria in to their procurement documents.

18.7 The *officers* responsible for *shortlisting* are specified in Rule 7.1

Submission, Receipt & Opening of Tenders

19.1 *Suppliers* must be given an adequate period in which to prepare and submit a proper *Quotation* or *Tender*, consistent with the complexity of the contract requirement. Normally at least four weeks should be allowed for submission of *Tenders*. The *Pub Contracts Regulations 2015* lays down specific time periods

19.2 All *Tenders* must be submitted electronically, through the Council's approved and secure electronic tendering system.

19.3 *Tenders* received by fax or other electronic means (e.g. email) must be rejected.

19.4 Each *Tender* must be:

- suitably recorded so as to subsequently verify the date and precise time it was received;
- adequately protected immediately on receipt to guard against amendment of its contents; and
- recorded immediately on receipt in the *Tender Register*.

19.5 *Tenders* received after the set date and time must not be accepted and the *Corporate Procurement Officer* informed of late submissions. For the purposes of these rules the time will be deemed to be at the first stroke e.g. noon will be 12.00.00.

19.6 The Corporate Procurement Officer shall ensure that all *Tenders* are opened at the same time when the period for their submission has ended.

19.7 Upon opening, a summary of the main terms of each *Tender* (i.e. significant issues that are unique to each *Tender* submission and were not stated in the *Tender* invitation documents such as *Tender* sum) must be verified on the electronic tendering system

Clarification Procedures & Post-Tender Negotiation

20.1 Providing clarification of an *Invitation to Tender* to potential or actual *Suppliers is* permitted:

- in writing via the Council's electronic tendering system;
- at a meeting/site visit, provided that a written record is made of the meeting; and
- in a way that is fair, transparent and equal to all participants.

20.2 Discussions with tenderers after submission of a *Tender* and before the award of a *Contract* with a view to obtaining adjustments in price, delivery or content (i.e. post-tender negotiations) **must be the exception** rather than the rule. In particular, they must not be conducted in an *FTS Procedure* where this might distort competition, especially with regard to price. If in doubt, seek professional advice from the *Corporate Procurement Officer.*

20.3 If post-tender negotiations are necessary after a single-stage *Tender* or after the second stage of a two-stage *Tender*, then such negotiations shall only be undertaken with the tenderer who is identified as having submitted the best *Tender* and after all unsuccessful *Suppliers* have been informed. *Officers* appointed by a *Business Lead* to carry out post-tender negotiations should ensure that there are recorded minutes of all negotiation meetings and that both parties agree actions in writing.

18.4 Post-tender negotiation must only be conducted in accordance with the guidance issued by the *Corporate Procurement Officer* who must be consulted wherever it is proposed to enter into post-tender negotiation. Negotiations must be conducted by a team of at least two *Officers*, one of whom must be from a division independent to that leading the negotiations.

20.5 Where post-tender negotiation results in a fundamental change to the specification (or contract terms) the *Contract* must not be awarded but re-tendered.

Evaluation, Award & Debrief

21.1 Apart from the debriefing required or permitted by these Contract Procedure Rules, the confidentiality of *Quotations, Tenders* and the identity of *Suppliers*

must be preserved at all times and information about one *Supplier's* response must not be given to another *Supplier*.

21.2 *Tenders* and *Quotations* must be evaluated and awarded in accordance with the *Selection* and *Award Criteria*. During this process, *Officers* shall ensure that submitted *Tender* prices are compared with any pre-tender estimates and that any discrepancies are examined and resolved satisfactorily.

21.3 The arithmetic in compliant *Tenders* must be checked. If arithmetical errors are found they should be notified to the tenderer, who should be requested to confirm or withdraw their *Tender*.

21.4 *Officers* may use *Electronic Auctions* as a means of driving additional *Value for Money* and as part of the *Award Criteria*, where this process is completed using the Council's electronic tendering portal. Where the *Officer* wishes to use such a tool, the *Corporate Procurement Officer* must be contacted to offer assistance. *Electronic Auctions* may also be used for seeking *Bids* in sale transactions, such as land, where the highest possible price is sought from an applicant. (Links to 'Disposals' in Financial Instruction).

21.5 *Officers* may accept *Quotations* and *Tenders* received in respect of proposed contracts, provided they have been sought and evaluated fully in accordance with these Contract Procedure Rules. Awarding of contracts that are expected to exceed the approved budget sum shall be referred back to the *Executive* or the *Section 151 Officer* as appropriate, in line with the Scheme of Delegation.

21.6 Where the *Total Value* is over the Request for Quotation threshold, the *Officer* must notify all *Suppliers* in writing simultaneously and as soon as possible of the intention to award the contract to the successful *Supplier* and include the reasons why for unsuccessful bidders. Where an unsuccessful *Supplier* requests debrief information the *Officer* may use their discretion in deciding whether or not to comply with the request; there is no legal obligation imperative on the *Officer* to do so.

21.7 Where the ***Total Value* will exceed the *FTS Threshold*** the *Officer* must notify all *Suppliers* in writing simultaneously and as soon as possible of the intention to award the *Contract* to the successful *Supplier*, unless it is known sooner in the procurement process that a *Supplier* has been unsuccessful, in which case the *Officer* must notify the *Supplier* soonest with as much of the information required at 21.8 below as possible. The latter applies most

particularly, but not exclusively, in the case of a Restricted Procedure whereby the *Officer* must communicate the list of shortlisted *Suppliers* to those that have not been shortlisted.

21.8 The letters to the unsuccessful *Suppliers* must contain:

- the criteria for the award of the *Contract*;
- the reasons for the decision, including the characteristics and relative advantages of the successful *Tender*, the score (if any) obtained by:
    - the Supplier which is to receive the notice; and
    - the Supplier to be awarded the *Contract*; or to become a party to a *Framework Agreement* or *Dynamic Purchasing System*;
- the name of the Supplier to be awarded the *Contract*; or to become a party to a *Framework Agreement* or *Dynamic Purchasing System*; and
- a precise statement of either:
    - when the *Standstill Period* is expected to end and, if relevant, how the timing of its ending might be affected by any and, if so what, contingencies; or
    - the date before which the Council will not enter into the *Contract* or conclude the *Framework Agreement* or *Dynamic Purchasing System.*

21.9 The *Officer* must provide a *Standstill Period* of at least ten working days, where the communication is made electronically (fifteen days if not) to allow unsuccessful *Suppliers* the opportunity of challenging the decision before the *Officer* awards the *Contract*. The *Standstill Period* shall end at midnight on the final day of *Standstill* and no sooner. Where the last day of the Standstill Period is not a working day, the Standstill Period is extended to midnight at the end of the next working day. If the decision is challenged by an unsuccessful *Supplier* then the *Officer* shall not award the *Contract* and shall immediately seek the advice of the *Council's Solicitor* and *Corporate Procurement Officer*.

21.10 Where the *Supplier* has been informed of the fact that they have not been successful at an early stage in the procurement process, they must be provided within fifteen days of any request in writing from said *Supplier*, with the reasons that they were unsuccessful.

Section 5: The Contract

Contract Documents

22.1 Relevant Contracts

22.1.1 All *Relevant Contracts* above £20,000 shall be **in writing** in a form approved by the *Council's Solicitor.*

22.1.2 All *Relevant Contracts*, irrespective of value, shall clearly specify:

- What is to be supplied (i.e. the works, materials, services, matters or things to be furnished, had or done);
- The provisions for payment (i.e. the price to be paid and when);
- The time, or times, within which the *Contract* is to be performed; and
- The provisions for the Council to terminate the contract.

22.1.3 The Council's purchase orders or standard terms and conditions issued by a relevant professional body must be used for simple purchases of goods. If any doubt exists, the advice of the *Council's Solicitor* and *Corporate Procurement Officer* must be sought.

22.1.4 In addition, every *Relevant Contract* of purchase **over £50,000** must also state clearly as a minimum:

- Health and Safety requirements (where applicable and proportionate);
- sustainability and environmental management requirements (where applicable and proportionate);
- Social Value Act requirements (where applicable, i.e. for service *Contracts* with a *Total Value* in excess of the *FTS Threshold*);
- Equality Act 2010 requirements (where applicable and proportionate);
- that the contractor may not assign or sub-contract without prior written consent;
- any insurance requirements;
- Ombudsman requirements;
- data protection requirements, if relevant;
- that charter standards are to be met if relevant;
- Freedom of Information Act requirements;
- where *Agents* are used to let contracts, that *Agents* must comply with the Council's Contract Procedure Rules;
- a right of access to relevant documentation and records of the contractor for monitoring and audit purposes if relevant;
- any confidentiality requirements;
- tax evasion and avoidance requirements;

- a prompt payment clause stating that payment of undisputed invoices will be made within 30 days by contractors and subcontractors;
- a clause concerning technical staff where these are inherent to the successful outcome of the *Supplier's Bid* giving a requirement for the *Supplier* to notify the Authority where they intend to replace those members of staff; and
- termination clauses compliant with the Public Contracts Regs 2015.

22.1.5 The formal advice of the *Council's Solicitor* must be sought for contracts where any of the following apply:

- where the Total Value exceeds £50,000; or
- below £50,000 if other than the Council's standard terms and conditions are to be used; or
- those involving leasing arrangements (*Section 151 Officer* to be advised); or
- where it is proposed to use a supplier's own terms; or
- those involving the purchase of application software with a Total Value of more than £50,000; or
- those that are complex in any other way.

22.2 Contract Formalities

22.2.1 Agreements shall be completed as follows:

Total Value	**Method of Completion**	**By**
Purchase orders - up to £50,000	Electronic Order or Signature	Authorised officer
Contracts and licences up to £50,000 with the Council's Standard Terms and Conditions	Signature	*Business Lead / Business Manager* or Nominated Deputy (Rule 22.2.3)
Contracts and licences up to £50,000 with Non Standard Terms and Conditions	Signature	*Business Lead / Business Manager,* on the advice of the *Council's Solicitor*
Above £50,000 or if any of para 16.1.5.	Signature or Sealing (unless advised by the *Council's Solicitor* that sealing is not necessary)	*Business Lead* or the *Council's Solicitor*
ICT - system developments and purchases of ICT equipment or software	Method of completion in line with limits above	As above, except in all cases to involve the *Council's designated ICT Manager* (Currently Strata Service Solutions Ltd).

22.2.2 All contracts must be concluded formally in writing before the supply, service or construction work begins, except in exceptional circumstances, and then only with the written consent of the *Council's Solicitor* or *Section151 Officer*. An award letter is insufficient.

22.2.3 The *Officer* responsible for securing signature of the contract must ensure that the person signing for the other contracting party has authority to bind it. The use of Letters of Intent (which are binding for the Council) should be avoided, but in exceptional circumstances they may be used with the approval of and review by the *Council's Solicitor* before issue. The same rules relating to signatures apply.

22.2.4 Any new *Contract* should not be signed until the *Contract* it replaces is either ended or under notice.

22.2.5 Depending on the circumstances an officer of the Council may be subject to disciplinary action if they sign a *Contract* without being specifically authorised to do so.

22.2.6 All original contracts must be must given to the *Council's Solicitor* for secure storage and recording in the Council's Contract Register. It is the responsibility of the *Officer* to ensure that this happens, only copies of contracts should be held within services. An electronic copy must be sent to the *Corporate Procurement Officer.*

22.2.7 Contract award notices must be placed on the *Council's* electronic tendering system and *Contracts Finder*.

22.3 Sealing

22.3.1 Where appropriate contracts are completed by each side adding their formal seal. The fixing of the Council's seal must be witnessed by a further officer on behalf of the *Council's Solicitor*.

22.3.2 Every Council sealing will be consecutively numbered, recorded and signed by the person witnessing the seal. The seal must not be affixed except in accordance with the Council's *Constitution*.

22.3.3 A contract must be sealed where:

- the Council may wish to enforce the contract more than six years after its end;
- the price paid or received under the contract is a nominal price and does not reflect the value of the goods or services, or
- there is any doubt about the authority of the person signing for the other contracting party.

Bonds and Parent Company Guarantees (PCGs)

23.1 The *Officer* must consult the *Section 151 Officer* about whether a *Parent Company Guarantee* is necessary when a *Supplier* is a subsidiary of a parent company and:

- the Total Value exceeds £50,000, or
- award is based on evaluation of the parent company, or there is some concern about the stability of the *Supplier*.

23.2 The *Officer* must consult the *Section 151 Officer* about whether a *Bond* is needed:

- where the Total Value exceeds £1,000,000, or
- where it is proposed to make stage or other payments in advance of receiving the whole of the subject matter of the contract and there is concern about the stability of the Candidate i.e. following a formal risk assessment.

Prevention of Corruption

24.1 The *Officer* needs to be aware of the Bribery Act 2010 which introduces general offences of offering or receiving bribes, a specific offence of bribing a foreign public official, and the new corporate offence of failing to prevent bribery; and the Council's Anti-Fraud and Corruption Strategy.

24.2 The *Officer* must comply with the Council's *Code of Conduct* and must not invite or accept any gift or reward in respect of the award or performance of any contract. It will be for the *Officer* to prove that anything received was not received corruptly. High standards of conduct are obligatory. Corrupt behaviour will lead to dismissal and is a crime under the statutes referred to in Rule 24.3 below.

24.3 The following clause must be put in every written Council contract:

"The Council may terminate this contract and recover all its loss if the Contractor, its employees or anyone acting on the Contractor's behalf do any of the following things:

(a) offer, give or agree to give to anyone any inducement or reward in respect of this or any other Council contract (even if the Contractor does not know what has been done), or

(b) commit an offence under the Bribery Act 2010 or Section 117 of the Local Government Act 1972, or

(c) commit any fraud in connection with this or any other Council contract whether alone or in conjunction with Council members, contractors or employees. Any clause limiting the Contractor's liability shall not apply to this clause."

Anti-Competitive Behaviour

24.4 In their guidance for public sector procurers, the Office of Fair Trading has highlighted practical steps to take to reduce the risks of anti-competitive behaviour, which should be followed where practical:

- use non-collusion clauses, certificates of independent *Bids* and requests;
- ensure sufficient credible bidders;
- look for suspicious bidding patterns; and
- keep good notes of all discussions and potential bidders and systematically scrutinise them for suspicious patterns e.g. geographical prevalence of certain suppliers' areas.

24.5 If there is any doubt during a procurement exercise, or for further guidance, the *Officer* should contact the *Corporate Procurement Officer* or Internal Audit.

Declarations of Interest

25.1 If it comes to the knowledge of a member or an employee of the authority that a contract in which they have an *Interest* has been or is proposed to be entered into by the Council, they shall immediately give written notice to the *Monitoring Officer*.

25.2 *Office*rs must comply with the Officers' *Code of Conduct*, as discussed at paragraph 24.2

25.3 All Councillors must comply with the Members' *Code of Conduct* and register all contracts for goods, services or works made between the Council and:

- the councillor;
- a firm in which s/he is a partner;
- a company in which s/he is a remunerated director;
- a member of the Councillor's family or a person with whom they have a close association, or a partnership or company employing or operated by such a person; and
- any person or body who has a place of business in the Teignbridge District Council area and in which the Councillor has a beneficial interest in a class of securities of that person or body that exceeds the nominal value of £25,000 (or one hundredth of the total issued share capital) which ever the lower.

25.4 The *Monitoring Officer* shall maintain a record of all declarations of interests notified by members and *Officers*.

Section 6: Contract Management

Managing Contracts

26.1 ***Business Leads / Business Managers* must appoint contract managers for all new contracts** . All contracts must have a named Council contract manager for the entirety of the contract.

26.2 Contract managers must follow best practice in the area of supplier relationship and contract management.

26.3 **Extensions** should not be made unless this is provided for in the *Invitation to* Tender and the *Contract* itself. *Business Leads / Business Managers* must contact the *Council's Solicitor* and the *Corporate Procurement Officer* before any extension is actioned. Any **extensions** to contracts are to be in writing in the form approved by the *Council's Solicitor*, sequentially numbered and stored with the original *Contract.*

26.4 **Payments** to contractors will only be made on certification of the designated contract manager, in line with the *Financial Instructions*.

26.5 Ongoing checking of the financial position of the successful contractor throughout the period of the *Contract*. The level of any review will vary depending on the type of *Contract* and contractor involved, so the advice of the *Section.151 Officer* must be sought. The Contractor's insurance should also be checked annually through the life of the *Contract* and details passed to the Council's insurance officer for comment.

26.6 **Liquidated and ascertained damages** must be deducted for all periods of delay in line with the terms of the contract. Any instance, where in the opinion of the *Officer* / Contract Manager, this does not apply must be fully justified to, and authorised by, the responsible *Business Lead, the Council's Solicitor and the Section 151 Officer.*

26.7 The *Officer* / Contract Manager will consult with the responsible *Business Lead, the Council's Solicitor and the Section 151 Officer* promptly on becoming aware of any significant **dispute**, **claim for additional payment** in connection with a contract. No liability shall be accepted without the approval of the *Executive* in such cases.

26.8 Please refer to the Gold, Silver & Bronze Contract register to know how often to have your contract management meetings.

Modification of Contracts During Their Term

27.1 Contracts and Framework Agreements may be modified during their term without the need for a new procurement procedure in the following limited cases:

- where the change has already been provided for in the original procurement documents in clear, precise and unequivocal review clauses, provided that they state the scope and nature of the possible modifications or options and the conditions under which they may be used and they do not alter the overall nature of the *Contract* or *Framework Agreement;*
- for additional Works, Services or Goods by the original Supplier that have become necessary and were not included in the initial procurement, where a change of *Supplier* cannot be made for economic or technical reasons or would cause significant inconvenience or substantial duplication of costs;
- where the need for change follows circumstances that could not have been foreseen;
- where the modification does not alter the overall nature of the *Contract*
- where an increase in the price does not exceed 50% of the value of the original *Contract* or *Framework Agreement*
- where a new *Supplier* replaces the one to which the Authority originally awarded the *Contract; and*
- where the change is not substantial.

Where a change is proposed to a *Contract* that exceeds the *FTS Threshold* the *Officer* must contact the *Corporate Procurement Officer*.

Risk Assessment, Contingency and Planning

28.1 A business case must be prepared for all procurements with a potential value over the *FTS Threshold*. Provision for resources for the management of the contract, for its entirety, must be identified in the business case.

28.2 For all contracts with a value of over £50,000, contract managers must:

- maintain a risk register during the contract period in accordance with the Council's Risk Management Strategy;
- undertake appropriate risk assessments and for identified risks (in consultation with the Council's Lead Officer for Risk Management and Risk Management Strategy as appropriate);
- ensure mitigation and contingency measures are in place;
- monitor the financial performance of the contractor or any parent; and company and alert the *Section151 Officer* if there are any concerns.

Contract Monitoring, Evaluation and Review

29.1 All *Contracts* that have a value higher than the *FTS Threshold* limits, or which are *High Risk*, are to be subject to formal review(s) by the contract manager with the

contractor. The review may be conducted at a frequency that is determined by the risk value and profile of the *Contract.*

29.2 As a minimum, for all contracts with a value higher than the *FTS Threshold* limits, or which are *High Risk*, an annual report must be submitted to the Council's Corporate Leadership Team detailing the financial and service performance.

29.3 A contract review process must be applied to all contracts deemed to be *High Risk*, *High Value*, or *High Profile*. This process must be applied at key stages of major procurements.

29.4 During the life of the contract, the *Officer* must monitor and take any necessary corrective action in respect of:

- performance;
- compliance with specification and contract;
- cost;
- any *Value for Money* requirements; and
- user satisfaction and risk management.

29.5 When the *Contract* is completed the Contract Manager must submit a report to the *Corporate Leadership Team.* The report must evaluate the extent to which the purchasing need and the contract objectives (as determined in accordance with Rule 11.1) were met by the contract. Where the contract is to be re-let, a provisional report should also be available early enough to inform the approach to re-letting of the subsequent contract.

Additional Requirements for Contracts Financed from the Capital Programme

29.6 Any *Officer* proposing a project for inclusion in the Capital Programme must complete a Project Initiation Document (PID), and have this signed as approved by their *Business Lead / Business Manager* and *Portfolio Holder.* The PID must then be submitted to the *Section 151 Officer*, who will refer the project to the Capital Review Board and the Executive for approval.

29.7 The Project Initiation Document will include the objectives of the project; a risk assessment and contingency plan; details of how the project will be controlled including appointment of a Project Manager; funding required and any revenue impact that the project may incur.

29.8 The *Section 151 Officer* will provide the Executive with a quarterly report on the overall progress of the Capital Programme including any variations. Monthly reports will also be provided to the Corporate Leadership Team.

29.9 **Overspends** – in monitoring expenditure on a project, the *Officer* / Project Manager shall notify the *Section 151 Officer,* Corporate Leadership Team and Members at

the earliest opportunity where the approved expenditure appearing in the capital programme is likely to be exceeded. Authorisations for additional spend should be requested in accordance with the *Financial Instructions* (Virement Rule)

SECTION 7: OTHER RELEVANT CONSIDERATIONS

State Aid

Definition

State aid can be defined as any assistance offered by a public sector body in any form whatsoever that distorts or threatens to distort competition by favouring certain organisations and / or *Suppliers* or the production of certain goods. Such aid may take the form of a grant (capital injection), business tax relief, a reduction in rent or preferential finance (this is not an exhaustive list).

Where the Council wishes to administer aid in this manner careful consideration must be given prior to such a grant so as to ensure that it is compatible with EU law. Aid that is not compatible with EU law may be recovered from the beneficiary with interest.

For a grant to be considered as State Aid the following cumulative criteria must be met:

- the beneficiary receives a grant of a benefit or advantage; and
- the aid is given by a Member State or through state resources; and
- the beneficiary receives the aid on a selective basis; and
- the aid granted distorts or threatens to distort competition; and
- the aid is capable of affecting trade between Member States

Granted aid must fulfil all of these criteria in order to be deemed as a State Aid for the purposes of EU law.

Where a grant is defined as State Aid it must be notified in sufficient time to the European Commission. Aid will not be permitted to be bestowed upon the beneficiary until the Commission has reached a decision as to whether it can be deemed as compatible with EU law or not. Where Aid is incompatible the Council will not be permitted to grant it.

Exemptions for State Aid

Besides seeking approval from the European Commission, State Aid can be said to be compatible with EU law and can therefore be granted legally if:

- for the most part the total de minimis Aid given to a single recipient is less than €200,000 over a 3-year fiscal period;
- aid in favour of Small, Medium Enterprises, research, innovation, regional development, training, employment of disabled and disadvantaged workers, risk capital and environmental protection; and
- aid measures promoting female entrepreneurship, such as aid for young innovative businesses, aid for newly created small businesses in assisted regions, and measures tackling problems like difficulties in access to finance faced by female entrepreneurs.

Such Aid must still be notified to the European Commission and as a result Council *Officers* are advised to seek the advice and guidance of the *Council's Solicitor* and / or *Monitoring Officer* and *Corporate Procurement Officer* where State Aid may be said to exist on a particular project or procurement.

Development Agreements

Definition

A development agreement can be defined as an arrangement between a public sector body and a third party about the use or development of land or property, the nature of which invariably involves the transfer of land that would be otherwise be considered commercially undesirable, which becomes commercially desirable as a result of incentivisation by the public sector body.

Where the Council wishes to establish a development agreement that meets the definition above, again careful consideration must be given prior to such an agreement being established so as to ensure that it is compatible with EU law. A development agreement that is not compatible with EU law may be said to be a public works or *Concession Contract* and may therefore be subject to the legislation on public procurement.

For a development agreement to be considered as not triggering the public procurement legislation some or all the following characteristics must be met:

- the proposed development (or a significant part) is to be undertaken at the initiative and autonomous intention of the developer. (This may be particularly likely if the developer already owns or has control of land to be developed);
- the development agreement is ancillary or incidental to a transfer or lease of land or property from the Council to the developer, and is intended to protect the interests of the Council which is the lessor or otherwise retains an interest in the land or property;
- the development agreement is based on proposals put forward by the developer, rather than requirements specified by the Council, albeit that these proposals may be sought, and the "winner" chosen by the Council;
- there is no pecuniary interest passing from the Council to the developer as consideration for undertaking the development, either through direct payment or indirectly, for example by the assumption of obligations such as contributions towards project finance or guarantees against possible losses by the developer;
- the development agreement does not include specific contractually enforceable obligations on the developer to realise a work or works (even if that work or works is recognised as being the general intent of the parties to the agreement); and

- the development does not consist of or contain works for the direct economic benefit of the Council. The involvement of the Council consists only in the exercise of statutory land-use planning powers.

Where a development agreement cannot be said to meet the criteria defined above a public works or *Concession Contract* must be awarded in accordance with the public procurement legislation

Section 8: Appendices

Appendix A: Documents

Double click on the picture/icon to open the document.

Sustainable Procurement Policy and Procedure



RFQ Template

180410 RFQ template v2.docx

Tender Templates

180405 1 Instructions and Inf

180405 2 Applicant's Offer SC

Terms and Conditions

181114 Terms and Conditions of Good

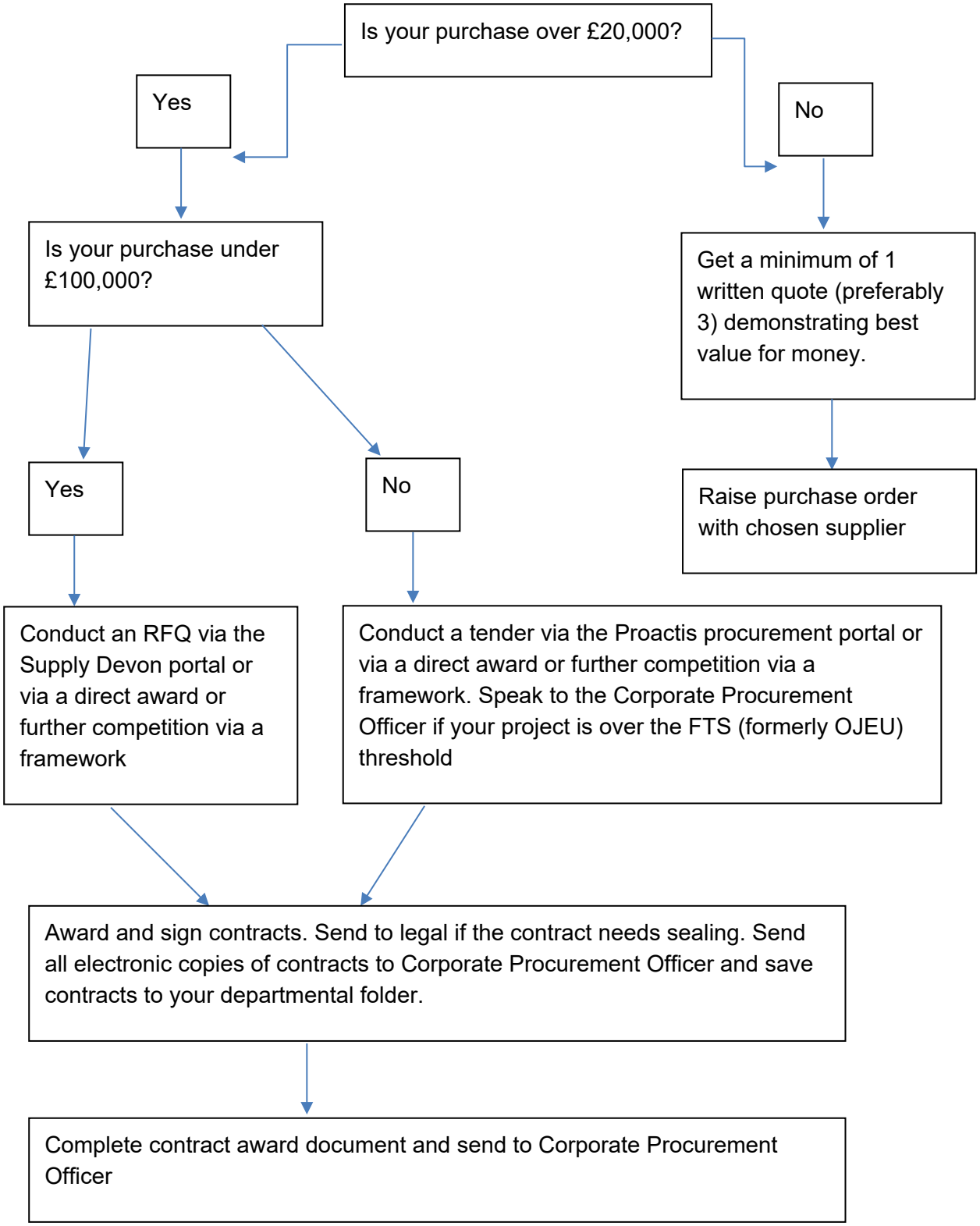
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Contract Award Report

170220 Contract Award Report Templ

Appendix B: Procurement Flow Chart



Appendix C: Definitions

Agent	A person or organisation acting on behalf of the Council or on behalf of another organisation.
Approved List	A list drawn up in accordance with Rule 7.2.
Award Criteria	The criteria by which the *Contract* is to be awarded to the successful Tenderer
Award Procedure	The procedure for awarding a contract as specified in Rules 8, 10 and 15.
Best Value	The duty, which Part I of the Local Government Act 1999 places on local authorities, to secure continuous improvement in the way in which functions are exercised, having regard to a combination of economy, efficiency and effectiveness as implemented by the Council. This terminology has now in many instances been superseded by *Value for Money*.
Bid	A *Supplier's* proposal submitted in response to the *Procurement Documentation.*
Bond	An insurance policy: if the contractor does not do what it has promised under a contract with the Council, the Council can claim from the insurer the sum of money specified in the bond (often 10% of the contract value). A bond is intended to protect the Council against a level of cost arising from the contractor's failure.
Business Lead	The officers defined as such in the *Constitution* as members of the Corporate Leadership Team.
Business Manager	The *Officer* designated by the *Business Lead* to exercise the role reserved to the *Business Lead* by these Contract Procedure Rules.
Candidate	Any person who asks or is invited to submit a Q*uotation* or *Tender*.
Code of Conduct	The code regulating conduct of Officers, available on the Council's Intranet.
Concession Contracts	Shall mean a public contract under which *Supplier/s* are given the (exclusive) right to exploit the works or services provided for their own gain and where the *Supplier's* income is generated solely from third parties or as a combination of revenue streams from both third parties and the Council.
Constitution	The constitutional document approved by the Council which: • allocates powers and responsibility within the Council and between it and others; • delegates authority to act to the Executive, Other Member Bodies and Officers; regulates the behaviour of individuals and groups through rules of procedure, codes and protocols.
Consultant / Consultancy	Someone employed for a specific length of time to work to a defined project brief with clear outcomes to be delivered, who brings specialist skills or knowledge to the role, and where the Council has no ready access to employees with the skills, experience or capacity

	to undertake the work.
Contract	Is a legally binding agreement concluded in writing for consideration (whatever the nature of the consideration, whether by payment or some other form of reward) under which a contracting authority engages a person or organisation to provide goods, works or services.
Contracting Decision	Any of the following decisions: • withdrawal of *Invitation to Tender;* • whom to invite to submit a *Quotation* or *Tender;* • *short listing;* • award of *Contract;* • any decision to terminate a *Contract;* • any decision to extend or vary a *Contract.*
Contracts Finder	A web-based portal provided for the purpose of under-*FTS Threshold Contracts* on behalf of the Cabinet Office
Corporate Contract	A *contract* let by the *Corporate Procurement Officer* to support the Council's aim of achieving *Value for Money* to include *Contracts* let by the Council and / or Contracts or Framework Agreements let by other organisations to which the Council has access.
Corporate Procurement Officer	The Council's central procurement officer charged with providing strategic direction and advice to secure *Value for Money* in the Council's procurement activities.
Council's Solicitor	As identified in the *Constitution.*
Dynamic Purchasing System	A completely electronic system of limited duration which is: (a) established by a contracting authority to purchase commonly used goods, work, works or services; and (b) open throughout its duration for the admission of economic operators which satisfy the selection criteria specified by the contracting authority; and (c) submit an indicative *Tender* to the contracting authority or person operating the system on its behalf which complies with the specification required by that contracting authority or person.
Electronic Auction	Is a means of seeking the *Supplier's* pricing in an electronic format in a live competitive environment, the aim of which is to achieve greater *Value for Money* than traditional tendering.
Executive	The Council's Executive as defined in the *Constitution.*
European Economic Area	The 15 members of the European Union, and Norway, Iceland and Liechtenstein.
Financial Instructions	The *Financial Instructions* outlining *Officer* responsibilities for financial matters issued by the *Section151 Officer* in accordance with the *Constitution* (Financial Procedure Rules).
Find a Tender Service (FTS)	The government portal that has replaced Tender Electronic Daily (TED) in relation to OJEU (Pre-Brexit)

Framework Agreement	An agreement between one or more authorities and one or more economic operators, the purpose of which is to establish the terms governing *contracts* to be awarded during a given period, in particular with regard to price and, where appropriate, the quantity envisaged.
FTS Threshold	The contract value at which the public procurement directives apply.
High Profile	A high-profile purchase is one that could have an impact on functions integral to Council service delivery should it fail or go wrong.
High Risk	A high-risk purchase is one which presents the potential for substantial exposure on the Council's part should it fail or go wrong.
High Value	A high-value purchase is where the value exceeds the *FTS Threshold* values.
Interests	Is a connection to another person or organisation that meets any of the following criteria: (a) Ownership of shares in a Supplier or any other financial interest in a Supplier whether held by the relevant individual or by a close relative of the individual or by any corporate entity in which the individual has an interest; and / or (b) Employment by a Supplier of the individual or a close relative of the individual; and/or (c) Provision of services to a Supplier by the individual or by the firm the individual is associated with, and / or (d) Connection with, whether prejudicial or otherwise, any person/s said to be affected by the outcome of a procurement process.
Invitation to Tender (ITT)	*Invitation to tender* documents in the form required by these Contract Procedure Rules.
Key Decision	Decisions that are defined as key decisions in the *Constitution.*
Lots	One of a number of categories of goods, works or services which a single procurement process has been divided into with a view to awarding to multiple suppliers
Nominated Suppliers and Sub-Contractors	Those persons specified in a main *contract* for the discharge of any part of that *contract*.
Non-commercial Considerations **Non-commercial Considerations (continued)**	(a) The terms and conditions of employment by contractors of their workers or the composition of, the arrangements for the promotion, transfer or training of or the other opportunities afforded to, their workforces ('workforce matters'); (b) Whether the terms on which contractors contract with their sub-contractors constitute, in the case of *contracts* with individuals, *contracts* for the provision by them as self-employed persons of their services only; (c) Any involvement of the business activities or interests of contractors with irrelevant fields of government policy; (d) The conduct of contractors or workers in industrial disputes between them or any involvement of the business activities of

	contractors in industrial disputes between other persons ('industrial disputes'); (e) The country or territory of origin of supplies to, or the location in any country or territory of the business activities or interests of, contractors; (f) Any political, industrial or sectarian affiliations or interests of contractors or their directors, partners or employees; (g) Financial support or lack of financial support by contractors for any institution to or from which the authority gives or withholds support; (h) Use or non-use by contractors of technical or professional services provided by the authority under the Building Act 1984 or the Building (Scotland) Act 1959. Workforce matters and industrial disputes, as defined in paragraphs (a) and (d), cease to be non-commercial considerations to the extent necessary or expedient to comply with Best *Value*; or where there is a transfer of staff to which the Transfer of undertakings (Protection of Employment) Regulations 1981 (*TUPE*) may apply.
Officer	The officer designated by the *Business Lead / Business Manager /* to deal with the *contract* in question.
Parent Company Guarantee	A *contract* which binds the parent of a subsidiary company as follows: if the subsidiary company fails to do what it has promised under a *contract* with the Council, the Council can require the parent company to do so instead.
Portfolio Holder	A member of the *Executive* to whom political responsibility is allocated in respect of specified functions.
Pre-Qualification Questionnaire (PQQ)	The *PQQ* is a questionnaire issued to ascertain the suitability of potential suppliers to provide goods, services or works as identified in the tender advertisement.
Procurement Documentation	Shall mean the documents dispatched to *Suppliers* as part of the procurement process; comprised of the instructions and information to applicants, *contract* information, specification, pricing schedule and certificates for signature.
Procurement Strategy	The document setting out the Council's approach to procurement and key priorities for a specified period of time.
Purchasing Guidance	The suite of guidance documents, together with a number of standard documents and forms, which supports the implementation of these Contract Procedure Rules. The guidance is available on the Council's intranet and Procurement Tool.
Quotation	A quotation of price and any other relevant matter (without the formal issue of an *Invitation to Tender)*.

Relevant Contract	*Contract*s to which these Contract Procedure Rules apply
Section 151 Officer	The Chief Finance Officer or such other officer as may be designated Section151 Officer by the Council, including the appointed Deputy Section 151 Officer.
Selection Criteria	The Authority's minimum requirements by which the Tenderer is to be assessed as being suitable to proceed with the *Tender* process.
Shortlisting	The process of selecting *Suppliers* who are to be invited to quote or bid or to proceed to final evaluation.
Standstill	Shall mean the period between notification of the intention to award a *Contract* in accordance with the *FTS Procedure* and the formal award of said *Contract.*
Sub-Contractors	Those persons specified in a main *Contract* for the discharge of any part of that *Contract*.
Supplier	Any person who asks or is invited to submit a Q*uotation* or *Tender*.
Tender	A *Supplier's* proposal submitted in response to an *Invitation to Tender*.
Tender Register	The log kept by the Monitoring Officer to record details of *Tenders*
Total Value **Total Value (continued)**	The whole of the value or estimated value (in money or equivalent value) for a single purchase or *Contract,* calculated as follows: (a) where the *contract* is for a fixed period, by taking the total price to be paid or which might be paid during the whole of the period, including any permitted extensions; (b) where the purchase involves recurrent transactions for the same type of item, by aggregating the value of those transactions in the coming 12 months; (c) where the *contract* is for an uncertain duration, by multiplying the monthly payment by 48; (d) Where a single requirement for goods or services or for the carrying out of a work or works and a number of *contracts* have been entered into or are to be entered into to fulfill that requirement; (e) Where the *Contract* is to be executed over a period for goods or services and • a series of *contracts*; or • a *Contract* which under its terms is renewable is entered into; (f) Where there are a number of requirements over a given period for *contracts* that have similar requirements or are for the same type of goods and service; (g) for feasibility studies, the value of the scheme or *contracts* which may be awarded as a result; (h) for *Nominated Suppliers and Sub-contractors*, the total value shall be the value of that part of the main *contract* to be fulfilled by the *Nominated Supplier or Sub-contractor;* (i) The *Total Value* of all *contracts* expected to be placed under a *Framework Agreement;*

	(j)The *Total Value* of all *contracts* expected to be placed under a *Dynamic Purchasing System;* (k) The *Total Value* of the requirement where more than one (1) organisation will purchase under the same *Contract;*
TUPE Transfer of Undertakings (Protection of Employment) Regulations 2006 (SI 2006 No.246)	Subject to certain conditions, these regulations apply where responsibility for the delivery of works or services for the authority is transferred from one organisation (e.g. private contractor, local authority in-house team) to another (e.g. following a contracting out or competitive tendering process) and where the individuals involved in carrying out the work are transferred to the new employer. These regulations seek to protect the rights of employees in such transfers, enabling them to enjoy the same terms and conditions, with continuity of employment, as existed with their former employer. Broadly, TUPE regulations ensure that the rights of employees are transferred along with the business.
Value for Money	Value for money is not the lowest possible price; it combines goods or services that fully meet your needs, with the level of quality required, delivery at the time you need it, and at an appropriate price.

7. Financial Procedures
(c) Contract Procedure Rules

CONTRACT PROCEDURE RULES

FOR THE SUPPLY OF GOODS, PROVISION OF SERVICES AND EXECUTION OF WORKS

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SECTION 1: GENERAL PRINCIPLES

INTRODUCTION

This document is split into 4 sections:

Section 1: General Principles

Section 2: The Procurement

Section 3: Evaluation and Award

Section 4: Contract Management

The Local Government Act 1972 section 135 requires the Council to have standing orders for how it enters into contracts. These Contract Procedure Rules (the “Rules”) are the standing orders required by the 1972 Act. They form part of the Council's Constitution and are, in effect, the instructions of the Council, to officers and elected members, for entering into contracts on behalf of the Council.

These Rules are the Contracting Authority’s (the “Council”) rules for the buying, renting and leasing of Goods, Services and Works and apply to all Relevant Contracts made by the Council unless otherwise specified herein.

The aim of these Rules is to assist Officers in achieving best practice and lawful procurement, to ensure that the Council fulfils its duty of delivering Best Value for its council taxpayers and excellent outcomes for its service users.

The Rules also provide a basis for fair competition by providing transparent and auditable procedures to protect the Council’s reputation from any suggestion of dishonesty or corruption.

These Rules where the Council acts as accountable body or agent of other public sector funds unless those public sector funds terms and condition specify different or additional arrangements. They are part of the Council’s Constitution and therefore Officers have a duty to ensure they have fully understood them and have sufficient authority prior to any contracting activity.

Officers must also ensure that any persons or organisations acting on behalf of the Council fully comply with these Rules.

Officers must also refer to The Corporate Procurement Officer for more detailed guidance throughout the procurement process.

The expectation is of compliance to these Rules and in any cases of doubt advice must be sought from The Corporate Procurement Officer. Failure to follow these Rules may be dealt with as a breach of the Council’s standards of conduct and in certain instances may be treated as gross misconduct and

give rise to action under the Council's disciplinary policy and procedure. The disciplinary procedure can be found here.

If upon reading the Rules the Officer discovers a lack of clarity or wishes to ensure their comprehension and compliance, they must consult with Procurement for advice and guidance. The Officer shall not be excused from these Rules on grounds of a lack of understanding.

The administration, monitoring and governance of these Rules shall be the responsibility of Procurement.

BASIC PRINCIPLES

All procurement, commissioning, contracting activity, contract management and supplier management activity must:

- comply with these Rules and Financial Instructions.
- achieve Best Value for public money spent
- be consistent with the highest standards of integrity
- comply with the relevant legislation (including the Council's statutory duties and power)
- comply with any relevant Council policies
- support the Council's corporate and departmental aims
- Meet the requirements of any externally funded terms and conditions

All procurements must comply with the following principles of the Act and UK procurement law and policy:

- Delivering value for money
- Maximising public benefit
- Transparency
- Acting and being seen to act with integrity
- equal treatment and have due regard to the National Procurement Policy Statement.

All procurements must also uphold the objectives within our council strategy: -

- Community – listening and responding to communities

- Economy – working with businesses and partners to support our local economy
- Environment – protect our environment, support communities and landscapes and responding to the challenge of climate change
- Homes – take action to tackle the housing crisis and strive to give everyone a chance to live in a safe, warm home
- Infrastructure – provide with partners the services, facilities and travel networks that our residents and businesses need.

OFFICER RESPONSIBILITIES

The Officer responsible for the commissioning, procurement, mobilisation/transition, contracting activity, contract management and supplier management must:

- comply with and ensure that officers they are responsible for comply with these Rules and Financial Instructions
- comply with the relevant legislation
- ensure that any persons or organisations acting on behalf of the Council also fully comply
- take account of all necessary legal, financial, procurement, technical and any other applicable professional advice
- complete mandatory, role specific procurement and associated training, as directed by Procurement.
- Procurement Champions should attend meetings to keep up to date with changes to legislation and upcoming projects.

Prior to commencing a procurement or contracting activity the Officer must:

- consider options for delivery of the required Goods, Services or Works
- ensure that there is appropriate Council authority to procure, and sufficient budgetary provision approved and in place.
- identify the size, scope, commercial principles, term and specification of the Goods, Services and Works required.
- check whether the Council already has an available and appropriate Contract in place in the Contracts Register, or an appropriate national, regional or other collaborative contract, Dynamic Market, Framework or Open Framework by reference to the Corporate Procurement Officer.
- Check whether the goods, services or works to be supplied could be delivered under more than one contract or could be awarded in lots.
- Check whether any employee, either of the Council or of a service provider, may be affected by any transfer arrangement and ensure that any Transfer of Undertaking (Protection of Employment) (“TUPE”) issues

are considered, and obtain legal and HR advice

For procurement processes with a Total Contract Value above £100,000 the Officer must:-

- conduct the procurement activity in conjunction with The Procurement Officer.
- Prepare a conflicts assessment in relation to the procurement.

For procurement processes with a Total Contract Value above £30,000 the Officer must:-

- conduct the procurement activity approved by The Procurement Officer
- complete a procurement initiation form
- The officer must ensure that they have the authority to procure by referring to the authorised signatories list 1. Authorised Signatories LATEST.xlsx

Officers must ensure that the appropriate Governance process for spending approval is followed. Please refer to the guidance within this document. If appropriate authorisation is not in place this may delay the processing of any relevant Purchase Order/signing of a contract and subsequent payment to suppliers.

Any officer proposing to engage in a procurement process for goods or services above £30,000 shall complete training in the procurement system, before being permitted to participate in any procurement activity. The training will take approximately 1-2 hours to complete and will take you through a hypothetical procurement journey. Officers who complete training will receive a certificate as proof of their training which can be used to support any continuing professional development (CPD) and Personal Development Review (PDR).

MEMBER RESPONSIBILITIES

The Member must:

a. comply with and ensure that Officers comply with these Rules and Financial Instructions

b. comply with the Relevant Legislation

c. ensure that any persons or organisations acting on behalf of the Council also fully comply

d. take account of all necessary legal, financial, procurement, technical and any other professional advice

e. comply with the Members' Code of Conduct

PREVENTION OF CORRUPTION AND COLLUSION

All Officers have a duty in law to avoid any form of behaviour that might distort or restrict competition or call in to question the award of a Contract, and must comply with the Council's Code of Conduct concerning inducements or the issue or receipt of gifts, rewards or hospitality

All competitive procurement exercises and resultant contracts must as a minimum :

a. identify and investigate for suspicious bidding patterns
b. keep notes of all discussions with candidates.
c. Signed conflict of interest forms signed by all buying parties involved in the procurement.

Officers are advised that any inappropriate behaviour that is deemed contrary to the Bribery Act 2010, the Fraud Act 2006, the Economic Crime and Corporate Transparency Act, any amending legislation all legislation relating to money laundering and the Council's relevant policies may be dealt with as a breach of the Council's standards of conduct. This may be treated as gross misconduct and give rise to action under the Council's disciplinary policy and procedure, such as dismissal. Such activity may also be reported to the Police.

CONFLICTS OF INTEREST

All Officers, Members and key stakeholders involved in a procurement exercise or the management of the resulting contract must declare in writing to Procurement any conflicts of interests, or perceived conflicts of interest relating to the procurement activity where they, or their spouse or civil partner, or person with whom they are living as husband and wife or civil partner or child of working age, have a vested interest that could conflict with the best interests of the Council as soon as it is identified.

Where a conflict, or perceived conflict of interest exists, Procurement, in consultation with Legal Services, shall consider any appropriate mitigation(s) to be put in place to ensure that such conflicts do not compromise the outcome of the procurement exercise, or whether such Officer, Member or key stakeholder must excuse themselves from the procurement.

Procurement shall maintain a conflict assessment of all declarations of interest and mitigations in a procurement exercise as notified by Officers, Members and key stakeholders and shall share the declarations of interest record with Legal Services and Democratic Services. Further advice and guidance can be obtained from Procurement.

COLLABORATIVE PROCUREMENTS

Where the Council takes the lead procurement role in a collaborative procurement these Rules shall apply, as a minimum. Where another public body takes the lead procurement role the Rules of the lead organisation and any Relevant Legislation shall apply.

If the Council does not take the lead role in the procurement, a copy of the procurement documents must be sent to the Corporate Procurement Officer and saved on the Teignbridge SharePoint. A procurement initiation form must be completed.

Where the Council enters into any formal collaborative procurement arrangements any related collaboration agreement must protect the Council to a level proportionate to the complexity, risk and value involved, whilst at the same time providing the basis for the collaborative approach and delivery of best value.

Where the Council enters or establishes a collaborative procurement, a collaboration agreement must be formalised in writing

PIPELINES

The Corporate Procurement Officer will request a pipeline of potential procurement activity from the procurement champions.

These requests will happen on a bi-yearly basis or should be updated as soons as any material changes occur, eg the award of significant grant . The purpose of this request is to ensure that the market are aware of any upcoming potential procurements and to reduce any barriers to SMEs.

SECTION 2: THE PROCUREMENT

Use of Frameworks, Open Frameworks and Dynamic Markets

Under these Contract Procedure Rules, if procuring through a framework, open framework or dynamic market, the rules under that framework, open framework or dynamic market will take precedence.

If you are establishing a framework, open framework or a dynamic market, please refer to appendix A at the end of this document.

Please note, that some frameworks will still fall under The Public Contracts Regulations 2015 whilst others will fall under The Procurement Act 2023. If you are unsure, please seek advice from The Procurement Officer.

PRELIMINARY MARKET ENGAGEMENT

Preliminary market engagement takes place before the publication of a tender or transparency notice and helps contracting authorities and the market prepare for the procurement. The reasons for doing a preliminary market engagement are as follows:

a.) Developing the authorities requirements and approach to the procurement
b.) Designing a procedure, conditions of participation or award criteria
c.) Preparing the tender notice and associated tender documents
d.) Identifying suppliers that may be able to supply the goods, services or works required
e.) Identifying likely contractual terms
f.) Building capacity among suppliers in relation to the contract being awarded

The format of the preliminary market engagement can be as follows:

a.) Face to face/online presentations
b.) Face to face/online webinars
c.) Workshops
d.) Site visits
e.) One to one meetings – which must be evidenced and documented accurately

The preliminary market engagement should not be used as a means to tailor the procurement to a particular supplier.

Contracting authorities can engage with everyone who expresses an interest in a preliminary market engagement. However, it is also possible for a contracting authority to state in the preliminary market engagement notice how numbers will be reduced; for example, if there are too many respondents.

ESTIMATING THE CONTRACT VALUE

An Officer must estimate the value of a contract as the maximum amount it could expect to pay under the contract including, where applicable, amounts already paid.

The amount a contracting authority could expect to pay includes the following:

- the value of any goods, services or works provided by the contracting authority under the contract other than for payment;
- amounts that would be payable if an option in the contract to supply

additional goods, services or works were exercised;

- amounts that would be payable if an option in the contract to extend or renew the term of the contract were exercised;
- amounts representing premiums, fees, commissions or interest that could be payable under the contract;
- amounts representing prizes or payments that could be payable to participants in the procurement.

In estimating the value of a contract, a contracting authority must take into account all of the facts which are material to the estimate and available to the authority at the time it makes the estimate.

A concession contract is a contract where the supplier and/or the council will be generating an income from the contract. When estimating a concession contract an Officer must estimate the value of a concession contract as the maximum amount the supplier could expect to receive under or in connection with the contract including, where applicable, amounts already received.

The amount a supplier could expect to receive includes the following: -

(a) amounts representing revenue (whether monetary or non-monetary) receivable pursuant to the exploitation of the works or services to which the contract relates (whether from the contracting authority or otherwise);

(b) the value of any goods, services or works provided by the contracting authority under the contract other than for payment;

(c) amounts that would be receivable if an option in the contract to supply additional services or works were exercised;

(d) amounts that would be receivable if an option in the contract to extptionend or renew the term of the contract were exercised

(e) amounts representing premiums, fees, commissions or interest that could be receivable under the contract;

(f) amounts received on the sale of assets held by the supplier under the contract.

ANTI-AVOIDANCE

Officers should not artificially sub divide or disaggregate procurements in order to evade the rules. There are exceptions to the rule where there are good reasons to not aggregate, for example, just because a contracting authority buys printers from a particular supplier, it does not necessarily mean that they should necessarily buy all of their toner, paper and servicing from that same supplier if they believe they can get a better deal elsewhere.

IR35 AND PROCURING CONSULTANTS

If you are seeking to engage personal service from an individual (sometimes referred to as a consultant, contractor or freelancer), you must consult your HRBP and ensure you follow HR guidance Use of consultants/freelancers (sharepoint.com). This will ensure we are compliant with HMRC tax legislation IR35, also known as 'Off-payroll working'; employment legislation (that workers receive their statutory right eg to sick pay, maternity leave etc); and also our contract with Comensura.

The off-payroll working or IR35 rules are designed to stop 'contractors' working as 'disguised employees', by taxing them at a rate similar to employment, and it affects all contractors who do not meet HMRC's definition of self-employed. As a Local Authority and end client it is us that must determine if IR35 applies and ensure correct tax and NI is deducted. This is a hot topic and currently subject to HMRC scrutiny and potentially significant financial penalty.

AWARD CRITERIA FOR CONTRACTS OVER £100,000

Officers must liaise with The Councils Climate Change Officer for all contracts over The Procurement Act 2023 threshold

Officers must include at least 10% social value in their award criteria for contracts over £100,000

WHERE A CONTRACT VALUE CANNOT BE ESTIMATED

Where it is not possible to estimate the value of a contract in accordance with the above, the value must be treated as being above the Threshold Value applicable to the Act.

PROCUREMENT THRESHOLDS

Threshold	Procedure
£0 - £29,999 (incl. VAT)	Minimum of 1 written quotation e.g. via email demonstrating value for money. However, ideally you should seek 3 written quotations to fully demonstrate best value for money. Supply Devon can also be used as a tool to gather quotes https://www.applegate.co.uk/supply/devon Suppliers based in a TQ9, TQ11, TQ12, TQ13, TQ14, EX2, EX6 or EX7 postcode must be sought first. If no suppliers within these postcodes can fulfil the requirement, officers can then look to suppliers based in Devon. If there are no suppliers that can fulfil the requirement in Devon then please seek national suppliers.
£30,000 - £99,999 (inc. VAT)	At least 3 like-for-like comparable quotes via a formal Request for Quotation (RFQ) procedure via the e-tendering system (eTS) www.supplyingthesouthwest.org.uk or Supply Devon

	https://www.applegate.co.uk/supply/devon demonstrating best value for money. Suppliers based in a TQ9, TQ11, TQ12, TQ13, TQ14, EX2, EX6 or EX7 postcode must be sought first. If no suppliers within these postcodes can fulfil the requirement, officers can then look to suppliers based in Devon. If there are no suppliers that can fulfil the requirement in Devon then please seek national suppliers. If an officer receives less than 3 quotes then a waiver must be completed explaining why less than 3 quotes were received or sought
£100,000 (incl. VAT) – The Procurement Act Threshold	A formal tender via the eTS demonstrating best value for money awarding to the most advantageous tender
Over The Procurement Act Threshold	A formal tender via the eTS demonstrating best value for money awarding to the most advantageous tender
ICT Contracts	Please refer to Strata Service Solutions Commercial Procedures

CONDITIONS OF PARTICIPATION

The Procurement Officer will determine the conditions of participation in a competitive flexible procedure that are necessary to determine a supplier's eligibility, financial standing, and technical capacity. The conditions of participation shall be supplied to all Suppliers requesting to participate in the procurement. The Procurement Officer will notify the procurement champion/project lead regarding any excluded or debarred suppliers.

The Council shall treat an excluded supplier as ineligible and shall not select any supplier who is an excluded supplier.

The Procurement Officer shall only agree to the selection of a Supplier once they are objectively satisfied that the Supplier is not an excluded supplier and are satisfied about the supplier's:

(a) eligibility;

(b) suitability to pursue a professional activity;

(c) economic and financial standing; and

(d) technical or professional ability.

CLARIFICATIONS

Throughout the tendering process, suppliers must send all clarifications through the eTS. Officers must respond to all clarifications by the deadline stated within the tender documentation.

If any communication occurs outside of the eTS, officers must inform The Procurement Officer and all suppliers who are involved in the tender.

Clarifications must be downloaded and saved within sharepoint as a back up document storage.

EXEMPTION OF THE CONTRACT PROCEDURE RULES

No variation or exemption may be made which will result in a breach of the Procurement Legislation or threshold.

A variation or exemption may be granted on any one or more of the following grounds:

(i) the nature of the market has been investigated and is considered to be such that a departure is justified because the Contract can only be performed by one supplier or best value as likely to be achieved by approaching one supplier; or

(ii) the contract is required in circumstances of urgency that could not reasonably have been foreseen; or

(iii) the Council has a contract with an organisation already engaged by the Council for similar and related works, goods or services and it is considered that there would be significant benefit to extend the existing contract to cover any additional requirement without exposing the Council to unacceptable risk; or

(iv) where any Procurement Legislation or other legislation prevents a procurement process being followed; or

(v) contracts for supplies, materials, services or works which are available only as proprietary or patented articles, services or works from one Supplier or supplier and for which a Senior Officer decides that there is no reasonable alternative available including contracts for repairs, or the supply of, parts to such articles or works; or

(vi) the Council would incur or suffer increased costs or loss of income that would be significant compared to the overall Contract Value;

(vii) Advantageous terms on insolvency - where the award of the public contract to a particular supplier will ensure terms particularly advantageous to the contracting authority due to the fact that a supplier (whether or not the one to which the contract is to be awarded) is undergoing insolvency proceedings.

OPENING AND REGISTRATION OF TENDERS

8.1 All tenders received by the date and time set for receipt of tenders and which meet the requirements of Contract Procedure Rule 7.1(i) will be opened at the same time by the relevant Senior Officer or their nominee after the time set for their receipt.

8.2 The names of the tenderers and the amounts will be recorded in the eTS.

SECTION 3: EVALUATION AND AWARD

EVALUATION OF QUOTATIONS AND TENDERS

All members of the evaluation panel must complete a declaration of interest form to ensure they have no conflicts of interest when evaluating the tenders.

All members of the evaluation panel must read the evaluation guidance document.

Before evaluating tenders, the verifier must check that the tenders comply with any instructions to tenderers, pricing schedule and any other explicit requirements (e.g. submission of method statements).

For procurements over The Procurement Act threshold, the price will be redacted from the tender submissions and sent to the evaluation team. The price will be revealed to the evaluation team at the moderation meeting.

The criteria and weightings described in the Invitation to Tender must be used in scoring any tenders.

ALTERATIONS TO TENDERS

Errors identified before closing date

If an error is identified in the specification or other tender documentation before the closing date for the return of tenders, all tenderers are to be told about the error promptly and allowed to adjust their tenders.

Errors identified after closing date

If an error is identified in the specification or other tender documentation after the closing date for the return of tenders, all tenderers are to be told about the error and given the chance to either withdraw or amended their tender.

Where examination of tenders shows errors or discrepancies which would affect the tender figure in an otherwise successful tender the tenderer shall be told of the errors and discrepancies and given the chance of confirming or withdrawing his offer, or in the case of arithmetical errors, of correcting them. If the tenderer withdraws, the next tender in competitive order is to be examined and dealt with in the same way.

POST-TENDER NEGOTIATION

Post-tender negotiations for contracts below any relevant Procurement Legislation thresholds shall not be conducted where to do so might distort competition particularly with regard to price. If post-tender negotiations are necessary following the submission of a tender, then such negotiations must only be undertaken with the tenderer who has previously submitted the most advantageous tender as assessed against the tender evaluation method. Full and proper records shall be kept of any post-tender negotiations.

The Council may require a Supplier to provide information supplementing the information provided in their tender.

The Council may require a Supplier to clarify information relating to their eligibility, economic and financial standing or technical or professional ability or information included in their tender provided this does not discriminate either in favour or against the Supplier.

Where any further information or post-tender negotiation results in a fundamental change to the specification or contract terms the contract shall not be awarded but shall be re-tendered.

ABNORMALLY LOW BIDS

If a bid is deemed “abnormally low” by the evaluation team must investigate abnormally low bids and give the supplier an opportunity to demonstrate that it will be able to perform the contract for the contract price proposed before disregarding that tender. If the supplier does not satisfy the contracting authority, the tender may be disregarded.

An example of an abnormally low bid: -

Supplier A (abnormally low)	£100,000
Supplier B	£200,000
Supplier C	£210,000
Supplier D	£220,000
Supplier E	£240,000

MODERATION

The moderator will create an evaluation template and send it to the project team for completion.

When evaluating a tender, all evaluators must evaluate separately and send their evaluation sheets to the moderator. The moderator will then call a moderation meeting where all evaluators must attend and agree a consensus score for each scored question. The moderator should be the procurement officer where possible. Where this is not possible, the moderator must be separate to the evaluation team.

It is the responsibility of the moderator to keep a record of how the evaluation team have reached each consensus score. It is at this stage the moderator will reveal the pricing to the evaluation team.

INTENTION TO AWARD A CONTRACT

Once the evaluation team and the moderator have agreed a winner, letters will be drawn up sent out to all bidders.

Demonstrating best practice, an 8 working day standstill period will be observed. However, if an 8 working day standstill cannot be observed, a written justification must be written and sent to the procurement officer.

SECTION 4: CONTRACT MANAGEMENT

SIGNING OF CONTRACT

Total Value	Method of Completion	By
Purchase orders - up to £30,000	Electronic Order or Signature	Authorised officer
Contracts and licences up to £100,000 with the Council's Standard Terms and Conditions	Signature	*Business Lead / Business Manager* or Nominated Deputy (Rule 22.2.3)
Contracts and licences up to £100,000 with Non Standard Terms and Conditions	Signature	*Business Lead / Business Manager,* on the advice of the *Council's Solicitor*
Above £100,000	Signature or Sealing	*Business Lead* or the *Council's Solicitor*

Contracts under a framework or dynamic market		
ICT Contracts	Method of completion in line with limits above and involving Strata Service Solutions Ltd.	As above and involving Strata Service Solutions Ltd.

CONTRACT MANAGEMENT

An appropriate Officer will be appointed to act as the Contract Manager, to conduct regular reviews of the Supplier's performance against the requirements and key performance indicators specified in the Contract and monitor compliance against contractual obligations for the life of the Contract.

All contracts should be managed proportional to the contract risk and value. Officers must use the contract management matrix to determine this.

It is important that a good specification is drawn up to lead to a successful contract.

CONTRACT MODIFICATION

Changes will only be made where the Regulations, the Tender documents and / or the terms and conditions explicitly permit the change. With regards to NEC contracts these have allowable "compensation event" clauses.

TERMS AND CONDITIONS OF CONTRACTS

All contracts must be signed by the appropriate officer. If using standard terms and conditions, JCT, NEC or a contract under a framework, these do not need to be seen by legal. Anything outside of this needs to be reviewed by the council's solicitor.

APPENDIX A – ESTABLISHING A FRAMEWORK

It is envisaged that The Council will not be establishing any frameworks.

Therefore, the following is appended to these contract procedure rules.

When establishing a framework, an Officer must estimate the value of a framework as the sum of the estimated values of all the contracts that have or may be awarded in accordance with that framework. The Officer must include the Corporate Procurement Officer when establishing a framework

In the case of a framework awarded under an open framework, the value of the framework is to be treated as including the value of all frameworks awarded, or to be awarded, under the open framework.

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Teignbridge District Council
Audit Scrutiny
13 February 2025
Part 1

FINANCIAL INSTRUCTIONS and CONTRACT RULES WAIVERS

Purpose of Report

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

Recommendation(s)

The Audit Scrutiny Committee resolves to note the report.

Financial Implications
None - advisory report only.

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

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

Environmental / Climate Change Implications
None.

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Executive Member
Councillor John Parrott – Executive Member for Corporate Resources

Appendices/Background Papers
None.

1. PURPOSE

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

2 BACKGROUND

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

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

3 WAIVERS

3.1 The following waivers have been processed since the 27 August 2024 monitoring report:

Proposing Officer	Proposal / Reason	Approval
Climate Change Officer	**Leisure Sites Energy Efficiency Project** Mechanical and electrical technical consultancy services required to develop a tender specification against which to procure a main contractor to deliver the works through a compliant framework.	Environmental Protection Manager

	Full breakdown of cost have been subject to value for money testing by the Climate Change Officer covering design, delivery, and project hand-over responsibilities. Value: **Newton Abbot Leisure Centre: £34,150** **Dawlish Leisure Centre: £23,300** **Reason**: Limited market and needed urgently to meet short deadline to use the secured Swimming Pool Support Fund grant of circa £168,000 by the end of March 2025.	
Private Sector Housing Manager	**Recruitment of temporary Senior Housing Officer** Unable to recruit an experienced Housing Enforcement Officer through Comensura. Another agency has a suitable contractor able to start in January 2025. Temporary resource to be recruited for twelve weeks to assist with the workload and 'hands on' training of the new permanent member of staff. There is sufficient budget to cover this cost. Value: **£23,088.00** **Reason**: Limited market and urgent action required to recruit temporary resources at the busiest time of year to assist with workload and training requirements.	Director of Corporate
Estates Manager	**Asset Valuations** The Valuation Office Agency (VOA), as a public sector valuer, was introduced for the 2023-2024 asset valuations as a cost saving measure. For continuity of service to instruct the VOA to undertake the 2024-2025 asset valuations. Value: **£21,600.00**	Director of Corporate

	Reason: Limited market due to the need for continuity of service by the VOA to undertake the 2024-2025 annual asset valuations.	
Drainage and Coastal Manager	**Infill of collapsed tunnel at Great Cliff, Marine parade Dawlish** Engineering works to infill collapsed tunnel at Great Cliff, Marine parade Dawlish following rockfall in 2024. Works to construct infill plug to maintain stability of the cliff and road above to enable development of further rock netting works and prevent further cliff falls in a residential area. Value: **£70,376.39** **Reason:** Risk of life / limited market / urgent action. Specialist geotechnical consultants have recommended urgent work to stabilise the tunnel section and then wider works to net the cliff to stabilise and prevent further collapses as there is an extremely high risk to members of the public and residents of the building without works being undertaken.	Head of Strategy and Partnerships

4. IMPLICATIONS, RISK MANAGEMENT & CLIMATE CHANGE IMPACT

4.1 Financial

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

4.2 Legal

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

4.3 **Risks**

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

5. CONCLUSION

That the report be noted.

6. GROUPS CONSULTED

Not applicable.

7. ENVIRONMENTAL/CLIMATE CHANGE IMPACT

Not applicable.

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

Not applicable.

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Teignbridge District Council

Audit Scrutiny

13 February 2025

Part 1

INTERNAL AUDIT PROGRESS REPORT

Purpose of Report

To advise members of the internal audit work status.

Recommendation(s)

The Audit Scrutiny Committee is recommended to note the report.

Financial Implications

None. The internal audit service is 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.

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Executive Member

Councillor John Parrot – Executive Member for Corporate 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 members in August 2024. This report shows progress against that plan. It also summarises the findings of completed audits.

2. AUDIT PLAN PROGRESS 2024-2025

SYSTEM		STATUS	ASSURANCE
Core Financial Systems			
Main Accounting / Budgetary Control	DAP	**Scoping in progress**	-
Creditor Payments	TDC	**Scoping in progress**	-
Debtors	DAP	**Scoping in progress**	-
Payroll	TDC	**Planned Q4**	-
Other Systems / Projects			
Housing Temporary Accommodation	DAP	**June 2025**	-
Housing Finance	DAP	**June 2025**	-
Housing Household Support Fund	TDC	**Completed**	**Excellent**
Procurement	DAP	**Fieldwork in progress**	-
Ombudsman Complaint Code	TDC	**Planned Q4**	-
Democratic Services Review	DAP	**Fieldwork in Progress**	-
Data Protection	(TBC)	**Planned Q4**	-
Climate Change	DAP	**Scoping in progress**	-
Business Continuity Management	TDC	**Fieldwork in Progress**	-
Emergency Planning	TDC	**Completed**	**Good**
Purchasing Cards (new system)	TDC	**Completed**	**Good**
Partnerships &Funding Arrangements	TDC	**Completed**	**Good**
Communications – Social Media	TDC	**Planned Q4**	-
Waste and Recycling	DAP	**Completed**	**Good**
Risk Management	TDC	**Planned Q4**	-
National Fraud Initiative	TDC	**Ongoing**	-
Fraud Risk Analysis	TDC	**Ongoing**	-
Governance	TDC	**Ongoing**	-

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 Follow up checks are also undertaken to review progress with action plans agreed during audits. These are included in the summary below.

3. CONCLUSION

Internal Audit work is progressing according to plan with the exception of the areas put back to June 2025 at the request of the service due to other pressures. Assurance has generally been positive. These are likely to be carried forward to next year's plan. Otherwise, remaining work is expected to be completed in time for the annual assurance opinion.

Internal Audit Findings – Overview 13 February 2025

PROJECT TITLE	SUMMARY
Emergency Planning **Audit Opinion:** **Good ✡✡✡**	There is a comprehensive emergency response and recovery plan in place comprising of five parts. It was jointly developed by the Devon Emergency Planning Partnership (DEPP) which is made up of all Devon authorities, including Torbay and Plymouth, formalised by a Memorandum of Agreement. The plan is currently under review and will be finalised in 2025, together with a training and exercising programme. Part 5 outlines the named roles and contact details specific to each individual council which is held securely and regularly updated. The emergency response and recovery plan was tested in a mock emergency exercise involving the council, Devon County Council, Torbay Council, Police, Fire Services, NHS, and voluntary groups and was last used as part of the Exeter unexploded ordnance incident in February 2021. The lessons learnt are being fed into the current review of the plan. The council has used the principles of the plan since with the flooding, storms, and snow incidents over the last two years as evidenced in the events of the Kenton flooding in 2023. Once the emergency response and recovery plan current review has been finalised, an exercise will take place to test. All DEPP partners are members of the Devon, Cornwall, and Isles of Scilly Local Resilience Forum (DCIOS LRF). There is a 'Local Authority Co-operation in Devon during an Emergency' mutual aid agreement in place signed by all Devon authorities Chief Executives dated 23 May 2008 to support each other during the response, recovery, remediation, and regeneration phases. This agreement is currently being reviewed by DEPP. The key responder roles are undertaken by long serving council officers with experience of incidents and major incidents such as the Dawlish Seawall. The Emergency Planning and Business Continuity Officer commenced their role in January 2024 and has received ongoing training throughout the year provided by DEPP and DCIOS LRF including interactive scenario exercises. More training will take place once the emergency response and recovery plan review has been finalised. Recommendations include for the review of the emergency and response plan, mutual aid agreement and training and exercising programme to be finalised. Also, for the developed emergency planning competency and capability matrix to be completed and maintained to evidence that officers are competent to fulfil the roles required of the emergency response and recovery plan.

PROJECT TITLE	SUMMARY
Waste and Recycling **Audit Opinion:** **Good ✡✡✡**	Waste and recycling is one of the most visible and high profile services provide by unitary and district councils. Teignbridge operates a fleet of waste vehicles from its depot in Brunel road and collects in excess of 48,500 tonnes of domestic waste from around 60,000 households. The following key risks formed the basis of testing: • If overall management is not optimised, the service may incur greater costs, place employees and services users at risk of harm, and suffer reputational damage. • If recycled waste is not managed effectively, this could have environmental impacts and cause reputational damage To assess how well these risks are mitigated, testing included a high level overview of the following areas: • Governance Framework (Strategies/Policies/Procedures) • Infrastructure (depot location and overall suitability) • Waste Fleet (size, suitability, servicing and maintenance) • Budgeting (monitoring, reporting, overspends and pressures) • Performance indicators and benchmarking • Use of GPS software to optimise rounds • Risk Assessments • Inductions and training of drivers and loaders • Engagement with customers (comments and complaints) • Awareness raising with regard to recycling • Income generation (sale of recyclables and garden waste collection) • Recycling banks (use, location, fly tipping issues) **Findings:** the waste and recycling service is working effectively and provides the community with a good service.

PROJECT TITLE	SUMMARY
Waste and Recycling (cont) **Audit Opinion:** **Good ✡✡✡**	The service operates under a joint strategy overseen by the Devon Authorities Strategic Waste Committee and has local policies and plans in place to govern operations and set longer term goals such as carbon reduction. Operations are run from well-placed depots, however these face longer term challenges to their operations which are likely to require major investment going forward. This is a known issue, and independent reports have already been received looking at both the main depot and the baling centre, with action already underway with regard to making improvements to the baling centre. The Driver and Vehicle Standards Agency (DSA) Operator Compliance Risk Score has assigned a score of 'green' to the waste fleet, which includes separate scores for both traffic and roadworthiness. The in-house garage and workshop ensure that scheduled maintenance as well as any ad hoc repair work can be undertaken in a timely way. Budgets are monitored regularly; improvements to some budget monitoring reports are being addressed. Performance metrics are monitored and reported, and further work is ongoing to develop performance reporting systems, which will then be rolled out to the rest of the Council. Health and safety documentation was found to be in place and included plans, risk assessments, and safe systems of work. Staff induction and training is in place, however the development of a service system for centrally recording staff training remains under development. The service is performing well with regard to recycling targets Management and staff were fully supportive of the audit providing the required information in a timely way and responding promptly to recommendations, for which we are grateful.

PROJECT TITLE	SUMMARY
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:	
Car Park Follow Up **Audit Opinion:** **Good ✡✡✡**	Original audit: February 2024 Followed up: November 2024 and January 2025. **1 of the 10 recommendations actioned and implemented.** **The responsible officer will be attending the meeting to provide an update.**
Managing Health and Safety within the Council **Audit Opinion:** **Fair ✡✡**	Original audit: May 2024 Followed up: August 2024 and November 2024, and January 2025. **7 of the 25 recommendations actioned and implemented. 18 remain on-going with progress being made.**
Housing H&S Compliance **Audit Opinion:** **Fair ✡✡**	Original audit: February 2024 Followed up: May 2024, June 2024, August 2024, and December 2024. **10 of the 11 recommendations actioned and implemented. 1 remains 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 and working on accompanying procedures and monitoring systems.**

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