



**West Devon Borough Council**  
**Audited Statement of Accounts**  
**2023/2024**



**West Devon  
Borough  
Council**

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### **Statement of Accounts 2023-24**

*The Statement of Accounts 2023-24 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 2023/24 Statement of Accounts by Councillor Mandy Ewings, Leader of West Devon Borough Council and Andy Bates, Chief Executive



As the Leader of the Council, I am pleased to welcome you to the 2023/24 Statement of Accounts for West Devon BC. Following the elections in May 2023, we have developed a council plan reflecting the priorities of our residents and ambitions of the new West Devon Alliance administration.

This new plan sets out a clear long-term vision for our place, supported by detailed annual delivery plans. They are very much a vision of people and place, going beyond the core services of the Council, reflecting the opportunities and challenges faced by residents and businesses. They embrace a broad range of ambitions and actions, many of which will be delivered in collaboration with our key partners.

The Council is looking to lead by example on climate change. West Devon was ranked 7<sup>th</sup> nationally amongst District Councils on its strategic plans which were independently reviewed by Climate Emergency UK. We also declared a housing crisis in 2021/22 and the delivery of affordable housing continues to be a key priority. The Council has taken the opportunity to lever in Government funding through the Local Authority Housing Fund (LAHF) to purchase 8 new build homes for refugees and temporary accommodation as a secondary use.

In March of this year, we invited the Local Government Association (LGA) to undertake a Peer Challenge of both West Devon Borough Council and our shared services partner, South Hams District Council. **Their key finding was that ‘West Devon is a high performing council, which is well led and managed and is delivering consistently well on behalf of its communities’.** The report pointed to the key significance of the partnership arrangements between West Devon and South Hams supported by a single workforce, and integrated systems and process, and concluded that ‘it is this joint working that is at the heart of a highly productive organisation’. The report also highlighted the Council’s sound financial management. The report stated that ‘the Council has an excellent track record of financial management and planning, which is one of its underpinning core strengths’.

We are proud of the findings of the LGA report and its recognition of our work to date, and we will continue to build on those strong foundations to make West Devon the best it can be for our residents, businesses and communities.



The peer team commented on the good organisational leadership, robust governance and effective performance culture which is delivering improved outcomes. We would like to thank all of our councillors, staff and partners who have delivered this together. We have finished the year with our finances reporting a surplus of £149,000 against budget (1.7% of a £8.588m net budget for 2023/24) which is a good position to be in for the year ahead. The Council is on a stable financial footing and this will help it to navigate the uncertainty of the future local government funding reforms, including the fair funding review, changes to the new homes bonus scheme and the planned business rates baseline reset.

**Councillor M Ewings, Leader of the Council**

**Andy Bates, Chief Executive**

## NARRATIVE STATEMENT – INTRODUCTION

- 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

- The 2023/24 budget for West Devon was £8.588 million. A surplus of £149,000 means that the actual net spend was 1.7% less than the budget. This saving will go into the Council's Unearmarked Reserves which now stand at £1.718 million.***  
The main components of the General Fund budget for 2023/24 and how these compare with actual income and expenditure are set out below:

	Estimate £000	Actual £000	Difference Cost/ (Saving) £000
Cost of services	8,988	10,088	1,100
Interest and Investment income	(400)	(1,389)	(989)
<b>Amount to be met from Government grants and taxation (excluding parish precepts)</b>	<b>8,588</b>	<b>8,699</b>	<b>111</b>
<i>Financed from:</i>			
Business Rates (baseline funding level)	(1,710)	(1,710)	0
Business Rates (achieved over baseline funding level)	(51)	(51)	0
Business Rates Pooling Gain	(200)	(156)	44
Council Tax (excluding parish precepts)	(5,391)	(5,391)	0
Surplus on Collection Fund	(377)	(377)	0
Revenue Support Grant	(89)	(89)	0
Rural Services Delivery Grant	(545)	(545)	0
Services Grant	(67)	(67)	0
Business Rates – Renewable Energy Income	0	(216)	(216)
Funding Guarantee	(51)	(51)	0
Less Grants rolled into the Funding Guarantee	88	0	(88)
Budgeted Earmarked Reserve Contributions	(195)	(195)	0
<b>SURPLUS FOR 2023/24</b>	<b>0</b>	<b>(149)</b>	<b>(149)</b>

3. 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.
4. In 2023/24 the Council generated savings and additional income of £1.546 million. This was from extra treasury management investment income (£0.989 million) by realising the opportunity from high interest rates and securing advantageous rates from reviewing market offers on a daily basis. In addition, proactive management action resulted in salary savings from vacancies of £0.237 million.
5. The Council also secured extra business rates income from identifying renewable energy sites (£0.216 million) and generated additional car parking income (£0.104 million).
6. This additional income and savings were offset by the fact that the Council also incurred additional costs and a shortfall in income of £1.475 million (equating to 17.2% of the Council's net budget of £8.588 million). Many of the additional costs were as a result of the current economic climate with high inflation and the cost of living crisis.
7. The extra costs incurred in the year included the impact of the national local government pay award (£0.130 million), the waste and cleansing service (£0.156 million) and temporary accommodation costs (£0.251 million).
8. In addition, there was an increase in the overall bad debt provision for debtors (£0.094 million) and higher inflation than budgeted mainly in respect of IT, utilities and insurance totalling £0.215 million. The Council also experienced a shortfall in planning income of £0.103 million.
9. **Therefore there was an overall surplus of £149,000 on the outturn position for 2023/24.**
10. The 2023/24 budget was £8.588 million and therefore the surplus of £149,000 means that the actual net spend was 1.7% less than the budget. This surplus will go into the Council's Unearmarked Reserves which now stand at £1.718 million.

11. A summary of the main differences from budget in 2023/24 is provided below:

<b>ANALYSIS OF VARIATIONS 2023/24</b> (% column shows variation against budget)	<b>£000</b>	<b>% variation</b>
<b>Additional income generated</b>		
Treasury Management Income – extra investment income of £0.989m on the Council’s investments (on a budget of £0.4m), from higher interest rates and effective proactive management of the Council’s daily cashflows and investments. Base rate is currently 5.25%.	(989)	(247.3%)
Salaries – vacancy savings equating to 4.4% of the budget of £5.4m.	(237)	(4.4%)
Business Rates – income from identifying renewable energy sites, allowing WDBC to retain all of the business rates income from these sites in accordance with legislation.	(216)	-
Car parking pay and display income and fine income – additional net income from extra usage of £0.083m and extra fine income of £0.021m. The extra income of £0.104m equates to 10.4% of the total income budget of £0.997m.	(104)	(10.4%)
<b>Sub-total</b>	<b>(1,546)</b>	
<b>Increases in expenditure/reduction in income</b>		
Homelessness (temporary accommodation) 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 and a lack of accommodation. The budgeted amount was £298,000. This represents an increase in costs of 84.2% over the amount that is budgeted.	251	84.2%
ICT software and support contracts – additional costs due to price increases which equal or exceed inflation (budgeted amount of £488,000).	145	29.7%
National local government pay award – the national employer’s pay offer for 2023/24 of £1,925 per scale point or a 3.88% increase for scale point 44 upwards, was significantly higher than the budgeted provision of 3%. The pay award resulted in additional salary costs of £130,000 over and above the amount budgeted of £150,000 (3% of pay).	130	86.7%
Waste contract, inflation and increased contract costs – Costs exceeded the contract budget by £156,000 in 2023/24. This is mainly due to additional contract inflation and an increase in the base contract price. Contract inflation is based on the latest published indices for fuel inflation, wage inflation and consumer price index (CPI). The budgeted amount was £2.665m.	156	5.85%
Waste contract - increase in the number of households and collections – to reflect the increase in the number of properties in the Borough.	115	4.3%
Planning income shortfall – Planning income is down by £103,000 (21.8%) against the budgeted income target of £473,000.	103	21.8%
Shortfall in the business rates pooling gain. An actual pooling gain of £157,000 was received, compared to a budgeted pooling gain of £240,000.	83	65.4%

<b>ANALYSIS OF VARIATIONS 2023/24</b> (% column shows variation against budget)	<b>£000</b>	<b>% variation</b>
Bad debt provision – increase in the level of the provision for bad and doubtful debts (overall provision of £403,000).	94	-
Employment Estates – shortfall in employment estates income of £71,000 against the budgeted income target of £427,000.	71	16.6%
External audit fees – additional fees agreed by Public Sector Audit Appointments (PSAA) and charged by Grant Thornton (external auditors).	64	61.5%
Repairs and Maintenance	60	21.8%
Higher inflation on utility costs on all Council services – an increase in utility (mainly electricity) prices due to the rise in energy costs and inflationary pressures (budget of £190,000).	50	26.3%
District Elections	40	-
Additional Insurance costs – higher insurance costs (budget of £83,000).	20	24.1%
Other small variances	93	-
<b>Sub - total</b>	<b>1,475</b>	
<b>Other audit adjustments from previous years</b>		
Housing Benefit debtors adjustment – the uplift of the housing benefits debtors balance at 31 March 2024 to reflect the correct balance – this is a one-off adjustment at the year end. There was an external audit recommendation as part of the 2022/23 Accounts to address this issue in the 2023/24 Accounts. This resulted from a report run from the NEC system which was showing an incorrect balance for housing benefits debtors. This was a system error which has now been put right. Many Councils have had the same issue with the NEC software (revenues and benefits system).  This adjustment is a one-off credit to the Income and Expenditure Account.	(78)	-
<b>Sub - total</b>	<b>(78)</b>	
<b>TOTAL SURPLUS FOR 2023/24</b>	<b>(149)</b>	<b>(1.7%)</b>

The 2023/24 budget for West Devon was £8.588 million but the actual spend was 1.7% lower, providing a surplus of £149,000 as shown above.



## **SUMMARY OF THE KEY ELEMENTS FROM THE CORE FINANCIAL STATEMENTS**

### **The Comprehensive Income and Expenditure Statement (CIES)**

12. The Comprehensive Income and Expenditure Statement (CIES) shows an overall surplus on the provision of services of £450,000. However, this position also includes a number of technical accounting adjustments totalling £1.951 million which need to be 'reversed out' in order to reflect the final cash position. These entries are shown in the Adjustments between Accounting Basis and Funding Basis under Regulations (Note 7). The outturn position can be derived by adding these technical adjustments (£1.951 million) and deducting the increase in earmarked reserves (£2.252 million) to the surplus on the provision of services (£450,000), to arrive at the overall surplus of £149,000 on the General Fund in 2023/24.

### **The Movement in Reserves Statement**

13. This statement is the key to establishing the aggregate financial position of the Council, as it produces a summary of all the "cash backed" reserves that the Council holds. It shows that the Council's usable reserves have increased by £2.205 million to £13.058 million in 2023/24 (£10.853 million in 2022/23). This is due to the increase in Earmarked Reserves of £2.252 million which mainly relates to the receipt of business rates income and section 31 compensation grants in 2023/24.

### **Balance Sheet**

14. The Council instructed a Valuer to undertake a valuation of its asset portfolio 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. The Property, Plant and Equipment valuation, after adjustment for additions and disposals, increased by £1.616 million during 2023/24. This is mainly due to Local Authority Housing Fund (LAHF) property purchases.

### **Cash Flow Statement**

15. The Council had a net cash reduction during 2023/24 of £1.813 million. This is offset by an increase in fixed term investments of £6.300 million as at 31 March 2024. The increase in fixed term investments largely relates to grant funding received before the year end for capital projects.

## **KEY AREAS TO NOTE FROM THE 2023/24 STATEMENT OF ACCOUNTS**

### **Shared Services**

16. West Devon and South Hams have pioneered an innovative shared service partnership which started in 2007 with a shared workforce and integrated systems and processes across both Districts. This is generating annual on-going savings worth £6.2 million to West Devon and South Hams, compared to a traditional model, demonstrating excellent value for money and enabling the Councils to protect frontline service delivery.

### **Climate Change**

17. The significant impact on our community of climate change and reduction in biodiversity were recognised when the Council declared a climate change and biodiversity emergency in 2019 and became a signatory, along with public, private and voluntary partner organisations, to the Devon Climate Declaration. Whilst playing a key role as part of the Devon Climate Emergency Response Group supporting the development of the Devon Carbon Plan, the Council recognised the need to move quickly and adopted its own strategy, supporting action plans and aims.
18. The Council's strategic plan was independently reviewed by Climate Emergency UK and rated 7th nationally among District Councils, accounting for identical scores. The latest review on climate action, also ranked the Council within the top quartile.
19. Looking to lead by example, a key aim is to reduce the Council's organisational carbon emissions to net-zero by 2030. Having established a detailed understanding of the Council's greenhouse gas emissions, an organisation decarbonisation study has been developed and resources identified to work towards this aim.

### **Housing Crisis**

20. Within West Devon, house prices are comparatively high. The Joint Local Plan has provided the policy framework to ensure that we have continued to deliver and indeed exceed our national housing delivery targets, with a current land supply of 5.7 years and 115% delivery against our housing target. The challenge of delivering local affordable housing remains. In 2021/22 the Council declared a 'housing crisis' and the delivery of affordable housing continues to be a key priority for the Council.
21. The Borough Council has taken the opportunity to gear in funding for the purchase of 8 new build homes through the Government Local Authority Housing Fund (LAHF) (5 in Okehampton and 3 in Tavistock) for refugees and temporary accommodation as a secondary use.

22. The leader of West Devon is the chair of the Devon Housing Task Force which brings together all Devon districts, together with Plymouth, Torbay, and Devon County to grapple with this county-wide challenge and has implemented a Housing Commission chaired by Lord Best to report back on potential solutions.
23. Launching the “West Devon Housing Offer” in 2024, we have resourced a programme to accelerate delivery of affordable housing by our Registered Provider (RP) partners within the Borough. This programme aligns housing need, community support and landowners to leverage JLP policy for affordable housing exceptions sites, by doing early feasibility work to get a “de-risked” pipeline which our RP partners can then develop out – a partnership based on each partner doing what they do best to maximum effect.

### **Corporate Peer Challenge (Peer Review)**

24. In March of this year, we invited the Local Government Association (LGA) to undertake a Peer Challenge of both West Devon Borough Council and our shared services partner, South Hams District Council. **Their key finding was that ‘West Devon is a high performing council, which is well led and managed and is delivering consistently well on behalf of its communities’.**
25. We are proud of the findings of the LGA report and its recognition of our work to date, and we will continue to build on those strong foundations to make West Devon the best it can be for our residents, businesses and communities.
26. As part of the LGA Peer Challenge, the Council wrote a Position Statement which summarised the Council’s position against the criteria by which the Council was assessed.
27. A copy of the Council’s Position Statement and the LGA’s full report on the Peer Challenge are available at the following links: [Peer Challenge Position Statement](#) and [Peer Challenge Feedback Report](#).

### **Borrowing**

28. In 2023/24 the long-term borrowing of the Council reduced from £27.01 million (2022/23) to £26.37 million. Short term borrowing decreased from £0.71 million to £0.64 million. Total borrowing as at 31 March 2024 has reduced from £27.72 million to £27.01 million. The average rate of interest on borrowing is 2.623%. No further external borrowing took place during 2023/24.

## Capital Spending

29. The Council spent £4.3 million on capital projects in 2023/24. The main areas of expenditure were as follows:

- Purchase of 5 properties in Okehampton (£1.2m) for refugees and temporary accommodation as a secondary use, utilising Government Local Authority Housing Fund grant funding
- Purchase of 3 properties in Tavistock (£0.8m) for refugees and temporary accommodation as a secondary use, utilising Government Local Authority Housing Fund grant funding
- Housing renovation grants including disabled facilities grants (£1.1m)
- Okehampton Railway - Transport Hub (£0.5m) – preliminary design and engineering work

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

## FINANCIAL NEEDS AND RESOURCES

### Revenue Reserves

30. 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.

31. The General Fund Balance (unearmarked reserve) has increased by £149,000 in 2023/24 following the surplus generated in year and totals £1.718 million at 31 March 2024. 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.

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

<b>General Fund Balance</b>	<b>£000</b>
General Fund Balance (unearmarked revenue reserve) at 1 April 2023	1,569
<b>Surplus for the 2023/24 financial year</b>	<b>149</b>
General Fund Balance (unearmarked revenue reserve) at 31 March 2024	1,718

33. Earmarked Reserves have increased by £2.252 million in 2023/24 moving from £8.902 million on 1 April 2023 to £11.154 million at 31 March 2024 as shown in the table below:

<b>Earmarked Revenue Reserves</b>	<b>£000</b>
Earmarked Revenue Reserves at 1 April 2023	8,902
Additions to Earmarked Reserves	3,774
Actual Spend of Earmarked Reserves	(1,522)
<b>Earmarked Reserve Reserves at 31 March 2024</b>	<b>11,154</b>

34. The General Fund reserves (which are made up of the General Fund Balance and Earmarked Reserves) have increased by £2.401 million from the preceding year and stand at £12.872 million at 31 March 2024. This reflects the increase in Earmarked Reserves of £2.252 million and the 2023/24 surplus of £149,000. Revenue reserves may be used to finance capital or revenue spending plans.

<b>Total General Fund Reserves (Unearmarked and Earmarked Reserves)</b>	<b>£000</b>
Total General Fund Balance at 1 April 2023	10,471
Movement in Earmarked Reserves	2,252
Surplus for the 2023/24 financial year	149
<b>Total General Fund Reserves at 31 March 2024</b>	<b>12,872</b>

The financial metric (Reserves as a % of net revenue spend) is shown below:-

For 2022/23 this equated to £10,471,000/£7,691,000 = 136.1%

For 2023/24 this equated to £12,872,000/£8,439,000 = 152.5%

### **Capital Reserves**

35. Capital Reserves are represented by capital receipts and capital contributions unapplied. The balance at 31 March 2024 amounts to £186,000, compared to £382,000 at the end of the previous year.

## **Unusable Reserves**

36. 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.
37. 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 £3.619 million at 31 March 2024. This disclosure follows the implementation of the International Accounting Standards (IAS19). This standard requires local authorities and other businesses to disclose pension assets and liabilities within the balance sheet.
38. 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.

## **Pension Liability**

39. 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 IAS19 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.
40. 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.

41. The pension liability has reduced from £5.49 million at 31 March 2023 to £3.62 million at 31 March 2024. However, these figures include the application of an asset ceiling by the actuary in 2023/24. This accounting treatment complies with IFRIC 14 which looks at the limit on a defined benefit asset, the minimum funding requirements and their interaction. The liability position as at 31 March 2024 purely recognises the fact that the Council will still need to pay employer's pension contributions into the pension scheme on an annual basis. It is important for Members to note that the adjustment to the pension position is made to better reflect the practical operation of the funding strategy. It does not indicate that the Council is committed to making future payments into the scheme that it will be unable to recover.

42. The asset ceiling is the present value of any economic benefit available to the Employer in the form of refunds or reduced future employer contributions. Below is a reconciliation of the asset ceiling as at 31 March 2024:

<b>Reconciliation of the asset ceiling</b>	<b>31 March 2023 £000</b>	<b>31 March 2024 £000</b>
<b>Opening impact of asset ceiling</b>	<b>0</b>	<b>0</b>
Actuarial losses/(gains)	0	1,432
<b>Closing impact of asset ceiling</b>	<b>0</b>	<b>1,432</b>

43. 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 snapshot 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.

44. 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).

## **LOOKING FORWARD TO THE FUTURE AND NEXT STEPS**

45. 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 2026/27 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.

## **Going Concern**

46. 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 a prudent level of Reserves.
47. 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 2023/24 are prepared on a going concern basis.

## **The Council Plan**

48. During 2023/24, there was a focus on developing our priorities for the next 4 years, building on the foundations of our Plan for West Devon (2018-2023).
49. Throughout the summer, Councillors were supported by Officers to define their priorities and identify specific projects to be delivered in support of them. A draft Council Plan was considered in November with a public consultation taking place throughout December 2023 and January 2024. The consultation included an online survey, social media 'quick polls', conversations with key partners and seeking the views of our Town and Parish councils.
50. The development of the Council Plan was carried out in parallel with an in-depth review of the Council's reserves and capital programme. This enabled £1.134 million of funds to support the emerging delivery plans. The £1.134 million consisted of £0.871m of revenue funding from Earmarked Reserves and £0.263m of capital funding.
51. The plans were considered alongside the budget in February 2024 and adopted. They now form our strategic framework for the period 2024-2028.



## Council Priorities 2024-2028

Below are the Council Priorities up until 2028.



## Annual Governance Statement (AGS)

52. 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 2023/24.

## Issue of the Accounts

53. The Corporate Director for Strategic Finance (Section 151 Officer) authorised the audited Statement of Accounts 2023/24 for issue on 22 October 2024. Events taking place after this date are not reflected in the financial statements or notes.

## CORPORATE PERFORMANCE FOR 2023/24

54. Progress against specific activities in the Council Plan (for 2023/24 ‘A Plan for West Devon’) have been reported to the Hub Committee on a regular basis. Key Performance Indicators have been reported to the Overview and Scrutiny Committee throughout the year and reviewed by the Officer Performance Board on a monthly basis. Where required, Heads of Service have attended the Performance Board to explain any measures which are not on target.
55. Throughout 2023/24, the Council has focused on further enhancing its performance management framework. We have reviewed our Key Performance Indicators and made recommendations to Councillors as to enhancements to the measures for the coming year.
56. In March 2024, the Local Government Association carried out (at our request) a Peer review of the Council. Having considered our performance data and performance management arrangements, the concluding report from the LGA team stated that West Devon Borough Council is a high performing Council that delivers for its residents.
57. Full Year Key Performance Indicator report was considered by the Overview and Scrutiny Committee at its meeting on 23 April 2024. A summary of the full year performance is as below and shows that the significant majority of KPI’s were meeting required performance levels.

Measure	On Target?	Measure	On Target?	Measure	On Target?	Measure	On Target?
% of FOI requests handled within timescales	☹️	% of cases where homelessness was prevented	😊	Council tax collection	😊	Revs & Bens calls answered in 8 mins	☹️
Ombudsman Cases Received and Upheld	😊	Employment Estate Occupancy Rates	😊	In-year collection rate for non-domestic rates	😊	Total calls	☹️
% of major applications determined within 13 weeks, or with an agreed EOT	😊	Temporary Events Notices issued in timescale	😊	Number of missed bins per 100k	😊	Online Uptake	😊
% of non-major applications determined within 8 weeks or with an agreed EOT	😊	Average number of days to process new housing benefit claims	😊	Household recycling rates	☹️		
Enforcement cases open at end of quarter	😊	Average number of days to process change in circumstances to housing benefit claims	😊	Contact centre calls answered in 5 mins	☹️		

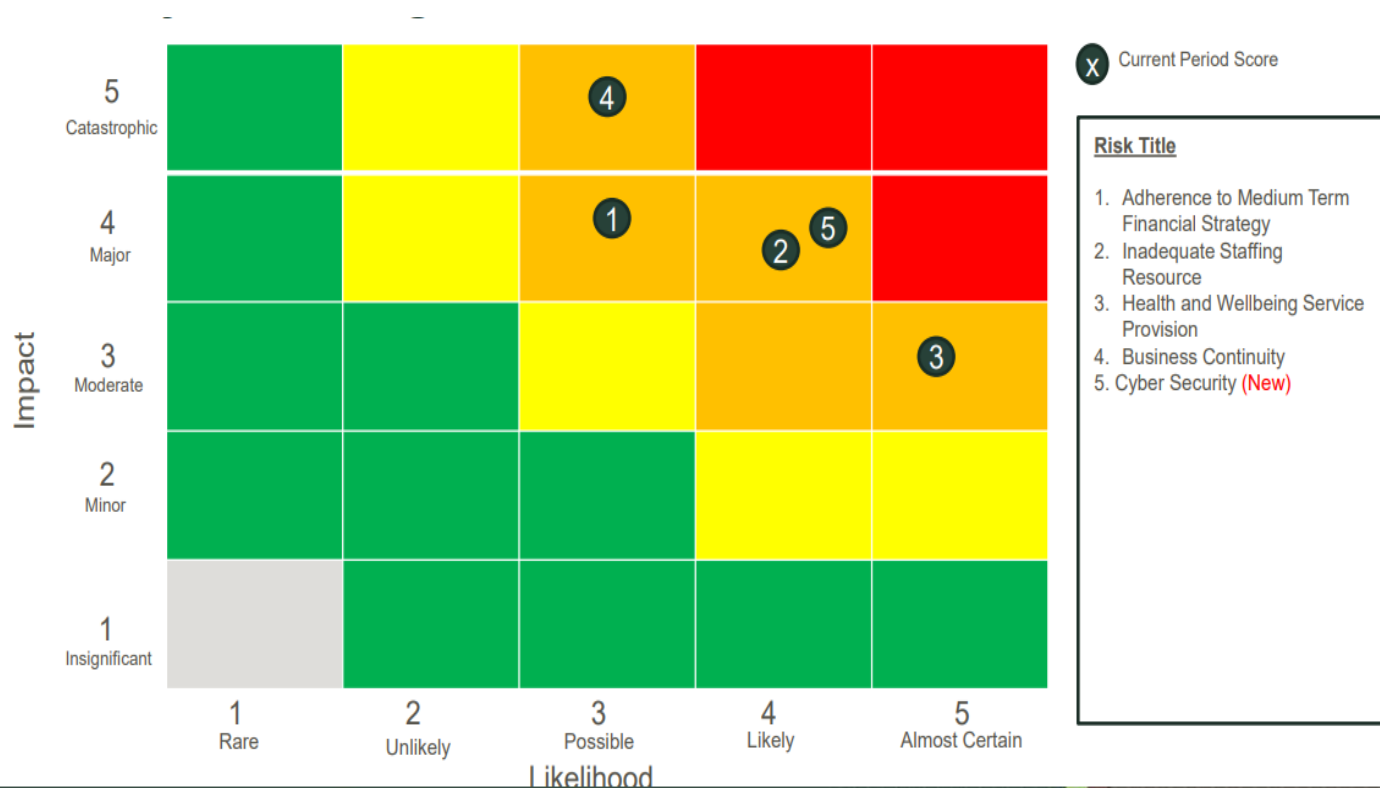
😊 = On or exceeding target  
 ☹️ = Off target by less than 5%  
 😞 = Off target greater than 5%

## PRODUCTIVITY STATEMENT

58. All Councils are required by the Government to publish a productivity statement by 19 July 2024. The plans will help the Government to understand what is already working well across the whole country, what the common themes are and whether there are any gaps and what more the Government needs to do to unlock future opportunities. A copy of the Council’s productivity statement is available at: [Productivity Plan](#).

## PRINCIPAL RISKS AND UNCERTAINTIES

59. During 2023/24, the Council reviewed its Risk and Opportunity Management Strategy, informed by Members of the Audit and Governance Committee. The new Risk and Opportunity Management Strategy was considered by the Audit and Governance Committee in December 2023 and recommended for adoption to Council.
60. 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 strategic risk update was presented to the Audit and Governance Committee on 5 December 2023 with a summary of the risk scoring as below.



## **Section 2**

# **Core Financial Statements**

## SECTION 2A COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2022/23				2023/24		
Gross Expenditure	Gross Income	Net Expenditure	Segment	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
17,150	(11,739)	5,411	Customer Service and Delivery	17,137	(11,077)	6,060
1,665	(386)	1,279	Strategic Finance	1,719	(437)	1,282
7,236	(4,184)	3,052	Place and Enterprise	7,327	(4,556)	2,771
2,690	(1,846)	844	Strategy and Governance	2,927	(1,433)	1,494
<b>28,741</b>	<b>(18,155)</b>	<b>10,586</b>	<b>Cost of Services</b>	<b>29,110</b>	<b>(17,503)</b>	<b>11,607</b>
		1,864	Other operating expenditure (note 9)			2,148
		2,066	Financing and investment income and expenditure (note 10)			425
		(13,249)	Taxation and non-specific grant income (note 11)			(14,630)
		<b>1,267</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>(450)</b>
		3,668	(Surplus) or deficit on revaluation of Property, Plant and Equipment			(58)
		(19,895)	Remeasurements of the net defined benefit liability			(1,811)
		91	(Surplus) or deficit from investments in equity instruments designated at fair value through other comprehensive income			18
		<b>(16,136)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(1,851)</b>
		<b>(14,869)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(2,301)</b>

## 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.

<b>2023/24</b>	General Fund Balance £000	Earmarked General Fund Reserves £000	<b>Total General Fund Reserves £000</b>	Capital Receipts Reserve £000	Capital Grants Unapplied £000	<b>Total Usable Reserves £000</b>	Unusable Reserves £000	<b>Total Authority Reserves 2023/24 £000</b>
<b>Balance at 31 March 2023 carried forward</b>	<b>1,569</b>	<b>8,902</b>	<b>10,471</b>	<b>70</b>	<b>312</b>	<b>10,853</b>	<b>9,795</b>	<b>20,648</b>
<b>Movement in Reserves during 2023/24</b>								
Total Comprehensive Income and Expenditure	450	0	<b>450</b>	0	0	<b>450</b>	1,851	<b>2,301</b>
Adjustments between accounting basis and funding basis under regulations (note 7)	1,951	0	<b>1,951</b>	0	(196)	<b>1,755</b>	(1,755)	<b>0</b>
Transfers to/from Earmarked Reserves (note 8)	(2,252)	2,252	<b>0</b>	0	0	<b>0</b>	0	<b>0</b>
<b>Increase/ (Decrease) in Year</b>	<b>149</b>	<b>2,252</b>	<b>2,401</b>	<b>0</b>	<b>(196)</b>	<b>2,205</b>	<b>96</b>	<b>2,301</b>
<b>Balance at 31 March 2024 carried forward</b>	<b>1,718</b>	<b>11,154</b>	<b>12,872</b>	<b>70</b>	<b>116</b>	<b>13,058</b>	<b>9,891</b>	<b>22,949</b>

**SECTION 2B: MOVEMENT IN RESERVES STATEMENT**

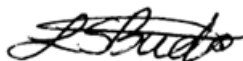
<b>2022/23 Comparatives</b>	<b>General Fund Balance £000</b>	<b>Earmarked General Fund Reserves £000</b>	<b>Total General Fund Reserves £000</b>	<b>Capital Receipts Reserve £000</b>	<b>Capital Grants Unapplied £000</b>	<b>Total Usable Reserves £000</b>	<b>Unusable Reserves £000</b>	<b>Total Authority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

## 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'.

<b>31 March 2023</b>		<b>Notes</b>		<b>31 March 2024</b>
<b>£000</b>				<b>£000</b>
20,922	Property, Plant and Equipment	12		22,538
16,625	Investment Property	13		14,570
285	Intangible Assets			235
462	Long Term Investments	14		444
<b>38,294</b>	<b>Long Term Assets</b>			<b>37,787</b>
10,200	Short Term Investments	14		16,500
5,118	Short Term Debtors	15		3,153
11,153	Cash and Cash Equivalents	17		9,340
<b>26,471</b>	<b>Current Assets</b>			<b>28,993</b>
(8,590)	Short Term Creditors	18		(5,786)
(714)	Short Term Borrowing	14		(642)
(55)	Revenue Grants in Advance	31		(170)
(733)	Provisions	19		(643)
<b>(10,092)</b>	<b>Current Liabilities</b>			<b>(7,241)</b>
(53)	Long Term Creditors	18		(195)
(27,012)	Long Term Borrowing	14		(26,370)
(5,490)	Pension Fund Liabilities	36		(3,619)
(1,470)	Grants Receipts in Advance	31		(6,406)
<b>(34,025)</b>	<b>Long Term Liabilities</b>			<b>(36,590)</b>
<b>20,648</b>	<b>Total Net Assets</b>			<b>22,949</b>
10,853	Usable Reserves	20		13,058
9,795	Unusable Reserves	21		9,891
<b>20,648</b>	<b>Total Reserves</b>			<b>22,949</b>

The notes on pages 26 to 107 form part of these financial statements. The unaudited accounts were issued on 15 July 2024. The audited accounts were issued on 22 October 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.

<b>2022/23 £000</b>		<b>2023/24 £000</b>
<b>1,267</b>	<b>Net (surplus) or deficit on the provision of services</b>	<b>(450)</b>
3,674	Adjustments to net surplus or deficit on the provision of services for non-cash movements (note 22)	(5,081)
1,764	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (note 23)	3,117
<b>6,705</b>	<b>Net cash flows from Operating Activities</b>	<b>(2,414)</b>
(7,941)	Net increase/(decrease) in Investing Activities (note 24)	656
94	Net cash outflow/(inflow) from Financing Activities (note 25)	3,571
<b>(1,142)</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>1,813</b>
10,011	Cash and cash equivalents at the beginning of the reporting period	11,153
<b>11,153</b>	<b>Cash and cash equivalents at the end of the reporting period (note 17)</b>	<b>9,340</b>

## **Section 3**

# **Notes to the Financial Statements**

## Notes to the Financial Statements

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## 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 2024 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
<p><b>Property, Plant and Equipment</b></p>	<p>Asset valuations are based on market prices and are periodically reviewed to ensure that the Council does not materially misstate its non-current assets.</p> <p>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.</p> <p>The carrying value of Property, Plant and Equipment as at 31 March 2024 is £22.5 million.</p>	<p>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 £2.25 million.</p> <p>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.</p> <p>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 £909,000 impact on the Council's finances.</p>

## SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<b>Pensions Liability</b>	<p>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.</p> <p>The value of pension assets is estimated based upon information available at the Balance Sheet date, although these valuations could be earlier. 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.</p> <p>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 2024. 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.</p> <p>The carrying value of the Pensions Liability as at 31 March 2024 is £3.62 million. See further information on the Pensions Liability in the Narrative Statement.</p> <p>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.</p>	<p>The effects on the gross 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.</p> <p>The assumptions interact in complex ways. For example, in 2023/24, the Authority's actuaries advised that the pension liability has decreased by £0.8 million as a result of a change in "financial assumptions" and had decreased by £0.5 million as a result of a change in "demographic assumptions".</p> <p>Please refer to note 36 for further information about the assumptions used by the actuaries.</p> <p>If the value of investments is found to have changed from the estimates used by the actuaries, this may impact the overall value of the pension liability. However, as the recognisable value of assets has been restricted to the level of the funded pension obligation, we would not expect this to impact the financial statements. For instance, a 2% decrease in the value of investments would have no impact in the net pension liability.</p> <p>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 2024.</p>

## SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

### 2. MATERIAL ITEMS OF INCOME AND EXPENDITURE

There are no material items of income and expense in 2022/23 or 2023/24.

### 3. EVENTS AFTER THE REPORTING PERIOD

The draft Statement of Accounts (SOA) for 2023/24 was approved for issue by the Section 151 Officer and Corporate Director for Strategic Finance on 15 July 2024. This is also the date up to which events after the reporting period have been considered. The Statement of Accounts were then reviewed by the Audit and Governance Committee on 25 July 2024 and the audited accounts were authorised for issue on 22 October 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 2024 which require disclosure.

### 4. EXPENDITURE AND FUNDING ANALYSIS

The objective of the Expenditure and Funding Analysis is to demonstrate to council taxpayers 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.

<b>2023-2024</b>	<b>Net Expenditure Chargeable to the General Fund £000</b>	<b>Adjustments between Funding and Accounting Basis (note 5) £000</b>	<b>Net Expenditure in the Comprehensive Income and Expenditure Statement £000</b>
Customer Service and Delivery	5,739	321	6,060
Strategic Finance	1,242	40	1,282
Place and Enterprise	557	2,214	2,771
Strategy and Governance	1,563	(69)	1,494
<b>Net Cost of Services</b>	<b>9,101</b>	<b>2,506</b>	<b>11,607</b>
Other income and expenditure	(11,502)	(555)	(12,057)
<b>(Surplus)/Deficit on Provision of Services</b>	<b>(2,401)</b>	<b>1,951</b>	<b>(450)</b>

**SECTION 3 NOTES TO THE FINANCIAL STATEMENTS**

	<b>General Fund Balance £000</b>	<b>Earmarked Reserves £000</b>	<b>Total General Fund Reserves £000</b>
<b>Opening Balance at 31 March 2023</b>	<b>(1,569)</b>	<b>(8,902)</b>	<b>(10,471)</b>
(Increase)/decrease in year	(149)	(2,252)	(2,401)
<b>Closing Balance at 31 March 2024</b>	<b>(1,718)</b>	<b>(11,154)</b>	<b>(12,872)</b>

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

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



## SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

### 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).

<b>Adjustments between Funding and Accounting Basis</b>				
<b>2023/24</b>	<b>Adjustments for capital purposes</b>	<b>Net change for the pensions adjustments</b>	<b>Other Differences</b>	<b>Total adjustments</b>
	<b>(Note A)</b>	<b>(Note B)</b>	<b>(Note C)</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Customer Service and Delivery	402	(86)	5	<b>321</b>
Strategic Finance	51	(11)	0	<b>40</b>
Place and Enterprise	2,367	(153)	0	<b>2,214</b>
Strategy and Governance	0	(69)	0	<b>(69)</b>
<b>Net Cost of Services</b>	<b>2,820</b>	<b>(319)</b>	<b>5</b>	<b>2,506</b>
<b>Other income and expenditure from the Expenditure and Funding Analysis</b>	<b>(2,737)</b>	<b>259</b>	<b>1,923</b>	<b>(555)</b>
<b>Difference between the General Fund surplus or deficit, and the surplus or deficit on the provision of services in the CIES</b>	<b>83</b>	<b>(60)</b>	<b>1,928</b>	<b>1,951</b>

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

## **SECTION 3 NOTES TO THE FINANCIAL STATEMENTS**

### **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 IAS19 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.

## SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

### 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.

<b>Expenditure and Income Analysed by Nature</b>	<b>2022/23 £000</b>	<b>2023/24 £000</b>
Employee Benefits Expenses	8,679	8,765
Other Service Expenses	17,324	17,560
Depreciation, Amortisation and Impairment	2,743	2,440
Interest Payments	733	719
Pension Fund Administration Expenses	19	19
Net Interest on the net defined benefit liability	618	240
Losses/(Gains) from fair value adjustments	2,495	2,435
<b>Total Expenditure</b>	<b>32,611</b>	<b>32,178</b>
Fees, Charges and Other Service Income	(7,201)	(8,022)
Interest and Investment Income	(601)	(1,390)
Income from Council Tax and Business Rates	(6,379)	(6,137)
Revenue Grants and Contributions	(15,399)	(13,962)
Capital Grants and Contributions	(1,750)	(3,117)
Other Income	(14)	0
<b>Total Income</b>	<b>(31,344)</b>	<b>(32,628)</b>
<b>(Surplus) or Deficit on Provision of Services</b>	<b>1,267</b>	<b>(450)</b>

## SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

### 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.

2023/24	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
<b>Adjustments primarily involving the Capital Adjustment Account (CAA):</b>				
<b><i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):</i></b>				
Charges for depreciation and impairment of non-current assets	817			(817)
Revaluation losses on Property Plant and Equipment	58			(58)
Movements in the market value of Investment Properties	2,055			(2,055)
Amortisation of Intangible Assets	143			(143)
Capital grants and contributions applied	(3,117)			3,117
Revenue expenditure funded from capital under statute (REFCUS)	1,801			(1,801)
<b><i>Insertion of items not debited or credited to the CIES:</i></b>				
Statutory provision for the financing of capital investment	(659)			659
Capital expenditure charged against the General Fund	(940)			940
Revenue Contribution to Capital Outlay - RCCO	(75)			75
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
Application of grants to capital financing transferred to the Capital Adjustment Account			(196)	196

**SECTION 3 NOTES TO THE FINANCIAL STATEMENTS**

2023/24	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of unattached capital receipts	0			0
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the CIES (see note 36)	906			(906)
Employer's pension contributions and direct payments to pensioners payable in the year	(966)			966
<b>Adjustments primarily involving the Council Tax Collection Fund Adjustment Account:</b>				
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	171			(171)
<b>Adjustments primarily involving the Business Rates Collection Fund Adjustment Account:</b>				
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	1,752			(1,752)
<b>Adjustment primarily involving the Accumulated Absences Account:</b>				
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	5			(5)
<b>Total Adjustments between the Accounting Basis and Funding Basis under regulations in 2023/24</b>	<b>1,951</b>	<b>0</b>	<b>(196)</b>	<b>(1,755)</b>

**SECTION 3 NOTES TO THE FINANCIAL STATEMENTS**

2022/23 Comparatives	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
<b>Adjustments primarily involving the Capital Adjustment Account (CAA):</b>				
<b><i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):</i></b>				
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)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal				
<b><i>Insertion of items not debited or credited to the CIES:</i></b>				
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
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
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

## SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

2022/23 Comparatives	Useable Reserves			Movement in Unusable Reserves £000
	General Fund Balance  £000	Capital Receipts Reserve  £000	Capital Grants Unapplied  £000	
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of unattached capital receipts	(14)	14		0
Use of the Capital Receipts Reserve to finance new capital expenditure				
<b>Adjustments primarily involving the Pensions Reserve:</b>				
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
<b>Adjustments primarily involving the Council Tax Collection Fund Adjustment Account:</b>				
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
<b>Adjustments primarily involving the Business Rates Collection Fund Adjustment Account*:</b>				
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
<b>Adjustment primarily involving the Accumulated Absences Account:</b>				
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)
<b>Total Adjustments between the Accounting Basis and Funding Basis under regulations in 2022/23</b>	<b>1,059</b>	<b>14</b>	<b>(41)</b>	<b>(1,032)</b>

\*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 (£0.9 million surplus compared to £3.1 million deficit at 31 March 2022). During 2021/22 local authorities received further section 31 grants to offset the business rate reliefs given to businesses during the pandemic. Under current Collection Fund accounting rules, the section 31 grants received in 2021/22 are being discharged against the Collection Fund deficit in 2022/23 onwards.

## **SECTION 3 NOTES TO THE FINANCIAL STATEMENTS**

### **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 2023/24. 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 section 31 grants received from Central Government to offset the business rate reliefs given to businesses. Under current Collection Fund accounting rules, the section 31 grants received are not discharged against the Collection Fund deficit until the following year. This is a holding account.

**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.

**Strategic Waste Reserve** – This reserve is used to support any unforeseen future waste cost pressures relating to market changes.

**Ukraine Humanitarian Crisis Reserve** – This reserve was set up in 2022/23 to hold funding received to support the Ukraine Humanitarian Crisis.

\*(Earmarked Reserves marked with an asterisk denote where funding within Earmarked Reserves has been allocated by the Council for funding for the Council Plan for 2024-28). In total £871,000 of Earmarked Reserves funding has been allocated for the Council Plan.



### SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

The table below shows the earmarked reserve balances at 31 March 2024 and the movement during 2023/24.

<b>2023/24 EARMARKED RESERVES</b>	<b>Balance at 31.3.2023 £000</b>	<b>Transfers Out £000</b>	<b>Transfers In £000</b>	<b>Balance at 31.3.2024 £000</b>
Car Parking Maintenance	534	(3)	51	582
ICT Development	45	0	63	108
Planning Policy and Major Developments	122	(33)	49	138
Innovation Fund (Invest to Earn)	376	0	0	376
Strategic Waste	678	(214)	56	520
Leisure Services	134	(117)	0	17
Organisational Development Reserve	20	0	0	20
Environmental Health Initiatives	104	(1)	0	103
Financial Stability*	617	0	0	617
Maintenance, Management and Risk Mitigation (Investment Properties)	418	0	119	537
Grounds Maintenance/Car Parks	99	0	36	135
Elections	60	(30)	20	50
Neighbourhood Planning Grants	45	0	0	45
Revenue Grants	1,303	(115)	364	1,552
Business Rates Retention Scheme	1,075	(150)	1,363	2,288
COVID-19*	254	0	0	254
New Homes Bonus	514	(233)	384	665
Homelessness	184	0	77	261
Strategic Change	67	(33)	0	34
Maintenance Fund	435	(25)	25	435
Affordable Housing	160	(43)	0	117
Recovery Plan and Corporate Strategy	158	0	67	225
Broadband Community Support	50	0	0	50
Joint Local Plan	25	0	25	50
Vehicle Replacement	377	0	50	427
Tree Maintenance	14	0	6	20
Ukraine Humanitarian Crisis	669	(487)	89	271
Tamar Trails	55	(38)	0	17
S106 Monitoring Reserve	0	0	13	13
S106 Technical Support Reserve	3	0	8	11
<b>SUBTOTAL EARMARKED RESERVES</b>	<b>8,595</b>	<b>(1,522)</b>	<b>2,865</b>	<b>9,938</b>
Business Rates S31 Compensation Grants	307	0	909	1,216
<b>TOTAL EARMARKED REVENUE RESERVES</b>	<b>8,902</b>	<b>(1,522)</b>	<b>3,774</b>	<b>11,154</b>

**SECTION 3 NOTES TO THE FINANCIAL STATEMENTS**

<b>2022/23 Comparatives EARMARKED RESERVES</b>	<b>Balance at 31.3.2022 £000</b>	<b>Transfers Out £000</b>	<b>Transfers In £000</b>	<b>Balance at 31.3.2023 £000</b>
Car Parking Maintenance	534	0	0	534
ICT Development	25	(37)	57	45
Planning Policy and 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 and 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 and 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
<b>SUBTOTAL EARMARKED RESERVES</b>	<b>7,558</b>	<b>(1,618)</b>	<b>2,655</b>	<b>8,595</b>
Business Rates S31 Compensation Grants	1,631	(1,324)	0	307
<b>TOTAL EARMARKED REVENUE RESERVES</b>	<b>9,189</b>	<b>(2,942)</b>	<b>2,655</b>	<b>8,902</b>

## SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

### 9. OTHER OPERATING EXPENDITURE

<b>2022/23 £000</b>		<b>2023/24 £000</b>
1,845	Parish Council precepts	2,129
19	Pension administration expenses	19
<b>1,864</b>	<b>Total</b>	<b>2,148</b>

### 10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

<b>2022/23 £000</b>		<b>2023/24 £000</b>
733	Interest payable and similar charges	719
(601)	Interest receivable and similar income	(1,390)
(14)	Other investment income	0
618	Net interest on the net defined benefit liability	240
1,330	Investment properties (note 13)	856
<b>2,066</b>	<b>Total</b>	<b>425</b>

**SECTION 3 NOTES TO THE FINANCIAL STATEMENTS**

**11. TAXATION AND NON-SPECIFIC GRANT INCOME**

<b>2022/23 £000</b>		<b>2023/24 £000</b>
	Council Tax	
(6,948)	• Income	(7,520)
(107)	• Collection Fund adjustment	171
(152)	• Collection Fund - distribution of deficit/(surplus)	(377)
	Business Rates	
(3,313)	• Income	(3,939)
3,231	• Tariff	3,533
1	• Pooling administration costs	1
(150)	• Pooling gain	(156)
154	• Levy payment	171
19	• Transfer of Collection Fund deficit/(surplus)	67
(960)	• Renewable Energy Disregarded Amounts	(215)
	Non ring - fenced Government Grants:	
(2,188)	• S31 Business Rate Relief Grants	(2,099)
(352)	• New Homes Bonus Grant	(384)
(487)	• Rural Services Delivery Grant	(545)
(75)	• Lower Tier Services Grant	0
(14)	• Levy Account Surplus Grant	(14)
0	• Revenue Support Grant	(89)
0	• Funding Guarantee Grant	(51)
(114)	• Services Grant	(67)
	Non ring – fenced Government Grants: COVID-19	
(44)	• New Burdens Admin Support Grant	0
(1,750)	Capital grants and contributions	(3,117)
<b>(13,249)</b>	<b>Total</b>	<b>(14,630)</b>

## SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

### 12. PROPERTY, PLANT AND EQUIPMENT

#### Movements in 2023/24:

	Land and Buildings £000	Vehicles, Plant and Equipment £000	Community Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
<b>Cost or Valuation</b>					
<b>At 1 April 2023</b>	<b>19,136</b>	<b>3,026</b>	<b>0</b>	<b>0</b>	<b>22,162</b>
Additions	2,217	164			2,381
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(67)				(67)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(58)				(58)
<b>At 31 March 2024</b>	<b>21,228</b>	<b>3,190</b>	<b>0</b>	<b>0</b>	<b>24,418</b>
<b>Accumulated Depreciation and Impairment at 1 April 2023</b>	<b>305</b>	<b>1,530</b>	<b>0</b>	<b>0</b>	<b>1,835</b>
Charge for 2023/24	416	373			789
Depreciation written out to the Revaluation Reserve	(125)				(125)
<b>At 31 March 2024</b>	<b>596</b>	<b>1,903</b>	<b>0</b>	<b>0</b>	<b>2,499</b>
<b>Balance Sheet amount at 31 March 2024</b>	<b>20,632</b>	<b>1,287</b>	<b>0</b>	<b>0</b>	<b>21,919</b>
<b>Balance Sheet amount at 31 March 2023</b>	<b>18,831</b>	<b>1,496</b>	<b>0</b>	<b>0</b>	<b>20,327</b>

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.

## SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

### Comparative Movements in 2022/23:

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

## SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

### Infrastructure Assets

	2022/23 £000	2023/24 £000
<b>Balance at start of year</b>	<b>613</b>	<b>595</b>
Additions	11	52
Depreciation charge for year	(29)	(28)
<b>Balance at end of year</b>	<b>595</b>	<b>619</b>

	2022/23 £000	2023/24 £000
Infrastructure Assets	595	619
Other Property Plant and Equipment Assets	20,327	21,919
<b>Total Property Plant and Equipment Assets</b>	<b>20,922</b>	<b>22,538</b>

### 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 2024 the Authority has entered into contracts for the construction or enhancement of Property, Plant and Equipment. These commitments relate to:

- 20 Plymouth Road (affordable housing scheme) £0.62 million
- 3 Springhill (housing refurbishment project) £0.06 million

In addition, the Council is the accountable body for the Okehampton Transport Hub (Okehampton Interchange) capital project. There is £14.46million remaining to be spent on the project, the large majority of which is funded by a Government Grant from the Department of Transport (£13m remaining). The construction contract will be entered into in late 2024.

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

## SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

### Revaluations

All material freehold land and buildings which comprise the Authority's property portfolio are revalued by the Council's external 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.

	<b>Land and buildings</b>	<b>Vehicles, plant furniture and equipment</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Valued at historical cost</b>	<b>0</b>	<b>1,287</b>	<b>1,287</b>
<b>Valued at current value in:</b>			
2023/24	8,458		
2022/23	7,937		
2021/22	3,616		
2020/21	500		
2019/20	121		
<b>Total</b>	<b>20,632</b>	<b>1,287</b>	<b>21,919</b>

### 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.



## SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

### 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:

<b>A. Income and Expenditure Account</b>	<b>2022/23 £000</b>	<b>2023/24 £000</b>
Rental income from investment properties	(1,170)	(1,233)
Direct operating expenses arising from investment properties (this includes the change in valuation on investment properties)	2,500	2,089
<b>Net loss</b>	<b>1,330</b>	<b>856</b>

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

<b>B. Movement in fair value</b>	<b>2022/23 £000</b>	<b>2023/24 £000</b>
<b>Balance at start of the year</b>	<b>19,120</b>	<b>16,625</b>
Net losses from fair value adjustments	(2,495)	(2,055)
<b>Balance at end of the year</b>	<b>16,625</b>	<b>14,570</b>

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 £14.6 million as at 31 March 2024. There has been a net loss on the fair value valuations of the four investment properties of £2.055 million in 2023/24.

This predominantly relates to one investment property of office accommodation. The reduction in value is caused by a softening of the yield and the net effective rent assessed as the ERV (estimated rental value) to be capitalised for the whole property, has reduced back to the current passing rent for the property. 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.

These investment properties are strategic long-term investments and are held for the longer term.

## **SECTION 3 NOTES TO THE FINANCIAL STATEMENTS**

### **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.

## **SECTION 3 NOTES TO THE FINANCIAL STATEMENTS**

### **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.

## SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

### Summary of Financial Instruments

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

	Long term		Current	
	31 March 2023 £000	31 March 2024 £000	31 March 2023 £000	31 March 2024 £000
<b>Financial Assets at Amortised Cost</b>				
Investments*	0	0	10,200	16,500
Cash and Cash Equivalents*	0	0	11,153	9,340
Debtors	0	0	3,749	1,686
<b>Fair Value through Other Comprehensive Income – Financial Assets</b>				
Investments – Local Authorities’ Property Fund	462	444	0	0
<b>Total Financial Assets</b>	<b>462</b>	<b>444</b>	<b>25,102</b>	<b>27,526</b>
<b>Financial Liabilities at Amortised Cost</b>				
Borrowing**	(27,012)	(26,370)	(714)	(642)
Creditors	(53)	(195)	(2,567)	(2,413)
<b>Total Financial Liabilities</b>	<b>(27,065)</b>	<b>(26,565)</b>	<b>(3,281)</b>	<b>(3,055)</b>

\*The increase in investments as at 31 March 2024 of £6.3 million relates mainly to a grant from the Department for Transport in relation to Okehampton Transport Hub. This is partly offset by a reduction in investments in Money Market Funds (classified as cash equivalents) of £1.8 million as at 31 March 2024.

\*\* The average rate of interest on borrowing is 2.623%.

### Designated to Fair Value Through Other Comprehensive Income

At 31 March 2024 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.

## **SECTION 3 NOTES TO THE FINANCIAL STATEMENTS**

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 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, subsequently extended for a further two years to 31 March 2025. 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 2023/24.

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

The Council had the following investments in equity instruments at 31 March 2024:

<b>Investment</b>	<b>Nominal</b>	<b>Fair Value 31 March 2023</b>	<b>Fair Value 31 March 2024</b>	<b>Change in Fair Value During 2023/24</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
CCLA Property Fund	500	462	444	(18)

## SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

### 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:

	2022/23	2023/24
	£000	£000
Net gains/losses on:		
Financial Assets measured at fair value through other comprehensive income	(91)	(18)
<b>Total Net Losses</b>	<b>(91)</b>	<b>(18)</b>

### 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 2023 Fair Value	31 March 2024 Fair Value
			£000	£000
<b>Fair Value Through Other Comprehensive Income</b>		Inputs other than quoted market prices that are observable for the asset or liability		
CCLA Property Fund	Level 2		462	444
<b>TOTAL</b>			<b>462</b>	<b>444</b>

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 2023		31 March 2024	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	£000	£000	£000	£000
PWLB Debt – Maturity	(5,692)	(4,671)	(5,607)	(4,249)
PWLB Debt – Annuity	(22,034)	(16,291)	(21,405)	(14,840)
Long Term Creditors	(53)	(53)	(195)	(195)

## SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

### 15. DEBTORS

<b>31.3.2023</b> <b>£000</b>		<b>31.3.2024</b> <b>£000</b>
	<b>Short Term</b>	
2,535	Central Government bodies*	747
433	Other Local Authorities	457
	Other debtors	
432	Council Tax	432
241	Business Rates	166
1,477	Other entities and individuals	1,351
<b>5,118</b>	<b>Total</b>	<b>3,153</b>

\*The 'Central Government bodies' debtor has reduced substantially in 2023/24 mainly due to the end of year position for the Housing Benefit subsidy claim. At 31 March 2024 £239,000 was due from Central Government following completion of the final claim, compared to £2.3 million at 31 March 2023.

### 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:

<b>31.3.2023</b> <b>£000</b>		<b>31.3.2024</b> <b>£000</b>
276	Up to one year	266
246	One to three years	207
150	Over three years	126
<b>672</b>	<b>Total Debtors for Local Taxation</b>	<b>599</b>

### 17. CASH AND CASH EQUIVALENTS

<b>31.3.2023</b> <b>£000</b>		<b>31.3.2024</b> <b>£000</b>
353	Cash held by the Authority	340
10,800	Money Market Funds*	9,000
<b>11,153</b>	<b>Total Cash and Cash Equivalents</b>	<b>9,340</b>

\*The reduction in Money Market Funds of £1.8 million is offset by an increase in fixed term investments as at 31 March 2024.

## SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

### 18. CREDITORS

31.3.2023 £000		31.3.2024 £000
	<b>Short Term</b>	
(682)	Central Government bodies	(547)
(422)	Other Local Authorities	(552)
	Other Creditors	
(2,395)	Council Tax*	(1,456)
(2,290)	Business Rates**	(387)
(2,801)	Other entities and individuals	(2,844)
<b>(8,590)</b>	<b>Total</b>	<b>(5,786)</b>
	<b>Long Term</b>	
(53)	Other entities and individuals	(195)
<b>(53)</b>	<b>Total</b>	<b>(195)</b>

\* The reduction in the short-term council tax creditors as at 31 March 2024 reflects the movement in the Council Tax Collection Fund balance. As at 31 March 2024, the Council owed the Preceptors £1.35 million compared to £2.30 million as at 31 March 2023. This reflects the lower closing balance on the Council Tax Collection Fund as at 31 March 2024 (a surplus of £2.04 million, compared to a surplus of £3.16 million as at 31 March 2023).

\*\* Business rates creditors have reduced from £2.29 million at 31 March 2023 to £0.39 million at 31 March 2024. This mainly reflects the movement in the Business Rates Collection Fund in 2023/24 from a £0.94 million surplus to a £1.05 million deficit. Further information can be found in Section 4 - The Collection Fund.

### 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 2023/24 or 2022/23. The breakdown of the 2023/24 provision is shown in the following table:

	<b>Business Rates Appeals £000</b>
<b>Balance at 1 April 2023</b>	<b>733</b>
Provisions made in year	91
Amounts used in year	(181)
<b>Balance at 31 March 2024</b>	<b>643</b>



## SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

### 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 2023/24 there has been a £226,000 decrease in the provision for appeals within the Collection Fund. The Council's share of this is 40% (£90,000).

### 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.

**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

31.3.2023 £000		31.3.2024 £000
6,714	Revaluation Reserve	6,650
6,865	Capital Adjustment Account	7,100
(5,490)	Pensions Reserve	(3,619)
(38)	Financial Instruments Revaluation Reserve	(56)
477	Council Tax Collection Fund Adjustment	306
1,336	Business Rates Collection Fund Adjustment	(416)
(69)	Account	(74)
	Accumulated Absences Account	
<b>9,795</b>	<b>Total Unusable Reserves</b>	<b>9,891</b>

## SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

### 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.

31.3.2023 £000	31.3.2023 £000	Revaluation Reserve	31.3.2024 £000	31.3.2024 £000
	<b>10,593</b>	<b>Balance at 1 April</b>		<b>6,714</b>
669		Upward revaluation of assets	967	
<u>(4,337)</u>		Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	<u>(909)</u>	
	<b>(3,668)</b>	<b>Surplus or (Deficit) on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>		<b>58</b>
(211)		Difference between fair value depreciation and historical cost depreciation	(122)	
	<b>(211)</b>	Accumulated gains on assets sold or scrapped		
		<b>Amount written off to the Capital Adjustment Account</b>		<b>(122)</b>
	<b>6,714</b>	<b>Balance at 31 March</b>		<b>6,650</b>

## SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

### 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.

2022/23 £000	2022/23 £000	Capital Adjustment Account	2023/24 £000	2023/24 £000
	<b>9,196</b>	<b>Balance at 1 April</b>		<b>6,865</b>
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CIES) :		
(941)		▪ Charges for depreciation of non-current assets	(817)	
0		▪ Revaluation losses on Property, Plant and Equipment	(58)	
(2,495)		▪ Revaluation gains/(losses) on Investment Properties	(2,055)	
(95)		▪ Amortisation of Intangible Assets	(143)	
(1,707)		▪ Revenue expenditure funded from capital under statute (REFCUS)	(1,801)	
	<b>(5,238)</b>	<b>Total</b>		<b>(4,874)</b>
<u>211</u>		Adjusting amounts written out of the Revaluation Reserve	<u>122</u>	
	<b>211</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>		<b>122</b>
		Capital financing applied in the year:		
1,555		• Capital grants and contributions credited to the CIES that have been applied to capital financing	3,117	
236		• Application of grants to capital financing from the Capitals Grants Unapplied Account	196	
208		• Capital expenditure charged against the General Fund	940	
647		• Statutory provision for the financing of capital investment charged against the General Fund (Minimum Revenue Provision)	659	
<u>50</u>		• Revenue Contribution to Capital Outlay (RCCO)	<u>75</u>	
	<b>2,696</b>	<b>Total</b>		<b>4,987</b>
	<b>6,865</b>	<b>Balance at 31 March</b>		<b>7,100</b>

## SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

### 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.

<b>31.3.2023</b> <b>£000</b>	<b>Pensions Reserve</b>	<b>31.3.2024</b> <b>£000</b>
<b>(24,220)</b>	<b>Balance at 1 April</b>	<b>(5,490)</b>
19,895	Actuarial gains or (losses) on pension assets and liabilities*	1,811
(2,123)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(906)
958	Employer's pensions contributions and direct payments to pensioners payable in the year	966
<b>(5,490)</b>	<b>Balance at 31 March</b>	<b>(3,619)</b>

\*The significant actuarial gain on pension assets and liabilities in 2022/23 reflected the movement on the Pension Fund where the Actuary estimated a net deficit on the funded liabilities within the Pension Fund as at 31 March 2023 of £5.5 million (a pension liability), which compared to a deficit of £24.2 million as at 31 March 2022. This large reduction in the pension liability for West Devon was mainly due to a change in financial assumptions (£19.7 million). This related to an increase in the discount rate from 2.6% at 31 March 2022 to 4.8% at 31 March 2023 (4.9% at 31 March 2024).

## SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

### 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

<b>31.3.2023</b> <b>£000</b>	<b>Financial Instruments Revaluation Reserve</b>	<b>31.3.2024</b> <b>£000</b>
<b>53</b>	<b>Balance at 1 April</b>	<b>(38)</b>
(91)	Downward revaluation of assets	(18)
<b>(38)</b>	<b>Balance at 31 March</b>	<b>(56)</b>

### 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 taxpayers, compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

<b>31.3.2023</b> <b>£000</b>	<b>Council Tax Collection Fund Adjustment Account</b>	<b>31.3.2024</b> <b>£000</b>
<b>370</b>	<b>Balance at 1 April</b>	<b>477</b>
107	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	(171)
<b>477</b>	<b>Balance at 31 March</b>	<b>306</b>

## SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

### Business Rates Collection Fund Adjustment Account

A scheme for the retention of business rates came into 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.

31.3.2023 £000	Business Rates Collection Fund Adjustment Account	31.3.2024 £000
(1,234)	<b>Balance at 1 April</b> 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	1,336
2,570		(1,752)
<b>1,336</b>	<b>Balance at 31 March*</b>	<b>(416)</b>

\*The large movement in the Business Rates Collection Fund Adjustment Account between 2022/23 and 2023/24 reflects the change in the balance on the Business Rates Collection Fund at 31 March 2024. The Collection Fund has moved from a £0.94 million surplus to a £1.05 million deficit in 2023/24 mainly due to a timing issue regarding receipt of section 31 compensation grant. See Section 4 on the Collection Fund for further information.

### 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.

31.3.2023		Accumulated Absences Account	31.3.2024	
£000	£000		£000	£000
67	(67)	<b>Balance at 1 April</b> Settlement or cancellation of accrual made at the end of the preceding year	69	(69)
(69)		Amounts accrued at the end of the current year	(74)	
	(2)	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		(5)
	<b>(69)</b>	<b>Balance at 31 March</b>		<b>(74)</b>

## SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

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

<b>2022/23</b>		<b>2023/24</b>
<b>£000</b>		<b>£000</b>
(941)	Depreciation	(817)
0	Impairment	(58)
(2,495)	Movement in investment properties	(2,055)
(95)	Amortisation	(143)
2,408	Increase/(decrease) in Debtors*	(1,890)
5,962	(Increase)/decrease in Creditors	(178)
(1,165)	Movement in pension liability	60
<b>3,674</b>	<b>Total</b>	<b>(5,081)</b>

\*The 'Central Government bodies' debtor has reduced substantially in 2023/24 mainly due to the end of year position for the Housing Benefit subsidy claim. At 31 March 2024 £239,000 was due from Central Government following completion of the final claim, compared to £2.3 million at 31 March 2023.

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

<b>2022/23</b>		<b>2023/24</b>
<b>£000</b>		<b>£000</b>
14	Proceeds from the sale of non-current assets	0
1,750	Other non-cash items charged to the net surplus or deficit on the provision of services*	3,117
<b>1,764</b>	<b>Total</b>	<b>3,117</b>

\*This increase in capital grants in 2023/24 mainly relates to the Local Authority Housing Fund (LAHF).

## SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

### 24. CASH FLOW STATEMENT – INVESTING ACTIVITIES

2022/23 £000		2023/24 £000
341	Purchase of non-current assets	2,526
(7,000)	Increase/(decrease) in investments*	6,300
(14)	Proceeds from the sale of non-current assets	0
(1,268)	Other receipts from investing activities (capital grants and contributions)	(8,170)
<b>(7,941)</b>	<b>Net cash flows from investing activities</b>	<b>656</b>

\*The increase in investments as at 31 March 2024 of £6.3 million mainly relates to a Department for Transport grant for the Transport Hub.

### 25. CASH FLOW STATEMENT – FINANCING ACTIVITIES

2022/23 £000		2023/24 £000
615	Repayments of short and long term borrowing	714
(521)	Other (receipts)/payments from financing activity*	2,857
<b>94</b>	<b>Total</b>	<b>3,571</b>

\*The movement between 2022/23 and 2023/24 is mainly due to the significant decrease in short term business rates and council tax creditors. For further information please see 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 2023/2024.



## SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

### 27. BUSINESS IMPROVEMENT DISTRICTS

The Tavistock Business Improvement District (BID) was set up in Tavistock on the 1<sup>st</sup> 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 business 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.

<b>2022/23 £000</b>		<b>2023/24 £000</b>
226	Allowances	232
9	Expenses	7
<b>235</b>	<b>Total</b>	<b>239</b>

### 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.

## SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

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	22/23	97,700	100	14,400	<b>112,200</b>
	23/24	105,000	200	18,700	<b>123,900</b>
Corporate Director of Strategic Finance (S151 Officer)	22/23	81,400	0	12,000	<b>93,400</b>
	23/24	87,500	0	15,600	<b>103,100</b>
Strategic Director of Place and Enterprise	22/23	81,600	900	12,100	<b>94,600</b>
	23/24	87,500	900	15,600	<b>104,000</b>

### 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

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.

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 2023/24 West Devon Borough Council reimbursed costs amounting to £145,400 (2022/23 £135,400) in respect of the senior employees who are employed by South Hams District Council. West Devon Borough Council received a reimbursement in 2023/24 from South Hams District Council of £215,900 (2022/23 £145,800) 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.

## SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

### 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	2022/23	2023/24
£50,000 - £54,999	2	5
£55,000 - £59,999	3	5
£60,000 - £64,999	5	0
£65,000 - £69,999	0	2
£70,000 - £74,999	0	1
£75,000 - £79,999	0	1
<b>TOTAL</b>	<b>10</b>	<b>14</b>

### 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:

	2022/23 £000	2023/24 £000
<b>Fees payable with regard to external audit services</b>	<b>90</b>	<b>156</b>
Core Audit Fees**	57	122
Audit of Grants and Returns	33	34
<b>Variation from Public Sector Audit Appointments Ltd</b>	<b>*10</b>	<b>0</b>
<b>TOTAL</b>	<b>100</b>	<b>156</b>

\*relates to a fee variation from 2021/22

\*\* Additional fees were agreed by PSAA (Public Sector Audit Appointments) in 2023/24 and charged by Grant Thornton. This was partly for additional audit work carried out nationally, on the areas of pensions and fixed assets.

## SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

### 31. GRANT INCOME

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

	2022/23 £000	2023/24 £000
<b>Credited to Taxation and Non-Specific Grant Income</b>		
<b>Capital grants and contributions:</b>		
Disabled Facilities Grants	(1,195)	(929)
Green Homes Grant	(436)	0
Local Authority Housing Fund (LAHF)	0	(1,188)
Okehampton Railway Station (DFT)	0	(493)
Other Capital Grants and Contributions	(119)	(507)
<b>Non ring - fenced Government grants and contributions:</b>		
New Homes Bonus Grant	(352)	(384)
S.31 Business Rate Relief Grants	(2,188)	(2,099)
Levy Account Surplus Grant	(14)	(14)
Rural Services Delivery Grant	(487)	(545)
Lower Tier Services Grant	(75)	0
Revenue Support Grant	0	(89)
Service Grant	(114)	(67)
Funding Guarantee Grant	0	(51)
COVID-19 New Burdens Admin Support Grant	(44)	0
<b>Total</b>	<b>(5,024)</b>	<b>(6,366)</b>

	2022/23 £000	2023/24 £000
<b>Credited to Services</b>		
Rent Allowance subsidy	(8,952)	(8,074)
District Household Support Scheme	(310)	(346)
Recycling credits	(321)	(328)
Flexible Homelessness Support Grant	(203)	(295)
Ukraine Humanitarian Crisis	(958)	(254)
UK Shared Prosperity Fund	0	(244)
Discretionary housing payments	(116)	(127)
Rent rebate subsidy	(76)	(121)
Housing Benefit administration subsidy	(111)	(108)
Supported Home Improvement Programme	(104)	(97)
Section 106 deposits	(188)	(96)
Council Tax Support Scheme	0	(95)
Business rates cost of collection allowance	(83)	(84)
Okehampton Railway Bid	0	(76)
Electoral Commission - Registration	0	(35)
Electoral Commission - Police and Crime Commissioners	0	(32)
New Burdens Council Tax Rebate Final Assessment	(82)	0
Other grants and contributions	(621)	(301)
<b>Total</b>	<b>(12,125)</b>	<b>(10,713)</b>

### SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

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:

<b>Capital Grants Receipts in Advance</b>	<b>31 March 2023 £000</b>	<b>31 March 2024 £000</b>
Land adjacent to Shellsley, North Tawton	(47)	0
The Barton, Spreyton	(72)	0
Land at Butcher Park Hill, Tavistock	(78)	(60)
The Beeches, Yelverton	(21)	(17)
The Highwayman Inn, Sourton	(87)	0
Land South of Exeter Road Okehampton	(69)	(69)
Former Tavistock Hockey Club	(42)	(36)
Land adjacent to Callington Road, Tavistock	(34)	(95)
New Launceston Road, Broadleigh Park	(27)	0
Devonia House, Yelverton	(26)	(16)
Land at Lower Trendle, Tavistock	(46)	0
Barns at Hurditch Horn, Gulworthy	(32)	0
Rear of Rowan Cottage, Lewdown	(55)	(33)
Land at New Launceston Road, Tavistock	(224)	(238)
Harewood House, Tavistock	(164)	(164)
Land North of Crediton Road, Okehampton	(49)	(49)
Okement Park Okehampton	0	(111)
Devonshire Gardens, North Tawton	0	(92)
Other Section 106 deposits	(186)	(162)
Okehampton Transport Hub (DfT)	0	(4,773)
Rural England Prosperity Fund (DLUHC)	0	(287)
UK Shared Prosperity Fund (UKSPF) (DLUHC)	0	(50)
Homes Upgrade Grant (HUG)	0	(140)
Local Authority Housing Fund (LAHF)	(211)	(14)
<b>Total</b>	<b>(1,470)</b>	<b>(6,406)</b>

<b>Revenue Grants Receipts in Advance</b>	<b>31 March 2023 £000</b>	<b>31 March 2024 £000</b>
Police and Crime Commissioner Election Grant	0	(170)
UK Shared Prosperity Fund (UKSPF)	(55)	0
<b>Total</b>	<b>(55)</b>	<b>(170)</b>

## **SECTION 3 NOTES TO THE FINANCIAL STATEMENTS**

### **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 2023/24 is shown in note 28.

## SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

### 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.

<b>Summary of Capital Expenditure and Financing (incorporating the Capital Financing Requirement)</b>	<b>2022/23</b>	<b>2023/24</b>
	<b>£000</b>	<b>£000</b>
<b><i>Opening Capital Financing Requirement</i></b>	<b>24,901</b>	<b>24,254</b>
<b>Capital Investment</b>		
Property, Plant and Equipment	247	2,433
Intangible Assets	95	93
Revenue expenditure funded from capital under statute (REFCUS)	1,707	1,801
<b>Total expenditure for capital purposes</b>	<b>2,049</b>	<b>4,327</b>
<b>Sources of Finance</b>		
Capital grants and external contributions	(1,791)	(3,313)
Earmarked reserves	(208)	(940)
Revenue Contributions to Capital Outlay (RCCO)	(50)	(74)
<b>Total funding</b>	<b>(2,049)</b>	<b>(4,327)</b>
<b>Minimum Revenue Provision</b>	<b>(647)</b>	<b>(659)</b>
<b><i>Closing Capital Financing Requirement</i></b>	<b>24,254</b>	<b>23,595</b>
<b><i>Movement in Capital Financing Requirement</i></b>	<b>(647)</b>	<b>(659)</b>
<b>Explained by:</b>		
Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	(647)	(659)
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>(647)</b>	<b>(659)</b>

## SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

### 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:

<b>Detail of lease</b>	<b>Term</b>	<b>Expiry or break clause date</b>	<b>Segment in CIES</b>
The rental of office accommodation	15 years	17/09/2028	Investment Properties
The operation of a supermarket	39 years	08/01/2028	Investment Properties
The rental of an industrial unit	10 years	28/11/2025	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:

	<b>31 March 2023 £000</b>	<b>31 March 2024 £000</b>
Not later than one year	1,067	1,075
Later than one year and not later than five years	4,007	3,271
Later than five years	461	122
<b>Total</b>	<b>5,535</b>	<b>4,468</b>

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.



## SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

### 35. EXIT PACKAGES AND TERMINATION BENEFITS

The number of exit packages, with total cost per band and total cost of voluntary, compulsory and other redundancies are set out in the table below:

Exit package cost band (incl. special payments)	Number of compulsory redundancies		Total number of exit packages by cost band		Total cost of exit packages in each band (£)	
	22/23	23/24	22/23	23/24	22/23	23/24
£0 - £20,000	-	1	-	1	-	5,182
<b>TOTAL</b>	-	<b>1</b>	-	<b>1</b>	-	<b>5,182</b>

#### Shared Services with South Hams District Council

Of the £5,182 cost of exit packages in 2023/24 (£0 in 2022/23), South Hams District Council (SHDC) made nil contributions in 2023/24 and 2022/23. In addition, West Devon Borough Council made no contribution to South Hams District Council in respect of their exit package costs in 2023/24 and 2022/23.

### 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 2025 is £923,000. The Actuary has estimated the duration of the Employer's liabilities to be 16 years.

## SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

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:

<b>Comprehensive Income and Expenditure Statement</b>	<b>2022/23 £000</b>	<b>2023/24 £000</b>
<b>Cost of Services</b>		
<i>Service cost comprising</i>		
- Current Service Cost	1,486	647
<i>Financing and Investment Income and Expenditure</i>		
- Net Interest Expense	618	240
- Administration Expenses	19	19
<b>Total Post-employment benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>2,123</b>	<b>906</b>
<b>Other post-employment benefits charged to the comprehensive income and expenditure statement</b>		
<i>Re-measurement of the net defined benefit liability comprising:</i>		
- Change in financial assumptions	(19,667)	(805)
- Change in demographic assumptions	(3,395)	(511)
- Experience loss/(gain)	1,727	97
- Return on fund assets in excess of interest	1,226	(2,024)
- Other actuarial gains/(losses)	214	0
- Changes in effect of asset ceiling	0	1,432
<b><i>Total re-measurement recognised</i></b>	<b><i>(19,895)</i></b>	<b><i>(1,811)</i></b>
<b>Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>(17,772)</b>	<b>(905)</b>

### SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

<b>Comprehensive Income and Expenditure Statement</b>	<b>2022/23 £000</b>	<b>2023/24 £000</b>
<i><u>Movement in Reserves Statement</u></i>		
- Reversal of net charges made to the surplus or deficit on the provision of services for post-employment benefits in accordance with the code	(2,123)	(906)
<i><u>Actual amount charged against the General Fund Balance for pensions in the year</u></i>		
- Employers contributions payable to scheme	958	966

#### **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:

<b>Net Pension Liability</b>	<b>31 March 2023 £000</b>	<b>31 March 2024 £000</b>
Present value of the defined benefit obligation	34,757	34,395
Fair value of Fund assets	(29,950)	(32,828)
<b>Deficit/(Surplus)</b>	<b>4,807</b>	<b>1,567</b>
Present value of unfunded obligation	683	620
Impact of asset ceiling	0	1,432
<b>Net defined benefit liability/(asset)*</b>	<b>5,490</b>	<b>3,619</b>

<b>Reconciliation of asset ceiling**</b>	<b>31 March 2023 £000</b>	<b>31 March 2024 £000</b>
<b>Opening impact of asset ceiling</b>	<b>0</b>	<b>0</b>
Actuarial (gains)/losses	0	1,432
<b>Closing impact of asset ceiling</b>	<b>0</b>	<b>1,432</b>

## SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

<b>Reconciliation of opening and closing balances of the fair value of Fund assets</b>	<b>31 March 2023 £000</b>	<b>31 March 2024 £000</b>
<b>Opening fair value of Fund assets</b>	<b>31,085</b>	<b>29,950</b>
Interest on assets	802	1,425
Return on assets less interest	(1,226)	2,024
Other actuarial gains/(losses)	(214)	0
Administration expenses	(19)	(19)
Contributions by employer including unfunded	958	966
Contributions by Scheme participants	222	249
Estimated benefits paid plus unfunded net of transfers in	(1,658)	(1,767)
<b>Closing fair value of Fund assets</b>	<b>29,950</b>	<b>32,828</b>
<b>Reconciliation of opening and closing balances of the present value of the defined benefit obligation</b>	<b>31 March 2023 £000</b>	<b>31 March 2024 £000</b>
<b>Opening defined benefit obligation</b>	<b>55,305</b>	<b>35,440</b>
Current service cost	1,486	647
Interest cost	1,420	1,665
Change in financial assumptions	(19,667)	(805)
Change in demographic assumptions	(3,395)	(511)
Experience loss/(gain) on defined benefit obligation	1,727	97
Estimated benefits paid net of transfers in	(1,588)	(1,689)
Contributions by Scheme participants	222	249
Unfunded pension payments	(70)	(78)
<b>Closing defined benefit obligation</b>	<b>35,440</b>	<b>35,015</b>

### Pension Asset Ceiling

\*The pension liability has reduced from £5.49 million at 31 March 2023 to £3.62 million at 31 March 2024. However, these figures include the application of an asset ceiling by the actuary in 2023/24. This accounting treatment complies with IFRIC 14 which looks at the limit on a defined benefit asset, the minimum funding requirements and their interaction. The liability position as at 31 March 2024 purely recognises the fact that the Council will still need to pay employer's pension contributions into the pension scheme on an annual basis. It is important for Members to note that the adjustment to the pension position is made to better reflect the practical operation of the funding strategy.

## **SECTION 3 NOTES TO THE FINANCIAL STATEMENTS**

\*\*The impact of the asset ceiling has been determined by the actuary under IFRIC 14 on the basis of the limitation on the Council's ability to recover the full economic benefit of its assets through reductions in future employer's contributions, because of the minimum funding requirement imposed on it by the funding strategy for the Scheme. The Council is currently committed to paying contributions to recover a deficit in the Pension Fund which has been assessed as greater than the net pensions liability established under Accounting Code requirements. An asset ceiling therefore applies.

The asset ceiling has increased what would otherwise be a net pensions liability of £2.19 million to £3.62 million. The practical effect of this is to move the basis of measurement for the net pensions liability closer to the assumptions made in the triennial valuation of the Scheme under which the employer's contributions were set by the Scheme's actuaries. It does not indicate that the Council is committed to making future payments into the scheme that it will be unable to recover.

See further information on the Pensions Asset 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 as at 31 March 2024, they have rolled forward the value of the Employer's liabilities calculated for the funding valuation as at 31 March 2023, 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 2023 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.

### SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

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 2023	31 March 2024
<b>Mortality assumptions (in years):</b>		
<u>Longevity at 65 for current pensioners</u>		
- Men	21.8	21.5
- Women	22.9	22.7
<u>Longevity at 65 for future pensioners (in 20 years)</u>		
- Men	23.1	22.8
- Women	24.4	24.1
<b>Financial assumptions (in percentages):</b>		
- Salary increases	3.95%	3.90%
- Pension increases (CPI)	2.95%	2.90%
- Discount rate	4.80%	4.90%

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

Sensitivity analysis	£000s	£000s	£000s
Adjustment to discount rate	0.10%	0.0%	(0.10%)
Present value of total obligation	34,506	35,015	35,537
Projected service cost	603	626	650
Adjustment to long term salary increase	0.10%	0.0%	(0.10%)
Present value of total obligation	35,054	35,015	34,977
Projected service cost	626	626	625
Adjustment to pension increases and deferred revaluation	0.10%	0.0%	(0.10%)
Present value of total obligation	35,508	35,015	34,534
Projected service cost	650	626	603
Adjustment to life expectancy assumptions	+ 1 Year	None	-1 Year
Present value of total obligation	36,499	35,015	33,598
Projected service cost	649	626	603

### SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

The estimated asset allocation for West Devon Borough Council as at 31 March 2024 is as follows:

Employer asset share	31 March 2023		31 March 2024	
	£000	%	£000	%
UK equities	2,363	8%	461	1%
Overseas equities	13,415	45%	17,553	54%
Property	2,625	9%	2,521	8%
Infrastructure	2,693	9%	3,326	10%
Target return portfolio	2,082	7%	775	2%
Cash	356	1%	739	2%
Other bonds	6,404	21%	7,460	23%
Alternative assets	12	0%	(7)	0%
<b>Total</b>	<b>29,950</b>	<b>100%</b>	<b>32,828</b>	<b>100%</b>

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

Employer Asset Share – Bid Value		31 March 2024	
		% Quoted	% Unquoted
<b>Fixed interest government securities</b>	UK	0%	0%
	Overseas	0%	0%
<b>Corporate bonds</b>	UK	7.3%	0%
	Overseas	0%	0%
<b>Equities</b>	UK	0%	0%
	Overseas	53.5%	0%
<b>Property</b>	All	0%	7.7%
<b>Others</b>	Absolute return portfolio	2.4%	0%
	Private Equity	0%	1.4%
	Infrastructure	0%	10.1%
	Multi sector credit fund	12.0%	0%
	Private Debt	0%	3.4%
	Cash/Temporary investments	0%	2.2%
<b>Net current assets</b>	Debtors	0%	0%
	Creditors	0%	0%
<b>Total</b>		<b>75.2%</b>	<b>24.8%</b>

## **SECTION 3 NOTES TO THE FINANCIAL STATEMENTS**

### **McCloud Judgment**

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

Regulations in respect of the McCloud and Sargeant judgments came into force on 1 October 2023. An allowance for the McCloud remedy will have been made in the liabilities which is consistent with the method adopted at the last actuarial valuation.

### **37. CONTINGENT LIABILITIES**

The Council had no contingent liabilities at 31 March 2023 or 31 March 2024.

### **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.



## **SECTION 3 NOTES TO THE FINANCIAL STATEMENTS**

### **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 4 April 2023 and is available on the Council's website (Minute CM 81).

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.

## **SECTION 3 NOTES TO THE FINANCIAL STATEMENTS**

### **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 2023/24 was approved by Council on 4 April 2023 and is available on the Council's website (Minute CM 81).

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 2024 and is reflected in the current figure of £403,000. This compares to £309,000 in 2022/23. 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.

## SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

### 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.

	<b>Balance at 31 March 2024</b>	<b>Historical Experience of Default</b>	<b>Estimated Maximum Exposure to Default and Uncollectability at 31 March 2024</b>
	<b>£000</b>	<b>%</b>	<b>£000</b>
<b>Deposits with Bank and Financial Institutions</b>			
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)	7,500	0.004%	0
Standard Chartered Bank	3,000	0.001%	0
Nat West Bank	3,000	0.007%	0
Lloyds Bank Plc	3,000	0.011%	0
<b>Total</b>	<b>25,500</b>		<b>0</b>

### 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.

## **SECTION 3 NOTES TO THE FINANCIAL STATEMENTS**

### **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.

## SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

### 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 2023		31 March 2024	
	%	%	£million	%	£million	%
Less than 1 year	0%	10%	0.714	2.6%	0.642	2.4%
Between 1 and 2 years	0%	10%	0.642	2.3%	0.745	2.8%
Between 2 and 5 years	0%	30%	1.869	6.7%	1.493	5.5%
Between 5 and 10 years	0%	50%	2.135	7.7%	2.289	8.5%
More than 10 years	0%	100%	22.366	80.7%	21.843	80.8%
<b>Total</b>			<b>27.726</b>	<b>100.0%</b>	<b>27.012</b>	<b>100.0%</b>

## SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

### 39. ACCOUNTING POLICIES

#### a) General Principles

The **Statement of Accounts** summarises the Authority's transactions for the 2023/24 financial year and its position at the year end of 31 March 2024. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015. 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 2023/24, 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;

## SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

- 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 2023/24.

### 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	x	✓
Call Account	T + 0	x	✓
Notice Deposit	Maturity	x	x
Term Deposit	T + 7 days	x	✓
Other Term Deposits	Maturity	x	x

**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.

## **SECTION 3 NOTES TO THE FINANCIAL STATEMENTS**

### **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.



## **SECTION 3 NOTES TO THE FINANCIAL STATEMENTS**

### **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.

## SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

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.
  - **effect of the Asset Ceiling** – this results in an increase in the pensions liabilities recognised by the Authority to reflect the current commitment to pay employer's contributions to recover a deficit in the Pension Fund that has been assessed as greater than the net pensions liability established under Accounting Code requirements.
- **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

## SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

- **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) Events after the Reporting Period

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**.

## SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

### 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.

## **SECTION 3 NOTES TO THE FINANCIAL STATEMENTS**

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.

## **SECTION 3 NOTES TO THE FINANCIAL STATEMENTS**

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) Government Grants and Contributions**

#### **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.

## **SECTION 3 NOTES TO THE FINANCIAL STATEMENTS**

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 business 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.

## **SECTION 3 NOTES TO THE FINANCIAL STATEMENTS**

### **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.



## **SECTION 3 NOTES TO THE FINANCIAL STATEMENTS**

### 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.

## **SECTION 3 NOTES TO THE FINANCIAL STATEMENTS**

### **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**.

## **SECTION 3 NOTES TO THE FINANCIAL STATEMENTS**

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.

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

### **SECTION 3 NOTES TO THE FINANCIAL STATEMENTS**

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.

## SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

### 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).

Depreciation 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:

<b>Asset</b>	<b>Typical Useful Life</b>	<b>Maximum Useful life</b>
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.

## **SECTION 3 NOTES TO THE FINANCIAL STATEMENTS**

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.

## **SECTION 3 NOTES TO THE FINANCIAL STATEMENTS**

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.

## SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

### 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.



## **SECTION 3 NOTES TO THE FINANCIAL STATEMENTS**

### **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.

## **SECTION 3 NOTES TO THE FINANCIAL STATEMENTS**

### **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 charge 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) Minimum Revenue Provision**

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.

## **SECTION 3 NOTES TO THE FINANCIAL STATEMENTS**

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

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.

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

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

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

Based on the minimum lease payments outstanding at 31 March 2024 disclosed in Note 34 - Leases, it is estimated that the transition will result in the recognition of new assets and liabilities in the Balance Sheet of £446,000.

### **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.

## SECTION 4 COLLECTION FUND

### COLLECTION FUND FOR THE YEAR ENDED 31 MARCH 2024

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.

<b>2022/23 Business Rates £000</b>	<b>2022/23 Council Tax £000</b>		<b>2023/24 Business Rates £000</b>	<b>2023/24 Council Tax £000</b>
		<b>INCOME</b>		
(8,888)	(48,132)	Income from council tax		(51,366)
15		Business rates receivable	(8,717)	
		Transitional relief	(1,088)	
<b>(8,873)</b>	<b>(48,132)</b>		<b>(9,805)</b>	<b>(51,366)</b>
		<b>EXPENDITURE</b>		
		<b>Precepts, Demands and Shares:</b>		
4,141		Central Government	4,924	
745	32,200	Devon County Council	886	34,686
	5,101	Devon and Cornwall Police and Crime Commissioner		5,552
83	1,899	Devon and Somerset Fire Authority	98	2,054
3,313	6,947	West Devon Borough Council (net including Towns/Parishes)	3,939	7,520
64		Business rates written off and change in impairment allowance	51	
	270	Council tax written off and change in impairment allowance		179
(469)		Business rates increase/(decrease) in provision for appeals	(226)	
960		Disregarded Amounts	216	
83		Business rates – costs of collection	84	
		<b>Distribution/collection of previous year's estimated surplus/(deficit):</b>		
(2,037)		Central Government	909	
(366)	697	Devon County Council	164	1,744
	109	Devon and Cornwall Police		276
(41)	42	Devon and Somerset Fire Authority	18	103
(1,629)	152	West Devon Borough Council	728	377
<b>4,847</b>	<b>47,417</b>		<b>11,791</b>	<b>52,491</b>
<b>(4,026)</b>	<b>(715)</b>	<b>MOVEMENT ON BALANCE</b>	<b>1,986</b>	<b>1,125</b>

## SECTION 4 COLLECTION FUND

### 1. COUNCIL TAX AND COUNCIL TAX BASE

In 2023/24, the Council's average Band D council tax was £2,346.79 (£2,230.64 in 2022/23). The charge for each band is a ratio of band D. The 2023/2024 charges therefore were:

Band	Ratio to Band D	Council Tax (£)
<b>Disabled</b>		
<b>A</b>	5/9	1,303.77
<b>A</b>	6/9	1,564.53
<b>B</b>	7/9	1,825.28
<b>C</b>	8/9	2,086.04
<b>D</b>	1	2,346.79
<b>E</b>	11/9	2,868.30
<b>F</b>	13/9	3,389.81
<b>G</b>	15/9	3,911.32
<b>H</b>	18/9	4,693.58

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 2023/24 was **21,225.87** as calculated below (20,687.75 in 2022/23).

Band	Dwellings per Valuation List	Adjustment for Disabled Banding Appeals, Discounts and Exemptions	Revised Dwellings	Ratio to Band D	Band D Equivalent
<b>Dis A</b>	0	7.50	7.50	5/9	4.17
<b>A</b>	3,557	(633.50)	2,923.50	6/9	1,949.00
<b>B</b>	6,594	(794.50)	5,799.50	7/9	4,510.72
<b>C</b>	5,580	(552.25)	5,027.75	8/9	4,469.11
<b>D</b>	4,425	(300.00)	4,125.00	1	4,125.00
<b>E</b>	3,568	(245.00)	3,323.00	11/9	4,061.44
<b>F</b>	1,871	(94.50)	1,776.50	13/9	2,566.06
<b>G</b>	1,023	(73.50)	949.50	15/9	1,582.50
<b>H</b>	81	(10.25)	70.75	18/9	141.50
<b>Total</b>	<b>26,699</b>	<b>(2,696.00)</b>	<b>24,003.00</b>		<b>23,409.50</b>
					Less allowance for non-collection (585.24)
					Plus adjustment for armed forces dwellings 18.10
					Other adjustments including Council Tax Support (1,616.49)
<b>Tax base</b>					<b>21,225.87</b>

## SECTION 4 COLLECTION FUND

### 2. Rateable value

The total business rates rateable value at 31 March 2024 was £35,168,622. This compares to £32,897,479 at 31 March 2023. The standard business rate multiplier was 51.2p in 2023/24 (2022/2023 51.2p). Without reliefs this would generate a total income of £18,006,334.46 (2022/2023 £16,843,509.25). 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 2023/24 there was a new rating list which increased the overall rateable value compared to the previous year. The Government also continued to fund a Retail, Hospitality and Leisure Relief scheme.

### 3. Collection Fund balance

<b>2022/23 Business Rates* £000</b>	<b>2022/23 Council Tax £000</b>		<b>2023/24 Business Rates* £000</b>	<b>2023/24 Council Tax £000</b>
3,085	(2,446)	Fund balance at 1 April	(941)	(3,161)
(4,026)	(715)	Deficit/(surplus) for year	1,986	1,125
<b>(941)</b>	<b>(3,161)</b>	<b>Fund balance as at 31 March – deficit/(surplus)</b>	<b>1,045</b>	<b>(2,036)</b>

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

<b>2022/23 Business Rates* £000</b>	<b>2022/23 Council Tax £000</b>		<b>2023/24 Business Rates* £000</b>	<b>2023/24 Council Tax £000</b>
(471)	0	Central Government	523	0
(85)	(2,204)	Devon County Council	94	(1,419)
0	(350)	Devon and Cornwall Police	0	(228)
(9)	(130)	Devon and Somerset Fire Authority	10	(83)
<b>(565)</b>	<b>(2,684)</b>	<b>Total deficit/(surplus) due to Preceptors</b>	<b>627</b>	<b>(1,730)</b>
(376)	(477)	West Devon Borough Council	418	(306)
<b>(941)</b>	<b>(3,161)</b>	<b>Fund balance as at 31 March – deficit/(surplus)</b>	<b>1,045</b>	<b>(2,036)</b>

## **SECTION 4 COLLECTION FUND**

### **\*Business Rates Collection Fund**

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.

The balance on the Business Rates Collection Fund as at 31 March 2024 has moved from a £0.94 million surplus to a £1.05 million deficit. This reflects the volatility in business rates income and the deficit on the Collection Fund is due to the additional business rate relief that was granted by Central Government to retail, hospitality and leisure businesses and funded directly through a section 31 grant.

The Local Government Accounting Regulations for Business Rates means there is a timing delay between receipt of the section 31 grant in the General Fund and when it is released into the Collection Fund. Therefore, there is funding in the Business Rates S31 Compensation Grant earmarked reserve (£1.22 million) to offset this deficit at 31 March 2024 which will be applied in 2024/25. This reserve is a holding account.

The section 31 grant is to reimburse the Council for the business rate relief which was awarded to businesses by the Government (75% rate relief for businesses in the retail, hospitality and leisure sector, up to a cash cap of £110,000 per business).

The Council has a collection rate of 97.78% for business rates in 2023/24 which puts the Council in the second quartile nationally for its collection of business rates income.

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.

Some 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 re-set.

### **Council Tax Position**

The Council has a collection rate of 98.30% for council tax in 2023/24, which puts the Council in the top quartile nationally for its collection of council tax income.

## **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

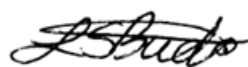
### ***The Chief Financial Officer's responsibilities***

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 2024.



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

**22 October 2024**



**SECTION 5 STATEMENT OF RESPONSIBILITIES / APPROVAL OF THE ACCOUNTS**

***Approval of the Statement of Accounts***

I confirm that these accounts were approved by the Audit and Governance Committee at its meeting held on 22 October 2024

Signed on behalf of West Devon Borough Council



.....

**Councillor G Dexter**

Chairman of the Audit and Governance Committee

## **SECTION 6 AUDITORS REPORT**

### **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 2024, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund, and notes to the financial statements, 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 2023-24.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2024 and of the Authority's 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 2023-24; 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 2024 ("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 Financial Reporting Council'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**

The Corporate Director of Strategic Finance (Section 151 Officer) has prepared the financial statements on the going concern basis as they have not been informed by the relevant government body of the intention to dissolve the Authority without the transfer of its services to another public sector entity. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements.

## **SECTION 6 AUDITORS REPORT**

In auditing the financial statements and having 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 have concluded that the Corporate Director of Strategic Finance (Section 151 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 Corporate Director of Strategic Finance (Section 151 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 Statement of Accounts, other than the financial statements and our auditor's report thereon. The Corporate Director of Strategic Finance (Section 151 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.

In connection with our audit, 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 this gives rise to a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of 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 November 2024 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.

## **SECTION 6 AUDITORS REPORT**

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 Corporate Director of Strategic Finance (Section 151 Officer)**

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Corporate Director of Strategic Finance (Section 151 Officer). The Corporate Director of Strategic Finance (Section 151 Officer) is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023-24, for being satisfied that they give a true and fair view, and for such internal control as the Corporate Director of Strategic Finance (Section 151 Officer) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## **SECTION 6 AUDITORS REPORT**

In preparing the financial statements, the Corporate Director of Strategic Finance (Section 151 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 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. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

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

- We have considered the nature of the sector, control environment and financial performance;
- We have considered the results of enquiries with management, internal audit and the Audit and Governance Committee in relation to their own identification and assessment of the risk of irregularities within the entity, and 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 have reviewed the documentation of key processes and controls and performed walkthroughs of transactions to confirm that the systems are operating in line with documentation;
- Any matters identified having obtained and reviewed the Authority's documentation of their policies and procedures relating to:
  - Identifying, evaluation and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - Detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - The internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- We have considered the matters discussed among the audit engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

## **SECTION 6 AUDITORS REPORT**

In common with all audits under ISAs (UK) we are required to perform specific procedures to respond to the risk of management override.

We have also obtained an understanding of the legal and regulatory frameworks that the Authority operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023-24, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 (as amended by the Accounts and Audit (Amendment) Regulations 2024), the Local Government Act 2003, Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992 and the Local Government Finance Act 2012)).

In addition, we considered the provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Authority's ability to operate or avoid a material penalty. These include data protection regulations, health and safety regulations, employment legislation, and money laundering legislation.

Our procedures to respond to risks identified included the following:

- Reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- Performing analytical procedures to identify unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- Reviewing Committee meeting minutes;
- Enquiring of management in relation to actual and potential claims or litigations;
- Challenging assumptions and judgements made by management in its significant accounting estimates in respect of valuation of land and buildings, valuations of investment property and defined benefit pensions liability valuations; and
- In addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgments made in accounting estimates are indicative of potential bias; and evaluating the business rationale of significant transactions that are unusual or outside the normal course of business.

We also communicated identified laws and regulations and potential fraud risks to all members of the engagement team and remained alert to possible indicators of fraud or non-compliance with laws and regulations throughout the audit.

## **SECTION 6 AUDITORS REPORT**

As a result of the inherent limitations of an audit, there is a risk that not all irregularities, including material misstatements in the financial statements or non-compliance with regulation, will be detected by us, even though the audit is properly planned and performed in accordance with the ISAs (UK). The risk increases the further removed compliance with a law or regulation is from the events and transactions reflected in the financial statements, given we will be less likely to be aware of it, or should the irregularity occur as a result of fraud rather than a one-off error, as this may involve intentional concealment, forgery, collusion, omission or misrepresentation.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Report on other legal and regulatory matters**

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

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024. We have nothing to report in respect of the above matter.

### **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 have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024 and related statutory guidance. We considered whether the Authority has proper arrangements in place to ensure financial sustainability, proper governance and the use of information about costs and performance to improve the way it manages and delivers its services.

## **SECTION 6 AUDITORS REPORT**

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

### **Report on other legal and regulatory requirements – Delay in certification of completion of the audit**

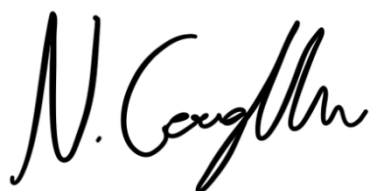
We cannot formally conclude the audit and issue an audit certificate for West Devon Borough Council for the year ended 31 March 2024 in accordance with the requirements of Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have:

- confirmation from the NAO that no additional work (beyond submission of the Assurance Statement) will be required in respect of the Whole of Government Accounts exercise.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2024.

### **Use of our report**

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. 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 Authority's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Nathan Coughlin, Key Audit Partner  
for and on behalf of Bishop Fleming LLP  
Chartered Accountants and Statutory Auditors

Plymouth

19 December 2024



## **SECTION 7 GLOSSARY OF TERMS**

### **GLOSSARY OF TERMS**

<b>ACCRUALS</b>	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.
<b>ACTUARIAL GAINS AND LOSSES</b>	These are changes in actuarial deficits or surpluses that arise because either actual experience or events have not been exactly the same as the assumptions adopted at the previous valuation (experience gains and losses) or the actuarial assumptions have changed.
<b>BALANCES</b>	The surplus or deficit on any account at the end of the year. Amounts in excess of that required for day to day working may be used to reduce the demand on the Collection Fund.
<b>BUSINESS IMPROVEMENT DISTRICT (BID)</b>	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.
<b>CAPITAL EXPENDITURE</b>	Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.
<b>CAPITAL RECEIPTS</b>	Income received from sale of assets which is available to finance other capital expenditure or to repay debt on assets financed from loans.
<b>CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY</b>	The governing body responsible for issuing the statement of recommended practice to prepare the accounts.
<b>COLLECTION FUND</b>	A separate fund which must be maintained by a district for the proper administration of council tax and business rates.
<b>CURRENT SERVICE COST</b>	Amount chargeable to Services based on the Actuary's assessment of pension liabilities arising and chargeable to the financial year.

## **SECTION 7 GLOSSARY OF TERMS**

<b>CURTAILMENTS</b>	The amount the Actuary estimates as costs to the Authority of events that reduce future contributions to the scheme, such as granting early retirement.
<b>DEFINED BENEFIT SCHEME</b>	A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).
<b>DEMAND</b>	The charging authorities own Demand is, in effect, its precept on the fund.
<b>FAIR VALUE</b>	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
<b>FEEES AND CHARGES</b>	In addition to the income from charge payers and the Governments, Local Authorities charge for services, including Planning Consents, Hire of Sporting Facilities, Car Parking etc.
<b>FINANCIAL INSTRUMENTS</b>	A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.
<b>GOVERNMENT GRANTS</b>	Payments by Central Government towards the cost of Local Authority services, including both Revenue and Capital.
<b>IMPAIRMENT ALLOWANCE (“BAD DEBT PROVISION”)</b>	Provisions against income to prudently allow for non-collectable amounts.
<b>INTEREST COST</b>	For the pension fund this represents the discount rate at the start of the accounting period applied to the liabilities during the year based on the assumptions at the start of the accounting period.
<b>INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND THE CODE OF PRACTICE (CODE)</b>	Formal financial reporting standards adopted by the accounting profession and to be applied when dealing with specific topics within its accounting Code. The Code is based on approved accounting standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements.

## **SECTION 7 GLOSSARY OF TERMS**

<b>LIBID</b>	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.
<b>MINIMUM REVENUE PROVISION (MRP)</b>	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.
<b>PAST SERVICE COST</b>	These will typically be additional benefits awarded on early retirement. This includes added years or augmentation and unreduced pension benefits awarded before eligible retirement age in the pension scheme.
<b>PRECEPT</b>	The levy made by precepting authorities including the County Council and Parish Councils, on the District Council requiring it to collect the required income from council taxpayers on their behalf.
<b>PROJECTED UNIT METHOD</b>	<p>An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:</p> <ul style="list-style-type: none"><li>a) the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases,</li><li>b) the accrued benefits for members in service on the valuation date.</li></ul> <p>The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.</p>
<b>RATEABLE VALUE</b>	A value placed on all properties subject to Rating. The value is based on a national rent that property could be expected to yield after deducting the cost of repairs.
<b>REVENUE EXPENDITURE</b>	Recurring items of day to day expenditure consisting principally of Salaries and Wages, Debt Charges and general running expenses etc.

**SECTION 7 GLOSSARY OF TERMS**

<b>SETTLEMENTS</b>	A settlement will generally occur where there is a bulk transfer out of the Pension Fund or from the employer's share of the Fund to a new contractor's share of the Fund as a result of an outsourcing. It reflects the difference between the IAS19 liability transferred and the assets transferred to settle the liability.
<b>STRAIN ON FUND CONTRIBUTIONS</b>	Additional employers pension contributions as a result of an employee's early retirement
<b>SUNDRY CREDITORS</b>	Amounts owed by the Authority at 31 March.
<b>SUNDRY DEBTORS</b>	Amounts owed to the Authority at 31 March.