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West Devon Audit & Governance Committee

West Devon Borough Council

Title:	**Agenda**
Date:	**Tuesday, 19th March, 2024**
Time:	**2.00 pm**
Venue:	**Chamber - Kilworthy Park**
Full Members:	***Chairman*** Cllr Dexter ***Vice Chairman*** Cllr Oxborough *Members:* Cllr Ball, Cllr Cheadle, Cllr Cunningham, Cllr Sellis, Cllr Watts
Interests – Declaration and Restriction on Participation:	Members are reminded of their responsibility to declare any disclosable pecuniary interest not entered in the Authority's register or local non pecuniary interest which they have in any item of business on the agenda (subject to the exception for sensitive information) and to leave the meeting prior to discussion and voting on an item in which they have a disclosable pecuniary interest.
Committee administrator:	Democratic.Services@swdevon.gov.uk

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At a Meeting of the **AUDIT COMMITTEE** held in the Council Chamber, Council Offices, Kilworthy Park, Drake Road, **TAVISTOCK** on **TUESDAY** the **5th** day of **December 2023** at **11.30 am**

Present: Cllr G Dexter (Chairman)
Cllr R Oxborough (Vice Chairman)
Cllr A Cunningham
Cllr L Watts

Officers in attendance: Section 151 Officer
Deputy Section 151 Officer
External Auditor
Head of Devon Audit Partnership
Fraud Officer, Devon County Council
Director of Strategy and Governance (Via MS Teams)
Head of Revenues and Benefits
Assistant Director of Strategy & Governance
Senior Democratic Services Officer

Also in attendance:
Cllr C Edmonds

***AC 21 APOLOGIES FOR ABSENCE**

There were apologies forwarded to the meeting from Cllrs K Ball, R Cheadle and D Sellis.

***AC 22 DECLARATIONS OF INTEREST**

There were no declarations of interest forwarded to this meeting.

***AC 23 ITEMS REQUIRING URGENT ATTENTION**

There were no items requiring urgent attention.

***AC 24 CONFIRMATION OF MINUTES**

The Minutes of the Committee Meeting held on 10 October 2023 were confirmed by the Committee as a true and correct record.

***AC 25 GRANT THORNTON INTERIM AUDITOR'S ANNUAL REPORT – COMBINED REPORTING FOR 2021-22 AND 2022-23**

The External Auditor took Members through the report. He pointed out there were no significant weaknesses in arrangements. The financial sustainability of the Council continued to perform well with a stable track record of budget management. Prudent plans within the Medium Term Financial Strategy (MTFS) were shown based on assumptions at the time they were made.

One improvement recommendation was raised on the financial sustainability on the capital plan and this was to continuously review the Capital Programme, which the Council had already recently undertaken. Other identified areas of recommendation were enhancing stakeholder engagement and procurement. Work was in progress with regard to procurement and the Section 151 Officer confirmed that an advert had been published for a Procurement Support Officer which, when recruited to, would bolster the workforce. The Committee noted that the Procurement Act was due to come into force in October 2024.

In response to a question on reserve levels, the External Auditor stated that the Section 151 Officer, when setting the budget, would check that these were appropriate. It was also clarified that the General Fund was a provision for unexpected events and it was felt that Council reserves were currently at an appropriate level.

It was then **RESOLVED** that the Grant Thorton Interim Auditor's Annual Report be noted.

***AC 26 GRANT THORNTON – EXTERNAL AUDIT PLAN FOR 2022/23**

The External Auditor introduced the Plan to the Committee and, in so doing, informed that management override of controls was seen as a risk. However, there was no evidence that this was occurring but, as for all local authority audits, tests had to be in place.

It was noted that property owned by the Council had to be valued on an annual basis, as was the pension fund liability. In reply to a question, it was confirmed that the materiality level was set at £500,000.

The Council had introduced a new payroll system and the audit had addressed the element of risk. Finally, IT general controls were discussed with data access and control issues having been audited.

It was then **RESOLVED** that the Grant Thornton External Plan for 2022/23 be noted.

***AC 27 DRAFT (UNAUDITED) SUMMARY OF ACCOUNTS 2022/23**

The Hub Lead Member introduced the draft Summary of Accounts for 2022/23 to the Committee.

The Committee wished to record its thanks to the finance team and, with no further questions or issues being raised, it was then **RESOLVED** that the Draft (unaudited) Summary of Accounts 2022/23 be noted.

***AC 28 PROGRESS ON THE 2023-24 INTERNAL AUDIT PLAN**

The Hub Lead Member introduced the progress update on the 2023/24 Internal Audit Plan to Members. In so doing, it was highlighted that the areas of: energy bill support scheme; treasury management; main accounting; electoral registration; and the UK Shared Prosperity Fund had all received a '*substantial assurance*' audit opinion. The lead Member also informed that progress was on track to deliver the 2023/24 Internal Audit Plan on time.

At the invitation of the meeting, the Counter Fraud Officer gave an update on the single person discount review. Once the results of the review were known, the officer would liaise with the S151 Officer, before a report was then presented to the Audit and Governance Committee.

Finally, when questioned, the S151 Officer stated that the authorisation limits given to individuals on creditor transactions were currently being reviewed.

It was then **RESOLVED** that the progress made against the 2023/24 internal audit plan be noted.

***AC 29 TREASURY MANANGEMENT MID-YEAR REVIEW**

The Hub Lead Member introduced the report to Members. He stated that the Councils' investment interest budget in 2023/24 was £400,000, however as interest rates levels had increased since setting the budget, there was an expected budget surplus of almost £630,000. The S151 Officer stated that close monitoring would be carried out on the long-term forecast on interest rates for future years before projections were then built into the budget. The Committee recognised that budget setting continued to be a challenge because Central Government had only provided a one year financial settlement.

The report demonstrated and clarified that the current treasury management activity was within the Council's adopted Treasury Management Strategy.

It was then **RESOLVED** that the Treasury Management Mid-Year Review be endorsed.

AC 30 STRATEGIC RISK UPDATE AND FRAMEWORK

The Hub Lead Member presented the Strategic Risk Update and Framework to Members.

In debate, Members noted that an officer level performance board met on a monthly basis to consider both operational management and organisational performance.

Having been informed that cyber security had been recently added to the Risk Register, it was agreed to arrange a briefing for the Committee in regard to measures that were being put into place with regard to the prevention of cyber crime.

It was then **RESOLVED** that:

1. the updated Risk and Opportunity Management Strategy (Appendix A of the presented agenda report refers) has been considered;
2. Council be **RECOMMENDED** to adopt the updated Risk and Opportunity Management Strategy (as set out at Appendix A of the presented agenda report); and
3. the updated Strategic Risk Register (Appendix B of the presented agenda report refers) has been considered.

***AC 31 ANTI-FRAUD, BRIBERY AND CORRUPTION (POLICY AND RESPONSE PLAN), COUNTER FRUAD RESILIENCE AND ASSESSMENT REPORT AND WHISTLEBLOWING POLICY**

The Hub Lead Member presented the report to the Committee and stated that fraud accounted for 40% of all crime. The Counter Fraud Officer stated that cybercrime was at an epidemic level, however it was very under reported. Once the paper had been agreed, its contents would be shared with staff. Finally, it was agreed that a Member training session on Fraud Awareness would be scheduled in the New Year.

It was then **RESOLVED** that approval be given to:

1. the Anti-Fraud, Bribery and Corruption Policy (as set out at Appendix A of the presented agenda papers);
2. the Anti-Fraud, Bribery and Corruption Strategy / Response Plan (as set out at Appendix B of the presented agenda papers);
3. the Counter Fraud Resilience and Assessment Report (as set out at Appendix C of the presented agenda papers); and
4. the Whistleblowing Policy (as set out at Appendix D of the presented agenda papers).

***AC 32 HOUSING BENEFIT OVERPAYMENTS**

The Lead Hub Member took Members through the report and stated that the service was operating in line with regional and national performance. The Head of Revenues and Benefits informed that an advert was in the public domain to recruit a Training and Quality Assurance Officer to ensure that officers were appropriately trained in the complex legislation and in assessing claims accurately.

It was stated that more cases of Housing Benefit Overpayment were through compliance issues rather than fraud, for instance a claimant forgetting to give an update on their personal circumstances. Working with the Devon Audit Partnership Fraud Officer meant that the authority could take on more investigation and prosecution.

Whilst the authority administered housing benefit, the Department fort Work and Pensions (DWP) had taken back responsibility for the prosecution of housing benefit fraud in 2015. It was also noted that the auditors tested within DWP guidance.

It was then **RESOLVED** that the report be noted.

***AC 33 LOCAL GOVERNMENT OMBUDSMAN -ANNUAL REVIEW LETTER**

The Lead Hub Member introduced the report to Members. The report informed that 8 complaints had been received with just 1 complaint being upheld. The further 7 complaints had been closed without further investigation after initial inquiries had been carried out. As only 1 case had been investigated (and upheld) the report stated that the Council had 100% of complaints upheld. This was felt to be unfair and not representative of the true position – Members felt that it should be one out of eight complaints (and therefore 12.5%).

The Council had responded with a request that the measure be reconsidered to give a fairer reflection of its performance. The lead officer clarified that the majority of the complaints received were from residents regarding a planning decision.

It was then **RESOLVED** that the Local Government Ombudsman – Annual Review Letter be noted.

***AC 34 PROPOSED WORKPLAN FOR THE AUDIT & GOVERNANCE COMMITTEE FOR THE 2023/24 MUNICIPAL YEAR**

There were no comments or debate on the latest version of the Committee Workplan for 2023/24.

(The Meeting terminated at 12.45pm)

Dated this

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Chairman

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The Audit Findings for West Devon Borough Council

Year ended 31 March 2023

11 March 2024

Page 7

Agenda Item 6

Contents

Your key Grant Thornton team members are:

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Page 8

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

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

Jackson Murray

For Grant Thornton UK LLP

Date: March 2024

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of West Devon Borough Council (‘the Council’) and the preparation of the Council's financial statements for the year ended 31 March 2023 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 inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Our audit work was completed remotely from November to March 2023. Our findings are summarised on pages 5 to 19. We have identified no adjustments to the financial statements and therefore no adjustment to the Council’s Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix D. We have also raised recommendations for management as a result of our audit work. These are set out in Appendix B. Our follow up of recommendations from the prior year’s audit are detailed in Appendix C.

Our work is substantially complete, subject to the following outstanding matters;

- final senior quality review of audit file and resolution of any resultant queries.

Once completed, we will be in a position to issue our audit opinions following;

- receipt of signed management representation letters; and
- receipt and review of the final sets of signed financial statements.

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

Our anticipated financial statements audit report opinion will be unmodified. We have been able to satisfy ourselves that the Council has made proper arrangements in securing economy, efficiency and effectiveness in its use of resources.

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	We have completed our VFM work, which is summarised on page 21, and our detailed commentary is set out in the separate Auditor's Annual Report, which was presented to the Audit and Governance Committee in December 2023. We are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
Statutory duties	
The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • to certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties. We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.
Significant matters	We did not encounter any significant difficulties or identify any significant matters arising during our audit. Working papers and responses were of a good quality and we would like to thank the finance team for their support throughout the audit.

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 and the Audit and Governance Committee.

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

Audit approach

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

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

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Governance Committee meeting on 19 March 2024, as detailed in Appendix G. These outstanding items are set out on page 3.

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.

Page 12

	Amount	Qualitative factors considered
Materiality for the financial statements	£0.57m	We considered materiality from the perspective of the users of the financial statements. The Council prepares an expenditure based budget for the financial year and monitors spend against this, therefore gross expenditure was deemed as the most appropriate benchmark. This benchmark was used in the prior year. We deemed that 2% was an appropriate rate to apply to the expenditure benchmark.
Performance materiality	£0.43m	No historic material misstatements or significant deficiencies in the control environment, stable management structure and no significant change in the operation of the Council compared to prior years.
Trivial matters	£29k	Calculated as a percentage of headline materiality and in accordance with auditing standards.

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.

Risk identified in our Audit Plan	Commentary
The revenue cycle includes fraudulent revenue transactions (ISA240)	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 material fraud arising from revenue recognition can be rebutted because: • there is little incentive to manipulate revenue recognition; • there are adequate controls in place to deter and identify material fraud; and • the culture and ethical frameworks of local authorities, including West Devon District Council, mean that all forms of fraud are seen as unacceptable. This remains unchanged from our planning considerations as reported through our Audit Plan.
Risk of fraud related to expenditure recognition (PAF Practice Note 10)	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). This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to expenditure recognition. We have determined that the risk of material fraud arising from expenditure recognition can be rebutted because, per Practice note 10, misstatements may arise where the audited body is under pressure to meet externally set targets. This environment does not exist at the Council. This remains unchanged from our planning considerations as reported through our Audit Plan.

Page 13

2. Financial Statements: Significant risks

Risk identified in our Audit Plan	Commentary
Management over-ride of controls	We: • 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; and • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. We completed a reconciliation of journals by using a completeness tool, which gave us assurance that the data we were using was complete and accurate. The journals data provided has been agreed and reconciled back to the financial statements. We challenged management and sought further evidence for our sample of journals and have gained assurance over the business rationale of these entries and have concluded that the entries were reasonable and appropriate. Our testing of journal entries posted in the year did not identify any indication of management override of controls. We did not identify any significant changes in estimation techniques adopted between years (more information on our work on the Council's key estimates can be found on pages 12 to 15.
Valuation of land and buildings	We: • 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; • wrote to the valuer to confirm the basis on which the valuation was carried out; • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Council's valuer's report and the assumptions that underpin the valuation; • tested revaluations made during the year to see if they had been input correctly into the Council's asset register; and • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end. Management have employed an external expert in 2022/23 in order to undertake the valuation of its land and buildings. The Council revalues its land and buildings on a five yearly basis to ensure that the carrying value of land and buildings in the Council's financial statements is not materially different from the fair value at year end. We evaluated the competence, capability and objectivity of the valuer and were satisfied that they are relevant experts and have sufficient knowledge and extensive experience of the valuation of the Council's assets through the various Local Authorities that they represent. See page 12 for details of our testing. Our audit work has not identified any issues in respect of valuation of land and buildings.

2. Financial Statements: Significant risks

Risk identified in our Audit Plan	Commentary
Valuation of Investment Properties	We: • 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; • wrote to the valuer to confirm the basis on which the valuation was carried out; • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Council's valuer's report and the assumptions that underpin the valuation. This included testing to rental or lease contracts to check the annual income for properties; • used an auditor's expert with knowledge of investment property valuations to consider the rental yield figures used in valuation calculations for appropriateness; and • tested revaluations made during the year to see if they had been input correctly into the Council's asset register. Management employs an external expert in order to undertake valuations of investment properties, which are all valued on an annual basis as at 31 March 2023. Management relies on the external valuer as an expert to undertake the valuations of the investment properties and where considered necessary, management will challenge the valuer as to what assumptions and source data have been used in the calculations. The review and challenge of the valuation is carried out by an internal asset manager who is also a chartered member of RICS and who has sufficient knowledge as to the investment property portfolio of the Council. Our audit work has not identified any issues in respect of valuation of investment property.

2. Financial Statements: Significant risks

Risk identified in our Audit Plan	Commentary
Valuation of the 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 (£5.49m in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions. The key assumptions used in the calculation which we will consider are the assumed: • Discount rate • Pension Increase rate • Salary growth • Life expectancy Based on the issues above, we have identified valuation of the Council's pension fund net liability as a significant risk.	We: • updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated, and evaluated the design of the associated controls; • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Council 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; • undertook 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 Devon 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. We have reviewed the assumptions in the actuarial report and deemed that they are reasonable and within the expected range disclosed in the auditor's expert's report. We deemed that the information provided by the Council was accurate and complete. The data in the actuarial report is consistent with the balance sheet and disclosures of pension assets and liabilities. Our audit work has not identified any issues in respect of valuation of the pension fund net liability.

2. Financial Statements: new issues and risks

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

Issue	Commentary	Auditor view
Payroll software The Council transferred payroll systems in April 2022 from Teamspirit to iTrent.	We: • obtained an understanding of the process used for new system implementation; • reviewed the data migration activity and results; and • completed the an assessment of the IT General Controls in order to consider their design effectiveness.	We have obtained an understanding of the process used for new system implementation and reviewed the data migration activity. We noted nine small variances in the legacy figures between the old and new system, however the signed documentation provided to us by the Council shows that these were subsequently agreed with the Consultant overseeing the process and were not material to the financial statements.

Page 17

2. Financial Statements: key judgements and estimates

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

Page 18

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £18.83m	Other land and buildings comprises £5.58m (PY: £9.77m) of specialised assets which are leisure centres, which are required to be valued at 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 £12.98m [PY:£12.94m) are not specialised in nature and are required to be valued at existing use in value (EUV) and fair value for surplus assets at year-end of £278k (PY: £256k. The Council has engaged an external valuer to complete the valuation of properties as at 31 March 2023 in line with their five yearly cyclical basis. 43% (PY: 27%) of total assets were revalued during 2022/23. Management place reliance on the work of their expert, and we saw evidence of challenge of the assumptions and valuations by management as part of the valuation process. Management have considered the year end value of non-valued properties totalling £10.69m (PY:£16.82) to determine whether their carrying value could be materially different to their current value had they been valued in year. We have performed a calculation using indices and have determined that there is not a material difference between the expected fair value and carrying value. The total year end valuation of land and buildings was £18.83m (PY: £22.96m), a net decrease of £4.13m (PY: £52k) from 2021/22 (£22.96m) when valuation and other movements were taken into account, such as capital additions and depreciation.	As part of our audit work, we have challenged management to provide corroborating information and evidence to support the valuations such as lease contracts and other equivalent documents that they have supplied to the valuer. We also challenged management and their expert to understand the methods and assumptions used. As a result of using an external valuer, there has been a change in the way that leisure centres have been valued in this financial year. In previous years, data provided by Sports England was used to calculate valuations but this changed to calculate using the DRC methodology for 2022/23 which resulted in an decrease of £4.19m. We challenged this approach and considered whether a prior period adjustment was necessary but concluded that the approach taken was satisfactory. We have reviewed the calculations of the valuer and note no issues. During our work we noted that the Council does not hold the gross internal floor (GIA) used in some of the calculations as they have relied on their expert. We also noted that the valuation records do not contain the last valuation date along with the valued amount. We have raised recommendations to management in regard of these – see appendix A. We have used our internal expert to review the yields used in the EUV calculations for reasonableness and note no issues.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Assessment

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

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Investment Property Valuation - £16.63m	The Council has engaged an external valuer to complete the valuation of properties as at 31 March 2023. Investment Properties comprise £16.63m (PY: £19.12m) of assets held to generate rental income such as industrial units and office blocks, which are required to be valued at Fair Value (FV) at year end, reflecting the market value, i.e. the price that would be received to sell the asset. The total year end valuation of investment property was £16.63m, a net decrease of £2.5m from 2021/22 (£19.12m).	From our review of the source data provided to the valuer and challenge of the assumptions adopted we did not identify any issues regarding the rental agreements and inputs into the valuation. As stated in our audit plan, we engaged our own auditor's expert to assess the yield assumptions used by management's expert in their valuation. No issues were identified following this work.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Page 19

Assessment

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

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension liability – £5.49m	The Council's net pension liability at 31 March 2023 is £5.49m (PY £24.2m) comprising the Devon Pension Fund Local Government and unfunded defined benefit pension scheme obligations. The Council uses Barnett Waddingham to provide actuarial valuations of the Council's assets and liabilities derived from these schemes. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 31 March 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 £19.9m net actuarial gain during 2022/23.	With the use of the consulting actuary as an auditor's expert, we have confirmed that management's actuary are competent, capable and objective. We considered that the significant risk in respect of pension fund valuation related to the assumptions used in the calculation, rather than the methodology used with is standard and in accordance with the requirements of the CIPFA Code and accounting standards. We make use of the consulting actuary (PWC) to assess the reasonableness of the assumptions adopted and set out below our consideration of these assumptions.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Assumption	Actuary Value	PwC range	Assessment
Discount rate	4.8%	4.80%-4.85%	●
Pension increase rate	2.95%	2.65%-2.95%	●
Salary growth	3.95%	3.40%-5.40%	●
Life expectancy – Males currently aged 45/65	21.8/23.1	19.5-22.1 / 20.9-23.4	●
Life expectancy – Females currently aged 45/65	22.9/24.4	22.9-24.5 / 24.3-25.9	●

Our work includes procedures to ensure the completeness and accuracy of the underlying information used to determine the estimate. We review the data provided by the Council and the Pension Fund and corroborate this to supporting payroll data used elsewhere in our audit procedures. We also obtain assurances from the auditor of the Devon Pension Fund over the processes and controls in place.

We are satisfied that the estimate is reasonable and that the disclosures within the financial statements are adequate.

Page 20

Assessment

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

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Provisions for NNDR appeals - £0.733m	The Council is responsible for repaying a proportion of successful rateable value appeals and management calculates the level of provision required. Management's calculation is based upon the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) and previous success rates. Due to a reduction in outstanding appeals, the provision has decreased by £0.188m in 2022/23.	We have reviewed management's calculations and note that they appear to be appropriate. We have no issues to report with regard to provisions.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious
Minimum Revenue Provision - £0.6m	The Council is responsible on an annual basis for determining the amount charged for the repayment of debt, known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance. The year end MRP charge was £0.6m, which is consistent with the MRP charge in 2021/22.	We assess that the Council's policy on MRP complies with the statutory guidance and noted no changes in policy from last year. We considered that the MRP charge was appropriate. Government consulted (February 2022) on changes to the regulations that underpin MRP, to clarify that capital receipts may not be used in place of a prudent MRP and that MRP should be applied to all unfinanced capital expenditure and that certain assets should not be omitted. The consultation highlighted that the intention is not to change policy, but to clearly set out in legislation, the practices that authorities should already be following. A subsequent survey indicated amended proposals to provide additional flexibilities for certain capital loans. Government has not yet issued a full response to the consultation.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Page 21

Assessment

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

2. Financial Statements: 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.

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating: Security management	ITGC control area rating: Technology acquisition, development and maintenance	ITGC control area rating: Technology infrastructure	Related significant risks/other risks	Additional procedures carried out to address risks arising from our findings
Civica	ITGC assessment (design and implementation effectiveness only)	●	●	●	●	Journals	n/a
Northgate	ITGC assessment (design, implementation and operating effectiveness)	●	●	●	●	n/a	n/a
iTrent	ITGC assessment (design and implementation effectiveness only)	●	●	●	●	n/a	We undertook a review of the transition to iTrent including data migration and no issues noted.

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

Page 22

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.

Page 23

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Governance Committee. We have not been made aware of any significant 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 which is included in the Audit and Governance Committee papers.
Confirmation requests from third parties	We requested confirmation requests from the Council's banking providers and organisations with which the Council had invested and borrowed. All of these requests were returned with positive confirmation and no issues were noted.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. The final version of the financial statements includes some minor changes agreed as part of the audit process.
Audit evidence and explanations	All information and explanations requested from management was provided.

2. Financial Statements: other communication requirements

Our responsibility

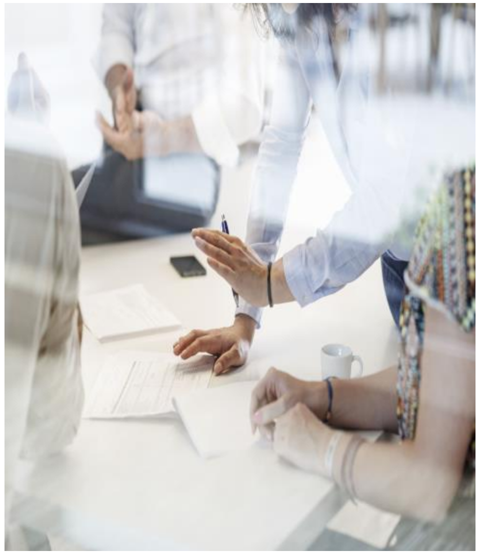
As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability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

Page 24

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 have considered and evaluated: • 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; and • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified; and • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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. No inconsistencies have been identified.
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; or • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. We have nothing to report on these matters.
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. Note that detailed work is not required as the Council does not exceed the threshold.
Certification of the closure of the audit	We intend to certify the closure of the 2022/23 audit of West Devon Borough Council in the audit report, as detailed in Appendix G, when we issue the audit opinion.



Page 25

3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2022/23

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

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 was presented to the Audit and Governance Committee in December 2023.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We did not identify any risks of significant weakness. We are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

4. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements.

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

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

Details of fees charged are detailed in Appendix 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.

4. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified.

Service	Fees £	Threats identified	Safeguards
Audit related			
Agreed upon procedures on the Housing Benefit Subsidy return in accordance with procedures set out by the DWP.		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 expected to be £32,400 for 2022/23 in comparison to the total fee for the audit of £52,561 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been previously reported to the Audit and Governance. None of the services provided are subject to contingent fees.

4. Independence and ethics

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 Council 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 Council or investments in the Council 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 Council.
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 Council, senior management or staff.

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 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.

Appendices

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.

B. Action Plan – Audit of Financial Statements

We have identified five recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management. 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
Low	Retention of Councilor information During our work we noted that related party declarations for two Councillor's were not provided, even though both Councillor's were present for the full financial year. This information could not be obtained retrospectively as both Councillors have now left the Council. In addition, we noted that the register of interests for one Councillor had not been provided. Again, this information could not be obtained retrospectively as the Councillor has now left the Council.	We would recommend that management maintain a central register each financial year showing what information is needed and any information outstanding so that this can be followed up in a timely manner. **Management response** Related Party Declarations We hold a log of the Related Party Declarations recording which forms have been returned every year. Unfortunately in 2022/23 we were unable to obtain two declarations despite chasing the information in a timely manner. Several attempts were made to obtain these declarations before the Councillors left the Council but unfortunately they were unsuccessful. Register of Interests The Council does hold a Central Register of Member Register of Interest forms (to ensure that they are available for inspection) and the Monitoring Officer regularly contacts all Members encouraging them to check to ensure that they remain accurate and up to date. Unfortunately, despite numerous reminders being given, the referred to Member never completed his Register of Interests form.
Medium	Cyber Security Training As part of our review of the Council's cyber security programs, we reviewed compliance of employees against organised cyber security training and identified a significant number of outstanding training courses. Cyber security training is usually designed to alert employees to the potential of cyber security attacks. A lack of attendance at the appropriate training may leave the Council vulnerable to Cyber Security attacks.	We would recommend that management reviews the attendance logs and ensures that for any employees shown as outstanding, this training is completed in a timely manner. **Management response** Managers are issued with a list of the names of their staff who have not completed the training and will be asked to prioritise the completion of training by their teams as a matter of urgency by their Head of Service or Director. Implications such as network access restrictions for non-completers are under consideration.

Page 33

Controls

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

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Low	Use of unsupported software The Councils' accounting software, Civica Financials, has not been upgraded for a long time with end of support for the application dating back to 2019. The application currently sits on the Council's servers, with the last security patches happening five years ago. There is the risk of data loss or breaches not being detected in a timely manner.	We would recommend the management upgrade the software to ensure that the latest version is in use and support is available if needed. **Management response** It is recognised that the use of unsupported software represents a risk to the organisation. We have been actively working with Civica to upgrade the software. The web-based software was not user-friendly and the team has spent time looking at the various options. We are currently working on a project plan to upgrade to the latest 'UX' version which appears to be a lot more user friendly. This will include moving to a cloud based solution, providing enhanced security and reduced risk. The upgrade to the latest 'UX' version of the software was scheduled for Autumn 2023 but was delayed mainly due to the timing of the 2022/23 Audit. The risks around the delay in implementation have been discussed with both Civica and SLT and mitigations have been put in place. This upgrade will be the team's main priority after closing the 2023/24 Accounts.
Low	Payroll reports Management could not provide "Change in circumstances report" detailing any changes to employment for individuals in the period.	We would recommend that management hold discussions with its payroll software provider to determine how the change in circumstances report can be generated. **Management response** HR will discuss with iTrent, our payroll software provider, the development of a report that will provide this change in circumstances information.
Low	Housing Benefit Debtors The Housing Benefit debtors population contains balances that have been cleared in the Northgate system but are still outstanding in the general ledger as receivables. We identified that two out of five sampled HB debtor balances were showing as outstanding but had been cleared in the Northgate system.	We would recommend that Management expediate the process to clear down all Housing Benefit debtors in the general ledger that have been cleared in the Northgate system. **Management response** This will be addressed at the end of the current financial year (2023/24) after the detailed work to correct this has been cleared by the Housing Benefits team. Once corrected, when they run the outstanding debt report for 2023/24, these will not appear, effectively reducing the outstanding debt. The relevant journal will then be posted to reflect the new Housing Benefits debtors figures for 2023/24.

Controls

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

C. Follow up of prior year recommendations

We identified the following issues in the audit of West Devon Borough Council's 2021/22 financial statements, which resulted in two recommendations being reported in our 2021/22 Audit Findings report. We have followed up on the implementation of our recommendations and note two are still to be completed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	Journal system controls We reported in the prior that 6 members of the finance team have 'level 9' access rights in the Civica system which allows them to edit and delete journals. One of these officers also has the access rights to edit and delete other people's journals as well as create new users. This remains the case for the year ended 31 March 2023. From an audit perspective therefore, journal entry user access rights did not have appropriate segregation of duties in 2022/23. We are aware of a mitigating control that another user downloads a monthly report showing changes in user access rights including whether new users are created. There are also regular budget reviews to detect unusual postings. We have previously reported that the journal system uses retrospective authorization of journals over £25k. We note that this only applies to journals with individual debit transactions over £25k, for example, if a journal was made of 26 lines of £1k, or credit balances over £25k, it would not be picked up in the authorisation reports. Management and Those Charged With Governance should note the risk of the unreviewed journals that do not meet this threshold.	Management have provided the following comments: The Head of Finance and the S151 Officer have reviewed this risk and are happy that there are mitigating controls in place. Journals over £25k are reviewed promptly and this is built into the workplan and individual PCIs which are reviewed on a regular basis by the Head of Finance. Cost Centres with a balance over £30k are also reviewed by the Head of Finance on a quarterly basis. To check all journals that total over £25k would create significant extra work. The risk and the mitigating controls in place have been looked at and we feel that this is robust enough to not warrant the extra work. We are happy with the mitigating control that an Accountant reviews changes in user access rights and new users on a monthly basis. For 2023/24 onwards, HR provide a weekly report of starters, leavers and internal movers. We would however still consider this to be a risk for 2022/23.
X	Input data for valuations For some of the assets tested by ourselves in year, evidence supporting the gross internal floor area (GIA) used in valuation calculations was obtained externally by external valuers. Currently, there is no internal record of measured surveys for the internal areas of assets held which would be best practice. We reported this in the prior year.	Management are happy that the gross internal area is available and have relied on their experts. We would however consider this risk to stand for 2022/23 as the Council do not hold this information.

Page 35

Assessment

- ✓ Action completed
- X Not yet addressed

D. 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 2023.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000
None identified to date				

D. 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.

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/issue/Omission	Adjusted?
Audit fees – An amount of £10k had been included within the 2022/23 figures when it related to services received in 2021/22. This should be moved into the 2021/22 column and an asterisk added with a footnote explaining why the 2021/22 figures are different to those published previously. In addition, an estimate had been made by management in relation to the fees for grants and certification work of £10k however this should be revised to £32k.	✓
Accounting policies – amendments were noted to enhance the accounting policies and ensure that these were compliant with the CIPFA Code.	✓
Various small wording and typo adjustments throughout the narrative statement and financial statements	✓

D. Audit Adjustments (continued)

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022/23 audit which have not been made within the final set of financial statements. The Audit and Governance Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement	Statement of Financial Position	Reason for not adjusting
As we have reported in previous years, the Council's investments with CCLA are designated as Fair Value through Other Comprehensive Income (FVOCI). The terms of the agreement allow redemption on demand and in our view the investment does not therefore meet the designation criteria to be held as FVOCI under IFRS 9. At 31 March 2023 the CCLA investments total £462k. In our view, the investment should be classified as Fair Value through Profit and Loss. The annual loss in value of £91k has therefore been incorrectly debited to Other Comprehensive Income rather than the Surplus of Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. There is currently a Statutory Override in place that allows Fair Value movements to be reversed to an unusable reserve so there would continue to be no impact on the General Fund from this reclassification.	<u>In year</u> Dr (Surplus) or Deficit on Provision of Services £91k Cr Other Comprehensive Income and Expenditure £91k <u>Cumulative</u> Dr Other Comprehensive Income and Expenditure £144k Cr (Surplus) or Deficit on Provision of Services £144k	No changes to total usable or unusable reserves	Individually and cumulatively not material No impact on the General Fund

E. 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
Scale fee	£36,211
Additional work on Value for Money (VfM) under new NAO Code – note that as a joint report was issued for 2021/22 and 2022/23, we have discounted this from the previously proposed £9,000	£4,500
Infrastructure assets	£2,500
Journals testing	£3,000
ISA 540	£2,100
Enhanced audit procedures for payroll – change of circumstances	£500
Enhanced audit procedures for Collection Fund – reliefs testing	£750
Increased audit requirements of revised ISAs 315/240	£3,000
Total audit fees (excluding VAT)	**£52,561**

Non-audit fees for other services	Proposed fee
Audit Related Services	
Agreed upon procedures on the Housing Benefit Subsidy return in accordance with procedures set out by the DWP. Note that work remains underway	£32,400

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

This covers all services provided by us and our network to the Council, 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. (The FRC Ethical Standard (ES 1.69)).

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'
This impacts audits of financial statement for periods commencing on or after 15 December 2021.

ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'
ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

These changes will impact audits of financial statement for periods commencing on or after 15 December 2022.

A summary of the impact of the key changes on various aspects of the audit is included below:

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: • the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures; • the identification and extent of work effort needed for indirect and direct controls in the system of internal control; • the controls for which design and implementation needs to be assess and how that impacts sampling; and • the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: • increased emphasis on the exercise of professional judgement and professional scepticism; • an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence; • increased guidance on management and auditor bias; • additional focus on the authenticity of information used as audit evidence; and • a focus on response to inquiries that appear implausible.
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. • Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: • clarification of the requirements relating to understanding fraud risk factors; and • additional communications with management or those charged with governance.
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

G. Audit opinion

Our draft audit opinion is included below. We anticipate we will provide the Council with an unmodified audit report.

DRAFT Independent auditor's report to the members of West Devon Borough Council

Report on the audit of the financial statements

Opinion on financial statements

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

Page 41

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2023 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

Conclusions relating to going concern

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

In our evaluation of the Chief Financial Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

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

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

Our responsibilities and the responsibilities of the Chief Financial Officer with respect to going concern are described in the relevant sections of this report.

Other information

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

G. Audit opinion

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

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of the Authority and the Chief Financial Officer

As explained more fully in the Statement of Responsibilities / Approval of the 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 Financial Officer. The Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial 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 Financial 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 objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the

G. Audit opinion

aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003 and the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992 and the Local Government Finance Act 2012)).

We enquired of management and the Audit & Governance Committee concerning the Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management and the Audit & Governance Committee whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to journal entries that altered the Authority's financial performance for the year.

Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud; and
- journal entry testing, with a focus on journals that altered the Authority's financial performance including those posted by senior finance personnel, unapproved journals, journals posted by any unapproved users and journals posted by users with increased system access privileges.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and building valuations, investment property valuations and the valuation of the net defined pension liability. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
- knowledge of the local government sector;
- understanding of the legal and regulatory requirements specific to the Authority including:
  - the provisions of the applicable legislation;
  - guidance issued by CIPFA/LASAAC and SOLACE; and
  - the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

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

G. Audit opinion

description forms part of our auditor's report.

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

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

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

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

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 January 2023. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

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

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

Report on other legal and regulatory requirements – Audit certificate

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

Use of our report

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

Signature:

Jackson Murray, Key Audit Partner

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

Bristol

Date:

grantthornton.co.uk

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Report to:	**Audit and Governance Committee**		
Date:	**19 March 2024**		
Title:	**Annual Statement of Accounts 2022/2023**		
Portfolio Area:	**Resources – Cllr C Edmonds**		
Wards Affected:	**All**		
Urgent Decision:	**N**	Approval and clearance obtained:	**Y**
Date next steps can be taken:			

Author:	**Clare Scotton**	Role:	**Principal Accountant**
	Pauline Henstock		**Head of Finance Practice and Deputy S.151 Officer**
Contact:	**01803 861559 clare.scotton@swdevon.gov.uk**		
	01803 861377 pauline.henstock@swdevon.gov.uk		

Recommendations:

It is recommended that Members approve:

1. The wording of the Letter of Representation (Appendix A).
2. The audited Statement of Accounts for the financial year ended 31 March 2023 (Appendix B).
3. The Annual Governance Statement post audit (Appendix C).
4. The audited Summary of Accounts for the financial year ended 31 March 2023 (Appendix D).

1. Executive summary

1.1 This report presents a summary of net revenue and capital expenditure for Members' consideration and seeks approval of the audited Statement of Accounts for 2022/23. **Following approval of the accounts, the Chairman of the Audit and Governance Committee is required to sign and date the accounts.** Members are also required to consider the content of the Letter of Representation. **Following approval of its wording, the Chairman of the Audit and Governance Committee and the Section 151 Officer (Director of Strategic Finance) are required to sign the Letter of Representation.**

1.2 **The 2022/23 Audit has identified no adjustments to the Draft West Devon Accounts which were considered by the Audit and Governance Committee on 25 July 2023:** https://democracy.swdevon.gov.uk/documents/g1910/Public%20reports%20pack%2025th-Jul-2023%2011.00%20West%20Devon%20Audit%20Governance%20Committee.pdf?T=10

Therefore the Audited Accounts for 2022/23 presented to Members of the Audit and Governance Committee today, are essentially the same set of Accounts which the Audit Committee considered at their meeting in July, except for a few minor disclosure changes. These disclosure changes are detailed further in the Audit Findings report from Grant Thornton, a separate item on this Audit and Governance Committee agenda.

2. Background

2.1 The Accounts and Audit (England) Regulations 2015 set out the requirements for the production and publication of the local authority's annual Statement of Accounts (SOA). These regulations introduced revised procedures for the approval and publication of accounting statements. In line with common practice in the commercial sector, local authorities are now required to approve the accounts following the completion of the audit.

2.2 The target date for the 2022/23 unaudited accounts to be produced and certified by the Chief Finance Officer was 31 May 2023. As a response to the disruption caused by the Covid-19 pandemic, the Government extended the date by which local authorities should publish their draft accounts from 31 May to 31 July for previous financial years. 2022/23 is therefore the first year since the pandemic that the regulation date has been brought forward to 31 May.

2.3 The Council was unable to complete all the necessary processes in order to meet the earlier deadline and the draft 2022/23 Statement of Accounts were published on 30 June 2023. As required a notice was added to our website setting out this position and explaining that this was mainly due to the demand on staff time resolving complex technical matters such as the impact of the triennial pension valuation data on IAS 19 Employee Benefits which has a material impact on the Accounts. The view of the S151 Officer was that the accuracy of the financial statements was paramount. As at 31 March 2023, the Actuary estimated a net deficit on the funded liabilities within the Pension Fund of £5.5 million which compares to a deficit of £24.2 million as at 31 March 2022. Therefore the movement on the Pension Fund Liability was a material amount.

2.4 The Accounts and Audit Regulations require that the 2022/23 audited accounts and opinion is published by 30 September 2023. However, the 2022/23 audit was delayed by Grant Thornton due to their lack of staffing capacity. The audit commenced at the beginning of November 2023 and was completed at the end of February 2024.

2.5 The SOA is an essential feature of public accountability, since it provides the stewardship report on the use of funds raised from the public. The closing of Accounts is also important to the budgetary process since it confirms the availability of reserves and balances for future use.

2.6 The attached booklet (Appendix B) contains the Council's final accounts in full, including details of the Comprehensive Income and Expenditure Statement (CIES), the Balance Sheet and Collection Fund together with statements setting out movements in reserves and cash flow.

2.7 The accounts have been prepared in accordance with all relevant and appropriate accounting standards, including International Accounting Standard (IAS) 19 which deals with pension costs. This standard ensures that the full cost of employing people is recognised systematically in the accounts and that creditors reflect the Council's liability to pay money into the pension fund. A full explanation of the pension's liability is included in the Council's Statement of Accounts. Members are advised that the accounting arrangements for IAS 19 are for reporting purposes only. Indeed the required entries are reversed out of the accounts and consequently, IAS 19 has no impact on the Council's surplus for the year.

2.8 The Annual Governance Statement (AGS) for 2022/23 shown in **Appendix C** reflects the reporting requirements introduced by CIPFA/SOLACE's 2016 Delivering Good Governance in Local Government Framework. The requirements include:

- An acknowledgement of responsibility for ensuring there is a sound system of governance.
- A reference to and assessment of the effectiveness of key elements of the governance framework and the role of those responsible for the development and maintenance of the governance environment.
- An opinion on the level of assurance that the governance arrangements can provide.
- An agreed action plan.
- A conclusion.

2.9 The CIPFA/SOLACE 2016 Framework recommends that the Council carries out annually a self-assessment of the extent to which it complies with seven core principles of good governance. Examples of the framework the Council adopts to comply with the Code's key principles are included within the AGS, as well as an accompanying assurance statement.

3. Outcomes/outputs

Revenue Expenditure

3.1 Revenue expenditure represents the ongoing costs of carrying out day-to-day operations, and is financed from council tax, business rates, fees and charges, government grants and interest earned on investment activity. The under spend on the General Fund in 2022/2023 of £79,000 is essentially a break-even position. ***The 2022/23 budget was £7.77 million and therefore the surplus of £79,000 means that the actual net spend was 1.0% less than the budget***. This surplus will go into the Council's Unearmarked Reserves which now stand at £1.57 million. The main variations from budget are shown on Page 9 of the Narrative Statement in the Statement of Accounts.

Capital Expenditure

3.2 Capital expenditure represents monies spent on the purchase, construction, or major refurbishment of assets. The Council's capital expenditure amounted to £2.0 million in 2022/23. The main areas of expenditure were as follows:

- Housing renovation grants including disabled facilities grants (£1.1m)
- Green Homes grants (£0.5m)
- IT schemes (£0.2m)

The capital programme is funded from capital receipts, capital grants, external contributions and earmarked reserves (see Note 33 of the Statement of Accounts for 2022/23).

Audit of Accounts

3.3 The draft SOA was considered by the Audit and Governance Committee on 25 July 2023. These accounts are required to be audited by the Council's external auditors Grant Thornton, who give their opinion on the draft accounts. The annual audit was undertaken remotely and commenced at the beginning of November 2023 and was completed at the end of February 2024.

3.4 At the time of writing this report Grant Thornton have substantially completed their audit of the financial statements for 2022/23 and subject to the final review queries being resolved, **Grant Thornton anticipate issuing an unqualified audit opinion following this Audit and Governance Committee meeting.**

In essence, the audited accounts for 2022/23 are the same set of accounts that were considered by the Audit and Governance Committee on 25 July 2023. There are no adjustments to the draft accounts apart from a few minor disclosure changes.

The Grant Thornton external audit opinion states that 'Working papers and responses were of a good quality and we would like to thank the finance team for their support throughout the audit.'

3.5 **Summary Accounts**

In light of the length of the statutory accounts a shortened version was prepared for 2022/23. The audited summary of the Accounts in Appendix D is a more user friendly document which can be easily read by members of the public and our businesses to get an understanding of the financial position of the Council for 2022/23. There were no changes to the draft summary accounts that were considered by the Audit and Governance Committee in December 2023. These have now been presented in Appendix D as the Audit has been completed.

3.6 **Value for Money (VFM) arrangements**

On 5 December 2023 the Audit and Governance Committee considered an interim Auditor's Annual Report from the Council's external auditors, Grant Thornton. This gave commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources.

The report stated that 'The Council has demonstrated a good understanding of its role in securing economy, efficiency and effectiveness in its use of resources. Our work has not identified any significant weaknesses in arrangements.'

4. Proposed Way Forward

4.1 The Council Constitution delegates approval of the Accounts to the Audit and Governance Committee. The Council is also required to sign a Letter of Representation every year, which gives representations to the Council's external auditors. The Chairman of the Audit and Governance Committee and the Section 151 Officer (Director of Strategic Finance) are required to sign the Letter of Representation. The letter is attached at Appendix A. It is recommended that Members approve the wording of the Letter of Representation.

5. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance		The Statutory Powers that apply to this report are Section 151 Local Government Act 1972 Section 21 (12), Local Government Act 2003 and the Accounts and Audit (England) Regulations 2015. The Accounts and Audit (England) Regulations 2015 requires all relevant bodies to prepare an Annual Governance Statement (AGS). The Council Constitution delegates approval of the Accounts to the Audit and Governance Committee.
Financial implications to include reference to value for money		The financial implications to this report are that a surplus of £79,000 was generated in 2022/2023. This means that the Council's actual net spend for 2022/2023 was 1.0% less than the budget set for the year. On 5 December 2023 the Audit and Governance Committee considered an interim Auditor's Annual Report from the Council's external auditors, Grant Thornton. This gave commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. The report stated that 'The Council has demonstrated a good understanding of its role in securing economy, efficiency and effectiveness in its use of resources. Our work has not identified any significant weaknesses in arrangements.

Risk		**Public Accountability** – the accounts have been drawn up in strict accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 which is recognised by statute as representing proper accounting practice. **Resource Planning** – the Council takes into account any significant issues when developing the Council's Medium Term Financial Strategy.
Supporting Corporate Strategy		The Annual Statement of Accounts and Annual Governance Statement support all of the Delivery Plans within the Council's strategic vision, 'A Plan for West Devon'.
Climate Change - Carbon / Biodiversity Impact		None directly arising from this report.
Comprehensive Impact Assessment Implications		
Equality and Diversity		None directly arising from this report.
Safeguarding		None directly arising from this report.
Community Safety, Crime and Disorder		None directly arising from this report.
Health, Safety and Wellbeing		None directly arising from this report.
Other implications		None directly arising from this report.

Supporting Information

Appendix A – Letter of Representation
Appendix B – Audited Statement of Accounts 2022/23
Appendix C – Annual Governance Statement 2022/23
Appendix D – Audited Summary of Accounts 2022/23

Background Papers:

None

Approval and clearance of report

Process checklist	Completed
Portfolio Holder briefed	**Yes**
SLT Rep briefed	**Yes**
Relevant Exec Director sign off (draft)	**Yes**
Data protection issues considered	**Yes**
If exempt information, public (part 1) report also drafted. (Committee/Scrutiny)	**N/A**

Direct telephone: 01822 861 413
E-Mail: Lisa.Buckle@swdevon.gov.uk

West Devon Borough Council

Grant Thornton UK LLP
2 Glass Wharf
Temple Quay
Bristol
BS2 0EL

Our Ref: Letter of representation
19 March 2024

Dear Sirs

West Devon Borough Council
Financial Statements for the year ended 31 March 2023

This representation letter is provided in connection with the audit of the financial statements of West Devon Borough Council for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the Council financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and applicable law.

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

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

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

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the valuation of land and buildings, the valuation of investment properties and the valuation of the net defined benefit pension liability. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Except as disclosed in the financial statements:

  a. there are no unrecorded liabilities, actual or contingent;
  b. none of the assets of the Council has been assigned, pledged or mortgaged; and
  c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

x. 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.

xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv. We have updated our going concern assessment. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:

a. the nature of the Council means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements;
b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
c. the Council's system of internal control has not identified any events or conditions relevant to going concern.

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

xv. The Council has complied with all aspects of ring-fenced grants that could have a material effect on the Council's financial statements in the event of non-compliance.

Information Provided

xvi. We have provided you with:
   a. access to all information of which we are aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;
   b. additional information that you have requested from us for the purpose of your audit; and
   c. access to persons within the Council via remote arrangements from whom you determined it necessary to obtain audit evidence.

xvii. We have communicated to you all deficiencies in internal control of which management is aware.

xviii. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xix. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xx. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
   a. management;
   b. employees who have significant roles in internal control; or
   c. others where the fraud could have a material effect on the financial statements.

xxi. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xxii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxiii. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.

xxiv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

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

Narrative Report

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

Approval

The approval of this letter of representation was minuted by the Council's Audit & Governance Committee at its meeting on 19 March 2024.

Yours faithfully

Name: Councillor G Dexter

Position: Chairman of the Audit and Governance Committee

Date: 19 March 2024

Name: Mrs L Buckle

Position: Corporate Director for Strategic Finance

Date: 19 March 2024

Signed on behalf of the Council

West Devon Borough Council

Audited Statement of Accounts

2022/2023

West Devon
Borough
Council

Contents

Statement of Accounts 2022-23

The Statement of Accounts 2022-23 can be made available in large print, Braille, tape format or other languages upon request.

West Devon Borough Council is committed to reflecting the full diversity of our community and to promoting equality of opportunity for everyone.

Section 1

Narrative Statement

Introduction to the 2022/23 Statement of Accounts by Councillor Mandy Ewings, Leader of West Devon Borough Council

As the newly elected Leader of the Council, I am pleased to welcome you to the 2022/23 Statement of Accounts for West Devon Borough Council. The last year has seen a cost of living crisis coupled with high inflation and households facing higher bills across the board, in particular in relation to energy. The Council has supported our communities and residents during these difficult economic circumstances.

The Council moved quickly to agree a cost of living action plan which has seen us work with partners to publish weekly newspaper articles signposting support, launching a scheme providing electric blankets and slow cookers to residents and acting quickly to process £2.8m of council tax energy support payments of £150 to 18,912 households in the Borough. We have also developed support programmes for those who have fled the war in Ukraine, by supporting 187 guests from Ukraine who have arrived in the Borough as part of the Homes for Ukraine scheme.

One of the highlights of 2022/23 was the announcement that the Council and its partners (DCC, GWR and Network Rail) were successful in attracting a £13.4million bid for Government funding, to develop a new railway station and integrated transport hub on the eastern edge of Okehampton. This will build on the fantastic success of the Dartmoor Line, which reopened with great success in November 2021.

The station's platform will include a passenger lift with greater accessibility for all travellers as well as cycle facilities and electric vehicle charging points to promote active and green travel. These actions will help to meet the Council's climate change objectives to reduce carbon across the Borough by 2050. The Borough Council are confident this will bring huge benefits to West Devon's economy and particularly to Okehampton and its surrounding area.

During 2022/23 we also received confirmation that the Borough would benefit from £1million of UK Shared Prosperity Funding. This funding will enable the delivery of a range of projects to encourage people to use sustainable travel for work and leisure as well as providing support and advice to businesses on decarbonising their activities.

The West Devon Alliance Group has developed a series of aims and ambitions for the Council. The new Corporate Strategy will set out action plans for delivery including taking a vigorous stance on the climate emergency. The Council declared a housing crisis in 2022 and will develop initiatives to promote climate-friendly housing. The Council continues to do everything it can to ensure residents, businesses and front-line services come first. The financial standing of the Council remains secure in the short to medium term. The Council’s year end position is a small surplus for the 22/23 year of £79,000 against the budget (equivalent to 1% of the net budget of £7.77m). This surplus will go into the Council’s unearmarked reserves, to be reinvested into our core services and the new Corporate Strategy.

Councillor M Ewings , Leader of the Council

Foreword by the Chief Executive

There's been a huge amount on the agenda this year; we've been working hard to respond to the housing crisis, continued to take action on climate change and worked hard to support local business and the economy with securing UK Shared Prosperity Funding. We have offered all the support we can to residents to help them through the cost-of-living crisis that we are all facing. We've also played our part in successfully implementing the Homes for Ukraine scheme across the Borough.

In January 2023, the Council released its plans to spend £1m of UK Shared Prosperity funding to help support the economy and reduce carbon emissions across the Borough. The Council has agreed to the commissioning of a Local Cycling and Walking Infrastructure Plan to improve both walking and cycling routes across West Devon. This will inform the Council's next steps in developing more inclusive and eco-friendly travel provisions and infrastructure. The Council's roll-out of its specialist advisors programme will see wider business support and consultancy across the West Devon community. Partnerships will be developed across the local agriculture sector, knowledge organisations, businesses and tech companies to develop a community of research and development in order to ensure the culture of regenerative farming.

During 2022/23, the Council has taken steps to support more residents to stay in their own homes for longer through supporting 51 disabled facility schemes, accessible homes grants and healthy homes grants. This represents a total investment of £790,000 of Government grant funding during the year.

We have been unrelenting in seeking and attempting to deliver efficiencies and improve services. The Council has taken a hard look at where it can save money to keep balancing the books and has a track record of strong financial management over many years.

Our strategic financial planning enables the Council to make fully informed decisions and to deliver the quality of services that our residents, visitors and businesses have every right to expect. The Council has once more managed to balance its budget exceptionally well, whilst continuing to provide a level of good service to residents of the Borough. Our staff have continued to impress me with their efforts to support the people and communities of West Devon.

Finally, I am immensely proud that West Devon and South Hams Councils won the category of 'Senior Leadership Team of the Year' at the MJ Awards in June. It is great recognition for West Devon and South Hams for the work we're doing to make a difference in our communities and for everything that our Councillors and staff achieve together as one team.

Andy Bates, Chief Executive

Message from the Section 151 Officer and Corporate Director for Strategic Finance - Lisa Buckle

The Statement of Accounts has been prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA). The aim of the Accounts is to enable members of the public, Council Members, partners, stakeholders and other interested parties to:

- Understand the financial position of the Council as at 31 March 2023 and how the Council has performed against the budget set for 2022/23
- Be assured that the financial position of the Council is secure, with a degree of resilience.

This Narrative Statement provides information about West Devon Borough Council, including the key issues affecting the Council and its Accounts. It is very important to us to provide residents and other stakeholders with the confidence that the public money for which we are responsible has been properly accounted for. The current economic climate has seen the Bank of England increase the Bank Base rate to 5%, the highest level in 15 years, in order to tackle surging inflation. This follows a difficult few years, with the COVID 19 pandemic and a rise in energy and fuel costs and higher inflation and interest rates. This has put added pressure on the finances of Councils up and down the country, including West Devon Borough Council.

Prudent financial management in the past has meant that the Council was in a relatively healthy position financially before the pandemic hit. The management of risk and promoting financial resilience is a key principle of our budget strategy and this has helped facilitate our response and recovery. Key to the authority's financial resilience are our reserves, which are at a prudent level. We continue to support our residents and businesses through this period of uncertainty.

Through its Council Tax Reduction scheme, the Borough Council will ensure that those who are in financial hardship are able to pay less Council Tax, while receiving the full range of support services. At the moment, the Council is supporting 3,200 households and has awarded £3.7m to reduce residents' bills through the scheme. To help prevent further worry, financial advice is also offered. In April 2023, the Council has administered a new Government business rates relief scheme which has provided vital support to a further 542 businesses in the retail, leisure and hospitality sector, helping them respond to adapting consumer needs. It is hoped that this support will be a boost to our high streets and town centres.

The Council is on a stable financial footing and this will help the Council manage the uncertainty of the future reforms of Local Government finances such as the Fair Funding Review, New Homes Bonus scheme and the business rates baseline reset. There is no indication yet of the detailed local government funding levels for 2024/25 and beyond and therefore there are many uncertainties in preparing for the challenges we know we will face in the near future.

Mrs Lisa Buckle BSc (Hons), ACA
Corporate Director for Strategic Finance (S151 Officer)

NARRATIVE STATEMENT – INTRODUCTION

1. Each year West Devon Borough Council publishes a Statement of Accounts that incorporates all the financial statements and disclosure notes required by statute. The Statement of Accounting Policies summarises the framework within which the Council's accounts are prepared and published.

REVIEW OF THE YEAR – THE REVENUE BUDGET

2. The 2022/23 budget for West Devon was £7.77 million. A surplus of £79,000 means that the actual spend was 1.0% less than the budget. This saving will go into the Council's Unearmarked Reserves which now stand at £1.57 million. The main components of the General Fund budget for 2022/23 and how these compare with actual income and expenditure are set out below:

	Estimate £000	Actual £000	Difference Cost/ (Saving) £000
Cost of services	7,796	8,308	512
Parish Precepts	1,845	1,845	0
Interest and Investment income	(25)	(601)	(576)
Amount to be met from Government grants and taxation	**9,616**	**9,552**	**(64)**
Financed from:			
Business Rates (baseline funding level)	(1,648)	(1,648)	0
Business Rates (achieved over baseline funding level)	(52)	(52)	0
Business Rates Pooling Gain	(200)	(200)	0
Council Tax	(6,948)	(6,948)	0
Deficit on Collection Fund	(152)	(152)	0
Rural Services Delivery Grant	(487)	(487)	0
Lower Tier Services Grant	(74)	(75)	(1)
Services Grant	(114)	(114)	0
Business Rates Levy Account Surplus Grant	0	(14)	(14)
Budgeted Earmarked Reserve Contributions	59	59	0
UNDERSPEND FOR 2022/23	**0**	**(79)**	**(79)**

3. The movement in the General Fund Balance is shown in the Movement In Reserves Statement in Section 2B and can be summarised as follows:

	£000
General Fund Balance (un-earmarked revenue reserve) at 1 April 2022	(1,490)
Surplus for the 2022/23 financial year	**(79)**
General Fund Balance (un-earmarked revenue reserve) at 31 March 2023	(1,569)

*On including the earmarked reserves, Total General Fund Reserves are £10.47 million.

4. **The 2022/23 budget for West Devon was £7.77 million but the actual spend was 1.0% lower, providing an underspend of £79,000 for the year, as set out within these Accounts.**

5. The table below shows a reconciliation of the position shown on the bottom of the Comprehensive Income and Expenditure Statement and the underspend for 2022/23.

	£000
Total Comprehensive Income and Expenditure Statement	**(14,869)**
Deficit on the revaluation of Property, Plant and Equipment	(3,668)
Deficit on the revaluation of Financial Instruments	(91)
Remeasurements of the net defined benefit pension liability	19,895
Transfers to/(from) earmarked reserves	(287)
The detail of the items below are shown in Note 7 'Adjustments between Accounting Basis and Funding Basis under Regulations' in the General Fund Balance column.	
Adjustments primarily involving the Capital Adjustment Account	(2,778)
Adjustments primarily involving the Capital Grants Unapplied Account	195
Adjustments primarily involving the Capital Receipts Reserve	14
Adjustments primarily involving the Pensions Reserve	(1,165)
Adjustments primarily involving the Council Tax Collection Fund Adjustment Account	107
Adjustments primarily involving the Business Rates Collection Fund Adjustment Account	2,570
Adjustments primarily involving the Accumulated Absences Account	(2)
Underspend for the 2022/23 financial year	**(79)**

6. A summary of the main differences from budget in 2022/23 is provided below:

ANALYSIS OF VARIATIONS 2022/23 (% column shows variation against budget)	**£000**	**% variation**
Reductions in expenditure/additional income		
Treasury Management Income – extra investment income on the Council's investments following the recent successive increases in interest rates to 5% as the Bank of England looks to tackle surging inflation	(575)	2300.0%
Salary savings – partly due to vacancy savings and partly due to a reduction of £86K in WDBC salary costs following a review of the shared services apportionments for 22/23 (Audit Committee report 14.3.23). West Devon shares the cost of its workforce with South Hams. The £86K reflects the changes in the apportionments from South Hams DC bringing the waste service back in house.	(258)	5.7%
Homelessness prevention costs – Mainly due to additional unbudgeted grant income from the Homelessness prevention grants (including top ups).	(203)	-
Receipt of small unbudgeted in-year government grants	(40)	-
Savings on pension costs due to increased continuing national mortality rates	(26)	5.7%
Additional trade waste income	(25)	166.8%
Additional garden waste income	(23)	9.3%
Increases in expenditure/reduction in income		
National pay award – the national employer's pay offer for 2022/23 of £1,925 on all NJC pay points was significantly higher than the budgeted provision of 3%. The pay award resulted in additional salary costs.	230	255.6%
Waste and recycling contract additional costs – There are additional costs in 22/23 relating to the uplift in the waste and recycling contract sum, effective from 1 July 2022 (Hub Committee report 12 July 2022)	218	13.2%
Waste contract inflation – the actual rate of inflation on the contract was 12.2% and was significantly higher than the budgeted provision of 3%. Contract inflation is based on fuel inflation, wage inflation and consumer price index, all of which were higher than when the budget was set due to the rise in energy costs and inflation.	200	250.0%
Waste contract – increase in the number of households/collections from natural property growth.	110	4.4%
Planning income shortfall – Planning income is down by £185,000 (39%) against the budgeted income target of £473,000.	185	39.1%
ICT software and support contracts – additional costs from above inflation increases, increased number of users on the Council's network and increase in remote working.	89	18.4%
Shortfall in car parking income – There is an income shortfall of £168,000 (16%) against the budgeted income target of £1.036m. Covid and online shopping continue to have an impact and town centre car parks have not made a full recovery. Savings in other areas have partly offset the shortfall in income.	78	6.8%
Homelessness costs – additional expenditure on temporary accommodation over and above what is claimable through the DWP subsidy. This is due to a number of factors beyond the Council's control such as the housing crisis. This has been offset by additional grant income shown above.	52	16.0%
Other small variances	(91)	-
TOTAL UNDERSPEND FOR 2022/23	**(79)**	**(1.0%)**

The 2022/23 budget for West Devon was £7.77 million but the actual spend was 1.0% lower, providing an underspend of £79,000 as shown above.

KEY AREAS TO NOTE FROM THE 2022/23 STATEMENT OF ACCOUNTS

Pension Liability

7. International Accounting Standard 19 (IAS19) requires local authorities to recognise pension assets and liabilities within their accounts. The overall impact on the General Fund of the IAS 19 entries is neutral. The Net Cost of Services within the Comprehensive Income and Expenditure Statement includes current service costs and past service costs. Net Operating Expenditure includes the Council's share of the return on pension's assets and the net interest cost of the Council's liability due to under-funding.

8. During the autumn of 2022 the Actuary undertook the latest 3-yearly review of the Pension scheme and costs; with the next review due in 2025/26 year. The Local Government Pension Scheme has been reviewed nationally to ensure it meets the objectives of being viable and acceptable to both employees and the employer.

9. The pension liability as at 31 March 2023 of £5.5million is significantly lower than the previous year (£24.2million) as a result of the actuary reducing life expectancy projections and an increase in interest rates affecting the discount rate for liabilities. The Actuary has estimated the net deficit on the funded liabilities within the Pension Fund as at 31 March 2023 is £5.5 million. This is a significant reduction from the deficit of £24.2 million as at 31 March 2022. The deficit is derived by calculating the pension assets and liabilities at 31 March 2023. This large reduction in the pension liability for West Devon is mainly due to a change in financial assumptions (£19.7 million). This relates to an increase in the discount rate from 2.6% at 31 March 2022 to 4.8% at 31 March 2023. Accounting regulations prescribe that accounting valuations of pension liabilities should use a discount rate based on corporate bond yields. As interest rates have gone up, so have corporate bond yields and therefore the discount rate applied to our accounting liabilities.

10. The Council's liability relating to the Devon County Council defined benefit pension scheme is included within the Balance Sheet and further details are shown in note 36. The liability does not represent an immediate call on the Authority's reserves and is a snap-shot valuation in time, based on assumptions. The true value of the deficit is assessed on a triennial basis with contribution rates set to recover the balance over the longer-term.

11. The amount the Council contributes to the Pension Fund is re-assessed every three years; the most recent review was in the autumn of 2022 and took effect from April 2023. The Council has adjusted its pension contributions in line with the Actuary's recommendations, which have been factored into the Medium Term Financial Strategy (MTFS).

Business Rates

12. The Local Government Finance Act 2012 introduced a Business Rates Retention Scheme (BRRS) that enabled local authorities to retain a proportion of the business rates generated in their area, with effect from 1 April 2013. There is a risk of volatility in the system because Councils are exposed to any loss of income if businesses go into decline or if a Council's income from business rates falls due to successful business rates appeals.

13. Provision is made for likely refunds of business rates as a result of appeals against the rateable value of business properties. The provision is based on the total value of outstanding appeals at the end of the financial year as advised by the Valuation Office Agency. Using this information, an assessment was made about the likely success rate of appeals and their value.

14. In 2022/23 there has been a £469,000 decrease in the provision for appeals within the Collection Fund. The balance on the Business Rates Collection Fund at 31 March 2023 is a surplus of £0.94 million (deficit of £3.09 million in 2021/22). West Devon Borough Council's share of the surplus is 40% (£0.38 million).

15. Monies are set aside in the Business Rates Retention Earmarked Reserve to mitigate the impact of volatility in Business Rates income due to the complex accounting arrangements for Business Rates. In 2022/23 the balance of the Business Rates Retention Scheme (BRRS) earmarked reserve reduced by £0.01m to £1.08m as at 31 March 2023 (£1.09m at 31 March 2022). Some of this additional business rates income is due to timing differences in the way the Collection Fund operates and part of the funding will be needed to meet future years' budgets for business rates, in particular when business rates baselines are due to be re-set in the future.

16. In addition, a new earmarked reserve was created in 2020/21 called the s31 Compensation Grant (Business Rates) Reserve. This was set up to hold the s31 grant received in 2020/21 and 2021/22 totalling £3.85m to offset the business rate reliefs given to businesses during the pandemic and the 2020/21 Tax Income Guarantee s31 grant for Business Rates (£0.15m). Under current Collection Fund accounting rules, the s31 grants received are not discharged against the Collection Fund deficit until the following year. In 2021/22 £2.37m s31 grant was discharged to the Business Rates Collection Fund and a further £1.32m in 2022/23. This compensation grant will continue to be applied to the Collection Fund to smooth the impact of the Business Rates deficit. The balance on this reserve as at 31 March 2023 is £307,000.

Trading Company

17. West Devon Borough Council and South Hams District Council set up a trading company, Servaco Ltd, on 4th September 2014. This is a company limited by shares. The company has not traded in 2022/23 and a set of statutory dormant Accounts will be filed with Companies House for the period 1 April 2022 to 31 March 2023. At Council on 21 February 2023 Members approved to close down this dormant company, Servaco Ltd with effect from 31 March 2023.

Borrowing

18. In 2022/23 the long term borrowing of the Council decreased from £27,726,000 (21/22) to £27,012,000. Short term borrowing increased from £615,000 to £714,000. This is due to the profiling of the debt repayments where long term borrowing has moved to short term borrowing. Total borrowing as at 31 March 2023 has reduced from £28,341,000 to £27,726,000. No further external borrowing took place during 2022/23.

Capital Spending

19. The Council spent £2.0million on capital projects in 2022/23. The main areas of expenditure were as follows:

- Housing renovation grants including disabled facilities grants (£1.1m)
- Green Homes Grants (£0.5m)
- IT scheme (£0.2m)

The capital programme is funded from capital receipts, capital grants, external contributions, earmarked reserves and internal borrowing (please see note 33).

Financial Instruments – IFRS9 Election to treat Equity Instruments as Fair Value through Other Comprehensive Income

20. In February 2017, the Council made the decision to invest £500,000 in the CCLA Local Authority Property Fund, with the investment being placed in April 2017.

21. Upon transition to IFRS 9 – Financial Instruments on 1 April 2018, and in accordance with paragraphs 5.7.5 and 7.2.8 (b) of IFRS9, West Devon Borough Council made an irrevocable election to present in other comprehensive income, changes in the fair values of its equity instruments. These investments are eligible for the election because they meet the definition of equity instruments in paragraph 11 of IAS32 and are neither held for trading (the Council holds this investment as a long term strategic investment) nor contingent consideration recognised by an acquirer in a business combination to which IFRS3 applies. They are not considered to be puttable instruments because the Council does not have a contractual right to put the instrument back to the issuer for cash.

22. A summary of the position of these equity instruments as at 31 March 2023 is shown below:

	Purchase cost	Fair Value at 31 March 2023	Movement in Financial Instruments Revaluation Reserve 2022/23
	£000	**£000**	**£000**
Equity Instrument			
CCLA Local Authorities Property Fund	500	462	(91)

FINANCIAL NEEDS AND RESOURCES

23. The Council maintains both capital and revenue reserves. The provision of an appropriate level of balances is a fundamental part of prudent financial management, enabling the Council to build up funds to meet known and potential financial commitments.

24. General Fund reserves (which include earmarked reserves) have decreased by £0.20m from the preceding year and stand at £10.47m at 31 March 2023. This reflects the 2022/23 surplus of £79,000 and an decrease in earmarked reserves of £287,000.

25. The total Earmarked Reserves balance at 31 March 2023 of £8.9m includes £307,000 held in the Business Rates s31 Compensation Grant Reserve. This is due to a technical accounting adjustment where Councils were compensated for the business rates holidays that were announced by the Government for the retail, hospitality and leisure sectors in 2020/21 and 2021/22 (this funding is in the s31 Compensation Grant Reserve). This temporary increase in reserves will reverse back out again in the 2023/24 Accounts, to fund the deficit on the Collection Fund. Therefore this is not money which is available for the Council to spend and it is important that this is not misinterpreted in the Accounts, as this is a national issue.

26. The General Fund Balance (un-earmarked reserve) has increased by £79,000 in 2022/23 and totals £1.569m. Revenue reserves may be used to finance capital or revenue spending plans. The level of Reserves are assessed as adequate for the Council's operations.

27. Capital Reserves are represented by capital receipts and capital contributions unapplied. The balance at 31 March 2023 amounts to £0.382m, compared to £0.409m at the end of the previous year.

28. There are a number of Unusable Reserves which include the Revaluation Reserve, Capital Adjustment Account and Pensions Reserve which are subject to complex accounting arrangements. The Revaluation Reserve and Capital Adjustment Account are used primarily to account for changes in fixed asset values associated with revaluations and new capital expenditure and as such cannot be used to finance capital or revenue expenditure. In addition the Financial Instruments Revaluation Unusable Reserve was created in 2018/19 following the implementation of IFRS9 Financial Instruments on 1 April 2018.

29. When reviewing the amount of overall reserves held, consideration should be given to the possible implications of the Pension Fund deficiency disclosed within the notes to the balance sheet. The requirement to recognise the net pension liability in the balance sheet has reduced the reported net worth of the Authority by £5.5 million at 31 March 2023. This disclosure follows the implementation of the International Accounting Standards (IAS 19). This standard requires local authorities and other businesses to disclose pension assets and liabilities within the balance sheet.

30. It is important to gain an understanding of the accounts to appreciate the nature of this reported deficiency, which is based on a “snapshot” of pension assets and liabilities at the year end. This is quite different from the valuation basis used for the purposes of establishing the employer’s contribution rate and fund shortfall, which are calculated using actuarial assumptions spread over a number of years.

Annual Governance Statement (AGS)

31. The Council’s Annual Governance Statement sets out the arrangements for governance which the Council has in place. The AGS is published alongside the Accounts for 2022/23.

Housing Crisis

32. Throughout 2022/23, the Council has continued to focus on delivering its Housing Crisis action plan. Whilst seeking to address the issue locally, the size and significance of the housing crisis has appeared to grow, and new challenges arise. The war in Ukraine and Homes for Ukraine Scheme, the Cost-of-Living crisis and the global increase in materials and labour have all impacted on our ability to tackle the crisis and this will continue.

33. House prices in West Devon continue to be among the least affordable in Devon with average housing costs at over 12 times the average salary. An almost complete lack of long term rented accommodation is one of the leading problems contributing to the crisis, alongside the increasing trend for people to move to the area from urban locations. Whilst the Joint Local Plan is working well and we are beating the targets for new houses, this national initiative is not enough to match our current local situation.

34. There has recently been an increase in the amount of time it takes to source suitable long-term accommodation for those residents needing it, which has in turn increased the amount of time applicants are staying in our temporary accommodation, from 33 nights in B&B and 78 in self-contained accommodation to an average of 64 nights in B&B and 113 in self-contained accommodation.

35. In response, in March 2023, the Council considered a report setting out two options to address this including (subject to planning permission), converting a currently under-occupied Council property in Tavistock into a temporary accommodation site and also to access the Governments Local Authority Housing Fund to purchase up to 5 properties, primarily to provide housing for Ukrainians requiring temporary accommodation following the breakdown of a current placement.

A Plan for West Devon

36. During the year we continued to deliver against the actions set out in A Plan for West Devon (available on our website).

37. A Plan for West Devon was developed over 12 months in response to the impacts of Covid-19 and a post-Brexit UK and has ensured that the Council has a clear direction and focus for the period September 2021- March 2024.

38. Throughout the year, the Overview and Scrutiny Committee has considered a detailed update on each of the themes. Additionally, we have continued to deliver quarterly Integrated Performance Management reports to Hub Committee setting out overall progress against each theme, strategic risk overview, key service performance and capital project updates.

39. In March 2023, Hub Committee recommended to Council (HC92/21) that minor amendments be made to the 2023/24 delivery plan in order that it remains fit for purpose. The update plan was adopted by Full Council on 4th April 2023 and provides a clear direction until the delivery of the next Corporate Strategy.

UK Shared Prosperity Funding

40. During this year, the Council has been pleased to secure an investment in the Borough from Government Levelling Up and UK Shared Prosperity funds (UKSPF).

41. UKSPF action in West Devon will include spending just over £1m on projects to help support the economy and reduce carbon emissions including commissioning of a Local Cycling and Walking Infrastructure Plan, rolling out a specialist business support and consultancy programme to support business to set out pathways to decarbonise their activities and to support local building firms get ahead the curve to meet future planning and building regulations.

42. A further work stream will see the Council work with organisations such as the Devon Agri-Tech Alliance to move farming into new sustainable ways of working.

43. Finally, £13.4m has been awarded to the Council to develop a new railway station and integrated transport hub on the eastern edge of Okehampton. The station's platform will include a passenger lift with greater accessibility for all travellers as well as cycle facilities and electric vehicle charging points to promote active and green travel. These actions will help to meet the Council's climate change objectives to reduce carbon across the Borough by 2050.

LOOKING FORWARD TO THE FUTURE AND NEXT STEPS

Development of a new Corporate Strategy

44. It is important that the Council has an adopted corporate strategy in place and that it aligns its staff, budgets and other resources to delivering the agreed priorities and ambitions of the Council in responding to the needs of our residents.

45. In May 2023, the Council held elections and has now formed a new Council. While we have a clear plan for corporate priorities for 2023/24, work will commence at pace to develop the next iteration of the Council’s Corporate Strategy alongside the budget setting process for 2024/25.

46. While the new strategy is being developed, the Council will continue to monitor performance against the Plan for West Devon Year 3 delivery plan as adopted in April 2023.

Continuing to respond to the housing crisis

47. A significant focus for us during 2023/24 will be on delivering our action plan to address the Housing Crisis in West Devon. We will be pressing ahead with our action plan while continuing to deliver on our longer-term housing strategy.

48. This will include progressing the purchase of up to 5 properties through the Local Authority Housing Fund and submitting a full planning application for the conversion and use of 20 Plymouth Road, Tavistock as temporary accommodation. At a meeting of the Hub Committee on 7th March 2023, the Committee also noted the progress on Springhill, Tavistock and Wonnacotts Road, Okehampton.

Climate Emergency Response

49. This year will be the fourth year of delivering of our Climate and Biodiversity Emergency Action Plan. We will be continuing to deliver on those actions including ensuring the Council delivers on commitments including progressing plans for an electric vehicle fleet and continuing with our wild flowering on Council land.

Our financial future

50. The financial standing of the Council is secure in the immediate future, but there is still much work to do to ensure the long term financial sustainability of the Council. The Fair Funding Review, business rates baseline reset, and other funding reforms now look set to be pushed back to 2025/26 at the earliest. In addition the timing of the cessation of the current New Homes Bonus scheme is not clear, but if it does continue, it will be smaller in value with no historic legacy payments.

51. Pushing these major changes back to 2025/26 means that they can be aligned with the next spending review period (the current spending review runs to 2024/25). 2025/26 now looks like it is shaping up to be a very significant financial year for local government, incorporating a new spending review and funding reforms.

Going Concern

52. As highlighted above there is a high degree of uncertainty about future levels of funding for local government. However, the S151 Officer is keeping a close watch on developments and planning for this longer-term uncertainty. The Council has a strong track record of financial prudence and as a result has set aside Reserves. For example, the Council has a Financial Stability earmarked reserve to help secure financial stability for the longer term. This will include addressing any future financial pressures from changes in local government funding levels. The balance on the Financial Stability earmarked reserve at 31 March 2023 is £0.617m.

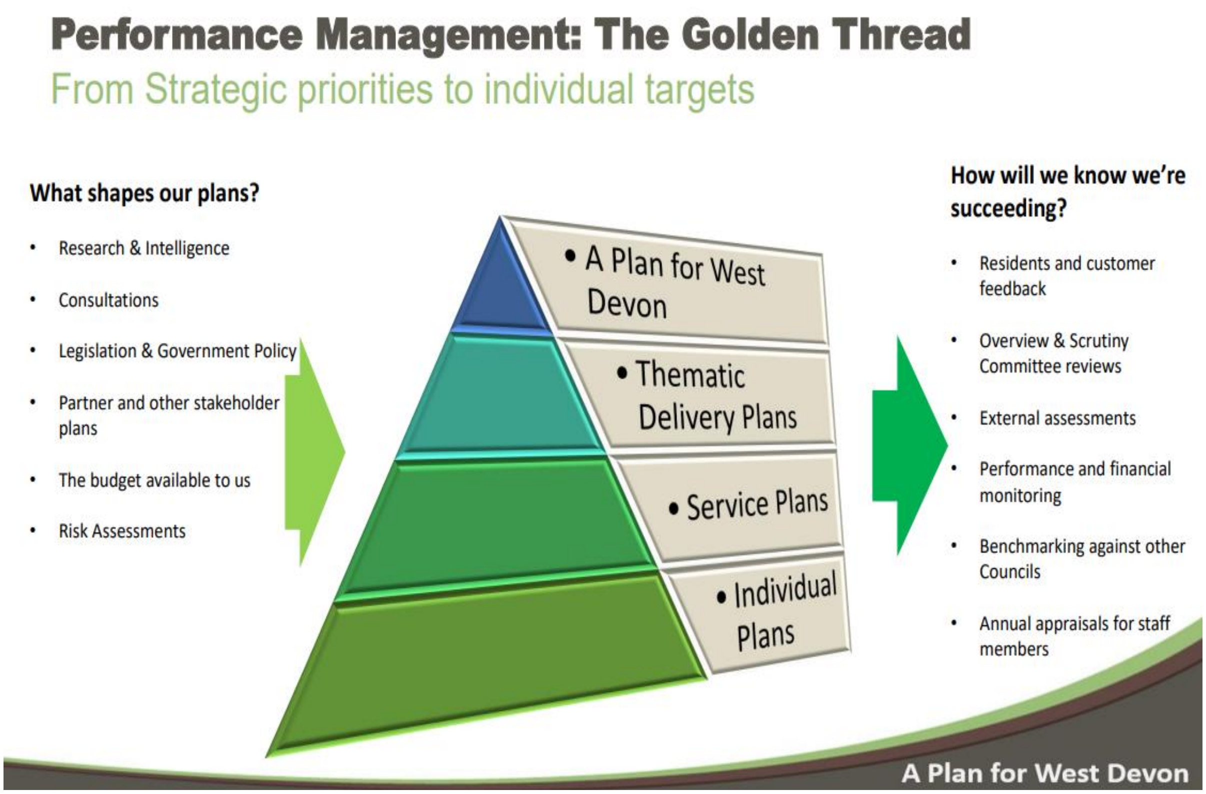
53. Based on the S151 Officer's management assessment (which has included consideration of the Government support available, the Council's current level of reserves, the level of working capital including cash and investments, a sensitivity analysis on forecast cashflows, income from local taxation and borrowing headroom etc.), there is no material uncertainty and as a result the Accounts for 2022/23 are prepared on a going concern basis.

Issue of the Accounts

54. The Corporate Director for Strategic Finance (Section 151 Officer) authorised the audited Statement of Accounts 2022/23 for issue on 19 March 2024. Events taking place after this date are not reflected in the financial statements or notes.

CORPORATE PERFORMANCE FOR 2022/23

55. The Council adopted its Plan for West Devon in September 2021 and regularly reports on the performance of the delivery plan to both Overview and Scrutiny and the Hub Committee. At the end of the year, the performance for the priorities within the strategy is as set out below. Overall, positive progress has been made across all themes. Each theme has a lead officer and lead Member who meet regularly to monitor progress. Performance against each theme is also considered by an Advisory Group consisting of 6-8 Councillors.



56. Positive progress against specific actions within A Plan for West Devon has continued throughout 2022/23 with 89% of the actions on track at the end of the year.

Overall Performance Against Actions			
Status		Total Actions Within Category	% of overall actions
	This action is on track with good progress being made. There are no significant risks which require action and we are on track to deliver as planned	56	89%
?	There are some issues or risks which are requiring management but a plan is in place to bring back on track	7	11%
!	There is a significant risk that we cannot deliver this activity as planned. Regular monitoring and support from Lead Member and Senior Leadership Team is required	0	
	This activity is not yet due to start in the current year	0	
	Totals	63	100%

A highlight of some of the key achievements against each theme is set out below.

Strengthening Communities

Enabling our communities to deliver on schemes that matter to them has been important throughout 2022/23. The Council:

- ✓ Awarded £50,000 to community schemes delivering activities to support residents Health and Wellbeing through the cost-of-living crisis
- ✓ Supported 20 community events celebrating the Kings Coronation with grant funding of £10,000, enabling communities to come together.
- ✓ Awarded funding to a number of communities schemes such as installing a disabled ramp at Tavistock Bowling Club, rejuvenating Okehampton All Weather Pitch and resurfacing Tavistock Tennis Club courts – all schemes that will enable more people to participate in sport and leisure activities.
- ✓ Relaunched our Town and Parish Council network to share best practice and important information.
- ✓ Holding a Homes for Ukraine community event, bringing together over 100 hosts and guests from across the Borough

Community Wellbeing

Ensuring the wellbeing of our residents has continued to be a major focus for the Council and we've made positive progress on this front including:

- ✓ Developing a Cost of Living Action Plan, setting out the steps we would take to ensure residents who needed support could access it quickly and easily. This included reaching out to residents who are not online, via a weekly series of newspaper articles and publishing a leaflet over the Winter.
- ✓ Launched as Household Support fund providing grants of £300 to households in receipt of certain benefits
- ✓ Commissioned the delivery of a series of Mental Health Assemblies for primary school children, helping them look after their own mental health.

Improving Homes

We know that having a decent, safe home is essential for the wellbeing of all residents. This year we've taken the step of declaring a Housing Crisis in West Devon to highlight the significant shortage of homes within the Borough. During 2022/23 we have:

- ✓ Secured £300,000 to deliver a supported housing improvement programme – linked to our campaign for action in respect of supported housing.
- ✓ Launched a 'Downsize' Scheme where we provide a financial incentive for residents to move in to smaller houses, freeing up larger houses for those that need them – at the end of the year, 6 housing association tenants had accessed the scheme
- ✓ Delivered 51 disabled facility schemes, enabling those residents to stay in their existing home rather than moving
- ✓ Adopted a new homelessness strategy, setting out the steps we will take to reduce the risk of homelessness

Thriving Economy

2022/23 has seen the Council secure a number of investments that will make a positive difference to the economy across West Devon through the UK Shared Prosperity Fund (see point 41. above). We have also:

- ✓ Supported Sydenham Damerel residents to secure funding of £174,000 in a broadband voucher scheme – enabling 137 homes and businesses to access full fibre networks.
- ✓ Adopted a new business rates relief scheme which will provide vital support to businesses in retail, leisure and hospitality sectors.
- ✓ Progressed plans, with Okehampton Town Council and businesses, to explore the potential and appetite for a Business Improvement District.

Natural Environment

During the year we have continued to progress delivery of our ambitious Climate and Biodiversity Action Plan as well as delivering on our wider commitments for our Natural Environment.

- ✓ Planted 70 new large trees at three green spaces across Tavistock – made possible with funding from the Forestry Commission
- ✓ Worked with our Leisure Services Provider (Fusion Lifestyle) to secure funds to carry our a fully costed, heat decarbonisation plan for our two leisure centres
- ✓ Achieved an average recycling rate of 53.46% in 2022/23

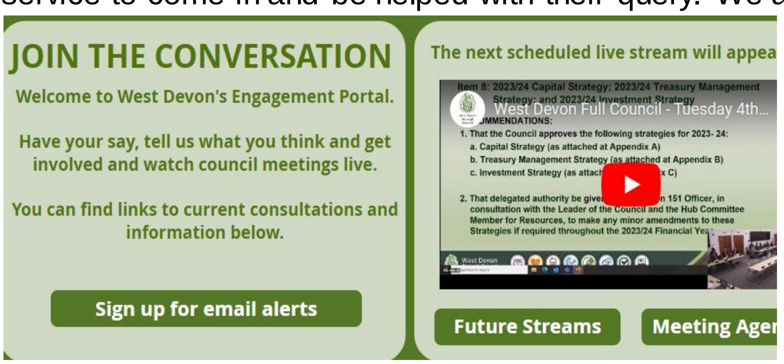
Built Environment

During the year we were able to support a number of events across the Borough that celebrated our heritage and also took steps to ensure that our Planning Service continues to adapt to meet the needs of residents. Specific actions throughout the year include:-

- ✓ Adopting the Plymouth and South West Devon Climate Emergency Planning Statement, setting new planning requirements to help shape new development in ways that minimise carbon emissions.
- ✓ Carrying out a consultation of our residents throughout the summer (My Place, My Views) enabling residents to tell us what they love (and should be protected) and what they feel needs improving. Over 1,500 residents took part in the consultation.
- ✓ We were again 'Highly Commended' at the 2023 Land Data Local Land Charges awards for its exceptional levels of customer service.

Inclusive Services

During 2022/23 we continued on our plans to improve the service that customer can receive. Our reception has reopened twice a week to enable those residents who prefer a face to face service to come in and be helped with their query. We also:-



- ✓ Launced a scheme whereby residents could request a visit from a Council Officer in order to be helped carry out Council business.
- ✓ Seen our website ranked as 22nd out of 402 Council websites for its positive accessibility
- ✓ Increased how much a resident can earn while still accessing Council Tax reduction
- ✓ Carried out a number of consultations to listen to our residents views including #MyPlace, asking for views to inform our new electric vehicle charging strategy and seeking views on Council Tax reduction scheme

Maximising Resources

This year, the Council again took steps to set a balanced budget and to effectively manage its resources. To ensure that the Council is fully aligned to deliver on Councillor priorities, this year we developed an Organisational Development Plan – a clear and measureable action plan setting out how we will support and develop our workforce. We also:-

- ✓ Continued to refine our Performance Management reporting, with a number of orgnisational performance reports being considered by the Hub Committee and the Overview & Scrutiny Committee throughout the year including an updated Key Performance Indicator Report.
- ✓ Took steps to ensure that all employees received a minimum 6% pay increase on this time last year which is key to ensuring we can retain existing staff and attract new talent. This included the national pay award.
- ✓ Progressed with plans to update our IT systems, with a focus on procuring a new Planning software package that will make it easier for residents and developers using our planning portal.

PRINCIPAL RISKS AND UNCERTAINTIES

A risk and opportunity management strategy is in place to identify and evaluate risks. There are clearly defined steps to support better decision making through the understanding of risks, whether a positive opportunity or a threat and the likely impact. The latest update was presented to the Audit and Governance Committee on 14th March 2023 and a high-level summary considered by Hub Committee as part of the quarterly Integrated Performance Management Reports.

Our Risk Management Objectives

We have 6 key objectives that guide our approach to Risk Management

1. Adopt a strategic approach to risk management in order to make well informed decisions
2. Integrate risk management into how we run Council services and deliver key projects.
3. Support a culture of well-measured risk taking throughout the Council including setting risk ownership and accountabilities.
4. Accept that even with good risk management and our best endeavours, things can go wrong. We will learn lessons where this happens.
5. Ensure that the Council continues to meet all statutory and best practice requirements in relation to risk management
6. Ensure that risk management continues to be a key and effective element of our Corporate Governance

Benefits of Effective Risk Management

Improved Strategic Management
- Greater Ability to deliver against our corporate objectives and targets
- Improved decision making, planning and prioritisation

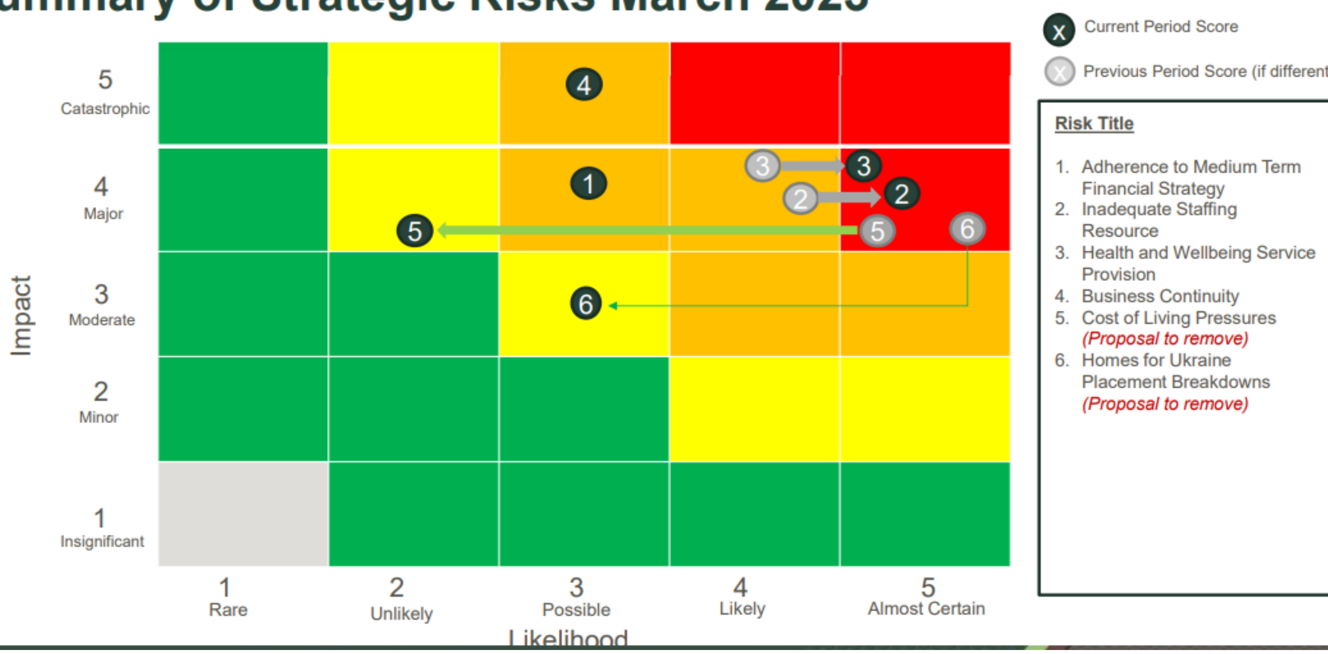
Improved Operational Management
- Plans in place to response to incidents when they occur
- Better service delivery

Improved Financial Management
- Better informed financial decision making
- Greater financial control
- Minimising waste and improving Value for Money

Improved Customer Service

Service disruption to customer minimized

Summary of Strategic Risks March 2023



Risk Title

1. Adherence to Medium Term Financial Strategy
2. Inadequate Staffing Resource
3. Health and Wellbeing Service Provision
4. Business Continuity
5. Cost of Living Pressures *(Proposal to remove)*
6. Homes for Ukraine Placement Breakdowns *(Proposal to remove)*

<table>
<tr><th>Risk Title:</th><th colspan="4">Adherence to Medium Term Financial Strategy</th></tr>
<tr><td>What is the risk?</td><td colspan="4">Failure to sustain a robust on-going medium term financial strategy in WDBC with adequate reserves to meet unforeseen circumstances, due to cost pressures and reduced income, Council decisions, changes in Government policy with regard to business rates and affordable housing.</td></tr>
<tr><td>What is causing the risk?</td><td colspan="4">Reduction in Government grant, increasing demand for services and other cost pressures and increased risks associated with localised business rates and council tax support. Additionally, income from activities may not materialise or may be reduced, e.g. a reduction in sales, fees and charges income or business rate appeals. The amount of income received can be adversely affected by a fall in collection rates due to economic downturn, the effects of the pandemic and other factors such as the bankruptcy/liquidation of large ratepayers or any sizeable rateable value reductions achieved by business rated properties in the area.</td></tr>
<tr><td rowspan="7">What is the level of the risk?

12</td><td colspan="2">Likelihood of risk occurring</td><td>3 (Possible)</td><td rowspan="7"><u>What are we doing to reduce the risk?</u>
Robust horizon scanning to monitor changes in Government policy. SLT awareness of the risks, cautious approach to budgeting and robust systems of financial control. The Council is not intending to rely heavily on sources of income which may not be sustainable.
SLT actively participate in Government consultations, MP discussions and keep aware of changes and the response by peer group, ensuring where appropriate the learning from this is incorporated into strategic plans. SLT engaged in the development of the MTFS.</td></tr>
<tr><td rowspan="6">Impact</td><td>Financial</td><td>4 (Major)</td></tr>
<tr><td>Service Quality</td><td>4 (Major)</td></tr>
<tr><td>Reputation</td><td>4 (Major)</td></tr>
<tr><td>Legal / Regulatory</td><td>4 (Major)</td></tr>
<tr><td>Health and Safety</td><td>2 (Minor)</td></tr>
<tr><td>Morale / Staffing</td><td>2 (Minor)</td></tr>
<tr><td>Current Update (March 2023)</td><td colspan="4">As at the previous update to Audit and Governance Committee in September 2023, we were anticipating a longer term financial settlement to be made in December 2022 however Government again made only a single year settlement but with a commitment for consultation on further funding reforms to come forward during 2023.
The Council has continued to work in partnership with South Hams District Council which has allowed West Devon to achieve annual savings of £2.2 million and more importantly protect all statutory front line services. Between both Councils the annual shared services savings being achieved are over £6 million per annum. However, the Councils continue to face considerable financial challenges as a result of uncertainty in the wider economy and constraints on public sector spending.
On 21st February 2023, Full Council approved its budget for 2023/24. The report to Council set out proposals for the Council to achieve a balanced budget for 2023/24, as shown in Appendix B. The Council is currently forecasting a £224,680 budget gap by the following year, 2024/25. The cumulative aggregated Budget Gap by 2025/26 is £0.7million if no action has been taken in each individual year to close the budget gap annually.</td></tr>
</table>

Risk Title:	Business Continuity			
What is the risk?	The risk is that we do not develop and keep maintained robust processes to ensure business continuity in the event of a significant event occurring, e.g. failure to ensure the continuous availability of critical IT systems leading to inability to deliver key council services.			
What is causing the risk?	Developing and maintaining robust Business Continuity Plans requires significant and sustained focus. During Covid-19 response, the Councils risk profile has changed as we have relied much heavier on working in different ways (for example more staff working from home the majority of time) and with significant pressures being placed on some of our key delivery partners/contractors. Work is required to update our BCP's to the changing environment that we are operating in. We are also entering a period where extreme weather events increase the risk of a business continuity event triggering.			
What is the level of risk? 15	Likelihood of risk occurring		**3** ***(Possible)***	**<u>What are we doing to reduce the risk?</u>** *Having two HQ locations is main mitigating factor - however an outage of power/ICT at either location would lead to a serious disruption of service.* Agile working further reduces reliance on two office buildings. Locality workers can be despatched more easily to ensure customer engagement can be maintained during any incident. Business Continuity plans have been updated - priority areas - ICT Networking - Payroll & Creditors Payments; other plans need to be made more robust – further work underway for the new year
	Impact	Financial	5 *(Catastrophic)*	
		Service Quality	5 *(Catastrophic)*	
		Reputation	4 *(Major)*	
		Legal / Regulatory	2 *(Minor)*	
		Health and Safety	3 *(Moderate)*	
		Morale / Staffing	3 *(Moderate)*	
Current Update (March 2023)	Positive progress has been made and we have increased the resilience of our business continuity arrangements with new hardware in place to enable a more stable IT environment and more frequent off-site backups. Cyber-security training has been rolled out to all employees and members so that everyone is better able to identify potential threats to our IT operating environment. Significant progress has also been made in updating our Business Continuity and recovery plan for our IT service, working with sector experts to ensure they are as robust as possible. An officer planning day was held in January to develop an updated Business Continuity Planning framework and to lead business continuity planning moving forward. We have also undertaken a successful power-cut test of our IT systems. This was successful and back-up systems operated as expected, preventing loss of data or connection.			

<table>
<tr><th>Risk Title:</th><th colspan="5">Inadequate Staffing Resource</th></tr>
<tr><td>What is the Risk?</td><td colspan="5">The risk is that the Council fails to have the right culture, organisational conditions or resources to deliver our priorities for our communities. Insufficient staffing arrangement resulting in a loss of staff morale, and inadequate resources for training and re-skilling in an ongoing period of change. Failure to engage staff resulting in uncertainty regarding changes in working practices and job security. Particular risk in relation to future terms and conditions. Cost and time of retraining/up-skilling staff. Unrealistic expectations in relation to staffing capacity.</td></tr>
<tr><td>What is causing the risk?</td><td colspan="5">The last few years have seen Local Government stepping up to provide significant and varied support to our residents, communities and businesses in addition to maintaining our core service delivery, This has been a sustained period of the council delivering additional support and services and is only likely to continue in to the short-medium term.</td></tr>
<tr><td rowspan="7">What is the level of the risk?

20</td><td colspan="2">Likelihood of risk occurring</td><td>5 (Almost certain))</td><td rowspan="7"></td><td rowspan="7"><u>What are we doing to reduce the risk?</u>
Continuing to review services and update service plans to ensure that we can meet future demand

Reviewing our recruitment campaigns – ensuring that they are effective and targeted

Filling key roles with temporary resource to ensure services can continue to be delivered effectively while we progress with the recruitment of permanent employees

Developing plans to ‘Grow our own’ talent – through apprenticeships and similar</td></tr>
<tr><td rowspan="6">Impact</td><td>Financial</td><td>4 (Major)</td></tr>
<tr><td>Service Quality</td><td>4 (Major)</td></tr>
<tr><td>Reputation</td><td>4 (Major)</td></tr>
<tr><td>Legal / Regulatory</td><td>4 (Major)</td></tr>
<tr><td>Health and Safety</td><td>3 (Moderate)</td></tr>
<tr><td>Morale / Staffing</td><td>4 (Major)</td></tr>
<tr><td>Current Update (March 2023)</td><td colspan="5">The Council continues to experience recruitment and retention challenges. In February 2022, the Council introduced a market supplement policy that enables an enhancement to be made to the salary of certain roles in accordance with specified criteria. All enhancements are initially for a period of 2 years and are kept under review. The Council also undertook a job evaluation exercise on all principal professional and technical roles (level 4) and, with a new criterion that looked at the difficulty in attracting candidates for vacant roles and retaining existing employees.
As a result, it is proposed to implement a new pay band for senior, professional and technical roles (level 4b) and slight changes at the top of the salary range for senior and principal officers at Level 5 and above. A report on this matter will be considered by Hub Committee on 7th March 2023.
The recent staff survey, while reasonably positive, highlighted employees had particular concerns around pay. The changes to pay and grading identified above are also intended to demonstrate a positive response to the genuine concerns of staff facing cost of living pressures. Alongside this, a comprehensive Organisational Development plan has been developed to ensure that the Council makes the best ‘employment offer’ with an end-to-end approach covering recruitment, training and development, talent management and progression, to make us an employer of choice.</td></tr>
</table>

<table>
<tr><td>Risk Title:</td><td colspan="5">Health and Wellbeing (Leisure) Service Provision</td></tr>
<tr><td>What is the risk?</td><td colspan="5">The risk is that following the negative impacts to leisure centres as a result of Covid-19, leisure centres may now face further pressures due to the increased cost of living including through loss of revenue as residents consider where they can save money and through increased cost of operating the centres given the energy price increases and increasing inflation.</td></tr>
<tr><td rowspan="7">What is the level of risk?

20</td><td colspan="2">Likelihood of risk occurring</td><td>4 (Almost Certain)</td><td rowspan="7"></td><td rowspan="7"><u>What are we doing to reduce the risk?</u>

Worked with Fusion Lifestyle to revise the management fee profile in response to the reductions in income seen through Covid-19 (agreed by Council in Feb 2022)

Continue to engage with Fusion to understand issues and support where possible

Continue to monitor local and national position (given that all leisure providers will be In the same position)

Promote active participation in sport and leisure through Council communication channels</td></tr>
<tr><td rowspan="6">Impact</td><td>Financial</td><td>4 (Major)</td></tr>
<tr><td>Service Quality</td><td>2 (Minor)</td></tr>
<tr><td>Reputation</td><td>2 (Minor)</td></tr>
<tr><td>Legal / Regulatory</td><td>2 (Minor)</td></tr>
<tr><td>Health and Safety</td><td>4 (Major)</td></tr>
<tr><td>Morale / Staffing</td><td>2 (Minor)</td></tr>
<tr><td>Current Update (March 2023)</td><td colspan="5">The provision of leisure centres is a discretionary service. However the activities align with the Council’s corporate strategic plan – ‘A Plan for West Devon’ in providing quality services and community wellbeing. This includes increasing active participation in sport and leisure activities
The likelihood of this risk occurring has now increased to ‘5’ as leisure services nationally are continuing to be significantly impacted by the increases to energy costs and other supplies and services, with the issue being further compounded as individuals consider their own levels of expenditure and focus on essential spending – with discretionary spending on items such as leisure being areas where individuals consider making savings.
The Council continues to regularly meet with the Chief Executive of Fusion Lifestyle to understand the impacts. We are actively taking steps to support Fusion progress plans for decarbonisation of its sites which will, in the longer term, result in a reduction of energy costs. This does not however address the immediate impacts.</td></tr>
</table>

Risk Title:	Cost of Living Pressures			
What is the risk?	The risk is that the Council fails to plan and resource to respond to the significant increase in the cost of living as many more residents require urgent support to meet their basic needs and to keep on top of their essential bills. The increase in residents requiring support will put pressure on Council services – particularly Housing, Revenues and Benefits as well as for some of our key partners such as Citizens Advice and Fusion Lifestyle. Additionally, as residents have less disposable income, we are likely to see an impact on businesses across the borough.			
What is causing the risk?	There has been a marked increase in the cost of living, largely driven by an increase in energy bills (by 54% since April and a further predicted increase from October). Inflation is at a 40 year high and forecast to increase further in the coming months. This will lead to a reduction in the living standards of all residents within the Borough.			
What is the level of risk? **8**	Likelihood of risk occurring		2 (Unlikely)	**<u>What are we doing to reduce the risk?</u>** We have taken steps to quickly progress payments through the government Council Tax energy rebate scheme and launched a discretionary scheme for those households not eligible for the main scheme Launched a Household Support Fund to provide emergency funding to households that are not able to meet their essential bills Made one-off payments of £90 to all pensioners who are in receipt of Council Tax discount
	Impact	Financial	4 (Major)	
		Service Quality	4 (Major)	
		Reputation	4 (Major)	
		Legal / Regulatory	3 (Moderate)	
		Health and Safety	3 (Moderate)	
		Morale / Staffing	4 (Major)	
Current Update (March 2023)	As at the last Risk update to Audit and Governance Committee in September 2022, the Council had not agreed a plan for responding to the Cost of Living impacts and was still not clear on the level of support Councils would be expected to provide to residents (grants etc) therefore this risk was escalated to the Strategic Risk Register. A Cost of Living Action plan was agreed by Hub and Council later in 2022 which has seen the Council deliver on:- • Continuing with weekly newspaper articles developed with partners such as Citizens Advice • Extending the funding for Citizens Advice for a further two years • Delivering on the provision of slow cookers and electric blankets for those residents that require additional support in reducing bills and staying warm • Awarding funding to voluntary and community groups across the District that are supporting residents locally in respect of the cost of living and general winter wellbeing • Holding weekly officer meetings to plan and adapt our response as required • Reviewing the Council Tax reduction scheme to enable more people to access Council Tax support While the issues facing communities in respect of the Cost of Living continue to be significant, the Council has a clear plan in place and is resourced to meet the current needs of residents. For this reason this risk is de-escalated from the Strategic Risk Register and will be monitored at an operational level.			

Risk Title:	Homes for Ukraine Placements
What is the risk?	The risk is that the Council is not able to meet the longer-term housing needs of Ukrainians arriving in the Borough through the Homes for Ukraine scheme (or other routes) resulting in significant need for temporary accommodation or consideration of placements out of the area.
What is causing the risk?	The Council has so far welcomed 162 Ukrainians to West Devon as at January 2023, we are anticipating a further arrivals in the coming months. There has been a fantastic level of response from West Devon residents opening their doors to Ukrainians that are fleeing the war, but we are already seeing a number of Guest/Host relationships breaking down for various reasons. It is anticipated that there will be further breakdowns in the coming months as placements come to the end of the initial 6 months of the scheme but also due to increased cost of living for hosts resulting in maintaining a larger number of individuals in their homes much more expensive that anticipated and far over and above the £350 per month 'Thank you' payment.

What is the risk level?

9

Likelihood of risk occurring		5 (Almost Certain)	
Impact	Financial	3 (Moderate)	
	Service Quality	4 (Major)	
	Reputation	4 (Major)	
	Legal / Regulatory	3 (Moderate)	
	Health and Safety	2 (Minor)	
	Morale / Staffing	1 (Insignificant)	

What are we doing to reduce the risk?

Developed a dedicated team to work with hosts and guests to try to ensure as many placements as possible are maintained.

Recruited 3 x case workers to undertake home visits

Begun to prioritise the property checks of potential 'rematch' hosts, meaning that where a placement breaks down we have a 'pool' of alternative hosts available

Continued work with Team Devon to develop longer term proposals

Current Update (March 2023)	We now have certainty around the future of the Homes for Ukraine scheme from Government for the next 12 months. This extends the financial support available including making additional 'New Burdens' funding available for homelessness prevention. The Council has extended the contracts with its support workers for a further 18 months to continue to work with Ukrainian families including helping them in to longer term accommodation where current host/guest placements are approaching an end. The Council is also considering longer term, strategic options to ensure we can accommodate any Ukrainians (and other refugees) that find themselves at risk of homelessness. This is subject to a report to Hub on 7th March 2023/ As a result of these actions, and clarity over future funding of the scheme, we currently consider that we are able to meet the demands of the scheme within the budget provided by Government and with the resources we have secured so this risk is de-escalated from the Strategic Risk Register.

Section 2

Core Financial Statements

SECTION 2A COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

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

2021/22 RESTATED*				**2022/23**		
Gross Expenditure £000	**Gross Income £000**	**Net Expenditure £000**	**Segment**	**Gross Expenditure £000**	**Gross Income £000**	**Net Expenditure £000**
15,032	(10,919)	4,113	Customer Service & Delivery	17,150	(11,739)	5,411
3,119	(2,232)	887	Strategic Finance**	1,665	(386)	1,279
5,202	(3,294)	1,908	Place and Enterprise***	7,236	(4,184)	3,052
2,289	(1,050)	1,239	Governance & Assurance	2,690	(1,846)	844
25,642	**(17,495)**	**8,147**	**Cost of Services**	**28,741**	**(18,155)**	**10,586**
		1,785	Other operating expenditure (note 9)			1,864
		779	Financing and investment income and expenditure (note 10)			2,066
		(11,196)	Taxation and non-specific grant income (note 11)			(13,249)
		(485)	**(Surplus) or Deficit on Provision of Services**			**1,267**
		(309)	(Surplus) or deficit on revaluation of Property, Plant and Equipment			3,668
		(4,038)	Remeasurements of the net defined benefit liability			(19,895)
		(83)	(Surplus) or deficit from investments in equity instruments designated at fair value through other comprehensive income			91
		(4,430)	**Other Comprehensive Income and Expenditure**			**(16,136)**
		(4,915)	**Total Comprehensive Income and Expenditure**			**(14,869)**

*The 2021/22 Cost of Services have been restated in 2022/23 following a review of the Organisational Structure. The total cost of services figures remain the same, only the presentation of the individual service groups has changed.
**The reduction in Strategic Finance income of £1.8m relates to the Covid Business Grants received in 2021/22.
*** The increase in Place & Enterprise expenditure mainly relates to payment of the Green Homes grant of £0.9m and payment of District Household Support Grants of £0.3m in 2022/23.

SECTION 2B: MOVEMENT IN RESERVES STATEMENT

This statement shows the movement from the start of the year to the end 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 ‘unusable reserves’. The Movement in Reserves statement shows how the movements in year of the Authority’s reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to Council Tax for the year. The increase/decrease in year line shows the statutory General Fund balance movements in the year following these adjustments.

2022/23	General Fund Balance £000	Earmarked General Fund Reserves £000	**Total General Fund Reserves £000**	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Authority Reserves 2022/23 £000**
Balance at 31 March 2022 carried forward	**1,490**	**9,189**	**10,679**	**56**	**353**	**11,088**	**(5,309)**	**5,779**
Movement in Reserves during 2022/23								
Total Comprehensive Income & Expenditure	(1,267)	0	**(1,267)**	0	0	**(1,267)**	16,136	**14,869**
Adjustments between accounting basis & funding basis under regulations (note 7)	1,059	0	**1,059**	14	(41)	**1,032**	(1,032)	**0**
Transfers to/from Earmarked Reserves (note 8)	287	(287)	**0**	0	0	**0**	0	**0**
Increase/ (Decrease) in Year	**79**	**(287)**	**(208)**	**14**	**(41)**	**(235)**	**15,104**	**14,869**
Balance at 31 March 2023 carried forward	**1,569**	**8,902**	**10,471**	**70**	**312**	**10,853**	**9,795**	**20,648**

SECTION 2B: MOVEMENT IN RESERVES STATEMENT

2021/22 Comparatives	General Fund Balance £000	Earmarked General Fund Reserves £000	**Total General Fund Reserves £000**	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Authority Reserves 2021/22 £000**
Balance at 31 March 2021 carried forward	**1,294**	**8,941**	**10,235**	**158**	**219**	**10,612**	**(9,748)**	**864**
Movement in Reserves during 2021/22								
Total Comprehensive Income & Expenditure	485	0	**485**	0	0	**485**	4,430	**4,915**
Adjustments between accounting basis & funding basis under regulations (note 7)	(41)	0	**(41)**	(102)	134	**(9)**	9	**0**
Transfers to/from Earmarked Reserves (note 8)	(248)	248	**0**	0	0	**0**	0	**0**
Increase/ (Decrease) in Year	**196**	**248**	**444**	**(102)**	**134**	**476**	**4,439**	**4,915**
Balance at 31 March 2022 carried forward	**1,490**	**9,189**	**10,679**	**56**	**353**	**11,088**	**(5,309)**	**5,779**

SECTION 2C. BALANCE SHEET

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

31 March 2022		Notes		31 March 2023
£000				**£000**
25,285	Property, Plant & Equipment	12		20,922
19,120	Investment Property	13		16,625
285	Intangible Assets			285
553	Long Term Investments	14		462
45,243	**Long Term Assets**			**38,294**
17,200	Short Term Investments	14		10,200
3,732	Short Term Debtors	15		5,118
10,011	Cash and Cash Equivalents	17		11,153
30,943	**Current Assets**			**26,471**
(14,602)	Short Term Creditors	18		(8,590)
(615)	Short Term Borrowing	14		(714)
(125)	Revenue Grants in Advance	31		(55)
(921)	Provisions	19		(733)
(16,263)	**Current Liabilities**			**(10,092)**
(184)	Long Term Creditors	18		(53)
(27,726)	Long Term Borrowing	14		(27,012)
(24,220)	Pension Fund Liabilities	36		(5,490)
(2,014)	Grants Receipts in Advance	31		(1,470)
(54,144)	**Long Term Liabilities**			**(34,025)**
5,779	**Total Net Assets**			**20,648**
11,088	Usable Reserves	20		10,853
(5,309)	Unusable Reserves	21		9,795
5,779	**Total Reserves**			**20,648**

The notes on pages 36 to 118 form part of these financial statements. The unaudited accounts were issued on 30 June 2023. The audited accounts were issued on 19 March 2024.

Lisa Buckle BSc (Hons), ACA
Corporate Director of Strategic Finance (Section 151 Officer)

SECTION 2D. CASH FLOW STATEMENT

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

2021/22 £000		**2022/23 £000**
(485)	**Net (surplus) or deficit on the provision of services**	**1,267**
(4,802)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (note 22)	3,674
754	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (note 23)	1,764
(4,533)	**Net cash flows from Operating Activities**	**6,705**
10,107	Net increase/(decrease) in Investing Activities (note 24)	(7,941)
(2,825)	Net cash outflow/(inflow) from Financing Activities (note 25)	94
2,749	**Net (increase) or decrease in cash and cash equivalents**	**(1,142)**
12,760	Cash and cash equivalents at the beginning of the reporting period	10,011
10,011	**Cash and cash equivalents at the end of the reporting period (note 17)**	**11,153**

Section 3

Notes to the Financial Statements

Notes to the Financial Statements

1. Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty
2. Material Items of Income and Expenditure
3. Events After the Reporting Period
4. Expenditure and Funding Analysis
5. Note to the Expenditure and Funding Analysis
6. Expenditure and Income Analysed by Nature
7. Adjustments between Accounting Basis and Funding Basis under Regulations
8. Transfers to/from Earmarked Reserves
9. Other Operating Expenditure
10. Financing and Investment Income and Expenditure
11. Taxation and Non-Specific Grant Income
12. Property, Plant and Equipment
13. Investment Properties
14. Financial Instruments
15. Debtors
16. Debtors for Local Taxation
17. Cash and Cash Equivalents
18. Creditors
19. Provisions
20. Usable Reserves
21. Unusable Reserves
    - Revaluation Reserve
    - Capital Adjustment Account
    - Pensions Reserve
    - Financial Instruments Revaluation Reserve
    - Council Tax Collection Fund Adjustment Account
    - Business Rates Collection Fund Adjustment Account
    - Accumulated Absences Account

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

1. 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 circumstances that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2023 for which there are significant risks of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Asset valuations are based on market prices and are periodically reviewed to ensure that the Council does not materially misstate its non-current assets. Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. The carrying value of Property, Plant and Equipment as at 31 March 2023 is £21million.	A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. If the value of the Council's operational properties were to reduce by 10%, this would result in an impact on the financial statements of approximately £2.1m. An increase in estimated valuations would result in increases to the Revaluation Reserve and / or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and / or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement. If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. If the depreciation lives of the assets were to change by 1 year across all assets, this would have a £552,000 impact on the Council's finances.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
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 Pension Fund's Actuary has provided updated figures for the year based on the last valuation in 2022. This valuation is based upon cash flow and assets values as at 31 March 2023. Contributions are set every 3 years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out during 2025/26 (as at 31 March 2025) and will set contributions for the period from 1 April 2026 to 31 March 2029. The carrying value of the Pensions Liability as at 31 March 2023 is £5.49 million. **See further information on the Pensions Liability in the Narrative Statement.** Movements in the value of investments due to current economic uncertainty will affect the valuation of the pension liability. This will include the impact on the value of Investment Properties held by the Local Government Pension Scheme on behalf of West Devon Borough Council.	The effects on the net pension liability of changes in individual assumptions can be measured. For example, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £0.5 million. The assumptions interact in complex ways. For example, in 2022/23, the Authority's actuaries advised that the pension liability has decreased by £19.7 million as a result of a change in "financial assumptions" and had decreased by £3.4 million as a result of a change in "demographic assumptions". Please refer to note 36 for further information about the assumptions used by the actuaries. If the value of investments is found to have changed from the estimates used by the actuaries, it will impact the overall value of the pension liability. For instance, a 5% increase in the pension liability would have an impact of £0.3m on the financial statements. The Council's share of these Pension Fund property investments would be material to the Council's net liability, this would also present a material uncertainty on the valuation of the Council's pension assets and liabilities as at 31 March 2023.

2. MATERIAL ITEMS OF INCOME AND EXPENDITURE

There are no material items of income and expense in 2021/22 or 2022/23.

3. EVENTS AFTER THE REPORTING PERIOD

The draft Statement of Accounts (SOA) for 2022/23 was approved for issue by the Section 151 Officer & Corporate Director for Strategic Finance on 30 June 2023. The Statement of Accounts were then reviewed by the Audit and Governance Committee on 25 July 2023 and the audited accounts were authorised for issue on 19 March 2024. This is also the date up to which events after the reporting period have been considered. There are no events which took place after 31 March 2023 which require disclosure.

4. EXPENDITURE AND FUNDING ANALYSIS

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the Authority (i.e. government grants, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by the Authority in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Authority’s service areas. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement in Section 2A. The Expenditure and Funding Analysis also fulfils the requirement to report by segments.

2022-2023	**Net Expenditure Chargeable to the General Fund £000**	**Adjustments between Funding and Accounting Basis (note 5) £000**	**Net Expenditure in the Comprehensive Income and Expenditure Statement £000**
Customer Service and Delivery	4,912	499	5,411
Strategic Finance	1,232	47	1,279
Place and Enterprise	436	2,616	3,052
Governance and Assurance	733	111	844
Net Cost of Services	**7,313**	**3,273**	**10,586**
Other income and expenditure	(7,105)	(2,214)	(9,319)
(Surplus)/Deficit on Provision of Services	**208**	**1,059**	**1,267**

	General Fund Balance £000	Earmarked Reserves £000	Total General Fund Reserves £000
Opening Balance at 31 March 2022	**(1,490)**	**(9,189)**	**(10,679)**
(Increase)/decrease in year	(79)	287	208
Closing Balance at 31 March 2023	**(1,569)**	**(8,902)**	**(10,471)**

2021-2022 Comparatives (restated)*	Net Expenditure Chargeable to the General Fund £000	Adjustments between Funding and Accounting Basis (note 5) £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Customer Service and Delivery	3,660	453	4,113
Strategic Finance	870	17	887
Place and Enterprise	335	1,573	1,908
Governance and Assurance	1,082	157	1,239
Net Cost of Services	**5,947**	**2,200**	**8,147**
Other income and expenditure	(6,391)	(2,241)	(8,632)
(Surplus)/Deficit on Provision of Services	**(444)**	**(41)**	**(485)**

	General Fund Balance £000	Earmarked Reserves £000	Total General Fund Reserves £000
Opening Balance at 31 March 2021	**(1,294)**	**(8,941)**	**(10,235)**
(Increase)/decrease in year	(196)	(248)	(444)
Closing Balance at 31 March 2022	**(1,490)**	**(9,189)**	**(10,679)**

5. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

This note explains the main adjustments from net expenditure chargeable to the general fund balances to arrive at the amounts in the Comprehensive Income and Expenditure Statement (CIES).

Adjustments between Funding and Accounting Basis				
2022/23	**Adjustments for capital purposes (Note A) £000**	**Net change for the pensions adjustments (Note B) £000**	**Other Differences (Note C) £000**	**Total adjustments £000**
Customer Service & Delivery	349	148	2	**499**
Strategic Finance	28	19	0	**47**
Place and Enterprise	2,366	250	0	**2,616**
Governance & Assurance	0	111	0	**111**
Net Cost of Services	**2,743**	**528**	**2**	**3,273**
Other income and expenditure from the Expenditure & Funding Analysis	**(174)**	**637**	**(2,677)**	**(2,214)**
Difference between the General Fund surplus or deficit, and the surplus or deficit on the provision of services in the CIES	**2,569**	**1,165**	**(2,675)**	**1,059**

Adjustments between Funding and Accounting Basis				
2021/22 Comparatives (restated)*	**Adjustments for capital purposes (Note A) £000**	**Net change for the pensions adjustments (Note B) £000**	**Other Differences (Note C) £000**	**Total adjustments £000**
Customer Service & Delivery	348	102	3	**453**
Strategic Finance	0	17	0	**17**
Place and Enterprise	1,285	288	0	**1,573**
Governance & Assurance	0	157	0	**157**
Net Cost of Services	**1,633**	**564**	**3**	**2,200**
Other income and expenditure from the Expenditure & Funding Analysis	**(882)**	**552**	**(1,911)**	**(2,241)**
Difference between the General Fund surplus or deficit, and the surplus or deficit on the provision of services in the CIES	**751**	**1,116**	**(1,908)**	**(41)**

*The 2021/22 Net Cost of Services have been restated in 2022/23 following a review of the Organisational Structure. The total cost of services figures remain the same, only the presentation of the individual service groups has changed.

Note A: Adjustments for Capital Purposes
Adjustments for capital purposes reflect:
For services this column adds in depreciation and impairment and adjusts for revenue expenditure funded from capital under statute.
Other income and expenditure from the Expenditure and Funding Analysis – this adjusts for statutory charges for capital financing i.e. Minimum Revenue Provision and other capital contributions. It also adjusts for capital disposals with a transfer of the income on the disposal and the amounts written-off.
Note B: Net Change for the Pensions Adjustments
Net changes for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension 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 other income and expenditure from the Expenditure and Funding Analysis – the net interest on the defined benefit liability is charged to the CIES.
Note C: Other Differences
Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:
For services reflects the change in the annual leave accrual when compared with the previous year.

For other income and expenditure from the Expenditure and Funding Analysis represents the timing difference between what is chargeable under statutory regulations for Council Tax and Business Rates that was projected to be received at the start of the financial year, and the income recognised under generally accepted accounting practices.

6. EXPENDITURE AND INCOME ANALYSED BY NATURE

The Expenditure and Income Analysed by Nature note shows the amounts that make up the surplus or deficit on the provision of services on the CIES, but here they are categorised by nature instead of by service segment.

Expenditure and Income Analysed by Nature	**2021/22 £000**	**2022/23 £000**
Employee Benefits Expenses	8,102	8,679
Other Service Expenses*	15,935	17,324
Depreciation, Amortisation and Impairment**	1,633	2,743
Interest Payments	746	733
Pension Fund Administration Expenses	18	19
Net Interest on the net defined benefit liability	534	618
Losses/(Gains) from fair value adjustments***	714	2,495
Total Expenditure	**27,682**	**32,611**
Fees, Charges and Other Service Income	(6,765)	(7,201)
Interest and Investment Income	(35)	(601)
Income from Council Tax and Business Rates****	(5,036)	(6,379)
Revenue Grants and Contributions	(15,576)	(15,399)
Capital Grants and Contributions*****	(741)	(1,750)
Other Income	(14)	(14)
Total Income	**(28,167)**	**(31,344)**
(Surplus) or Deficit on Provision of Services	**(485)**	**1,267**

*** Other Service Expenses**
Other Service Expenses have increased by £1.4m in 2022/23. This mainly reflects an increase in the Waste Contract payments (£0.9m) plus grants payments made in respect of the Ukraine Humanitarian Crisis (£0.2m) and District Household Support Payments (£0.3m).

**** Depreciation, Amortisation and Impairment**
The increase in notional capital charges in 2022/23 relates to Leisure Centre impairments as part of the rolling revaluation programme.

***** Losses/(Gains) from fair value adjustments**
This impairment increase relates to Investment Properties and is predominantly caused by a softening of the yield.

****** Income from Council Tax and Business Rates**
The increase in this income stream is mainly from Retained Business Rates in respect of Renewable Energy Schemes (£0.96m). During 2022/23 the Council identified Renewable Energy projects that the billing authority should retain the Business Rates for. The 2022/23 figure also includes the backdated Business Rates retained from these properties. Under current Collection Fund accounting rules, this income will be discharged against the Collection Fund position in future years.

The figure for Council Tax and Business Rates in this statement is shown net of expenditure (precepts to other bodies).

*******Capital Grants and Contributions**
This increase in capital grants partly relates to the Green Homes Grant scheme which predominantly took place in 2022/23. In addition Disabled Facilities spend has returned to pre-Covid levels.

7. 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.

	Usable Reserves			
2022/23	**General Fund Balance £000**	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**	**Movement in Unusable Reserves £000**
Adjustments primarily involving the Capital Adjustment Account (CAA):				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):				
Charges for depreciation and impairment of non-current assets	**941**			**(941)**
Movements in the market value of Investment Properties	**2,495**			**(2,495)**
Amortisation of Intangible Assets	**95**			**(95)**
Capital grants and contributions applied	**(1,555)**			**1,555**
Revenue expenditure funded from capital under statute (REFCUS)	**1,707**			**(1,707)**
Insertion of items not debited or credited to the CIES:				
Statutory provision for the financing of capital investment	**(647)**			**647**
Capital expenditure charged against the General Fund	**(208)**			**208**
Revenue Contribution to Capital Outlay - RCCO	**(50)**			**50**
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	**(195)**		**195**	**0**
Application of grants to capital financing transferred to the Capital Adjustment Account			**(236)**	**236**

	Usable Reserves			
2022/23	**General Fund Balance £000**	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**	**Movement in Unusable Reserves £000**
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of unattached capital receipts	**(14)**	**14**		**0**
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES (see note 36)	**2,123**			**(2,123)**
Employer's pension contributions and direct payments to pensioners payable in the year	**(958)**			**958**
Adjustments primarily involving the Council Tax Collection Fund Adjustment Account:				
Amount by which Council Tax income credited to the CIES is different from Council Tax income calculated for the year in accordance with statutory requirements	**(107)**			**107**
Adjustments primarily involving the Business Rates Collection Fund Adjustment Account*:				
Amount by which Business Rates income credited to the CIES is different from Business Rates income calculated for the year in accordance with statutory requirements	**(2,570)**			**2,570**
Adjustment primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	**2**			**(2)**
Total Adjustments between the Accounting Basis and Funding Basis under regulations in 2022/23	**1,059**	**14**	**(41)**	**(1,032)**

*The large adjustment in 2022/23 regarding the Business Rates Collection Fund Adjustment Account reflects the movement on the Business Rates Collection Fund balance at 31 March 2023 (£0.9m surplus compared to £3.1m deficit at 31 March 2022). During 2021/22 local authorities received further s31 grants to offset the business rate reliefs given to businesses during the pandemic. Under current Collection Fund accounting rules, the s31 grants received in 2021/22 are being discharged against the Collection Fund deficit in 2022/23 onwards.

	Usable Reserves			
2021/22 Comparatives	**General Fund Balance £000**	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**	**Movement in Unusable Reserves £000**
Adjustments primarily involving the Capital Adjustment Account (CAA):				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):				
Charges for depreciation and impairment of non-current assets	**929**			**(929)**
Movements in the market value of Investment Properties	**710**			**(710)**
Amortisation of Intangible Assets	**81**			**(81)**
Capital grants and contributions applied	**(504)**			**504**
Revenue expenditure funded from capital under statute (REFCUS)	**623**			**(623)**
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	**4**			**(4)**
Insertion of items not debited or credited to the CIES:				
Statutory provision for the financing of capital investment	**(623)**			**623**
Capital expenditure charged against the General Fund	**(96)**			**96**
Revenue Contribution to Capital Outlay - RCCO	**(123)**			**123**
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	**(237)**		**237**	**0**
Application of grants to capital financing transferred to the Capital Adjustment Account			**(103)**	**103**

	Useable Reserves			
2021/22 Comparatives	**General Fund Balance £000**	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**	**Movement in Unusable Reserves £000**
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of unattached capital receipts	**(13)**	**13**		**0**
Use of the Capital Receipts Reserve to finance new capital expenditure		**(115)**		**115**
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES (see note 36)	**2,047**			**(2,047)**
Employer's pension contributions and direct payments to pensioners payable in the year	**(931)**			**931**
Adjustments primarily involving the Council Tax Collection Fund Adjustment Account:				
Amount by which Council Tax income credited to the CIES is different from Council Tax income calculated for the year in accordance with statutory requirements	**(258)**			**258**
Adjustments primarily involving the Business Rates Collection Fund Adjustment Account*:				
Amount by which Business Rates income credited to the CIES is different from Business Rates income calculated for the year in accordance with statutory requirements	**(1,653)**			**1,653**
Adjustment primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	**3**			**(3)**
Total Adjustments between the Accounting Basis and Funding Basis under regulations in 2021/22	**(41)**	**(102)**	**134**	**9**

*The large adjustment in 2021/22 regarding the Business Rates Collection Fund Adjustment Account reflects the reduced deficit on the Business Rates Collection Fund at 31 March 2022 (£3.1m compared to £7.2m at 31 March 2021). During 2020/21 local authorities received s31 grants to offset the business rate reliefs given to businesses during lockdown. Under current Collection Fund accounting rules, the s31 grants received in 2020/21 are being discharged against the Collection Fund deficit in 2021/22 onwards.

8. TRANSFERS TO/ FROM EARMARKED RESERVES

This note details the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2022/23. The purpose of some of the more significant earmarked reserves are shown below:

Car Parking Maintenance – In line with the Council's car parking strategy, a car parking maintenance reserve is held to ensure that major planned works on car parks can be carried out at the appropriate time, in line with a cyclical programme of maintenance and repairs.

New Homes Bonus – This reserve was established to show how New Homes Bonus funding has been used on an annual basis.

Business Rates Retention Scheme – The business rates reserve covers any possible funding issues from the new accounting arrangements and also smooths the volatility in business rates income over a number of years.

Revenue Grants Reserve – This reserve holds revenue grants with no repayment conditions that have not been used during the year.

S31 Compensation Grant (Business Rates) Reserve – This reserve was set up to hold the business rates s31 grants received in 2020/21 and 2021/22 to offset the business rate reliefs given to businesses during lockdown. Under current Collection Fund accounting rules, the s31 grants received are not discharged against the Collection Fund deficit until the following year.

Financial Stability Reserve – This reserve was set up to help secure financial stability for the longer term.

Maintenance, Management and Risk Mitigation Reserve – The Council sets aside a proportion of rental income from investment property into this reserve to cover any longer-term maintenance issues. A contribution has not been made in 2022/23, due to specific individual circumstances in the year.

Strategic Waste Reserve – This reserve is used to support any unforeseen future waste cost pressures relating to market changes. Additional income from recycling credits is transferred to this reserve and this has been used to fund the uplift in the waste and recycling contract sum, effective from 1 July 2022 (Hub Committee report 12 July 2022).

Ukraine Humanitarian Crisis Reserve – This reserve was set up in 2022/23 to hold funding received to support the Ukraine Humanitarian Crisis which will be spent in 2023/24.

The total Earmarked Reserves balance at 31 March 2023 of £8.9m includes £307,000 held in the Business Rates s31 Compensation Grant Reserve. This is due to a technical accounting adjustment where Councils were compensated for the business rates holidays that were announced by the Government for the retail, hospitality and leisure sectors in 2020/21 and 2021/22 (this funding is in the s31 Compensation Grant Reserve). This temporary increase in reserves will reverse back out again in the 2023/24 Accounts, to fund the deficit on the Collection Fund. Therefore this is not money which is available for the Council to spend and it is important that this is not misinterpreted in the Accounts, as this is a national issue.

The table below shows the earmarked reserve balances at 31 March 2023 and the movement during 2022/23.

2022/23 EARMARKED RESERVES	Balance at 31.3.2022 £000	Transfers Out £000	Transfers In £000	Balance at 31.3.2023 £000
Car Parking Maintenance	534	0	0	534
ICT Development	25	(37)	57	45
Planning Policy & Major Developments	146	(54)	30	122
Innovation Fund (Invest to Earn)	378	(7)	5	376
Strategic Waste	658	(205)	225	678
Leisure Services	48	(1)	87	134
Organisational Development Reserve	20	0	0	20
Environmental Health Initiatives	20	0	84	104
Financial Stability	454	0	163	617
Maintenance, Management & Risk Mitigation (Investment Properties)	418	0	0	418
Grounds Maintenance/Car Parks	78	0	21	99
Elections	34	(24)	50	60
Neighbourhood Planning Grants	47	(2)	0	45
Revenue Grants	1,417	(519)	405	1,303
Business Rates Retention Scheme	1,087	(115)	103	1,075
COVID-19	254	0	0	254
New Homes Bonus	506	(344)	352	514
Homelessness	244	(60)	0	184
Strategic Change	67	0	0	67
Maintenance Fund	361	(6)	80	435
Affordable Housing	0	(12)	172	160
Recovery Plan & Corporate Strategy	182	(24)	0	158
Broadband Community Support	50	0	0	50
Joint Local Plan	0	0	25	25
Vehicle Replacement	328	(1)	50	377
Tree Maintenance	17	(3)	0	14
Ukraine Humanitarian Crisis	0	0	669	669
Tamar Trails	0	0	55	55
Reserves with balances £10k or under (Grouped)	185	(204)	22	3
SUBTOTAL EARMARKED RESERVES	**7,558**	**(1,618)**	**2,655**	**8,595**
Business Rates S31 Compensation Grants	1,631	(1,324)	0	307
TOTAL EARMARKED REVENUE RESERVES	**9,189**	**(2,942)**	**2,655**	**8,902**

2021/22 Comparatives EARMARKED RESERVES	**Balance at 31.3.2021 £000**	**Transfers Out £000**	**Transfers In £000**	**Balance at 31.3.2022 £000**
Car Parking Maintenance	484	0	50	534
ICT Development	39	(39)	25	25
Planning Policy & Major Developments	147	(1)	0	146
16/17 Budget Surplus Contingency	86	0	0	86
Innovation Fund (Invest to Earn)	399	(21)	0	378
Outdoor Sports & Recreation	16	0	0	16
Strategic Waste	176	0	482	658
Leisure Services	58	(10)	0	48
Support Services Trading	31	(27)	16	20
Environmental Health Initiatives	20	0	0	20
Financial Stability	454	0	0	454
Maintenance, Management & Risk Mitigation (Investment Properties)	302	(3)	119	418
Grounds Maintenance	48	0	30	78
Invest to Save	12	0	0	12
Elections	20	0	14	34
Neighbourhood Planning Grants	10	(23)	60	47
Revenue Grants	912	(53)	558	1,417
Business Rates Retention Scheme	1,260	(173)	0	1,087
COVID-19	221	(249)	282	254
Town Teams & Economic Grants	26	0	0	26
Flood Works	15	0	0	15
New Homes Bonus	452	(239)	293	506
Homelessness	173	(19)	90	244
Strategic Change	67	0	0	67
Maintenance Fund	242	0	119	361
Recovery Plan & Corporate Strategy	200	(18)	0	182
Broadband Community Support	50	0	0	50
Vehicle Replacement	298	(20)	50	328
Tree Maintenance	0	0	17	17
Reserves with balances £10k or under (Grouped)	114	(90)	6	30
SUBTOTAL EARMARKED RESERVES	**6,332**	**(985)**	**2,211**	**7,558**
Business Rates S31 Compensation Grants	2,609	(978)	0	1,631
TOTAL EARMARKED REVENUE RESERVES	**8,941**	**(1,963)**	**2,211**	**9,189**

9. OTHER OPERATING EXPENDITURE

2021/22 £000		**2022/23 £000**
1,763	Parish council precepts	1,845
4	(Gains)/losses on the disposal of non-current assets	0
18	Pension administration expenses	19
1,785	**Total**	**1,864**

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2021/22 £000		**2022/23 £000**
746	Interest payable and similar charges	733
(35)	Interest receivable and similar income	(601)
(14)	Other investment income	(14)
534	Net interest on the net defined benefit liability	618
(452)	Investment properties (note 13)*	1,330
779	**Total**	**2,066**

*The movement in Investment Properties relates to the reduction in the value of these properties, predominantly one property in Bristol. The reduction in value is caused by a softening of the yield. The accommodation is open plan and as such is set up for a single occupier. The office market is witnessing a trend towards good quality, smaller office suites, which better suit the new hybrid ways of working.

11. TAXATION AND NON-SPECIFIC GRANT INCOME

2021/22 £000		2022/23 £000
	Council Tax	
(6,653)	• Income	(6,948)
(257)	• Collection Fund adjustment	(107)
10	• Collection Fund - distribution of deficit/(surplus)	(152)
	Business Rates	
(4,250)	• Income*	(3,313)
3,230	• Tariff	3,231
1	• Pooling administration costs	1
(127)	• Pooling gain	(150)
344	• Levy payment	154
903	• Transfer of Collection Fund deficit/(surplus)	19
0	• Renewable Energy Disregarded Amounts**	(960)
	Non ring - fenced Government Grants:	
(2,323)	• S31 Business Rate Relief Grants	(2,188)
(293)	• New Homes Bonus Grant	(352)
(487)	• Rural Services Delivery Grant	(487)
(70)	• Lower Tier Services Grant	(75)
0	• Levy Account Surplus Grant	(14)
0	• Services Grant	(114)
	Non ring – fenced Government Grants: COVID-19	
(282)	• LA Response Grant	0
(70)	• Sales, Fees and Charges Compensation	0
(131)	• New Burdens Admin Support Grant	(44)
(741)	Capital grants and contributions***	(1,750)
(11,196)	**Total**	**(13,249)**

*Income from Business Rates in the Comprehensive Income and Expenditure Statement is based on the Government NNDR1 return. The reduction in Business Rates income during 2022/23 of £0.94m relates to the allowance for the Retail, Hospitality and Leisure Relief. However, there was no equivalent adjustment for this Business Rate Relief in the 2021/22 NNDR1 return. For West Devon this reduced the net rates payable in 2022/23 by £0.97m (40% share of total net rates payable of £2.44m).

**During 2022/23 the Council identified Renewable Energy projects that the billing authority should retain the Business Rates for. The 2022/23 figure of £0.96m also includes the backdated Business Rates retained from these properties. Under current Collection Fund accounting rules, this income will be discharged against the Collection Fund position in future years.

*** This increase in capital grants relates to Disabled Facilities spend returning to pre-Covid levels as well as the Green Homes Grants scheme which predominantly took place in 2022/23.

12. PROPERTY, PLANT AND EQUIPMENT

Movements in 2022/23:

	Land and Buildings £000	Vehicles, Plant & Equipment £000	Community Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation					
At 1 April 2022	**23,585**	**2,882**	**0**	**0**	**26,467**
Additions	91	144			235
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(4,540)				(4,540)
At 31 March 2023	**19,136**	**3,026**	**0**	**0**	**22,162**
Accumulated Depreciation and Impairment at 1 April 2022	**622**	**1,173**	**0**	**0**	**1,795**
Charge for 2022/23	555	357			912
Depreciation written out to the Revaluation Reserve	(872)				(872)
De-recognition - Disposals					
At 31 March 2023	**305**	**1,530**	**0**	**0**	**1,835**
Balance Sheet amount at 31 March 2023	**18,831**	**1,496**	**0**	**0**	**20,327**
Balance Sheet amount at 31 March 2022	**22,963**	**1,709**	**0**	**0**	**24,672**

In accordance with the Temporary Relief offered by the update to the code on infrastructure assets, this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not represent a true and fair view of the asset position to the users of the financial statements.

Comparative Movements in 2021/22:

	Land and Buildings £000	Vehicles, Plant & Equipment £000	Community Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation					
At 1 April 2021	**23,327**	**2,799**	**0**	**0**	**26,126**
Additions	208	102			310
Revaluation increases/(decreases) recognised in the Revaluation Reserve	50				50
De-recognition - Disposals		(19)			(19)
At 31 March 2022	**23,585**	**2,882**	**0**	**0**	**26,467**
Accumulated Depreciation and Impairment at 1 April 2021	**312**	**858**	**0**	**0**	**1,170**
Charge for 2021/22	569	331			900
Depreciation written out to the Revaluation Reserve	(259)				(259)
De-recognition - Disposals		(16)			(16)
At 31 March 2022	**622**	**1,173**	**0**	**0**	**1,795**
Balance Sheet amount at 31 March 2022	**22,963**	**1,709**	**0**	**0**	**24,672**
Balance Sheet amount at 31 March 2021	**23,015**	**1,941**	**0**	**0**	**24,956**

Infrastructure Assets

	2021/22 £000	2022/23 £000
Balance at start of year	**638**	**613**
Additions	4	11
Depreciation charge for year	(29)	(29)
Balance at end of year	**613**	**595**

	2021/22 £000	2022/23 £000
Infrastructure Assets	613	595
Other Property Plant and Equipment Assets	24,672	20,327
Total Property Plant and Equipment Assets	**25,285**	**20,922**

Depreciation

The Council provides for depreciation on all assets other than freehold land and community assets. The provision for depreciation is made by allocating the cost (or revalued amount) of the assets over the accounting period expected to benefit from their use. The straight line method of depreciation is used. Assets are depreciated in the year following acquisition and in the year of disposal.

Asset lives are reviewed regularly as part of the property revaluation and annual impairment review. Where the useful life of an asset is revised the carrying amount of the asset is depreciated over the revised remaining life.

Capital Commitments

As at 31 March 2023 the Authority has not entered into any contracts for the construction or enhancement of Property, Plant and Equipment.

As a comparison, as at 31 March 2022 the Authority had entered into one contract for the construction or enhancement of Property, Plant and Equipment. This was Tavistock Temporary Accommodation for £0.85 million.

Revaluations

All material freehold land and buildings which comprise the Authority's property portfolio are revalued by the Council's valuer on a rolling basis.

Valuations of land and buildings were carried out in accordance with the methodologies and basis for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Assets are valued in accordance with a five year rolling programme (with ad hoc valuations taking place, for example where assets have been enhanced). In addition, a formal impairment review of the entire holding of land and buildings is undertaken at the end of each financial year, to ensure the carrying value reflects the fair value at the Balance Sheet date. The basis of valuation is set out in the Statement of Accounting policies in note 39.

	Land and buildings £000	Vehicles, plant furniture & equipment £000	Total £000
Valued at historical cost	**0**	**1,496**	**1,496**
Valued at current value in:			
2022/23	8,138	0	8,138
2021/22	3,647	0	3,647
2020/21	6,496	0	6,496
2019/20	550	0	550
Total	**18,831**	**1,496**	**20,327**

Impairment Losses

Impairment losses and impairment reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure, are summarised in the preceding movements table, reconciling the movement over the year in the Property, Plant and Equipment balances. No impairment losses other than those relating to revaluation losses were incurred.

13. 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:

A. Income & Expenditure Account	**2021/22 £000**	**2022/23 £000**
Rental income from investment properties	(1,190)	(1,170)
Direct operating expenses arising from investment properties (this includes the change in valuation on investment properties)	739	2,500
Net (gain)/ loss	**(451)**	**1,330**

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

B. Movement in fair value	**2021/22 £000**	**2022/23 £000**
Balance at start of the year	**19,830**	**19,120**
Net gains/(losses) from fair value adjustments	(710)	(2,495)
Balance at end of the year	**19,120**	**16,625**

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 Code requires that Investment Properties are measured annually at fair value. The fair value valuation was £16.6 million as at 31 March 2023.

There has been a net loss on the fair value valuations of the four investment properties of £2,495,000 in 2022/23. This predominantly relates to one investment property in Bristol and the reduction in value is caused by a softening of the yield. The accommodation is open plan and as such is set up for a single occupier. The office market is witnessing a trend towards good quality, smaller office suites, which better suit the new hybrid ways of working.

The Code confirms that movements in fair value are debited to the provision of services and are not proper charges to the General Fund. They are reversed out to the Capital Adjustment Account in the Movement in Reserves Statement. Therefore this change in valuation does not impact on the Council's 'bottom line' of the Income and Expenditure account, as it is reversed out through the Capital Adjustment Account.

Fair Value Measurement of Investment Property

Observable Inputs – Level 2

The commercial land and buildings are measured using the income approach, by means of the discounted cash flow method, where the expected cash flows from the properties are discounted using a market-derived discount rate to establish the present value of the net income stream. The approach has been developed using the Council's own data factoring in assumptions such as duration and timing of cash inflows and outflows, rent growth, occupancy levels, bad debt levels and maintenance costs.

The Council's commercial land and buildings are therefore categorised as Level 2 based on assumptions on observable inputs in the fair value hierarchy as the measurement technique uses observable inputs to determine the fair value measurements.

Highest and Best Use of Investment Properties

In estimating the fair value of the Council's Investment Properties, it has been established that their current use is the highest and best use of the properties.

Valuation Techniques

There has been no change in the valuation techniques used during the year for Investment Properties.

14. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

Financial instruments are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument. They are classified based on the business model for holding the instruments and their expected cash flow characteristics.

Financial Liabilities

Financial liabilities are initially measured at fair value and subsequently measured at amortised cost. For the Council's borrowing this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus outstanding interest payable).

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.

Financial Assets

To meet the code requirements, financial assets are now classified into one of three categories:

- **Financial assets held at amortised cost** – These represent loans and loan-type arrangements where repayments of interest and principal take place on set dates and at specific amounts. The figure presented in the Balance Sheet represents the outstanding principal received plus accrued interest. Interest credited to the Comprehensive Income and Expenditure Statement (CIES) is the amount receivable as per the loan agreement.

- **Fair Value Through Other Comprehensive Income (FVOCI)** – These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are accounted for through a reserve account, with the balance debited or credited to the CIES when the asset is disposed of.

- **Fair Value Through Profit and Loss (FVTPL)** – These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are recognised in the CIES as they occur.

Allowances for impairment losses have been calculated for amortised cost assets, applying the expected credit loss method. Changes in loss allowances (including balances outstanding at the date of recognition of an asset) are debited/credited to the Financing and Investment Income and Expenditure line in the CIES. Changes in the value of assets carried at fair value are debited/credited to the Financing and Investment Income and Expenditure line in the CIES as they arise.

The value of debtors and creditors reported in the table below are solely those amounts meeting the definition of a financial instrument. The balances of debtors and creditors reported in the Balance Sheet and notes 15 and 18 also include balances which do not meet the definition of a financial instrument, such as tax-based debtors and creditors.

Summary of Financial Instruments

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

	Long term			Current	
	31 March 2022 £000	**31 March 2023 £000**		**31 March 2022 £000**	**31 March 2023 £000**
Financial Assets at Amortised Cost					
Investments*	0	0		17,200	10,200
Cash and Cash Equivalents	0	0		10,011	11,153
Debtors	0	0		1,307	3,749
Fair Value through Other Comprehensive Income – Financial Assets					
Investments – Local Authorities' Property Fund	553	462		0	0
Total Financial Assets	**553**	**462**		**28,518**	**25,102**
Financial Liabilities at Amortised Cost					
Borrowing	(27,726)	(27,012)		(615)	(714)
Creditors	(184)	(53)		(8,394)	(2,567)
Total Financial Liabilities	**(27,910)**	**(27,065)**		**(9,009)**	**(3,281)**

*The reduction in investments as at 31 March 2023 of £7m partly relates to the timing of the Council Tax energy rebate grant (£2.99m) which was received at the end of 2021/22 and the payments were made on behalf of Central Government at the beginning of 2022/23. In addition the Council also administered various Business Grants on behalf of Central Government in 2021/22 and part of the reduction in investments relates to unapplied funding being repaid to Central Government in 2022/23. The decrease in investments is partly offset by an increase in Money Market Fund deposits at 31 March 2023 of £1.15m. Due to their liquidity Money Market Funds are classified as cash equivalents and are therefore shown in note 17 'Cash and Cash Equivalents'.

Designated to Fair Value Through Other Comprehensive Income

At 31 March 2023 the Council had a £0.5 million investment with the CCLA Property Fund and up to 31 March 2018 this was held as an 'Available for Sale Financial Asset' and measured at fair value each year. Any change in fair value was posted to Other Comprehensive Income and Expenditure and accumulated gains and losses have been held in an Available for Sale Financial Instruments Reserve.

Following the adoption of accounting standard IFRS 9 Financial Instruments in 2018/19, the 'Available for Sale Financial Asset' category is no longer available. The new standard requires that investments in equity to be classified as fair value through profit and loss unless there is an irrevocable election to designate the asset as fair value through other comprehensive income.

The Council has elected to designate the CCLA investment as fair value through other comprehensive income. These investments are eligible for the election because they meet the definition of equity instruments in paragraph 11 of IAS32 and are neither held for trading (the Council holds this investment as a long term strategic investment) nor contingent consideration recognised by an acquirer in a business combination to which IFRS3 applies. They are not considered to be puttable instruments because the Council does not have a contractual right to put the instrument back to the issuer for cash.

This election means there is no impact on the revenue budget. Any gains or losses on the valuation of the CCLA investment will therefore be transferred to a Financial Instruments Revaluation Reserve until they are realised.

Statutory Override on Pooled Investments

As a result of the change in accounting standards for 2018/19 under IFRS 9, the Ministry for Housing, Communities and Local Government (MHCLG) have agreed a temporary override to allow English Local Authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years commencing from April 2018. The Council will use the statutory override to account for any changes in the fair value on its pooled investments. For the Council's Money Market Fund investments the change in fair value was immaterial in 2022/23.

Investments in Equity Instruments Designated at Fair Value Through Other Comprehensive Income

The Council had the following investments in equity instruments at 31 March 2023:

Investment	Nominal	Fair Value March 2023	Change in Fair Value During 2022/23
	£000	**£000**	**£000**
CCLA Property Fund	500	462	(91)

Net Gains and Losses on Financial Instruments

The following gains and losses have been recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments:

	2021/22	2022/23
	£000	**£000**
Net gains/losses on: Financial Assets measured at fair value through other comprehensive income	83	(91)
Total Net Gains/(Losses)	**83**	**(91)**

Fair Value of Financial Instruments

The following financial asset is measured in the Balance Sheet at fair value on a recurring basis:

Recurring Fair Value Measurements	Input Level in Fair Value Hierarchy	Valuation Technique Used to Measure Fair Value	31 March 2022 Fair Value	31 March 2023 Fair Value
			£000	**£000**
Fair Value Through Other Comprehensive Income CCLA Property Fund	Level 2	Inputs other than quoted market prices that are observable for the asset or liability	553	462
TOTAL			**553**	**462**

Except for the financial assets carried at fair value, all other financial liabilities and financial assets represented are carried forward on the Balance Sheet at amortised cost. Their fair values are as follows:

	31 March 2022		31 March 2023	
	Carrying amount	**Fair Value**	**Carrying amount**	**Fair Value**
	£000	**£000**	**£000**	**£000**
PWLB Debt – Maturity	(5,692)	(6,646)	(5,692)	(4,671)
PWLB Debt – Annuity	(22,649)	(22,483)	(22,034)	(16,291)
Long Term Creditors	(184)	(184)	(53)	(53)

15. DEBTORS

31.3.2022 £000		31.3.2023 £000
	Short Term	
584	Central Government bodies*	2,535
354	Other Local Authorities	433
	Other debtors	
503	Council Tax	432
1,192	Business Rates**	241
1,099	Other entities and individuals	1,477
3,732	**Total**	**5,118**

*The significant increase of £1.95m in the Central Government debtor mainly relates to the money owed to the Council in respect of the 2022/23 Housing Benefit subsidy of £2.3m. This was calculated as part of the final HB subsidy claim for 2022/23.

**There is a significant decrease in the short term Business Rates debtor as at 31 March 2023. The large debtor as at 31 March 2022 (£1.192m) was due to the deficit position on the Business Rates Collection Fund resulting from the timing differences in the Collection Fund accounting treatment of the s31 compensation grant. The balance on the Business Rates Collection Fund as at 31 March 2023 has moved from a £3.1m deficit to a £0.9m surplus following the release of s31 compensation grant received in 2021/22 to the Collection Fund.

16. DEBTORS FOR LOCAL TAXATION

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

31.3.2022 £000		31.3.2023 £000
384	Up to one year	276
322	One to three years	246
144	Over three years	150
850	**Total Debtors for Local Taxation**	**672**

17. CASH AND CASH EQUIVALENTS

31.3.2022 £000		31.3.2023 £000
361	Cash held by the Authority	353
9,650	Money Market Funds*	10,800
10,011	**Total Cash and Cash Equivalents**	**11,153**

*Cash and Cash Equivalents have increased by £1.14m in 2022/23 mainly due to an increase in Money Market Fund deposits at 31 March 2023. This is offset by a reduction in the Council's longer term investments shown in note 14 'Financial Instruments'.

18. CREDITORS

31.3.2022 £000		31.3.2023 £000
	Short Term	
(7,013)	Central Government bodies*	(682)
(986)	Other Local Authorities	(422)
	Other Creditors	
(1,429)	Council Tax**	(2,395)
(3,569)	Business Rates***	(2,290)
(1,605)	Other entities and individuals****	(2,801)
(14,602)	**Total**	**(8,590)**
	Long Term	
(184)	Other entities and individuals	(53)
(184)	**Total**	**(53)**

*The reduction in the short term Central Government creditor of £6.3m partly relates to the timing of the Council Tax energy rebate grant (£2.99m) which was received at the end of 2021/22 and the payments were made on behalf of Central Government at the beginning of 2022/23. In addition the Council also administered various Business Grants on behalf of Central Government in 2021/22 and a significant movement in this creditor (£2.7m) relates to unapplied funding as at 31 March 2022 being repaid to Central Government in 2022/23.

** There is a large increase in the short term Council Tax creditors as at 31 March 2023 which reflects the favourable movement in the Council Tax Collection Fund balance in 2022/23. As at 31 March 2022, the Council owed Council Tax Preceptors £1.34m (a creditor balance) and this has increased to £2.29m at 31 March 2023. The Council collected 98.34% in council tax in 2022/23 (against a target of 97%) and this has resulted in an increase in the Council Tax Collection Fund surplus from £2.45m as at 31 March 2022 to £3.16m as at 31 March 2023. The Council Tax creditor position above also reflects the Preceptors' share of Council Tax prepayments as at 31 March 2023.

*** The large reduction in the short term Business Rates creditor at 31 March 2023 mainly relates to the Business Rates s31 compensation grants received in 2021/22. No equivalent grants were received in 2022/23.

**** The increase in the short term Other Entities and Individuals creditor of £1.2m mainly relates to payment in arrears accruals in respect of the Waste Contract.

19. PROVISIONS

Provisions payable within twelve months of the Balance Sheet date are classified as current liabilities; provisions payable more than twelve months from the Balance Sheet date are classified as long term liabilities. No long term provisions were created in 2022/23 or 2021/22. The breakdown of the 2022/23 provision is shown in the following table:

	Business Rates Appeals £000
Balance at 1 April 2022	**921**
Provisions made in year	61
Amounts used in year	(249)
Balance at 31 March 2023	**733**

Short term Provision – Business Rates Appeals:

Provision is made for likely refunds of business rates as a result of appeals against the rateable value of business properties. The provision is based on the total value of outstanding appeals at the end of the financial year as advised by the Valuation Office Agency. Using this information, an assessment was made about the likely success rate of appeals and their value. In 2022/23 there has been a £469,000 decrease in the provision for appeals within the Collection Fund. The Council's share of this is 40% (£188,000).

20. USABLE RESERVES

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement in Section 2B. The Council has the following usable reserves:

General Fund Balance – This balance has been established from surpluses on the Council's total expenditure. It provides a financial cushion should anything unexpected happen which would require unplanned expenditure.

Earmarked Reserves – The Council has set aside monies for specific purposes e.g. vehicle and plant replacement and the funding of strategic issues. In addition, on an annual basis monies are set aside in the Business Rates Retention Earmarked Reserve to mitigate the impact of business rates income volatility in future years. The movements in the 2022/23 Earmarked Reserves balance is explained in detail in the Narrative Statement.

Capital Receipts Reserve – Proceeds from the sale of assets are held in this reserve to be made available for future capital expenditure.

Capital Grants Unapplied – This reserve represents grants and contributions received in advance of matching to new capital investment.

21. UNUSABLE RESERVES

31.3.2022 £000		31.3.2023 £000
10,593	Revaluation Reserve	6,714
9,196	Capital Adjustment Account	6,865
(24,220)	Pensions Reserve	(5,490)
53	Financial Instruments Revaluation Reserve	(38)
370	Council Tax Collection Fund Adjustment Account	477
(1,234)	Business Rates Collection Fund Adjustment Account	1,336
(67)	Accumulated Absences Account	(69)
(5,309)	**Total Unusable Reserves**	**9,795**

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 includes 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.

31.3.2022 £000	31.3.2022 £000	Revaluation Reserve	31.3.2023 £000	31.3.2023 £000
	10,327	**Balance at 1 April**		**10,593**
408		Upward revaluation of assets	669	
(99)		Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	(4,337)	
	309	**Surplus or (Deficit) on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**		**(3,668)**
(43)		Difference between fair value depreciation and historical cost depreciation	(211)	
		Accumulated gains on assets sold or scrapped		
	(43)	**Amount written off to the Capital Adjustment Account**		**(211)**
	10,593	**Balance at 31 March**		**6,714**

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 enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement, as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to an historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement. 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.

2021/22 £000	2021/22 £000	Capital Adjustment Account	2022/23 £000	2022/23 £000
	9,936	**Balance at 1 April**		**9,196**
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CIES) :		
(929)		▪ Charges for depreciation of non-current assets	(941)	
(710)		▪ Revaluation gains/(losses) on Investment Properties	(2,495)	
(81)		▪ Amortisation of Intangible Assets	(95)	
(623)		▪ Revenue expenditure funded from capital under statute (REFCUS)	(1,707)	
(4)		▪ Amounts of Revaluation Reserve balance written off on disposal or sale of PPE	0	
	(2,347)	**Total**		**(5,238)**
43		Adjusting amounts written out of the Revaluation Reserve	211	
	43	**Net written out amount of the cost of non-current assets consumed in the year**		**211**
		Capital financing applied in the year:		
115		• Use of the Capital Receipts Reserve to finance new capital expenditure	0	
504		• Capital grants and contributions credited to the CIES that have been applied to capital financing	1,555	
103		• Application of grants to capital financing from the Capitals Grants Unapplied Account	236	
96		• Capital expenditure charged against the General Fund	208	
623		• Statutory provision for the financing of capital investment charged against the General Fund (Minimum Revenue Provision)	647	
123		• Revenue Contribution to Capital Outlay (RCCO)	50	
	1,564	**Total**		**2,696**
	9,196	**Balance at 31 March**		**6,865**

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 (CIES) 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.

31.3.2022 £000	Pensions Reserve	31.3.2023 £000
(27,142)	**Balance at 1 April**	**(24,220)**
4,038	Actuarial gains or (losses) on pension assets and liabilities*	19,895
(2,047)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(2,123)
931	Employer's pensions contributions and direct payments to pensioners payable in the year	958
(24,220)	**Balance at 31 March**	**(5,490)**

The pension liability as at 31 March 2023 of £5.49million is significantly lower than the previous year (£24.22million) as a result of the actuary reducing life expectancy projections and an increase in interest rates affecting the discount rate for liabilities. See further information on the Pensions Liability in the Narrative Statement.

*The actuarial gain on pension assets and liabilities has increased by £15.9m in 2022/23 to £19.9m. This is mainly due to a change in financial assumptions in 2022/23 (£19.7m) which relates to an increase in the discount rate from 2.6% at 31 March 2022 to 4.8% at 31 March 2023. The Actuary has estimated a net deficit on the funded liabilities within the Pension Fund as at 31 March 2023 of £5.5m, which compares to a deficit of £24.2m as at 31 March 2022.

Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its investments that are measured at fair value through other comprehensive income. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised

31.3.2022 £000	Financial Instruments Revaluation Reserve	31.3.2023 £000
(30)	**Balance at 1 April**	**53**
83	Upward revaluation of assets	0
0	Downward revaluation of assets	(91)
53	**Balance at 31 March**	**(38)**

Council Tax Collection Fund Adjustment Account

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

31.3.2022 £000	Council Tax Collection Fund Adjustment Account	31.3.2023 £000
112	**Balance at 1 April**	**370**
258	Amount by which Council Tax income credited to the CIES is different from Council Tax income calculated for the year in accordance with statutory requirements	107
370	**Balance at 31 March**	**477**

Business Rates Collection Fund Adjustment Account

A scheme for the retention of business rates came in to effect on 1 April 2013 and established new accounting arrangements. The Business Rates Collection Fund Adjustment Account manages the differences arising from the recognition of business rates income in the Comprehensive Income and Expenditure Statement (CIES) as it falls due from ratepayers, compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

31.3.2022 £000	**Business Rates Collection Fund Adjustment Account**	**31.3.2023 £000**
(2,887)	**Balance at 1 April**	**(1,234)**
1,653	Amount by which Business Rates income credited to the CIES is different from Business Rates income calculated for the year in accordance with statutory requirements*	2,570
(1,234)	**Balance at 31 March**	**1,336**

*The large movement in the Business Rates Collection Fund Adjustment Account between 2021/22 and 2022/23 reflects the improved position on the Business Rates Collection Fund at 31 March 2023 (£0.9m surplus compared to a £3.1m deficit at 31 March 2022). During 2021/22 local authorities received further s31 grants to offset the business rate reliefs given to businesses during the pandemic. Under current Collection Fund accounting rules, the s31 grants received could not be discharged against the Collection Fund deficit until the following year in 2022/23.

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.

31.3.2022 £000	31.3.2022 £000	Accumulated Absences Account	31.3.2023 £000	31.3.2023 £000
	(64)	**Balance at 1 April**		**(67)**
64		Settlement or cancellation of accrual made at the end of the preceding year	67	
(67)		Amounts accrued at the end of the current year	(69)	
	(3)	Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		**(2)**
	(67)	**Balance at 31 March**		**(69)**

22. CASH FLOW STATEMENT – ADJUSTMENTS TO NET SURPLUS OR DEFICIT ON THE PROVISION OF SERVICES FOR NON-CASH MOVEMENTS

2021/22 £000		2022/23 £000
(929)	Depreciation	(941)
(710)	Movement in investment properties*	(2,495)
(81)	Amortisation	(95)
(320)	Increase/(decrease) in Debtors**	2,408
(1,707)	(Increase)/decrease in Creditors***	5,962
(1,116)	Movement in pension liability	(1,165)
61	Other non-cash items charged to the net surplus or deficit on the provision of services	0
(4,802)	**Total**	**3,674**

*****This increase relates to Investment Property impairments and is predominantly caused by a softening of the yield.
** The significant increase in debtors is mainly due to the money owed to the Council in respect of the 2022/23 Housing Benefit subsidy of £2.3m. For further information please see note15 Debtors.
***The large reduction in creditors is mainly due to a reduction in the short term Central Government creditor of £6.3m. For further information please see note 18 Creditors.

23. CASH FLOW STATEMENT – ADJUSTMENTS TO NET SURPLUS OR DEFICIT ON THE PROVISION OF SERVICES THAT ARE INVESTING AND FINANCING ACTIVITIES

2021/22 £000		2022/23 £000
13	Proceeds from the sale of non-current assets	14
741	Other non-cash items charged to the net surplus or deficit on the provision of services*	1,750
754	**Total**	**1,764**

*****This increase relates to capital grants and partly relates to the Green Homes Grant scheme which predominantly took place in 2022/23. In addition Disabled Facilities spend has returned to pre-Covid levels.

24. CASH FLOW STATEMENT – INVESTING ACTIVITIES

2021/22 £000		2022/23 £000
480	Purchase of non-current assets	341
10,700	Increase/(decrease) in investments*	(7,000)
(13)	Proceeds from the sale of non-current assets	(14)
(1,060)	Other receipts from investing activities (capital grants & contributions)	(1,268)
10,107	**Net cash flows from investing activities**	**(7,941)**

*The reduction in investments as at 31 March 2023 of £7m partly relates to the timing of the Council Tax energy rebate grant (£2.99m) which was received at the end of 2021/22 and the payments were made on behalf of Central Government at the beginning of 2022/23. In addition the Council also administered various Business Grants on behalf of Central Government in 2021/22 and part of the reduction in investments relates to unapplied funding being repaid to Central Government in 2022/23.

25. CASH FLOW STATEMENT – FINANCING ACTIVITIES

2021/22 £000		2022/23 £000
604	Repayments of short and long term borrowing	615
(3,429)	Other receipts/payments from financing activity*	(521)
(2,825)	**Total**	**94**

*****The movement between 2021/22 and 2022/23 is due to the significant decrease in short term Business Rates debtors and large increase in the short term Council Tax creditors. For further information please see note 15 Debtors and note 18 Creditors.

26. TRADING OPERATIONS – BUILDING CONTROL

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.

As of 1 April 2017, West Devon Borough Council (WDBC), South Hams District Council (SHDC) and Teignbridge District Council (TDC) entered into an updated partnership agreement and a new hosting agreement with respect to the staff and functions delivered by the Devon Building Control Partnership (DBCP) to the three Council areas. This agreement saw the transfer of all staff who had DBCP responsibilities from WDBC or SHDC to TDC. WDBC and SHDC retain an active participation in the controlling Devon Building Control Partnership Committee.

The Summary Accounts for the year will be detailed in the DBCP, which can be found on Teignbridge District Council's website under the Devon Building Control Partnership Committee 2022/2023.

27. BUSINESS IMPROVEMENT DISTRICTS

The Tavistock Business Improvement District (BID) was set up in Tavistock on the 1st September 2011 for the purpose of providing additional services or improvements to the Tavistock BID area. The BID is funded in part by a levy which is based on the rateable value of each property within the BID area and this is charged in addition to the non-domestic rates. West Devon Borough Council acts as agent for the BID Company.

28. MEMBERS' ALLOWANCES

The Authority paid the following amounts to Members of the Council during the year. Members allowances are published on the Council's website under 'Your Council' in the 'Councillors and Committees' section.

2021/22 £000		**2022/23 £000**
208	Allowances	226
5	Expenses	9
213	**Total**	**235**

29. OFFICERS' REMUNERATION

SENIOR EMPLOYEES

Regulation 4 of the Accounts and Audit (Amendment No.2) (England) Regulations 2009 [SI 2009 No. 3322] introduced a legal requirement to increase transparency and accountability in Local Government for reporting remuneration of senior employees.

A senior employee is defined as an employee whose salary is more than £150,000 per year, or alternatively one whose salary is at least £50,000 per year (to be calculated pro rata for a part-time employee) and who is:

- the designated head of paid service, a statutory chief officer or a non-statutory chief officer of a relevant body, as defined under the Local Government and Housing Act 1989
- the head of staff for a relevant body which does not have a designated head of paid service; or
- any person having responsibility for the management of the relevant body, to the extent that the person has power to direct or control the major activities of the body, in particular activities involving the expenditure of money, whether solely or collectively with other persons.

The remuneration paid to the Authority's senior employees is as follows:

Post	Year	Salary, Fees and Allowances £	Expenses £	Pension Contribution £	Total £
Strategic Director of Customer Service Delivery and Deputy Chief Executive	21/22	87,500	500	13,600	**101,600**
	22/23	97,700	100	14,400	**112,200**
Corporate Director of Strategic Finance (S151 Officer)	21/22	77,400	0	11,400	**88,800**
	22/23	81,400	0	12,000	**93,400**
Strategic Director of Place & Enterprise	21/22	79,700	900	10,900	**91,500**
	22/23	81,600	900	12,100	**94,600**

Note A: Definition of Senior Employees
A review of the employees that meet the criteria for the definition of a "Senior Employee" in line with Regulation 4 of the Accounts and Audit (Amendment No.2) (England) Regulations 2009 [SI 2009 No. 3322] has resulted in the decision to remove some employees from the Senior Employees note from 22/23 onwards and in place provide a Remuneration Above £50,000 table.

Note B: Shared Services with South Hams District Council
South Hams District Council and West Devon Borough Council have been in a shared services arrangement since 2007. Following the implementation of the joint Transformation Programme (T18), all of the Councils' non-manual workforce are shared across both Councils.

The total cost of senior employees employed by South Hams District Council has been included in the equivalent note of South Hams District Council's Accounts in accordance with the accounting requirements and is therefore excluded from the table above.

In 2022/23 West Devon Borough Council reimbursed costs amounting to £135,400 (2021/22 £131,000) in respect of the senior employees who are employed by South Hams District Council. West Devon Borough Council received a reimbursement in 2022/23 from South Hams District Council of £145,800 (2021/22 £155,200) in respect of the above shared senior employees.

Note C: Salary Sacrifice Schemes

West Devon Borough Council offer various Employee Salary Sacrifice Schemes as part of the employee benefits package. Figures quoted in the remuneration table are before any salary sacrifice deductions are made.

REMUNERATION ABOVE £50,000

The Council is required by statute to disclose the number of employees for the year to which the accounts relate whose remuneration fell in each bracket of a scale in multiples of £5,000, starting with £50,000 (excluding employer pension contributions).

The following numbers do not include the senior employees as disclosed above.

Remuneration Bandings	2021/22	2022/23
£50,000 - £54,999	5	2
£55,000 - £59,999	2	3
£60,000 - £64,999	3	5
TOTAL	**10**	**10**

30. PAYMENTS TO EXTERNAL AUDITORS

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and to non-audit services provided by the Authority's external auditors:

	2021/22 £000	2022/23 £000
Fees payable with regard to external audit services	**70**	**90**
Core Audit Fees	58	57
Audit of Grants and Returns	12	33
Variation from Public Sector Audit Appointments Ltd	**(6)**	***10**
Other adjustments		8
TOTAL	**64**	**108**

***** relates to a fee variation from 2021/22

31. GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement.

	2021/22 £000	2022/23 £000
Credited to Taxation and Non-Specific Grant Income		
Capital grants and contributions:		
Disabled Facilities Grants	(741)	(1,195)
Green Homes Grant	0	(436)
Other Capital Grants and Contributions	0	(119)
Non ring - fenced Government grants and contributions:		
New Homes Bonus Grant	(293)	(352)
S.31 Business Rate Relief Grants	(2,323)	(2,188)
Levy Account Surplus Grant	0	(14)
Rural Services Delivery Grant	(487)	(487)
Lower Tier Services Grant	(70)	(75)
Service Grant	0	(114)
COVID-19 LA Response Grant	(282)	0
COVID-19 Sales, Fees & Charges Compensation	(70)	0
COVID-19 New Burdens Admin Support Grant	(131)	(44)
Total	**(4,397)**	**(5,024)**

	2021/22 £000	2022/23 £000
Credited to Services		
Rent Allowance subsidy	(8,484)	(8,952)
Ukraine Humanitarian Crisis	0	(958)
Recycling credits	(347)	(321)
District Household Support Scheme	0	(310)
Flexible Homelessness Support Grant	(211)	(203)
Section 106 deposits	(97)	(188)
Discretionary housing payments	(118)	(116)
Housing Benefit administration subsidy	(111)	(111)
Supported Home Improvement Programme	0	(104)
Business Rates cost of collection allowance	(82)	(83)
New Burdens Council Tax Rebate Final Assessment	0	(82)
Rent rebate subsidy	(62)	(76)
COVID-19 Additional Restrictions Grant	(1,355)	0
COVID-19 LA Support Grant	(138)	0
COVID-19 Council Tax Hardship Grant Fund	(103)	0
COVID-19 Contain Outbreak Management Fund	(73)	0
COVID-19 Track & Trace Administration Support Grant	(12)	0
Electoral Commission - General Elections, Referendum and Police & Crime Commissioners	(88)	0
Devon County Council – County Council Elections	(75)	0
Other grants and contributions	(566)	(621)
Total	**(11,922)**	**(12,125)**

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have repayment conditions attached to them. Until these conditions are met these grants are held as receipts in advance. Should these conditions not be met the monies would need to be returned to the grantor. The balances at the year-end are as follows:

Capital Grants Receipts in Advance	**31 March 2022 £000**	**31 March 2023 £000**
Hayedown, Tavistock	(20)	0
Batheway Fields, North Tawton	(9)	0
Annan Down Park Drive, Tavistock	(29)	0
Land adjacent to Shellsley, North Tawton	(47)	(47)
The Barton, Spreyton	(72)	(72)
Land at Butcher Park Hill, Tavistock	(171)	(78)
The Beeches, Yelverton	(21)	(21)
The Highwayman Inn, Sourton	0	(87)
Land South of Exeter Road Okehampton	0	(69)
Former Tavistock Hockey Club	0	(42)
Land adjacent to Callington Road, Tavistock	0	(34)
New Launceston Road, Broadleigh Park	0	(27)
Devonia House, Yelverton	0	(26)
Land at Lower Trendle, Tavistock	(46)	(46)
Barns at Hurlditch Horn, Gulworthy	(32)	(32)
Rear of Rowan Cottage, Lewdown	(26)	(55)
Land at New Launceston Road, Tavistock	(228)	(224)
Harewood House, Tavistock	(164)	(164)
Land North of Crediton Road, Okehampton	(50)	(49)
Other Section 106 deposits	(406)	(186)
Green Homes Grant	(693)	0
Local Authority Housing Fund (LAHF)	0	(211)
Total	**(2,014)**	**(1,470)**

Revenue Grants Receipts in Advance	**31 March 2022 £000**	**31 March 2023 £000**
Council Tax Rebate - Discretionary Scheme	(111)	0
Nottingham City Council - Minimum Energy Efficiency Standard Grant	(14)	0
UK Shared Prosperity Fund (UKSPF)	0	(55)
Total	**(125)**	**(55)**

32. 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 Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

Central Government
Central Government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework, within which the Authority operates and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from Government departments are detailed in note 31.

Members
Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2022/23 is shown in note 28.

33. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below with the resources that have been used to finance it, giving rise to the movement in the Council's Capital Financing Requirement.

Summary of Capital Expenditure and Financing (incorporating the Capital Financing Requirement)	**2021/22 £000**	**2022/23 £000**
Opening Capital Financing Requirement	***25,362***	***24,901***
Capital Investment		
Property, Plant and Equipment	314	247
Intangible Assets	166	95
Revenue expenditure funded from capital under statute (REFCUS)*	623	1,707
Total expenditure for capital purposes	**1,103**	**2,049**
Sources of Finance		
Capital receipts	(115)	0
Capital grants and external contributions*	(607)	(1,791)
Earmarked reserves	(96)	(208)
Revenue Contributions to Capital Outlay (RCCO)	(123)	(50)
Total funding	**(941)**	**(2,049)**

Minimum Revenue Provision	**(623)**	**(647)**
Closing Capital Financing Requirement	***24,901***	***24,254***
Movement in Capital Financing Requirement	***(461)***	***(647)***
Explained by:		
Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	(461)	(647)
Increase/(decrease) in Capital Financing Requirement	**(461)**	**(647)**

* The increase in REFCUS and capital grants both relate to Disabled Facilities spend returning to pre-Covid levels as well as the Green Homes Grants scheme which predominantly took place in 2022/23.

34. LEASES

Authority as Lessee

The Authority has, in the past, acquired some assets through operating leases. These have included vehicles and printers. However, all remaining material operating leases have ceased and no lease payments have been made since 2009/10.

Authority as Lessor

The Authority leases various parcels of land and buildings to external organisations. The most significant are shown below:

Detail of lease	Term	Expiry date	Segment in CIES
The rental of office accommodation	15 years	17/09/2033	Investment Properties
The operation of a supermarket	39 years	08/01/2028	Investment Properties
The rental of an industrial unit	10 years	28/11/2028	Investment Properties
The rental of an industrial unit	10 years	11/12/2027	Investment Properties
The rental of an industrial unit	15 years	28/09/2032	Investment Properties

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

	31 March 2022 £000	**31 March 2023 £000**
Not later than one year	1,062	1,067
Later than one year & not later than five years	4,248	4,229
Later than five years	4,783	3,788
Total	**10,093**	**9,084**

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.

35. EXIT PACKAGES AND TERMINATION BENEFITS

There were no exit packages in 2022/23 or 2021/22.

Shared Services with South Hams District Council

There were no shared services recharges in respect of the costs of Exit Packages for South Hams District Council or West Devon Borough Council for 2022/23 or 2021/22.

36. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

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 need to be disclosed at the time that employees earn their future entitlement.

The Authority participates in the Local Government Pension Scheme (LGPS). The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 and currently provides benefits based on career average revalued earnings.

The administering Authority for the Fund is Devon County Council. The Pension Fund Committee oversees the management of the Fund whilst the day to day fund administration is undertaken by a team within the administering Authority. Where appropriate some functions are delegated to the Fund's professional advisers.

Contributions are set every 3 years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out as at 31 March 2025 and will set contributions for the period from 1 April 2026 to 31 March 2029. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions. Funding levels are monitored on an annual basis. The total contributions expected to be made to the LGPS by the Council in the year to 31 March 2024 is £865,000. The Actuary has estimated the duration of the Employer's liabilities to be 16 years.

Further information can be found in Devon County Council Pension Fund's Annual Report, which is available upon request from The County Treasurer, Devon County Council, County Hall, Exeter, EX2 4QJ.

Transactions Relating to Post-employment Benefits

The cost of retirement benefits are recognised 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.

The movement in the pension scheme assets and liabilities together with the treatment of the corresponding transactions in the CIES is summarised in the following tables:

Comprehensive Income and Expenditure Statement	**2021/22 £000**	**2022/23 £000**
Cost of Services		
Service cost comprising		
- Current Service Cost	1,495	1,486
Financing and Investment Income and Expenditure		
- Net Interest Expense	534	618
- Administration Expenses	18	19
Total Post-employment benefits charged to the Surplus or Deficit on the Provision of Services	**2,047**	**2,123**
Other post-employment benefits charged to the comprehensive income and expenditure statement		
Re-measurement of the net defined benefit liability comprising;		
- Change in financial assumptions	(2,498)	19,667
- Change in demographic assumptions	0	3,395
- Experience loss/(gain)	144	(1,727)
- Return on fund assets in excess of interest	(1,684)	(1,226)
- Return on fund assets in excess of interest	0	(214)
Total re-measurement recognised	**(4,038)**	**19,895**
Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement	**(1,991)**	**22,018**
Movement in Reserves Statement		
- Reversal of net charges made to the surplus or deficit on the provision of services for post-employment benefits in accordance with the code	(2,047)	(2,123)
Actual amount charged against the General Fund Balance for pensions in the year		
- Employers contributions payable to scheme	931	958

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the balance sheet arising from the Authority's obligation in respect of its defined benefit plans is as follows:

Net Pension Liability	**31 March 2022 £000**	**31 March 2023 £000**
Present value of the defined benefit obligation	54,558	34,757
Fair value of Fund assets	(31,085)	(29,950)
Deficit/(Surplus)	**23,473**	**4,807**
Present value of unfunded obligation	747	683
Net defined benefit liability/(asset)*	**24,220**	**5,490**

Reconciliation of opening and closing balances of the fair value of Fund assets	**31 March 2022 £000**	**31 March 2023 £000**
Opening fair value of Fund assets	**29,292**	**31,085**
Interest on assets	581	802
Return on assets less interest	1,684	(1,226)
Other actuarial gains/(losses)	0	(214)
Administration expenses	(18)	(19)
Contributions by employer including unfunded	931	958
Contributions by Scheme participants	204	222
Estimated benefits paid plus unfunded net of transfers in	(1,589)	(1,658)
Closing fair value of Fund assets	**31,085**	**29,950**
Reconciliation of opening and closing balances of the present value of the defined benefit obligation	**31 March 2022 £000**	**31 March 2023 £000**
Opening defined benefit obligation	**56,434**	**55,305**
Current service cost	1,495	1,486
Interest cost	1,115	1,420
Change in financial assumptions	(2,498)	(19,667)
Change in demographic assumptions	0	(3,395)
Experience loss/(gain) on defined benefit obligation	144	1,727
Estimated benefits paid net of transfers in	(1,521)	(1,588)
Contributions by Scheme participants	204	222
Unfunded pension payments	(68)	(70)
Closing defined benefit obligation	**55,305**	**35,440**

*The pension liability as at 31 March 2023 of £5.49million is significantly lower than the previous year (£24.22million) as a result of the actuary reducing life expectancy projections and an increase in interest rates affecting the discount rate for liabilities. See further information on the Pensions Liability in the Narrative Statement.

Basis for Estimating Assets and Liabilities

Assets and liabilities are assessed by Barnett Waddingham, an independent firm of actuaries. As required under IAS19 they use the projected unit method of valuation to calculate the service cost.

To assess the value of the Employer's liabilities at 31 March 2023, they have rolled forward the value of the Employer's liabilities calculated for the funding valuation as at 31 March 2022, using financial assumptions that comply with IAS19.

To calculate the asset share they have rolled forward the assets allocated to West Devon Borough Council as at 31 March 2022 allowing for investment returns (estimated where necessary), contributions paid into and estimated benefits paid from the Fund, by and in respect of the Employer and its employees.

The demographic assumptions are projected using the CMI_2020 Model and are summarised in the following table:

Basis for estimating assets and liabilities	**31 March 2022**	**31 March 2023**
Mortality assumptions (in years):		
Longevity at 65 for current pensioners		
- Men	22.7	21.8
- Women	24.0	22.9
Longevity at 65 for future pensioners (in 20 years)		
- Men	24.0	23.1
- Women	25.4	24.4
Financial assumptions (in percentages):		
- Salary increases	4.20%	3.95%
- Pension increases (CPI)	3.20%	2.95%
- Discount rate	2.60%	4.80%

The table below looks at the sensitivity of the major assumptions:

Sensitivity analysis	**£000s**	**£000s**	**£000s**
Adjustment to discount rate	+0.1%	0.0%	(0.1%)
Present value of total obligation	34,917	35,440	35,976
Projected service cost	601	623	647
Adjustment to long term salary increase	+0.1%	0.0%	(0.1%)
Present value of total obligation	35,480	35,440	34,947
Projected service cost	624	623	600
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	(0.1%)
Present value of total obligation	35,945	35,440	34,947
Projected service cost	647	623	600
Adjustment to life expectancy assumptions	+ 1 Year	None	-1 Year
Present value of total obligation	36,969	35,440	33,980
Projected service cost	646	623	601

The estimated asset allocation for West Devon Borough Council as at 31 March 2023 is as follows:

Employer asset share	**31 March 2022**		**31 March 2023**	
	£000	**%**	**£000**	**%**
Gilts	4,134	13%	0	0%
UK equities	2,771	9%	2,363	8%
Overseas equities	15,633	50%	13,415	45%
Property	2,929	10%	2,625	9%
Infrastructure	1,755	6%	2,693	9%
Target return portfolio	2,873	9%	2,082	7%
Cash	367	1%	356	1%
Other bonds	636	2%	6,404	21%
Alternative assets	(13)	0%	12	0%
Private equity	0	0%	0	0%
Total	**31,085**	**100%**	**29,950**	**100%**

Of the total fund asset at 31 March 2023, the following table identifies the split of those assets with a quoted market price and those that do not:

Employer Asset Share – Bid Value		**31 March 2023**	
		% Quoted	**% Unquoted**
Fixed interest government securities	UK	0%	0%
	Overseas	0%	0%
Corporate bonds	UK	7%	0%
	Overseas	0%	0%
Equities	UK	7%	0%
	Overseas	44%	0%
Property	All	0%	9%
Others	Absolute return portfolio	7%	0%
	Private Equity	0%	1%
	Infrastructure	0%	9%
	Multi sector credit fund	0%	0%
	Private Debt	12%	0%
	Cash/Temporary investments	0%	3%
Net current assets	Debtors	0%	1%
	Creditors	0%	0%
Total		**77%**	**23%**

McCloud Judgment

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

On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS benefits in response to the McCloud case. The consultation closed on 8 October 2020 and a ministerial statement in response to this was published on 13 May 2021, however a full response to the consultation is still awaited; the outcome of these matters is still to be agreed so the exact impact they will have on LGPS benefits is unknown.

The actuary valuation within the financial statements includes an allowance for the McCloud judgement.

37. CONTINGENT LIABILITIES

The Council had no contingent liabilities at 31 March 2022 or 31 March 2023.

38. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Key Risks

Financial Instruments held by the Council are detailed in note 14. The Council'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 Council;
- **Liquidity risk** – the possibility that the Council might not have funds available to meet its commitments to make payments;
- **Market risk** - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rate movements;
- **Re-financing risk** - the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms.

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its Financial Regulations/Standing Orders/Constitution;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
  - The Council's overall borrowing;
  - Its maximum and minimum exposures to fixed and variable rates;
  - Its maximum and minimum exposures regarding the maturity structure of its debt;
  - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the Annual Treasury Management Strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported to Members during the year.

The Annual Treasury Management Strategy which incorporates the prudential indicators was approved by Council on 5 April 2022 and is available on the Council's website (Minute CM 73).

These policies are implemented by the Finance team. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures from the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with Fitch and Moody's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

The Council uses the creditworthiness service provided by Link Group. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following overlays:

- Credit watches and credit outlooks from credit rating agencies;
- Credit Default Swap (CDS) spreads to give early warning of likely changes in credit ratings; and
- Sovereign ratings to select counterparties from only the most creditworthy countries.

Institutions are split into colour bandings to determine the maximum level and duration of the investment.

The full Investment Strategy for 2022/23 was approved by Council on 5 April 2022 and is available on the Council's website (Minute CM 73).

The Council's Counterparty limits are as follows:

- £3.0 million for Money Market Funds
- £1.0 million on CCLA Property Investment Fund
- £3.0 million on term deposits with banks and building societies within the UK (£4.0 million with Lloyds Bank PLC)

The Council takes a very prudent approach regarding the collection of debts from its customers and calculates an annual provision for bad debts based on the age of its debt. A detailed review of potential bad debts was undertaken at 31 March 2023 and is reflected in the current figure of £309,000. This compares to £278,000 in 2021/22. The bad debt provision is adequate to deal with the historical experience of default and current market conditions. An analysis of the Council's debtors is provided in note 15 to the accounts.

Amounts Arising from Expected Credit Losses

The Council's short term investments have been assessed and the expected credit loss is not material and therefore no allowances have been made.

	Balance at 31 March 2023	Historical Experience of Default	Estimated Maximum Exposure to Default and Uncollectability at 31 March 2023
	£000	%	£000
Deposits with Bank and Financial Institutions			
Aberdeen Standard Money Market Fund	1,800	0.000%	0
Deutsche Money Market Fund	3,000	0.000%	0
Blackrock Money Market Fund	3,000	0.000%	0
LGIM Money Market Fund	3,000	0.000%	0
Debt Management Office (DMO)	4,200	0.001%	0
Standard Chartered Bank	3,000	0.001%	0
Lloyds Bank Plc	3,000	0.012%	0
Total	**21,000**		**0**

Liquidity risk

The Authority manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. An analysis of the Council's cash and cash equivalents is provided in note 17 to the accounts. This seeks to ensure that cash is available when needed.

The Authority has ready access to borrowing from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Authority is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Market Risk

The Council is exposed to market risk in terms of its exposure that the value of an instrument will fluctuate because of changes in:

- Interest rate risk;
- Price risk; and
- Foreign exchange rate risk.

Interest rate risk

The Authority is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in fixed interest rates would have the following effects:

- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances).
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the balance sheet, 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. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements.

From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The Finance team will monitor markets and forecast interest rates within the year to adjust exposures appropriately. For instance, during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer-term fixed rates borrowing would be postponed.

Price risk

The Council has an investment of £0.5 million in the CCLA Local Authorities Property Fund. At the end of each financial year the value of the Local Authority's investment is adjusted to equal the number of units held, multiplied by the published bid price.

The above investment has been elected as Fair Value through Other Comprehensive Income, meaning that all movements in price will impact on gains and losses recognised in the Financial Instruments Revaluation Reserve, therefore there will be no impact on the General Fund until the investment is sold or impaired.

Foreign exchange risk

The Council does not have any financial assets or liabilities denominated in foreign currencies, and thus has no exposure to loss arising from movements in exchange rates.

Refinancing and Maturity Risk

The Council maintains a debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer-term financial liabilities and longer-term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the Finance team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Authority's day to day cash flow needs, and the spread of longer-term investments provide stability of maturities and returns in relation to the longer-term cash flow needs.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period:

	Approved minimum limits	**Approved maximum limits**	**31 March 2022**		**31 March 2023**	
	%	**%**	**£million**	**%**	**£million**	**%**
Less than 1 year	0%	10%	0.615	2.2%	0.714	2.6%
Between 1 and 2 years	0%	10%	0.713	2.5%	0.642	2.3%
Between 2 and 5 years	0%	30%	2.057	7.3%	1.869	6.7%
Between 5 and 10 years	0%	50%	2.185	7.7%	2.135	7.7%
More than 10 years	0%	100%	22.771	80.3%	22.366	80.7%
Total			**28.341**	**100.0%**	**27.726**	**100.0%**

39. ACCOUNTING POLICIES

a) General Principles

The **Statement of Accounts** summarises the Authority's transactions for the 2022/23 financial year and its position at the year end of 31 March 2023. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015. These regulations require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, supported by International Financial Reporting Standards (IFRS) (and statutory guidance issued under section 12 of the Local Government Act 2003).

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 accounting policies are applicable to all of the Council's transactions including those of the Collection Fund (council tax and business rates).

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:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority;

- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority;

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the **Statement of Financial Position** (also known as 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 **Statement of Financial Position** (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.

The Council operates a de minimis policy for accruals. For revenue and capital, the de minimis has remained at £5,000 in 2022/23.

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 investments that are readily convertible to known amounts of cash with insignificant risk of change in value. Our policy is shown in the following table:

Type of Investment	Settlement Terms	Gain/Loss on Sale	Cash Equivalent
Money Market Fund	T + 0	✗	✓
Call Account	T + 0	✗	✓
Notice Deposit	Maturity	✗	✗
Term Deposit	T + 7 days	✗	✓
Other Term Deposits	Maturity	✗	✗

Key: T = trade date

The Council's view is that investments made with an investment period of greater than 7 days would not be classified as cash equivalents because they are not sufficiently liquid to meet short term cash commitments.

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 of Income and Expense

When items of income and expense are material (in excess of £300,000), their nature and amount is disclosed separately, either on the face of the **Comprehensive Income and Expenditure Statement** (CIES) 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 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 Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. These charges 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 benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to end an officer's employment before the normal retirement date, or an officer's decision to accept voluntary redundancy in exchange for those benefits. These benefits are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line 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 scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.

The Local Government Scheme is accounted for as a defined benefits scheme in the following way:

- The liabilities of the Devon County Council Pension Fund attributable to the Council are included in the **Statement of Financial Position** (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 estimates of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate.

- The assets of the pension fund attributable to the Council are included in the **Statement of Financial Position** (Balance Sheet) at their fair value.

For further information please refer to note 36.

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

- **Service cost comprising:**
  - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the **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 Non Distributed Costs
  - 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.

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

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and 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 earned by employees.

Discretionary Benefits

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

h) <u>Events after the Reporting Period</u>

Events after the Reporting Period 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 Liabilities

Financial liabilities are recognised on the **Statement of Financial Position** (Balance Sheet) when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the *Financing and Investment Income and Expenditure* line in the **Comprehensive Income and Expenditure Statement** (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For the borrowings held by the Council, this means that the amount presented in the **Statement of Financial Position** (Balance Sheet) is the outstanding principal repayable (plus accrued interest); and interest charged to the **CIES** is the amount payable for the year according to the loan agreement.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics.

The three main classes of financial assets are measured at:

- Amortised cost
- Fair value through profit or loss (FVPL), and
- Fair value through other comprehensive income (FVOCI)

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

Financial Assets Measured at Amortised Cost

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

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

Financial Assets measured at Fair Value through other Comprehensive Income (FVOCI)

The Council has equity instruments designated at fair value through other Comprehensive Income (FVOCI).

The Council has made an irrevocable election to designate its equity instruments as FVOCI on the basis that it is held for non-contractual benefits, it is not held for trading but for strategic purposes.

The asset is initially measured and carried at fair value.

Dividend income is credited to *Financing and Investment Income and Expenditure* in the **Comprehensive Income and Expenditure Statement** when it becomes receivable by the Council.

Changes in fair value are posted to Other Comprehensive Income and Expenditure and are balanced by an entry in the Financial Instruments Revaluation Reserve.

When the asset is de-recognised, the cumulative gain or loss previously recognised in Other Comprehensive Income and Expenditure is transferred from the Financial Instruments Revaluation Reserve and recognised in the Surplus or Deficit on the Provision of Services.

Expected Credit Loss Model

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

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

Fair Value

The Council measures some of its assets and liabilities at their fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability at the measurement date.

The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place in the principal market for the asset or liability. The Authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of the Council's fair value measurement of its assets and liabilities are categorised within the fair value hierarchy as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Authority can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability.

j) <u>Government Grants and Contributions</u>

General

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the **Statement of Financial Position** (Balance Sheet) as creditors. 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.

A Business Improvement District (BID) scheme operates in Tavistock. This scheme is funded by a BID levy paid by non-domestic ratepayers. The Council acts as an agent for the Tavistock BID Company, the Council is the billing authority and collects the levy on the BID company's behalf. No income or expenditure is included in the Comprehensive Income and Expenditure Statement, and any cash balance collected by the Council but not yet paid to the BID company at the year-end is carried in the Balance Sheet as a creditor.

k) Heritage Assets

Heritage assets are assets that are held by the Authority principally for their contribution to knowledge or culture. The Council has reviewed its insurance and assets registers and has not identified any material assets that require disclosure.

l) 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. As with Property, Plant and Equipment a de minimis level of £10,000 has been set for capitalisation.

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 3 years to the relevant service line(s) in the **Comprehensive Income and Expenditure Statement**.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation charges are not permitted to have an impact on the General Fund Balance. Therefore, these charges are reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

m) Investment Properties

Investment properties are those that are used 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, based on the amount that would be received to sell 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 but are revalued annually according to market conditions at the year-end. 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) Jointly Controlled Operations

Jointly controlled operations are activities undertaken by the Council in conjunction with other partners that involve the use of the assets and resources of the partners rather than the establishment of a separate entity. The Council recognises on its **Statement of Financial Position** (Balance Sheet) the assets that it controls and the liabilities that it incurs and debits and credits the **Comprehensive Income and Expenditure Statement** with the expenditure it incurs and the share of income it earns from the activity of the operation.

o) 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 (i.e. embedded leases).

The Authority as Lessee

Finance Leases

The Council does not hold any finance leases as a lessee.

Operating Leases

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

The Authority as Lessor

Finance Leases

The Council does not hold any finance leases as a lessor.

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 **Statement of Financial Position** (Balance Sheet). Rental income is credited to the relevant line within the '*Cost of Services*' or '*Financing and Investment Income*' in the **Comprehensive Income and Expenditure Statement**. Where material, the rental income is credited on a straight line basis over the life of the lease, even if this does not match the pattern of payments.

p) Overheads and Support Services

Costs of overheads and support services are only recharged to services requiring full cost recovery. Apart from these exceptions support services are shown in the Customer Service and Delivery service group within the **Comprehensive Income and Expenditure Statement** in their own reporting segment, which is in line with the Council's internal reporting method.

q) Property, Plant and Equipment

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

Recognition

Expenditure 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 Council does not capitalise borrowing costs incurred while assets are under construction. The cost of assets acquired other than by purchase is deemed to be fair value unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). 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.

Assets are then carried in the **Statement of Financial Position** (Balance Sheet) using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- 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 fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

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

Assets included in the **Statement of Financial Position** (Balance Sheet) at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but at a minimum 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 **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 as follows:

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

De minimis policy for capital controls and accounting purposes

CIPFA have not set specified de minimis levels and it is up to authorities to decide for themselves having regard to their particular circumstances.

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

In order to reduce the administrative burden a general de minimis limit of £10,000 has been set for the recognition of capital expenditure except for:

- Vehicles and Plant for which the limit is £7,000
- Loans which have no limit

Component Accounting

The International Financial Reporting Standards (IFRS) code requires separate accounting for depreciation of significant components of assets that are:

- acquired on or after 1 April 2010
- enhanced on or after 1 April 2010
- revalued on or after 1 April 2010

Where there is more than one significant part of the same asset which has the same useful life and depreciation method, such parts may be grouped in determining the depreciation charge.

Significant components which have different useful lives and/or depreciation methods, will be accounted for separately.

Where a component is replaced or restored, the carrying amount of the old component shall be derecognised and the new component reflected in the assets carrying amount, subject to the recognition principles of capitalising expenditure. Derecognition of a component from the **Statement of Financial Position** (Balance Sheet) takes place when no future economic benefits are expected from its use. Such recognition and derecognition takes place regardless of whether the replaced part has been depreciated separately.

Assets eligible to be considered for componentisation are those classified within the following categories:

1. Operational Buildings
2. Assets Held for Sale

The following will be considered outside the scope for componentisation:

1. Non-Depreciable Land
2. Assets Under Construction
3. Investment Properties
4. Infrastructure
5. Plant and Equipment
6. Community Assets
7. Intangible Assets

The criteria for components to be separately valued are that:

De minimis threshold - *The overall gross asset value must be in excess of £400k to be considered for componentisation* ***and***

Materiality - *The component must have a minimum value of £200k* ***or***
be at least 20% of the overall value of the asset (whichever is the higher) ***and***

Asset lives - *The estimated life of the component is less than half of that of the main asset.*
All three rules above must be met to consider componentisation.
These rules will apply to revaluations and when replacing components within an asset.

Where enhancement is integral to the whole asset 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.

Where assets are material and will therefore be reviewed for significant components, it is recommended that the **minimum** level of apportionment for the non-land element of assets is:

- Plant and equipment and engineering services
- Structure

The Valuer will assign to each standard property type a group of significant components common to all property assets within that property type.

Where a component is replaced the existing component shall be derecognised and the new component cost added to the carrying amount. The amount derecognised will be estimated based on the cost of the replacement part. This principle will apply to componentised and non-componentised assets.

Assets and asset components will be revalued in accordance with the annual valuation schedule agreed with the Valuer. The Valuer will be responsible for providing valuations apportioned in accordance with the assets property type.

Impairment

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

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the **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).

Deprecation is calculated on a straight-line allocation over the useful life of the asset. Useful lives are determined on a case by case basis. Typical and maximum useful lives are:

Asset	Typical Useful Life	Maximum Useful life
Buildings	Up to fifty years	Up to fifty years
Infrastructure	Up to forty years	Up to fifty years
Refuse vehicles	Up to seven years	Up to nine years
Light vans	Up to five years	Up to seven years
IT equipment	Up to three years	Up to three years

Where an item of Property, Plant and Equipment 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 losses previously 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 Assets Held for Sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Assets 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 **Statement of Financial Position** (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.

The written-off value of disposals is not a charge against council tax, as the cost of 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.

r) Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a present 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.

If it is not clear whether an event has taken place on or before the Balance Sheet date, it is deemed to give rise to a present obligation if, taking account of all available evidence, it is more likely than not that a present obligation exists at the Balance Sheet date. The present obligation can be legal or constructive.

Provisions are charged as an expense to the appropriate service line in the **Comprehensive Income and Expenditure Statement** in the year that the Council becomes aware of the obligation and are measured at the best estimate at the **Statement of Financial Position** (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 **Statement of Financial Position** (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 by the Authority.

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 **Statement of Financial Position** (Balance Sheet) but disclosed in a note to the accounts. The Council operates a disclosure de minimis policy for contingent liabilities of £50,000.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council 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 Council.

Contingent assets are not recognised in the **Statement of Financial Position** (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. The Council operates a disclosure de minimis policy for contingent assets of £50,000.

s) Reserves

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

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.

t) Revenue Recognition

With the adoption of accounting standard IFRS 15, revenue is defined as income arising as a result of the Council's normal operating activities and where income arises from contracts with service recipients it is recognised when or as the Council has satisfied a performance obligation by transferring a promised good or service to the service recipient. Material revenue sources will be disclosed on the face of the **Consolidated Income and Expenditure Statement** and as part of note 2, Material Items of Income and Expenditure.

Revenue is measured as the amount of the transaction price which is allocated to that performance obligation. Where the Council is acting as an agent of another organisation the amounts collected for that organisation are excluded from revenue.

The analysis carried out to date indicates that there will be no material impact on the revenue recognised in relation to the significant contracts entered into by the Council. A review will take place each year to identify whether any disclosure is necessary.

Further details of specific revenue recognition are provided in policies b) Accruals of Income and Expenditure and y) Accounting for Local Taxes.

u) Revenue Expenditure Funded from Capital under Statute (REFCUS)

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.

v) Section 106 Deposits

Developer contributions are initially treated as Capital Receipts in Advance unless a clear capital use is identified in the terms of the agreement, in which case they are defined as Capital Contributions Unapplied.

w) Shared Services

West Devon Borough Council and South Hams District Council have been in a shared services arrangement since 2007. Following the implementation of the joint Transformation Programme (T18), all of the Councils' non-manual workforce are shared across both Councils.

Officers have produced a methodology for recharging the salary costs of shared officers based on the most appropriate cost driver and ratio to best reflect the officer's split of workload between the two Councils. Examples of the cost drivers used are caseloads, call volumes, property numbers, number of claims or cases processed etc., and other methods such as time recording. The work carried out includes establishing from the Heads of Practice/Group Managers the relevant recharge requirements for all of the non-manual workforce. On an annual basis, the Audit and Governance Committee approve the methodology for recharging the salary cost of shared officers.

x) VAT

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

y) Accounting for Local Taxes

Billing authorities act as agents, collecting council tax and business rates on behalf of the major preceptors (including government for business rates) and, as principals, collecting council tax and business rates 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 business rates. 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 business rates collected could be less or more than predicted.

Accounting for Council Tax and Business Rates

The council tax and business rates income included in the **Comprehensive Income and Expenditure Statement** is the Council's share of accrued income for the year. However, regulations determine the amount of council tax and business rates that must be included in the Council'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 **Statement of Financial Position** (Balance Sheet) includes the Council's share of the end of year balances in respect of council tax and business rates relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due are under the statutory arrangements will not be made, the asset is written down and a change made to the taxation and non-specific grant income and expenditure line in the **Comprehensive Income and Expenditure Statement.** The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

z) <u>Minimum Revenue Provision</u>

The Council is not required to use Council Tax to fund depreciation, revaluation and impairment losses or amortisation of non-current assets. However, it is required to make an annual contribution from revenue towards provision for the reduction in its overall borrowing requirement equal to either an amount calculated on a prudent basis or as determined by the Council in accordance with statutory guidance.

40. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

The Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code) introduces changes in accounting policies that will have to be adopted fully by the Council in the 2023/24 financial statements i.e. from 1 April 2023.

The Council 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 Council.

In response to the Covid-19 pandemic and an urgent consultation being ran across Local Government in February 2022, CIPFA/LASAAC deferred the implementation of IFRS 16 'Leases in the Public Sector' until the 2024/25 financial year, with an effective date of 1 April 2024.

Following this deferral to 1 April 2024, it is not yet possible to determine the impact of IFRS16 on the Council's financial performance or financial position.

41. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in note 39, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The main critical judgement made in the Statement of Accounts is:

- The cost drivers used to apportion Shared Service costs are appropriate and result in recharges which fairly reflect actual workloads and costs. The methodology for the apportionment of costs (predominantly staffing costs) are split on a defined basis which reflects the level of caseload attributable to each individual service. The methodology and mechanisms used to calculate the cost allocations are reviewed and reported to the Audit and Governance Committee on an annual basis. The final actual shared services split formulae are adjusted if they exceed a tolerance level of 3% from the original estimate.

COLLECTION FUND FOR THE YEAR ENDED 31 MARCH 2023

This account reflects the statutory requirements for the Council as a billing Authority to maintain a separate Collection Fund. The statement shows the transactions of the billing Authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and business rates.

2021/22 Business Rates £000	2021/22 Council Tax £000		2022/23 Business Rates £000	2022/23 Council Tax £000
		INCOME		
	(45,839)	Income from Council Tax		(48,132)
(8,136)		Business Rates Receivable	(8,888)	
(60)		Transitional Relief	15	
(8,196)	**(45,839)**		**(8,873)**	**(48,132)**
		EXPENDITURE		
		Precepts, Demands and Shares:		
5,313		Central Government	4,141	
956	30,588	Devon County Council	745	32,200
	4,788	Devon & Cornwall Police & Crime Commissioner		5,101
106	1,822	Devon & Somerset Fire Authority	83	1,899
4,251	6,653	West Devon Borough Council (net including Towns/Parishes)	3,313	6,947
(339)		Business Rates written off and change in impairment allowance	64	
	348	Council Tax written off and change in impairment allowance		270
86		Business Rates increase/(decrease) in provision for appeals	(469)	
0		Disregarded Amounts	960	
82		Business Rates – Costs of collection	83	
		Distribution/collection of previous year's estimated surplus/(deficit):		
(3,196)		Central Government	(2,037)	
(575)	(44)	Devon County Council	(366)	697
	(7)	Devon and Cornwall Police		109
(64)	(3)	Devon and Somerset Fire Authority	(41)	42
(2,557)	(10)	West Devon Borough Council	(1,629)	152
4,063	**44,135**		**4,847**	**47,417**
(4,133)	**(1,704)**	**MOVEMENT ON BALANCE**	**(4,026)**	**(715)**

1. COUNCIL TAX AND COUNCIL TAX BASE

In 2022/23, the Council's average Band D Council Tax was £2,230.64 (£2,166.58 in 2021/22). The charge for each band is a ratio of band D. The 2022/2023 charges therefore were:

Band	Ratio to Band D	Council Tax (£)
Disabled A	5/9	1,239.24
A	6/9	1,487.09
B	7/9	1,734.94
C	8/9	1,982.79
D	1	2,230.64
E	11/9	2,726.34
F	13/9	3,222.04
G	15/9	3,717.73
H	18/9	4,461.28

These charges are before any appropriate discounts or benefits. The Council tax base, which is used in the tax calculation, is based on the number of dwellings in each band on the listing produced by the Listing Officer. This is adjusted for exemptions, discounts, disabled banding changes, appeals and new builds. The tax base estimate for 2022/23 was **20,687.75** as calculated below (20,239.51 in 2021/22).

Band	Dwellings per Valuation List	Adjustment for Disabled Banding Appeals, Discounts and Exemptions	Revised Dwellings	Ratio to Band D	Band D Equivalent
Dis A	0	7.50	7.50	5/9	4.17
A	3,546	(625.00)	2,921.00	6/9	1,947.33
B	6,528	(795.75)	5,732.25	7/9	4,458.42
C	5,510	(525.75)	4,984.25	8/9	4,430.44
D	4,305	(321.25)	3,983.75	1	3,983.75
E	3,497	(230.00)	3,267.00	11/9	3,993.00
F	1,839	(89.50)	1,749.50	13/9	2,527.06
G	1,017	(67.00)	950.00	15/9	1,583.33
H	81	(9.75)	71.25	18/9	142.50
Total	**26,323**	**(2,656.50)**	**23,666.50**		**23,070.00**
Less allowance for non-collection					(692.10)
Plus adjustment for armed forces dwellings					18.80
Other adjustments including Council Tax Support					(1,708.95)
Tax base					**20,687.75**

2. Rateable value

The total business rates rateable value at 31 March 2023 was £32,897,479. This compares to £32,873,454 at 31 March 2022. The standard non-domestic rate multiplier was 51.2p in 2022/23 (2021/2022 51.2p). Without reliefs this would generate a total income of £16,843,509.25 (2021/2022 £16,831,208.44). These figures are a snapshot only and differ from the value of business rate bills issued mainly due to changes in rateable values during the year, small business rate relief, void properties and charitable relief. In 2022/23 the Government continued to fund a Retail, Hospitality and Leisure Relief in response to the Covid-19 pandemic.

3. Collection Fund balance

2021/22 Business Rates* £000	2021/22 Council Tax £000		2022/23 Business Rates* £000	2022/23 Council Tax £000
7,218	(742)	Fund balance at 1 April	3,085	(2,446)
(4,133)	(1,704)	Deficit/(surplus) for year	(4,026)	(715)
3,085	**(2,446)**	**Fund balance as at 31 March – deficit/(surplus)**	**(941)**	**(3,161)**

***Business Rates Position**
During 2021/22 local authorities received further s31 grants to offset the business rate reliefs given to businesses during the pandemic. Under current Collection Fund accounting rules, the s31 grants received could not be discharged against the Collection Fund deficit until the following year. The balance on the Business Rates Collection Fund as at 31 March 2023 has moved from a £3.1m deficit to a £0.9m surplus following the release of this s31 compensation grant to the Collection Fund in 2022/23.

****Council Tax Position**
The Council collected 98.34% in council tax in 2022/23 (against a target of 97%) and this has resulted in an increase in the Council Tax Collection Fund surplus from £2.45m as at 31 March 2022 to £3.16m as at 31 March 2023. The Preceptors' element of this surplus is reflected in the large increase in the Council Tax Creditor as at 31 March 2023 detailed in note 18.

The balance on the Collection Fund is split between the preceptors as follows:

2021/22 Business Rates* £000	2021/22 Council Tax** £000		2022/23 Business Rates* £000	2022/23 Council Tax** £000
1,542	0	Central Government	(471)	0
278	(1,706)	Devon County Council	(85)	(2,204)
0	(269)	Devon and Cornwall Police	0	(350)
31	(101)	Devon and Somerset Fire Authority	(9)	(130)
1,851	**(2,076)**	**Total deficit/(surplus) due to Preceptors**	**(565)**	**(2,684)**
1,234	(370)	West Devon Borough Council	(376)	(477)
3,085	**(2,446)**	**Fund balance as at 31 March – deficit/(surplus)**	**(941)**	**(3,161)**

***Business Rates Position**
The balance on the Business Rates Collection Fund as at 31 March 2023 has moved from a £3.1m deficit to a £0.9m surplus following the release of s31 compensation grant received in 2021/22 to the Collection Fund. This balance is shared between the Preceptors and West Devon Borough Council as shown in the table above. The Preceptors element of this surplus is reflected in the significant reduction in the Business Rates Debtor as at 31 March 2023 detailed in note 15.

****Council Tax Position**
The Council collected 98.34% in council tax in 2022/23 (against a target of 97%) and this has resulted in an increase in the Council Tax Collection Fund surplus from £2.45m as at 31 March 2022 to £3.16m as at 31 March 2023. The Preceptors' element of this surplus is reflected in the large increase in the Council Tax Creditor as at 31 March 2023 detailed in note 18.

SECTION 5 STATEMENT OF RESPONSIBILITIES / APPROVAL OF THE 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 Corporate Director of Strategic Finance (Section 151 Officer)

- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets

- approve the Statement of Accounts

The Chief Financial Officer's responsibilities

The Chief Financial 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 Financial Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice;
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.
- assessed the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- used the going concern basis of accounting on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future; and
- maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error,

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority at the reporting date and its income and expenditure for the year ended 31 March 2023.

This image cannot currently be displ…

………………………………………………

Lisa Buckle BSc (Hons), ACA
Corporate Director of Strategic Finance (Section 151 Officer)

19 March 2024

Approval of the Statement of Accounts

I confirm that these accounts were approved by the Audit and Governance Committee at its meeting held on 19 March 2024

Signed on behalf of West Devon Borough Council

…………………………………………………

Councillor G Dexter

Chairman of the Audit and Governance Committee

SECTION 6 AUDITORS REPORT

The Auditors’ report will be received following the annual audit of the accounts.

GLOSSARY OF TERMS

ACCRUALS
A sum included in the account to cover income or expenditure attributable to an accounting period for goods received or work 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.

BUSINESS IMPROVEMENT DISTRICT (BID)
A Business Improvement District is a partnership between a local Authority and the local business community to develop projects and services that will benefit the trading environment within the boundary of a clearly defined commercial area.

CAPITAL EXPENDITURE
Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.

CAPITAL RECEIPTS
Income received from sale of assets which is available to finance other capital expenditure or to repay debt on assets financed from loans.

CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY
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	The amount the Actuary estimates as costs to the Authority of events that reduce future contributions to the scheme, such as granting early retirement.
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.
FAIR VALUE	The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date
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.
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 ("BAD DEBT PROVISION")	Provisions against income to prudently allow for non-collectable amounts.
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.

LIBID	Acronym for the London Inter-bank Bid Rate, being the interest rate at which a market maker or underwriter will offer to buy bonds and securities.
MINIMUM REVENUE PROVISION (MRP)	This is a statutory requirement to make an annual calculation of an amount or MRP considered prudent to offset against borrowings made under the Prudential Borrowing rules.
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, 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.
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.

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.
STRAIN ON FUND CONTRIBUTIONS	Additional employers pension contributions as a result of an employee's early retirement
SUNDRY CREDITORS	Amounts owed by the Authority at 31 March.
SUNDRY DEBTORS	Amounts owed to the Authority at 31 March.

West Devon
Borough
Council

West Devon Borough Council

Annual Governance Statement 2022/23

1. Scope of Responsibility

Introduction

West Devon Borough Council is responsible for ensuring that:

•its business is conducted in accordance with legal requirements and proper standards

•public money is safeguarded, properly accounted for, and used economically, efficiently, and effectively.

The Council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, West Devon Borough Council is also responsible for ensuring that there is a sound system of governance (incorporating the system of internal control) and maintaining proper arrangements for the governance of its affairs, which facilitate the effective exercise of its functions, including arrangements for the management of risk.

Governance Responsibilities

The role of the Chief Executive is to implement the plans and policies that support the strategic direction of the Council as set by Members. The Chief Executive leads the Senior Leadership Team consisting of the Directors of Strategic Finance, Customer Service and Delivery, Strategy & Governance and Place & Enterprise, who are in turn supported by Assistant Directors and Heads of Service.

The Council's Director of Strategic Finance is a qualified accountant with statutory responsibility for the administration of the Council's financial affairs as set out in section 151 of the Local Government Act 1972 – 'The S.151 Officer' or 'Chief Financial Officer'

The CFO leads the promotion of good financial management including through the provision and publication of Financial and Contract Procedure Rules. The Council's S.151 Officer is a qualified accountant.

A review of the Council's arrangements against the CIPFA guidance on the Role of the Chief Finance Officer in Local Government has concluded that the recommended criteria have been met in all areas.

2. The Governance Framework

The Council's Governance Arrangements

The governance framework comprises the cultural values, systems and processes used by the Council to direct and control its activities, enabling it to engage, lead and account to the community.

The framework allows the Council to monitor the achievement of its strategic objectives and to consider whether appropriate, cost-effective services have been delivered.

A significant part of the framework is the Council's system of internal control which 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 and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised and to manage them efficiently, effectively and economically.

Governance Responsibilities

The governance framework was in place at West Devon Borough Council for the year ended 31 March 2023 and is expected to continue up to the date of approval of the Accounts by the Audit and Governance Committee.

This Statement explains how West Devon Borough Council has met the principles of the Chartered Institute of Public Finance & Accountancy (CIPFA) and set out in the Society of Local Authority Chief Executive's (SOLACE) Framework, Delivering Good Governance in Local Government: Guidance Notes for English Authorities (2016).

Included within this framework are seven core principles of governance as set out to the right.

- Principle A: Behaving with Integrity, demonstrating a strong commitment to ethical values and respecting the rule of law
- Principle B: Ensuring openness and comprehensive stakeholder engagement
- Principle C: Defining outcomes in terms of sustainable economic, social and environmental benefits
- Principle D: Determining the intervention necessary to achieve intended outcomes
- Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it
- Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it
- Principle F: Managing risks and performance through robust strong financial management
- Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability

Principle A: Behaving with Integrity, demonstrating a strong commitment to ethical values and respecting the rule of law

Steps we take to uphold the principle

In order to promote ethical behaviours amongst Members and Officers, the Council has a number of policies such as those relating to procurement, whistleblowing, counter fraud and anti-money laundering. The Council also reviews and adopts annually its Constitution which comprises rules of procedure and codes of conduct.

All Council decisions incorporate a legal implications section within the report and these are published on the Council's website as part of our agenda packs.

Officers and Members receive support from Legal Services in considering legal implications and if specialist legal advice is required then the Council will engage external advisors. The Section 151 Officer and Monitoring Officer have specific responsibility for ensuring legality, for investigating any suspected instances of failure to comply with legal and financial requirements and for reporting any such instances to Members.

In addition the Council undertakes the following to ensure a strong commitment to ethical values and behaving with integrity including:

- ✓ Having Codes of Conduct in place for Members and Officers which include arrangements for registering interests and managing conflicts of interest. This is supported by an e-learning course for officers and face to face training through Member Induction.
- ✓ The Council's Constitution defines the roles and protocol of Members and officers in their dealings with each other.
- ✓ Staff are assessed against a set of key behaviours to establish the right organisational values and culture both during the recruitment process and throughout the year through the Performance Management process.
- ✓ The Council has effective counter fraud and anti-corruption arrangements which are maintained in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPA, 2014). The Council also participates in the National Fraud Initiative (NFI).
- ✓ The Council's whistle-blowing (Confidential Reporting) policy, has been updated
- ✓ Operating a robust information governance regime including promoting a culture of openness and encouraging reporting and investigation of data breaches. 21 breaches were reported through the year, none meeting the threshold to report to the Information Commissioner.
- ✓ Commissioning an Annual IT Health check from an accredited external security specialist who found our overall security to be 'Excellent'

Principle B: Ensuring openness and comprehensive stakeholder engagement

Steps we take to uphold the principle

All Council business is conducted in public unless legislation deems it appropriate for it to be considered in private.

During this year we have taken further steps to enhance the technology enabling remote participation at meetings (for non-committee members and officers). This has meant that other partner agencies have been able to participate in meetings such as Overview & Scrutiny who may not typically have been able to attend.

During the year the Council has undertaken a number of consultation & engagement exercises including the following topics:

- Council Tax reduction scheme
- My Place, My Views consultation
- Homelessness Strategy development
- Electric Vehicle Charging Points
- Budget engagement with businesses

In addition the Council undertakes the following to ensure a strong commitment to ethical values and behaving with integrity including:

- ✓ Publishes consultations and surveys on the Council website and uses a consultation checklist based on the Gunning Principles to structure consultations to ensure good communication guidelines are adhered to.
- ✓ Streams all public council meetings to Youtube and Facebook live enabling anyone to access the content of meetings.
- ✓ Utilises social media on a daily basis including Twitter, Instagram, Facebook, LinkedIn and YouTube to provide instant information on Council services thus allowing for a free flow of comments from stakeholders.
- ✓ Uses dedicated Locality Engagement Officers to attend local events to canvas the opinions of stakeholders to help shape the delivery of Council services.
- ✓ Produces specific e-bulletins for various interest groups including Business, Housing, Neighbourhood Planning, etc.
- ✓ Prepares an Annual Report, extracts of which are in the Statement of Accounts (Section 1 – Narrative Statement)

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

Steps we take to uphold the principle

The Council has a number of strategic documents and plans that guide its approach to achieving its vision and ensuring that it remains financially sustainable.

The Council's adopted Priorities are set out in the Plan for West Devon Strategy and detailed delivery plans. These can be seen here. These include:

- a commitment to mitigating climate change and increasing biodiversity
- promoting the visitor economy
- Delivering on key infrastructure projects such as Okehampton Transport Hub
- Supporting town and businesses
- Ensuring we have a sustainable built and natural environment
- Buying local where possible

The Council's policies, aims and objectives are well established and monitored at various levels for example forward plans, annual service planning process and personal development reviews.

In addition the Council undertakes the following to define outcomes in terms of sustainable economic, social and environmental benefits:

- Demonstrates the work of the Council through an Annual Report of Achievements
- Provides quarterly updates to Hub Committee on progress against our adopted priorities
- Shows how the Council supports its priorities in the decisions it makes in each report that the Council considers
- Demonstrates its commitment to sustainability in the planning applications it determines
- Delivery of more EV installations on Council land
- Working with partners on an approach to tackling rural poverty
- Facilitating urban tree planting

Principle D: Determining the interventions necessary to achieve intended outcomes

Steps we take to uphold the principle

The Council has implemented an enhanced performance management framework to report on the progress against our adopted Better Lives for All strategy. This framework includes:-

- Quarterly Integrated Performance Management Reports to Hub Committee
- Monthly 'Deep-dives' in to a specific theme by Overview & Scrutiny Committee
- Six monthly Key Performance Indicator reports considered by Overview & Scrutiny
- Six-monthly Strategic Risk reports to Audit & Governance Committee setting out the key risks in achieving our ambitions
- An Annual Report of achievements aligned to our strategic priorities

During this year, the performance management framework has been further enhanced with the implementation of a number of officer boards and we have taken further steps to enhance our performance management framework including :

- Establishing a Strategic Delivery Board consisting of the Senior Leadership Team, Assistant Directors and other Heads of Service as required. This board has oversight of key strategic programmes including corporate strategy delivery.
- Establishing a Performance Board to be responsible for overseeing organisational performance and to take operational service based decisions around resource deployment and management
- Establishing Planning and Capital Programme Management boards to oversee progress of these key service areas.
- Audit report tracking

Partnerships & Governance

The Council has several partnerships that help to deliver our Strategic Priorities. Regular updates are provided by key partnerships to Members with them being provided either formally to the Overview & Scrutiny Panel or informally through the weekly Member Bulletin.

During 2022/23, the Council has taken steps to extend funding to those key partners that contribute to our priorities. Agreement was made to extend funding for partners such as Citizens Advice, Council for Voluntary Service and community transport schemes for a further two years. We have also increased funding to Citizens Advice in recognition of the additional collaboration required to respond to the Cost of Living Challenges.

Principle E: Developing the entity’s capacity, including the capability of its leadership and the individuals within it

Steps we take to uphold the principle

Through regular staff briefings, e-bulletins, team meetings and an online staff appraisal system, West Devon Borough Council ensure that all staff understand our corporate priorities and how their work contributes to them.

During 2022/23 there has been a significant focus on organisational development (including a clear OD Plan developed with input from staff) and people management with the bringing together of core functions (HR, Comms, Organisational Development and Strategy).

In September we carried out an employee survey (delivered by the LGA). This has enabled us to identify the key drivers to unlocking further potential within the organisation as well as benchmarking with other similar authorities. We will be following this up with a further survey during 2023/24 to see how we’re progressing.

In addition the Council undertakes the following to develop the entity’s capacity of its leadership and the individuals within it:

- Delivered a Management Development Programme for a cohort of over 30 senior officers within the Council
- Provided a Member training and development programme
- Promoted to staff the use of “Learning Pool” an extensive online learning resource
- Delivered focused training on specific issues (e.g. complaints, data protection, information security)
- Worked in partnership with local authorities and other bodies to achieve economies of scale -South Hams for our full Shared Services, Teignbridge District Council for Procurement support and Plymouth City Council through our Joint Local Plan.
- Conducted a staff survey to gauge employee satisfaction and assist in improving how the organisation performs.
- Held a Staff Awards ceremony to recognise outstanding performance, and highlighted compliments paid to staff from customers and colleagues in the weekly staff bulletin

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

Steps we take to uphold the principle

There is a culture of risk ownership and management throughout the Council with Strategic Risks being logged centrally and are updated regularly. For each risk, the uncertainties are identified, along with the consequences, likelihood of occurrence and strategic impacts that would result.

Elected Members have the opportunity to raise concerns with the mitigating actions being taken by officers and can suggest new risks for consideration. In addition to continuing to report risks to the Council's Audit Committee twice a year, an overview of the risk profile is provided to the Executive on a quarterly basis.

All Committee reports include a reference, where relevant, to the potential impact on the Council's priorities and corporate strategy themes, and address as appropriate any financial, staffing, risk, legal and property implications.

In addition, the Council undertakes the following to manage risks and performance:-

- Continuous managerial review of services to ensure continuous improvement and the economic, effective and efficient use of resources
- Financial management arrangements, where managers are responsible for managing their services within available resources and in accordance with agreed policies and procedures. Quarterly budget monitoring reports are considered by the Executive.
- Active performance management arrangements including regular reports to Overview & Scrutiny Panel and Development Management Committee on performance measures.
- Identifies key risks for each service as part of its annual service planning cycle
- Maintains risk registers for significant projects – capital programme, future IT etc.
- A robust complaints/ compliments procedure is in place and is widely publicised, with the Ombudsman's Annual Report being reported to the Overview and Scrutiny Panel.
- Freedom of Information requests are dealt with in accordance with established protocols.
- Fraud/Irregularity - There have been no irregularities to report regarding the day-to-day operation of the Council. However, there have been 23 cases investigated (value of £74,429) which relate to COVID-19 business grant applications. None of these were proven to be fraud but were errors or non-compliance with the grant conditions. As a result, £58,617 has been repaid to the Council and central Government. Any cases identified have been reported to Devon Audit Partnership's Counter Fraud Team and to the National Anti-Fraud Network (NAFN).

Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability

Steps we take to uphold the principle

The Council follows the Government Communication Service guidance on providing clear and accurate information and has a number of measures in place to demonstrate transparency and accountability.

An Audit & Governance Committee meets between five and six times a year and its role is to provide an oversight of the financial reporting and audit processes plus the system of internal controls and compliance with laws and regulations.

The Council also has two internal audit staff managed by the Devon Audit Partnership who provide an opinion on the internal control environment and governance processes. In March 2019 (Minute AC39), it was recommended to Council for West Devon Borough Council to join the Devon Audit Partnership as a 'non-voting' partner. This was approved by Council in March 2019 with the Council joining the partnership as a non-voting partner from 1 April 2019.

Process for maintaining and reviewing effectiveness of the Council's Governance arrangements

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. This responsibility is in practice carried out by Senior Managers, with the Chief Executive informing the Hub Committee of any significant matters warranting their attention. The Council ensures the delivery of services in accordance with Council policies and budgets, which includes long term financial planning, the Council's Constitution, good financial management and ensuring up to date risk management across the Council.

In addition the Council undertakes the following to implement good practices in transparency, reporting and audit:-

- Appointing an external auditor (Grant Thornton) for 2022/23 to make conclusions on our accounting and value for money arrangements
- Ensured all Member decisions are formally minuted
- Streams all of its public meetings online
- Publishes all Council decisions online together with background reports
- Produces an Annual Report detailing Council performance and spend

How we ensure the Governance Framework and controls are effective

The review of effectiveness of the system of internal control is informed by three main sources: the work of Internal Audit; by managers who have responsibility for the development and maintenance of the internal control environment; and also by comments made by external auditors and other review agencies/inspectorates.

The Audit & Governance Committee

The Audit & Governance Committee has a specific role in relation to the Council's financial affairs including the internal and external audit functions and monitors the internal workings of the Council (broadly defined as 'governance'). It is responsible for making sure that the Council operates in accordance with the law and laid down procedures and is accountable to the community for the spending of public money.

The Audit & Governance Committee provide:-

I. independent assurance of the adequacy of the risk management framework and the associated control environment
II. independent scrutiny of the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment
III. oversight of the financial reporting process.

Internal Audit

The Council's responsibility for maintaining an effective internal audit function is set out in Regulation 6 of the Accounts and Audit Regulations 2011. This responsibility is delegated to the S151 Officer.

The Internal Audit function operates in accordance with best practice professional standards and guidelines to independently and objectively review the extent to which the internal control environment supports and promotes the achievement of the Council's objectives and contributes to the proper, economic, efficient and effective use of resources. The Senior Leadership Team consider all Internal Audit reports and ensure that agreed recommendations are implemented.

The Internal Audit annual report for 2022/23 was considered by the Audit & Governance Committee on 14 March 2023 (Minute AC/25). The report contains the Head of Internal Audit's Opinion for the 2022/23 year which is that of "Reasonable Assurance" on the adequacy and effectiveness of the Authority's internal control framework.

Senior Managers

Individual managers are responsible for establishing and maintaining an adequate system of internal control within their own sections and for contributing to the control environment on a corporate basis. There are a number of significant internal control areas which are subject to review by internal audit.

External Auditors and other review agencies/ inspectorates

Our external auditors (Grant Thornton) have issued their 'Audit Findings report for the Council' for 2022/23 and this will be considered by the Audit and Governance Committee on 19 March 2024. The document summarises their key findings in relation to their external audit of the Council for 2022/23 and contains an opinion on the Council's financial statements, the control environment in place to support the production of timely and accurate financial statements, and the Council's significant risk areas.

The 'Audit Findings' report concludes that Grant Thornton have substantially completed an audit of the financial statements and subject to outstanding queries being resolved, they anticipate issuing an unqualified audit opinion following the Audit and Governance Committee meeting on 19 March 2024. There are no adjustments to the draft 2022/23 accounts apart from a few minor disclosure changes.

Value for Money Arrangements

Grant Thornton's Value for Money work provides a commentary on the work the Council have undertaken to address the key elements of governance, financial sustainability and how to improve economy, efficiency and effectiveness.

The Value for Money arrangements for 2021/22 were not able to be considered during 2022/23 due to capacity issues for our Auditor, Grant Thornton. **A joint Value for Money report was undertaken for 2021/22 and 2022/23.**

On 5 December 2023 the Audit and Governance Committee considered an interim Auditor's Annual Report from the Council's external auditors, Grant Thornton. This gave commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. The report stated that 'The Council has demonstrated a good understanding of its role in securing economy, efficiency and effectiveness in its use of resources. Our work has not identified any significant weaknesses in arrangements.'

Significant Governance Issues

Over the coming pages, we set out key issues for the Council during the year and the actions we will take to address any weaknesses identified in our governance system. The issues identified within this section of the report are informed by our own testing and assessment including any significant risks from our Strategic Risk Register.

Issue Identified	Action to be taken	Responsible Officer and target date
Financial Uncertainty Failure to sustain a robust on-going medium term financial strategy in WDBC with adequate reserves to meet unforeseen circumstances, due to cost pressures and reduced income, council decisions, changes in Government policy with regard to business rates and affordable housing. We were anticipating a longer term financial settlement to be made in December 2022 however Government again made only a single year settlement but with a commitment for consultation on further funding reforms to come forward during 2023. The Council has continued to work in partnership with South Hams District Council which has allowed West Devon to achieve annual savings of £2.2 million and more importantly protect all statutory front line services. Between both Councils the annual shared services savings being achieved are over £6 million per annum. However, the Councils continue to face considerable financial challenges as a result of uncertainty in the wider economy and constraints on public sector spending.	On 21st February 2023, Full Council approved its budget for 2023/24. The report to Council set out proposals for the Council to achieve a balanced budget for 2023/24, as shown in Appendix B. The Council is currently forecasting a £0.22m budget gap by the following year, 2024/25. The cumulative aggregated Budget Gap by 2025/26 is £0.7million, if no action has been taken in each individual year to close the budget gap annually. The Council will continue to lobby Government for fairer funding for rural services, and respond to the committed consultation on funding reforms which we anticipate to be launched in 2023. Following the commencement of the new Council term in May 2023, officers will work with the Leader and Hub Committee to review the Medium Term Financial Strategy, the capital programme and reserves. This activity will be aligned to the development of a new Corporate Strategy for the next 4 year period.	Director Strategic Finance - 2023 Director Strategic Finance – September 2023

Issue Identified	Action to be taken	Responsible Officer and target date
<u>**Inadequate Staffing Resource**</u> **During 2022/23, the risk that the Council is unable to retain existing and attract new staff has continued to increase, to the point where it is an issue rather than a risk.** **The last few years have seen Local Government stepping up to provide significant and varied support to our residents, communities and businesses in addition to maintaining our core service delivery. In addition to increasing the pressure on our workforce, it has resulted in longer term changes to recruitment and retention.** **Throughout 2022/23, the Council has experienced recruitment and retention challenges. In February 2022, we introduced a market supplement policy that enables an enhancement to be made to the salary of certain roles where there is a demonstratable difficulty in recruiting (such as Planning and Legal Officers). These supplements are for an initial 2 year period and kept under review.** **The Council has also undertaken a job evaluation exercise on all principal professional and technical roles, comparing salaries to other similar employers and considering any recruitment and retention challenges. Steps taken have ensured that all Council employees will have received a minimum 6% pay increase since April 2022.**	The Council will continue to monitor the issue and impacts of recruitment and retention challenges. In January 2023 we developed a comprehensive Organisational Development Plan setting out all of the steps we will implement to place the Council as an employer of choice, supporting and developing our workforce to deliver our future priorities. The delivery of this plan will be a significant focus throughout 2023/24. In the Autumn, we will undertake a further employee survey and, if required, adapt our plans in response.	Assistant Director Strategy and Organisational Development – 2023/24 ongoing

Issue Identified	Action to be taken	Responsible Officer and target date
Health and Wellbeing Service Provision Leisure services continue to be provided at the leisure centres. Leisure services nationally continue to be significantly impacted by the increases to energy costs and other supplies and services, with the issue being further compounded as individuals consider their own levels of expenditure and focus on essential spending – with discretionary spending on items such as leisure being areas where individuals consider making savings. The Council continues to regularly meet with the Chief Executive and Financial Director of Fusion Leisure to understand the impacts. We are actively taking steps to support the fusion progress plan for the decarbonisation of its sites which will, longer term, result in a reduction of energy costs – although this does not address the immediate impacts. Plans are already in place and have been approved to install solar panels on each leisure centre. The Council will apply to the Swimming Pool Support Fund, with applications being opened in the Summer. This was the £60m of new government funding that was announced in the Spring 2023 Budget. The Government funding is being distributed by Sport England although the amounts of funding available to leisure centres is likely to be minimal. The membership level for Meadowlands, Tavistock has increased by 3.7% compared to the pre-covid level (1,115 memberships in March 2023 compared to 1,075 in March 2020). The membership level for Parklands, Okehampton is 18% lower than the pre-covid levels (677 memberships in March 2023 compared to 824 in March 2020).	The Council has regularly met with the Chief Executive of our outsourced Leisure Service (Fusion Leisure) to monitor the impacts. We are actively taking steps to progress plans for the decarbonisation of its sites which will, longer term, result in a reduction of energy costs – although this will not address the immediate impacts. The Director of Place and Enterprise & Section 151 Officer will work with the provider and bring further updates to Members as required.	Director Place and Enterprise and Section 151 Officer – 2023/24

Issue Identified	Action to be taken	Responsible Officer and target date
Internal Audit Recommendations	During the year, the Council's internal audit team have carried out a number of reviews in order to provide an annual opinion of the adequacy and effectiveness of the Councils internal control framework. At the meeting of the Audit and Governance Committee on 14 March 2023, the Head of Internal Audit concluded an opinion of Reasonable Assurance for the 2022/23 financial year. This means that following Internal audits undertaken during the year, the Internal Audit team consider that there are generally sound systems of governance, risk management and control in place across the organisation. Some issues, non-compliance or scope for improvement were identified with the most significant recommendations being as follows. **Building Maintenance Works Scheduling – Follow Up Audit (Limited Assurance)** This follow up Audit has carried forward a number of High Priority recommendations which relate to:- • Creating a formal building maintenance strategy and delivery plan to guide and prioritise building maintenance work. • Review the resourcing and roles and responsibilities of the Building Maintenance Team, and prioritise their work • Consider the balance between planned and reactive maintenance work and review the staff resource allocated	 Head of Assets – Target date June 2023 Head of Assets – July 2023 Head of Assets – March 2024
	Procurement Audit (Limited Assurance) Two high priority recommendations were made • Follow an appropriate procurement route when current energy contracts expire • Maintaining a central contract register	 Head of Assets – Target September 2024 Assistant Director Strategy – Feb 2023

Page 204

Conclusion

The Council is satisfied that appropriate governance arrangements are in place. However it remains committed to maintaining and where possible, improving these arrangements, in particular by addressing the issues identified by Internal Audit and External Audit in their regular reports to the Audit and Governance Committee.

Signed:

Cllr Mandy Ewings

Leader of West Devon Borough Council

Signed:

Andy Bates Chief Executive

On behalf of West Devon Borough Council

Date: 19 March 2024

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Summary Accounts (Audited) 2022/23

West Devon Borough Council

Actual 2021/22 Restated £000	COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	Actual 2022/23 £000
4,113	Customer Service & Delivery	5,411
887	Strategic Finance	1,279
1,908	Place & Enterprise*	3,052
1,239	Governance & Assurance	844
8,147	**Cost of Services - CIES**	**10,586**
(2,200)	Technical/accounting adjustments e.g. removal of depreciation, revaluation and IAS19 retirement benefits	(3,274)
5,947	**Cost of Services – excluding accounting adjustments**	**7,312**
(1,162)	Investment Properties	(1,165)
(35)	Interest and Investment Income	(601)
1,368	Interest payable and repayment of principal debt	1,380
946	Other adjustments	781
7,064	**Amount to be met from Government Grants and taxation (excluding parish precepts) – this compares to the 2022/23 net expenditure budget of £7.77m**	**7,707**
(4,890)	Council Tax income	(5,103)
10	Deficit/(Surplus) on Council Tax Collection Fund	(152)
(1,673)	Business Rates	(1,900)
(557)	Non ringfenced government grants	(690)
(150)	Budgeted earmarked reserve contributions	59
(7,260)	**Total Financing**	**(7,786)**
(196)	**Net General Fund (Surplus)**	**(79)**
(1,294)	**General Fund Balance on 1 April**	**(1,490)**
(1,490)	**General Fund Balance on 31 March**	**(1,569)**

* The increase in Place & Enterprise expenditure mainly relates to payment of the Green Homes grant of £0.537m in 2022/23.

THE COST OF COUNCIL SERVICES FOR 2022/23

The Comprehensive Income and Expenditure Account (CIES) details the cost of running Council Services between 1 April 2022 and 31 March 2023, where the money came from to finance those costs along with the surplus at the year end.

The 2022/23 budget for West Devon was £7.77m but the actual net spend was 1.0% lower, providing a surplus of £79,000 for the year.

SUMMARY OF THE FINANCIAL POSITION 2022/23

In 2022/23 the Council incurred additional costs and a shortfall in income of £1.162m (equating to 15% of the Council's net budget of £7.770million). Many of the additional costs were as a result of the current economic climate with high inflation and the cost of living crisis. The extra costs incurred in the year included the impact of the local government pay award (£230,000) and inflation (over the amount budgeted) for the waste contract and IT costs totalling £289,000. In addition there were additional waste contract costs totalling £328,000 and the Council experienced a shortfall in planning income of £185,000 plus a net income shortfall in car parking of £78,000.

These extra costs and shortfall in income were offset by the Council generating additional investment income from treasury management of £575,000, as a result of the Council realising the opportunity from high interest rates. Overall £1.241m of additional income and reductions in costs were achieved in 2022/23 equating to 16% of the Council's net budget of £7.770 million. This was generated from various services including the extra investment income, salary savings and a reduction in homelessness prevention costs.

SAVINGS AND ADDITIONAL INCOME

Savings and additional income were identified in the 2022/23 budget setting process and were closely monitored during the year. In 2022/23 £423,000 of savings and additional income were achieved compared to the original target of £271,000. This is mainly due to the additional recycling income generated.

COLLECTION FUND – COUNCIL TAX AND BUSINESS RATES

The Collection Fund holds the transactions of the Billing Authority in relation to the collection of council tax and business rates from taxpayers and its distribution to local authorities and the Government.

Council Tax

The income from Council Tax totalled £48.1m in 2022/23. The Council collected 98.34% of council tax in 2022/23, which was in the top quartile of all Councils nationally.

Business Rates

Business Rates receivable totalled £8.9m in 2022/23. The Council collected 98.95% of business rates in 2022/23, which was in the top quartile of all Councils nationally.

BALANCE SHEET

The Balance Sheet shows what the Council owns, owes or is owed.

2021/22 £000	BALANCE SHEET	2022/23 £000
	Net Assets	
44,690	Building, Land & Assets owned by the Council	37,832
3,732	Money Owed to the Council	5,118
17,753	Investments – long term and short term*	10,662
10,011	Cash and Cash Equivalents	11,153
(15,604)	Money Owed by the Council*	(8,909)
(921)	Provisions – Business Rates Appeals	(733)
(24,220)	Pension (Liability)/Asset**	(5,490)
(1,321)	S106 Deposits	(1,259)
(28,341)	Borrowing – long term and short term	(27,726)
5,779	**Total Net Assets**	**20,648**
	FINANCED BY:	
	Usable Reserves	
1,490	General Fund Balance	1,569
9,189	Earmarked Reserves	8,902
409	Capital Reserves	382
	Unusable Reserves	
19,789	Capital Finance & Revaluation of Assets	13,579
(864)	Collection Fund Adjustment Accounts	1,813
(24,220)	Pension Reserve**	(5,490)
(14)	Other Unusable Reserves	(107)
5,779	**Total Reserves – Usable and Unusable**	**20,648**

* The reduction in investments and money owed by the Council as at 31 March 2023 partly relates to the timing of the Council Tax energy rebate grant (£2.99m) which was received at the end of 2021/22 and the payments were made on behalf of Central Government at the beginning of 2022/23. In addition the Council also administered various Business Grants on behalf of Central Government in 2021/22 and part of the reduction in investments relates to unapplied funding being repaid to Central Government in 2022/23.

** The pension liability as at 31 March 2023 of £5.49million is significantly lower than the previous year (£24.22million) as a result of the actuary reducing life expectancy projections and an increase in interest rates affecting the discount rate for liabilities.

CAPITAL PROGRAMME

Capital expenditure represents monies spent on the purchase, construction or major refurbishment of assets. The Council's capital expenditure amounted to £2.049m in 2022/23. The main areas of expenditure were residential renovation grants (£1.135m) and Green Homes grants (£0.537m).

A breakdown of the main types of capital expenditure and the sources of funding are shown below:

2021/22 £000	CAPITAL PROGRAMME FOR THE YEAR	2022/23 £000
	Capital Expenditure	
208	Property	91
4	Other Land	12
102	Plant & Equipment	144
166	IT Software	95
607	Disabled Facilities Grants & Regulatory Reform Order Grants	1,135
–	Green Homes Grants	537
16	Other Private Housing	35
1,103	**Total expenditure for capital purposes**	**2,049**
	Sources of Finance	
(115)	Capital Receipts	–
(607)	Government Grants and Other Contributions	(1,791)
(96)	Earmarked Reserves	(208)
(123)	Revenue	(50)
(162)	Borrowing	–
(1,103)	**Total capital financing**	**(2,049)**

BORROWING

Total borrowing for the Council has reduced from £28.341m as at 31 March 2022 to £27.726m as at 31 March 2023. No further external borrowing took place during 2022/23.

Agenda Item 8

External Audit Plan
West Devon Borough Council

For the year ended 31 March 2024

Contents

Appendices

Welcome

The purpose of this report is to give you an overview of the nature and scope of our audit work and bring to your attention the key aspects of the audit. The document also ensures that there is good communication between us, as auditors, and you.

If you have any queries regarding the plan, including the arrangements noted below, then please do not hesitate to contact us.

This Audit Plan has been prepared for the sole use of the management and those charged with governance of the Council. Except where required by law or regulation, this report should not be made available to any other parties without our prior written consent., No responsibilities are accepted by Bishop Fleming towards any party acting or refraining from action as a result of this plan.

We are issuing our 2023/24 External Audit Plan now, as it is our intention to issue your Audit Plan as close the year-end to which it relates, to ensure that there is timely discussion of the key areas of focus. We are aware that your 2022/23 external audit has not yet completed, so there may be some further changes to our approach, depending on the outcomes from that process. We will communicate any changes with you, as our audit progresses.

Nathan Coughlin – Key Audit Partner

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E: ncoughlin@bishopfleming.co.uk

1. General Audit Information

1.1. Engagement objectives and scope

The scope of our work is set in accordance with the National Audit Office's Code of Audit Practice (The Code) and the International Standards on Auditing (ISAs) (UK). Our work is planned to provide a focused and robust audit. We are required to provide an independent opinion as to whether the financial statements:

- give a true and fair view of the financial position of the Council at the year end and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Throughout the audit we will also ensure that, in line with the latest Auditing Standards, we communicate on a regular basis with those charged with governance.

We are also required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024. The Code of Audit Practice requires us to report on the Council's arrangements under three specified reporting criteria:

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

The respective responsibilities of the audited body and the auditor are summarised in The Code. They are also set out in the PSAA Statement of Responsibilities of auditors and audited bodies issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as your external auditor.

At the time of writing this Plan, there are a number of consultations ongoing. A Joint statement explaining the package of measures and how the various elements are intended to interact has been published on the Department for Levelling Up, Housing and Communities website. The outcomes of these consultations may impact on our audit plan and we will discuss any changes to our proposed work and timetable with management and the Audit and Governance Committee as events become clearer.

1.2. Audit reports

Financial statements

On completion of our audit work on the financial statements, we will issue our Audit Completion Report to the Audit and Governance Committee, which will set out our findings.

In our Auditor's Report we will report on the basis under which the financial statements have been prepared and whether they give a true and fair view. The audit report will also:

- report on whether other information presented with the audited financial statements (for example, the Narrative Report and Annual Governance Statement) is materially consistent with the financial statements or our knowledge obtained in the audit; and
- conclude on the appropriateness of management's use of the going concern basis of accounting.

The form and content of our Auditor's Report may need to be amended in light of our audit findings.

We are required to report to you by exception the following matters, if:

- the Annual Governance Statement does not comply with "Delivering Good Governance in Local Government: Framework 2016 Edition" published by CIPFA/SOLACE; or
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014; or
- we make a written recommendation to the Council 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.

Where no matters are identified, this will also be confirmed.

Value for Money arrangements

On the completion of our work on whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, we will issue our Auditor's Annual Report to the Audit and Governance Committee. This will provide a commentary on the Council's arrangements under the three specified criteria. The report will also set out whether any significant weaknesses were identified and any relevant recommendations.

1.3. Audit materiality

In planning and performing our audit work we will consider whether the financial statements are free from 'material misstatement'.

Materiality is an expression of the relative significance of a particular matter in the context of the financial statements as a whole. In general, misstatements, including omissions, are considered to be material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

The assessment of whether a misstatement is material in the context of the financial statements is a matter of professional judgement and will have regard to both the size and the nature of the misstatement, or a combination of both. It is also affected by our perception of the financial information needs of users of the financial statements. Thus, different materiality levels may be appropriate when considering different aspects of the financial statements.

If there are any areas of specific concern in which you would like us to pay particular attention to then we will be pleased to discuss this with you, and whether our audit approach can be readily adapted to accommodate such a level in that area, or whether it will be more appropriate for a special exercise to be carried out on the area.

Our basis of materiality has been set as follows:

	Basis of materiality
West Devon Borough Council	2% of gross expenditure This equates to £626k (based on the unaudited 2022/23 statement of accounts)

Whilst the level of materiality is applied to the financial statements as a whole, we must also address the risk that any identified unadjusted audit differences are material when considered in aggregate. To reduce the risk of this being the case, we apply a lower level of materiality which we utilise within our work, known as Performance Materiality. This is set at a lower level than overall materiality and is determined by our assessment of the element of audit risk that pertains to the internal control environment of the Council.

1.4. Risk assessment and significant risks

Financial statements

When planning our audit work, we will seek to minimise the risk of material misstatements occurring in the financial statements. To do this, we consider both the risk inherent in the financial statements themselves and the control environment in which the Council operates. We then use this assessment to develop an effective approach to the audit.

This risk assessment directs our testing towards the balances and transactions at the greatest risk of material misstatement so as to minimise the risk of undetected material misstatements. However, we do not test every group of transactions or balances but carry out sample testing of balances and transactions.

Therefore, there is an inherent and unavoidable risk that some material misstatements may not be detected and therefore audit procedures should not be relied upon to detect all material misstatements, fraud, irregularities or instances of non-compliance.

Based on our knowledge of the Council, we have identified the following as significant risk areas to be addressed during the audit. We understand that CIPFA LASAAC will be consulting on temporary changes to the Code of Practice on Local Authority Accounting to reduce burdens on those who prepare and audit local body accounts. These proposed changes include extending overrides on infrastructure assets, simplifying the professional revaluation of operational property, and reducing disclosure requirements around net pension assets and liabilities for at least 2 years. This may affect the significant risks we have currently identified and the approach we have proposed to address these risks. This is our initial assessment of audit risk based upon our work completed to date. Our conclusions may change, and additional risks may be identified as we complete additional planning procedures. We will provide the Audit and Governance Committee details of any changes in our risk assessments.

Risk	Audit Approach
Management override of controls (required under the ISAs)	We are required by auditing standards (ISA 240) to consider fraud and management override of controls to be a significant risk for all audits as no matter how strong a control environment, there is the potential for controls to be overridden or bypassed. To address this risk, we will: • Review the reasonableness of accounting estimates and critical judgements made by management; • Test journals with a material impact on the results for the year; and • Consider a sample of other journals with key risk attributes. In testing journals, we will use data analytics tools to interrogate the whole population of journals posted in the year and focus on those with key risk factors.

Risk	Audit Approach
Fraud in revenue recognition (required under the ISAs)	There is also a rebuttable presumption under auditing standards that revenue may be misstated due to improper recognition of revenue. This presumption may be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud in revenue. Having considered the risk factors set out in ISA240 and the nature of the revenue streams of the Council, we have concluded that the risk of fraud arising from revenue recognition can be rebutted because our initial assessment is that: • There is little incentive to manipulate revenue recognition; • Opportunities to manipulate revenue recognition are very limited; and • The culture and ethical framework of local authorities, including West Devon Borough Council, mean that all forms of fraud are seen as unacceptable.
Fraud in expenditure recognition	Practice Note 10: Audit of Financial Statements and regularity of public sector bodies in the United Kingdom sets out that the risk of fraud related to expenditure is also relevant. We therefore need to consider whether we have any significant concerns about fraudulent financial reporting of expenditure which would need to be treated as a significant risk for the audit. Our initial assessment is that we do not consider this to be a significant risk for West Devon Borough Council because: • Our work to date has suggested that 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.
Valuation of land and buildings	There is a risk over the valuation of these assets due to the values involved and the high degree of estimation uncertainty, due to the sensitivity of the estimate to changes in key assumptions and judgements. To address this risk, we will: • Document our understanding of the processes and controls put in place by management, and evaluate the design of the controls; • Review the instructions provided to the valuer and the valuer's skills and expertise, in order to determine if we can rely on the management expert; • Write to the valuer to confirm the basis on which the valuation was carried out; • Confirm that the basis of valuation for assets valued in year is appropriate based on their usage; • Review the appropriateness of assumptions used in the valuation of land and buildings. For assets not formally revalued in the year we will assess how management has satisfied itself that these assets are not materially different from the current value at the year-end; • Review accuracy and completeness of information provided to the valuer, such as floor areas; • Test a sample of revaluations made during the year to ensure that they have been input correctly into the Council's asset register; and • Form our own expectations regarding the movement in property values and comparing this to the valuations reflected in the Council's financial statements, following up valuation movements that appear unusual.

Risk	Audit Approach
Valuation of investment properties	There is a risk over the valuation of these assets due to the values involved and the high degree of estimation uncertainty, due to the sensitivity of the estimate to changes in key assumptions and judgements. To address this risk, we will: • Document our understanding of the processes and controls put in place by management, and evaluate the design of the controls; • Review the instructions provided to the valuer and the valuer's skills and expertise, in order to determine if we can rely on the management expert; • Write to the valuer to confirm the basis on which the valuation was carried out; • Confirm that the basis of valuation for assets valued in year is appropriate based on their usage; • Review the appropriateness of assumptions used in the valuation; • Review accuracy and completeness of information provided to the valuer, such as floor areas; • Test a sample of revaluations made during the year to ensure that they have been input correctly into the Council's asset register; and • Form our own expectations regarding the movement in property values and comparing this to the valuations reflected in the Council's financial statements, following up valuation movements that appear unusual.
Valuation of the pension fund net liability	There is a risk over the valuation of the pension fund net liability due to the values involved and the high degree of estimation uncertainty, due to the sensitivity of the estimate to changes in key assumptions. To address this risk, we will: • Document our understanding of the processes and controls put in place by management, and evaluate the design of the controls; • Review the instructions provided to the actuary and the actuary's skills and expertise, in order to determine if we can rely on the management expert; • Consider the accuracy and completeness of the information provided to the actuary; • Ensure that the disclosures in the financial statements in respect of the pension fund liability are consistent with the actuarial report from the actuary; • Carry out 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 • Obtain assurances from the auditor of Devon County Council Pension Fund in respect of the controls around 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.

We will report back to you as part of our completion audit work, on the outcome of our work addressing these areas.

Value for money arrangements

As part of our planning work, we have also considered whether there are any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources that we need to perform further procedures on.

We have not identified any risks of significant weakness at this stage.

We will keep our risk assessment under continual review and any changes will be communicated to those charged with governance.

1.5. Control environment

Through our audit planning procedures, we will continue to develop our understanding of the control environment in which the Council operates.

At the time of issuing our Audit Plan, out initial view is that the control environment in which the Council operates is effective and we will tailor our audit approach accordingly. In the current year, we anticipate that our audit approach will focus on substantive procedures.

1.6. Adjusted and unadjusted items

Of the potential audit adjustments that we identify during our audit work, some may require adjustment. The decision to make an adjustment to the financial statements is one that the Council will need to make.

At the conclusion of the audit, we shall provide you with a schedule of potential adjustments that we identified during our audit work.

We will require you to confirm that you have considered the items and whether you have decided to adjust them in the financial statements; this will be included in the letter of representation.

We shall also provide you with a schedule, detailing those items that we identified during our audit work, which have not been adjusted for in the financial statements. This summary will not include errors that are 'clearly trivial', defined by us as those errors which individually account for no more than 5% of our materiality level.

We will require you to confirm that you have duly considered these unadjusted errors and that you have decided not to adjust for them in the financial statements; this will also be included in the letter of representation.

1.7. Fraud

While the Council has the ultimate responsibility for the prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud. Our audit approach includes the consideration of fraud throughout the audit, including making enquiries of management and those charged with governance.

1.8. Prior year recommendations

We will follow up on the progress made by the Council in addressing the recommendations made by the Council's previous auditor in respect of deficiencies reported in their ISA260 Audit Report.

2. The Audit Team

Responsible individual:	Nathan Coughlin
Email:	ncoughlin@bishopfleming.co.uk
Manager:	Mark Bartlett
Email:	mbartlett@bishopfleming.co.uk

Nathan and Mark will also be leading the audit services to South Hams District Council to ensure a joined up service that minimises the disruption for your finance teams.

3. Timetable

A full audit timetable has been included below:

West Devon Borough Council YEAR END: 31 March 2024	
Date	**Requirement**
Feb - April 2024	• Meetings with management • Meetings with Chair of Audit and Governance Committee • Review of predecessor auditor's files
Feb - April 2024	Planning procedures undertaken, examining systems and controls in place.
From w/c 29 July 2024 – September 2024	Audit fieldwork to be undertaken, completing work on significant risk areas and other material balances.
October 2024	Audit completion meeting with year-end draft Audit Completion Report
Autumn 2024	Audit and Governance Committee
Autumn 2024	Accounts to be approved.

Our main aim for the current year is to pull back the date of the audit sign-off into the Autumn. You are expecting your 2022/23 audit to be signed off shortly, but the delays have impacted upon our initial plans over the volume of work we could complete before the year end. The agreed timetable will still require significant efforts from the joint finance team to achieve with the prior year audit work being completed in early 2024 impacting business as usual requirements. We are satisfied that the proposed timetable will be a positive step in pulling forward the approval of the financial statements compared to the current audit cycle.

The audit fieldwork will be run concurrently with the audit of South Hams District Council as agreed with the finance team as the most effective way to complete the work given the aligned systems and processes. We will work with management to agree a detailed timetable of when information will be ready for audit and we will seek to select items for testing in advance of our fieldwork where appropriate and efficient to do so.

4. Audit Fees

West Devon Borough Council, in line with most other local government bodies, opted into the national scheme run by Public Sector Audit Appointments (PSAA) for the appointment of its external auditor for the five-year period with effect from 2023/24. PSAA set the scale fee for the audit of West Devon Borough Council under the contract. The audit scale fee set by PSAA for the Council and our proposed variations are set out below:

PSAA scale fee 2023/24	£122,265
Proposed fee variations:	
ISA 315	£ TBC

The scale fees set by PSAA:

- are based on the expectation that complete and materially accurate financial statements, with supporting working papers, will be available within agreed timeframes (as set out in PSAA's Statement of Responsibilities document); and
- reflect as far as possible the predecessor auditor's previous assessment of audit risk and complexity.

Where work was substantially more or less than envisaged by the scale fee, we will propose that the fees should be varied. PSAA determine the outcome of any fee variations. The proposed fee variations set out above reflect issues that were not reflected in the scale fee when it was set by PSAA.

As the individual responsible for the project management of the audit, Mark Bartlett will monitor the position in relation to any issues that could potentially give rise to a fee variation and discuss them with the Chief Finance Officer/s.151 officer at the earliest opportunity.

There are no non-audit fees proposed at the planning stage.

ISA 315

The proposed fee variation in relation to ISA 315 is in respect of a significant change to auditing standards that applied for the first time for your audit for the year ended 31 March 2023. Due to the timing of the tender process, the impact of this has not been built into the audit scale fees.

In summary the main changes were as follows:

- The introduction of five new inherent risk factors to aid in risk assessment; subjectivity, complexity, uncertainty, change and susceptibility to misstatement due to management bias or fraud.
- The introduction of a new spectrum of risk, at the higher end of which lie significant risks.
- The requirement for "sufficient, appropriate" evidence to be obtained from risk assessment procedures as the basis for the risk assessment.
- The introduction of more requirements in relation to gaining an understanding of the entity's IT environment, including requirements to identify and assess risks of material misstatement arising from the use of IT related to the IT applications and other aspects of the entity's IT environment.

5. Ethical Issues

In order to comply with professional and ethical standards we are required to communicate to you all significant facts and matters that, in our professional judgement, may affect the firm's independence. This is for reference only, and unless you wish to make any comments, there is no need to respond.

5.1. Threats & safeguards

The standards require us to consider the perceived potential threats to our objectivity and independence in carrying out the audit. We are not providing any other audit related or non-audit related services. We have not identified any threats to the firm's independence.

5.2. Overall assessment

We can confirm that we comply with the Financial Reporting Council's (FRC) Ethical Standard and are able to issue an objective opinion on the financial statements. 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.

5.3. Maintaining objectivity & independence

As a firm we have policies and procedures in place to monitor auditor objectivity and independence on a regular basis. If any additional threats are identified, we will of course advise you immediately.

We also perform an annual review of completed audit engagements for quality control purposes.

If you would like to discuss any of the above, please contact us.

Appendices

1. Required communications with the Audit and Governance Committee

Under the auditing standards, there are certain communications that we must provide to the Audit and Governance Committee as those charged with governance. These include:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and those charged with governance.	Audit Plan
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Plan
With respect to misstatements: • uncorrected misstatements and their effect on our audit opinion; • the effect of uncorrected misstatements related to prior periods; • a request that any uncorrected misstatement is corrected; and • in writing, corrected misstatements that are significant.	Audit Completion Report
With respect to fraud communications: • enquiries of those charged with governance to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity; • any fraud that we have identified or information we have obtained that indicates that fraud may exist; and • a discussion of any other matters related to fraud.	Audit Completion Report Discussions at audit committees
Significant matters arising during the audit in connection with the entity's related parties.	Audit Completion Report
Significant findings from the audit including: • our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • significant difficulties, if any, encountered during the audit; • significant matters, if any, arising from the audit that were discussed with management; • written representations that we are seeking; • expected modifications to the audit report; and • other matters significant to the oversight of the financial reporting process or otherwise identified during the audit that we believe will be relevant to the Committee when fulfilling their responsibilities.	Audit Completion Report
Significant deficiencies in internal controls identified during the audit.	Audit Completion Report
Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.	Audit Completion Report
Audit findings regarding non-compliance with laws and regulations	Audit Completion Report Discussions at audit committees
Significant matters in relation to going concern.	Audit Completion Report
Indication of whether all requested explanations and documents were provided by the entity.	Audit Completion Report
Confirmation of independence and objectivity of the firm and engagement team members.	Audit Plan Audit Completion Report

Bishop Fleming

Audit · Accountancy · Tax · Advisory

This document is confidential to: West Devon Borough Council

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Report to:	**Audit and Governance Committee**
Date:	**19 March 2024**
Title:	**Proposed Internal Audit Plan for 2024-25**
Portfolio Area:	**Performance & Resources - Cllr C Edmonds**
Wards Affected:	**All**
Urgent Decision: **N**	Approval and clearance obtained: **Y**

Author: **Paul Middlemass** Role: **Audit Manager**

Contact: Paul.Middlemass@devon.gov.uk **07736 155687**
Tony.Rose@devon.gov.uk **01392 383000**

Recommendations:

It is recommended that:

The proposed Internal Audit Plan for 2024-25 be approved.

1. Executive summary

The purpose of this report is to provide Members with the opportunity to review and comment upon the proposed internal audit plan for 2024/25.

The 2024/25 audit plan sets out the proposed audit resource allocated to each audit area, although the plan needs to remain flexible to be able to respond to any changing risks and priorities of the Authority.

2. Background

All principal Local Authorities, including West Devon Borough Council, are subject to the Accounts and Audit (England) Regulations 2015, which state:

"A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance".

The Public Sector Internal Audit Standards require that the Head of Internal Audit must "establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals". When completing these plans, the Head of Internal Audit should take account of the organisation's risk management framework. The plan should be adjusted and reviewed, as necessary, in response to changes in the organisation's business, risk, operations, programs, systems and controls. The plan must take account of the requirement to produce an internal audit opinion and assurance framework.

This audit plan has been drawn up, therefore, to enable an opinion to be provided at the end of the 2024/25 year in accordance with the above requirements.

Whilst West Devon Borough Council and South Hams District Council operate as two unique councils, services are delivered by one integrated organisation. To reflect that shared services working arrangement, the 2024/25 audit plan is presented as a combined plan. Where there are risks or issues that relate specifically to one council and not the other, the audit plan will be varied to include those areas of work as appropriate.

3. Outcomes/outputs

We have created a four-year plan to ensure all core council areas are periodically audited which we have discussed with management. More significant or important areas are audited more frequently in the period. The focus of the paper in this meeting is on the plan for 2024/25. Member input to the plan is useful to ensure that the audit plan will covering the areas of most concern. That said, the plan is reviewed and amended in year as required to reflect emerging issues.

4. Options available and consideration of risk

No alternative operation has been considered as the failure to develop a risk-based plan to determine the priorities of internal audit activity which is consistent with the priorities of the organisation would be contravene the Public Sector Internal Audit Standards and the Accounts and Audit Regulations 2015.

5. Proposed Way Forward

On agreement to the plan, we will undertake our audits while agreeing audit timing to ensure our work is delivered at the most appropriate time for the council.

6. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	The Accounts and Audit Regulations 2015 issued by the Secretary of State require every local authority to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards. The work of the internal audit service assists the Council in maintaining high standards of public accountability and probity in the use of public funds. The service has a role in promoting robust service planning, performance monitoring and review throughout the organisation,

		together with ensuring compliance with the Council's statutory obligations.
Financial	Y	There are no additional or new financial implications arising from this report. The cost of the internal audit team is in line with budget expectations.
Risk	Y	The work of the internal audit service is an intrinsic element of the Council's overall corporate governance, risk management and internal control framework.
Supporting Corporate Strategy	Y	This plan and the work of Internal; Audit supports all the Council's corporate strategy themes.
Climate Change – Carbon / Biodiversity Impact	Y	None directly arising from this report. The Internal Audit function, managed by Devon Audit Partnership is mindful of the need to minimise travel in completing the internal audit plan. Where possible, desk-top review of documents, and the use of electronic records, is used to support the audit process, although it is inevitable that on-site verification may be required at times. The team use an audit management system (Ideagen) which supports remote management review, thus also saving on the need for travel.
Comprehensive Impact Assessment Implications		
Equality and Diversity	N	There are no specific equality and diversity issues arising from this report.
Safeguarding	N	There are no specific safeguarding issues arising from this report.
Community Safety, Crime and Disorder	N	There are no specific community safety, crime and disorder issues arising from this report.
Health, Safety and Wellbeing	N	There are no specific health, safety and wellbeing issues arising from this report.
Other implications	N	There are no other specific implications arising from this report.

<u>Supporting Information</u>

Appendices:

Appendix – Draft Internal Audit Plan for 2024/25

Background Papers:

None

Approval and clearance of report

Process checklist	Completed
Portfolio Holder briefed	**Yes**
SLT Rep briefed	**Yes**
Relevant Exec Director sign off (draft)	**Yes**
Data protection issues considered	**Yes**
If exempt information, public (part 1) report also drafted. (Committee/Scrutiny)	**N/A**

devon audit partnership

Internal Audit Plan 2024-25

West Devon Borough Council

Audit and Governance Committee

19 March 2024

Tony Rose
Head of Audit Partnership

Auditing for achievement

CUSTOMER SERVICE EXCELLENCE

CSE

Introduction

Internal auditing is defined by the Public Sector Internal Audit Standards (PSIAS) which set out the requirements of a ‘Board’ and of ‘senior management’. For the purposes of the internal audit activity within the Council the role of the Board within the Standards is taken by the Council’s Audit and Governance Committee and senior management is the Council’s Leadership Team.

This Council’s Internal Audit Charter formally describes the purpose, authority, and principal responsibilities of the Council’s Internal Audit Service, which is provided by the Devon Audit Partnership (DAP) as represented in the audit framework at Appendix 2, and the scope of Internal Audit work. The PSIAS refer to the role of “Chief Audit Executive”. For the Council this role is fulfilled by the Head of Devon Audit Partnership.

The Audit and Governance Committee, under its Terms of Reference contained in the Council’s Constitution, is required to review the Internal Audit Plan to provide assurance on the governance framework (see Appendix 3).

The Chief Audit Executive is responsible for developing a risk-based plan which considers the organisation’s risk management framework, including using risk appetite levels set by management for the different activities or parts of the organisation as represented in Appendix 4.

The audit plan represents the proposed internal audit activity for the year and an outline scope of coverage. At the start of the audit the scope is agreed with management with the aim to provide Senior Management and members with assurance on the control framework to manage the risks identified. The plan will remain flexible, and any changes will be agreed formally with management and reported to the Committee.

Expectations of the Audit and Governance Committee for this annual plan

Members are requested to consider:

- the annual governance framework requirements.
- the basis of assessment of the audit work in the proposed plan.
- the resources allocated to meet the plan.
- proposed areas of internal audit coverage in 2024/25.

Following consideration, the Audit and Governance Committee are required to approve the proposed audit plan.

Tony Rose
Head of Audit Partnership

Contents

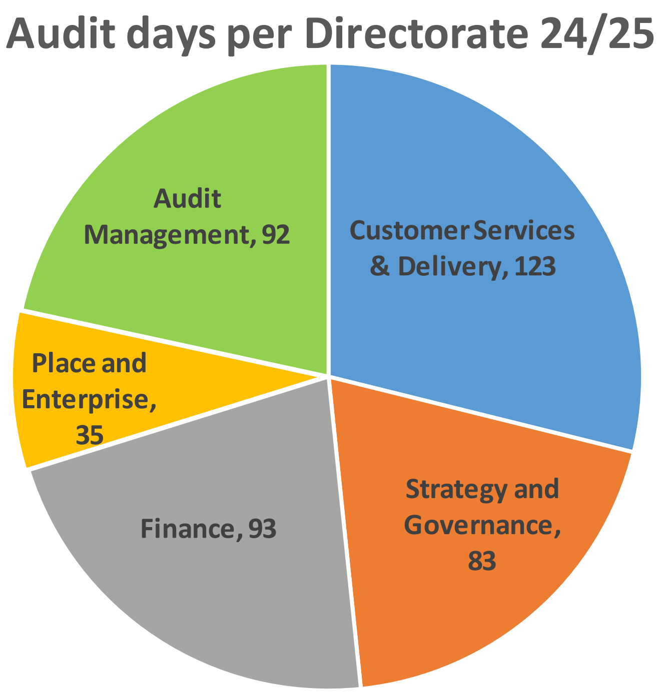
Development of the Internal Audit Plan

This year's audit plan has been developed through discussions with Senior Management, and consideration of the Council's risk register and plan. It is also informed by previous audit findings, and our awareness of current themes in Devon and elsewhere.

Within the plan, we have provided good coverage of Council Corporate risks, and current public sector risks (see Appendix 6). Audit coverage for the year is in the region of 426 days compared to 436 for 2023/24. To help identify future resource requirements and ensure good coverage of risk areas over the medium term, we maintain an indicative four-year plan. Some audits are undertaken every year, others less important are undertaken more infrequently. Our focus for this meeting is to agree the audit days for 2024/25. The plan is a combined plan for South Hams and West Devon, but it indicates those audits relevant to South Hams or West Devon only.

We have provided coverage of all Corporate Risks and include Follow Up audits for any Limited Assurance opinion audits provided in 2023/24.

Audit Plan Summary



Our audit plan at Appendix 1 is grouped into the different management areas as shown in this chart, with the number of days to be provided. The specific audits for each area are detailed in the plan. We also provide detail on when it was last audited, and the assurance opinion provided.

Within the management areas, we identify the following types of audits:

Key Financial Systems audits focused on the process and systems dealing with most of the Council's income and expenditure and which have a significant impact on the reliability and accuracy of the annual accounts. These include Payroll, Creditors, Main Accounting System, Council Tax, Housing Benefit. This work will provide assurance that core controls continue to be effective despite the changing environment. We also undertake work to certify grants.

Risk based audits, particularly those relating to:

- **Strategic Risk** which has a significant impact on the council.
- **Operational Risk** which may impact on individual service areas.

We provide indicative days for each audit to show the expected time to complete the audit. However, actual time to deliver may vary depending on the findings, but also other factors such as ease of audit access. The timing of the audit will be agreed with the business area to ensure it does not impact on business operations. Most of the audits will be delivered by the two auditors directly employed by the council, who are managed by DAP. Some other audits will be undertaken using specialised DAP resource, such as for Cyber Security.

In accordance with the PSIAS, the plan is flexible, to reflect and respond to the changing risks and priorities of the Authority. As a result, it will be regularly reviewed and updated to ensure it remains valid and appropriate. As a minimum, the plan will be reviewed in six months' time to ensure it continues to reflect the key risks and priorities.

Detailed terms of reference will be drawn up and agreed with management prior to the start of each assignment – in this way we can ensure that the key risks to the operation or function are considered during our review.

Appendices 1 to 5 provide more detail on the framework underpinning the internal audit plan.

Other Essential Activity

This includes areas such as Audit Management, support to the National Fraud Initiative and Grant work. During 2023/24, auditor resource continued to support additional Covid-19 business grant work above what was included in the plan resulting in the requirement to carry over work into 2024/25. We have estimated 20 days for this work.

We also include Audit Management in this area. This is work supporting effective and efficient audit services to the Council and ensuring the internal audit function continues to meet statutory responsibilities. In some instances, this work will result in a direct output (i.e., an audit report) but in other circumstances the output may simply be advice or guidance. It includes:

- Preparing the internal audit plan and monitoring implementation.
- Preparing and presenting monitoring reports to Leadership and the Audit and Governance Committee.
- Assistance with the Annual Governance Statement.
- Liaison with other inspection bodies such as External Audit.
- Financial Regulations Exemptions, and waivers.
- Corporate Governance - Internal Audit has become increasingly involved in corporate governance and strategic issues; this involvement is anticipated to continue.

Fraud Prevention and Detection and Internal Audit Governance

Fraud is a recognised risk area for the public sector and effective counter fraud activity assists in the protection of public funds and accountability. Our Counter Fraud Service continues to support work by the council to identify its fraud risks and consider effectiveness of its controls. To support this the authority is encouraged to agree a separate plan of counter fraud work. An annual Counter Fraud Assessment is also provided by our Counter Fraud Manager.

Our Counter Fraud service also oversees investigations, instances of suspected fraud and irregularities referred to it by managers and can also carry out testing of systems considered most at risk to fraud. Our services will liaise with the Council to focus resource on identifying and preventing fraud before it happens. This work is informed by the Fraud Strategy for Local Government “Fighting Fraud Locally”, and the publication “Protecting the English Public Purse”. Additional guidance recently introduced by CIPFA, in their ‘Code of practice on managing the risk of fraud and corruption’, and the Home Office ‘UK Anti-Corruption Plan’, are also relevant.

Partnership working with other auditors

We continue to work to develop effective partnership working arrangements between ourselves and other audit agencies where appropriate and beneficial. We participate in a range of internal audit networks, both locally and nationally, which provide for a beneficial exchange of information and practices. This often improves the effectiveness and efficiency of the audit process, through avoidance of instances of “re-inventing the wheel” in new areas of work which have been covered in other authorities. The most significant partnership working arrangement that we currently have with other auditors continues to be that with the Council’s external auditors, One West, and Audit Southwest (Internal Audit for NHS).

Appendix 1: SHWD Proposed Internal Audit Plan 2024-25

Council	Audit Area	AUDIT	Last Audited	Description / Corporate Risk	2024/25	2025/26	2026/27	2027/28
S.Hams & W.Devon	Core Financial System	Council Tax	2023/24 (tbc)		10	10	10	10
S.Hams & W.Devon	Core Financial System	Housing Benefits	2023/24 (tbc)	Undertake Q2/3 along with other Revenues reviews.	10	10	10	10
S.Hams & W.Devon	Core Financial System	Business Rates (NDR)	2023/24 (tbc)		10	10	10	10
S.Hams & W.Devon	Operational Risk	Building Maintenance & Works Commissioning	2021/22 (Limited Assurance); 2022/23 (Limited Assurance)	Final confirmation that weaknesses identified in previous reports have been addressed.	10		10	
S.Hams & W.Devon	IT Audit	ICT / Cyber Security Audit	2022/23 Cyber Security Malware & Ransomware (Reasonable Assurance); 2023/24 (Reasonable Assurance)	**MEDIUM RISK: CYBER SECURITY** Focus on Patch Management (15 days) and Firewalls (15 days) DAP Cyber Resource to be used for this audit.	30	30	30	30
S.Hams & W.Devon	Strategic Risk	New ICT Systems	Not applicable	System procurement / implementation. **Perhaps review outcomes of the FIT Future IT Project - SMT request to do in 24/25.**	8			
S.Hams & W.Devon	Strategic Risk	Comments & Complaints	2023/24 (Reasonable Assurance)	Corporate system for recognising, recording & responding to comments & complaints.			10	
S.Hams	Operational Risk	Household Waste & Recycling Collection	2023/24 (TBC)	**MEDIUM RISK: DELIVERY OF WASTE AND RECYCLING SERVICE** Service brought back in house Oct 22.			10	
S.Hams	Operational Risk	Commercial (Trade) Waste Collection	2017/18	Service brought back in house for SHAMS Oct 22.	10			10
West Devon	Operational Risk	Contract Management - Household Waste & Recycling	2023/24 (TBC)				10	
S.Hams	Operational Risk	Depots & Stores Control	2019/20 (Improvements Required)	Control of Vehicle, Plant, Fuel, Fuel Cards and Fuel Containers, New software to capture assets - review assets/vehicle/store controls. Deferred from 23/24.	10			10
S.Hams & W.Devon	Operational Risk	Grounds Maintenance	2019/20 (Good Standard)	Audit deferred from 23//24.	15			15
S.Hams & W.Devon	Operational Risk	Markets	2023/24 (Limited Assurance)	**Follow Up of Limited Assurance** - confirm controls over market income and management Includes all Markets.	10			10
S.Hams & W.Devon	Operational Risk	Car Parking	2023/24 (TBC)	Including income collection and enforcement			10	
				TOTAL DAYS	123	60	110	105

Strategy and Governance

Council	Audit Area	AUDIT	Last Audited	Description / Corporate Risk	2024/25	2025/26	2026/27	2027/28
S.Hams & W.Devon	Strategic Risk	Corporate Governance	2023/24 (tbc)	Compliance with CIPFA Corporate Governance code			15	
S.Hams & W.Devon	Strategic Risk	Culture & Ethics	16/17 (Good Assurance)	Deferred from 23/24, to be undertaken Sept 24. To be undertaken by DAP expert.	10			10
S.Hams & W.Devon	Strategic Risk	Counter Fraud arrangements	2022/23 - Annual Assurance	Annual report on Fraud arrangements, undertaken by Ken Johnston.	3	3	3	3
S.Hams & W.Devon	Procurement	Procurement	2023/24 (Reasonable Assurance)	Specific for 24/25 to confirm compliance wht the Procurement Act.	5		10	
S.Hams & W.Devon	Operational Risk	Elections / Electoral Registration	2023/24 (Substantial Assurance)	Arrangements to manage elections. Not looked at for some years and new managers in both councils.	10			5
S.Hams & W.Devon	Operational Risk	Members Allowances	2023/24 (Reasonable Assurance)	Administration of Members expenses			6	
S.Hams & W.Devon	Strategic Risk	Corporate Strategy and Plans	2022/23 (Substantial Assurance)	Management and direction of strategic prioirities	10		10	
S.Hams & W.Devon	Strategic Risk	Performance Management inc KIP's & Data Quality	2023/24 (Reasonable Assurance)	Key performance indicators and the quality of source data (data quality). PI's - meaningful, add value, reported accurately, guidance notes.		10		
S.Hams & W.Devon	Strategic Risk	Risk Management	2022/23 (Reasonable Assurance)		10		10	
S.Hams & W.Devon	Strategic Risk	Management of Partnerships	2022/23 (Reasonable Assurance)			10		
S.Hams & W.Devon	Strategic Risk	Climate Change	2022/23 (Reasonable Assurance)	Meeting the Net Zero target, Adaptation and Mitigation.	10		10	
S.Hams & W.Devon	Operational Risk	Business Continuity / Emergency Planning	2022/23 (Reasonable Assurance)	**MEDIUM RISK: BUSINESS CONTINUITY**	10		10	
S.Hmas & W.Devon	Strategic Risk	Safeguarding	2020/21 (Reasonable Assurance)			10		10

S.Hmas & W.Devon	Strategic Risk	Community Engagement & Consultation	NA	Effectiveness of council in engaging with the public, including on consultations. Advisory work in 24/25 to provide input to the new Communty Development Framework.	5		10	
S.Hams & W.Devon	IT Audit	Social Networking, Communications & Media	2023/24 (Reasonable)	High reputational risk, and important communication tool			7	
S.Hams & W.Devon	Operational Risk	Travel and Subsistence	2023/24 (Reasonable Assurance)	Compliance with internal policies & HMRC requirements to retain receipts for VAT purposes.		10		10
S.Hams & W.Devon	Strategic Risk	Recruitment	2023/24 (Reasonable)	**MEDIUM RISK: INADEQUATE STAFFING RESOURCES** Includes right to work, DBS checks, c**hecking of professional qualifications.**		10		10
S.Hams & W.Devon	Operational Risk	Health and Safety	2020/21 (Reasonable Assurance)	Safety of staff and public impacted by council work		10		10
S.Hams & W.Devon	Operational Risk	Health and Wellbeing (Staff)	2022/23 (Reasonable Assurance)	**MEDIUM RISK: HEALTH AND WELLBEING SERVICE**	10		10	
S.Hams & W.Devon	Operational Risk	Planning - Development Management	2023/24 (TBC)	Review of the planning process (meeting timescales) and new system (planed for end 23/24 or later).				10
S.Hams & W.Devon	Operational Risk	Section 106	2022/23 (Reasonable Assurance)				10	
S.Hams & W.Devon	Operational Risk	Project Management	2023/24 (Reasonable Assurance)	Framework and specific projects.			10	
S.Hams & W.Devon	Operational Risk	Insurance Service	2023/24 (Reasonable Assurance)					7
				TOTAL DAYS	83	63	121	75

Finance

Council	Audit Area	AUDIT	Last Audited	Description / Corporate Risk	2024/25	2025/26	2026/27	2027/28
S.Hams & W.Devon	Key Financial System	Creditors	2023/24 (Reasonable Assurance)		15	15	15	15
S.Hams & W.Devon	Key Financial System	Debtors	2023/24 (Reasonable Assurance)		15	15	15	15
S.Hams & W.Devon	Key Financial System	Main Accounting System (inc budgetary control)	2023/24 (Substantial Assurance)	**MEDIUM RISK: ADHERENCE TO MEDIUM TERM FINANCIAL STRATEGY**	15	15	15	15
S.Hams & W.Devon	Key Financial System	VAT	2022/23 (Reasonable Assurance)	Requested review by a VAT specialist similar to HMRC inspection.	10			
S.Hams & W.Devon	Key Financial System	UK Shared Prosperity Fund	2023/24 (Reasonable Assurance)	Review & sign off of grants paid out from the Shared Prosperity Fund	10	10		
West Devon	Key Financial System	Okehampton Railway Station Levelling Up Fund	2023/24 (Substantial Assurance)	Arrangements of DCC & WD to deliver the work commisioned via the Grant etc.	10	10		
S.Hams & W.Devon	Key Financial System	Treasury Management	2023/24 (Substantial Assurance)		5	5	5	5
S.Hams & W.Devon	Grant Certification	Net Gain Biodiversity Grant	Not applicable	Certification of grant scheme in March 2025	3			
S.Hams & W.Devon	Grant Certification	Homes Energy Grant Phase 2	Not applicable		5			
S.Hams	Key Financial System	Electric Seaway grant sign off	Not applicable	Review and sign off of £90k grant on Electric Seaway. To support return for Mar 25.	5	5		
				TOTAL DAYS	93	75	50	50

Place and Enterprise

Council	Audit Area	AUDIT	Last Audited	Description / Corporate Risk	2024/25	2025/26	2026/27	2027/28
S.Hams & W.Devon	Operational Risk	Environmental Services (Health & Safety)	Not Known	Fly tipping, Abandoned vehicles, Air quality		8		8
S.Hams & W.Devon	Operational Risk	Food Safety	2023/24 (Reasonable Assurance)	**Follow up of 23/24 audit to confirm food checks being undertaken**	10			10
S.Hams & W.Devon	Operational Risk	Commercial Properties and Rent	2023/24 (Reasonable Assurance)			10		10
S.Hams & W.Devon	Operational Risk	Asset Management / Strategy	2022/23	Strategy for investing in new properties and the disposal/utilisation of existing properties.		10		
S.Hams & W.Devon	Operational Risk	Housing	2023/24 (Reasonable Assurance)	Includes: Housing Strategy & RSL's & Housing Standards			10	
S.Hams & W.Devon	Operational Risk	Homelessness	2023/24 (Reasonable Assurance)	**MEDIUM RISK: HOMELESSNESS**		10		10
S.Hams & W.Devon	Operational Risk	SeaMoor Lotto	NA	Management of the lottery	5			5
S.Hams Only	Operational Risk	Dartmouth Lower Ferry	2022/23 - Consultancy on finance system	Operation of the Ferry	10		10	
S.Hams Only	Operational Risk	Salcombe Harbour	2023/24 (Reasonable Assurance)	Management of Harbour operations		10		10
S.Hams Only	Operational Risk	Freeport	NA	Management of the Freeport project - including review of the Company. In conjunction with wider DAP support for several councils.	10			
				TOTAL DAYS	35	48	20	38

Audit Management

Task	2024/25	2025/26	2026/27	2027/28
Completion of Previous Year Plan	20	20	20	20
Audit Management (Audit Plan, Monitoring, Reporting, Audit Committee)	32	32	32	32
Annual Internal Audit Report	2	2	2	2
Exemptions from Financial Regulations	3	3	3	3
National Fraud Initiative	5	5	5	5
Contingency, Advice & Emerging Risks	30	30	30	30
TOTAL DAYS	92	92	92	92
2023/24 days = 436	**426**	**338**	**393**	**360**

Note - while the days in 2025/26 are currently less than for 2024/25, we expect the number to be about 430 days. Additional days will be added for follow up (such as Limited Assurance Opinions) Grant work, and other work to review new issues and concerns.

Appendix 2 - Audit Framework

Internal Audit is a statutory service in the context of The Accounts and Audit (England) Regulations 2015 amended 2021, which state:
"A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards (PSIAS) or guidance".
DAP, through external assessment, demonstrates that it meets the Public Sector Internal Audit Standards (PSIAS).

The Standards require that the Chief Audit Executive must "establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals". When completing these plans, the Chief Audit Executive should take account of the organisation's risk management framework. The plan should be adjusted and reviewed, as necessary, in response to changes in the organisation's business, risk, operations, programs, systems and controls. The plan must take account of the requirement to produce an internal audit opinion and assurance framework.

This audit plan has been drawn up, therefore, to enable an opinion to be provided at the end of the year in accordance with the above requirements.

Devon Audit Partnership

Shared working across authorities in accordance with our internal audit charter

Auditing

evement

We will seek opportunity for shared working across member authorities. In shared working Devon Audit Partnership will maximise the effectiveness of operations, sharing learning & best practice, helping each authority develop further to ensure that risk remains suitably managed.

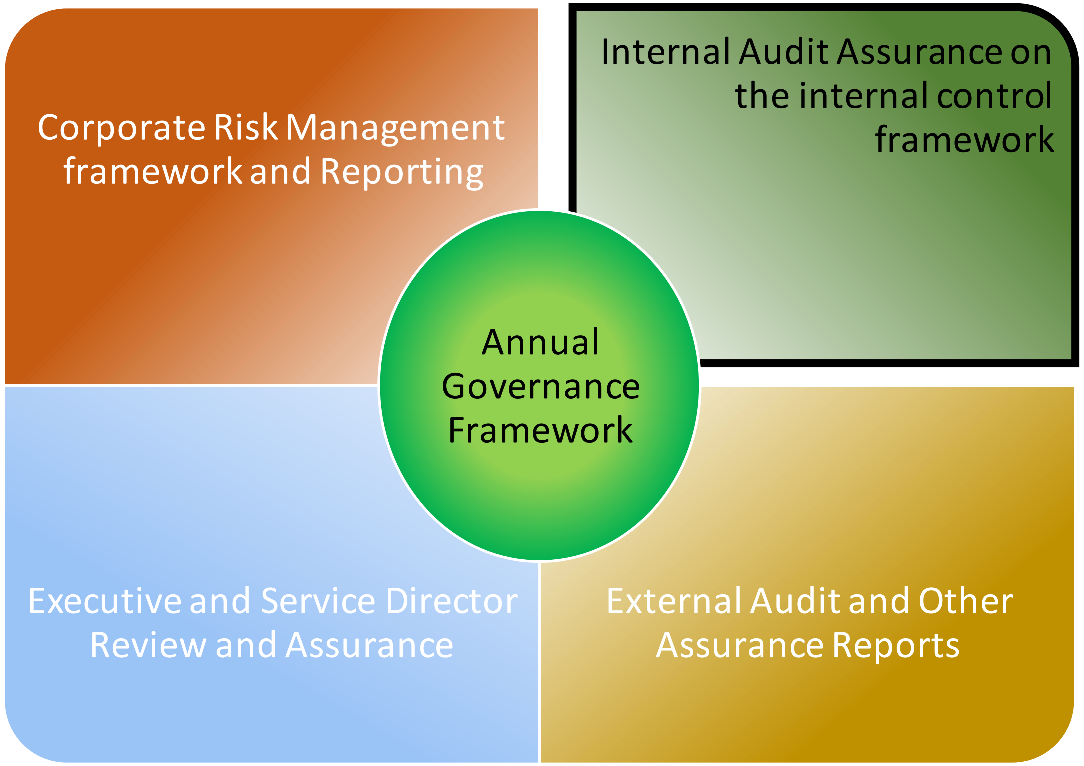
Appendix 3 - Annual Governance Framework Assurance

The Annual Governance Statement provides assurance that:

- The Authority's policies have been complied with in practice.
- high quality services are delivered efficiently and effectively.
- ethical standards are met.
- laws and regulations are complied with.
- processes are adhered to.
- performance statements are accurate.

The statement relates to the governance system as it is applied during the year for the accounts that it accompanies. It should:

- be prepared by senior management and signed by the Chief Executive.
- highlight significant events or developments in year.
- acknowledge the responsibility on management to ensure good governance.
- indicate the level of assurance systems and processes can provide.
- provide a narrative on the process followed to ensure that governance arrangements remain effective. This will include comment upon.
  - The Authority.
  - Audit and Governance Committee.
  - Risk Management.
  - Internal Audit
  - Other reviews / assurance
- provide confirmation that the Authority complies with CIPFA's recently revised International Framework – Good Governance in the Public Sector. If not, a statement is required stating how other arrangements provide the same level of assurance.



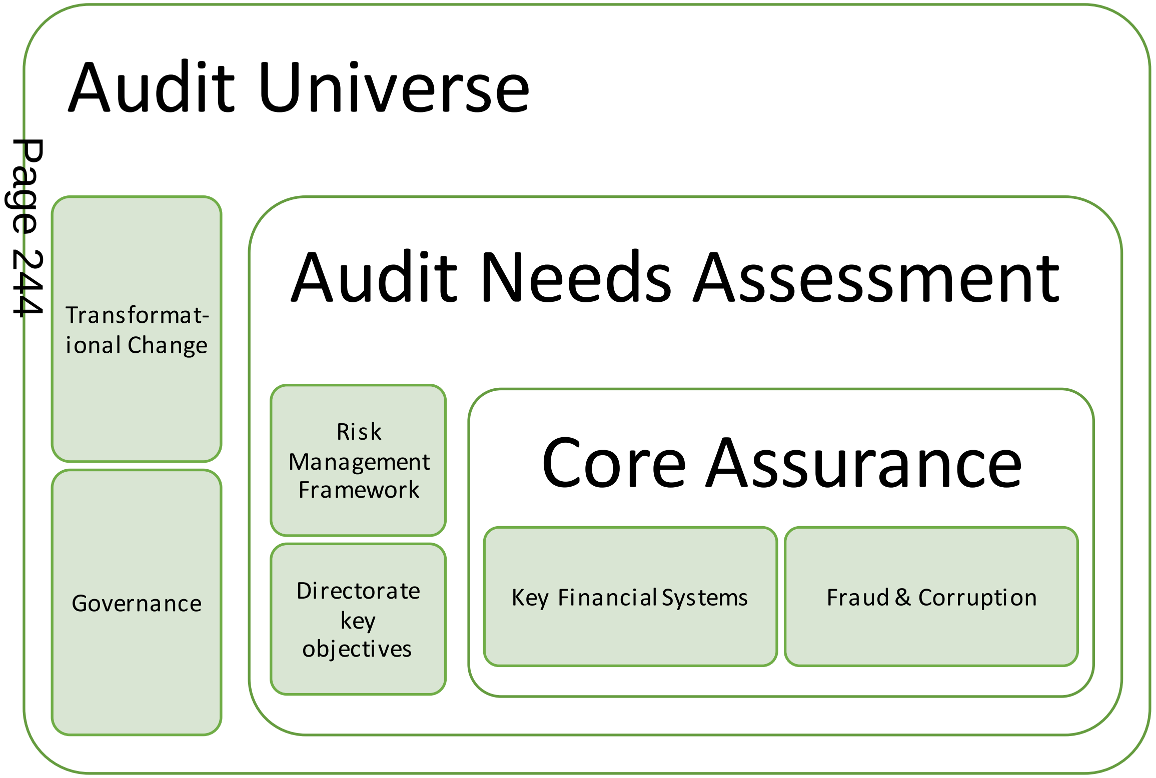
The AGS needs to be presented to, and approved by, the Audit and Governance Committee, and then signed by the Chair.

The Committee should satisfy themselves, from the assurances provided by the Annual Governance process, SLT, Internal Audit, and other assurance providers (e.g., Audit Southwest) that the statement meets statutory requirements.

Appendix 4 - Audit Needs Assessment

Our process to create the audit plan includes discussions with management, review of risk registers, consideration of previous work. We also consider the Audit Universe we maintain for the council. Ultimately, our requirement is to undertake a broad-based audit plan of work that supports provision of an end of year assurance report to support the council's own governance statement.

The result is the Internal Audit Plan set out earlier in this report.



The audit plan for the year plan has been created by:

- Consideration of risks identified in the Authority's strategic and operational risk registers
- Review and update of the audit universe
- Discussions and liaison with Directors and Senior Officers regarding the risks which threaten the achievement of corporate or service objectives, including changes and / or the introduction of new systems, operations, programs, and corporate initiatives
- Taking into account results of previous internal audit reviews
- Taking into account Internal Audit's knowledge and experience of the risks facing the Authority, including factors and systems that are key to successful achievement of the Council's delivery plans
- Requirements to provide a "collaborative audit" approach with the external auditors

Appendix 5 - Our Audit Team and the Audit Delivery Cycle

December March June September December

Date	Activity
Dec / Feb	Meetings with management to discuss the plan
Mar	Internal Audit Plan presented to Audit and Governance Committee
Mar	Internal Audit and Governance Arrangements reviewed by Governance Committee
Mar/Apr	Year-end field work completed
April	Annual Performance reports written
May / June	Annual Internal Audit Report presented to Audit Governance Committee
Apr to Mar	Progress Reports presented to each Audit and Governance Committee
Dec	Internal Audit Plan preparation commences

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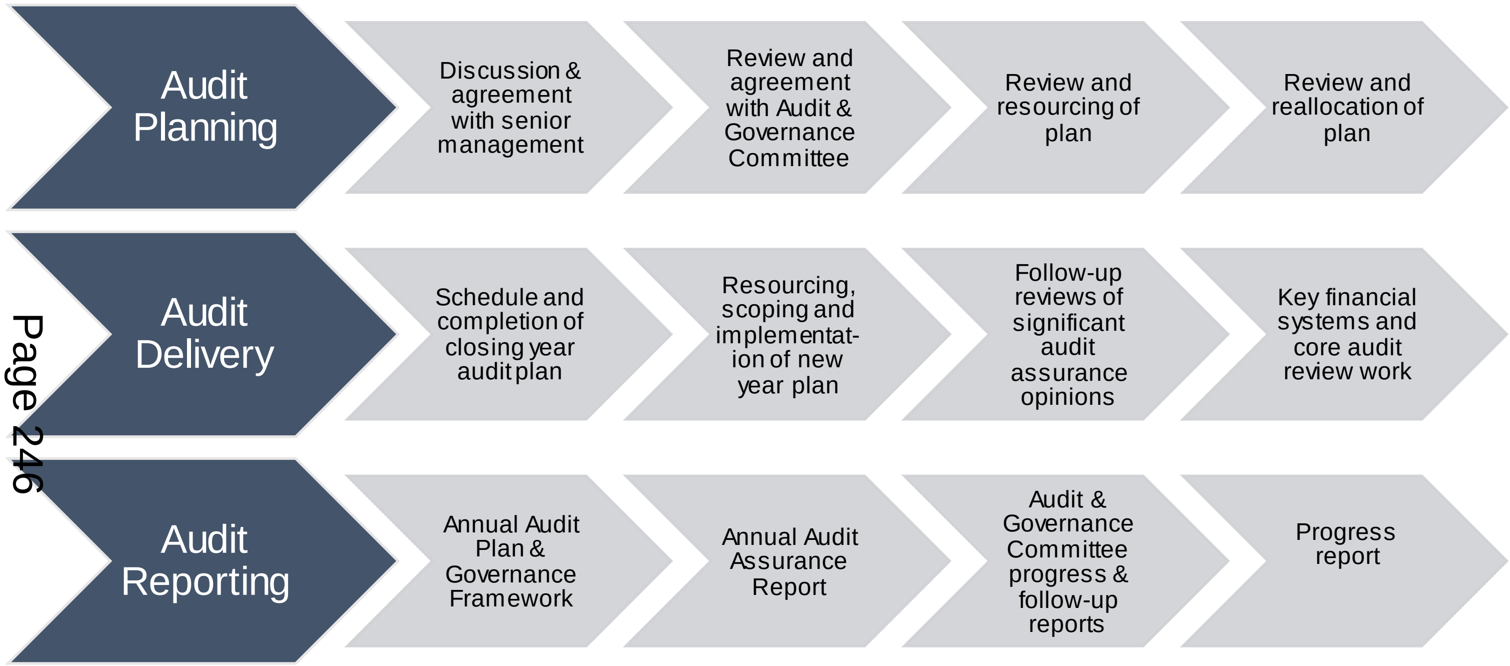
Audit Planning
Discussion & agreement with senior management
Review and agreement with Audit & Governance Committee
Review and resourcing of plan
Review and reallocation of plan
Audit Delivery
Schedule and completion of closing year audit plan
Resourcing, scoping and implementat-ion of new year plan
Follow-up reviews of significant audit assurance opinions
Key financial systems and core audit review work
Audit Reporting
Annual Audit Plan & Governance Framework
Annual Audit Assurance Report
Audit & Governance Committee progress & follow-up reports
Progress report

Appendix 6 Sector Risk Model (European organisations polled by the Institute Internal Auditors – Risk in Focus 2024)

Key Risk areas of organisations that responded:

Cyber security remains the number one concern for almost everyone.
Human Capital – staffing has become more important given shortages in professional and other manpower.
Changes in laws and regulations are also important although a slight reduction since last year.
Macroeconomic and geographical uncertainty has slightly reduced in importance.
Climate change has reduced as a key risk area.

Report to:	**West Devon Audit and Governance Committee**
Date:	**19 March 2024**
Title:	**Progress on the 2023-24 Internal Audit Plan**
Portfolio Area:	**Performance & Resources - Cllr C Edmonds**
Wards Affected:	**All**

Urgent Decision: **N** Approval and clearance obtained: **Y**

Author: **Paul Middlemass** Role: **Audit Manager**

Contacts: Paul.Middlemass@devon.gov.uk **07736 155687**
Tony.D.Rose@devon.gov.uk **01392 383000**

Recommendations:

To note progress made against the 2023/24 internal audit plan, and to discuss any key issues or concerns.

1. Executive summary

The purpose of this report is to inform members of the principal activities and findings of the Council's Internal Audit team.

2. Background

The Audit and Governance Committee, under its Terms of Reference contained in West Devon Borough Council's Constitution, is required to monitor, and review the internal audit programme and findings, and the associated progress and performance of Internal Audit.

The Accounts and Audit (Amendment) (England) Regulations 2015 require that all Authorities need to carry out an annual review of the effectiveness of their internal audit system and need to incorporate the results of that review into their Annual Governance Statement (AGS), published with the annual Statement of Accounts.

The purpose and role of Internal Audit, and of the related Council responsibilities is also contained in the Internal Audit Charter and Strategy.

3. Outcomes/outputs

Members will note the assurances provided on the audits areas and seek management assurance that identified weaknesses are being addressed.

The table below details the assurances we have provided to date for 2023/24:

Audit	Business Area	Assurance Opinion	Comments
Energy Bill Support Scheme	Strategic Finance	Substantial	
Insurance	Strategy and Governance	Reasonable	
Food Safety	Place and Enterprise	Reasonable	
Council Tax Rebate Checks	Strategic Finance	Reasonable	
Project Management	Strategy and Governance	Reasonable	
Travel and Subsistence	Strategy and Governance	Reasonable	
Counter Fraud Resilience and Assessment Report	Strategy and Governance	NA	Provided as separate report in Dec 23 meeting.
Devon Building Control Partnership	NA	Reasonable	Organisation hosted by Teignbridge; provided as a partnership for South Hams, West Devon, and Teignbridge.
Treasury Management	Strategic Finance	Substantial	
Main Accounting	Strategic Finance	Substantial	
Comments and Complaints	Customer Services and Delivery	Reasonable	
Electoral Registration	Strategy and Governance	Substantial	
Members Allowances	Strategy and Governance	Reasonable	
Creditors	Strategic Finance	Reasonable	
Changing Places Fund Grant	Strategic Finance	Grant Certified	
UK Shared Prosperity Fund	Strategic Finance	Substantial	
Housing	Place and Enterprise	Reasonable	
Homelessness	Place and Enterprise	Reasonable	
Performance Management including KPIs and Data Quality – Follow Up	Strategy and Governance	Reasonable	
Markets	Customer Services and Delivery	Limited	
Debtors	Strategic Finance	Reasonable	
Procurement	Strategy and Governance	Reasonable	

Commercial Properties and Rents – Follow Up	Place and Enterprise	Reasonable	
Cyber Security	Customer Services and Delivery	Reasonable	
Recruitment	Strategy and Governance	Reasonable	
Okehampton Railway Station – Levelling Up Fund	Strategic Finance	Substantial	

4. Options available and consideration of risk

No alternative operation has been considered as the function of internal audit is a requirement of Corporate Governance.

5. Proposed Way Forward

That the Audit & Governance Committee notes the results of Internal Audit work undertaken since the last meeting.

6. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	The Accounts and Audit Regulations 2015 issued by the Secretary of State require every local authority to undertake an effective internal audit to evaluate the effectiveness of its risk management, control, and governance processes, considering public sector internal auditing standards. The work of the internal audit service assists the Council in maintaining high standards of public accountability and probity in the use of public funds. The service has a role in promoting robust service planning, performance monitoring and review throughout the organisation, together with ensuring compliance with the Council's statutory obligations.
Financial	Y	There are no additional or new financial implications arising from this report. The cost of the internal audit team is in line with budget expectations.
Risk	Y	The work of the internal audit service is an intrinsic element of the Council's overall corporate governance, risk management and internal control framework.
Supporting Corporate Strategy	Y	This Progress Report and the work of Internal Audit supports all the Council's corporate strategy themes.
Climate Change – Carbon / Biodiversity Impact	Y	None directly arising from this report. The Internal Audit function, managed by Devon Audit Partnership is very mindful of the need to minimise travel in completing the internal audit plan. Where possible, desk-top review of documents, and the use of electronic records, is used to support the audit process,

		although it is inevitable that on-site verification may be required at times. The team use an audit management system (Ideagen) which enables managerial review to take place remotely, thus also saving on the need for travel.
Comprehensive Impact Assessment Implications		
Equality and Diversity	N	There are no specific equality and diversity issues arising from this report.
Safeguarding	N	There are no specific safeguarding issues arising from this report.
Community Safety, Crime and Disorder	N	There are no specific community safety, crime and disorder issues arising from this report.
Health, Safety and Wellbeing	N	There are no specific health, safety and wellbeing issues arising from this report.
Other implications	N	There are no other specific implications arising from this report.

Supporting Information

Attachments:

A - Internal Audit Progress Report

Background Papers:

Internal Audit Plan 2023/24 as approved by Audit and Governance Committee.

Approval and clearance of report

Process checklist	Completed
Portfolio Holder briefed	**Yes**
SLT Rep briefed	**Yes**
Relevant Exec Director sign off (draft)	**Yes**
Data protection issues considered	**Yes**
If exempt information, public (part 1) report also drafted. (Committee/Scrutiny)	**N/A**

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Internal Audit
Progress Report 2023-24

West Devon
Audit & Governance Committee

19 March 2024

Tony Rose
Head of Audit Partnership

Paul Middlemass
Audit Manager

Auditing for achievement

CUSTOMER SERVICE EXCELLENCE CSE

Introduction

The Audit and Governance Committee, under its Terms of Reference contained in West Devon Borough Council's Constitution, is required to consider the Chief Internal Auditor's annual report, to review and approve the Internal Audit programme, and to monitor the progress and performance of Internal Audit.

The Accounts and Audit (Amendment) (England) Regulations 2015 introduced the requirement that all Authorities carry out an annual review of the effectiveness of their internal audit system and incorporate the results of that review into their Annual Governance Statement (AGS), published with the annual Statement of Accounts.

The Internal Audit plan for 2023-24 was presented and approved by the Audit and Governance Committee in March and July 2023. The following report and appendices set out the background to audit service provision and provides a position statement on the overall adequacy and effectiveness of the Authority's internal control environment.

The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an annual report providing an opinion that can be used by the organisation to inform its governance statement. This report contributes to that annual opinion.

Expectations of the Audit and Governance Committee from this progress report

Committee members are requested to consider:

- the assurance statement within this report.
- the basis of our opinion and the completion of audit work against the plan.
- the revised audit plan provided.
- audit coverage and findings provided.
- the overall performance and customer satisfaction on audit delivery.

In review of the above the Audit and Governance Committee are required to consider the assurance provided alongside that of the Hub Committee, Corporate Risk Management and external assurance including that of the External Auditor as part of the Governance Framework and satisfy themselves from this assurance that the internal control framework continues to be maintained.

Contents

Appendices

Opinion Statement

Overall, based on work performed during 2023/24 and our experience from the current year progress and previous years' audit, the Head of Internal Audit's Opinion is of "Reasonable Assurance" on the adequacy and effectiveness of the Authority's internal control framework.

This opinion statement will support Members in their consideration for signing the Annual Governance Statement.

Internal Audit assesses whether key, and other, controls are operating satisfactorily within audit reviews. An opinion on the adequacy of controls is provided to management as part of each audit report.

All final audit reports include an action plan which identifies responsible officers, and target dates, to address control issues identified. Implementation of action plans is the responsibility of management but may be reviewed during subsequent audits or as part of a follow-up.

Directors and Senior Management are provided with details of Internal Audit's opinion for each audit review to assist them with compilation of their individual annual governance assurance statements at year end.

Substantial Assurance	A sound system of governance, risk management and control exist across the organisation, with internal controls operating effectively and being consistently applied to support the achievement of strategic and operational objectives.
Reasonable Assurance	There are generally sound systems of governance, risk management and control in place across the organisation. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of some of the strategic and operational objectives.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified across the organisation. Improvement is required to the system of governance, risk management and control to effectively manage risks and ensure that strategic and operational objectives can be achieved.
No Assurance	Immediate action is required to address fundamental control gaps, weaknesses or issues of non-compliance identified across the organisation. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of strategic and operational objectives.

Executive Summary of Audit Results

Key Financial Systems

Our audit of Debt Management (Reasonable Assurance) reported good controls over debt management. We note a figure of £5.8m for all debt on 30 Nov 23. 75% of the debt was less than a year old, increasing likelihood it would be recovered. The Head of Revenues and Benefits is presenting a report to the Hub Committee in the next few months on the Revenues and Benefits Service (12 Month Review).

We undertook a review of the Okehampton Railway Station Levelling Up Fund and identified appropriate governance arrangements to manage delivery of the grant, including the relationship with Devon County Council.

Risk Based Audits

We provided Reasonable Assurance opinions for the following:

For Cyber Security Governance, we report progress to develop an appropriate governance structure to monitor and manage this high-risk area.

We undertook audits on Housing and Homelessness and noted the initiatives underway to address homelessness and reduce the burden on council budgets.

In the Recruitment audit we noted procedures were effective but identified opportunities such as creation of a Recruitment Policy to provide clarity to all involved, including recruiting managers.

We undertook follow up work on the following Limited Assurance audits and assessed that work to implement management actions meant that they could now be assessed as Reasonable.

For the Performance Management KPIs (Follow Up), we identified the significant improvements to procedures for gathering and reporting data.

For the Procurement (Follow Up) we noted good work to address weaknesses. However, we note significant work is required to ensure the council is ready for the new Procurement Act which comes into force in October 2024.

For the Commercial Properties and Rent (Follow Up) we noted the good control framework to manage and monitor commercial properties and ensure rents are set appropriately and collected

Appendix 1 of this report provides more detail on the audits delivered since the last Committee meeting with the overall assurance opinion and recommendations.

Where a “substantial assurance” or “reasonable assurance” of audit opinion has been provided we can confirm that, overall, sound controls are in place to mitigate exposure to risks identified; where an opinion of “limited assurance” has been provided then issues were identified during the audit process that required attention. We have provided a summary of key issues reported that are being addressed by management. We are content that management are appropriately addressing these issues.

Counter Fraud Work

Recent assessments state that there is an epidemic of fraud cases. Fraud now account for 40% of all crimes; it is anticipated that this will further increase by 25% in the coming years (see Fraud and the Justice System). The government has responded with formation of the Public Sector Fraud Authority. With this landscape, it is important for councils to have effective measures to reduce the risk and impact of fraud.

We have provided a Counter Fraud Resilience and Assessment report and helped update the Anti-Fraud, Bribery and Corruption Policy, Response Plans, and Whistleblowing Policy. These were discussed at the December 2023 Audit and Governance Committee.

Management is aware that suspected fraud issues can be referred to our specialist counter fraud team.

The data analysis review of those receiving Single Person Discounts on Council Tax has started. This is being undertaken by Liberata and paid for by Devon County Council. The exercise is close to completion and has so far realised a net collectible debit of £135k (3.2% removal rate) of which the council’s share would be 11%.

Internal Audit Recommendation Tracking

We have recently provided details of all recommendations from Aug 23 to Feb 24 for officers to track.

In addition to monitoring by the council’s Performance Board, we review closure of High priority recommendations. We also review implementation of all recommendations while undertaking future audits in the area concerned.

Value Added

It is important that the internal audit service seeks to "add value" whenever it can. We consider internal audit activity has added value to the organisation and its stakeholders by:

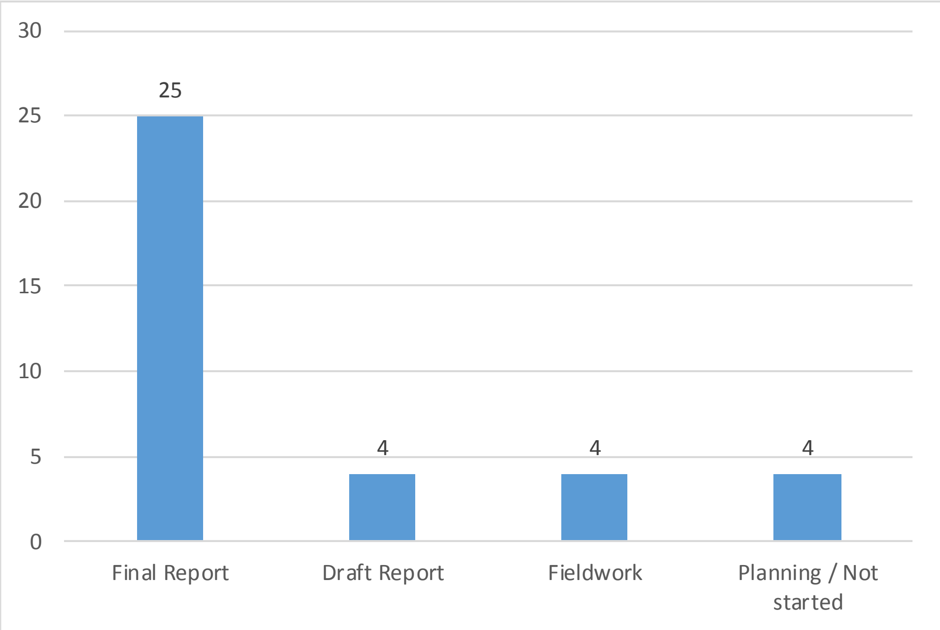
- Providing objective and relevant assurance.
- Contributing to the effectiveness and efficiency of the governance, risk management and internal control processes.
- Adjusting the audit plan to provide real time assurance.
- Comparing and contrasting controls across the different Devon Councils that we support.

Audit Coverage and Performance Against Plan

Appendix 2 provides detail on delivery of the audit plan. During the year additional or ongoing grant reviews (i.e., Covid-19 Business Grants) were undertaken at client request which has taken resource away from the original plan. Some audits were also paused while management undertake reviews. That said, we have made reasonable progress to deliver most of the plan to inform the annual audit report.

The chart below shows the status of audits at each stage. We are on track to deliver 90% of audits for the year.

Chart: Delivery of the 2023-24 audit plan



Customer Satisfaction

For every audit we ask the client to complete a customer satisfaction form. We have had the following returned to us recently.

Audit	Overall Score
Procurement	Excellent
Health and Wellbeing	Excellent
Pay	Excellent
Regeneration and Investment	Excellent
Council Tax Rebate Checks	Excellent

Recruitment of Independent Audit and Governance Committee members

DAP has been supporting the appointment of independent members to District Audit Committees. Prospective candidates will be interviewed first by the Head of DAP and S151 officer, and then by committee members.

Appendix 1 – Summary of audit reports and findings

Audit / Assurance Opinion	Summary, risk exposure and management actions
Debt Management **Reasonable Assurance**	The Council has a good focus on debt collection. The overall debt at the end of 2022/23 has increased over the five-year period since 2018/19 from £4.6m to £5.8m. That said, most of the debt (75%) was less than a year old on 30 November 2023 meaning it is more likely to be recovered. For context, for collection of Council Tax and Business Rates, the council was in the top quartile in comparison to other councils (Council Tax collection rate of 98.34% and Business Rate 98.95% in 2022-23). The values below are the debt held on 31 Mar 23: **Council Tax -** £3,961,731 (The annual amount of council tax billed by WDBC per year is in the region of £51million) **Business Rates -** £1,020,824 (The annual amount of business rates billed by WDBC per year is in the region of £9million) **Sundry Debt -** £338,007 **Housing Benefit Over payments -** £490,975 **Car Parking PCNs -** £21,020 There are processes to monitor and manage debt collection and staff resources appear sufficient. Internal assistance is provided by the Legal service if decided this was the most appropriate debt recovery method. However, there is opportunity to make more effective use of external debt collection agencies, these currently only being used for revenues debts. Although debt write offs are occurring, these reduced during the five-year period but are now improving. The existing write off policy only refers to revenue and benefit debts which may lead to inconsistent decisions regarding write offs across different services. (The Head of Revenues and Benefits has undertaken work to update the write off policy for all debts including sundry debt). There is appropriate focus on improving efficiency, to better use systems and resources and to review processes to improve debt recovery and management. Without appropriate technical knowledge, best

	use may not be made of the debtor system, requiring additional manual input, for example to produce meaningful management reports. The financial software is no longer supported by the system provider, including the debtor system resulting in increased Cyber risk. There is a contractual commitment to update to the most recent software version in the middle of 2024; this was delayed from 2023/24 due to the availability of ICT resource and to avoid the annual final accounts work. Aged data remains on the system, but it is intended to implement the archiving module by the end of 2023/24, subject to other work priorities. Both issues were raised in the 2023/24 Main Accounting System audit. There is opportunity to improve the information provided to all services, as has been done for Assets, and for improved reports on debts to support resource prioritisation on debt recovery. Performance measures would help monitor the effectiveness of existing resource and recovery methods and allow assessment of the impact of changes to procedures. **We agreed five Medium and four Low priority management actions.**
Okehampton Railway Station Levelling Up Fund **Substantial Assurance**	Appropriate governance arrangements exist to manage delivery of the West Devon Transport Hub at Okehampton. WDBC has been designated as the accountable body for the funding allocated by the Department for Transport (DfT), although in practice DCC acts as project executive, managing delivery with commissioned partners, and is responsible for incurring all expenditure. WDBC and Devon County Council (DCC) have agreed a document is needed to recognise that liability should be met by DCC rather than WDBC. This should indemnify WDBC which has no control over project delivery. DCC has drafted an agreement for consideration by the S151 Officer and the WDBC Legal team which is in the process of being finalised. The project board meets monthly to oversee delivery and discuss key risks, which are recorded in a live risk register. The DfT require quarterly monitoring reports and grant monies can be drawn down by WDBC every six months, with £5.3m received to date. DCC has not yet been reimbursed for the £272k it has incurred; a process will be put in place to allow this before the 2023/24 year-end. WDBC members receive verbal reports and an all member briefing, and the project is included in the quarterly capital monitoring reports. There was consultation with a wide range of stakeholders when the project was proposed and there is on-going publicity. We have provided a Substantial Assurance opinion; while actions are required to further protect WDBC

against financial risk, senior managers are aware and are implementing them.

We agreed one High and one Medium priority Management Action.

The High management action related to the need to agree a formal agreement with DCC, transferring responsibility for meeting all funding requirements to the County Council.

Cyber Governance

Reasonable Assurance

We identified a developing governance structure within the organisation, which is progressing positively. The newly developed risk management framework, including the recently formed Performance Board, provide the organisation with a platform to discuss and manage operational and corporate risks. There are clear lines of communication to ensure that decision makers have access to appropriate information to enable them to make informed decisions, with IT being involved from the procurement process, to acting as subject matter experts to decision makers.

There is scope to strengthen the Cyber governance framework; this includes:

- Continuing to fully embed the developing Cyber Response plans throughout the organisation, e.g., there are documents still in draft (e.g., IT Disaster Response plan), specific playbooks requiring further detail; with other playbooks awaiting creation, and the organisation completing limited testing of responses plans (both full / part invocations and table-top exercises).
- From the training completion records provided, Members have a low completion rate of mandatory training. Furthermore, we understand that there are varied levels of knowledge in relation to IT / Cyber risks for Members.
- An approved and formalised IT Strategy for the organisation is not in place (it has recently now been taken to Senior Leadership Team).
- There is no ring-fenced budget for IT security within the 23-24 Budget Book, with reliance on reserves for capital items that relate to IT security (a budget of £75k has recently been added for Business Continuity and Cyber Security)
- There are two management actions which have exceeded their target dates from the 22/23 Malware and Ransomware audit report, and one management action where the risk has been accepted due to mitigations in place. One of the mitigations relates to network segmentation which remains an outstanding action in relation to implementation of Nutanix Flow.

	Although there are areas as outlined above that could be strengthened, we note the ongoing positive direction of travel in relation to the Risk Management Framework and Performance Board, supporting their overall cyber governance. **We agreed one High, six Medium, and four Low Management Actions.** **The High management actions related to ensuring that the different elements of the cyber response plans are introduced (for instance the IT Disaster Recovery Plan is still in draft).**
Housing **Reasonable Assurance**	The Council is working closely with registered housing providers and using its officers and financial resources to provide an effective plan for developing more affordable housing. The Housing Strategy and Action Plan has been updated and approved by members. These are appropriately focused on meeting the declared housing crisis. This includes procurement of five properties from the Government Local Authority Housing Fund. West Devon will also use existing Homes for Ukraine funding from the Council and from Devon County Council (DCC) of £1.4m. These properties will be used for temporary accommodation of people arriving under the Afghan resettlement scheme, Homes for Ukraine and when no longer required for future housing needs of the Council as temporary accommodation. The Councils have also proposed schemes for the procurement or conversion of existing assets to provide additional Council owned long term rental accommodation. This is to reduce the increasing costs of providing temporary accommodation and to reduce the increasing length of stay of these tenants. The Housing Head of Service has estimated that each property could save in the region of £25k annually on temporary accommodation costs. We consider the regular reports submitted to members regarding the Housing crisis and plans are beneficial and support the regular update of the Strategies in the annual Action Plans, approved by members. We agreed management actions related to: • Reports to members include service performance. • Details are provided of the costs of providing the SeaMoor Letting service. A current business plan and objectives are also needed to confirm the scheme is meeting is objectives. • That invoices issued to owners for rent payments include VAT details and rate of VAT. • That managed property inspections are completed as required.

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We agreed eight Medium and eleven Low priority management actions.

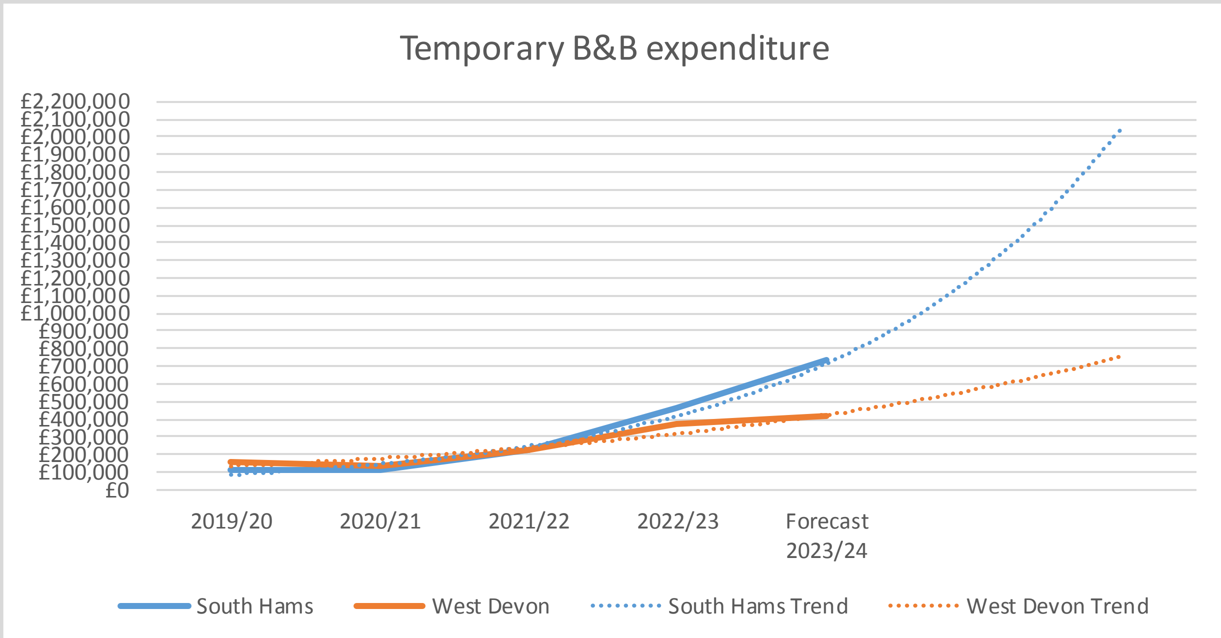
Homelessness

Reasonable Assurance

The Council has a robust Homelessness Strategy in place and is subject to annual input and review by members and partnership organisations. This is supported by an Annual Homelessness Action Plan. Policies and procedures ensure that homelessness prevention schemes are promoted, and applicants appropriately assessed.

The increasing cost impact of homelessness provision is of concern. National temporary Bed and Breakfast spending rose by a third in 2022 compared to 2021. For West Devon the annual increase has been 60% with costs increasing from £229k to £367k for 2022/23. Estimates by the Head of Housing has predicted that figures could reach nearly £415k (£324 with subsidy) for 2023/24 (see chart). This shows the potential costs should current plans have no effect. The plans would increase the West Devon owned housing portfolio to 13 properties. The Housing Head of Service has estimated each property could save approx. £20k to £25k annually on temporary accommodation costs.

Figure Temporary Accommodation Gross Expenditure



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	The level of expenditure is increasing due factors, including: • Increased time spent in temporary accommodation. • The average cost per night increasing from £71 to £100 per night. • Increased demand. • Lack of available accommodation for anyone with complex needs or requiring 4 or more bedrooms. There are currently 13 individuals in temporary accommodation for West Devon. The Council is actively seeking to reduce reliance on pay nightly accommodation by investing in its own stock of temporary accommodation through opportunities such as Local Authority Housing Fund and property acquisition whilst ensuring any stay is kept to a minimum. The Councils have identified the increased costs in the Revenue Budget Monitoring reports submitted to members who recognise this as an area of concern. Options for the current year to use existing funding and reserves, will impact on potential future housing project funding. It will depend on the value of future increased costs, and how the current supply of Council owned property can offset this. The purchase of Council property is outlined in our Housing Audit 2023/24 Report. We have raised in previous audit reports that there is not a comprehensive list of all rent deposits and loans as a liability to the service. The service should also identify the value and action to be taken on recovery of related debts. The service should also have appropriate measures to support Safeguarding by ensuring Disclosure and Barring Service (DBS) checks are held appropriately for all officers that require them. We have suggested the council create a policy that ensures relevant officers are subject to these checks. **Ukraine Refugees -** The Council has provided four officers to help support Ukraine and other refugees. The officers involved have supported 189 individuals in West Devon. Officers have also provided valuable support and learning for individuals to help them gain employment and move to long term accommodation. Good reconciliation processes ensure recovery of all accommodation costs from the government. We have advised that a formal Project Management Plan should be introduced to formerly develop the systems and processes related to the refugee programme. **We agreed one High, eight Medium and ten Low Priority Management Actions.**

	The High action related to including regular reporting of temporary accommodation costs in the Head of Housing monthly housing update to members.
Recruitment **Reasonable Assurance**	The councils are largely successful in recruiting to fill vacancies in good timeframe. There are effective procedures to control recruitment and ensure timely progression from advertising to appointment, although a Recruitment Policy would provide clarity to all involved, including recruiting managers. The HR team have been making improvements to the recruitment process, including launching a new recruitment website to better attract candidates, promote the benefits of working for the Councils and provide a simple, transparent application process. Good progress has been made in introducing i-Trent (the payroll system) to support the process; further significant system-based improvements are proposed, including using reports for basic analysis of the recruitment process. A Recruitment Action Plan would help take these and other improvements forward. An appropriate priority is placed on fair and open competition supported by training, assessment methods, and applicant forms. Advice is provided to recruiting managers at all stages of the process and recruitment and appointment must both be approved by senior management. All recruiting managers attended a one-off training event two years ago, which included equal opportunities, diversity, and unconscious bias. The on-going Line Manager Development Programme (LMDP), mandatory for all line managers at L4 and below, includes the same topics. It was decided Heads of Service and above had sufficient experience in recruitment and only needed to be familiarised with local procedures. Going forward there is going to be emphasis of provision of training for all involved in the recruitment process. We obtained feedback from a small sample of new employees, most of which was very positive. We also spoke to several recruiting managers, who again, whilst largely content with procedures, made several suggestions. Like other organisations it has been difficult to fill professional roles such as for planning and legal officers. Appropriate action is underway to address these areas. Other routes to acquire talent include apprenticeships and professional development of current staff. **We agreed eight Medium and one Low Priority management action.**

Performance Management including KPIs and Data Quality – Follow Up **Reasonable Assurance**	There have been significant improvements to procedures for gathering and reporting data. Overall, we assess that weaknesses identified in our last audit have been addressed. A refreshed Data Quality Framework on management of corporate performance management data has been published and drawn to the attention of all Heads of Service, alongside awareness raising of the importance of data quality. However, this information has not been cascaded down to those officers with day-to-day responsibility for data capture and reporting. Despite this, most have a good understanding of the need for high quality data, based on experience although some do not always demonstrate best practice. The Framework sets out responsibilities for ensuring data quality and procedures for monthly reporting on a suite of operational Key Performance Indicators (KPIs). The suite of KPIs was determined in consultation with the previous member administration, alongside the current corporate strategies. The KPI outturns are captured in a shared spreadsheet and are examined by the Performance Board who interrogate and use the data to inform service delivery. The Performance Board ensures overall compliance with the Framework. Regular reports are taken to the Overview and Scrutiny Committees. Most data is extracted from secure Council systems, only that relating to services delivered under contract being received from external sources. Proportionate checks are made to confirm accuracy of the data provided. The Councils have moved away from use of a central system (Pentana) to store reporting data to Excel spreadsheets. This manual system impacts on availability of an audit trail, and the ability to exploit the data such as through automated dashboard reports. Councils are increasingly using tools to support review and analysis of trends and issues. The council should consider whether investment in this area would be beneficial. **We identified one Medium and four Low priority Management Actions.**
Procurement - Follow Up **Reasonable Assurance**	We provided a Limited Assurance for our report in February 2023. Our current Reasonable Assurance opinion is based on progress to deliver agreed management actions from our previous audit, with most fully or partially actioned. Some have been delayed as they rely on publication of the Procurement Act 2023 which did not happen until October 2023, a year later than expected. There is also focus on meeting the new requirements of the Procurement Act in the transition year ahead. We have suggested development of an action plan to support this. Management should prioritise the following to support this transition: some are already supported by management actions:

	• Appropriate and expert procurement resource is required to build upon the recent drafted Procurement Strategy and action plan provided from the Devon Districts Procurement Group (DDPG) and to develop and implement a strategy specific to SHDC and WDBC, to ensure the council is ready for the Act and can maximise opportunities to support corporate priorities. • Development of key performance indicators to assess the effectiveness of the Strategy, and of the Procurement Service, particularly in responding to the new legislation and the potential it offers to advance corporate priorities. • Additional training specific to the new legislation; management intention is for this to be delivered jointly across the DDPG. • The single Corporate Procurement Officer provides procurement expertise shared by the three Councils (West Devon, South Hams, and Teignbridge). Management recognise current resource is not sufficient and have prioritised the recruitment of additional resource to ensure procurement best practice and remove the single point of failure at key procurement stages of ProContract, the e-procurement system. The Corporate Procurement Officer will also be away from April 2024 for some time. • SHDC and WDBC are recruiting a Procurement Support Officer, initially for a fixed one-year term, to assist with the administrative burden and provide continuity. • The Councils do not have a complete contract register although it has been added to since our last audit. This impacts on the ability to provide the procurement data detailed in the 2015 Transparency Code which is required by Department for Levelling Up, Housing and Communities. The additional resource highlighted above will focus on this work. **We agreed six Medium and three Low Priority management actions, these include some from our previous report.**
Commercial Properties and Rent – Follow Up	Our Reasonable Assurance opinion is based on good progress to deliver agreed management actions from our previous audit, with all fully or partially implemented. The Councils have a good control framework to manage and monitor their commercial properties and ensure rents are set appropriately and collected. There is focus on ensuring software is used effectively to create efficiencies and support best practice. Management should continue to build on progress to date by prioritising completion of the following partially implemented actions: • Develop Liberty workflow processes, particular for tasks which involve Estates, Finance Business Support and/or Legal. • Hold regular meetings with Finance Business Support to review debt recovery progress.

Reasonable Assurance	• Ensure the Concerto software is used effectively to help administer and manage the commercial estate properties effectively. • Ensure the external consultant completes work to review service charges for all properties and maintain them in the future. Progress in improving the administration and management of the commercial property portfolio has been largely achieved by better use of the Concerto software. Key data is now held for all properties, and this may be expanded to include other categories of data. A data cleanse has been carried out and is nearing completion. Several key performance indicators (KPIs) are now measured, including occupancy rates, rental income, and outstanding rent. Work has been done to better understand the cause of trends, for example, whether occupancy rates are high because rents are artificially low. The Head of Assets receives regular updates on all the KPIs and are included in Performance Board reports. Occupancy rates are formally reported to members. A report was developed for the Performance Board, providing an overall health check of the commercial properties, to include outstanding rent reviews, Council rents versus open-market rents, rent arrears, etc. A similar level of reporting is to be maintained. The Estates team remain mindful of whether individual properties continue to meet corporate objectives. Alternatives are considered for those which do not perform as well as expected, such as selling or re-purposing the property. Future considerations are taken into considered, besides current performance. For example, a property may be in a strategic location that may benefit the authority in the future. The process for rent reviews has been considered and aligned across the Estates team. This, alongside use of Concerto to provide reminders of when lease events fall due, has led to improved timeliness of rent reviews. The corporate workflow system, Liberty, has been used to improve the Legal work request process, enabling the Legal team to respond more promptly to requests for new or revised leases. Invoices are no longer issued for 'peppercorn' rents, which are not economically viable to collect. However, they remain necessary for low value insurance recharges. The need for Legal assistance with debt recovery has been reduced by reviewing Estates working practices. More active intervention is taken when tenants do not pay rent on time, to avoid arrears arising in the first instance. If a debt remains unpaid for more than sixty days, action is taken. **We agreed two High, three Medium and one Low priority management actions.**

	The High Management actions relate to: • **The review and update of service charges should be completed.** • **The review and update of existing property database on Concerto should be completed.**

Appendix 2 – Progress on delivery of the plan

Audit	Business Area	Assurance Opinion	Comments
Final Report issued / Work Completed			
Energy Bill Support Scheme	Strategic Finance	Substantial	
Insurance	Strategy and Governance	Reasonable	
Food Safety	Place and Enterprise	Reasonable	
Council Tax Rebate Checks	Strategic Finance	Reasonable	
Project Management	Strategy and Governance	Reasonable	
Travel and Subsistence	Strategy and Governance	Reasonable	
Counter Fraud Resilience and Assessment Report	Strategy and Governance	NA	Provided as separate report in Dec 23 meeting.
Devon Building Control Partnership	NA	Reasonable	Organisation hosted by Teignbridge; provided as a partnership for SH, WD, & Teignbridge.
Treasury Management	Strategic Finance	Substantial	
Main Accounting	Strategic Finance	Substantial	
Comments and Complaints	Customer Services and Delivery	Reasonable	
Electoral Registration	Strategy and Governance	Substantial	
Members Allowances	Strategy and Governance	Reasonable	
Creditors	Strategic Finance	Reasonable	
Changing Places Fund Grant	Strategic Finance	Grant Certified	
UK Shared Prosperity Fund	Strategic Finance	Substantial	

Homelessness	Place and Enterprise	Reasonable	
Housing	Place and Enterprise	Reasonable	
Performance Management including KPIs and Data Quality – Follow Up	Strategy and Governance	Reasonable	
Debtors	Strategic Finance	Reasonable	
Procurement	Strategy and Governance	Reasonable	
Commercial Properties and Rents – Follow Up	Place and Enterprise	Reasonable	
Cyber Security	Customer Services and Delivery	Reasonable	
Recruitment	Strategy and Governance	Reasonable	
Homes England Grant	Strategic Finance	Reasonable	South Hams only
Okehampton Railway Station Levelling Up grant	Strategic Finance	Substantial	

Audit	Business Area	Comments
Draft Report		
Salcombe Harbour	Place and Enterprise	South Hams only
Safeguarding	Strategy and Governance	
Social Networking, Communications and Media	Strategy and Governance	We have provided an initial summary report to officers to inform development work. We will provide a formal audit report in Quarter 4.
Fieldwork		
Building Maintenance and Works – Follow Up	Customer Services and Delivery	We have monthly meetings with officers to discuss work to improve controls and implement our recommendations. An update audit report will be provided in Quarter 4.
Household Waste and Recycling	Customer Services and Delivery	
Car Parking	Customer Services and Delivery	
Planning – development management	Strategy and Governance	Include review of S106.

Audit	Business Area	Comments
Planning / Not Yet Started		
Business Rates	Customer Services and Delivery	Follow up of Limited Assurance report, start mid Mar 24.
Council Tax	Customer Services and Delivery	Follow up of Limited Assurance report, start mid Mar 24.
Housing Benefits	Customer Services and Delivery	Start early Mar 24.
Contract Management: Waste and Recycling	Customer Services and Delivery	Start mid Mar 24.

Audit	Business Area	Comments
Deferred to 2024/25		
Corporate Governance	Strategy and Governance	Start Apr / May
Culture and Ethics	Strategy and Governance	Deferred to 2024/25
Health and Safety	Strategy and Governance	Start Apr 24
Environmental Services (Health and Safety)	Place and Enterprise	Start Apr 24
Grounds Maintenance	Customer Services and Delivery	Start Apr / May 24
Depot and Stores Control	Customer Services and Delivery	Start Apr 24

Report to:	**Audit and Governance Committee**
Date:	**19 March 2024**
Title:	**2024/25 Capital Strategy, 2024/25 Treasury Management Strategy and 2024/25 Investment Strategy**
Portfolio Area:	**Resources – Cllr C Edmonds**
Wards Affected:	**All**
Urgent Decision: **Y**	Approval and clearance obtained: **Y**

Author: **Lisa Buckle** Role: **Corporate Director for Strategic Finance (S151 Officer)**

Clare Scotton **Principal Accountant**

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Recommendations:

1. That the Audit and Governance Committee scrutinises and recommends to Council the approval of the 2024/25:

    i) Capital Strategy (as attached at Appendix A)
    ii) Treasury Management Strategy (as attached at Appendix B)
    iii) Investment Strategy (as attached at Appendix C)
    iv) That delegated authority be given to the Section 151 Officer, in consultation with the Leader of the Council and the Hub Committee Member for Finance, to make any minor amendments to these Strategies if required throughout the 2024/25 Financial Year.

1. Executive summary

1.1 This report recommends to Council approval of the proposed Capital Strategy, Investment Strategy and Treasury Management for 2024/25, together with their associated prudential indicators. It is a legal requirement to publish these strategies by 31 March 2024.

1.2 Revised reporting is required since the 2019/20 reporting cycle due to revisions of the MHCLG Investment Guidance, the MHCLG Minimum Revenue Provision (MRP) Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code. The primary reporting changes included the introduction of a capital strategy, to provide a longer-term focus to the capital plans and greater reporting requirements surrounding any commercial activity undertaken.

1.3 The current guidance for a Council's level of borrowing is the Prudential Code (2021) and as "proper practice" must be adhered to. The following extracts from the Code summarise the Code's approach to level of borrowing (self-regulating) and the governance that should apply.

"the local authority shall ensure that all its capital and investment plans are affordable, prudent and sustainable.

'A local authority shall determine and keep under review how much money it can afford to borrow.'

"the level of capital investment that can be supported will, subject to affordability and sustainability, be a matter for local discretion"

Capital Strategy - As from 2019/20, all local authorities are required to prepare an additional Capital Strategy report. The Capital Strategy for 2024/25 is attached in Appendix A.

In 4.3, the Capital Financing Requirement, the measure of the Council's underlying need to borrow for the capital programme, has been projected to be £23.7 million for 2024/25. This includes borrowing for leisure, waste fleet, Kilworthy Park and four investment properties.

Investment Strategy – The guidance includes a new requirement for Councils to prepare an Investment Strategy since 2019/20. Councils are required to prepare indicators that enable Members and the public to assess the Council's investments and the decisions taken. The new indicator measures net commercial income as a percentage of net service expenditure and total investment exposure.

Treasury Management Strategy - Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2021 Edition* (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year. This report fulfils the Council's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code.

1.4 To demonstrate the proportionality between the treasury operations and the non-treasury operation, high-level comparators are shown throughout all three of the Strategies presented for approval.

2. Outcomes/outputs

2.1 In light of the recent raise in interest rates, the budget for investment income has increased for 2024/25 and has been set at £800,000.

2.2 External treasury management training (by Link Group) was arranged for all Members in November 2023 to ensure Members have up to date skills to continue to make capital and treasury management decisions.

3. Options available and consideration of risk

3.1 It is a statutory requirement for the Council to annually approve its Capital Strategy, Treasury Management Strategy and Investment Strategy.

4. Proposed Way Forward

4.1 That Audit Committee scrutinises and recommends to Council the approval of the Capital Strategy (Appendix A), Treasury Management Strategy (Appendix B) and Investment Strategy (Appendix C) for 2024/25.

5. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	The elements set out in paragraph 2 cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, MHCLG MRP Guidance, the CIPFA Treasury Management Code and MHCLG Investment Guidance. It is within the Terms of Reference of the Audit Committee to receive regular reports on the treasury management function. It is within the Terms of Reference of the Hub Committee to receive regular monitoring reports on the Council's Capital Programme and Capital Plans.
Financial implications to include reference to value for money	Y	Good financial management and administration underpins the entire treasury management strategy. The budget for investment income for 2024/25 has been set at £800,000.
Risk	Y	The security risk is the risk of failure of a counterparty. The liquidity risk is that there are liquidity constraints that affect the interest rate performance. The yield risk is regarding the volatility of interest rates/inflation. The Council produces an Annual Capital Strategy, Investment Strategy and Treasury Management Strategy in accordance with CIPFA guidelines. The Council engages a Treasury Management advisor and a prudent view is always taken regarding future interest rate movements. Investment interest income is reported quarterly to SLT and the Hub Committee as part of budget monitoring reports.
Supporting Corporate Strategy		The treasury management function supports all of the Thematic Delivery Plans within 'A Plan for West Devon'.
Climate Change - Carbon / Biodiversity Impact		The Council's investments are predominantly sterling-denominated term deposits. These are not long-term investments that are specifically used by financial institutions to "on-finance" projects, but used as part of day-to-day cash flow balances. The Council also does not make equity investments in financial institutions.

		The Council declared a Climate Change and Biodiversity Emergency on 23 July 2019 and a Climate Change Action Plan was presented to Council in December 2019. Further detail is set out in the Council's 'A Plan for West Devon' strategy.
Comprehensive Impact Assessment Implications		
Equality and Diversity		None directly arising from this report.
Safeguarding		None directly arising from this report.
Community Safety, Crime and Disorder		None directly arising from this report.
Health, Safety and Wellbeing		None directly arising from this report.
Other implications		None directly arising from this report.

Supporting Information

Appendices:

Appendix A – Capital Strategy 2024/25
Appendix B – Treasury Management 2024/25
Appendix C – Investment Strategy 2024/25

Background Papers:

None

Approval and clearance of report

Process checklist	Completed
Portfolio Holder briefed/sign off	**Yes**
SLT Rep briefed/sign off	**Yes**
Relevant Heads of Practice sign off (draft)	**Yes**
Data protection issues considered	**Yes**
Accessibility checked	**Yes**

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APPENDIX A

Capital Strategy 2024/25

1 Introduction

1.1 The CIPFA 2021 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report which will provide the following:

- A high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services.
- An overview of how associated risk is managed.
- The implications for future sustainability

2 Capital Expenditure and Financing

2.1 Capital expenditure is where the Council spends money on assets, e.g. property/ vehicles that will be used for more than one year. In Local Government this includes spending on assets owned by other bodies and loans and grants to other bodies, enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure, e.g. assets costing below £10,000 are not capitalised and are charged to revenue in the year.

2.2 As at the end of January 2024, the Council has incurred capital expenditure of £2,875,278 and will incur further capital expenditure by the end of March 2023. The Council capital expenditure is summarised below:

Capital expenditure	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Services (including Housing)	2,032,000	4,061,000	11,465,000	9,782,000	1,945,000
Total	**2,032,000**	**4,061,000**	**11,465,000**	**9,782,000**	**1,945,000**

Transport Hub

2.3 West Devon Borough Council has been successful in a £14.9million bid to develop a new railway station and integrated transport hub on the Eastern edge of Okehampton. The plans will see the construction of a brand new, purpose built station and car park, which will be easily accessible from the nearby A30, built at the bottom of Devon County Council's business park off Exeter Road. The aim is to create an area with facilities for bus connections, cycle links and electric vehicle charging. The Borough Council will be the accountable body for the capital project and the estimated capital expenditure (profiled over the next three financial years) has been included within the Council's capital expenditure estimates within the strategy. The funding will be provided by the Department for Levelling Up Housing and Communities (DLUHC) and the project will be delivered in partnership with Devon County Council and Network Rail.

2.4 20 Plymouth Road

A scheme was agreed at Full Council on 19th December 2023 to repurpose 20 Plymouth Road in Tavistock from office accommodation to three residential units. This will support the Council's temporary Housing needs. The scheme will be financed using £500k from internal borrowing and £150k from Housing Revenue Grants.

Regeneration and Investment Strategy

2.5 The Council has approved a Regeneration and Investment Strategy (Minute Reference CM72, Council 5th April 2022). To date, Investment Properties have a value of £16.62 million in aggregate as at 31 March 2023.

Overall Borrowing Limit

2.6 In September 2019, Council approved an overall Borrowing Limit (for all Council Services) of £50 million. As at the end of January 2024, the Council's current level of external borrowing is £27.2m.

2.7 Local Authorities are required to submit a summary of their planned capital spending and PWLB borrowing for the following three years. This is updated on at least an annual basis. PWLB borrowing is permitted for the four categories of regeneration, service delivery, housing and refinancing.

Governance

2.8 The Head of Finance Practice invites bids for capital funding from all service managers annually on the strict proviso that all bids must go towards meeting a strategic priority. All capital bids are ranked against a prescribed priority criteria which is set out in the bid process. Submitted capital bids are assessed against the categories in each priority. Priority 1 categories include meeting strategic priorities and statutory obligations (e.g. Health and Safety, Disability Discrimination Act etc.) and other capital works required to ensure the existing Council property assets remain open. Priority 2 categories link to good asset management whereby the capital work proposed would either generate capital/revenue income or reduce revenue spending. A capital bid that will enable rationalised service delivery or improvement is also considered a Priority 2 category to meet the Council's aims and objectives. The final capital programme is then presented to Hub Committee and to Council in February each year.

2.9 All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). The planned financing of the above capital expenditure is as follows:

Financing of capital expenditure	**2022/23 Actual**	**2023/24 Estimate**	**2024/25 Estimate**	**2025/26 Estimate**	**2026/27 Estimate**
Capital Expenditure	**2,032,000**	**4,061,000**	**11,465,000**	**9,782,000**	**1,945,000**
Financed by:					
External sources (Capital grants, NHB, S106)	1,774,000	*3,489,000	*9,916,000	*7,386,000	*1,945,000
Own resources (Capital receipts, Earmarked reserves)	258,000	572,000	1,052,000	396,000	0
Net financing need for the year (This is the prudential borrowing required)	**0**	**0**	**800,000**	**2,000,000**	**0**

*This includes Government Grant *funding from the Department for Levelling Up Housing and Communities (DLUHC) for the Okehampton Transport Hub*

2.10 Debt is only a temporary source of finance, since loans must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as Minimum Revenue Provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. Planned MRP and use of capital receipts are as follows:

Replacement of debt finance	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
MRP	647,000	660,000	674,000	686,000	760,000
Use of capital receipts	0	0	0	0	0

3 Treasury Management

3.1 Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account.

3.2 The Council is typically more cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.

3.3 As at 31 January 2024, the Council had external borrowing of £27.2 million.

3.4 As at 30 September 2023, the Council held £26.4m of Investments.

4 Borrowing Strategy

4.1 The Council's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future.

4.2 These objectives are often conflicting, and the Council therefore will seek to strike a balance between cheap short-term loans and long-term fixed rate loans where the future cost is known but higher.

4.3 Projected levels of the Council's total outstanding debt which comprises borrowing is shown below, compared with the capital financing requirement.

	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Debt at 31 March	27,726,000	27,013,000	26,371,000	25,625,000	24,956,000
Capital Financing Requirement	24,253,000	23,593,000	23,720,000	25,034,000	24,274,000

4.4 The Capital Financing Requirement is the measure of the Council's underlying need to borrow for the capital programme. This has been projected to be £23.7million for 2024/25. This includes borrowing for leisure, waste fleet, Kilworthy Park, Housing projects and four investment properties.

5 <u>Investment Strategy</u>

5.1 Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

5.2 The Council's policy on treasury investments is to prioritise security and liquidity over yield, i.e. to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss.

5.3 Money that will be held for longer terms is invested more widely including in collective investment schemes (pooled funds whose underlying assets are company shares, bonds, property etc.). One example of which is the CCLA Local Authorities' Property Fund in which the Council is invested to balance the risk of loss against the risk of receiving returns below inflation.

5.4 Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Council may request its money back at short notice.

5.5 Further details on treasury investments can be found in the treasury management strategy (Appendix B).

Governance

5.6 Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Corporate Director for Strategic Finance (S151 Officer) and finance staff (where appropriate), who must act in line with the treasury management strategy approved by Council.

5.7 Semi-annual reports on treasury management activity are presented to the Audit and Governance Committee which is responsible for scrutinising treasury management decisions.

6 Investments for Service Purposes

6.1 Governance

Decisions on service investments are made by the relevant service manager in consultation with the Corporate Director for Strategic Finance (Section 151 Officer) and must meet pre-approved criteria and limits. Most loans and shares are capital expenditure and purchases will therefore also be approved as part of the capital programme.

7 Risk Management and Due Diligence

7.1 The Council accepts there is a higher risk on property investments than with treasury investments. Financial risk will be weighed up against social and economic benefits of the investment. The principal risk exposures include variances resulting in a disruption or fall in income streams, fall in capital value which is either site-specific or due to general market conditions, deterioration in the credit quality of the tenant.

7.2 The Council assesses the risk of loss before entering into and whilst holding property investments/property opportunities by carrying out appropriate due diligence checks and implementing mitigation measures in managing risk:

- The tenants need to be of good financial standing (this is assessed using Dun & Bradstreet credit rating reports and annual accounts). The number of tenants e.g. sole tenant or multi tenanted will be assessed.
- The property condition such as date of construction and any imminent or significant refurbishment or modernisation requirements (forecast capital expenditure).
- How the property investment, financial or non-specified investment meets the Council's multiple objectives as set out in the Council's strategy.
- The lease must meet certain standards, such as being in a commercial popular location and have a number of years left on the lease providing a certain and contractually secure rental income stream into the future. Any break clauses will be assessed along with the number of unexpired years, bank guarantees and rent reviews.
- The location will be within West Devon Borough Council's boundary. The population of the catchment area, the economic vibrancy and known or anticipated market demand as well as proximity to travel infrastructure and other similar properties will be assessed.

Future borrowing from the Public Works Loan Board must meet one of the four permitted categories of borrowing of regeneration, service delivery, housing or re-financing of existing debt.

- Rental income paid by the tenant must exceed the cost of repaying the borrowed money from the Public Works Loan Board (which is itself funded by the Government). The surplus is then an ancillary benefit which supports the Council's budget position and enables the Council to continue to provide services for local people.
- The gross and net yield are assessed against the Council's criteria.
- The prevailing interest rates for borrowing at the time.
- Debt proportionality considerations.
- The life and condition of the property is assessed by a valuer and the borrowing is taken out over the life of the asset. The amount of management and maintenance charges are assessed as well as the ease of in-house management. 10% of all rental income (or an amount as deemed prudent) is put into a Maintenance and Management Reserve to cover any longer-term maintenance issues.
- The potential for property growth in terms of both revenue and capital growth will be assessed.
- The risks are determined by the property sector e.g. office, retail, industrial, associated with specific properties and the mix of sectors within the Council's portfolio.
- Details of acquisition costs e.g. stamp duty land tax, legal costs
- The documented exit strategy for a purchase/new build.
- The legal and technical due diligence checks will also identify any specific problems such as anomalies in the title deed, restrictive use classes, indemnities, local competition, construction or refurbishment requirements.
- The Council engages the use of external advisors to assist in undertaking elements of the due diligence checks such as technical, legal, accounting, property and taxation advice.
- The Council undertakes sensitivity analysis of the interest repayments on its borrowing requirements as a percentage of its available reserves to ensure there is sufficient coverage in the event that rental income is below that forecasted. This ensures that the Council has the available reserves to enable service delivery to be maintained in the short to medium term, whilst alternative solutions are implemented.

7.3 Risk of loss shall be assessed on a case by case basis as part of the acquisition due diligence and will be a criteria considered throughout the approval process. Risk of loss during the management phase of the investment shall be reported in accordance with the criteria below. In accordance with Para 23-25 of Statutory Guidance on Local Government Investments, quantitative indicators or risk and portfolio performance will be reported to the Audit and Governance Committee. The frequency of this reporting is anticipated to be every 6 months and will include the following indicators (as applicable):

- Rental value by property
- Rental value by tenant
- Sector split by purchase price
- Purchase price
- Rental income profile
- Tenant lease length
- Gross Yield
- Management, Maintenance and Risk Mitigation Reserve (MMRM)
- Current value

Governance

7.4 Acquisitions must conform to the adopted Regeneration and Investment Strategy. Any deviation from the agreed Strategy will require Council approval. The Council has approved a Regeneration and Investment Strategy (Minute Reference CM72, Council 5th April 2022).

7.5 The Council's Senior Leadership Team will initially consider each proposal as an initial step and recommend that the proposal proceeds in principle.

7.6 The Regeneration and Investment Committee will consider and evaluate (in accordance with this Strategy) proposals for acquisition of assets on a case by case basis, and will make any necessary recommendations to the Head of Paid Service and Section 151 Officer who will make a decision in consultation with the Leader of the Council and Chairman of the Regeneration and Investment Committee.

7.7 The Council will consider debt proportionality (the amount borrowed to date against the net service expenditure ratio) on a case by case basis for each acquisition as part of the decision making process. Investment indicators are set out within the Council's Treasury Management Strategy.

7.8 The Council undertakes sensitivity analysis of the interest repayments on its borrowing requirements as a percentage of its available reserves to ensure there is sufficient coverage in the event that rental income is below forecast. The Council also sets aside 15% annually of all rental income and other income into a Maintenance, Management and Risk Mitigation (MMRM) Reserve. This is part of the Council's contingency arrangements.

7.9 Specialists will be commissioned to act on behalf of the Council to source suitable properties and manage the acquisition due diligence process.

7.10 Before a final decision is made to proceed with an acquisition, local ward Members will be briefed and be able to share their views with the Regeneration and Investment Committee.

7.11 Development proposals on Council owned land must also conform to the objectives of the Regeneration and Investment Strategy.

7.12 Unlike investment acquisitions however, they shall not benefit from the same scheme of delegation. Instead, approvals must be sought through the Hub Committee and Full Council process. Decisions on in area development shall consider, as appropriate, the views of the local Members and key stakeholders (Town Council / Parish Council) as one of many aspects of any projects brought forward.

Debt Proportionality

7.13 The investment strategy considers the risks of investment and the Council engaged Treasury Management advisors to analyse the level of debt proportionality to the Council's finances (e.g. levels of reserves, asset base and level of interest costs as a percentage of income).

7.14 Investment Property acquisitions expand the Council's balance sheet and interest costs will form a higher percentage of locally derived income. It would absorb a high level of reserves if there are shortfalls in or disruption to the income stream required to meet the additional expenditure.

7.15 Sensitivity analysis on the level of debt interest against the Council's level of reserves is considered as part of the Medium Term Financial Strategy and as part of the budget proposals each year. This ensures that the Council has the available reserves to enable service delivery to be maintained in the short to medium term, whilst alternative solutions are implemented.

7.16 In order that investments remain proportionate to the size of the Council, borrowing for the Regeneration and Investment Strategy is subject to an overall limit (for all Council services) of £50 million.

7.17 The Council set an upper limit on External Borrowing (for all Council services) as part of the Medium Term Financial Strategy of £50 million. Interest payments at 2.6% (current debt) and 5% (borrowing headroom) would equate to 18.8% of available reserves (Appendix G to the Budget Proposals report for 2024/25 – Council 20th February 2024).

Liquidity

7.18 Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice and can take a considerable period to sell in certain market conditions. To ensure that the invested funds can be accessed when they are needed, for example to repay capital borrowed, the Authority will spread its liquidity profile across its portfolio and also have a spread of the sector in which the Council invests. The Council also documents potential exit strategies as part of its due diligence checks.

7.19 Liquidity will be a factor in determining the amount of rent set aside in the Maintenance Management and Risk Mitigation Reserve for each investment which has a balance in excess of £475,000 as at 31 March 2024. This will be reviewed with the same frequency as the risk reporting procedure set out in the Council's Commercial Investment Strategy.

8 Asset Management

8.1 To ensure that capital assets continue to be of long-term use, the Council has an asset management strategy in place.

8.2 When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt.

8.3 Repayments of capital grants, loans to third parties for capital expenditure and investments also generate capital receipts.

8.4 The Council estimates to receive nil capital receipts in the coming financial year as follows:

Capital Receipts	2022/23 actual	2023/24 forecast	2024/25 budget	2025/26 budget	2026/27 budget
Asset sales	0	0	0	0	0
Loans repaid	0	0	0	0	0
TOTAL	**0**	**0**	**0**	**0**	**0**

9 Liabilities

Governance

9.1 Decisions on incurring new discretional liabilities are taken by Head of Practice in consultation with the Corporate Director for Strategic Finance (Section 151 Officer).

9.2 The risk of liabilities crystallising and requiring payment is monitored as part of the budget monitoring and reported to the Hub Committee quarterly.

10 Revenue Budget Implications

10.1 Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, Business Rates and general government grants.

Proportion of financing costs to net revenue stream

	2022/23 actual	2023/24 forecast	2024/25 budget	2025/26 budget	2026/27 budget
Financing costs	778,880	88,480	577,489	776,360	785,209
Proportion of net revenue stream	10.0%	1.0%	6.1%	7.7%	7.5%

10.2 Further details on the revenue implications of capital expenditure are included in the Revenue Budget.

Sustainability

10.3 Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future.

10.4 The Corporate Director of Strategic Finance (S151 Officer) is satisfied that the proposed capital programme is prudent, affordable and sustainable and it is fully integrated with the Council’s 2024/25 Medium Term Financial Strategy, Treasury Management Strategy and Investment Strategy and other strategic plans. The Capital Strategy is compiled in line with the requirements of the 2021 CIPFA Prudential Code and 2021 Treasury Management Code. The risks associated with the Investment Strategy are covered within the Strategy.

10.5 The delivery of the individual capital schemes on the plan is directly linked to the original approval of the capital project supported by each project having a project lead who is responsible for the delivery of the project (appropriate skills, contracting, planning etc.) and the subsequent achievement of the objectives of that project.

10.6 Members, via the Hub Committee meetings receive quarterly budget monitoring reports on the Council’s Capital Programme as well as quarterly integrated performance management reports. Through these updates, which are driven by the requirement of financial reporting, Members can review and challenge the delivery of projects and any changes to both the timing and expenditure of the capital project.

10.7 If subsequent to the capital project being completed there are variations to the income expected to be generated from that asset, this will be reported as a variance in the quarterly budget monitoring reporting and if ongoing will be included in the following year's revenue budget proposals.

10.8 The Council's Senior Leadership Team has oversight for the delivery of and challenge to the Capital Strategy and Capital Programme.

Affordability

10.9 Affordability is critical in applying the capital strategy and approving projects for inclusion in the capital programme. This is either demonstrated by a report on the project being presented to Hub/Council for approval supported by a business case identifying the expenditure and funding, appraisal of alternative options and the risks and rewards for the approval of the scheme, or by delegated procedures set out within the commercial investment strategy (containing this information).

10.10 All projects need to have a clear funding source. If external funding such as an external grant is to be used, there needs to be a clear funding commitment.

10.11 Affordability of each project needs to be clear, not only for the funding of the capital spend, but also to cover any ongoing costs of the operation and funding of that capital spend.

10.12 Where borrowing is to be used, the affordability is of greater importance and the affordability has to include the interest costs of that borrowing and the provision for the repayment of the borrowing (MRP). This repayment is matched to a prudent asset life and any income streams estimated to fund this asset must be sustainable. The rules around the governance of this borrowing are outlined in the Prudential Code (as summarised above).

10.13 At no stage should the asset value be lower than the value of outstanding debt unless there is a clear plan to mitigate that shortfall or to sell that asset.

Risks

10.14 The risks associated with a significant Capital Programme and a significant level of borrowing can be mitigated through all capital projects being supported by a business case, having adequate project management and/or project boards, suitable skills for the delivery of the project, tax planning, cash flow, clear operational plan for the use of the asset, security and due diligence on loans and purchases, use of external advice where appropriate, project contingencies, full tender process and regular and transparent reporting to Members.

10.15 There are clear links from the capital strategy to both the treasury management strategy, prudential indicators, authorised borrowing limits and the revenue budget. These are also subject to review and oversight by Members at the Audit and Governance Committee and Council. For any new borrowing, and this is a greater risk as the value of borrowing increases, this does increase the Council's overall liabilities that will need to be repaid in the future.

10.16 In addition, this increases the Council's level of fixed interest and repayment costs that it will incur each year. In 2024/25 the borrowing liability is estimated at £26.4 million with ongoing financing costs of the borrowing of approx. £1.4m. This is a clear risk that all Members need to be aware of.

10.17 However this risk for assets is mitigated by a robust business case and a MRP that will repay the borrowing costs over a (prudent) asset life. Any variations from this are set out in the MRP Policy (section 2.5 of the Treasury Management Strategy). Any variation in expected income is an issue, however given the wide range of operational assets and different income streams this helps to mitigate this risk.

10.18 As outlined above in the position statement, investment properties have a different type and level of risk. Risk arises from both variations in income streams (tenant non-renewal etc.) and from asset values (impact economic conditions and retail trends etc.). The Council has established a clear strategy, criteria and a governance route for these purchases which has included member training, second opinion on asset values, due diligence, site visits, surveys etc.

10.19 There are risks (and rewards) associated with the purchase of these type of assets, therefore all Members need to have sight of and understand the risks and rewards inherent in these commercial investments (development opportunities).

11 Knowledge and Skills

11.1 The Council employs professionally qualified and experienced staff in senior positions with responsibility for recommending capital expenditure, borrowing and investment decisions to Members.

11.2 The Director of Place & Enterprise is a Chartered Civic Engineer with 20 years of experience. In addition, the Director of Place & Enterprise holds a MSc in Construction Law.

11.3 The Corporate Director of Strategic Finance (S.151 Officer) is a Chartered Accountant (ICAEW) with 20 years of experience of being a S151 Officer (Chief Finance Officer). In addition, the Corporate Director for Strategic Finance holds a BSc in Mathematics and has previously worked in the private sector for accountancy firms.

11.4 The Principal Estates Specialist is a Chartered Surveyor, with over 15 years post qualification experience.

11.5 The Monitoring Officer is a qualified solicitor with over 20 years public sector experience.

11.6 Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The appropriate expertise is always resourced in relation to any financial, legal and asset related due diligence required. The Council tendered its Treasury Management services for a three year contract term starting from 1st April 2024. The successful tender was Link Asset Services. A list is below of advisers that the Council has used in the past:-

- Link Group – Treasury Management Advice
- Savills – Property Agents
- Womble Bond Dickinson – Solicitors

11.7 This approach is more cost effective than employing such staff directly and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

11.8 External treasury management training (by Link Group) for Members will be carried out every two years to ensure Members have up to date skills to continue to make capital and treasury management decisions. Training was completed in November 2023.

APPENDIX B

Treasury Management Strategy Statement 2024/25

1. <u>Introduction</u>

1.1 Background

1.1.1 The Council is required to operate a balanced revenue budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

1.1.2 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

1.1.3 The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

1.1.4 Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day to day treasury management activities.

1.1.5 CIPFA defines treasury management as:

"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

1.2 **Reporting Requirements**

Capital Strategy

1.2.1 The CIPFA 2021 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report which will provide the following:

- a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

1.2.2 The aim of this capital strategy is to ensure that all elected Members on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

1.2.3 This capital strategy is reported separately from the Treasury Management Strategy Statement; non-treasury investments will be reported through the former. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset. The capital strategy will show:

- The corporate governance arrangements for these types of activities;
- Any service objectives relating to the investments;
- The expected income, costs and resulting contribution;
- The debt related to the activity and the associated interest costs;
- The payback period (MRP policy – Minimum Revenue Provision);
- For non-loan type investments, the cost against the current market value;
- The risks associated with each activity.

1.2.4 Where a physical asset is being bought, details of market research, advisers used, (and their monitoring), ongoing costs and investment requirements and any credit information will be disclosed, including the ability to sell the asset and realise the investment cash.

1.2.5 The Council has approved a Regeneration and Investment Strategy (Minute Reference CM72, Council 5th April 2022). PWLB borrowing is permitted for the four categories of regeneration, service delivery, housing and refinancing.

1.2.6 If any non-treasury investment sustains a loss during the final accounts and audit process, the strategy and revenue implications will be reported through the same procedure as the capital strategy.

1.2.7 To demonstrate the proportionality between the treasury operations and the non-treasury operation, high-level comparators are shown throughout this report.

Treasury Management Reporting

1.2.8 The Council is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

a. Prudential and treasury indicators and treasury strategy (this report) - The first, and most important report is forward looking and covers:

- the capital plans, (including prudential indicators);
- a minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time);
- the treasury management strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
- an annual investment strategy, (the parameters on how investments are to be managed).

b. A mid-year treasury management report – This is primarily a progress report and will update Members on the capital position, amending treasury and prudential indicators as necessary, and whether any policies require revision. In addition, this Authority will receive quarterly update reports.

c. An annual treasury report – This is a backward looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Scrutiny

1.2.9 The above reports are required to be adequately scrutinised before being approved by Council. Periodic Treasury Management reports are reported to the Audit Committee for this purpose. Prior to the annual strategies being recommended to Council on 26th March 2024, the strategies are presented to the Council's Audit and Governance Committee on 19th March 2024 for scrutiny.

Quarterly reports

1.2.10 In addition to the three major reports detailed above, from 2023/24 quarterly reporting (end of June/end of December) is also required via the budget monitoring process. Whilst these additional reports do not have to be reported to Full Council, they do require to be adequately scrutinised. This role is undertaken by the Audit and Governance Committee. (The reports, specifically, should comprise a brief overview of Treasury Management performance and updated Treasury/Prudential indicators).

1.3 Treasury Management Strategy for 2024/25

1.3.1 The strategy for 2024/25 covers two main areas:

Capital issues

- the capital expenditure plans and the associated prudential indicators;
- the minimum revenue provision (MRP) policy.

Treasury management issues

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- the policy on use of external service providers.

1.3.2 These elements cover the requirements of the Local Government Act 2003, DLUHC Investment Guidance, DLUHC MRP Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code.

1.4 Training

1.4.1 The CIPFA Treasury Management Code requires the responsible officer to ensure that Members with responsibility for treasury management receive adequate training in treasury management. This especially applies to Members responsible for scrutiny.

1.4.2 The Code states that they expect all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making. The scale and nature of this will depend on the size and complexity of the organisation's treasury management needs. Organisations should consider how to assess whether treasury management staff and council Members have the required knowledge and skills to undertake their roles and whether they have been able to maintain those skills and keep them up to date.

1.4.3 As a minimum, authorities should carry out the following to monitor and review knowledge and skills:

- Record attendance at training and ensure action is taken where poor attendance is identified.

- Prepare tailored learning plans for treasury management officers and board/council members.

- Require treasury management officers and board/council members to undertake self-assessment against the required competencies (as set out in the schedule that may be adopted by the organisation).
- Have regular communication with officers and board/council members, encouraging them to highlight training needs on an ongoing basis."

1.4.4 In further support of the revised training requirements, CIPFA's Better Governance Forum and Treasury Management Network have produced a 'self-assessment by members responsible for the scrutiny of treasury management' which is available from the CIPFA website to download.

1.4.5 Training was undertaken by Members on 14 November 2023 and this will be arranged on a cyclical basis.

1.4.6 The training needs of treasury management officers are periodically reviewed.

1.5 **Treasury Management advisors**

1.5.1 The Council tendered its Treasury Management services for a three year contract term starting from 1st April 2024. The successful tender was Link Asset Services.

1.5.2 The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

1.5.3 It also recognises that there is value in procuring external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

1.5.4 The scope of investments within the Council's operations now includes both conventional treasury investments (the placing of residual cash from the Council's functions), and other types investment, such as investment properties. The Council currently has four investment properties. The Council's negotiating team includes the Strategic Director of Place and Enterprise and the S.151 Officer, who are both members of the Senior Leadership Team. Both Officers are aware of the core principles of the prudential framework and of the regulatory regime within which Local Authorities operate. The S.151 Officer has attended specific treasury management training courses around the new DLUHC Guidelines on investments and the accounting treatment.

1.5.5 Investments require specialist advisors and the appropriate expertise is always resourced in relation to these activities. The specialist advisors that have been used in the past include:
- Link Group – Treasury Management Advice
- Savills – Property Agents
- Womble Bond Dickinson – Solicitors

2 The Capital Prudential Indicators 2024/25 – 2026/27

2.1 The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist Members' overview and confirm capital expenditure plans are prudent, affordable and sustainable.

2.2 Capital Expenditure

2.2.1 This prudential indicator is a summary of the Council's capital expenditure plans both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts:

Capital expenditure	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Services (including housing)	2,032,000	4,061,000	11,465,000	9,782,000	1,945,000
Total	**2,032,000**	**4,061,000**	**11,465,000**	**9,782,000**	**1,945,000**

West Devon Borough Council has been successful in a £14.9million bid to develop a new railway station and integrated transport hub on the Eastern edge of Okehampton. The Borough Council will be the accountable body for the capital project and the estimated capital expenditure (profiled over the next three financial years) has been included within the Council's capital expenditure estimates within the strategy. The funding will be provided by the Department for Levelling Up Housing and Communities (DLUHC) and the project will be delivered in partnership with Devon County Council and Network Rail. This has been included in the capital expenditure estimates in the table above.

2.2.2 Other long-term liabilities - The above financing need excludes other long-term liabilities, such as leasing arrangements that already include borrowing instruments.

2.2.3 The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Financing of capital expenditure	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Capital Expenditure	**2,032,000**	**4,061,000**	**11,465,000**	**9,782,000**	**1,945,000**
Financed by:					
External sources (Capital grants, NHB, S106)	1,774,000	*3,489,000	*9,916,000	*7,386,000	*1,945,000
Own resources (Capital receipts, Earmarked reserves)	258,000	572,000	1,052,000	396,000	0
Net financing need for the year (This is the prudential borrowing required)	**0**	**0**	**800,000**	**2,000,000**	**0**

**This includes Government Grant funding from the Department for Levelling Up Housing and Communities (DLUHC) for the Okehampton Transport Hub*

2.3 The Council's Borrowing Need (the Capital Financing Requirement)

2.3.1 The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources (e.g. capital receipts). It is essentially a measure of the Council's indebtedness and so its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR, if it is funded by borrowing.

2.3.2 The CFR does not increase indefinitely, as the minimum revenue provision (MRP – capital repayment of the borrowing) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each assets life, and so charges the economic consumption of capital assets as they are used.

2.3.3 The CFR includes any other long-term liabilities (e.g. finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility by the lease provider and so the Council is not required to separately borrow for these schemes. The Council does not currently have any such schemes within the CFR.

2.3.4 The Council is asked to approve the CFR projections below:

	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Capital Financing Requirement					
CFR – services (including housing)	3,984,000	3,571,000	3,952,000	5,526,000	5,033,000
CFR - Non-financial investments	20,269,000	20,022,000	19,768,000	19,508,000	19,241,000
Total CFR	**24,253,000**	**23,593,000**	**23,720,000**	**25,034,000**	**24,274,000**
Movement in CFR	**(647,000)**	**(660,000)**	**127,000**	**1,314,000**	**(760,000)**

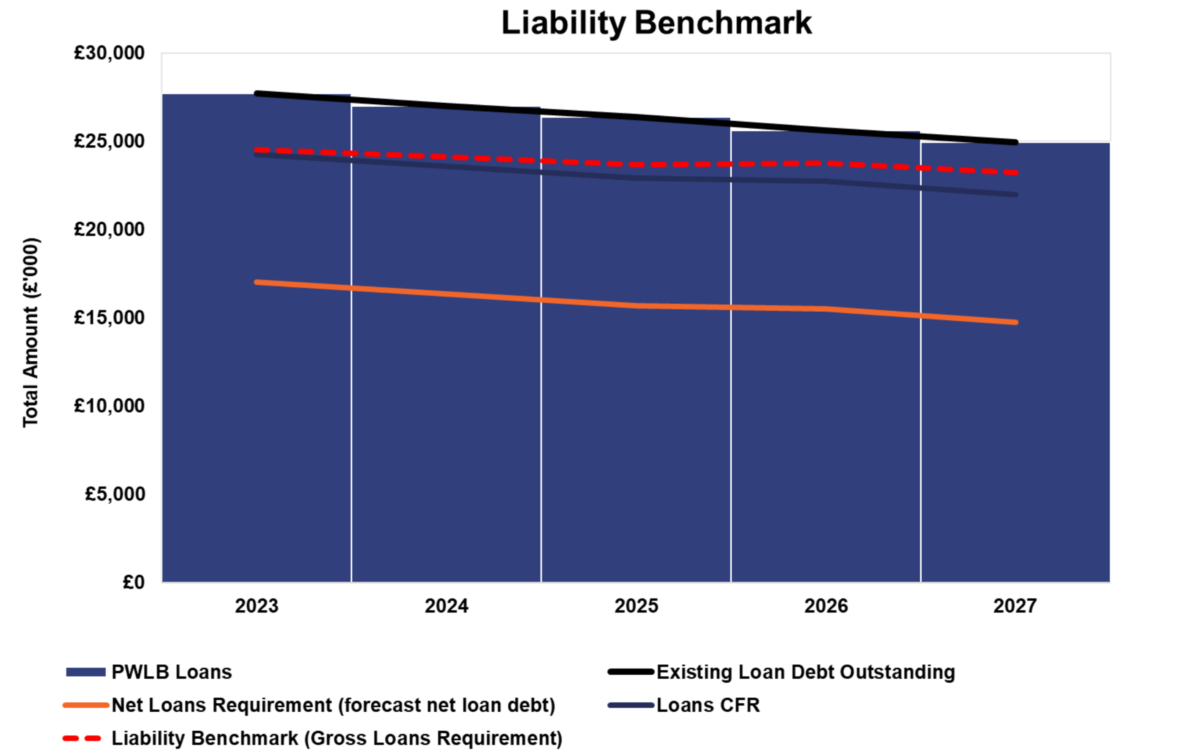
Movement in CFR represented by					
Net financing need for the year (above)	0	0	800,000	2,000,000	0
Less MRP/VRP and other financing movements	(647,000)	(660,000)	(673,000)	(686,000)	(760,000)
Movement in CFR	**(647,000)**	**(660,000)**	**127,000**	**1,314,000**	**(760,000)**

2.4 Liability Benchmark

2.4.1 The Council is required to estimate and measure the Liability Benchmark (LB) for the forthcoming financial year and the following two financial years, as a minimum.

2.4.2 There are four components to the LB: -

- **Existing loan debt outstanding**: the Council's existing loans that are still outstanding in future years.
- **Loans CFR**: this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.
- **Net loans requirement**: this will show the Authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
- **Liability benchmark** (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.



2.4.3 This chart shows that PWLB loans currently exceed the Loans CFR. As other capital projects come on stream and expenditure is incurred, this will bring the loans back in line with the CFR.

2.5 Core Funds and Expected Investment Balances

2.5.1 The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year-end balances for each resource and anticipated day-to-day cash flow balances.

Year End Resources	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Fund balances / reserves	10,471,000	10,851,000	10,041,000	9,641,000	9,241,000
Capital receipts	70,000	40,000	40,000	40,000	40,000
Provisions	733,000	800,000	800,000	800,000	800,000
Other	2,125,000	250,000	250,000	250,000	250,000
Total core funds	**13,399,000**	**11,941,000**	**11,131,000**	**10,731,000**	**10,331,000**
Working capital*	16,379,000	14,000,000	14,000,000	14,000,000	14,000,000
(Under)/over borrowing**	3,473,000	3,420,000	2,651,000	591,000	682,000
Expected cash position	**19,852,000**	**17,420,000**	**16,651,000**	**14,591,000**	**14,682,000**

** Working capital balances shown are estimated year-end; these may be higher mid-year.*

2.6 Minimum Revenue Provision (MRP) Policy Statement

2.6.1 Under Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, where the Council has financed capital expenditure by borrowing it is required to make a provision each year through a revenue charge (MRP). **The MRP is the capital repayment of any borrowing.**

2.6.2 The Council is required to calculate a prudent provision of MRP which ensures that the outstanding debt liability is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits. The MRP Guidance (2018) gives four ready-made options for calculating MRP, but the Authority can use any other reasonable basis that it can justify as prudent.

2.6.3 For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP policy will be:

- **Based on CFR** – MRP will be based on the CFR.

2.6.4 This option provides for an approximate 4% reduction in the borrowing need (CFR) each year.

2.6.5 From 1 April 2008 for all unsupported borrowing the MRP policy will be:

- **Asset life (equal instalment) method** – MRP will be based on the estimated life of the assets, in accordance with the regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction);
- **Asset life (annuity) method** – MRP will be based on the estimated life of the assets, in accordance with the regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction);

2.6.6 These options provide for a reduction in the borrowing need over the asset's life.

2.6.7 The asset life methods are simple to operate and gives certainty in each year as to the level of charge applied. The other advantage is that they make business cases and scheme appraisals easier to compile. The annuity method is intended to have the advantage of linking MRP to the flow of benefits from an asset where these are expected to increase in later years. The annuity method gives rise to a lower charge in the early years, which steadily increases over the asset life. This approach means that the MRP for repayment of the debt liability will increase each year over the life of the asset, as the proportion of the interest calculated each year reduces and the principal repayment increases.

2.6.8 With all options, MRP should normally commence in the financial year following the one in which expenditure was incurred. Regulation 28 does not define 'prudent'.

2.6.9 However, MRP guidance has been issued, which makes recommendations to Councils on the interpretation of that term. Councils are legally obliged to 'have regard' to the guidance. The Council's policy will be that MRP will not normally commence until the start of the financial year following the one in which the expenditure was incurred and the asset became operational. The Council will postpone making MRP until the financial year following the one in which the asset becomes operational.

2.6.10 **MRP Overpayments** - Under the MRP guidance, any charges made in excess of the statutory MRP can be made, known as voluntary revenue provision (VRP).VRP can be reclaimed in later years if deemed necessary or prudent. In order for these amounts to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. Up until the 31 March 2024 the Council had no VRP overpayments.

3 Borrowing

3.1 The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

3.2 Current Portfolio Position

3.2.1 The overall treasury management portfolio as at 31 March 2023 and for the position as at 31 January 2024 are shown below for both borrowing and investments.

Treasury Portfolio	**31 March 2023 Actual**		**31 January 2024 Current**	
Treasury Investments:				
Short term – fixed	10,200,000	3.98%	25,600,000	4.65%
Money Market Funds	10,800,000	3.98%	8,000,000	4.87%
CCLA – Local Authority Property Fund	462,000	4.26%	452,000	4.94%
Total treasury investments	**21,462,000**		**34,052,000***	
Treasury External Borrowing				
PWLB	27,726,000	2.54%	27,238,000	2.54%
Total external borrowing	**27,726,000**		**27,238,000**	
Net treasury investments / (borrowing)	**(6,264,000)**		**6,814,000**	

**The Council's investments mid way through the year are always higher than at the year end due to the cashflow advantage that the Council benefits from part way through the year from the collection of Council Tax, before these are paid out to precepting authorities.*

3.2.2 The Council has approved a Regeneration and Investment Strategy (Minute Reference CM72, Council 5th April 2022). PWLB borrowing is permitted for the four categories of regeneration, service delivery, housing and refinancing.

3.2.3 The Council's current Non-Treasury Investment portfolio position is summarised below.

Asset	Year Purchased	Asset life for the calculation of MRP (Years)	Value at 31 March 2022 (£)	Value at 31 March 2023* (£)
Four Investment Properties at Bristol, Plymouth, Exeter and Okehampton	2018/19	50	19,120,000	16,625,000

*following fair value adjustments

3.2.4 The Fair Value Valuation at 31.3.2023 of the four investment properties was £16.625 million.

3.2.5 There has been a downward movement in Investment Properties which relates to the reduction in the value of these properties, predominantly the property in Bristol. The reduction in value is caused by a softening of the yield. The accommodation is open plan and as such is set up for a single occupier. The office market is witnessing a trend towards good quality, smaller office suites, which better suit the new hybrid ways of working.

3.2.6 Although the fair value valuation has decreased, there is no loss to the Council as this is a desktop valuation at a point in time and the changes in valuation do not have an impact on the Council's 'bottom line' in its revenue account. Any loss would only be crystallised if the Council sold the asset, which the Council does not intend to do. These investment properties are long term strategic assets of the Council which are held for the long term and the foreseeable future.

3.2.7 Indicators for the Council's Non-Treasury Investment portfolio are shown below.

Non-Treasury Investment Indicators	Actual 2022/23	Estimate as at 31 Mar 24
Total investment income as a proportion of the Council's Net Budget	3.81%	3.37%
Borrowing for Non-Treasury investments as a proportion of the Council's Net Budget	268.34%	239.44%
Investment income from Investment Properties compared to the interest expense incurred by them	213.59%	222.07%

3.2.8 The Council’s forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

	2022/23 Actual	**2023/24 Estimate**	**2024/25 Estimate**	**2025/26 Estimate**	**2026/27 Estimate**
External Debt					
Debt at 1 April	28,341,000	27,726,000	27,013,000	26,371,000	25,625,000
Expected change in Debt	(615,000)	(713,000)	(642,000)	(746,000)	(669,000)
Other long-term liabilities (OLTL)	0	0	0	0	0
Expected change in OLTL	0	0	0	0	0
Actual gross debt at 31 March	27,726,000	27,013,000	26,371,000	25,625,000	24,956,000
The Capital Financing Requirement	24,253,000	23,593,000	23,720,000	25,034,000	24,274,000
Under / (over) borrowing*	(3,473,000)	(3,420,000)	(2,651,000)	(591,000)	(682,000)

3.2.9 Within the above figures the level of debt relating to investment activities / non-financial investment is:

	2022/23 Actual	**2023/24 Estimate**	**2024/25 Estimate**	**2025/26 Estimate**	**2026/27 Estimate**
External Debt for investment activities / non-financial investments					
Actual debt at 31 March for Investment Activities	21,849,000	20,563,000	20,357,000	20,056,000	19,838,000
Percentage of all PWLB external debt %	75%	76%	77%	78%	79%

3.2.10 Within the range of prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2024/25 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.

3.2.11 The Corporate Director for Strategic Finance (S151 Officer) reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in the budget report for 2024/25.

3.3 Treasury Indicators: Limits to Borrowing Activity

3.3.1 **The Operational Boundary.** This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Operational boundary	**2023/24 Estimate**	**2024/25 Estimate**	**2025/26 Estimate**	**2026/27 Estimate**
Total external debt	35,000,000	35,000,000	35,000,000	35,000,000

3.3.2 **The Authorised Limit for external debt.** This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

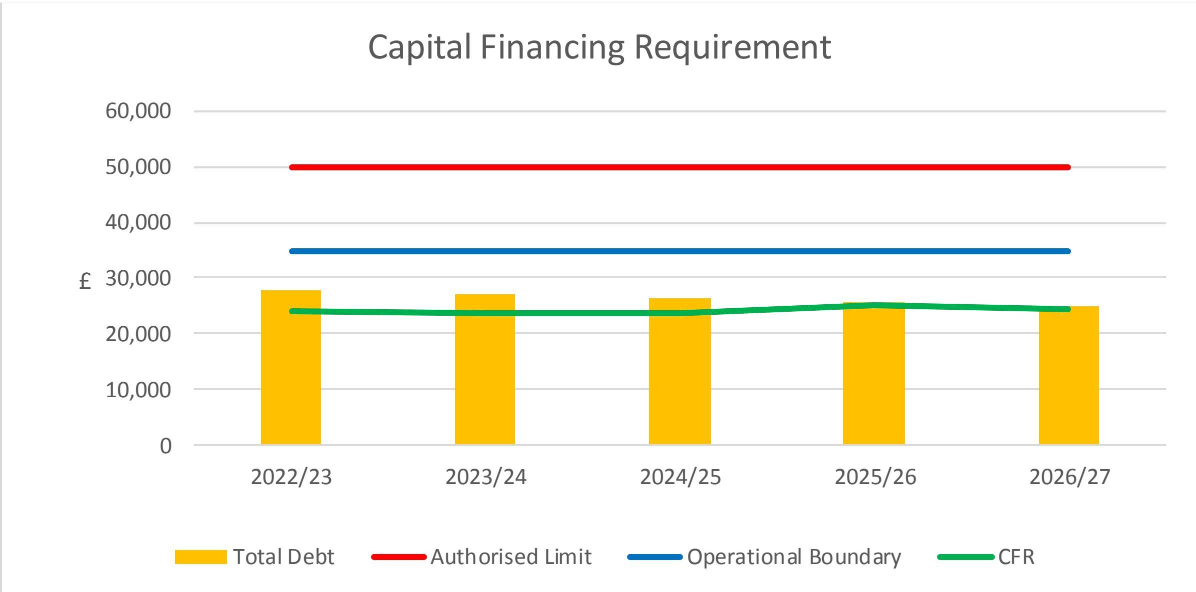
3.3.3 This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

3.3.4 The Council is asked to approve the following authorised limit of £50 million:

Authorised limit	**2023/24 Estimate**	**2024/25 Estimate**	**2025/26 Estimate**	**2026/27 Estimate**
Total external debt	50,000,000	50,000,000	50,000,000	50,000,000

3.3.5 The graph below shows the CFR and borrowing projections.

	Actual 2022/23	**Estimate 2023/24**	**Estimate 2024/25**	**Estimate 2025/26**	**Estimate 2026/27**
General Fund	3,984,000	3,571,000	3,952,000	5,526,000	5,033,000
Investment activities / non-financial investments	20,269,000	20,022,000	19,768,000	19,508,000	19,241,000
Total CFR	**24,253,000**	**23,593,000**	**23,720,000**	**25,034,000**	**24,274,000**
External Borrowing	**27,726,000**	**27,013,000**	**26,371,000**	**25,625,000**	**24,956,000**
Authorised Limit	**50,000,000**	**50,000,000**	**50,000,000**	**50,000,000**	**50,000,000**
Operational Boundary	**35,000,00**	**35,000,000**	**35,000,000**	**35,000,000**	**35,000,000**



3.4 Prospects for Interest Rates

3.4.1 The Council engages Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts. These are forecasts for certainty rates, gilt yields plus 80 bps.

Link Group Interest Rate View 08.01.24													
	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
BANK RATE	5.25	5.25	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	4.80	4.30	3.80	3.30	3.00	3.00	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.20	5.10	4.60	4.10	3.70	3.30	3.10	3.10	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.00	4.90	4.40	3.90	3.60	3.20	3.10	3.10	3.10	3.10	3.10	3.20	3.20
5 yr PWLB	4.50	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.60	3.50	3.50	3.50
10 yr PWLB	4.70	4.50	4.40	4.30	4.20	4.10	4.00	3.90	3.80	3.70	3.70	3.70	3.70
25 yr PWLB	5.20	5.10	4.90	4.80	4.60	4.40	4.30	4.20	4.20	4.10	4.10	4.10	4.10
50 yr PWLB	5.00	4.90	4.70	4.60	4.40	4.20	4.10	4.00	4.00	3.90	3.90	3.90	3.90

3.4.2 It is expected that the MPC will keep Bank Rate at 5.25% until the second half of 2024 to combat on-going inflationary and wage pressures, even if they have dampened somewhat of late. It is not thought that the MPC will increase Bank Rate above 5.25%.

3.4.3 We expect rate cuts to start when both the CPI inflation and wage/employment data are supportive of such a move, and that there is a likelihood of the overall economy enduring at least a slowdown or mild recession over the coming months, although most recent GDP releases have surprised with their on-going robustness.

3.4.4 Naturally, timing on this matter will remain one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.

3.4.5 In the upcoming months, our forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but also international factors such as policy development in the US and Europe, the provision of fresh support packages to support the faltering recovery in China as well as the on-going conflict between Russia and Ukraine, and Gaza and Israel.

3.4.6 **PWLB rates** – The short and medium part of the gilt curve has rallied since the start of November as markets price in a quicker reduction in Bank Rate through 2024 and 2025 than held sway back then. This reflects market confidence in inflation falling back in a similar manner to that already seen in the US and the Euro-zone. At the time of writing there is c70 basis points difference between the 5 and 50 year parts of the curve.

3.5 Borrowing Strategy

3.5.1 The Council is not expecting to take any new external loans during the current and next two financial years as the current Capital Financing Requirement estimates will be fully financed by existing borrowing. We will continue to assess the opportunities to borrow and look to use a mix of external loans to finance any further increases in the Capital Financing Requirement (CFR). Any opportunities to reduce interest costs by maintaining an under-borrowed position will be considered. This means that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Authority's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels once prevailing inflation concerns are addressed by tighter near-term monetary policy. That is, Bank Rate remains elevated through to the second half of 2024. Based on the current external loan portfolio, the Council would need to repay some of the existing loans to achieve an internal borrowing position. The current PWLB early repayment terms do not make this financially beneficial, but it will be continually reviewed to ensure any opportunities to mitigate the net interest costs are considered.

3.5.2 Against this background and the risks within the economic forecast, caution will be adopted with the 2024/25 treasury operations. The Corporate Director for Strategic Finance will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- if it was felt that there was a significant risk of a sharp FALL in borrowing rates, (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then any further external borrowing could be postponed.

- if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

3.5.3 Any decisions will be reported to the appropriate decision making body at the next available opportunity.

3.6 Policy on Borrowing in Advance of Need

3.6.1 The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

3.6.2 Borrowing in advance will be made within the constraints that:

- It will be limited to no more than 100% of the expected increase in borrowing need (CFR) over the three year planning period; and

- The authority would not look to borrow more than 36 months in advance of need.

3.6.3 Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

3.7 Debt Rescheduling

3.7.1 Rescheduling of current borrowing in our debt portfolio may be considered whilst premature redemption rates remain elevated but only if there is surplus cash available to facilitate any repayment, or rebalancing of the portfolio to provide more certainty is considered appropriate.

3.7.2 If rescheduling is to be undertaken, it will be reported to the Council at the earliest meeting following its action.

3.8 New Financial Institutions as a Source of Borrowing

3.8.1 Currently the PWLB Certainty Rate is set at gilts + 80 basis points. However, consideration may still need to be given to sourcing funding from the following sources for the following reasons:

- Local authorities (primarily shorter dated maturities out to 3 years or so – still cheaper than the Certainty Rate)
- Financial institutions (primarily insurance companies and pension funds but also some banks, out of forward dates where the objective is to avoid a "cost of carry" or to achieve refinancing certainty over the next few years)

3.8.2 Our advisors will keep us informed as to the relative merits of each of these alternative funding sources.

3.9 Maturity Structure of Borrowing

3.9.1 These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

Maturity structure of fixed interest rate borrowing 2024/25

	Lower	Upper
Less than 1 year	0%	10%
Between 1 and 2 years	0%	10%
Between 2 years to 5 years	0%	30%
Between 5 years to 10 years	0%	30%
Between 10 years to 20 years	0%	50%
20 years and above	0%	100%

3.10 Approved Sources of Long and Short Term Borrowing

Approved sources of borrowing are as follows:

On Balance Sheet	**Fixed**	**Variable**
PWLB	●	●
UK Municipal bond agency	●	●
Local authorities	●	●
Banks	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Local Temporary	●	●
Local Bonds	●	
Local Authority Bills	●	●
Overdraft		●
Negotiable Bonds	●	●
Internal (capital receipts & revenue balances)	●	●
Medium Term Notes	●	
Finance leases	●	●

APPENDIX B1

TREASURY MANAGEMENT SCHEME OF DELEGATION

(i) Full Council

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of annual strategy.

(ii) Hub Committee

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;
- receiving and reviewing regular monitoring reports and acting on recommendations;
- approving the selection of external service providers and agreeing terms of appointment.

(iii) Audit and Governance Committee

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

(iv) Delegation from the Corporate Director of Strategic Finance (S151) to the nominated posts for the taking of investment decisions

- Head of Finance Practice (Deputy S151)
- Principal Accountants

APPENDIX B2

THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe for example 25+ years.
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- provision to Members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that Members are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above

- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following *(TM Code p54): -*
    - Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;
    - Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;
    - Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;
    - Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;
    - Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.

APPENDIX C

Annual Investment Strategy 2024/25

1. Annual Investment Strategy

1.1 Investment Policy – Management of Risk

1.1.1 The Department of Levelling Up, Housing and Communities (DLUHC - this was formerly the Ministry of Housing, Communities and Local Government (MHCLG)) and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with treasury (financial) investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets and service investments, are covered in the Capital Strategy, (a separate report).

1.1.2 The Council's investment policy has regard to the following: -

- DLUHC's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 ("the Code")
- CIPFA Treasury Management Guidance Notes 2021

1.1.3 The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return). The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and within the Council's risk appetite. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs. However, where appropriate (from an internal as well as external perspective), the Council will also consider the value available in periods up to 12 months with high credit rated financial institutions, as well as wider range fund options.

1.1.4 The above guidance from the DLUHC and CIPFA place a high priority on the management of risk. This Council has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.

2. **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to

maintain a monitor on market pricing such as **“credit default swaps”** and overlay that information on top of the credit ratings.

3. **Other information sources** used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

4. This Council has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in appendix C1 under the categories of ‘specified’ and ‘non-specified’ investments.

   - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity if they were originally classified as being non-specified investments solely due to the maturity period exceeding one year.
   - **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.

5. **Non-specified investments limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments as being £4 million of the total investment portfolio, (see Appendix C1).

6. **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table in paragraph 1.2.6.

7. **Transaction limits** are set for each type of investment in 1.2.6.

8. This Council will set a limit for the amount of its investments which are invested for **longer than 365 days**, (see paragraph 1.4.5).

9. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see paragraph 1.3.1).

10. This authority has engaged **external advisors**, to provide expert treasury management advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this Council in the context of the expected level of cash balances and need for liquidity throughout the year.

11. All investments will be denominated in **sterling.**

12. As a result of the change in accounting standards for 2023/24 under IFRS 9, this Authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the MHCLG, concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31 March 23. More recently, a further extension to the over-ride to 31 March 25 has been agreed by Government).

13. **Investments in equity instruments designated at fair value through other comprehensive income**. Upon transition to IFRS9 – Financial Instruments on 1 April 2018, the Council elected to designate the CCLA investment (£500,000) as fair value through other comprehensive income. These investments are eligible for the election because they meet the definition of equity instruments in paragraph 11 of IAS32 and are neither held for trading (the Council holds this investment as a long term strategic investment) nor contingent consideration recognised by an acquirer in a business combination to which IFRS3 applies. They are not considered to be puttable instruments because the Council does not have a contractual right to put the instrument back to the issuer for cash. The Council currently holds £0.5m in the CCLA Property Fund.

1.1.5 However, this authority will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 1.5.1). Regular monitoring of investment performance will be carried out during the year.

1.2 Creditworthiness Policy

1.2.1 This Council applies the creditworthiness service provided by Link Group. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard & Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- "watches" and "outlooks" from credit rating agencies;
- CDS spreads that may give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

1.2.2 This modelling approach combines credit ratings, and any assigned Watches and Outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads. The end product of this is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will, therefore, use counterparties within the following durational bands:

- Yellow 5 years *
- Dark pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.25
- Light pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.5
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour - not to be used

1.2.3 The Link creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

1.2.4 Typically, the minimum credit ratings criteria the Council use will be a short term rating (Fitch or equivalents) of F1 and a long term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

1.2.5 All credit ratings will be monitored on a real-time basis. The Council is alerted to changes to ratings of all three agencies through its use of the Link creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.

- in addition to the use of credit ratings the Council will be advised of information in movements in Credit Default Swap spreads against the iTraxx European Senior Financials benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Link. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

1.2.6 Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, as well as information on any external support for banks to help support its decision making process.

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7
Up to 5 years	Up to 5 years	Up to 5 years	Up to 2 years	Up to 1 year	Up to 1 year	Up to 6 months	Up to 100 days	No colour

	Minimum credit criteria/colour band	**Limit per institution** **Max % of total investments**	**Maximum maturity**
DMADF	n/a	100%	6 months
Money Market Funds	AAA	£4.5m	Daily liquidity
Cash Plus Funds/ Ultra short bond funds	AAA, AA	£4.5m	T+1 to T+4
CCLA Local Authorities Property Fund	Not credit rated	£1.0m	No fixed maturity date but will generally be held for up to 7 years
Local Authorities	Yellow	£3 million per institution	5 years
Unsecured investments with banks and building societies	Yellow Purple Blue Orange Red Green No Colour	£4.5m (£5.5m for Lloyds plc)	Up to 5 years Up to 2 years Up to 1 years Up to 1 years Up to 6 months Up to 100 days Not for use
Share capital in a body corporate	N/A	nil	N/A
Loan capital in a body corporate	N/A	nil	N/A

Creditworthiness

1.2.7 Significant levels of downgrades to Short- and Long-Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. Nonetheless, when setting minimum sovereign debt ratings, this Authority will not set a minimum rating for the UK.

CDS Prices

1.2.8 Although bank CDS prices (these are market indicators of credit risk) spiked upwards during the days of the Truss/Kwarteng government, they have returned to more average levels since then. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. Link monitor CDS prices as part of their creditworthiness service to local authorities and the Council has access to this information via its Link-provided Passport portal.

1.3 Limits

1.3.1 Due care will be taken to consider the exposure of the Council's total investment portfolio to non-specified investments, countries, groups and sectors.

a) **Non-specified investment limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments as being £4 million of the total investment portfolio.

b) **Country limit.** The Council has determined that it will only use approved counterparties from the UK and from countries with a **minimum sovereign credit rating of AA**- (see Appendix C2).

c) **Other limits.** In addition:

- no more than £3 million will be placed with any non-UK country at any time;
- limits in place above will apply to a group of companies;
- sector limits will be monitored regularly for appropriateness.

Loans

1.3.2 In accordance with the Statutory Guidance on Local Government Investments, a local authority may choose to make loans to local enterprises, local charities, wholly owned companies and joint ventures as part of a wider strategy for local economic growth.

The Council can make such loans whilst continuing to have regard to this guidance, subject to the following requirements of the Council's strategy, being:-

i) Total financial exposure to these type of loans is proportionate;

ii) The Council uses an allowed "expected credit loss" model for loans and receivables as set out in International Financial Reporting Standard (IFRS) 9 Financial Instruments as adopted by proper practices to measure the credit risk of its loan portfolio;

iii) The appropriate credit control arrangements to recover overdue repayments are in place; and

iv) The local authority has formally agreed the total level of loans by type that it is willing to make and the total loan book is within the self-assessed limit.

1.4 Investment Strategy

1.4.1 In-house Funds. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e., rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. The current shape of the yield curve suggests that is the case at present, but there is the prospect of Bank Rate having peaked in the second half of 2023 and possibly reducing as early as the second half of 2024 so an agile investment strategy would be appropriate to optimise returns.

1.4.2 Accordingly, while most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer-term investments will be carefully assessed.

1.4.3 Investment Returns Expectations. The current forecast includes a forecast for Bank Rate to have peaked at 5.25% in Q4 of 2023.

1.4.4 Investment treasury indicator and limit - total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

1.4.5 The Council is asked to approve the following treasury indicator and limit:

Upper limit for principal sums invested for longer than 365 days			
£	**2024/25**	**2025/26**	**2026/27**
Principal sums invested for longer than 365 days	£500,000	£500,000	£500,000
Current investments as at 31.01.24 in excess of 1 year maturing in each year*	£500,000	£500,000	£500,000

* *Monies already invested in the CCLA Property Fund (£500,000 at 31.3.2023)*

1.4.6 For its cash flow generated balances, the Council will seek to utilise its money market funds and short-dated deposits, (overnight to 100 days), in order to benefit from the compounding of interest.

1.4.7 The Council's investments are predominantly sterling-denominated term deposits. These are not long-term investments that are specifically used by financial institutions to "on-finance" projects but used as part of day-to-day cash flow balances. The Council also does not make equity investments in financial institutions.

ESG (Environmental, Social and Governance)

1.4.8 For short term investments with counterparties, this Council utilises the ratings provided by Fitch, Moody's and Standard & Poor's to assess creditworthiness, which do include analysis of ESG factors when assigning ratings:

Environmental: Emissions and air quality, energy and waste management, waste and hazardous material, exposure to environmental impact.

Social: Human rights, community relations, customer welfare, labour relations, employee wellbeing, exposure to social impacts.

Governance: Management structure, governance structure, group structure, financial transparency

The Council will continue to evaluate additional ESG-related metrics and assessment processes that it could incorporate into its investment process and will update accordingly.

1.5 Investment Performance / Risk Benchmarking

1.5.1 The Council will use an investment benchmark to assess the investment performance of its investment portfolio of the Sterling Overnight Interbank Average rate (SONIA).

1.6 End of Year Investment Report

1.6.1 At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

APPENDIX C1

Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management

Specified Investments

All such investments will be sterling denominated, with **maturities up to a maximum of 1 year**, meeting the minimum 'high' quality criteria where applicable.

	Minimum credit criteria / colour band	**Max % of total investments/ £ limit per institution**	**Max. maturity period**
DMADF – UK Government	N/A	100%	6 months
Money Market Funds	AAA	£4.5 million per fund	Liquid
Ultra Short Dated Bond Funds	AAA	£4.5 million	Liquid
Local authorities	Yellow	£3 million per institution	12 months
Term deposits with banks and building societies	Blue	£4.5 million per institution (£5.5 million for Lloyds)	Up to 1 Year
	Orange		Up to 1 Year
	Red		Up to 6 months
	Green		Up to 100 days
	No Colour		Not for use

Non-Specified Investments

Investment instruments with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use. The Council's CCLA Property Fund investment of £500,000 is currently the only investment type that the Council has which meets the definition of a non-specified investment.

The limits shown below for share capital and loan capital are the maximum limits for this investment type.

	Minimum credit criteria / colour band	**Max % of total investments/ £ limit per institution**	**Max. maturity period**
Property Investment Funds – CCLA	N/A	£1 million	No fixed maturity date but will generally be up to 7 years
UK Government Gilts	Yellow	£3 million	5 Years
Share capital in a body corporate (See note 1 below)	N/A	Nil*	N/A
Loan capital in a body corporate (See note 1 below)	N/A	Nil*	N/A
TOTAL		**£4 million**	

*Although the current limit is nil for 2024/25, this could change in the future therefore this row has been included for completeness.

NOTE 1. The use of these instruments will be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. Revenue resources will not be invested in corporate bodies. The Council will seek further advice on the appropriateness and associated risks with investments in these categories. The share capital or loan capital for 2024/25 is shown for completeness only.

APPENDIX C2

APPROVED COUNTRIES FOR INVESTMENTS

This list is based on those countries which have sovereign ratings of AA- or higher, (we show the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Hong Kong and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link credit worthiness service.

Although the countries listed below are eligible for Investment as their credit rating is AA- or higher, the Council mainly invests with Banks or Building Societies within the UK.

Based on lowest available rating

AAA

- Australia
- Denmark
- Germany
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)

AA-

- Belgium
- France
- Qatar
- U.K

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Report to:	**Audit and Governance Committee**		
Date:	**19 March 2024**		
Title:	**Budget Book 2024/25**		
Portfolio Area:	**Resources – Cllr C Edmonds**		
Wards Affected:	**ALL**		
Urgent Decision:	**N**	Approval and clearance obtained:	**Y**

Author:	**Pauline Henstock** **Carmen Bottrell**	Role:	**Head of Finance Practice** **Senior Accountant**
Contact:	**Email:** pauline.henstock@swdevon.gov.uk **Email:** carmen.bottrell@swdevon.gov.uk		

Recommendations:

That the Audit and Governance Committee:

1. Notes the content of the Budget Book for 2024/25.

1. Executive summary

Following approval of the 2024/25 Budget at Council on 20 February attached at Appendix A is a copy of the detailed Budget Book for 2024/25. This sets out the Council's Revenue Budget for the year into the four Directorates of Customer Service and Delivery, Place and Enterprise, Strategy & Governance and Strategic Finance.

2. Background

The Budget Book reflects the Revenue Budget for 2024/25 which was approved by Council on 20 February 2024.

The Budget Book compares the detailed Budget for 2023/24 against the Budget for 2024/25. Cost pressures and savings which were set out in Appendix A of the Medium Term Financial Strategy (MTFS) and agreed as part of the 2024/25 budget process are shown in the highlighted '24/25 MTFS Adjustments' column, with a note underneath. A copy of the relevant MTFS appendix is shown in Appendix B of this report for information. This confirms that budget pressures amounting to £1,605,500 and savings and income generation of £705,000 were built into the 2024/25 base budget resulting in a net increase to the budget of £900,500. These movements in the base budget have been allocated to the relevant detailed lines in the 2024/25 budget book. For example, the income target for Treasury Management investment income has been increased by £400,000 for 2024/25, and this is shown in Cost Centre W6050 Interest and Investment Income.

The Budget Book shows any 'virements' within 2023/24. A virement is where a budget is moved from one budget holder (and cost centre) to another, to better reflect where budget responsibility should be held. Virements always net to zero.

In addition various presentational changes have been made to the 2024/25 budget shown in the 'other adjustments' column in the Budget Book. This aligns budgets to reflect current income and expenditure arrangements. These adjustments net to zero overall, as they are purely presentational.

Finally, capital charges have been realigned in 2024/25 to reflect the current position. This is a notional charge which is offset by the reversal of depreciation and therefore has no impact on the overall budget position.

3. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	The Council is legally required to set a Balanced Budget each financial year.

Financial Implications to include reference to value for money	Y	There are no direct financial implications as a result of this report. The Budget Book reflects the Revenue Budget for 2024/25 which was approved by Council on 20 February 2024. The annual budget setting process will ensure the Council has arrangements in place to secure economy, efficiency and effectiveness in its use of resources. On 5th December 2023, the Audit and Governance Committee considered an interim Auditor's Annual Report from the Council's external auditors, Grant Thornton. This gave commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. The report stated that 'The Council has demonstrated an appropriate understanding of its role in securing economy, efficiency and effectiveness in its use of resources. Our work has not identified any significant weaknesses in arrangements.'
Risk	Y	The Council's budget book sets out the income and expenditure budgeted for each service area. A prudent level of reserves is held by the Council to mitigate against financial risk.
Supporting Council Plan	Y	The budget book report supports all of the themes within the Council's Plan 2024-2028 and includes the detailed revenue budgets for the year 1 (2024/25) delivery plan.

Climate Change – Carbon / Biodiversity Impact	N	None directly arising from this report.
Comprehensive Impact Assessment Implications		
Equality and Diversity	N	N/a
Safeguarding	N	N/a
Community Safety, Crime and Disorder	N	N/a
Health, Safety and Wellbeing	N	N/a
Other implications	N	None

Appendices
Appendix A – Budget Book 2024/25
Appendix B – Budget Pressures and Savings 2024/25

Approval and clearance of report

Process checklist	**Completed**
Portfolio Holder briefed	**Yes**
SLT Rep briefed	**Yes**
Relevant Exec Director sign off (draft)	**Yes**
Data protection issues considered	**Yes**
If exempt information, public (part 1) report also drafted. (Committee/Scrutiny)	**N/a**

West Devon Borough Council
Summary of Base Revenue Budget for the Financial Year 2024/25

	Service Group	SLT Director	(1) 23/24 Base Net Budget £'s	(2) 23/24 Virements £'s	(1)+(2)= 2a 23/24 Revised Net Budget £'s	(3) 24/25 MTFS Adjustments £'s	(4) 24/25 Other Adjustments £'s	(5) Capital Charges Realignment £'s	(2a)+(3)+(4)+(5) 24/25 Final Base Budget £'s
a)	Customer Service & Delivery	Steve Mullineaux	5,568,506	0	5,568,506	682,750	108,518	141,197	6,500,971
b)	Place & Enterprise	Chris Brook	45,825	0	45,825	103,250	(2,318)	215,123	361,880
c)	Strategy & Governance	Drew Powell	1,364,967	0	1,364,967	488,400	180,000	0	2,033,367
d)	Strategic Finance	Lisa Buckle	2,162,885	0	2,162,885	(373,900)	(286,200)	9,200	1,511,985
	Total		**9,142,183**	**0**	**9,142,183**	**900,500**	**0**	**365,520**	**10,408,203**
						*See Appendix B			
	Reversal of Depreciation		(554,188)						(919,708)
	Net Budget Total		**8,587,995**						**9,488,495**
	Funded by:								
	Localised Business Rates		1,761,000						2,322,565
	Business Rates Pooling Gain		200,000						200,000
	New Homes Bonus		150,000						309,180
	Council Tax (an increase of 2.99% in 24/25)		5,391,371						5,627,384
	Collection Fund Surplus		377,000						151,000
	Increase in Revenues in year collection and recovery (Revenues and Benefits Review)		0						135,000
	Rural Services Delivery Grant		544,625						630,619
	Services Grant		66,650						11,506
	Revenue Support Grant		89,000						94,416
	Funding Guarantee Grant		51,044						91,325
	Less grants rolled into the Funding Guarantee amount		(88,262)						0
	Contributions (to)/from Earmarked Reserves		45,567					*See Appendix B	(84,500)
	Total		**8,587,995**						**9,488,495**

A detailed breakdown of each Service Group can be found on the pages that follow.

West Devon Borough Council

Detailed Customer Service & Delivery Budgets 2024/25

Cost Centre Code	Cost Centre Description	Budget Manager	23/24 Base Net Budget £'s	23/24 In Year Virements (**) £'s	Final Budget 23/24 £'s	24/25 MTFS Adjustments (*) £'s	24/25 Other Adjustments (***) £'s	Capital Charges Realignment (****) £'s	Base Budget 24/25 £'s
W1001	Operations Team Leader	Sarah Moody	50,600	0	50,600	4,900	300	0	55,800
W1010	Customer Contact Centre Salaries	Jim Davis	191,900	0	191,900	8,700	(25,100)	0	175,500
W1013	Localities Team Salaries	Stuart Noyce	285,600	0	285,600	23,600	(67,300)	0	241,900
W1304	Grounds Maintenance	Stuart Noyce	116,227	0	116,227	5,800	200	0	122,227
W1309	Tree Maintenance	Stuart Noyce	20,000	0	20,000	0	0	0	20,000
W1565	Housing Benefit Payments	Geni Hotchkiss	145,953	0	145,953	0	0	0	145,953
W1568	Housing Benefit Administration	Geni Hotchkiss	(100,800)	0	(100,800)	10,000	0	0	(90,800)
W1571	Council Tax Collection	Geni Hotchkiss	(201,694)	0	(201,694)	0	0	0	(201,694)
W1574	Council Tax Support	Geni Hotchkiss	(56,000)	0	(56,000)	0	0	0	(56,000)
W1988	ICT Team Salaries	Mike Ward	332,179	0	332,179	9,500	33,400	0	375,079
W1989	Waste & Cleansing Team Salaries	Sarah Moody	66,600	0	66,600	8,500	(23,500)	0	51,600
W1992	Benefits Team Salaries	Geni Hotchkiss	216,000	0	216,000	2,100	(27,300)	0	190,800
W1995	Revenues Team Salaries	Geni Hotchkiss	214,800	0	214,800	10,500	88,500	0	313,800
W2017	Street and Beach Cleaning	Sarah Moody	0	0	0	0	0	0	0
W2701	Waste & Recycling Collection Contract	Sarah Moody	0	0	0	0	0	0	0
W2713	Trade Waste Services	Sarah Moody	0	0	0	0	0	0	0
W2715	Garden Waste Collection	Sarah Moody	0	0	0	0	0	0	0
W2721	Hayedown Depot	Sarah Moody	0	0	0	0	0	0	0
W2881	Waste Supervisor & Managerial Salaries	Sarah Moody	0	0	0	0	0	0	0
W1990	Waste Collection, Recycling & Cleansing	Sarah Moody	2,689,535	0	2,689,535	296,250	39,018	141,197	3,166,000
W4001	Senior Leadership Team (SLT)	Andy Bates	285,225	0	285,225	33,800	13,300	0	332,325
W4002	Heads of Service Salaries	Andy Bates	516,500	0	516,500	76,100	78,700	0	671,300
W4082	Landline Telephones	Mike Ward	21,000	0	21,000	0	0	0	21,000
W4084	ICT Support Contracts	Mike Ward	488,284	0	488,284	185,000	0	0	673,284
W4085	Mobile Phones	Mike Ward	14,000	0	14,000	0	0	0	14,000
W4086	ICT Hardware Replacement	Mike Ward	51,697	0	51,697	0	0	0	51,697
W4087	Photocopiers/MFD's	Mike Ward	10,000	0	10,000	0	0	0	10,000
W4155	Digital Mail Room Team (DMR) Salaries	Jim Davis	106,600	0	106,600	0	(3,400)	0	103,200
W4501	Performance & Intelligence Team Salaries	Jim Davis	104,300	0	104,300	8,000	1,700	0	114,000
			5,568,506	**0**	**5,568,506**	**682,750**	**108,518**	**141,197**	**6,500,971**

(*) MTFS - Medium Term Financial Strategy, cost pressures and savings agreed as part of the budget process
(**)2023/24 Virements - movements in budgets to better reflect where budget responsibility should be held, virements always net to zero.
(***) Other Adjustments = budget changes required to align expenditure & income to the current management structure, these adjustments net to zero.
(****) Realignment of capital charges. Notional charge offset by reversal of depreciation.

W1001	Operations Team Leader		23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
		Expenditure							
		Employees	75,900	0	75,900	4,900	2,700		83,500
		Income							
		Recharges	(25,300)	0	(25,300)	0	(2,400)		(27,700)
		Net Expenditure	**50,600**	**0**	**50,600**	**4,900**	**300**		**55,800**

(***) This adjustment is required to align the pay inflation to the actual sum required to cover an increase in payroll costs.

W1010	Customer Contact Centre Salaries		23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
		Expenditure							
		Employees	249,800	0	249,800	8,700	(12,500)		246,000
		Transport Related	1,100	0	1,100	0	0		1,100
		Income							
		Recharges	(59,000)	0	(59,000)	0	(12,600)		(71,600)
		Net Expenditure	**191,900**	**0**	**191,900**	**8,700**	**(25,100)**		**175,500**

(*) The MTFS adjustment relates to pay inflation, totalling £8,700.
(***) This adjustment is required to align the pay inflation to the actual sum required to cover an increase in payroll costs.

W1013	Localities Team Salaries		23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
		Expenditure							
		Employees	286,100	0	286,100	23,600	(65,000)		244,700
		Transport Related	28,100	0	28,100	0	0		28,100
		Income							
	The staffing costs for providing the service are sat within d	Recharges	(28,600)	0	(28,600)	0	(2,300)		(30,900)
		Net Expenditure	**285,600**	**0**	**285,600**	**23,600**	**(67,300)**		**241,900**

(*) The MTFS adjustment relates to pay inflation, totalling £23,600.
(***) This adjustment is required to align the pay inflation to the actual sum required to cover an increase in payroll costs.

W1304 Grounds Maintenance	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
Expenditure							
Employees	59,300	0	59,300	5,800	200		65,300
Premises Related	13,600	0	13,600	0	0		13,600
Supplies & Services	38,227	0	38,227	0	0		38,227
Transport Related	10,000	0	10,000	0	0		10,000
Income							
Recharges	(4,900)	0	(4,900)	0	0		(4,900)
Net Expenditure	**116,227**	**0**	**116,227**	**5,800**	**200**		**122,227**

(*) The MTFS adjustment relates to pay inflation, totalling £5,800

(***) This adjustment is required to align the pay inflation to the actual sum required to cover an increase in payroll costs.

W1309 Tree Maintenance	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
Expenditure							
Premises Related	20,000	0	20,000	0	0		20,000
Net Expenditure	**20,000**	**0**	**20,000**	**0**	**0**		**20,000**

W1565 Housing Benefit Payments	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
Expenditure							
Transfer Payments	8,259,013	0	8,259,013	0	0		8,259,013
Income							
Government Grants	(8,073,060)	0	(8,073,060)	0	0		(8,073,060)
Recharges	(40,000)	0	(40,000)	0	0		(40,000)
Net Expenditure	**145,953**	**0**	**145,953**	**0**	**0**		**145,953**

W1568	Housing Benefit Administration	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
	Income							
	Government Grants	(100,800)	0	(100,800)	10,000	0		(90,800)
	Net Expenditure	**(100,800)**	**0**	**(100,800)**	**10,000**	**0**		**(90,800)**

(*) The MTFS adjustment relates to a reduction in the Housing Benefit administration subsidy of £10,000.

W1571	Council Tax Collection	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
	Income							
	Government Grants	(100,000)	0	(100,000)	0	0		(100,000)
	Recharges	(101,694)	0	(101,694)	0	0		(101,694)
	Net Expenditure	**(201,694)**	**0**	**(201,694)**	**0**	**0**		**(201,694)**

W1574	Council Tax Support	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
	Income							
	Government Grants	(56,000)	0	(56,000)	0	0		(56,000)
	Net Expenditure	**(56,000)**	**0**	**(56,000)**	**0**	**0**		**(56,000)**

	ICT Team Salaries		23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
W1988		**Expenditure**							
		Employees	379,500	0	379,500	9,500	40,600		429,600
		Supplies & Services	2,259	0	2,259	0	0		2,259
		Transport Related	800	0	800	0	0		800
		Income							
		Recharges	(50,380)	0	(50,380)	0	(7,200)		(57,580)
		Net Expenditure	**332,179**	**0**	**332,179**	**9,500**	**33,400**		**375,079**

(*) The MTFS adjustment relates to pay inflation, totalling £9,500
(***) This adjustment is required to align the pay inflation to the actual sum required to cover an increase in payroll costs.

	Waste & Cleansing Team Salaries		23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
W1989		**Expenditure**							
		Employees	121,500	0	121,500	8,500	(20,400)		109,600
		Income							
		Recharges	(54,900)	0	(54,900)	0	(3,100)		(58,000)
		Net Expenditure	**66,600**	**0**	**66,600**	**8,500**	**(23,500)**		**51,600**

(*) The MTFS adjustment relates to pay inflation, totalling £8,500
(***) This adjustment is required to align the pay inflation to the actual sum required to cover an increase in payroll costs.

W1992	Benefits Team Salaries	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
	Expenditure							
	Employees	229,000	0	229,000	2,100	(33,300)		197,800
	Income							
	Recharges	(13,000)	0	(13,000)	0	6,000		(7,000)
	Net Expenditure	**216,000**	**0**	**216,000**	**2,100**	**(27,300)**		**190,800**

(*) The MTFS adjustment relates to pay inflation, totalling £2,100
(***) This adjustment is required to align the pay inflation to the actual sum required to cover an increase in payroll costs.

W1995	Revenues Team Salaries	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
	Expenditure							
	Employees	281,900	0	281,900	10,500	100,700		393,100
	Transport Related	1,000	0	1,000	0	0		1,000
	Income							
	Recharges	(68,100)	0	(68,100)	0	(12,200)		(80,300)
	Net Expenditure	**214,800**	**0**	**214,800**	**10,500**	**88,500**		**313,800**

(*) The MTFS adjustment relates to pay inflation, totalling £10,500
(***) This adjustment is required to align the pay inflation to the actual sum required to cover an increase in payroll costs.

W2017	Street and Beach Cleaning	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
	Expenditure							
	Premises Related	3,800	0	3,800	0	(3,800)		0
	Supplies & Services	2,250	0	2,250	0	3,000		5,250
	Third Party Payments	528,895	0	528,895	22,050	(8,945)		542,000
	Transport Related	0	0	0	0	29,300		29,300
	Income							
	Recharges	(9,500)	0	(9,500)	0	(10,500)		(20,000)
	Net Expenditure	**525,445**	**0**	**525,445**	**22,050**	**9,055**		**556,550**

(*) The MTFS adjustment is the anticipated inflation requirement to be added to the waste collection, recycling & cleansing contract, applicable from 1st April 24, totalling £22,050.
(***) The Other Adjustments are those required to align the budget to the latest projected running costs of the service at 24/25 outturn prices.

W2701	Waste & Recycling Collection Contract	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
	Expenditure							
	Depreciation Impairment Losses	189,603	0	189,603	0	0	141,197	330,800
	Premises Related	5,000	0	5,000	0	(5,000)		0
	Supplies & Services	108,813	0	108,813	0	(52,813)		56,000
	Third Party Payments	2,361,778	0	2,361,778	296,000	201,922		2,859,700
	Transport Related	0	0	0	0	(88,100)		(88,100)
	Income							
	Fees & Charges	(6,705)	0	(6,705)	0	(13,295)		(20,000)
	Other Grants & Contributions	(330,350)	0	(330,350)	0	(12,150)		(342,500)
	Recharges	(192,000)	0	(192,000)	0	(16,000)		(208,000)
	Sales	(1,050)	0	(1,050)	0	1,050		0
	Net Expenditure	**2,135,089**	**0**	**2,135,089**	**296,000**	**15,614**	**141,197**	**2,587,900**

(*) The MTFS adjustment is the anticipated inflation requirement to be added to the waste collection, recycling & cleansing contract, applicable from 1st April 24, totalling £296,000.
(***) The Other Adjustments are those required to align the budget to the latest projected running costs of the service at 24/25 outturn prices.

W2713	Trade Waste Services	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
	Expenditure							
	Supplies & Services	0	0	0	0	5,000		5,000
	Third Party Payments	5,150	0	5,150	2,450	(5,700)		1,900
	Income							
	Fees & Charges	(45,000)	0	(45,000)	0	0		(45,000)
	Net Expenditure	**(39,850)**	**0**	**(39,850)**	**2,450**	**(700)**		**(38,100)**

(*) The MTFS adjustment is the anticipated inflation requirement to be added to the waste collection, recycling & cleansing contract, applicable from 1st April 24, totalling £2,450.
(***) The Other Adjustments are those required to align the budget to the latest projected running costs of the service at 24/25 outturn prices.

W2715 Garden Waste Collection		23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
	Expenditure							
	Employees	0	0	0	0	50,700		50,700
	Supplies & Services	15,000	0	15,000	0	0		15,000
	Third Party Payments	290,000	0	290,000	22,050	(61,850)		250,200
	Transport Related	0	0	0	0	44,100		44,100
	Income							
	Fees & Charges	(305,000)	0	(305,000)	(55,000)	0		(360,000)
	Net Expenditure	**0**	**0**	**0**	**(32,950)**	**32,950**		**0**

(*) The MTFS adjustment is the anticipated inflation requirement to be added to the waste collection, recycling & cleansing contract, applicable from 1st April 24 totalling £22,050, and additional fees and charges totalling £55,000 to align the income to current service subscription levels, and the approved price increase from £52 to £55 p/bin for 2024/25.
(***) The Other Adjustments are those required to align the budget to the latest projected running costs of the service at 24/25 outturn prices.

W2721 Hayedown Depot		23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
	Expenditure							
	Premises Related	71,551	0	71,551	3,000	(20,201)		54,350
	Supplies & Services	5,300	0	5,300	0	0		5,300
	Income							
	Rent	(8,000)	0	(8,000)	0	8,000		0
	Net Expenditure	**68,851**	**0**	**68,851**	**3,000**	**(12,201)**		**59,650**

(*) The MTFS adjustment is the anticipated inflation requirement to be added to the current rent agreement for the depot premises, totalling £3,000.
(***) The Other Adjustments are those required to align the budget to the latest projected running costs of the service at 24/25 outturn prices.

W2881 Waste Supervisor & Managerial Salaries		23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
	Expenditure							
	Employees	57,700	0	57,700	5,700	(1,100)		62,300
	Income							
	Recharges	(57,700)	0	(57,700)	0	(4,600)		(62,300)
	Net Expenditure	**0**	**0**	**0**	**5,700**	**(5,700)**		**0**

(*) The MTFS adjustment relates to pay inflation, totalling £5,700.
(**) The Other Adjustments are those requried to align the budget to the latest staffing establishment for the service, member of staff fully rechargeable to SHDC.

Code	Senior Leadership Team (SLT)	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
W4001	**Expenditure**							
	Employees	489,300	0	489,300	33,800	47,700		570,800
	Supplies & Services	625	0	625	0	0		625
	Transport Related	1,800	0	1,800	0	0		1,800
	Income							
	Recharges	(206,500)	0	(206,500)	0	(34,400)		(240,900)
	Net Expenditure	**285,225**	**0**	**285,225**	**33,800**	**13,300**		**332,325**

(*) The MTFS adjustment relates to pay inflation, totalling £33,800.
(***) This adjustment is required to align the pay inflation to the actual sum required to cover an increase in payroll costs.

Code	Heads of Service Salaries	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
W4002	**Expenditure**							
	Employees	1,004,000	0	1,004,000	76,100	155,300		1,235,400
	Transport Related	1,000	0	1,000	0	0		1,000
	Income							
	Recharges	(488,500)	0	(488,500)	0	(76,600)		(565,100)
	Net Expenditure	**516,500**	**0**	**516,500**	**76,100**	**78,700**		**671,300**

(*) The MTFS adjustment relates to pay inflation, totalling £71,600
(***) This adjustment is required to align the pay inflation to the actual sum required to cover an increase in payroll costs.

Code	Landline Telephones	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
W4082	**Expenditure**							
	Supplies & Services	21,000	0	21,000	0	0		21,000
	Net Expenditure	**21,000**	**0**	**21,000**	**0**	**0**		**21,000**

W4084	ICT Support Contracts	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
	Expenditure							
	Supplies & Services	488,284	0	488,284	185,000	0		673,284
	Net Expenditure	**488,284**	**0**	**488,284**	**185,000**	**0**		**673,284**

(*) The MTFS adjustment relates to inflationary cost pressures in ICT for increases in prices (£110K) and Business Continuity & Cyber Security (£75K).

W4085	Mobile Phones	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
	Expenditure							
	Supplies & Services	14,000	0	14,000	0	0		14,000
	Net Expenditure	**14,000**	**0**	**14,000**	**0**	**0**		**14,000**

W4086	ICT Hardware Replacement	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
	Expenditure							
	Supplies & Services	51,697	0	51,697	0	0		51,697
	Net Expenditure	**51,697**	**0**	**51,697**	**0**	**0**		**51,697**

W4087	Photocopiers/MFD's	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
	Expenditure							
	Supplies & Services	10,000	0	10,000	0	0		10,000
	Net Expenditure	**10,000**	**0**	**10,000**	**0**	**0**		**10,000**

W4155	Digital Mail Room Team (DMR) Salaries	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
	Expenditure							
	Employees	54,700	0	54,700	0	(3,400)		51,300
	Supplies & Services	51,900	0	51,900	0	0		51,900
	Net Expenditure	**106,600**	**0**	**106,600**	**0**	**(3,400)**		**103,200**

(***) This adjustment is required to align the pay inflation to the actual sum required to cover an increase in payroll costs.

W4501	Performance & Intelligence Team Salaries	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
	Expenditure							
	Employees	144,700	0	144,700	8,000	5,400		158,100
	Transport Related	1,100	0	1,100	0	0		1,100
	Income							
	Recharges	(41,500)	0	(41,500)	0	(3,700)		(45,200)
	Net Expenditure	**104,300**	**0**	**104,300**	**8,000**	**1,700**		**114,000**

(*) The MTFS adjustment relates to pay inflation, totalling £8,000.
(***) This adjustment is required to align the pay inflation to the actual sum required to cover an increase in payroll costs.

West Devon Borough Council

Detailed Place & Enterprise Budgets 2024/25

Cost Centre Code	Cost Centre Description	Budget Manager	23/24 Base Net Budget	23/24 In Year Virements (**)	Final Budget 23/24	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
			£'s	£'s	£'s	£'s	£'s	£'s	£'s
W1030	Economic Development	Chris Shears	92,291	0	92,291	0	0	0	92,291
W1082	Strategic Planning Salaries	Chris Shears	93,700	0	93,700	0	12,300	0	106,000
W1092a	Planning Development Salaries	Ian Sosnowski	0	0	0	4,900	(4,800)	0	100
W1102	Tamar Valley Trust	Head of Assets	63,482	0	63,482	0	0	0	63,482
W1104	Land & Investment Properties	Head of Assets	(1,131,600)	0	(1,131,600)	0	0	0	(1,131,600)
W1161	Kilworthy Park Offices	Head of Assets	273,392	0	273,392	9,700	0	0	283,092
W1306	Countryside Recreation	Head of Assets	61,080	0	61,080	0	0	0	61,080
W1310	Leisure Centres	Jon Parkinson	(25,262)	0	(25,262)	0	0	168,623	143,361
W1311	Outdoor Sports & Recreation	Head of Assets	12,810	0	12,810	0	0	0	12,810
W1400	Employment Estates	Head of Assets	(140,531)	0	(140,531)	25,000	0	26,493	(89,038)
W1501	General Health	Ian Luscombe	14,170	0	14,170	0	0	0	14,170
W1531	Licensing	Ian Luscombe	(90,551)	0	(90,551)	(20,000)	0	0	(110,551)
W1533	Pest Control	Ian Luscombe	16,293	0	16,293	0	0	0	16,293
W1534	Pollution Control	Ian Luscombe	(2,071)	0	(2,071)	0	0	0	(2,071)
W1535	Food Safety	Ian Luscombe	698	0	698	0	0	0	698
W1536	Health & Safety at Work	Ian Luscombe	1,500	0	1,500	0	0	0	1,500
W1544	Community Safety	Ian Luscombe	6,500	0	6,500	0	0	0	6,500
W1545	Emergency Planning	Ian Luscombe	5,370	0	5,370	0	0	0	5,370
W1551	Homelessness	Isabel Blake	153,777	0	153,777	0	0	13,770	167,547
W1552	Housing Advice	Isabel Blake	1,200	0	1,200	0	0	0	1,200
W1553	Housing Enabling	Head of Assets	240	0	240	0	0	0	240
W1555	Private Sector Housing Renewal	Ian Luscombe	31,595	0	31,595	0	0	(3,595)	28,000
W1993	Environmental Health Salaries	Ian Luscombe	431,600	0	431,600	41,600	(1,800)	0	471,400
W1994	Assets Team Salaries	Head of Assets	279,700	0	279,700	35,800	(44,400)	0	271,100
W1999	Housing Team Salaries	Isabel Blake	119,600	0	119,600	29,700	26,900	0	176,200
W2101	Car & Boat Parking	Emma Widdicombe	(419,329)	0	(419,329)	(119,500)	800	3,913	(534,116)
W2310	Dog Warden Service	Emma Widdicombe	3,422	0	3,422	0	0	0	3,422
W2400	Public Conveniences	Emma Widdicombe	121,749	0	121,749	5,650	5,982	5,919	139,300
W4105	Economy Service Salaries	Chris Shears	71,000	0	71,000	5,400	2,700	0	79,100
W4406	Council Plan- Health & Wellbeing	Ian Luscombe	0	0	0	25,000	0	0	25,000
W4401	Council Plan- Economy & Jobs	Chris Shears	0	0	0	60,000	0	0	60,000
			45,825	**0**	**45,825**	**103,250**	**(2,318)**	**215,123**	**361,880**

(*) MTFS - Medium Term Financial Strategy, cost pressures and savings agreed as part of the budget process
(**)2023/24 Virements - movements in budgets to better reflect where budget responsibility should be held, virements always net to zero.
(***) Other Adjustments = budget changes required to align expenditure & income to the current management structure, these adjustments net to zero.
(****) Realignment of capital charges. Notional charge offset by reversal of depreciation.

	Economic Development		23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
W1030		**Expenditure**							
		Premises Related	10,900	0	10,900	0	0		10,900
		Supplies & Services	81,391	0	81,391	0	0		81,391
		Net Expenditure	**92,291**	**0**	**92,291**	**0**	**0**		**92,291**

	Strategic Planning Salaries		23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
W1082		**Expenditure**							
		Employees	93,700	0	93,700	0	12,300		106,000
		Net Expenditure	**93,700**	**0**	**93,700**	**0**	**12,300**		**106,000**

(***) This adjustment is required to align the pay inflation to the actual sum required to cover an increase in payroll costs.

	Planning Development Salaries		23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
W1092a		**Expenditure**							
		Employees	50,600	0	50,600	4,900	0		55,500
		Income							
		Recharges	(50,600)	0	(50,600)	0	(4,800)		(55,400)
		Net Expenditure	**0**	**0**	**0**	**4,900**	**(4,800)**		**100**

(*) The MTFS adjustment relates to pay inflation, totalling £4,900

(***) This adjustment is required to align the pay inflation to the actual sum required to cover an increase in payroll costs.

The staffing costs for providing the service are sat within different cost centres and an appropriate apportionment is made.

W1102	Tamar Valley Trust	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
	Expenditure							
	Premises Related	66,232	0	66,232	0	0		66,232
	Supplies & Services	26,630	0	26,630	0	0		26,630
	Income							
	Fees & Charges	(15,330)	0	(15,330)	0	0		(15,330)
	Rent	(14,050)	0	(14,050)	0	0		(14,050)
	Net Expenditure	**63,482**	**0**	**63,482**	**0**	**0**		**63,482**

W1104	Land & Investment Properties	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
	Expenditure							
	Premises Related	37,000	0	37,000	0	0		37,000
	Income							
	Rent	(1,168,600)	0	(1,168,600)	0	0		(1,168,600)
	Net Expenditure	**(1,131,600)**	**0**	**(1,131,600)**	**0**	**0**		**(1,131,600)**

W1161	Kilworthy Park Offices	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
	Expenditure							
	Employees	100,600	0	100,600	9,700	2,400		112,700
	Premises Related	291,942	0	291,942	0	0		291,942
	Supplies & Services	41,084	0	41,084	0	0		41,084
	Transport Related	76	0	76	0	0		76
	Income							
	Fees & Charges	(4,000)	0	(4,000)	0	0		(4,000)
	Recharges	(25,300)	0	(25,300)	0	(2,400)		(27,700)
	Rent	(131,010)	0	(131,010)	0	0		(131,010)
	Net Expenditure	**273,392**	**0**	**273,392**	**9,700**	**0**		**283,092**

(*) The MTFS adjustment relates to pay inflation, totalling £9,700.
(***) This adjustment is required to align the pay inflation to the actual sum required to cover an increase in payroll costs.

	Countryside Recreation	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
W1306	**Expenditure**							
	Premises Related	3,570	0	3,570	0	0		3,570
	Supplies & Services	57,510	0	57,510	0	0		57,510
	Net Expenditure	**61,080**	**0**	**61,080**	**0**	**0**		**61,080**

	Leisure Centres	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
W1310	**Expenditure**							
	Depreciation Impairment Losses	223,077	0	223,077	0	0	168,623	391,700
	Income							
	Fees & Charges	(248,339)	0	(248,339)	0	0		(248,339)
	Recharges	0	0	0	0	0		0
	Net Expenditure	**(25,262)**	**0**	**(25,262)**	**0**	**0**	**168,623**	**143,361**

(****) Realignment of capital charges. Notional charge offset by reversal of depreciation.

	Outdoor Sports & Recreation	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
W1311	**Expenditure**							
	Supplies & Services	12,810	0	12,810	0	0		12,810
	Net Expenditure	**12,810**	**0**	**12,810**	**0**	**0**		**12,810**

	Employment Estates		23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
W1400		**Expenditure**							
		Depreciation Impairment Losses	80,707	0	80,707	0	0	26,493	107,200
		Premises Related	169,475	0	169,475	25,000	0		194,475
		Supplies & Services	36,912	0	36,912	0	0		36,912
		Income							
		Fees & Charges	(9,500)	0	(9,500)	0	0		(9,500)
		Recharges	(7,000)	0	(7,000)	0	0		(7,000)
		Rent	(411,125)	0	(411,125)	0	0		(411,125)
		Net Expenditure	**(140,531)**	**0**	**(140,531)**	**25,000**	**0**	**26,493**	**(89,038)**

(*) The MTFS adjustment relates to price inflation of utilities.
(****) Realignment of capital charges. Notional charge offset by reversal of depreciation.

	General Health		23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
W1501		**Expenditure**							
		Supplies & Services	14,170	0	14,170	0	0		14,170
		Net Expenditure	**14,170**	**0**	**14,170**	**0**	**0**		**14,170**

	Licensing		23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
W1531		**Expenditure**							
		Supplies & Services	23,560	0	23,560	0	0		23,560
		Income							
		Fees & Charges	(104,011)	0	(104,011)	(20,000)	0		(124,011)
		Recharges	(10,100)	0	(10,100)	0	0		(10,100)
		Net Expenditure	**(90,551)**	**0**	**(90,551)**	**(20,000)**	**0**		**(110,551)**

(*) The MTFS adjustment relates to inflationary increases to licensing fees & charges totalling £20,000.

W1533	Pest Control		23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
		Expenditure							
		Supplies & Services	16,293	0	16,293	0	0		16,293
		Net Expenditure	**16,293**	**0**	**16,293**	**0**	**0**		**16,293**

W1534	Pollution Control		23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
		Expenditure							
		Supplies & Services	20,929	0	20,929	0	0		20,929
		Income							
		Fees & Charges	(23,000)	0	(23,000)	0	0		(23,000)
		Net Expenditure	**(2,071)**	**0**	**(2,071)**	**0**	**0**		**(2,071)**

W1535	Food Safety		23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
		Expenditure							
		Supplies & Services	5,698	0	5,698	0	0		5,698
		Income							
		Fees & Charges	(5,000)	0	(5,000)	0	0		(5,000)
		Net Expenditure	**698**	**0**	**698**	**0**	**0**		**698**

W1536 Health & Safety at Work	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
Expenditure							
Employees	1,500	0	1,500	0	0		1,500
Net Expenditure	**1,500**	**0**	**1,500**	**0**	**0**		**1,500**

W1544 Community Safety	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
Expenditure							
Supplies & Services	6,500	0	6,500	0	0		6,500
Net Expenditure	**6,500**	**0**	**6,500**	**0**	**0**		**6,500**

W1545 Emergency Planning	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
Expenditure							
Supplies & Services	5,370	0	5,370	0	0		5,370
Net Expenditure	**5,370**	**0**	**5,370**	**0**	**0**		**5,370**

W1551 Homelessness	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
Expenditure							
Depreciation Impairment Losses	2,830	0	2,830	0	0	13,770	16,600
Premises Related	34,400	0	34,400	0	0		34,400
Supplies & Services	260,737	0	260,737	0	0		260,737
Income							
Recharges	(34,190)	0	(34,190)	0	0		(34,190)
Rent	(110,000)	0	(110,000)	0	0		(110,000)
Net Expenditure	**153,777**	**0**	**153,777**	**0**	**0**	**13,770**	**167,547**

(****) Realignment of capital charges. Notional charge offset by reversal of depreciation.

W1552 Housing Advice		23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
	Expenditure							
	Employees	470	0	470	0	0		470
	Supplies & Services	730	0	730	0	0		730
	Net Expenditure	**1,200**	**0**	**1,200**	**0**	**0**		**1,200**

W1553 Housing Enabling		23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
	Expenditure							
	Employees	98	0	98	0	0		98
	Supplies & Services	5,000	0	5,000	0	0		5,000
	Income							
	Rent	(4,858)	0	(4,858)	0	0		(4,858)
	Net Expenditure	**240**	**0**	**240**	**0**	**0**		**240**

W1555 Private Sector Housing Renewal	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
Expenditure							
Depreciation Impairment Losses	25,895	0	25,895	0	0	(3,595)	22,300
Supplies & Services	15,700	0	15,700	0	0		15,700
Income							
Fees & Charges	(10,000)	0	(10,000)	0	0		(10,000)
Net Expenditure	**31,595**	**0**	**31,595**	**0**	**0**	**(3,595)**	**28,000**

(****) Realignment of capital charges. Notional charge offset by reversal of depreciation.

W1993 Environmental Health Salaries	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
Expenditure							
Employees	760,400	0	760,400	41,600	70,100		872,100
Transport Related	14,500	0	14,500	0	0		14,500
Income							
Fees & Charges	(93,100)	0	(93,100)	0	(10,200)		(103,300)
Recharges	(250,200)	0	(250,200)	0	(61,700)		(311,900)
Net Expenditure	**431,600**	**0**	**431,600**	**41,600**	**(1,800)**		**471,400**

(*) The MTFS adjustment relates to pay inflation, totalling £41,600.
(***) This adjustment is required to align the pay inflation to the actual sum required to cover an increase in payroll costs.

W1994 Assets Team Salaries	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
Expenditure							
Employees	529,300	0	529,300	35,800	(17,500)		547,600
Transport Related	13,200	0	13,200	0	0		13,200
Income							
Recharges	(262,800)	0	(262,800)	0	(26,900)		(289,700)
Net Expenditure	**279,700**	**0**	**279,700**	**35,800**	**(44,400)**		**271,100**

(*) The MTFS adjustment relates to pay inflation, totalling £35,800.
(***) This adjustment is required to align the pay inflation to the actual sum required to cover an increase in payroll costs.

	Housing Team Salaries	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
W1999	**Expenditure**							
	Employees	493,900	0	493,900	29,700	68,900		592,500
	Transport Related	1,700	0	1,700	0	0		1,700
	Income							
	Government Grants	(180,000)	0	(180,000)	0	0		(180,000)
	Recharges	(196,000)	0	(196,000)	0	(42,000)		(238,000)
	Net Expenditure	**119,600**	**0**	**119,600**	**29,700**	**26,900**		**176,200**

(*) The MTFS adjustment relates to pay inflation, totalling £29,700.
(***) This adjustment is required to align the pay inflation to the actual sum required to cover an increase in payroll costs.

	Car & Boat Parking	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
W2101	**Expenditure**							
	Depreciation Impairment Losses	20,787	0	20,787	0	0	3,913	24,700
	Employees	108,800	0	108,800	10,600	800		120,200
	Premises Related	212,057	0	212,057	0	0		212,057
	Supplies & Services	83,820	0	83,820	19,900	0		103,720
	Third Party Payments	60,000	0	60,000	0	0		60,000
	Transfer Payments	80,000	0	80,000	0	0		80,000
	Transport Related	11,820	0	11,820	0	0		11,820
	Income							
	Fees & Charges	(973,893)	0	(973,893)	(150,000)	0		(1,123,893)
	Recharges	(20,420)	0	(20,420)	0	0		(20,420)
	Rent	(2,300)	0	(2,300)	0	0		(2,300)
	Net Expenditure	**(419,329)**	**0**	**(419,329)**	**(119,500)**	**800**	**3,913**	**(534,116)**

(*) The MTFS adjustments relate to pay inflation, totalling £10,600, price inflation for the RingGo Car Parking contract of £19,900 and an adjustment for additional car parking income of £150,000.
(***) This adjustment is required to align the pay inflation to the actual sum required to cover an increase in payroll costs.
(****) Realignment of capital charges. Notional charge offset by reversal of depreciation.

The net difference between income and expenditure will be used to support costs associated with the operation and maintenance of parking services, its infrastructure, and the maintenance of off street car parks. It is also used to support and provide other council services such as public toilets, street cleansing, parks and open spaces and other lawfully incurred identified expenditure.

	Dog Warden Service	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
W2310	**Expenditure**							
	Supplies & Services	5,922	0	5,922	0	0		5,922
	Transport Related	3,700	0	3,700	0	0		3,700
	Income							
	Recharges	(6,200)	0	(6,200)	0	0		(6,200)
	Net Expenditure	**3,422**	**0**	**3,422**	**0**	**0**		**3,422**

	Public Conveniences	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
W2400	**Expenditure**							
	Depreciation Impairment Losses	9,481	0	9,481	0	0	5,919	15,400
	Premises Related	63,008	0	63,008	3,200	12,992		79,200
	Supplies & Services	2,710	0	2,710	0	290		3,000
	Third Party Payments	84,750	0	84,750	2,450	200		87,400
	Income							
	Fees & Charges	(7,750)	0	(7,750)	0	6,250		(1,500)
	Recharges	(30,450)	0	(30,450)	0	(5,750)		(36,200)
	Rent	0	0	0		(8,000)		(8,000)
	Net Expenditure	**121,749**	**0**	**121,749**	**5,650**	**5,982**	**5,919**	**139,300**

(*) The MTFS adjustment is the anticipated inflation requirement to be added to the waste collection, recycling & cleansing contract and the cost of utilities, applicable from 1st April 24, totalling £5,650.
(**) The Other Adjustments are those required to align the budget to the latest projected running costs of the service at 24/25 outturn prices.
(****) Realignment of capital charges. Notional charge offset by reversal of depreciation.

	Economy Service Salaries	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
W4105	**Expenditure**							
	Employees	97,200	0	97,200	5,400	3,600		106,200
	Transport Related	1,300	0	1,300	0	0		1,300
	Income							
	Recharges	(27,500)	0	(27,500)	0	(900)		(28,400)
	Net Expenditure	**71,000**	**0**	**71,000**	**5,400**	**2,700**		**79,100**

(*) The MTFS adjustment relates to pay inflation, totalling £5,400.
(***) This adjustment is required to align the pay inflation to the actual sum required to cover an increase in payroll costs.

W4401	Council Plan- Economy & Jobs	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
	Expenditure							
	Employees	0	0	0	25,000	0		25,000
	Supplies & Services	0	0	0	35,000	0		35,000
	Net Expenditure	**0**	**0**	**0**	**60,000**	**0**		**60,000**

(*) The MTFS adjustment relates to Year 1 delivery of the Council Plan action references EJ3.3 "Work with Town Councils and partners to develop town plans to help shape the economy of our places." and EJ3.5 "Continue to support Tavistock BID", totalling £25,000. Plus action reference EJ3.4 "Work with businesses in Okehampton to develop plans for a Business Improvement District." totalling £35,000.

W4406	Council Plan- Health & Wellbeing	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
	Expenditure							
	Supplies & Services	0	0	0	25,000	0		25,000
	Net Expenditure	**0**	**0**	**0**	**25,000**	**0**		**25,000**

(*) The MTFS adjustment relates to Year 1 delivery of the Council Plan action references HW1.1 "Support young people with their mental health by commissioning a programme of support in schools", HW1.5 "Develop a strategy for the longer-term sustainable delivery plan for leisure services within the borough." and HW2.2 "Implement a leisure centre access scheme for Children in Care and Care Leavers", totalling £25,000.

West Devon Borough Council

Detailed Strategy & Governance Budgets 2024/25

Cost Centre Code	Cost Centre Description	Budget Manager	23/24 Base Net Budget	23/24 In Year Virements (**)	Final Budget 23/24	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
			£'s	£'s	£'s	£'s	£'s	£'s	£'s
W1003	Land Charges Salaries	Helen Smart	44,700	0	44,700	4,400	(1,300)	0	47,800
W1020	Planning Applications and Advice	Pat Whymer	(440,795)	0	(440,795)	25,000	0	0	(415,795)
W1040	Local Land Charges	Pat Whymer	(73,806)	0	(73,806)	0	0	0	(73,806)
W1060	Community Development	Chris Shears	67,500	0	67,500	0	0	0	67,500
W1061	Community Development Salaries	Chris Shears	0	0	0	0	77,000	0	77,000
W1200	Public Transport Assistance	Chris Shears	13,185	0	13,185	0	0	0	13,185
W1996	Human Resources Salaries	Andy Wilson	40,240	0	40,240	0	6,300	0	46,540
W1997	Strategy & Governance Salaries	Neil Hawke	131,800	0	131,800	18,300	(4,100)	0	146,000
W1998	Planning Service Salaries	Helen Smart	576,500	0	576,500	48,100	11,700	0	636,300
W2707	Climate Change	Adam Williams	0	0	0	50,000	0	0	50,000
W3001	Electoral Registration	Geoff Waxman	107,645	0	107,645	7,600	21,100	0	136,345
W3030	Staff Forum	Michelle Pierce	5,000	0	5,000	0	0	0	5,000
W3041	Communications & Media Team Salaries	Michelle Pierce	67,230	0	67,230	0	5,400	0	72,630
W3050	Democratic Representation & Management	Darryl White	254,935	0	254,935	14,900	0	0	269,835
W3051	Member Support & Democratic Services	Darryl White	155,450	0	155,450	12,100	2,400	0	169,950
W4004	Corporate Training & Occupational Health	Andy Wilson	18,183	0	18,183	0	0	0	18,183
W4005	Case Management Service Based Training	Andy Wilson	11,700	0	11,700	0	0	0	11,700
W4015	Specialists Service Based Training	Andy Wilson	12,400	0	12,400	0	0	0	12,400
W4041	Internal Audit	Neil Hawke	43,900	0	43,900	0	29,300	0	73,200
W4101	Legal Team Salaries	David Fairbairn	184,800	0	184,800	17,500	29,900	0	232,200
W4102	Design Team Salaries	Michelle Pierce	22,700	0	22,700	0	2,300	0	25,000
W4200	Insurance	Neil Hawke	83,231	0	83,231	30,000	0	0	113,231
W4511	Building Control Services	Jacqueline Houslander	38,469	0	38,469	8,000	0	0	46,469
W4402	Council Plan- Built Environment	Alistair Wagstaff	0	0	0	100,000	0	0	100,000
W4403	Council Plan- Natural Environment	Adam Williams	0	0	0	87,000	0	0	87,000
W4404	Council Plan- People & Community	Neil Hawke	0	0	0	40,500	0	0	40,500
W4407	Council Plan- Performance & Resources	Neil Hawke	0	0	0	22,000	0	0	22,000
W4408	Council Plan- Accessibility & Communications	Neil Hawke	0	0	0	3,000	0	0	3,000
			1,364,967	**0**	**1,364,967**	**488,400**	**180,000**	**0**	**2,033,367**

(*) MTFS - Medium Term Financial Strategy, cost pressures and savings agreed as part of the budget process
(**)2023/24 Virements - movements in budgets to better reflect where budget responsibility should be held, virements always net to zero.
(***) Other Adjustments = budget changes required to align expenditure & income to the current management structure, these adjustments net to zero.
(****) Realignment of capital charges. Notional charge offset by reversal of depreciation.

W1003	Land Charges Salaries	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
	Expenditure							
	Employees	44,600	0	44,600	4,400	(1,300)		47,700
	Transport Related	100	0	100	0	0		100
	Net Expenditure	**44,700**	**0**	**44,700**	**4,400**	**(1,300)**		**47,800**

(*) The MTFS adjustment relates to pay inflation, totalling £4,400.
(***) This adjustment is required to align the pay inflation to the actual sum required to cover an increase in payroll costs.

W1020	Planning Applications and Advice	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
	Expenditure							
	Supplies & Services	31,850	0	31,850	25,000	0		56,850
	Income							
	Fees & Charges	(472,645)	0	(472,645)	0	0		(472,645)
	Net Expenditure	**(440,795)**	**0**	**(440,795)**	**25,000**	**0**		**(415,795)**

(*) The MTFS adjustment relates to providing a budget for ecology consulations, totalling £25,000.

W1040	Local Land Charges	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
	Expenditure							
	Supplies & Services	3,890	0	3,890	0	0		3,890
	Third Party Payments	17,550	0	17,550	0	0		17,550
	Income							
	Fees & Charges	(95,246)	0	(95,246)	0	0		(95,246)
	Net Expenditure	**(73,806)**	**0**	**(73,806)**	**0**	**0**		**(73,806)**

The staffing costs for providing the service are sat within different cost centres and an appropriate apportionment is made.

W1060	Community Development	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
	Expenditure							
	Supplies & Services	67,500	0	67,500	0	0		67,500
	Net Expenditure	**67,500**	**0**	**67,500**	**0**	**0**		**67,500**

W1061	Community Development Salaries	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
	Expenditure							
	Employees	0	0	0	0	99,600		99,600
	Income							
	Recharges	0	0	0	0	(22,600)		(22,600)
	Net Expenditure	**0**	**0**	**0**	**0**	**77,000**		**77,000**

W1200	Public Transport Assistance	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
	Expenditure							
	Supplies & Services	13,185	0	13,185	0	0		13,185
	Net Expenditure	**13,185**	**0**	**13,185**	**0**	**0**		**13,185**

W1996	Human Resources Salaries	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
	Expenditure							
	Employees	37,600	0	37,600	0	6,300		43,900
	Supplies & Services	2,640	0	2,640	0	0		2,640
	Income							
	Recharges	0	0	0	0	0		0
	Net Expenditure	**40,240**	**0**	**40,240**	**0**	**6,300**		**46,540**

(***) This adjustment is required to align the pay inflation to the actual sum required to cover an increase in payroll costs.

W1997	Strategy & Governance Salaries	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
	Expenditure							
	Employees	227,600	0	227,600	18,300	(25,300)		220,600
	Transport Related	400	0	400	0	0		400
	Income							
	Recharges	(96,200)	0	(96,200)	0	21,200		(75,000)
	Net Expenditure	**131,800**	**0**	**131,800**	**18,300**	**(4,100)**		**146,000**

(*) The MTFS adjustment relates to pay inflation, totalling £18,300.
(***) This adjustment is required to align the pay inflation to the actual sum required to cover an increase in payroll costs.

W1998	Planning Service Salaries	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
	Expenditure							
	Employees	949,000	0	949,000	48,100	12,100		1,009,200
	Transport Related	12,800	0	12,800	0	0		12,800
	Income							
	Recharges	(385,300)	0	(385,300)	0	(400)		(385,700)
	Net Expenditure	**576,500**	**0**	**576,500**	**48,100**	**11,700**		**636,300**

(*) The MTFS adjustment relates to pay inflation, totalling £48,100.
(***) This adjustment is required to align the pay inflation to the actual sum required to cover an increase in payroll costs.

W2707	Climate Change	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
	Expenditure							
	Supplies & Services	0	0	0	50,000	0		50,000
	Net Expenditure	**0**	**0**	**0**	**50,000**	**0**		**50,000**

W3001	Electoral Registration	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
	Expenditure							
	Employees	79,200	0	79,200	7,600	21,100		107,900
	Premises Related	1,500	0	1,500	0	0		1,500
	Supplies & Services	28,045	0	28,045	0	0		28,045
	Transport Related	200	0	200	0	0		200
	Income							
	Sales	(1,300)	0	(1,300)	0	0		(1,300)
	Net Expenditure	**107,645**	**0**	**107,645**	**7,600**	**21,100**		**136,345**

(*) The MTFS adjustment relates to pay inflation, totalling £7,600.
(***) This adjustment is required to align the pay inflation to the actual sum required to cover an increase in payroll costs.

W3030	Staff Forum	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
	Expenditure							
	Supplies & Services	5,000	0	5,000	0	0		5,000
	Net Expenditure	**5,000**	**0**	**5,000**	**0**	**0**		**5,000**

W3041	Communications & Media Team Salaries	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
	Expenditure							
	Employees	65,460	0	65,460	0	5,400		70,860
	Supplies & Services	4,970	0	4,970	0	0		4,970
	Transport Related	300	0	300	0	0		300
	Income							
	Recharges	(3,500)	0	(3,500)	0	0		(3,500)
	Net Expenditure	**67,230**	**0**	**67,230**	**0**	**5,400**		**72,630**

(***) This adjustment is required to align the pay inflation to the actual sum required to cover an increase in payroll costs.

W3050	Democratic Representation & Management	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
	Expenditure							
	Supplies & Services	258,535	0	258,535	14,900	0		273,435
	Income							
	Recharges	(3,600)	0	(3,600)	0	0		(3,600)
	Net Expenditure	**254,935**	**0**	**254,935**	**14,900**	**0**		**269,835**

(*) The MTFS adjustment relates to price inflation allocation for the increase to Members Allowances, totalling £14,900.

W3051	Member Support & Democratic Services	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
	Expenditure							
	Employees	196,550	0	196,550	12,100	6,100		214,750
	Transport Related	400	0	400	0	0		400
	Income							
	Recharges	(41,500)	0	(41,500)	0	(3,700)		(45,200)
	Net Expenditure	**155,450**	**0**	**155,450**	**12,100**	**2,400**		**169,950**

(*) The MTFS adjustment relates to pay inflation, totalling £12,100.
(***) This adjustment is required to align the pay inflation to the actual sum required to cover an increase in payroll costs.

W4004	Corporate Training & Occupational Health		23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
		Expenditure							
		Employees	18,183	0	18,183	0	0		18,183
		Net Expenditure	**18,183**	**0**	**18,183**	**0**	**0**		**18,183**

W4005	Case Management Service Based Training		23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
		Expenditure							
		Employees	11,700	0	11,700	0	0		11,700
		Net Expenditure	**11,700**	**0**	**11,700**	**0**	**0**		**11,700**

W4015	Specialists Service Based Training		23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
		Expenditure							
		Employees	12,400	0	12,400	0	0		12,400
		Net Expenditure	**12,400**	**0**	**12,400**	**0**	**0**		**12,400**

W4041	Internal Audit	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
	Expenditure							
	Employees	37,500	0	37,500	0	29,300		66,800
	Supplies & Services	6,400	0	6,400	0	0		6,400
	Net Expenditure	**43,900**	**0**	**43,900**	**0**	**29,300**		**73,200**

(***) This adjustment is required to align the pay inflation to the actual sum required to cover an increase in payroll costs.

W4101	Legal Team Salaries	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
	Expenditure							
	Employees	293,500	0	293,500	17,500	53,700		364,700
	Supplies & Services	23,000	0	23,000	0	0		23,000
	Transport Related	400	0	400	0	0		400
	Income							
	Recharges	(132,100)	0	(132,100)	0	(23,800)		(155,900)
	Net Expenditure	**184,800**	**0**	**184,800**	**17,500**	**29,900**		**232,200**

(*) The MTFS adjustment relates to pay inflation, totalling £17,500.
(***) This adjustment is required to align the pay inflation to the actual sum required to cover an increase in payroll costs.

W4102	Design Team Salaries	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
	Expenditure							
	Employees	22,700	0	22,700	0	2,300		25,000
	Net Expenditure	**22,700**	**0**	**22,700**	**0**	**2,300**		**25,000**

(***) This adjustment is required to align the pay inflation to the actual sum required to cover an increase in payroll costs.

W4200	Insurance	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
	Expenditure							
	Employees	29,260	0	29,260	10,000	0		39,260
	Premises Related	43,678	0	43,678	10,000	0		53,678
	Transport Related	10,293	0	10,293	10,000	0		20,293
	Net Expenditure	**83,231**	**0**	**83,231**	**30,000**	**0**		**113,231**

(*) The MTFS adjustment relates to additional insurance costs, totalling £30,000.

W4402	Council Plan- Built Environment	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
	Expenditure							
	Supplies & Services	0	0	0	100,000	0		100,000
	Net Expenditure	**0**	**0**	**0**	**100,000**	**0**		**100,000**

(*) The MTFS adjustment relates to Year 1 delivery of the Council Plan action reference BE1.2 "Plan and prepare for the review of the Local Plan (JLP) to ensure that this supports the Council's plan and meets the needs of our communities", totalling £100,000.

W4403	Council Plan- Natural Environment	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
	Expenditure							
	Employees	0	0	0	20,000	0		20,000
	Supplies & Services	0	0	0	67,000	0		67,000
	Net Expenditure	**0**	**0**	**0**	**87,000**	**0**		**87,000**

(*) The MTFS adjustment relates to Year 1 delivery of the Council Plan action references NE0.1 "Support Devon Climate Emergency Partnership", NE1.4 "Develop a plan for Wildlife wardens with the intention this becomes self-funding in future years" and "Work with Plymouth and South Devon Community forest to identify opportunities for tree planting and biodiversity in the borough", NE2.4 "Promote a thermal imaging camera lending scheme to enable residents and community facilities to identify areas for improving insulation in properties" and NE3.1 "Reduce Scope 1 and 2 Emissions to Net Zero by 2030 and work towards reducing scope 3 emissions by working with suppliers", totalling £87,000.

W4404	Council Plan- People & Community	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
	Expenditure							
	Supplies & Services	0	0	0	40,500	0		40,500
	Net Expenditure	**0**	**0**	**0**	**40,500**	**0**		**40,500**

(*) The MTFS adjustment relates to Year 1 delivery of the Council Plan action reference PC2.1 "Formation of Community Development Team", totalling £40,500.

W4407	Council Plan- Performance & Resources	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
	Expenditure							
	Supplies & Services	0	0	0	22,000	0		22,000
	Net Expenditure	**0**	**0**	**0**	**22,000**	**0**		**22,000**

(*) The MTFS adjustment relates to Year 1 delivery of the Council Plan action references PR3.2 "Develop and implement systems that support our staff to deliver the best services for our residents." and PR3.3 "Develop and implement a sustainable procurement strategy to secure value for money and support local businesses", totalling £22,000.

W4408	Council Plan- Accessibility & Communications	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
	Expenditure							
	Supplies & Services	0	0	0	3,000	0		3,000
	Net Expenditure	**0**	**0**	**0**	**3,000**	**0**		**3,000**

(*) The MTFS adjustment relates to Year 1 delivery of the Council Plan action reference AC1.3 "Develop other (offline) communication channels", totalling £3,000.

W4511	Building Control Services	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
	Expenditure							
	Third Party Payments	38,469	0	38,469	8,000	0		46,469
	Net Expenditure	**38,469**	**0**	**38,469**	**8,000**	**0**		**46,469**

(*) The MTFS adjustment relates to price inflation of the Devon Building Control Partnership SLA, totalling £8,000.

West Devon Borough Council

Detailed Strategic Finance Budgets 2024/25

Cost Centre Code	Cost Centre Description	Budget Manager	23/24 Base Net Budget £'s	23/24 In Year Virements (**) £'s	Final Budget 23/24 £'s	24/25 MTFS Adjustments (*) £'s	24/25 Other Adjustments (***) £'s	Capital Charges Realignment (****) £'s	Base Budget 24/25 £'s
W1991	Finance Team Salaries	Pauline Henstock	328,263	0	328,263	25,100	4,600	0	357,963
W4009	Non Distributed Costs	Pauline Henstock	778,042	0	778,042	0	(290,800)	0	487,242
W4160	Corporate Management	Pauline Henstock	175,345	0	175,345	(24,000)	0	9,200	160,545
W4199	Central Service Overheads	Pauline Henstock	17,642	0	17,642	0	0	0	17,642
W6040	Borrowing Costs	Pauline Henstock	1,303,914	0	1,303,914	25,000	0	0	1,328,914
W6050	Interest & Investment Income	Pauline Henstock	(400,321)	0	(400,321)	(400,000)	0	0	(800,321)
W6101	Business Rates Income	Pauline Henstock	(40,000)	0	(40,000)	0	0	0	(40,000)
			2,162,885	**0**	**2,162,885**	**(373,900)**	**(286,200)**	**9,200**	**1,511,985**

(*) MTFS - Medium Term Financial Strategy, cost pressures and savings agreed as part of the budget process
(**)2023/24 Virements - movements in budgets to better reflect where budget responsibility should be held, virements always net to zero.
(***) Other Adjustments = budget changes required to align expenditure & income to the current management structure, these adjustments net to zero.
(****) Realignment of capital charges. Notional charge offset by reversal of depreciation.

	Finance Team Salaries		23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
W1991		**Expenditure**							
		Employees	459,300	0	459,300	25,100	17,200		501,600
		Supplies & Services	27,863	0	27,863	0	0		27,863
		Transport Related	700	0	700	0	0		700
		Income							
		Recharges	(159,600)	0	(159,600)	0	(12,600)		(172,200)
		Net Expenditure	**328,263**	**0**	**328,263**	**25,100**	**4,600**		**357,963**

(*) The MTFS adjustment relates to pay inflation, totalling £25,100.
(***) This adjustment is required to align the pay inflation to the actual sum required to cover an increase in payroll costs.

W4009	Non Distributed Costs	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
	Expenditure							
	Corporate Items	658,042	0	658,042	0	(290,800)		367,242
	Employees	120,000	0	120,000	0	0		120,000
	Net Expenditure	**778,042**	**0**	**778,042**	**0**	**(290,800)**		**487,242**

(***) This adjustment is required to align the pay inflation to the actual sum required in each individual service, to cover the pay award.

W4160	Corporate Management	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
	Expenditure							
	Depreciation Impairment Losses	0	0	0	0	0	9,200	9,200
	Employees	2,500	0	2,500	(80,000)	0		(77,500)
	Supplies & Services	182,845	0	182,845	56,000	0		238,845
	Income							
	Recharges	(10,000)	0	(10,000)	0	0		(10,000)
	Net Expenditure	**175,345**	**0**	**175,345**	**(24,000)**	**0**	**9,200**	**160,545**

(*) The MTFS adjustment relates to establishment savings gained from IT & Digital Communications of £80,000, and increase in core external audit fees of £30,000 and price increases to housing benefit subsidy audit fees of £26,000.

(****) Realignment of capital charges. Notional charge offset by reversal of depreciation.

W4199	Central Service Overheads	23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
	Expenditure							
	Supplies & Services	18,542	0	18,542	0	0		18,542
	Income							
	Recharges	(900)	0	(900)	0	0		(900)
	Net Expenditure	**17,642**	**0**	**17,642**	**0**	**0**		**17,642**

W6040	Borrowing Costs		23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
	The staffing costs for providing the service a	**Expenditure**							
		Depreciation Impairment Losses	1,325,575	0	1,325,575	25,000	0		1,350,575
		Income							
		Recharges	(21,661)	0	(21,661)	0	0		(21,661)
		Net Expenditure	**1,303,914**	**0**	**1,303,914**	**25,000**	**0**		**1,328,914**

(*) The MTFS adjustment relates to price inflation required to align the minimum revenue provision budget, totalling £25,000.

W6050	Interest & Investment Income		23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
		Income							
		Interest	(400,321)	0	(400,321)	(400,000)	0		(800,321)
		Net Expenditure	**(400,321)**	**0**	**(400,321)**	**(400,000)**	**0**		**(800,321)**

(*) The MTFS adjustment relates to additional treasury management income, which increases the treasury management income targets by £400,000 (Income target of £800,321 for 24-25).

W6101	Business Rates Income		23/24 Base Budget	23/24 In Year Virements (**)	23/24 Final Budget	24/25 MTFS Adjustments (*)	24/25 Other Adjustments (***)	Capital Charges Realignment (****)	Base Budget 24/25
		Income							
		Recharges	(40,000)	0	(40,000)	0	0		(40,000)
		Net Expenditure	**(40,000)**	**0**	**(40,000)**	**0**	**0**		**(40,000)**

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WEST DEVON BOROUGH COUNCIL BUDGET PRESSURES	BASE 2023/24 £	Yr 1 2024/25 £	Yr 2 2025/26 £	Yr 3 2026/27 £
Waste collection, recycling and cleansing contract inflation (estimate) - assume 7.5% 2023/24 onwards (23/24 also includes some extra inflation provision from 22/23)	345,000	245,000	245,000	245,000
Waste collection, recycling and cleansing contract - Council 19 July 2022	400,000	0	0	0
Waste collection,recycling and cleansing - additional properties	50,000	100,000	100,000	100,000
Triennial Pension revaluation (increase in Pension Employer primary rate contributions)	50,000	0	0	75,000
Inflation on goods and services	150,000	150,000	180,000	180,000
Salaries - provision for pay award at 4% (£216,000) for 2024/25 (total pay of £5.4m), reducing to 3% in 25/26 and 26/27	0	216,000	170,000	170,000
Salaries - 22/23 award of £1,925 per Scale point has been modelled (an extra £210,000 on top of the 2% provided for)	360,000	0	0	0
Pay award 2023-24 - Initial figures of £1,925 per Scale Point or a 3.88% increase for Scale Point 44 upwards. (£147,000 is the amount over the current budget provision). This will need to be built into the Base Budget in 2024-25.	0	147,000	0	0
Increase in salaries - increments and pay and grading	175,000	75,000	75,000	75,000
IT inflationary cost pressures - increases in prices	0	110,000	0	0
Flooding - recent events have highlighted the need to add a cost pressure for dealing with the impacts of climate change, such as flooding, on our communities	0	50,000	0	0
Business continuity and cyber security	0	75,000	0	0
Extra insurance costs	0	30,000	0	0
Reduction in car parking income - Income targets were reduced in 2023/24 - There is a report to the Hub Committee in November 2023 on fees and charges for car parking - This is shown in the savings section further down.	150,000	0	0	0
Increase in external audit fees	60,000	30,000	0	0
Housing Delivery Team - Hub Committee 7th June 2022	29,800	0	0	0
Head of Revenues and Benefits - Hub Committee 12th April 2022	30,000	0	0	0
The Planning Improvement Plan, Hub Committee 7 June 2022, noted that the cost of the restructure, £33K per annum, will be funded for the first three years from the additional planning income held in the planning earmarked reserve.	33,000	0	0	0
A Plan for West Devon - Council 28.9.21 - £122,000 cost pressure for 22/23 and £168,000 for 2023/24 (Base Budget of £168,000 in 2024/25 onwards)	46,000	0	0	0
Reduction in Housing Benefit administration subsidy	10,000	10,000	0	0
National Insurance and National Living Wage (NLW increases)	40,000	30,000	20,000	20,000
Revenue expenditure for Year 1 delivery plan of the Council Plan (2024/25)	0	337,500	(337,500)	0
TOTAL IDENTIFIED BUDGET PRESSURES	**1,928,800**	**1,605,500**	**452,500**	**865,000**

WEST DEVON BOROUGH COUNCIL	BASE 2023/24 £	Yr 1 2024/25 £	Yr2 2025/26 £	Yr 3 2026/27 £
Contribution to Earmarked Reserves **(This line shows the annual contributions into the Reserve)**				
Contribution from Earmarked Reserves to fund the revenue expenditure within the Year 1 Delivery Plan of the Council Plan (2024/25)	0	(337,500)	0	0
Contribution to IT Development Reserve (£50K per annum)	50,000	50,000	50,000	50,000
Contribution to Planning Reserve (£25K per annum)	25,000	25,000	25,000	25,000
Contribution to Elections Reserve (20K per annum)	20,000	20,000	20,000	20,000
Contribution to a Joint Local Plan Earmarked Reserve - to commence the JLP review	0	50,000	50,000	50,000
Contribution from the Planning Reserve for the cost of the restructure within the planning service - Hub Committee 7 June 2022 - to be funded for the first three years from the additional planning income held in the planning earmarked reserve	(33,000)	(33,000)	(33,000)	0
Contribution from Business Rates Retention Reserve to smooth the volatility in business rates income from the baseline reset	(150,000)	(70,000)	(70,000)	(70,000)
Contribution from Strategic Change Earmarked Reserve	(32,567)	0	0	0
Contribution to Vehicles Replacement Reserve (£50K per annum) - An increase to £300,000 per annum per year has been built in as a cost pressure. An options report will be brought to Members in early 2024.	50,000	300,000	300,000	300,000
Increase the contribution to the Management, Maintenance and Risk Management Reserve for Investment properties - This increases the contribution from 10% of annual rental income in 23/24 to 15% in 24/25 and 20% for 25/26 onwards.	0	55,000	110,000	110,000
Contribution to Joint Local Plan Earmarked Reserve (staffing costs)	25,000	25,000	25,000	25,000
Total Contribution to/ (from) Earmarked Reserves	**(45,567)**	**84,500**	**477,000**	**510,000**

SAVINGS AND INCOME GENERATION IDENTIFIED	BASE 2023/24 £	Yr 1 2024/25 £	Yr 2 2025/26 £	Yr 3 2026/27 £
Income from Investment properties (£350,000 is in the Base Budget for 2023/24) - periodic upwards rental reviews on investment properties	50,000	0	0	0
Management fee income from external contracts such as leisure - Council 15 February 2022	45,500	0	0	200,000
IT FIT Project - software savings	10,000	0	0	0
Establishment savings (salary savings) gained from IT and digital communications	50,000	0	0	0
Extra recycling income - this income has already been achieved in 2021-22 (Base budget of £515,000 in 2023-24)	190,000	0	0	0
Extra trade waste income (Base budget of £45,000 in 2023-24)	30,000	0	0	0
Extra treasury management income to reflect increases in the Bank Base rate (Base Budget of £400,000 in 2023-24)	375,000	400,000	(200,000)	0
Car parking income (Hub Committee report 21st November 2023 - inflationary increases since March 2021)	0	150,000	0	0
Vacancy saving target on salaries - equates to around 1.5% of salaries (total pay of £5.4m)	0	80,000	0	0
Extra garden waste income from an increased customer base and an inflationary increase in the annual subscription amount (Base budget of £305,000 in 2023-24)	60,000	55,000	0	0
Environmental Health fees and charges - inflationary increases	0	20,000	0	0
Savings on staff and Member travel and expenses	30,000	0	0	0
Housing Benefit overpayments	40,000	0	0	0
Additional Employments estates income (Base budget of £427,000 in 2023-24)	50,000	0	0	0
Funding from Homelessness prevention government grant (this funds housing posts - funding to be reflected within the base budget)	180,000	0	0	0
TOTAL SAVINGS AND INCOME GENERATION	**1,110,500**	**705,000**	**(200,000)**	**200,000**

Memorandum note on Planning Fee Income
The Government has confirmed that a 35% increase for major applications and 25% for all other applications will apply from 6th December 2023. This is expected to generate around £60,000 to £70,000 of additional planning income. In 2022-23, the Council experienced a shortfall in planning income of £185,000 (39%) against the budgeted income target of £473,000. Therefore no additional income has been built into the base budget for 2024/25.

Second Homes 200% council tax - Projected Income and Expenditure	BASE 2023/24 £	Yr 1 2024/25 £	Yr 2 2025/26 £	Yr 3 2026/27 £
Discretion to charge up to an extra 100% extra council tax on Second Homes (timescale is that legislation has been introduced for 25-26). There is a separate report on the Council agenda of 20 February 2024 regarding this. The estimated additional yield from council tax would be £1.6m, of which the Council's share would be approximately £0.17m (11%).		0	(170,000)	(170,000)
Expenditure: The Council is experiencing additional temporary accommodation costs		150,000	150,000	150,000
This has been identified in the latest Budget Monitoring report (30.1.2024) as being an on-going cost pressure. Significant increases are anticipated in the expenditure on temporary accommodation over and above what is claimable back through DWP (Department for Work and Pensions) subsidy. This is reflective of the national picture.				

Report to:	**Audit and Governance Committee**
Date:	**19 March 2024**
Title:	**Shared Services Methodology 2023/24**
Portfolio Area:	**Performance & Resources – Cllr Chris Edmonds**
Wards Affected:	**All**

Urgent Decision: **N** Approval and clearance obtained: **Y**

Author: **Pauline Henstock** Role: **Head of Finance Practice**

Contact: **Email: pauline.henstock@swdevon.gov.uk**
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Recommendation:

1. **That the Audit and Governance Committee notes the methodology of the shared services apportionment of costs between West Devon Borough Council and South Hams District Council for 2023/24, as attached in Appendix A.**

1. Executive summary

1.1 The methodology for the apportionment of costs (predominantly staffing costs) between West Devon Borough Council and South Hams District Council is set out in the attached Appendix. The staffing costs of a particular service team are split on a defined basis as set out. The split of costs reflects the level of caseload which is attributable to each Council's individual service.

2. Background

2.1 This report is the annual report to the Audit and Governance Committee which sets out the methodology and mechanisms that are being used to calculate the cost allocations between the two Councils.

2.2 West Devon Borough Council and South Hams District Council have been shared service partners since 2007. The Councils have a shared non-manual workforce.

2.3 Appendix A sets out the methodology and the percentage on which staff costs and other related costs for each service are split between West Devon Borough Council and South Hams District Council. The caseload statistics are the actual caseloads for each service mainly for the period April 2023 to the end of December 2023 (9 months).

2.4 The final actual shared services split formulae have only been adjusted if they exceed a tolerance level of 3% from the original estimate of the shared services split. Anything where the difference between the actual and the estimate is 3% or below has not been changed.

3. Outcomes/outputs

3.1 The review of shared services splits will create ***a reduction in staffing costs for West Devon of £41,100 in 2023/24*** which equates to less than 0.8% of the Council's total salary budget.

3.2 There has been a lower allocation of salary costs to West Devon in 2023/24 from the service areas of customer contact centre and planning enforcement and the Head of Legal Practice.

3.3 Most service areas remain unchanged or below the tolerance level set at 3%. Details of all the allocations and the methodologies used are set out in Appendix A.

4. Options available and consideration of risk

4.1 Our external auditors identify the sharing of costs between West Devon Borough Council and South Hams District Council as a key risk area. On an annual basis, our auditors review the shared services allocations to ensure they are reasonable and appropriate, consider any changes from the prior year basis, test the calculations of transferred costs, and confirm that their work has not identified any issues with the allocation of shared costs. Bishop Fleming will carry out testing on the 2023/24 shared services allocations as part of the Final Accounts Audit.

5. Proposed Way Forward

5.1 Shared service allocations and the methodologies used are reviewed on an annual basis. Further reports will be brought to the Audit and Governance Committee.

6. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	The Council is legally required to maintain adequate governance and financial arrangements to ensure a fair allocation of shared costs is absorbed by each individual Council.
Financial implications to include reference to value for money	Y	The review of shared services splits will create a ***reduction in staffing costs for West Devon of £41,100 in 2023/24*** which equates to less than 0.8% of the Council's total salary budget.
Risk	Y	The allocation of shared costs is identified by our external auditors as one of the key financial statement audit risks. On an annual basis, our auditors review the shared services allocations to ensure they are reasonable and appropriate and confirm that their work has not identified any issues with the allocation of shared costs. Bishop Fleming will carry out testing on the 2023/24 shared services allocations as part of the Final Accounts Audit.
Supporting Corporate Strategy		The apportionment of shared service costs supports all of the Delivery Plans within the Council's strategic vision, 'A Plan for West Devon'. For 2024/25 the Council has approved a Council Plan.

Climate Change – Carbon / Biodiversity Impact		None directly arising from this report.
Comprehensive Impact Assessment Implications		
Equality and Diversity	N	None directly arising from this report.
Safeguarding	N	None directly arising from this report.
Community Safety, Crime and Disorder	N	None directly arising from this report.
Health, Safety and Wellbeing	N	None directly arising from this report.
Other implications	N	None directly arising from this report.

Appendices

Appendix A – List of shared service apportionments for 2023/24

Shared Services Allocations of costs for the Financial Year 2023/2024 **Appendix A**

Service Area	Allocation of South Hams District Council (SHDC) to West Devon Borough Council (WDBC)	Basis of the apportionment of costs between SHDC and WDBC	Caseload Information which has informed the shared services apportionment
Governance & Assurance			
Member Services	50%/50%	Equal due to the nature of the work	N/A
Planning Applications* Planning Enforcement (see note 1)	75%/25% 76%/24%	Planning applications Planning Enforcement cases	South Hams – 2,286 West Devon - 807 South Hams - 382 West Devon - 118
Legal	70%/30%	Time allocation	N/A

Service Area	Allocation of South Hams District Council (SHDC) to West Devon Borough Council (WDBC)	Basis of the apportionment of costs between SHDC and WDBC	Caseload Information which has informed the shared services apportionment
Human Resources*	82%/18%	Permanent posts on the establishment December 2023 (this relates to the number of persons employed not the number of FTEs).	South Hams – 495 West Devon – 104
Internal Audit*	62%/38%	Time recording of productive time only	Each role is assessed individually
Communications & Media	50%/50%	Time allocation	N/A
Design	70%/30%	Time allocation	N/A

Service Area	**Allocation of South Hams District Council (SHDC) to West Devon Borough Council (WDBC)**	**Basis of the apportionment of costs between SHDC and WDBC**	**Caseload Information which has informed the shared services apportionment**
Customer Service & Delivery			
Waste	100%/0% 80%/20% 70%/30% 60%/40%	Dependent on specific activity.	Each role is assessed individually
Customer Contact Centre (see note 2)	70%/30%	Number of calls to the Customer Contact Centre 1 April 2023 – 31 December 2023	South Hams – 53,418 West Devon – 23,154
Digital Mailroom	70%/30%	Time allocation	N/A

Service Area	Allocation of South Hams District Council (SHDC) to West Devon Borough Council (WDBC)	Basis of the apportionment of costs between SHDC and WDBC	Caseload Information which has informed the shared services apportionment
Housing Benefits*	60%/40%	Housing Benefit new claims processed Change of circumstances processed	<u>New claims</u>: South Hams - 299 West Devon - 176 <u>Change of circs</u>: South Hams – 1,805 West Devon – 1,132
Council Tax	63%/37%	Council Tax rated properties (Valuation office list as at 31 December 2023)	South Hams – 46,949 West Devon – 27,112
Business Rates	63%/37%	Number of Hereditaments in the Business Rates Rating List as at 31 December 2023. The number of hereditaments is an indicator, but an assessment of workload is also used for the apportionments	South Hams – 6,383 West Devon – 2,448
ICT Infrastructure team	50%/50%	Time allocation	N/A
ICT Helpdesk team	60%/40%	Time allocation	N/A

Service Area	Allocation of South Hams District Council (SHDC) to West Devon Borough Council (WDBC)	Basis of the apportionment of costs between SHDC and WDBC	Caseload Information which has informed the shared services apportionment
Place & Enterprise			
Economy	50%/50%	Equal share due to the nature of their work	N/A
Assets	69%/31%	Balance Sheet Assets in each Council's Accounts. The Balance Sheet values at 31 March 2023 are an indicator, but an assessment of workload is also used for the apportionments.	South Hams - £105million West Devon - £38million
Leisure	67%/33%	Number of Leisure Centres	South Hams - 4 West Devon – 2
Facilities	50%/50%	Time allocation	N/A

Service Area	Allocation of South Hams District Council (SHDC) to West Devon Borough Council (WDBC)	Basis of the apportionment of costs between SHDC and WDBC	Caseload Information which has informed the shared services apportionment
Environmental Health	Main team allocation 60%/40%	Various depending on their work	Various depending on their work
	Disabled Facility Grants* (55%/45%)	Disabled Facility Grant/Regulatory Reform Order Grant cases completed	South Hams – 150 West Devon - 117
	Licensing (50%/50%)	Policy Work	N/A
Housing*	Housing caseload data 60%/40%	Number of contacts Number of housing preventions Numbers on the housing register Number of Direct Lets	South Hams - 452 West Devon - 248 South Hams - 132 West Devon - 77 South Hams – 1,583 West Devon – 948 South Hams - 26 West Devon - 12

Service Area	Allocation of South Hams District Council (SHDC) to West Devon Borough Council (WDBC)	Basis of the apportionment of costs between SHDC and WDBC	Caseload Information which has informed the shared services apportionment
Strategic Finance			
Finance - Accountants	60%/40%	Time allocation	N/A
Finance - Business Support	65%/35%	Time allocation	N/A
Assistant Directors and Heads of Service (see note 3)	Various splits of individual posts, most either 50%/50% or 60%/40%	Time allocation	Each role is assessed individually
Senior Leadership Team	50%/50% apart from the Director of Customer Service and Delivery who is 75%/25%.	Time allocation	Each role is assessed individually

* Areas of change below the 3% threshold

Areas of change from 2022/23:

1. **Planning Enforcement** – based on the latest number of planning enforcement cases the shared services split has been revised from 71%:29% in 2022/23 to 76%:24% in 2023/24.

2. **Customer Contact Centre** – based on the number of calls to the Customer Contact Centre from 1 April 2023 to 31 December 2023 the time allocation of this service has moved from 66%:34% in 2022/23 to 70%:30% in 2023/24.

3. **Assistant Directors and Heads of Service** - the majority of the Heads of Service allocations have remained the same for 2023/24 (mainly 50%:50% or 60%:40%). However, the time allocation for the Head of Legal has been revised from 60%:40% to 65%:35% in 2023/24, to reflect the additional work in South Hams.

Report to:	**Audit and Governance Committee**
Date:	**19 March 2024**
Title:	**Internal Audit Recommendations Tracker**
Portfolio Area:	**Councillor Chris Edmonds Lead Member Resources**
Wards Affected:	**All**
Author:	**Neil Hawke** Role: **Assistant Director Strategy**

Contact: neil.hawke@swdevon.gov.uk

Recommendations:

That the Audit and Governance Committee note the progress against implementation of Internal Audit Recommendations as set out in this report.

1. Executive summary

1.1 The Council's Internal Audit team carry out a planned programme of audits to inform business development and ensure compliance with policy and procedure.

1.2 A key part of each audit is the making of recommendations and identification of opportunities. These are considered by relevant managers and, where agreed, implementation timescales are set out in the final audit.

1.3 This report sets out an update on progress against Internal Audit recommendations since the last update to this committee in October 2023.

2. Background

2.1 Since 2021, 445 High, Medium, or Low recommendations made by Internal Audit have been due for completion.

2.2 The Council has assessed progress against those recommendations and progress is set out in this report.

2.3 It should be noted that management of the Internal Audit tracker and progress against recommendations is now carried out by the Councils Performance Board, consisting of Director of Customer Services Delivery, Director of Strategy and Governance, Assistant Director Strategy, and the Head of Customer Services & Improvement. This board has been in place since late 2022 to drive organisational performance and risk management.

2.4 The tracker is a detailed Excel spreadsheet that requires Heads of Service to provide updates on recommendations under the following headings:-

- Complete – action complete as agreed or closed due to no longer being required (for example a recommendation that is no longer relevant due to changes to process or systems).
- In progress – work is underway to implement but not fully complete.
- Not yet started.

2.5 While recommendations can be made and indicative timescales given, these can often be required to move due to operational priorities. Decisions on this are made by Directors and Heads of Service on a risk basis.

2.6 The following table sets out the status of recommendations made by the Internal Audit team since 2021 and the priority of the recommendation (High / Medium/ Low). It also includes details on those 'High' priority recommendations that are still in progress.

2.7 Since the last update to this committee, the focus has been on ensuring progress made in implementing recommendations rated as 'High Priority'. Positive progress has been made with 89% of High Priority recommendations now implemented (vs 64% in the October update).

2.8 Target Implementation Year: - 2021

Total recommendations due for completion during the year:- 174

The figures from the previous A&G report in October are included for reference. These are included in the table as (xx).

Priority	Completed	In Progress	Not Started	Total
High	(20) 22	(2) 0		22
Medium	(105) 112	(30) 23		135
Low	(14) 15	(3) 2		17
Total	(139) 149	(35) 25		174
%	86%	14%		100%

There are no high priority actions remaining in progress following a focused effort on addressing these since the last update

2.9 Target Implementation Year: - 2022

Total recommendations due for completion during the year:- 151
The figures from the previous A&G report in October are included for reference. These are included in the table as (xx).

Priority	Completed	In Progress	Not Started	Total
High	(29) **36**	(11) **7**	(3) **0**	**43**
Medium	(61) **70**	(30) **22**	(2) **1**	**93**
Low	(10) **13**	(3) **0**	(0) **2**	**15**
Total	(100) **119**	(44) **29**	(7) **3**	**151**
%	**79%**	**19%**	**2%**	**100%**

The seven recommendations that remain **'In Progress'** and given a **'High'** priority are as follows:-

2.9.1 Debtors: It should be ensured that managers are aware of the need to take legal action promptly, for those debts which are of sufficient value to warrant being pursued through the courts. **Update March 2024**:– Capacity within the legal team remains a challenge and we continue to take steps to increase the capacity within the team to progress this action with focus being on higher value debts. Revised completion date – ongoing attempt to increase legal team capacity.

2.9.2 Council Tax: The new enforcement agent contract should allow for monitoring of the performance of the appointed company, to ensure that an effective service is received. **Update March 2024**:– this is included in the role profile of the Senior Revenues and Recovery Officer and the Senior Business Rates and Inspections Officer. Revised completion:- will be delivered through new contract (see 2.9.3 below)

2.9.3 Business Rates: We support the intention to tender a new enforcement agent contract, encompassing the additional services identified as being available from some enforcement agents. **Update March 2024:-** Invitation to Tender will be published by 31 March 2024.

2.9.4 Creditors: Procurement of specialist agricultural planning advice. **Update March 2024:–** There is a limited market for this advice and while the intention is still to carry out a procurement, it is unlikely to result in a significantly different outcome to the current provision. Revised completion date – December 2024.

2.9.5 Debtors:- The amount of staff resource available for debt recovery should be reviewed, to ensure that this is sufficient to allow recovery to take place on a timely basis across all values and types of debt, helping reduce the amount of aged debt and to allow all available recovery options to be utilised. **Update March 2024:–** The principal accountant will oversee this, and the new Corporate Debt policy was agreed by the Hub Committee in January 2024. As set out above the intention is for procurement of a new enforcement agent contract to be commenced by end of March. Revised completion date –31 March 2024.

2.9.6 Debtors:- We support the intention to ensure that all officers are using the web-based version of Civica Financials, including seeking training for officers from the software supplier. **Update March 2024:–** We are developing the project plan to upgrade to the latest 'UX' version which appears to be a lot more user friendly - this will be the team's main priority (along with archiving) after 2023/24 Closedown - the risks around the delay in implementation have been discussed with Civica and SLT. Revised completion – September 2024.

2.9.7 Grounds Maintenance:- The prioritisation of the work delivered by the Property and Ground Maintenance teams should be primarily guided by the Assets strategy, to ensure that the strategic objectives and priorities of the wider Assets service are met. **Update March 2024:–** We have appointed a new Head of Community Services who is currently reviewing the service and we are developing an updated Asset Management Strategy which will address this. Revised completion – **31 March 2024.**

2.10 Target Implementation Year: - 2023

Total recommendations due for implementation:- 120
The figures from the previous A&G report in October are included for reference. These are included in the table as (xx).

Priority	Completed	In Progress	Not Started	Total
High	(1) **11**	(6) **1**	(0) **0**	**12**
Medium	(6) **39**	(9) **24**	(2) **0**	**63**
Low	**23**	(1) **22**		**45**
Total	(7) **73**	(16) **47**	(2) **0**	**120**
%	**61%**	**39%**	**0%**	**100%**

The recommendations that is still **' In Progress'** and with a **'High'** Priority are as follows:-

2.10.1 Building Maintenance:- A Property Maintenance Strategy should be put in place, which is informed by the Councils' corporate priorities and strategic themes, as well as building condition and legislative requirements. The Strategy should be supported by a Policy to guide those responsible for its delivery. **Update March 2024:**– Now that the Council has agreed its strategic priorities, updated Property Maintenance Strategy and Policies are being prepared – aim for these to be drafted for June 2024

3. Proposal and Next Steps

3.1 Overall, since 2021, 76% of the recommendations made have been completed with a further 23% in progress. All Internal Audit recommendations will continue to be monitored by the Performance Board and managed to completion by the relevant Director and Head of Service.

3.2 It is recommended that the Audit & Governance Committee note progress against the Internal Audit recommendations tracker and request a further update in six months' time to monitor progress against the above progress.

4. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	The Internal Audit function is important to advising Managers on compliance and improvement opportunities and therefore an important aspect of the Councils overall governance framework.
Financial implications to include reference to value for money.	Y	Ensuring recommendations are implemented is important to ensuring value for money and compliance in delivering our services.
Risk	Y	Ensuring audit recommendations are implemented is important to managing overall risk to the Council and its services
Supporting The Council Plan	Y	Performance and Resources
Consultation & Engagement Strategy	N	
Climate Change - Carbon / Biodiversity Impact	N	
Comprehensive Impact Assessment Implications		
Equality and Diversity	NA	
Safeguarding	NA	
Community Safety, Crime and Disorder	NA	
Health, Safety and Wellbeing	NA	

Other implications	NA	

Supporting Information

Appendices:

None

Background Papers:

Audit and Governance Committee 10th October 2023 https://mg.swdevon.gov.uk/documents/s30875/Internal%20Audit%20Recommendations%20Tracker.pdf

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Proposed Workplan for the Audit & Governance Committee for the 2024/25 Municipal Year

Draft Committee Meeting Date	Agenda Items
9 July 2024	i) Draft Annual Statement of Accounts and Annual Governance Statement 2023/24 ii) Annual Treasury Management Report 2023/24 iii) Internal Audit Annual Report 2023/24 iv) Internal Audit update report v) Strategic Risk Register vi) Fraud Risk Assessment and Annual Fraud report 2023/24 vii) Committee Workplan
22 October 2024 (or brought forward to the end of September, depending on the External Audit)	i) Audited Annual Statement of Accounts and Annual Governance Statement 2023/24 ii) Bishop Fleming – Audit Opinion on the 2023/24 Statement of Accounts iii) Bishop Fleming – Value for Money assessment 2023/24 iv) Treasury Management Update Report to 30 June 2024 v) Investment Properties – Update and Monitoring Report; vi) Update on Progress on 2024/25 Internal Audit Plan; vii) Committee Workplan
26 November 2024	i) Bishop Fleming Sector update reports ii) Bishop Fleming – External Audit Plan for the 2024/25 Statement of Accounts i) Update on Progress on 2024/25 Internal Audit Plan ii) Strategic Risk Register iii) Treasury Management Mid-Year Report 2024/25; iv) Ombudsman Annual Review Letter; v) Committee Workplan
11 March 2025 (a.m.)	i) Proposed Internal Audit Plan for 2025/26; ii) Update on Progress on 2024/25 Internal Audit Plan; iii) 2025/26 Capital Strategy; 2025/26 Treasury Management Strategy; and 2025/26 Investment Strategy; iv) Budget Book 2024/25; v) Shared Services Methodology 2023/24; vi) Committee Workplan