



**Statement of Accounts
2020/21**

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**Statement of Accounts
2020/21
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Narrative Report by the Strategic Lead Finance

Introducing East Devon

Context

East Devon is the largest of the eight districts in Devon with a population of 148,100, it has a dispersed and largely rural population with a mix of market and coastal towns. East Devon is a good place to live and renowned for its beautiful countryside with two thirds of the district recognised as being nationally important for its high landscape quality and designated as Areas of Outstanding Natural Beauty (AONBs). It also has a stunning coastline that runs the length of its southern border, almost the entire coastline is part of a World Heritage Site. The main settlements are the coastal resorts of Exmouth (Devon's largest town – population 48,613) Budleigh Salterton, Sidmouth and Seaton. Inland are Honiton, Ottery St Mary, Axminster and Cranbrook.

There are good transport links including the main airport for the south west region. The rural nature of parts of the district means that there is a high level of car ownership. There is a large outflow of workers leaving the district to work in places such as Exeter, Mid Devon and South Somerset.

Levels of home ownership are high with a significant proportion of houses in the top three most expensive Council Tax bands. Affordability of homes is an issue in the district with East Devon being in the top 25% of all Local Authority areas for house prices but one of the lowest nationally in terms of wages. The provision of housing features as a high priority for the Council.

The natural environment is a main attraction of the district and the natural economy brings significant employment and business opportunity to East Devon which the Council supports in variety of ways.

Population

The population of East Devon has an older age profile, with the average age of its residents being 51.3 years (national average is 40.4 years). East Devon has the highest age profile of all of the districts in Devon with the largest percentage of those aged 65+ at 30.5%, this equates to 45,100 people. East Devon also has 6,900 people aged 85+, more than any other district in the county. The overall population is expected to increase by 19,992 people between 2021 and 2031, a rise of 13%.

An ageing population has an impact on the provision of health care, housing requirements, the labour market and economic growth. The average household size in the district is 2.2 residents. Predominantly East Devon residents are from a White British background, with just 1.6 per cent of the district's population coming from an ethnic background.

Employment

The proportion of working age population who are in employment in East Devon is good, with the area ranking in the top 10% of districts nationally. 83.3 per cent of the resident working age population are in employment, compared with 78.5 per cent nationally. Currently the main types of employment are in the service industry which accounts for 86 per cent of the employment in East Devon with a large section of this being in the retail, hospitality and health sectors all of which are predominantly lower paid sectors.

Continued diverse development in the district is essential in order to attract a labour market which will fulfil the future demands of the district and provide quality job opportunities particularly for the young people of East Devon.

New community of Cranbrook

In the new community of Cranbrook, we can already see the much younger demographic profile. To reflect the higher proportion of the town's population being of working age, the requirement for new jobs which are well-paid and less reliant on traditional sectors will be vital to support this thriving community. The provision of key services and assets to the town is a challenge with the public sector tackling austerity.

Elsewhere in the district, the Council will support opportunities to encourage new and diverse business and jobs growth alongside traditional sectors.

Further details on East Devon as a district can be found in a document called "Knowing East Devon – A place and People Profile ([Knowing East Devon](#))".

Governance Arrangements of the Council

The Governance arrangements of the Council is considered in depth within the Annual Governance Statement contained within these Accounts. There are however no significant changes or issues to highlight in this Narrative Report.

Council Plan

Over the last 12 months the Council has continued to work hard for the people of East Devon, delivering the Council Plan which sets out our main priorities and forms the focus of all that we aim to achieve by 2024.

Our priorities and outcomes set out in the Council plan are:

Outstanding place and environment

- Aiming to achieve carbon neutrality by 2040
- taking care of and enhancing our built and natural environment in our towns and villages, now and for future generations

Outstanding homes and communities

- Enhancing the quality of life for our residents by ensuring good, quality homes in good neighbourhoods
- Developing happy and healthy communities

Outstanding economic growth, productivity and prosperity

- Developing East Devon as a strong and competitive economy and a significant regional economic force
- Ensuring that the benefits of productivity and prosperity are shared with our communities

Outstanding Council and Council services

- Operating as an organisation with the highest standards of organisational development, governance, statutory compliance and financial management
- Focusing on the increased ability to be self-financing to support those services that matter the most to residents

The plan lists our promises to achieve those ambitions for our district. The progress of each promise is reported on quarterly and annually through our performance reporting pages. From May 2020 the Council has a new political administration and a revised Council Plan is currently in preparation.

Risks and opportunities

A risk management policy and guidance are in place to identify, evaluate and monitor risk status. There are clear accountability and review processes in place to support decision making through the understanding of risks, whether a positive opportunity or a threat and the likely impact.

The risk management policy and reporting identifies operational and strategic risks. Risks registers are subject to regular review by the named responsible person and is reported to the Audit & Governance Committee with details of mitigation against their impact and likelihood. The strategic risk register identifies 10 key areas of risk including adequacy of financial resource planning and failure to ensure the Council's sustainability, with the operational risk register containing 81 risks.

A full review of the operational risks of the Council was undertaken in November/December 2020 with the implications of Covid-19 being reflected at individual risk level. The full review was presented to the January 2021 Audit & Governance Committee with two operational risks being identified as high risk:

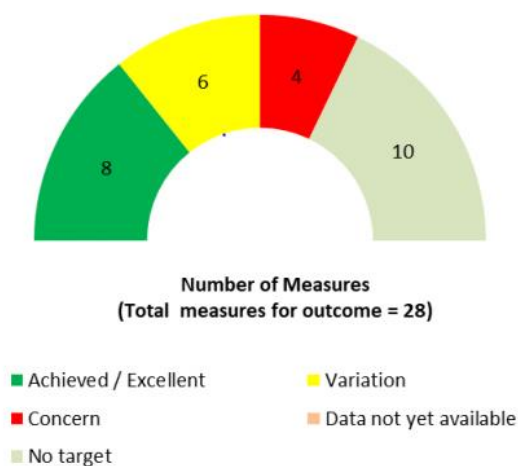
- Failure of LED Leisure through budget, legal or reputational issues
- Ambitions for economic growth on the Council Plan are not met

The strategic risk register identifies the following risks for monitoring:

- Adequacy of financial resource planning to deliver the Council's priorities
- Delivery of Growth Point
- Adequate emergency planning and business continuity
- Failure to adequately protect staff health and safety at work
- Failure to ensure the Council's sustainability
- Increased homelessness
- Failure to ensure that our corporate property portfolio is fully compliant with legal requirements
- Major disruption in continuity of computer and telecommunications services
- With the on-going Brexit negotiations and the uncertainties around our deal to leave the EU there implications for us to deal with
- Retaining and strengthen a collective approach to decision making to ensure we avoid poor decision making effecting our performance and our reputation

Performance

When reviewing the performance of the Council in 2020/21, we need not only to see how we perform against budget, we must also assess how we performed against the key performance indicators. At this time our council plan and our service objectives are both under review following the change in administration and the impact of the Covid-19 crisis and will be reported to Scrutiny Committee when complete. The following key performance indicators summary is taken from the latest Scrutiny Committee report that's available on our website.



Financial Position - Overview

One of the most significant impacts on the Council's finances came from the Comprehensive Spending Review in 2010 and following Spending Reviews where the Government has cut local authorities funding as part of its programme in tackling national debt.

The Council continues to receive significant cuts in government funding, with funding levels more than halved since 2010/11. From a position where the Council received over £7m in 2010/11 the Council now receives no grant.

In addition to government spending cuts, there is the added pressure of inflationary increases, continued low investment income, an increasing call on services, members' ambitions to enhance and improve services and the wish to keep to moderate increases in Council Tax and other fees and charges.

Further to this 2020/21 has seen a significant impact on the Council's finances and operations as a result of the Covid-19 pandemic. This financial impact has been reported throughout the year but through Government support, tight financial controls and robust budget monitoring have resulted in a favourable outturn position.

Against this financial background the Council has delivered its spending plans and Council Plan outcomes through careful financial management and planning ahead. Careful decisions have been taken where service savings have been made, initiatives taken in the areas of; asset management, shared service provision, systems thinking principles, the persuasion of customers to use more convenient and cost effective means of transacting with the Council, procurement efficiencies and income generation. These initiatives have been implemented with the overall arching principle required by the Council to protect front line services to the public.

The Council has facilitated and encouraged business and housing growth in the district to deliver its ambitions and which has also financially benefited the Council in additional government funding through New Homes Bonus and extra Business Rate income.

A balanced budget was agreed by Council for 2020/21 despite a projected gap of £0.7m for the year alone, this was achieved by following the Council's Financial Plan which contained actions that reduced our spending levels or increased the income available to us enabling us to balance our books.

Looking ahead there are tough challenges for the Council in order to continue to produce balanced budgets, further details on projections going forward can be found in the Financial Plan (2021 – 2031) and details of our Transformation Strategy which help us manage this position can be found on the council's website. A refresh of the Financial Plan will be presented to Cabinet in October 2020 and updates in the interim have been presented to Cabinet.

COVID 19 Statement

The Covid-19 pandemic has had a major impact on the Council with unprecedented challenges and uncertainty as a result. There have been significant reductions in income receipts such as car park income, in addition to increased costs particularly in support of leisure provision.

Central Government has provided financial support direct to the Council and for the Council to administer to support others in dealing with Covid-19. The Government have paid a total of £1.810m across four rounds of Local Authority Support Grant and expects to receive a total of £0.725m for compensation for losses in sales, fees and charges.

The Council holds a general fund balance of £3.8m; the range that has been deemed appropriate to hold is between £3m and £3.8m. Therefore £0.8m is available as headroom to support any deficit. The Council also has the option to repurpose the use of earmarked reserves it holds, details of earmarked reserves are held with these statements.

The pandemic has had implications on the Housing Revenue Account (HRA) concerning a reduction in rental income but also the significant impact on the inability of the Property and Asset team to schedule and complete work within the financial year but transfers to the Planned Maintenance Reserve has set budget aside for works to be done. Should corrective action be needed the Council holds an HRA volatility fund of £1.6m and has a projected budget surplus of £1m. At 2.6m this would allow for a 14% fall in rental income. In addition there is an HRA General Balance held of £3.1m if required.

Uncertainty remains about the financial impact of the Covid-19 crisis on the Council's finances, both in terms of the additional expenditure that will be incurred and the income that will be forgone, in relation to the continued extent to which government will provide additional funding, and how quickly services can return to pre Covid-19 operating levels. However, the Council has the financial ability to absorb some of the financial impact and a robust response in its Medium Term Financial Plan is continuing to development to ensure financial sustainability and reflecting the Council's strategic objectives. This will be under review and reassessed throughout 2021/22.

The budget for 2021/22 includes significant contingencies in the form of additional Government Grant received. Sums have already been allocated to mitigate the ongoing service demands and costs relating to the pandemic, including amounts for Hardship Funds and additional public convenience cleaning.

Main impacts:

Provision of Services - Following the Government announcement of lockdown a wide range of the Council's services were closed or suspended. A few examples include; the closure of car parks, public conveniences, leisure facilities and the suspension of green waste collections. A new Community Hub team was set up by the Council to provide help and advice in supporting our vulnerable residents including help with shopping, food parcel delivery and prescriptions.

To financially support businesses and individuals the Government have funded a range of initiatives that have been administered by the Council. These include grants for business ratepayers, relief from business rates for business in the retail, hospitality and leisure sectors and a hardship fund to support local residents through the Covid-19 outbreak.

Council's Workforce – staff have continues to mainly work from home in most office based services. Visits to resident's homes for anything other than emergency situations were suspended to protect residents and staff members. Access to the Council offices was also suspended at this time. Staff sickness has been closely monitored with promotion of staff support in taking care of their physical and mental health has been provided throughout this pandemic with staff encouraged to make use of online resources in this challenging time.

Supply Chain – The Council identified and managed supply chain difficulties, mainly relating to leisure services, refuse and recycling services but also areas including availability and price pressures, for example, the increased cost of PPE to help keep our customers, staff and general public safe.

Cashflow Management - The cashflows of the Council are managed on a daily basis as part of our treasury management function. Income from Council tax, business rates, dwelling and commercial rents, and service income such as fees and charges, all provide the cash to allow the Council to pay for its expenditure. Surplus cash is held by the Council as investments until it is needed. The Council's cash flow remains healthy through steps we have taken and cash advances by Government.

Major Risks to the Council - Despite the challenges, the Council has maintained consistent essential services for residents, whilst adapting to provide alternative virtual services wherever possible throughout this pandemic. The Council's strong collaborative approach has been effective at achieving a unified response, working with key partners across Devon. The response to the crisis has added assurance to the effectiveness of the Council's business continuity plans, communications strategy and governance arrangements.

The wider impact on Council services continues to be assessed throughout the Coronavirus pandemic and beyond. Whilst restrictions continue there is anticipated increased need for homelessness prevention, increased costs for example around cleaning of public conveniences and demand led services such as Refuse Collection & Recycling as well as increased business support services.

Looking in more detail - Final Outturn Position Against budget 2020/21

The Council set a balanced budget for 2020/21. Details are given below of how the Council financially performed against the budgets set for the year.

General Fund Revenue

The Council's Revenue Account - known as the General Fund - bears the net cost of providing day-to-day services (excluding provision of Council housing). These are the portfolio/service totals identified in the Council's Income & Expenditure Account.

Comparing Budget to Actual

A report is prepared to the Council's Cabinet Committee giving the financial year end position and compares this to the budgets approved for the year. This will be presented to the Council's Cabinet meeting, the agenda will be published on the Council's website. The year-end outturn position is a £0.341m underspend against the net budget set of £15.225m, this ties in with the position shown on the General Fund Balance given in these Accounts. The main variations against budget is given below.

General Fund 2020/21 – main outturn variations against budget	Variation £'000
<u>Council & Grant Income</u>	
Business Rates - £5.4m of business rates income was achieved in the year against a budget of £4.2m. Within the year all Retail, Leisure and Nursery sector businesses rates were waived and instead funded by a central government grant which mitigated the impact of the pandemic on income levels. Included within this Variation is an earmarked reserve contribution of £7.6m which is the East Devon portion of the collection fund deficit created by the loss of this income in collection fund which is carried forward in accounting terms, but the Council has been reimbursed this income through grant in 2020/21 – therefore this income has been set aside to meet the deficit in 2021/22.	1,265 (F)
Council Tax - The £138k additional amount of income above the precept and the £122k predetermined collection fund surplus.	138 (F)
Grant Funding - £1.76m in Covid 19 Local Authority Grant funding within the year. The additional £0.7m was received through the Government income compensation scheme, the offsets of which are commented on below.	2,489 (F)
Other Earmarked Reserves – please see table below	1,316 (A)
Interest – continued low interest rate environment	203 (A)
<u>Portfolio Variances – general costs</u>	
Salaries - The £349k budgeted salary saving was achieved after taking into consideration the impact of the £74k Furlough recovery which offset the increases in overtime and holiday pay seen in the year.	1 (A)
Agency - Street Scene, Environment & Revs and Bens to deal with absence cover/pandemic related issues	160 (A)
Redundancy – Mainly offset by transformation fund contribution of £109k as agreed by Council.	136 (A)
Training - Less possibilities to undertake training opportunities due to the pandemic	66 (F)
Transport - £50k savings on vehicle fuel and travelling - pandemic related	102 (F)
Premises - Driven by rates savings and water charges. A £100k Increase in Insurance costs in the year were offset by decreases across maintenance and contractor related expenditure	178 (F)
<u>Portfolio Variances – Specific Service Costs</u>	
LED additional subsidy less grant income	1,058 (A)
Car Parks - Pandemic related reduction in car park income which has been partially offset by the recovery seen in the Grant Funding line through the Government compensation scheme	890 (A)
Refuse Collection & Recycling - £300k agreed pandemic related contribution to Suez plus reduced income across the various income streams the most material being new property containers (£155k)	537 (A)
Beaches & Foreshores - Pandemic related reduction in income levels most notably from Beach Huts & Chalets (£179k)	221 (A)
Public Halls - Manor Pavilion Closed due to pandemic - reduced Income by £490k partially offset by the corresponding expenditure savings in performer fees	165 (A)
Corporate Buildings - Ocean venue net income exceeded the £50k budget by £173k which has been partially offset at the service level by reduced rentals achieved at the business centre	117 (F)
Growth Point - Annual Enterprise zone income allocated from the business rates collection fund which exceeded revenue expenditure in the year, all of the surplus has been allocated to the earmarked reserve.	142 (F)
Housing and Council Tax Benefits - Housing Benefits awarded and reduction in income from Housing Benefit overpayments	405 (A)
Financial Assistance - Less Grant contributions to the various schemes during the year as the pandemic impacted activities, most notably against the Crowdfunding Pilot where only £50k of a budgeted £140k was paid out.	131 (F)
Housing and Council Tax Admin - £576k in New Burdens Funding from Central Government to cover administration of the numerous grant schemes. £505k reserved to cover expenditure in the current financial year.	544 (F)
Other - Residual movements less than £100k across the portfolio	261 (A)

Services areas have seen large reductions in income and increased costs due to the pandemic. Additional government grant has been received in the year offsetting some of these costs. These pressures have remained in the new financial year and will be monitored carefully in 2021/22.

The overall General Fund Balance position at year end is given below, this shows the effect of the outturn variation of £0.341m.

General Fund Balance Position	£'000
Opening Balance 1/4/2020	(6,395)
Agreed use of General Fund Balance in 2020/21	0
Transfer to MTFP risk reserve previously agreed by Council	2,000
Outturn variation 2020/21	(341)
Closing Balance 31/3/2021	(4,736)

The General Fund Balance at £4.736m is £0.936m above the proposed adopted range which is between £3m and £3.8m. This represents 10% of our net budget equivalent to a two year operational period which gives £3m; to this is added £0.8m headroom to give £3.8m as a top of the range figure. This is the range we stipulate the General Fund Balance to be within before members need to take action; whether above or below the range.

The year-end position on the main Reserve Balances >£100k for the General Fund are:

Reserve Name	Opening Balance £'000s	Transfer £'000s	Balance 31/03/21 £'000s
MTFP Risk Reserve *additional sum of £0.806m being proposed subject to Council approval	0	(2,000)	(2,000)
Business Rates Volatility Reserve - £7m to be used to offset accounting collection fund deficit in 2021/22	(639)	(7,639)	(8,278)
100% NNDR Reserve	(2,506)	0	(2,506)
Transformation Fund	(1,371)	109	(1,262)
Community Led Housing Reserve	(1,009)	88	(922)
Asset Maintenance Reserve	(911)	0	(911)
Enterprise Zone Reserve	(476)	(128)	(604)
Revs & Bens CV19 Admin Grants Reserve	0	(479)	(479)
Consortium Payment Reserve	(299)	(51)	(350)
Climate Change Reserve	0	(270)	(270)
National Leisure recovery reserve	0	(192)	(192)
Streetscene Reserve	(148)	(32)	(179)
Covid19 Emergency Fund Reserve	(48)	(116)	(163)
Relocation Allowances Reserve	(197)	38	(158)
Neighbourhood Planning Reserve	(128)	(21)	(149)
Building Control IT Enhancement	(144)	0	(144)
Localised Council Tax Support Reserve	(141)	0	(141)
Car Parks Ticket Machine Reserve	(121)	0	(121)
Communities Together Reserve	(189)	87	(102)
<£100k 2020 Balance	(1,814)	62	(1,752)

Housing Revenue Account

The Housing Revenue Account (HRA) is the ring-fenced account for providing Council housing and associated services. This is shown separately on Income & Expenditure Statement.

The 2020/21 budget was set to achieve a surplus of £0.931m, the outturn position gives a surplus for the year of £4.527m; a variation of £3.596m, the main variations are given below.

HRA 2020/21 – Outturn variations against budget	Variation £'000	Comment on Future budget implications
The collection of dwellings rents and other income was materially on budget despite the challenges of the pandemic. Garage rents were significantly down at £216k vs a budget of £425k.	194 (A)	No implication
An increase of £15k has been made to the bad provision, not budgeted for as this is a year-end assessment.	15 (A)	No implication
Supervision & Management: saving of £200k overall predominantly driven by employee cost savings most notably within the Property and Asset team.	201 (F)	No implication
Responsive repairs over budget by £148k. The Maintenance & Repairs contract with Ian Williams has resulted in a more stable expenditure profile in 20/21. The exclusions from the PPP contract in year were significantly larger than predicted causing a £215k overspend which is an area of continued focus offset by savings elsewhere.	148 (A)	No implication
Programmed Maintenance, Major & Special Repairs spending was £2.8m below budget as the pandemic significantly impacted the capability of the Property and Asset team to schedule works.	2,845 (F)	Earmarked Reserve contribution made for catch up costs.
The £0.8m budgeted contribution to capital was not made as capital works were impacted by the pandemic.	806 (F)	No implication
The financing costs of £2.465m were £98k over budget due to low interest rates.	78 (A)	No implication
Savings in Other Expenditure (£177k) on other areas impacted by the pandemic such as Change of tenancy contributions and Tenant Engagement.	177 (F)	No implication

The updated position of the HRA Balance is given below.

HRA Balance	£'000
Opening Balance 1/4/2020	(4,059)
Agreed surplus in 2020/21	(931)
Outturn variation 2020/21	(3,556)
Transfers to Earmarked Reserves	5,444
Closing Balance 31/3/2021	(3,102)

Within the year the following transfers to Earmarked Reserves have been made;

- £2.9m into the Planned Maintenance Reserve
- £2.5m into the Housing Capital Development Fund
- £0.1m into a Landlord Services Reserve

The adopted minimum level for the HRA Balance is between £2.1m to £3.1m, based on £490 per property with headroom added of £1m. With transfers to earmarked reserves, the HRA Balance is at the upper end of the adopted range.

The year-end position on other Balances/Reserves held for the HRA are:

- **£1.6m in the HRA Business Volatility Fund.** The HRA self-financing business plan relies on a number of assumptions outside the control of the Council, with significant debt repayment schedules this reserve was established to mitigate this risk giving time if necessary to reshape the HRA budget to accommodate any negative changes.
- **£2.5m in the Housing Capital Development Fund.** Used for housing development, acquisitions and climate change works including funding 60% of the cost where 40% comes from Right to Buy receipts.
- **£3.4m in the Planned Maintenance Reserve.** To be utilised for planned maintenance related items in the coming year that were put on hold due to the repairs and maintenance contract overspend.
- **£1.8m in the Fire Risk Assessment Works & Lift Replacement Reserve.** In 18/19 financial year £3.55m was set aside for ongoing building works to blocks of flats based upon fire risk assessments and the replacement of the lift at the Poplar Mount block. The residual balance within this account is the so far unspent balance.
- **£0.1m in the Landlord Services Reserve.** To be utilised for projects within Estate Management and catch up costs required in the forthcoming financial year.

Capital Budget

The revised net capital budget (after grants and contributions) for 2020/21 was £20.123m; the outturn position is lower by £9.061m at £11.062m. The majority of this movement is from scheme slippage, which needs to be re-profiled into 2021/22, or later years.

2020/21 Capital Programme Outturn Position by Portfolio

Line	Portfolio	Budget after revisions	Actual	(Under)/ Overspend
		2020/21	2020/21	2020/21
		£	£	£
1	Corporate Services	1,299,765	218,726	(1,081,039)
2	Community - Housing General Fund	908,843	745,519	(163,324)
3	Economy and Regeneration	10,790,970	3,359,634	(7,431,336)
4	Environment	2,029,250	96,566	(1,932,684)
5	Street Scene	2,912,793	604,813	(2,307,980)
6	Strategic Development	1,250,000	0	(1,250,000)
7	TOTAL GF GROSS EXPENDITURE	19,191,621	5,025,258	(14,166,363)
8	Community - HRA	5,206,000	7,657,835	2,451,835
9	TOTAL GROSS EXPENDITURE	24,397,621	12,683,093	(11,714,528)
10	Corporate Services	(11,000)	0	11,000
11	Community - Housing General Fund	(795,813)	(390,451)	405,362
12	Economy and Regeneration	(2,269,000)	0	2,269,000
13	Environment	(587,240)	0	587,240
14	Street Scene	(611,934)	(721,314)	(109,380)
15	Strategic Development	0	0	0
16	TOTAL GF EXTERNAL FUNDING	(4,274,987)	(1,111,765)	3,163,222
17	Community - HRA	0	(509,345)	(509,345)
18	TOTAL EXTERNAL FUNDING	(4,274,987)	(1,621,110)	2,653,877
19	Corporate Services	1,288,765	218,726	(1,070,039)
20	Community - Housing General Fund	113,030	355,068	242,038
21	Economy and Regeneration	8,521,970	3,359,634	(5,162,336)
22	Environment	1,442,010	96,566	(1,345,444)
23	Street Scene	2,300,859	(116,501)	(2,417,360)
24	Strategic Development	1,250,000	0	(1,250,000)
25	TOTAL GF NET EXPENDITURE	14,916,634	3,913,493	(11,003,141)
26	Community - HRA	5,206,000	7,148,490	1,942,490
27	TOTAL NET EXPENDITURE	20,122,634	11,061,983	(9,060,651)

The capital funding position given below takes the gross capital position (before grants and contributions) and was funded as follows:

	£'000
Capital Programme (gross)	12,683
Add S106 expenditure not in Capital Programme	209
Total Capital Expenditure	12,892
Funded by:	
Capital Receipts	(3,204)
Applicable to be applied in the year	(1,830)
Replacement Lifts Reserve	(1,138)
HRA – Major Repairs Reserve	(1,972)
New Homes Bonus Grant from revenue	(2,146)
Other direct revenue contributions	(24)
Underlying need to borrow – cash position met from internal borrowing	(2,578)
Total Capital Funding	(12,892)

The Trade Union (Facility Time Publication Requirements) Regulations 2017 came into effect on 1 April 2017 requiring local authorities to publish data on time spent on Union activity. This information is published on the Council's website.

[The Statement of Accounts presented](#)

The intention of the Statement of Accounts is to give the reader a view of the finances of East Devon District Council for 2020/21.

Explanation of the Financial Statements

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Chartered Institute of Public Finance and Accountancy (CIPFA), Local Authority (Scotland) Accounts Advisory Committee (LASAAC), Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) supported by International Financial Reporting Standards (IFRS).

The 2020/21 accounts summarise the Council's transactions for the 2020/21 financial year and its position at the year end of 31 March 2021. The Statement comprises:

- **The Statement of Responsibilities for the Statement of Accounts**
This Statement sets out the respective responsibilities of the Council and the Chief Financial Officer for the accounts.
- **Comprehensive Income and Expenditure Statement - Core Financial 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 but this may be different from the accounting cost. It includes Pension liabilities that are outside the control of the Council. The taxation position is shown in the Movement in Reserves Statement.
- **Movement in Reserves Statement - Core Financial Statement**

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'Usable Reserves' (those that can be applied to fund expenditure or reduce local taxation) and "Unusable Reserves".

The (Surplus) or Deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for Council tax and dwellings rent setting purposes. The Net (Increase)/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves are undertaken by the Council.

- **Balance Sheet - Core Financial Statement**

The Balance Sheet summarises the Council's financial position at 31 March 2021 showing the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council.

Reserves are reported in two categories:

- Usable reserves: reserves that the Council 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 may only be used to fund capital expenditure or repay debt.
- Unusable Reserves: reserves that the Council is not able to use to provide services. These reserves include the Revaluation Reserve which holds unrealised gains and losses. This would only become available to provide services if the assets were actually sold. Other Unusable Reserves hold timing differences which are shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

- **Cash Flow Statement - Core Financial Statement**

The Cash Flow Statement shows the changes in the Council's cash and cash equivalents during the reporting period. The statement shows how the Council 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 Council are funded by way of taxation and grant income, or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council'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 Council.

- **Housing Revenue Account (HRA) - Supplementary Financial Statements**

The HRA is a record of revenue expenditure and income relating to the Council's housing stock. Its primary purpose is to ensure that expenditure on managing tenancies and maintaining dwellings is balanced by rents charged to tenants. Therefore the HRA is a statutory account which is ring-fenced from the rest of the General Fund so that rents cannot be subsidised from Council tax or vice versa.

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations which may differ from the accounting cost. The (increase) or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

- **Collection Fund - Supplementary Financial Statements**

This account is maintained separately as a statutory requirement. The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the Billing Authority in

relation to the collection from taxpayers and ratepayers and distribution to Local Authorities and the Government of Council tax and Non-domestic rates.

- **The Auditor's Statement**

This is the Independent Auditor's Report to Members of East Devon District covering the financial statements for the year ending 31 March 2021

. It is called the Audit Opinion.

- **The Annual Governance Statement**

This gives a public assurance that the Council has proper arrangements in place to manage all of its affairs. It summarises the Council's responsibilities in the conduct of its business, the purpose and key elements of the system of internal control and the processes applied in maintaining, reviewing and developing the effectiveness of those control systems.

Inspection of the Accounts

Under provisions contained in Section 15 and 16 of the Local Audit and Accountability Act 2015 and the Accounts and Audit Regulations 2015, the Statement of Accounts for 2020/21 will be available for inspection from 02 November 2021 to 14 December 2021.

Auditing of accounts

The Council's external auditor is Grant Thornton UK LLP



Simon Davey CPFA
Strategic Lead Finance

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council 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 Council, that officer is the Strategic Lead for Finance.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

The Strategic Lead Finance's Responsibilities

The Strategic Lead for Finance is responsible for the preparation of the Council'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 Strategic Lead for Finance has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Local Authority Code.
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.
- assessed the Council's [and the Group'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 Council 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 Council at the reporting date and of its expenditure and income for the year ended 31st March 2021.



1st November 2021

Simon Davey CPFA
Strategic Lead Finance, Section 151 Officer

Comprehensive Income and Expenditure Statement

	Note	2020/21			2019/20		
		Expenditure	Income	Net Expenditure	Expenditure	Income	Net Expenditure
		£'000	£'000	£'000	£'000	£'000	£'000
Corporate Business		156	0	156	143	0	143
Corporate Services		3,361	(3,605)	(245)	577	(1,022)	(445)
Economy		2,364	(1,458)	907	2,951	(1,783)	1,168
Environment – General		7,504	(3,654)	3,849	6,579	(4,363)	2,216
Environment - Street Scene		15,414	(2,453)	12,961	14,623	(3,117)	11,506
Finance		27,234	(25,553)	1,682	28,269	(26,292)	1,977
Strategic Development & Partnership		4,962	(2,331)	2,631	6,153	(2,734)	3,419
Sustainable Homes & Communities		3,218	(2,005)	1,213	2,631	(1,977)	654
Strata Solutions Ltd		3,267	(375)	2,893	3,311	(78)	3,233
Housing Revenue Account		15,944	(18,367)	(2,422)	10,850	(18,083)	(7,233)
Total Cost Of Services		83,425	(59,800)	23,624	76,087	(59,449)	16,638
Other Operating Expenditure	11	7,141	(1,646)	5,495	13,523	(11,030)	2,493
Financing and Investment Income and Expenditure	12	3,710	(457)	3,253	4,543	(690)	3,854
Taxation and Non-Specific Grant Income	13	1,226	(28,225)	(26,999)	951	(29,355)	(28,405)
(Surplus) or Deficit on Provision of Services		95,501	(90,128)	5,373	95,104	(100,524)	(5,420)
Surplus or deficit on revaluation of non-current assets	34			(1,820)			(6,909)
Surplus or deficit on revaluation of Equity Investments: charged / (credited) to the Financial Instruments Revaluation Account)	34			0			50
Re-measurement of the net defined (benefit) / liability	19			18,182			(6,772)
Other Comprehensive Income and Expenditure				16,362			(13,631)
Total Comprehensive Income and Expenditure				21,736			(19,051)

The accompanying notes form part of these financial statements

Movement in Reserves Statement

	Note	General Fund Balance £'000	Earmarked GF Reserves £'000	General Fund Total £'000	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	Housing Revenue Total £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
Balance at 31 March 2020		(6,395)	(10,431)	(16,826)	(4,059)	(5,084)	(9,143)	(4,020)	(8,011)	(37,999)	(212,299)	(250,299)
Prior year Balance restatement	1.25	0	(7)	(7)	(4)	0	(4)	1	0	(10)	1	(9)
Restated Balance at 31 March 2020		(6,395)	(10,438)	(16,833)	(4,063)	(5,084)	(9,147)	(4,019)	(8,011)	(38,009)	(212,298)	(250,308)
Movement in reserves during 2020/21:												
Surplus or (deficit) on provision of services		6,177	0	6,177	(804)	0	(804)	0	0	5,373	0	5,373
Other Comprehensive Expenditure and Income		0	0	0	0	0	0	0	0	0	16,362	16,362
Total Comprehensive Expenditure and Income		6,177	0	6,177	(804)	0	(804)	0	0	5,373	16,362	21,736
Adjustments between accounting basis & funding basis under regulations	9	(14,994)	0	(14,994)	(3,679)	0	(3,679)	399	(312)	(18,587)	18,587	0
Net Increase/Decrease before Transfers to Earmarked Reserves		(8,817)	0	(8,817)	(4,483)	0	(4,483)	399	(312)	(13,213)	34,949	21,736
Transfers to/from Earmarked Reserves	10	10,476	(10,527)	(51)	5,444	(4,251)	1,193	0	0	1,142	(1,142)	0
Increase/Decrease in Year		1,659	(10,527)	(8,868)	961	(4,251)	(3,290)	399	(312)	(12,071)	33,807	21,736
Balance at 31 March 2021		(4,736)	(20,965)	(25,701)	(3,102)	(9,335)	(12,437)	(3,620)	(8,323)	(50,081)	(178,491)	(228,572)
	Note	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2019		(3,938)	(8,698)	(12,636)	(3,100)	(4,734)	(7,834)	(5,846)	(4,512)	(30,828)	(200,419)	(231,247)
Movement in reserves during 2019/20:												
Surplus or (deficit) on provision of services		(90)	0	(90)	(5,330)	0	(5,330)	0	0	(5,420)	0	(5,420)
Other Comprehensive Expenditure and Income		0	0	0	0	0	0	0	0	0	(13,631)	(13,631)
Total Comprehensive Expenditure and Income		(90)	0	(90)	(5,330)	0	(5,330)	0	0	(5,420)	(13,631)	(19,051)
Adjustments between accounting basis & funding basis under regulations	9	(4,100)	0	(4,100)	4,022	0	4,022	1,826	(3,499)	(1,751)	1,751	0
Net Increase/Decrease before Transfers to Earmarked Reserves		(4,190)	0	(4,190)	(1,309)	0	(1,309)	1,826	(3,499)	(7,171)	(11,880)	(19,051)
Transfers to/from Earmarked Reserves	10	1,733	(1,733)	0	350	(350)	0	0	0	0	0	0
Increase/Decrease in Year		(2,457)	(1,733)	(4,190)	(959)	(350)	(1,309)	1,826	(3,499)	(7,171)	(11,880)	(19,051)
Balance at 31 March 2020		(6,395)	(10,431)	(16,826)	(4,059)	(5,084)	(9,143)	(4,020)	(8,011)	(37,999)	(212,299)	(250,299)

The accompanying notes form part of these financial statements

Balance Sheet as at 31 March 2021

		2020/21	2019/20	2018/19
	Note	£'000	£'000	£'000
Property, Plant & Equipment	24	356,322	358,330	347,115
Investment Properties	24.1	2,965	3,000	0
Intangible Assets		874	524	558
Long Term Investments	28	825	825	875
Long Term Debtors	29	3,651	2,839	4,370
LONG TERM ASSETS		364,637	365,518	352,918
Assets held for sale (<1yr)	25	78	0	7,508
Short Term Investments	28	54,047	33,604	31,896
Inventories		4	3	4
Short Term Debtors	29	27,165	16,015	13,568
Cash and Cash Equivalents	30	449	15,716	5,755
CURRENT ASSETS		81,743	65,338	58,731
Cash Overdrawn	28	(3,994)	(2,534)	(2,077)
Short Term Borrowing – loans	28	(3,584)	(4,792)	(2,995)
Short Term Creditors	31	(32,628)	(15,521)	(18,237)
Short term Provisions	32	(867)	(800)	(798)
Grants Receipts in Advance	21	(361)	(361)	(361)
CURRENT LIABILITIES		(41,434)	(24,008)	(24,468)
Long Term Borrowing – loans	28	(85,242)	(86,511)	(85,225)
Other Long Term Liabilities	19	(83,872)	(63,360)	(65,429)
Grants Receipts in Advance	21	(7,260)	(6,680)	(5,280)
LONG TERM LIABILITIES		(176,374)	(156,551)	(155,934)
NET ASSETS		228,571	250,297	231,247
General Fund Balance		(4,736)	(6,395)	(3,938)
Earmarked GF Reserves	10	(20,965)	(10,431)	(8,698)
Housing Revenue Account Balance		(3,102)	(4,059)	(3,100)
Earmarked HRA Reserves	10	(9,335)	(5,084)	(4,734)
Capital Receipts Reserve		(3,620)	(4,019)	(5,846)
Capital Grants Unapplied		(8,323)	(8,011)	(4,512)
Major Repairs Reserve		0	0	0
USEABLE RESERVES		(50,081)	(37,999)	(30,828)
Accumulated Absences Account	34	106	117	114
Available-for-Sale Financial Instruments Reserve	34	0	0	0
Capital Adjustment Account	34	(213,408)	(217,081)	(203,758)
Collection Fund Adjustment Account	34	7,546	(83)	(1,419)
Deferred Capital Receipts		0	0	0
Financial Instrument Adjustment Account	33	362	415	465
Pensions Reserve	34	84,975	63,360	65,429
Revaluation Reserve	34	(57,982)	(59,379)	(61,261)
Pooled Investment Funds Adjustment Account	34	(140)	303	11
Financial Instrument Revaluation Account	34	50	50	0
UNUSEABLE RESERVES		(178,491)	(212,298)	(200,419)
TOTAL RESERVES		(228,571)	(250,297)	(231,247)

The accompanying notes form part of these financial statements
 These financial statements replace the unaudited financial statements
 certified by the Responsible Financial Officer, Simon Davey.



The Cash Flow Statement

This statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

	2020/21	2019/20 restated	2019/20
	Note	£'000	£'000
Cash Flows from Operating Activities			
Net Deficit/ (Surplus) on Provision of Services		5,373	(5,420)
Depreciation & Impairment	24	(4,984)	(5,199)
Changes in Market Value of Property, Plant & Equipment	24	(4,809)	1,141
Changes in Market Value of Investment Property	24	(35)	191
Changes in Market Value of Short Term Investments (Pooled Funds)	28	443	(292)
Disposal of Assets		(804)	1,982
Changes in Inventories		1	(1)
Changes in Debtors	29	11,962	916
Changes in Creditors	31	(17,107)	2,716
Changes in Provisions	32	(67)	(1)
Changes in Net Pension Liability		(2,330)	(4,703)
Changes in Short and Long-Term Borrowings		15	27
Changes in Grants and Contributions		(580)	(1,391)
Other non-cash Movements		(18,018)	(1,083)
Net Cash Flows from Operating Activities		(30,940)	(11,117)
Cash Flows from Investing Activities			
Purchase of Property, Plant & Equipment	24	8,513	9,901
Purchase of Investment Property	24	0	2,809
Purchase of short term investments		37,700	5,000
Proceeds from short term investments		(17,700)	(3,000)
Acquisition/(Disposal) of Intangible assets		0	0
Proceeds from the Disposal of Property, Plant and Equipment		(1,664)	(11,030)
Net Cash Flows from Investing Activities		26,849	3,680
Cash Flows from Financing Activities			
Cash Receipts of short term and long term borrowing	28	(2,252)	(6,000)
Repayments of short term and long term borrowing		4,714	2,890
Cash payments for reduction of liabilities relating to finance leases	27	0	0
Changes in Council Tax and Business Rates Collected for Third Parties		18,356	1,043
Net Cash Flows from Financing Activities		20,818	(2,067)
Net Decrease/ (Increase) in Cash and Cash Equivalents in the Period		16,727	(9,504)
Cash and Cash Equivalents at the Beginning of the Period		13,182	3,678
Net (Decrease)/ Increase in Cash and Cash Equivalents in the Period		(16,727)	9,504
Cash and Cash Equivalents at the End of the Period	1.3	(3,545)	13,182
<i>Items in net cash flow from operating activities include:</i>			
Interest Receivable and similar income		(457)	(689)
Interest Payable (including Finance lease interest if applicable)		2,723	2,715
		2,266	2,026
<i>Cash and Cash Equivalents at the End of the Period are analysed as:</i>			
Cash and Cash Equivalents	30	449	15,716
Cash Overdrawn	28	(3,994)	(2,534)
		(3,545)	13,182

The accompanying notes form part of these financial statements

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Note 1. Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year end of 31 March 2021. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The accounts are prepared on a going concern basis; that is, on the assumption that the functions of the Council will continue in operational existence for the foreseeable future.

1.2 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 contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

1.3 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 mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

The Council therefore treats all fixed term deposits, which have no contractual provision for early redemption, and if they were redeemed early would suffer a penalty of at least a loss of interest, as investments.

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

1.4 Changes in Accounting Policies, Prior Period Adjustments 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 Council'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. If the current year is material (even if the comparator is not) then a prior period adjustment will be carried out if it aids understanding for the reader.

1.5 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 property, plant and equipment 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 property, plant and equipment attributable to the service.

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

The provisions for charges to revenue for non-current assets in the HRA were amended on 1 April 2012 following the introduction of HRA self-financing. The Major Repairs Reserve is increased and the HRA balance is decreased by a sum equal to depreciation on all HRA non-current assets so that the depreciation on non-dwelling assets is now a charge to the HRA.

1.6 Council Tax and Non-domestic Rates

Billing authorities act as agents collecting Council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting Council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate

fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of Council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of Council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The Council tax and NDR included in the Comprehensive Income & Expenditure Statement is the Council's share of accrued income for the year. However, regulations determine the amount of Council tax and NDR 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 Balance Sheet includes the Council's share of the end of year balances in respect of Council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments) the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

1.7 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 Council. 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 the amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council 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 Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement of 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 from 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 Council are members of the Local Government Pensions Scheme, administered by Devon County Council.

The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Local Government Pension Scheme

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

- The liabilities of the Devon County pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using the annualised yield at the 18 year point on the Merrill Lynch AA rated corporate bond curve which has been chosen to meet the requirements of IAS19 and with consideration of the duration of the Employer's liabilities.
- The assets of Devon County pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities - current bid price
 - unquoted securities - professional estimate
 - unitised securities - current bid price
 - Property - market value.

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

- **Service cost comprising:**
 - current service cost - the increase in liabilities as a result of years of service earned this year; allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
 - past service cost - the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years, debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Corporate Costs.
 - net interest on the net defined benefit liability i.e. net interest expense for the Council is the change during the period in the net defined benefit liability 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 - taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

- **Re-measurement comprising:**
 - the return on plan assets – excluding amounts included in the pensions interest cost and expected return on pension assets – charged to the Pensions Reserve as Other comprehensive Income and Expenditure.
 - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- **Contributions paid to the Devon 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 Council 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 are 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.

1.8 Events after the Reporting Period

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

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

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

1.9 Fair value measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as available for sale financial assets at

fair value at each reporting date. Fair value is 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. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either

a) in the principal market for the asset or liability, or

b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council 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 the participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council 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 Council 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 assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council 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.

1.10 Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement 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.

This means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement. Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

1.11 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. There are three main classes of financial assets measured at:

- Amortised cost
- Fair value through profit or loss (FVPL)
- Fair value through other comprehensive income (FVOCI); (a separate accounting policy is required for financial instruments held at fair value through other comprehensive income).

The business model of the Council is to hold investments to collect contractual cash flows. 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 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 then measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement 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 Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Council has from time to time made a number of loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Any gains and losses that arise on the de-recognition of an asset are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost, 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 substantially since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased substantially or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at FVPL are recognised on the balance sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value.

The Council recognises fair value gains and losses on its pooled Short-term Investment Funds, as they arrive, in the Surplus or Deficit on the Provision of Services. This is a requirement under IFRS 9. There is a “statutory reversal” which means that the impact of this change in valuation does not hit the “bottom line” or taxpayers. The impact is reversed out and placed in an unusable reserve.

The fair value measurements of the financial assets are based on the following techniques:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis

The inputs to the measurement techniques are categorised in accordance with the following three levels:

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

Any gains or losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure, along with any net gain or loss related to the asset that has accumulated in the unusable reserve.

Financial Assets Measured at Fair Value through Other Comprehensive Income

The Council has acquired shares in certain entities to fulfil the service objectives of the Council. These equity instruments are not held for trading and under IFRS 9, the Council has elected to designate them as Fair Value through Other Comprehensive Income (FVOCI) so that gains and losses will be recognised through Other Comprehensive Income on the face of the Income Statement. There is a “statutory reversal” which means that the impact of this change in valuation does not hit the “bottom line” or taxpayers. Any impact is reversed out and placed in an unusable reserve.

1.12 Government Grants and Contributions

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

- the Council will comply with the conditions attached to the payments, and

- the grants or contributions will be received.

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the 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. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

1.13 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council 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 Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

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

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

1.14 Joint Operations

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

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

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

1.15 Long term contracts

Long term contracts are accounted for on the basis of charging the Surplus and Deficit on the Provision of Services with the value of the works and services received under the contract in the financial year.

1.16 Investment Property

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 a cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated as assets are included in the Balance Sheet at Fair Value and are revalued annually at the year-end date. 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 are therefore reversed out 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.

1.17 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.

1.17.1 The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

1.17.2 The Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits 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 premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

1.18 Overheads and Support services

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

1.19 Property, Plant and Equipment (PPE)

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.

PPE 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 Council 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.

PPE Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- a de minimus level of £20,000 has been agreed for Capital Expenditure. Any costs below are charged to revenue.
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.
- Where an item of Property, Plant and Equipment has major components whose costs is significant in relation to the total cost, the components are depreciated separately.

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

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the 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 Council.

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

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

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

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

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as 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 by:

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

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

PPE Impairment

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

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

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

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

PPE Depreciation

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

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

Depreciation is calculated on the following bases and charged in the year of disposal, but not acquisition:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- vehicles, plant, furniture and equipment – straight-line allocation over the useful life of the vehicle, plant, furniture and equipment as advised by a suitably qualified officer
- infrastructure – straight-line allocation as estimated by the valuer.

Where an item of Property, Plant and Equipment valued at greater than £1,000,000 has major components whose cost is more than 20% in relation to the total cost of the item, the components are depreciated separately.

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

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale.

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals is payable to the government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council tax, as the cost of property, plant and equipment 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.

1.20 Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council 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 Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

Contingent Assets

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

1.21 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, local taxation, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

1.22 Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council 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.

1.23 Value Added Tax (VAT)

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

1.24 Community Infrastructure Levy (CIL)

The Community Infrastructure Levy (CIL) which was introduced by the planning Act 2008 and the Community Infrastructure Levy Regulations 2010 (SI 2010/948) as amended, is a discretionary charge which the Council charges on new development in the area from 1 September 2016.

CIL charges are based on a formula which relates the charge to the size of the development. The proceeds of the levy are spent on infrastructure to support the development of the district. East Devon District Council is the chargeable body and collects the levy on behalf of Town and Parish Councils.

CIL is recognised on an accruals basis at the commencement date of the development as part of Taxation and Non Specific Grant Income in the Comprehensive Income and Expenditure Statement.

CIL income applied to meet the administrative expenses of the scheme is recognised immediately in the Comprehensive Income and Expenditure Statement.

1.25 Rounding and Prior Year Balance Restatement

All figures contained within these accounts from the main statements through to all of the notes have been taken directly from working papers. It is not the Councils policy to adjust for immaterial casting differences within the notes or cross-casting differences between the main statements and disclosure notes. The Council has also taken the decision this year to adjust for cumulative immaterial rounding differences and audit adjustments within the accounts to ensure consistency between the main statements and relevant notes.

Note 2. Accounting Standards issued, Not Adopted

Under The Code of Practice on Local Authority Accounting disclosure of the impact of accounting standards issued but not yet adopted is required. There are no new standards that would require additional disclosures in the 2020/21 financial statements.

In response to the Covid 19 pandemic, CIPFA/LASAAC deferred the implementation of IFRS 16 Leases in the public sector until 1 April 2022. This will require lessees to recognise assets subject to leases as right-of-use assets on their balance sheet, along with corresponding lease liabilities (there are exceptions for low value and short-term leases). It is not yet possible to determine the impact that this new standard will have on the accounts.

Other standards that have been issued but not yet adopted by the CIPFA Code of Practice:

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

It is not anticipated that the changes above will have a material impact on the information provided in the Council's financial statements.

Note 3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out above, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. This has been heightened by the Covid-19 pandemic and the ensuing lockdowns. In response the Council has incurred additional expenditure and loss of income but has received grant to help offset the impact. However, the Council has determined that this uncertainty is not sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Council's leisure centres and leisure service is operated by LED Ltd, a charitable organisation that leases and operates the leisure centres previously run by the Council. It has been determined that the Council does not have control of the Trust and it is not a subsidiary of the Council, based upon the following facts and circumstances;
 - LED Leisure Management Limited is a registered charitable trust (a Community Benefit Society regulated by the FCA)
 - It is a separate legal entity from EDDC
 - The Council is able to appoint two Councillors to act as trustees on the Board of LED, this is a minority representation
- Strata Service Solutions Ltd is a registered company which has been established to assist the three authorities; Exeter City Council, East Devon District Council and Teignbridge District Council, in the provision and operation of shared ICT services. It is deemed to be a joint operation due to the inherent rights to the assets and obligations for

liabilities each Council has relating to the joint arrangement, based upon the following facts and circumstances:

- The three authorities have joint control of the entity. Each Council has one nominated Director and each Director has one vote. The Directors are responsible for the management of the Company's business, for which purpose they may exercise all the powers of the company with decisions made collectively and unanimously.
- The Company is required by the Council to carry out the tasks as set out in the Business Plans and Service Plans and is limited to the business and objectives as set by the Council.
- The Company's revenue derives from the financial allocations set and controlled by each of the Councils.
- There are no current plans for Strata to do anything other than provide services to the three Councils. The Company has been established as an in-house mutual trading Council controlled company to assist them in the provision of services.
- Joint operations are not consolidated into group accounts, instead each Council has recognised in its financial statement its share of assets, liabilities, revenue and expenses pertaining to Strata Service Solutions Ltd.

Note 4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate introduces a risk for local authorities to sustain its current spending on repairs and maintenance, bringing into consideration of the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls, conversely if useful lives were increased the carrying amount of assets would increase. As an indication of the sums involved annual depreciation is currently £4.711m for all the Council's assets.
Investment Property & All Other Fair Value Asset Valuations	The Council engages an in house qualified RICS surveyor to provide valuations of land and property assets at year end, including investment property. The values of assets are adjusted to their current values by reviewing the sales of similar assets in the region, applying indexation and considering impairment of individual assets. The Council also engages an external qualified RICS surveyor to provide valuations regarding the Housing stock with valuations based on the use of beacon sites (the beacon method) to apply the market value of residential dwellings.	Significant changes in the assumptions of future income streams/growth, occupancy levels, ongoing property maintenance and other factors would result in a significantly higher or lower fair value measurement for these assets. In particular, Covid 19 has impacted global markets and economies along with real estate markets. Nevertheless at the valuation date some property markets were again active where market evidence exists upon which to base opinion of value. As at 31 March 2021 investment property was valued at £3m and a variation of 1% in the value would result in a change in the carry amount by £0.3m in the balance sheet. A similar variation of 1% in the value of the Housing stock would result in a change of £2.477m.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the present value of total obligations in individual assumptions can be measured. For instance, a 1 year increase in member life expectancy assumption would result in an increase in the total pension obligation of £8.720m.

Note 5. Material Items of Income and Expense

There were no material items of income and expense that have not been disclosed elsewhere in the accounts.

Note 6. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Strategic Lead - Finance on 01 November 2021. Events taking place after the approved date are not reflected in the financial statements or notes. Where events taking place before this date provide information about conditions existing at 31 March 2021, the figures in the Statement of Accounts and Notes will be adjusted in all material respects to reflect the impact of this information.

Note 7. Expenditure and Funding Analysis

Portfolio	2020/21			2019/20		
	Net Expenditure Chargeable to the General Fund & HRA £'000	Adjustments between the Funding & Accounting Basis £'000	Net Expenditure in the Comprehensive Income & Expenditure Statement £'000	Net Expenditure Chargeable to the General Fund & HRA £'000	Adjustments between the Funding & Accounting Basis £'000	Net Expenditure in the Comprehensive Income & Expenditure Statement £'000
Corporate Business	78	78	156	62	81	143
Corporate Services	2,248	(2,493)	(245)	2,318	(2,763)	(445)
Economy	772	135	907	1,041	127	1,168
Environment - General	2,097	1,752	3,849	161	2,055	2,216
Environment - Street Scene	7,988	4,973	12,961	7,076	4,430	11,506
Finance	1,992	(310)	1,682	2,134	(157)	1,977
Strategic Development & Partnership	1,338	1,293	2,631	1,523	1,896	3,418
Sustainable Homes & Communities	629	584	1,213	149	505	654
Strata Solutions Ltd	2,435	458	2,893	2,618	615	3,233
Housing Revenue Account	(10,851)	8,429	(2,422)	(9,166)	1,933	(7,233)
Net Cost Of Services	8,726	14,898	23,624	7,915	8,722	16,638
Other Income and Expenditure	(21,976)	3,725	(18,251)	(13,415)	(8,644)	(22,059)
(Surplus) or Deficit on Provision of Services	(13,250)	18,624	5,374	(5,499)	79	(5,420)
Opening GF & HRA balance including Earmarked Reserves as at 31 st March	(25,969)					
Surplus on General Fund and HRA balance in Year	(12,169)					
Closing GF & HRA balance including Earmarked Reserves as at 31st March	(38,138)					

Note 7A. Note to the Expenditure and Funding Analysis

	2020/21				2019/20			
	Adjustments for CAPITAL Purposes £'000	Net change for the PENSIONS Adjustments £'000	OTHER Differences £'000	Total Adjustments £'000	Adjustments for CAPITAL Purposes £'000	Net change for the PENSIONS Adjustments £'000	OTHER Differences £'000	Total Adjustments £'000
Corporate Business	0	6	71	78	0	11	70	81
Corporate Services	219	233	(2,945)	(2,493)	115	136	(3,013)	(2,763)
Economy	640	134	(640)	135	515	241	(630)	127
Environment - General	1,125	201	427	1,752	1,268	367	421	2,055
Environment - Street Scene	3,769	306	898	4,973	3,025	514	891	4,430
Finance	0	278	(588)	(310)	0	421	(578)	(157)
Strategic Development & Partnership	210	280	803	1,293	435	518	943	1,896
Sustainable Homes & Communities	411	120	53	584	(52)	123	434	505
STRATA	309	149	0	458	365	250	0	615
Housing Revenue Account	6,307	295	1,827	8,429	(4,851)	586	6,198	1,933
NET COST OF SERVICES	12,991	2,002	(95)	14,898	820	3,167	4,736	8,722
Other Income and Expenditure	1,839	1,380	506	3,725	(6,327)	1,536	(3,853)	(8,644)
Difference between GF surplus/Deficit and CI&ES Surplus/Deficit on Provision of Services	14,830	3,382	412	18,624	(5,507)	4,703	883	79

Adjustments for Capital purposes:

- Depreciation, impairments and revaluation gains and losses are added in the service lines;
- Statutory charges for capital financing are deducted from service lines i.e. Minimum Revenue Provision and other revenue contributions;
- Net gains on disposal of non-current assets are added to other operating expenditure;
- Capital Grants applied to capital expenditure are added to taxation and non-specific grant income.

Net change for Pensions adjustments:

- Employer contributions made by the Council are reversed from the service lines and replaced with current and past service costs as per IAS19
- Net interest on the defined benefit liability is charged to Financing and investment income and expenditure.

Allocation of other income and expenditure:

- Interest payable and receivable reported under Corporate and Central is moved to Financing and investment income and expenditure;
- Trading operations reported under Development and Regulation are moved to Financing and investment income and expenditure;
- Disposals not linked to an asset are charged to the service line.

Other adjustments:

- Timing differences for Council tax and Business rate income charged to taxation and non-specific grant income;
- Internal recharges between management accounting lines and between the General Fund and Housing Revenue Account.
- Timing differences for premiums and discounts reported under Corporate and Central;
- Charge to service lines for Unpaid Absences.

The adjustments cover those set out in Note 9 and reclassifications of transactions that are managed by a particular service but are required to be reported corporately as Other Income and Expenditure in the CIES.

Note 8. Expenditure and Income Analysed by Nature

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

	2020/21 £'000	2019/20 £'000
Expenditure		
Employee Expenses	19,745	20,913
Benefit Payments	23,900	24,933
Depreciation & Amortisation	4,711	4,512
Capital Impairment	274	686
Capital Revaluation	4,823	(1,332)
Interest Payments	2,724	2,717
Internal Recharge Expenditure	12,143	11,947
Internal Recharge Income	(12,143)	(11,947)
Other (including Strata)	36,676	42,675
COVID 19 Business Support Payments	2,650	0
Total expenditure	95,501	95,104
Income		
Government Grants	(36,134)	(30,925)
Rental Income	(19,802)	(19,250)
Council Tax Precept (EDDC share)	(13,086)	(8,405)
Business Rates Related Income	(16,005)	(17,653)
Business Rates Tariff	10,436	10,268
Contributions to Capital Expenditure	(3,505)	(6,696)
Gain on Disposal of Capital	(1,646)	(11,030)
Other (including Strata)	(10,384)	(16,833)
	(90,128)	(100,524)
Surplus or Deficit on the Provision of Services	5,373	(5,420)

Note 8a. Expenditure and Income Analysed by Nature and Segment

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

2020/21

	Corporate Business	Corporate Services	Economy	Environment – General	Environment - Street Scene	Finance	Strategic Development & Partnership	Sustainable Homes & Communities	Strata Solutions Ltd	Housing Revenue Account	Other	TOTAL
Expenditure												
Employee Expenses	67	2,121	1,409	2,164	3,473	2,963	2,945	1,286	0	3,316	0	19,745
Benefit Payments	0	0	0	0	0	23,900	0	0	0	0	0	23,900
Depreciation & Amortisation	0	0	161	1,045	1,893	0	1	32	0	1,578	0	4,711
Capital Impairment	0	0	177	45	52	0	0	0	0	0	0	274
Capital Revaluation	0	0	303	34	(244)	0	0	0	0	4,729	0	4,823
Interest Payments	0	0	0	0	0	(0)	0	0	0	1	2,723	2,724
Internal Recharge Expenditure	71	1,638	859	1,104	3,052	1,568	1,496	322	0	2,033	0	12,143
Internal Recharge Income	0	(4,535)	(1,499)	(673)	(2,111)	(2,156)	(693)	(269)	0	(207)	0	(12,143)
Other (including Strata)	18	1,487	954	3,785	9,299	960	1,213	1,847	3,267	4,494	9,354	36,676
COVID 19 Business Support	0	2,650	0	0	0	0	0	0	0	0	0	2,650
Total expenditure	156	3,360	2,364	7,504	15,414	27,234	4,962	3,218	3,267	15,944	12,077	95,501
Income												
Government Grants	0	(3,326)	(57)	(556)	0	(24,730)	(186)	(331)	0	(6)	(6,942)	(36,134)
Rental Income	0	0	(769)	(145)	(238)	0	(1)	(352)	0	(18,298)	0	(19,802)
Council Tax Precept	0	0	0	0	0	0	0	0	0	0	(13,086)	(13,086)
Business Rates Related Income	0	0	0	0	0	0	0	0	0	0	(16,005)	(16,005)
Business Rates Tariff	0	0	0	0	0	0	0	0	0	0	10,436	10,436
Contributions to Capital Expenditure	0	(226)	0	(170)	(132)	(13)	14	(390)	0	(0)	(2,586)	(3,505)
Gain/Loss on Disposal of Capital	0	0	0	0	0	0	0	0	0	0	(1,646)	(1,646)
Other (including Strata)	0	(52)	(632)	(2,785)	(2,083)	(810)	(2,158)	(932)	(375)	(62)	(498)	(10,384)
Total Income	0	(3,605)	(1,458)	(3,654)	(2,453)	(25,553)	(2,331)	(2,005)	(375)	(18,367)	(30,328)	(90,128)

2019/20

	Corporate Business	Corporate Services	Economy	Environment - General	Environment - Street Scene	Finance	Strategic Development & Partnership	Sustainable Homes & Communities	Strata Solutions Ltd	Housing Revenue Account	Other	TOTAL
Expenditure												
Employee Expenses	59	1,926	1,458	2,070	3,235	3,044	3,032	650	0	3,331	14	18,818
Benefit Payments	0	0	0	0	0	32,003	0	0	0	0	0	32,003
Depreciation & Amortisation	0	0	117	832	1,907	0	0	30	0	2,280	0	5,166
Capital Impairment	0	0	1,934	63	411	0	0	0	0	0	0	2,408
Capital Revaluation	0	0	3,211	(222)	87	0	0	0	0	950	0	4,026
Interest Payments	0	0	0	0	0	0	0	0	0	0	2,626	2,626
Internal Recharge Exp	62	1,395	1,084	1,038	2,455	2,016	1,392	470	0	1,603	0	11,516
Internal Recharge Income	0	(3,753)	(1,592)	(556)	(2,014)	(2,408)	(644)	(110)	0	(439)	0	(11,516)
Other (including Strata)	2	1,057	1,296	2,384	6,820	(603)	789	1,042	2,978	5,284	9,856	30,906
Total expenditure	124	624	7,508	5,609	12,901	34,051	4,569	2,082	2,978	13,010	12,496	95,952
Income												
Government Grants	0	(334)	0	(192)	0	(31,445)	(486)	(153)	0	0	(7,507)	(40,119)
Rental Income	0	0	(527)	(105)	(380)	0	0	(145)	0	(18,199)	0	(19,356)
Council Tax Precept	0	0	0	0	0	0	0	0	0	0	(7,574)	(7,574)
Business Rates Related Income	0	0	0	0	0	0	0	0	0	0	(13,647)	(13,647)
Business Rates Tariff	0	0	0	0	0	0	0	0	0	0	9,737	9,737
Contributions to Capital Expenditure	0	(7)	(17)	(214)	(180)	(168)	(58)	(582)	0	(2)	(5,792)	(7,022)
Gain/Loss on Disposal of Capital	0	0	0	0	0	0	0	0	0	0	(3,329)	(3,329)
Other (including Strata)	0	(270)	(1,026)	(3,722)	(1,798)	(516)	(1,430)	(873)	(36)	(108)	(2,013)	(11,792)
Total Income	0	(611)	(1,570)	(4,234)	(2,358)	(32,129)	(1,975)	(1,754)	(36)	(18,310)	(30,126)	(93,102)

Note 9. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure and sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all receipts of a Local Authority are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of the resources that the Council is required to recover) at the end of the financial year. (However, the balance is not available to be applied to funding HRA services.)

Housing Revenue Account Balance

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for Local Authority Council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function (or where in deficit) that is required to be recovered from tenants in future years.

Major Repairs Reserve

The Council is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to be used on capital expenditure by the HRA. The nil balance shows there are no capital resources yet to be applied at year end.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

Capital Grants Unapplied

The Capital Grants unapplied reserve holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies, but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

Note 9. Adjustments between Accounting Basis and Funding Basis under Regulations Cont'd

2020/21	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	Total Useable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for Depreciation & impairment of non-current assets	(3,716)	(1,578)	0	0	0	(5,294)
Revaluation Gain/ Losses on Property Plant & Equipment	(115)	(4,730)	0	0	0	(4,844)
Capital grants contributions applied	1,321	509	0	0	0	1,830
Revenue Expenditure Funded from Capital under Statute (England and Wales)	(3,264)	0	0	0	0	(3,264)
Amounts of non-current assets written off on disposal or sale as part of gains/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,488)	(883)	0	0	0	(2,370)
Insertion of items not debited or credited to the Comprehensive Expenditure and Income:						
Statutory provision for the financing of capital investment = MRP	156	0	0	0	0	156
Capital expenditure charged against the General Fund and HRA balances	2,147	24	0	0	0	2,170
Adjustment primarily involving the Capital Grants Unapplied Account:						
Capital grants & contributions unapplied credited to the Comprehensive Income and Expenditure Statement	312	0	0	0	(312)	0
Adjustment primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of gains/loss on disposal to the Comprehensive Income & Expenditure Statement	120	1,526	(1,646)	0	0	0
Use of Capital Receipts Reserve to finance new capital expenditure	0	0	3,205	0	0	3,205
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(432)	0	432	0	0	0
Repayment of loans	0	0	(1,592)	0	0	(1,592)
Adjustments primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	0	1,972	0	(1,972)	0	0
Use of Major Repairs Reserve to finance new capital expenditure	0	0	0	1,972	0	1,972
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from the finance costs chargeable in the year in accordance with statutory requirements	495	0	0	0	0	495
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(4,327)	(742)	0	0	0	(5,069)
Employer's pensions contributions & direct payments to pensioners payable in the year	2,620	447	0	0	0	3,067
Net interest Defined liability	(1,201)	(229)	0	0	0	(1,430)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which Council tax income and residual community charge adjustment credited to the CIES is different from the Council tax income calculated in the year in accordance with statutory requirements	(7,629)	0	0	0	0	(7,629)
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from the remuneration chargeable in the year in accordance with statutory requirements	6	4	0	0	0	11
Adjustments between accounting basis and Funding Basis under regulations	(14,994)	(3,679)	399	0	(312)	(18,587)

Note 9. Adjustments between Accounting Basis and Funding Basis under Regulations Cont'd

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	Total Useable Reserves
2019/20	£'000	£'000	£'000	£'000	£'000	£'000
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for Depreciation & impairment of non-current assets	(4,108)	(1,455)	0	0	0	(5,563)
Revaluation Gain/ Losses on Property Plant & Equipment	(159)	1,491	0	0	0	1,332
Capital grants contributions applied	1,011	0	0	0	0	1,011
Revenue Expenditure Funded from Capital under Statute (England and Wales)	(1,982)	0	0	0	0	(1,982)
Amounts of non-current assets written off on disposal or sale as part of gains/loss on disposal to the Comprehensive Income and Expenditure Statement	(7,629)	(1,420)	0	0	0	(9,049)
Insertion of items not debited or credited to the Comprehensive Expenditure and Income:						
Statutory provision for the financing of capital investment = MRP	55	0	0	0	0	55
Capital expenditure charged against the General Fund and HRA balances	2,324	66	0	0	0	2,390
Adjustment primarily involving the Capital Grants Unapplied Account:						
Capital grants & contributions unapplied credited to the Comprehensive Income and Expenditure Statement	3,499	0	0	0	(3,499)	0
Application of grants to capital financing transferred to the Capital Adjustment Account						
Adjustment primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of gains/loss on disposal to the Comprehensive Income & Expenditure Statement	8,736	2,294	(11,030)	0	0	0
Use of Capital Receipts Reserve to finance new capital expenditure	0	0	12,534	0	0	12,534
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(432)	0	432	0	0	0
Repayment of loans	0	0	(109)	0	0	(109)
Adjustments primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	0	3,912	0	(3,912)	0	0
Use of Major Repairs Reserve to finance new capital expenditure	0	0	0	3,912	0	3,912
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from the finance costs chargeable in the year in accordance with statutory requirements	(242)	0	0	0	0	(242)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(5,238)	(1,095)	0	0	0	(6,333)
Employer's pensions contributions & direct payments to pensioners payable in the year	2,658	510	0	0	0	3,168
Net interest Defined liability	(1,257)	(279)	0	0	0	(1,536)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which Council tax income and residual community charge adjustment credited to the CIES is different from the Council tax income calculated in the year in accordance with statutory requirements	(1,336)	0	0	0	0	(1,336)
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from the remuneration chargeable in the year in accordance with statutory requirements	(1)	(1)	0	0	0	(2)
Adjustments between accounting basis and Funding Basis under regulations	(4,100)	4,022	1,826	0	(3,499)	(1,751)

Note 10. Transfers (to) / from Earmarked Reserves

This note sets out the notable amounts set aside from the General Fund & HRA balances within Earmarked reserves to provide financing for future expenditure plans and the amounts posted back from reserves to meet General Fund & HRA expenditure in 2020/21.

Earmarked Reserves	Balance	Transfers	Transfers	Balance	Transfers	Transfers	Balance
	at 31 March 2019			at 31 March 2020			as at 31 March 2021
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Asset Maintenance Reserve	(954)	0	43	(911)	0	0	(911)
Other Capital Reserves	(34)	0	0	(34)	0	0	(34)
Total Capital Reserves	(988)	0	43	(946)	0	0	(946)
Transformation fund	(1,689)	0	318	(1,371)	0	109	(1,262)
Enterprise Zone Reserve	(207)	(268)	0	(475)	(129)	0	(604)
Business Rates Volatility Reserve	(639)	0	0	(639)	(7,639)	0	(8,278)
IT Website Development Reserve	(249)	0	161	(88)	0	82	(6)
Community Led housing Reserve	(1,051)	(26)	67	(1,010)	0	88	(922)
Communities Together Reserve	(242)	(10)	64	(188)	(10)	97	(102)
Business Rates 100% Pilot Reserve	(450)	(2,056)	0	(2,506)	0	0	(2,506)
Consortium Payment Reserve	(224)	(74)	0	(298)	(51)	0	(350)
Medium Term Financial Plan Risk Res.	0	0	0	0	(2,000)	0	(2,000)
Revenue Reserves <£250k	(2,665)	(462)	509	(2,619)	(1,497)	406	(3,708)
STRATA Reserves	(289)	(3)	4	(288)	0	7	(281)
General Fund Revenue Reserves	(7,706)	(2,899)	1,123	(9,482)	(11,326)	789	(20,019)
HRA Business Plan Volatility Reserve	(1,600)	0	0	(1,600)	0	0	(1,600)
HRA Future Housing Development Reserve	(980)	0	980	0	(2,460)	0	(2,460)
HRA Fire Related Works Reserve	(1,988)	(980)	0	(2,969)	0	1,193	(1,776)
HRA Planned Maintenance Reserve	(165)	(350)	0	(515)	(2,860)	0	(3,375)
HRA Other Reserves <£250k	0	0	0	0	(124)	0	(124)
Total HRA Earmarked Reserves	(4,734)	(1,330)	980	(5,084)	(5,444)	1,193	(9,335)
TOTAL Earmarked Reserves	(13,428)	(4,230)	2,142	(15,512)	(16,770)	1,982	(30,300)

The **Asset Maintenance Reserve** is for asset refurbishment in excess of normal planned maintenance and any backlogged maintenance.

The **Transformation Fund Reserve** is to fund 'invest to save' and performance improvement initiatives including transformation of working practices.

The **Enterprise Zone Reserve** holds earmarked amounts of income received from business rates allocations less in year expenses that are due to fund future years Enterprise Zone specific expenditure.

The **Business Rates Volatility Reserve** has been established for revenue funding in future years. The increase in the reserve includes £7.639m carry forward of Section 31 grant income from Central Government to use in 2021/22 to fund losses in 2020/21 Business Rates income arising from reliefs given during the pandemic.

The **IT Website Development Reserve** holds funds for spending on the website in 2020/21 and future years.

The **Community led Housing Reserve** was established from a specific government grant to support housing initiatives in future years.

The **Communities Together Reserve** holds funds for grants available to deliver local initiatives supported by a grant application to the Council.

The **Business Rates 100% Pilot Reserve** holds the unspent balance of the benefit of the pilot to be spent on Economic Development items and projects in future years.

The **Consortium Payment Reserve** is earmarked to fund the Councils growth linked future financing contribution towards the Cranbrook Consortium's infrastructure costs.

The balance of **Revenue Reserves** <£250k are various revenue reserves established from external income with no conditions attached set aside to provide specific services in future years.

The **Strata Reserves** represents our share of the useable funds held from the Strata joint operation.

Note 11. Other Operating Expenditure

	2020/21	2019/20
Other Operating Expenditure	£'000	£'000
Town and Parish precepts	4,259	4,042
Payments to Government Housing Capital Receipts Pool	432	432
Gain/loss on disposal of non-current assets	804	(1,981)
	5,495	2,493

Note 12. Financing and Investment Income and Expenditure

	2020/21	2019/20
Financing and Investment Income and Expenditure	£'000	£'000
Interest Payable and similar charges	56	63
Interest on loans	2,667	2,652
Net interest on the net defined benefit liability	1,430	1,536
Interest Receivable and similar income	(457)	(689)
(Gains) / Losses on Pooled Investment Funds	(443)	292
	3,253	3,854

In additional to the income and expenditure above, the Council received rental and other income of £233k, (£nil 2019/20), from an investment property and incurred direct operating expenses of £10k, (£2k 2019/20). Further details may be found in note 24.1.

Note 13. Taxation and Non Specific Grant Income and Expenditure

	2020/21	2019/20
Taxation and Non-Specific Grant Income	£'000	£'000
Council tax income	(13,226)	(12,735)
Non Domestic Rates	(5,570)	(7,385)
Non ring-fenced government grants	(3,872)	(4,125)
Net income from Capital grants and contributions	(1,842)	(4,161)
Covid 19 Grants	(2,489)	0
Strata Tax Payable	0	1
	(26,999)	(28,405)

Note 14. Trading Services

The Council has established 4 trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the Council or other organisations. All services are incorporated into the Comprehensive Income and Expenditure Statement under the relevant service within Cost of Services. Details are as follows:

	2020/21			2019/20		
	Expenditure £'000	Income £'000	Net (Income)/ Expenditure £'000	Expenditure £'000	Income £'000	Net (Income)/ Expenditure £'000
The Council manages the Building Control Service . The trading objective is to break even.	532	(525)	7	615	(538)	77
The Council manages the Land Charges Service . The trading objective is to break even.	228	(298)	(70)	265	(260)	5
The Council lets 46 units in Industrial Estates located in various parts of the district. As part of the Council's economic development strategy, tenant leases are flexible to allow easy in/out arrangements.	165	(274)	(109)	346	(243)	103
The Council manages a Home safeguard Service providing alarms and support for vulnerable residents. The trading objective is to at least break even.	576	(846)	(270)	609	(830)	(221)
Total Cost of Services	1,501	(1,943)	(442)	1,835	(1,871)	(36)

Note 15. Community Infrastructure Levy (CIL)

The Council elected to charge a Community Infrastructure Levy (CIL) from 1st September 2016. The levy is charged on new builds (chargeable developments within the Council's administrative area) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, health, and education projects) to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions.

Total CIL Net income for the year was £362k, with £1.6m of CIL receipts collected within the year including instalments from prior years' income.

Of the total collected amount;

- £1.091m has been paid to Parish and Town Councils to date
- £206k of the 5% admin allowance has been allocated against admin expenses within the Planning Service.
- £188k has been allocated to fund The Exmouth Cricket Club expansion
- £151k has been allocated to fund Habitat Regulations Mitigation
- The closing balance on the CIL Capital Receipts Unapplied Reserve for 2020 is £7.49m

Note 16. Members' Allowances

The Council paid the following amounts to members of the Council during the year:

Members Allowances	2020/21 £'000	2019/20 £'000
Allowances	371	364
Expenses	0	30
Total	371	394

Note 17. Officers' Remuneration

The remuneration paid to the Council's senior employees in 2020/21 was as follows:

2020/21	Salary (Including Fees & Allowances) £	Compensation for loss of office £	Benefits in Kind (e.g. Lease Car) £	Total Remuneration Excluding Pension Contributions £	Pension Contributions £	Total Remuneration £
<u>Posts Employed for Full Year</u>						
Chief Executive	125,624	0	0	125,624	21,270	146,894
Strategic Lead - Finance	84,908	0	0	84,908	14,484	99,392
Strategic Lead - Governance & Licensing	73,557	0	0	73,557	12,578	86,135
Strategic Lead - Housing and Environment	84,908	0	0	84,908	14,484	99,392
Strategic Lead - Growth, Development and Prosperity	71,090	0	0	71,090	12,121	83,211
Service Lead - Revenues & Benefits	62,618	0	0	62,618	10,672	73,290
Service Lead - Environmental Health & Car Parks	77,606	0	0	77,606	13,062	90,668
Service Lead - Street Scene	59,881	0	0	59,881	10,240	70,121
Service Lead - Planning Strategy & Development Management	67,984	0	0	67,984	11,625	79,609
Service Lead - Countryside & Leisure	63,650	0	0	63,650	10,672	74,322
Service Lead - Housing	47,667	0	0	47,667	10,196	57,863
Service Lead - Place, Asset and Commercialisation	58,929	0	0	58,929	10,077	69,006
<u>Posts Employed for Part Year</u>						
Strategic Lead – OD (1)	70,398	103,972	0	174,369	11,530	185,899

The annualised salaries for posts employed during part of the year were: (1) Strategic Lead – OD (April 2020 – February 2021)

2019/20	Salary (Including Fees & Allowances) £	Expenses Reimbursed £	Benefits in Kind (e.g. Lease Car) £	Total Remuneration Excluding Pension Contributions £	Pension Contributions £	Total Remuneration £
<u>Posts Employed for Full Year</u>						
Chief Executive	118,164	0	0	118,164	17,725	135,889
Deputy C. Exec	93,207	0	0	93,207	13,981	107,188
Strategic Lead – Finance	82,398	0	0	82,398	12,360	94,758
Strategic Lead – OD	66,751	0	0	66,751	10,013	76,764
Strategic Lead - Legal, Licensing & Member Services	71,588	0	0	71,588	10,738	82,326
Strategic Lead - Housing and Environment	82,398	0	0	82,398	12,360	94,758
East of Exeter Projects Director	68,986	0	0	68,986	10,348	79,334
Service Lead - Revenues & Benefits	60,741	0	0	60,741	9,111	69,852
Service Lead - Environmental Health & Car parks	70,481	0	0	70,481	10,572	81,053
Service Lead - Street Scene	58,278	0	0	58,278	8,742	67,020
Service Lead - Planning Strategy & Development Management	66,164	0	0	66,164	9,925	76,089
Service Lead - Countryside & Leisure	60,741	0	0	60,741	9,111	69,852
Service Lead – Housing	55,040	0	0	55,040	8,256	63,296
Service Lead – Property, Place and Asset	53,284	0	0	53,284	7,993	61,277

The following table shows the number of employees whose remuneration, excluding pension costs, exceeded £50,000 for the year, including those that have been disclosed individually in the table of Senior Employees.

Total Remuneration	Number of Employees 2020/21	Number of Employees 2019/20
£50,000 - £54,999	6	4
£55,000 - £59,999	3	2
£60,000 - £64,999	2	2
£65,000 - £69,999	2	2
£70,000 - £74,999	2	3
£75,000 - £79,999	1	0
£80,000 - £84,999	2	2
£85,000 - £89,999	0	0
£90,000 - £94,999	0	1
£95,000 - £99,999	0	0
£100,000 - £104,999	0	0
£105,000 - £109,999	0	0
£110,000 - £114,999	0	0
£115,000 - £119,999	0	1
£120,000 - £124,999	1	0
£125,000 - £129,999	0	0
£130,000 - £134,999	0	0
£135,000 - £139,999	0	0
£140,000 - £144,999	0	0
£145,000 - £149,999	0	0
£150,000 - £154,999	0	0
Total	19	17

Note 18. Termination Benefits

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

Exit Package Cost Band (including special payments)	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total number of Exit Packages by Cost Band		Total Cost of Exit Packages in Each Band £'000	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
£0 - £20,000	3	3	4	5	7	8	15	63
£20,001 - £40,000	0	0	1	0	1	0	27	0
£40,001 - £60,000	0	0	0	1	0	1	0	41
£60,001 - £80,000	0	0	0	1	0	1	0	63
£80,000 - £100,000	0	0	1	0	0	0	0	0
£100,000 - £150,000	0	0	0	0	1	0	100	0
£150,000<	0	0	0	1	0	1	0	256
Total	3	3	6	8	9	11	142	423

Note 19. Defined Benefit Pension Schemes

19.1 Participation in Pension Schemes

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

The Council participates in two post-employment schemes:

- The Local Government Pension Scheme, administered locally by Devon County Council
This is a funded defined benefit based on career average revalued earnings, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.
- Arrangements for the award of discretionary post-retirement benefits upon early retirement
This is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, and structural changes to the scheme (i.e. large scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and the Housing Revenue Account the amounts required by statute as described in the accounting policies note.

19.2 Transactions Relating to Post-employment Benefits

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

19.2 Transactions Relating to Post-employment Benefits cont'd

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	2020/21	2019/20
	£'000	£'000
Comprehensive Income & Expenditure Statement		
Cost of Services:		
Current Service Cost	4,999	4,960
Past Service Cost/(Gain) – Including Curtailments	5	1,302
Administration Expense	65	66
Financing and Investment Income and Expenditure:		
Net Interest Expense	1,430	1,536
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	6,499	7,864
Other Comprehensive Income & Expenditure:		
Return on Plan Assets (excluding amounts included in net interest expense)	(19,978)	9,779
Actuarial (Gains) & Losses Arising on Changes in Demographic Assumptions	(1,683)	(1,981)
Actuarial Gains & Losses Arising on Changes in Financial Assumptions	41,708	(15,597)
Experience(Gain)/loss on defined benefit obligation	(1,865)	1,082
Other actuarial (Gains) & Losses on assets	0	(55)
Total Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement	18,182	(6,772)
	2020/21	2019/20
	£'000	£'000
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for Post-Employment Benefits in accordance with the Code	(6,499)	(7,864)
Employer's Contributions Payable to the Pension Scheme	3,067	3,164
Total	(3,432)	(4,700)

19.3 Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

	2020/21	2019/20
	£'000	£'000
Pension Assets & Liabilities Recognised in the Balance Sheet		
Present value of the defined benefit obligation	(190,484)	(147,207)
Fair value of plan assets	107,571	84,794
Sub-total	(82,913)	(62,413)
Other movements in the liability	(959)	(947)
Net liability arising from defined benefit obligation	(83,872)	(63,360)

Assets and Liabilities in relation to Retirement Benefits

Reconciliation of present value of scheme liabilities and assets are set out below:

	2020/21	2019/20
	£'000	£'000
Reconciliation of Present Value of Scheme Liabilities		
Liabilities as of the Beginning of the Period	(148,154)	(157,600)
Current Service Cost	(4,762)	(4,960)
Interest Cost	(3,448)	(3,752)
Contributions by Scheme Participants	(891)	(854)
Change in financial assumptions	(41,709)	15,598
Change in demographic assumptions	1,683	1,981
Experience (Losses)/Gains on defined benefit obligation	1,865	(1,082)
Past Service Costs & Curtailments	(242)	(1,302)
Benefits Paid	4,215	3,817
Liabilities as of the End of the Period	(191,443)	(148,154)

	2020/21	2019/20
	£'000	£'000
Reconciliation of Fair Value of Scheme Assets		
Assets as of the Beginning of the Period	84,796	92,170
Interest on Assets	2,019	2,215
Return assets less interest	19,978	(9,779)
Actuarial Gains/(Losses)	0	55
Administration expenses	(65)	(66)
Employer Contributions including unfunded & prepayments	4,169	3,164
Contributions by Scheme Participants	891	854
Benefits Paid	(4,215)	(3,817)
Assets as of the End of the Period	107,573	84,796

Impact on the Council's cash Flow

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £191.4m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance of £83.9m.

However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by 28.2.3the scheme actuary,
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2022 is £2.169m.

The council opted to pay the next 3 years past service deficit amounts up front during 2020/21 at a cost of £1.551m, saving £73.1k.

The weighted average duration of the defined benefit obligation is 20 years.

Sensitivity Analysis

Funding levels are monitored on an annual basis, with the last triennial review and valuation completed at 31 March 2019. The fund liability may go up and down depending on assumptions applied.

Measurement of Pension Liability

The present value of the pension liability depends on a number of factors that are determined on an actuarial basis and the value of the underlying assets. The actual liability of the Council will continue to be subject to volatility, as a result of a number of factors.

The estimated effects of the changes in the key individual assumptions in determining the net pension liability would increase the Council's pension liability as of 31 March 2021 as follows:

Sensitivity Analysis	£'m
0.1% increase in the real discount rate	6.878
1 year increase in member life expectancy	7.427
0.1% increase in the salary increase rate	7.116
0.1% increase in the pension increase rate	7.349

The above table presents the changes in key assumptions in isolation. The information is only indicative of the estimated impact as the assumptions interact in complex ways.

19.4 Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for Devon County Council Pension Fund being based on the latest full valuation of the scheme as at 31 March 2019.

The principal assumptions used by the actuary in the calculations are:

Principal Assumptions	2020/21	2019/20
	%	%
Rate of inflation: RPI	3.2	2.70
Rate of inflation :CPI	2.8	1.90
Rate of increase in salaries	3.8	2.90
Rate of increase In pensions	2.80	1.90
Rate of discounting scheme liabilities	2.0	2.35

These assumptions are set with reference to market conditions as at 31 March 2021.

The estimated duration of Employer's liabilities is 20 years.

An estimate of the Employer's future cash flows is made using notional cash flows based on the estimated duration above. These estimated cash flows are then used to derive a Single Equivalent Discount Rate (SEDR). The discount rate derived is such that the net present value of the notional cash flows, discounted at this single rate, equates to the net present value of the cash flows, discounted using the annualised

Merrill Lynch AA rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30 year point).

Similarly to the approach used to derive the discount rate, the Retail Prices Index (PI) increase assumption is set using a Single Equivalent Inflation Rate (SEIR) approach, using the notional cash flows described above. The single inflation rate derived is that which gives the same net present value of the cash flows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve, as applying the BoE implied inflation curve. As above, the Merrill Lynch AA rated corporate bond yield spot curve is assumed to be flat beyond the 30 year point and the BoE implied inflation spot curve is assumed to be flat beyond the 40 year point.

Future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI.

Salaries are assumed to increase at 1.0% p.a. above CPI in addition to a promotional scale.

Mortality Assumptions	2020/21	2019/20
	Years	Years
Longevity at 65 for current pensioners		
Men	22.6	22.9
Women	23.9	24.1
Longevity at 65 for future pensioners		
Men	24.0	24.3
Women	25.4	25.5

The following assumptions have been made:

- Members will exchange half of their commutable pension for cash at retirement.
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age.
- The proportion of the membership that had taken up the 50:50 option at the previous valuation date will remain the same.

The Local Government Pension Scheme's estimated asset allocation for East Devon District Council consists of the following categories, by proportion of the total assets held:

Estimated Asset Allocation	2020/21	2019/20
	%	%
Gilts	3	4
Equity investments (UK and overseas)	64	57
Property and infrastructure	12	14
Target Return Portfolio	9	13
Cash	1	1
Other bonds	4	5
Alternative assets	7	6
Private Equity	0	0
Total	100	100

Impact of McCloud/ Sargeant Judgement

The Barnett Waddingham valuation provided includes an allowance to reflect the Court of Appeal judgment in respect of the McCloud and Sargeant cases which relates to age discrimination.

On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS benefits in response to the McCloud and Sargeant cases. The consultation closed on 8 October 2020 and the final remedy will only be known after the consultation responses have been reviewed and a final set of remedial Regulations are published.

Note 20. External Audit Costs

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

	2020/21	2019/20
	£'000	£'000
External Audit Costs		
External audit services carried out by Grant Thornton		
• Current year	61	47
• Under provision prior year	19	4
Pooling of capital receipts	5	9
Place analytics	6	6
Certification of grant claims and returns	12	12
Total	103	78

Note 21. Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement:

	2020/21	2019/20
	£'000	£'000
Grants and Contributions credited to Services		
Elections & Electoral Registration Grants	(13)	(362)
Housing Benefits and Council tax Benefits Grants	(24,118)	(25,489)
Homelessness Prevention	(327)	(177)
Disabled facilities & Home Stay Grants	(390)	(578)
AONB/Countryside projects Grants	(229)	(217)
Growth Point Delivery Team Grants	(126)	(84)
Neighbourhood Planning Grants	(60)	(40)
COVID-19 Support Grants	(3,889)	0
Other Grants and Contributions	(429)	(7,672)
Grants and Contributions credited to Services	(29,581)	(34,619)
Credited to Taxation and non-specific Grant income		
	2020/21	2019/20
	£'000	£'000
Non-Ring Fenced Government Grants		
COVID-19 Support Grants	(2,973)	0
New Homes Bonus	(3,647)	(3,899)
Rural Service Delivery Grant	(226)	(226)
Total	(6,846)	(4,125)
	2020/21	2019/20
	£'000	£'000
Capital Grants And Contributions		
CIL & S106 Receipts	(1,353)	(4,608)
Green Homes Grant	(500)	
Other Grants and Contributions	(731)	(344)
Total	(2,584)	(4,952)

Note 22. Related Parties

The Council 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 Council. The joint operation of Strata Services Solutions Ltd is deemed a related party, please see note 23 for details. There were no material third party transactions recorded in 2020/21 with Members or Officers of the Council.

22.1 Central Government

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 13 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2021 are also shown in the Debtors Note 29

22.2 Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2020/21 is shown in Note 16.

22.3 Other Public Bodies and Entities

Names of Related Parties	2020/21		2019/20	
	Income	Expenditure	Income	Expenditure
	£'000	£'000	£'000	£'000
Government Departments				
Ministry of Housing, Communities and Local Government	(91,388)	0	(5,797)	0
Department for Work & Pensions	(24,117)	0	(25,524)	0
Department for Environment, Food & Rural Affairs	(189)	0	(204)	0
HMRC (VAT,NI,PAYE)	(3,354)	4,372	(4,485)	3,683
Environment Agency	(668)	0	(45)	0
PWLB	(2,252)	4,714	(6,000)	2,890
Other Public Bodies				
Devon County Council	(1,998)	259	(1,574)	230
South Somerset District Council (shared services)				
Exeter City Council				
Plymouth City Council (NNDR Pool)		15,049		15,178
Total	(123,966)	24,394	(43,629)	21,981

Note 23. Interests in Joint Operations

East Devon District Council is a Member of SWAP which is a company limited by guarantee and is wholly owned and controlled, as an in-house company, by the members and is a Council controlled company for the purposes of Part V of the Local Government and Housing Act 1989.

The liability of each member is limited to £1, being the amount that each member undertakes to contribute to the assets of the Company in the event of it being wound up whilst a member or within one year ceasing to be a member.

Exeter City Council, Teignbridge District Council and East Devon District Council each have interests in a joint operation called Strata Service Solutions Ltd, a registered company (company number 09041662) whose registered office is Civic Centre, Paris Street, Exeter, Devon, EX1 1JN. The Company was established on 1 November 2012.

The business of the Company is the operation and provision of a shared information communications technology service to each of the authorities including;

- A source of expertise regarding information technology
- A resilient and reliable ICT infrastructure
- A service desk that maintains and supports devices, operating systems and core applications
- Information security and information management services
- Developing and implementing business systems to meet Council business objectives
- A Street Name and Numbering function

The proportions of ownership interests are; East Devon District Council (36.692%), Exeter City Council (35.936%) and Teignbridge District Council (27.372%). Each Council has equal voting rights, with decisions taken collectively and unanimously.

The figures that have been consolidated into the Council's single entity financial statements are:

	In Year Adjustments to 31 March 2021	Cumulative Adjustments to 31 March 2020
	£'000	£'000
Adjustments to Comprehensive Income and Expenditure		
Fees	(2,872)	(9,536)
Cost of sales	1,247	1,591
Admin expenses	1,681	8,934
Adjust Strata Services solutions Ltd REFCUS	339	516
Transfer of pension scheme liability	0	1,160
Cost of Services	395	2,665
Loss on disposal of assets	80	699
Adjust Strata Services solutions Ltd REFCUS	0	(1,361)
Net interest on the defined benefit liability	50	286
Interest receivable	0	(15)
(Surplus) or Deficit on Provision of Services	525	2,274
Re-measurement of the net defined benefit liability	1,441	(131)
Total Comprehensive income and expenditure	1,966	2,143

	In Year 2020/21	Accumulative to 2019/20
	£'000	£'000
Adjustments to Balance Sheet		
Property, plant & equipment	(97)	265
Intangible assets	349	524
Investment in Strata removed upon consolidation and replaced with proportional share of assets and liabilities	0	(332)
Total Long Term Assets	252	457
Inventories	1	3
Short Term Debtors	(270)	618
Cash & cash equivalents	217	100
Total Current Assets	(52)	720
Short Term Creditors	167	(329)
Total Current Liabilities	167	(329)
Capital grants Receipts in advance	(694)	(817)
Pension Scheme Liability	(1,639)	(2,174)
Total Long Term Liabilities	(2,333)	(2,991)
Net assets	(1,966)	(2,143)
Financed by:		
Usable Reserves	17	(292)
Unusable Reserves	1,949	2,435
Total Reserves as at 31 March	1,966	2,143

Note 24 and Infrastructure Assets

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets [*Local Government Circular 09/2022 Statutory Override Accounting for Infrastructure Assets for Scottish Local Authorities*] 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 may not faithfully represent the asset position to the users of the financial statements.

The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation may not be measured accurately and may not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

Note 24: Property, Plant and Equipment

2020/21	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<u>Cost/Valuation</u>							
As of the beginning of the period	244,925	92,669	15,875	0	2,254	1,129	356,852
Additions	7,658	595	87	0	53	37	8,430
Accumulated Depreciation and Impairment written out to GCA	(1,322)	(3,576)	0	0	0	0	(4,898)
Revaluation increases recognised in the Revaluation Reserve	2,123	(296)	0	0	11	0	1,838
Revaluation decreases recognised in the Revaluation Reserve	0	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(4,730)	(188)	0	0	109	0	(4,809)
Impairment recognised in the Surplus/Deficit on the Provision of Services	0	(221)	0	0	(7)	0	(228)
Reclassifications	(885)	(75)	0	0	0	0	(960)
Disposals (to Assets Held for Sale)	0	(1,596)	(1,637)	0	(7)	0	(3,240)
Disposals (Other)	0	0	(103)	0	0	0	(103)
As of the end of the period	247,769	87,312	14,222	0	2,413	1,166	352,882

<u>Accumulated Depreciation</u>							
As of the beginning of the period	(2)	(3,815)	(7,681)	0	(76)	(1)	(11,575)
Depreciation charge	(1,322)	(1,680)	(1,493)	0	0	0	(4,495)
Reclassifications	2	0	0	0	0	0	2
Accumulated revaluation written out to GCA	1,322	1,619	0	0	0	0	2,941
Accumulated impairment written out to GCA	0	1,957	0	0	0	0	1,957
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	0	(19)	0	0	0	0	(19)
Disposals (to Assets Held for Sale)	0	115	1,637	0	0	0	1,752
Disposals (Other)	0	0	0	0	0	0	0
As of the end of the period	0	(1,823)	(7,537)	0	(76)	(1)	(9,437)
Net Book Value at 31 March 2021	247,769	85,489	6,685	0	2,337	1,165	343,445

The authority has determined in accordance with Regulation [30M England or 24L Wales] of the Local Authorities (Capital Finance and Accounting) (England/Wales) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

2019/20	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
<u>Cost/Valuation</u>							
As of the beginning of the period	235,844	91,174	14,809	19,600	2,210	1,064	364,701
Additions	7,666	718	1,379	29	44	65	9,901
Accumulated Depreciation and Impairment written out to GCA	(1,285)	(3,178)	(91)	0	0	0	(4,554)
Revaluation increases recognised in the Revaluation Reserve	2,636	4,567	458	0	0	0	7,661
Revaluation decreases recognised in the Revaluation Reserve	0	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	1,491	(368)	18	0	0	0	1,141
Impairment recognised in the Surplus/Deficit on the Provision of Services	0	(618)	(40)	(28)	0	(1)	(687)
Reclassifications	(1,425)	0	0	0	0	0	(1,425)
Disposals (to Assets Held for Sale)	(2)	(244)	(699)	0	0	0	(945)
Disposals (Other)	0	0	0	0	0	0	0
As of the end of the period	244,925	92,051	15,834	19,601	2,254	1,128	375,793
<u>Accumulated Depreciation</u>							
As of the beginning of the period	0	(4,752)	(6,411)	(6,336)	(76)	0	(17,576)
Depreciation charge	(1,291)	(1,531)	(1,480)	(210)	0	0	(4,512)
Reclassifications	4	0	0	0	0	0	4
Accumulated revaluation written out to GCA	1,285	1,396	91	0	0	0	2,772
Accumulated impairment written out to GCA	0	1,782	0	0	0	0	1,782
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	0	(212)	(540)	0	0	0	(752)
Disposals (to Assets Held for Sale)	0	120	699	0	0	0	819
Disposals (Other)	0	0	0	0	0	0	0
As of the end of the period	(2)	(3,197)	(7,641)	(6,546)	(76)	0	(17,463)
Net Book Value at 31 March 2020	244,923	88,854	8,193	13,055	2,178	1,128	358,330

Infrastructure Assets

	2020/21	2019/20
Net book value (modified historical cost) - at 01/04/2020	13,055	13,265
Additions	83	29
Derecognition		
Depreciation	(215)	(210)
Impairment		(28)
Other movements in cost	(46)	(1)
Net book value (modified historical cost) - at 31/03/2021	12,877	13,055

Total PPE assets

	31 March 2021	31 March 2020
Infrastructure Assets	12,877	13,055
Other PPE Assets	343,445	345,275
Total PPE assets	356,322	358,330

24.1 Investment Property

The Council classifies investment property as property which is held exclusively for revenue generation or for the capital gain that the asset is expected to generate. Such assets are not used directly to deliver Council services.

Any property that is used to facilitate the delivery of Council services as well as to earn rental income or for capital appreciation, does not meet the definition of an investment property. Such assets are accounted for as property, plant and equipment.

The Council acquired the freehold of the Ocean Building in 2019/20 as an Investment. There are 19 years of a 25 year lease to run on this building.

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Investment Property – Income and Expenses.

	£'000s	£'000s
	2020/21	2019/20
Rental Income & Other Income arising from Investment Property	(233)	0
Direct operating expenses arising from Investment Property	10	2
Net gain/loss	<u>(223)</u>	<u>2</u>

The following table summarises the movement in the fair value of investment property over the year.

Investment Property - Movement in fair value over the year.

	£'000s	£'000s
	2020/21	2019/20
Balance at start of the year	3,000	0
Purchase of Investment Property	0	2,809
Net gain/loss from fair value adjustments	(35)	191
Balance at end of the year	<u>2,965</u>	<u>3,000</u>

24.2 Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Council Dwellings: 23 - 60 years (includes components). Any charge is reversed as part of the annual revaluation process. Depreciation is charged in year of disposal to disposal date, and not charged in year of acquisition
- Infrastructure: 5 -100 years
- Other Land and Buildings: 2 - 60 years
- Vehicles, Plant, & Equipment: 2 -15 years

24.3 Capital Commitments

The estimated maximum contractual commitments for capital expenditure for significant schemes (annual value over £250k) that had started, or where legal contracts had been entered into, as of 31 March 2021 the value is nil.

24.4 Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued at least every five years. The carrying amounts of assets subject to the 5 year rolling revaluation programme that are not revalued during the year are none-the-less reviewed to ensure that they are not materially different from their current value at year end.

With the exception of the Council Housing stock, which due to the impact of Corona was valued using a desktop approach as agreed with the District Valuer, Peter McGuigan, (MRICS), all valuations were carried out internally by Robert Harrison, (MRICS). Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors and also CIPFA's Code of practice.

Valuations of vehicles, plant and equipment are based on historic cost less depreciation and residual values where there is an active second-hand market. For housing assets, this is the second year of a 5 year rolling revaluation programme in which one fifth of the authorities individual beacon sites will be visited each year, revaluing all beacons within the 5 year timeframe. The housing assets were valued as at the 31st March 2021. All other assets are valued as at 31 December 2020 and then reviewed to ensure that there is no material difference between that date and year end.

The significant assumptions applied in estimating the current values are:

- there are no title issues which are likely to have an effect on the valuations since last undertaken;
- there are no planning proposals that are likely to have an effect on the value of the premises, unless planning permission has been granted within the year;
- a reasonable standard of repair has been assumed except for buildings with a limited economic life;
- land and properties are not contaminated;
- land and properties are not at risk from environmental matters.

Property, Plant and Equipment Valuations

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at Historic Cost:	0	0	14,228	19,666	2,413	1,166	37,473
Valued at fair value as at:							
2020/21	247,769	73,202	0	0	0	0	320,971
2019/20	0	2,744	0	0	0	0	2,744
2018/19	0	6,631	0	0	0	0	6,631
2017/18	0	4,735	0	0	0	0	4,735
2016/17	0	0	0	0	0	0	0
Total Cost or Valuation	247,769	87,312	14,228	19,666	2,413	1,166	372,554

Note 25. Assets Held for Sale

	2020/21	2019/20
	£'000	£'000
Assets Held For Sale		
As of the Beginning of the Period	0	7,505
Assets Transferred	959	1,421
Sold to Other Entities and Individuals	(882)	(8,926)
As at the end of the Period	78	0

Note 26. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	2020/21	2019/20
Capital Financing Requirement	£'000	£'000
Opening Capital Financing Requirement	90,171	95,391
Capital Investment:		
Property, Plant and Equipment	8,513	9,891
Investment Property	0	2,809
Revenue Expenditure Funded from Capital Under Statute	3,045	1,868
Capital Long Term Debtors	1,115	0
Capital Long Term Investments	0	0
Capital Long Term Investment Strata	219	114
Total Expenditure	12,892	14,682
Sources of Finance:		
Capital Receipts	(3,204)	(12,534)
Government Grants and Other Contributions	(1,830)	(1,011)
Direct Revenue Contributions	(2,170)	(2,390)
Use of Earmarked Reserves	(3,110)	(3,912)
Minimum Revenue Provision	(156)	(55)
Total Financing	(10,470)	(19,902)
Closing Capital Financing Requirement	92,593	90,171
	2020/21	2019/20
Capital Financing Requirement	£'000	£'000
Increase/(Decrease) in underlying need to borrow (Supported by government financial assistance)	0	0
Increase/(Decrease) in underlying need to borrow (Unsupported by government financial assistance)	2,422	(5,220)
Assets Acquired Under Finance Lease	0	0
Increase/(Decrease) in Capital Financing Requirement	2,422	(5,220)

Note 27. Leases

27.1 Council as Lessee

27.1.1 Finance Leases

The Council did not have any finance leases in 2020/21.

27.1.2 Operating Leases

The Council leases a number of land, buildings, vehicles and office equipment under operating leases. The future minimum lease payments due under non-cancellable leases in future years are:

	2020/21	2019/20
Operating Leases - Council as Lessee	£'000	£'000
Not later than one year	367	300
Later than one year and not later than five years	1,111	694
Later than five years	689	809
Total	2,167	1,803

27.2 EDDC as Lessor

27.2.1 Operating Leases

The Council leases out property under operating leases for the following purposes:

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

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

	2020/21	2019/20
Operating Leases - Council as Lessor - Future Minimum Lease Payments	£'000	£'000
Not later than one year	521	470
Later than one year and not later than five years	1,564	1,415
Later than five years	8,957	9,189
Total	11,042	11,074

Note 28. Financial Instruments

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

Financial Assets	Note	2020/21		2019/20	
		Long Term	Short Term	Long Term	Short Term
		£'000	£'000	£'000	£'000
Investments					
Fair Value through Profit and Loss – Pooled Investment Funds	28.2.1	0	31,047	0	29,604
Fair Value through other comprehensive income – designated equity instruments	28.2.2	825	0	825	0
Amortised Cost – Fixed Interest	28.2.3	0	23,000	0	4,000
		825	54,047	825	33,604
Cash					
Amortised Cost – Cash Equivalents – Fixed Interest, Short Term Money Market Deposits and Cash at Bank	28.2.3	0	449	0	15,716
		0	449	0	15,716
Debtors					
Amortised Cost	28.2.3	3,651	8,457	2,839	12,090
Debtors that are not financial instruments	28.2.3	0	18,708	0	3,925
		3,651	27,165	2,839	16,015
Less: Debtors that are not financial instruments	28.2.3	0	(18,708)	0	(3,925)
Total Financial Assets		4,476	62,953	3,664	61,410

Financial Liabilities	Note	2020/21		2019/20	
		Long Term	Short Term	Long Term	Short Term
		£'000	£'000	£'000	£'000
Borrowings					
Borrowing at amortised cost -PWLB	28.2.4	85,242	3,584	86,511	4,792
		85,242	3,584	86,511	4,792
Cash Overdrawn					
Amortised cost	28.2.4	0	3,994	0	2,534
		0	3,994	0	2,534
Short Term Creditors					
Amortised Cost	28.2.4	0	4,255	0	7,645
Short Term Creditors that are not financial instruments	28.2.4	0	28,373	0	7,876
		0	32,628	0	15,521
Less: Creditors that are not financial instruments	28.2.4	0	(28,373)	0	(7,876)
Total Financial Liabilities		85,242	11,833	86,511	14,971

28.1 Gains and Losses on Financial Instruments

Gains and losses on financial instruments comprise interest received from loans and investments, changes in valuation of Pooled Investment Funds and interest paid on Borrowings. The gain arising from interest income was £0.46m (£0.69m 2019/20). The gain on revaluation of Pooled Investment Funds was £0.44m; (loss of £0.29m 2019/20). The expense arising from interest payments was £2.72m (£2.71m 2019/20). Further details may be found in notes 12 and 34.7.

28.2 Fair Value of Assets and Liabilities in the Balance Sheet

The fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, and using the following assumptions:

- Pooled Investment Fund assets are carried in the Balance Sheet at their fair value. These fair values are based on public price quotations as there is an active market for the instruments.
- Designated equity investments are carried in the Balance Sheet at their fair value-
- Ranges of new loan discount rates as at 31 March 2021 between 0.79% and 2.10% have been used for calculating loans from the Public Works Loan Board (PWLB).
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate fair value.
- The fair value is 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.

There have been no changes in valuation technique or movements in the fair value hierarchy in the year.

28.2.1		2020/21		2019/20	
Financial Assets – Fair Value through Profit and Loss	Fair Value Level	Carrying Amount	Fair Value	Carrying Amount	Fair Value
		£'000	£'000	£'000	£'000
Pooled Investment Funds	1	31,047	31,047	29,604	29,604
Total		31,047	31,047	29,604	29,604

See note 34.7 for details of revaluation gains or losses on Pooled Investment Funds. £1m of investments were purchased during the year; (2019/20: £nil).

With the introduction of IFRS 9 the Council has designated the following equity as fair value through other comprehensive income:

28.2.2		2020/21		2019/20	
Investments in Equity Instruments designated at Fair Value through other comprehensive income	Fair Value Level	Carrying Amount	Fair Value	Carrying Amount	Fair Value
		£'000	£'000	£'000	£'000
Exeter Science Park Limited shares	2	825	825	825	825
South West Mutual Limited shares	2	0	0	0	0
Total		825	825	825	825

- i. **Exeter Science Park Limited shares** - The Council holds shares in Exeter Science Park to promote economic generation. As the asset is not held for trading or income generation, rather a longer term policy initiative, the equity has been designated as fair value through comprehensive income.
- ii. **South West Mutual Limited shares** - The Council holds founder shares in South West Mutual Limited, which proposes establishing the first member-owned high street bank dedicated to the residents and small businesses of Cornwall, Devon, Somerset and Dorset. As the asset is not held for trading or income generation, rather a longer term policy initiative, the equity has been designated as fair value through comprehensive income.

Except for the financial assets carried at fair value, (described in the tables above), all other financial assets and financial liabilities held by the Council are carried in the Balance Sheet at amortised cost. The fair values calculated are as follows.

28.2.3		2020/21		2019/20	
Financial Assets – Amortised Cost	Fair Value Level	Carrying Amount	Fair Value	Carrying Amount	Fair Value
		£'000	£'000	£'000	£'000
Short-term Investments	2	23,000	23,000	4,000	4,000
Short-term Debtors	2	8,457	8,457	12,090	12,090
Long-term Debtors	2	3,651	3,651	2,839	2,839
Short-term Deposits and Cash	2	449	449	15,716	15,716
Financial Assets		35,557	35,557	34,645	34,645
<i>Non-financial Assets - Short-term Debtors</i>		<i>18,708</i>		<i>3,925</i>	
<i>Total</i>		<i>54,265</i>		<i>38,570</i>	

28.2.4		2020/21		2019/20	
Financial Liabilities – Amortised Cost	Fair Value Level	Carrying Amount	Fair Value	Carrying Amount	Fair Value
		£'000	£'000	£'000	£'000
Short-term Creditors	2	4,255	4,255	7,645	7,645
Short-term Borrowings - cash overdrawn	2	3,994	3,994	2,534	2,534
Short-term and Long-term Borrowings (PWLB)	2	88,826	98,070	91,303	96,572
Financial Liabilities		97,075	106,319	101,482	106,751
<i>Non-financial Liabilities - Short-term Creditors</i>		<i>28,373</i>		<i>7,876</i>	
<i>Total</i>		<i>125,448</i>		<i>109,358</i>	

Short-term debtors and short-term creditors are carried at cost as this is a fair approximation of their value.

Long-term debtors comprise soft loans made by the Council: see 28.4 for further details on these loans and the assumptions made in arriving at their fair value.

The Council has used a transfer value for the fair value of financial liabilities. We have also calculated a fair value of £98.070m for the PWLB borrowings, using new loan discount rates.

28.3. Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks. The key risks are:

28.3.1 Liquidity Risk

This is the possibility that the Council might not have funds available to meet its commitments to make payments;

The Council has access to the money markets for short-term debt to cover revenue expenditure and to the money markets and PWLB for longer-term borrowing. The Council's short and medium term cash forecasting procedures are aimed at ensuring that sufficient funds mature at the right time to cover expenditure. There is no significant risk that the Council would be unable to raise finance to meet its commitments under financial instruments.

28.3.2 Refinancing and Maturity Risk

The Council maintains a significant investment portfolio. The prudential indicator limiting the amount of funds placed in investments for terms exceeding one year is a key factor limiting this risk.

Trade creditors and debtors are due to be settled within one year. The long-term debtors principally comprise amounts owed by Voluntary Organisations borrowed at below market rates (Soft Loans).

All current borrowing by the Council is fixed-term from the PWLB at a preferential fixed rate and relates predominantly to Self-Financing loans for the HRA. The repayment of the Self-Financing loans is factored into the Housing Revenue Account 30-year plan and as such there is minimal risk that the Council will need to refinance these loans at a time of unfavourable interest rates.

The following table sets out the maturity analysis of Long-term Borrowing by the Council.

Duration	2020/21 £'000	2019/20 £'000
Less than 1 Year	3,584	4,793
Between 1 and 2 Years	3,807	3,520
Between 2 and 5 Years	12,706	12,257
Between 5 and 10 years	16,812	17,498
More than 10 Years	51,917	53,235
Total	88,826	91,303

28.3.3 Credit Risk

The Council is exposed to interest rate movements on its investments, and 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. As part of this strategy, the Council sets the prudential indicators which provide maximum and minimum limits for fixed and variable interest rate exposure.

The in-house Treasury Team monitors market and forecast interest rate movements, and selects the most advantageous investments allowed within the limits of the Council's treasury policies.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be easily assessed, generally, as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for

such entities to be unable to meet their commitments. A risk of irrecoverability applies to all the Council's deposits, but there was no evidence at the 31 March 2021 that this risk was likely to crystallise.

28.3.4 Market Risk

This is the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. A treasury management strategy is formally approved annually by the Council. This identifies all treasury risks and forms the basis of the day to day operating guidance when making decisions on placing any surplus funds (i.e. to whom, for how long, for how much, etc.). This treasury strategy can be found on the Council's website.

28.4 Soft loans made by the Council

The Council has made a number of loans to voluntary organisations at less than market rates (soft loans). The details of these are shown in the tables below. When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account.

Valuation Assumptions

The interest rates at which the fair values of soft loans have been made are arrived at by taking the Council's prevailing cost of borrowing and adding an allowance for the risk that the loans might not be repaid.

The soft loans information material to the accounts is as follows:

	Balance brought forward 31 March 2020 £'000	New loans granted £'000	New loans granted (rolled up interest) £'000	Loans repaid £'000	Loans re-financed and no longer defined as soft loan £'000	Fair value adjustment £'000	Balance carried forward 31 March 2021 £'000	Nominal value carried forward 31 March 2021 £'000
Soft Loans - 31 March 2021								
Beer Community Land Trust	0	250	0	0	0	0	250	250
Exeter and Devon Airport Limited	0	785	4	0	0	0	789	789
Exeter Science Park Company Limited	985	0	25	0	0	23	1,033	1,155
Exeter Science Park Company Limited	1,489	0	0	(1,500)	0	11	0	0
Exmouth Museum	0	80	0	0	0	0	80	80
Kennaway House Trust	251	0	10	0	0	0	261	351
LED Ltd	1,348	0	0	(83)	0	18	1,283	1,431
Total	4,073	1,115	39	(1,583)	0	52	3,696	4,056

	Balance brought forward 31 March 2019 £'000	New loans granted £'000	New loans granted (rolled up interest) £'000	Loans repaid £'000	Loans re-financed and no longer defined as soft loan £'000	Fair value adjustment £'000	Balance carried forward 31 March 2020 £'000	Nominal value carried forward 31 March 2020 £'000
Soft Loans - 31 March 2020								
Exeter Science Park Company Limited	938	0	26	0	0	21	985	1,130
Exeter Science Park Company Limited	1,479	0	0	0	0	10	1,489	1,500
Kennaway House Trust	241	0	10	0	0	0	251	341
LED Ltd	1,410	0	0	(81)	0	19	1,348	1,514
Total	4,068	0	36	(81)	0	50	4,073	4,485

Note 29. Debtors and Payments in Advance

Long-term Debtors

The Council makes loans to a number of organisations. An analysis is shown below.

	2020/21	2019/20
Long-term Debtors	£'000	£'000
Other Entities and Individuals		
Material Soft Loans	3,697	4,073
Other Soft Loans	59	67
Other Loans	290	296
	4,046	4,436
Less included in Short-term Debtors	(395)	(1,597)
Total Long-term Debtors	3,651	2,839

The following table shows the analysis of short term debtors, offset by impairment allowances for expected credit losses on trade receivables and bad debt provisions for council tax and business rates.

	2020/21	2019/20
Short Term Debtors	£'000	£'000
Council Tax and Business Rates	1,054	731
Trade Receivables	10,865	11,124
Central & Local Government	15,835	4,816
	27,754	16,671
Less Impairment Allowances	(589)	(656)
Total Short Term Debtors	27,165	16,015

The following impairment allowances have been included in the above table.

	2020/21	2019/20
Impairment Allowances	£'000	£'000
Sundry Debtors	(98)	(125)
Housing Rents	(90)	(76)
Council Tax/Summons Fees	(47)	(47)
Business Rates/Summons Fees	(101)	(108)
Benefits Overpayments	(253)	(300)
Total Impairment Allowances	(589)	(656)

The following tables provide an aged analysis of the Council tax and business rates arrears balances and the associated allowances for impairment.

	2020/21			2019/20		
	Gross Debt £'000	Provision £'000	Net Debt £'000	Gross Debt £'000	Provision £'000	Net Debt £'000
Council Tax						
Up to one year	161	(14)	147	154	(18)	136
one to three years	141	(19)	122	108	(17)	91
Over 3 years	84	(13)	71	71	(12)	59
Total Council Tax	387	(47)	340	332	(47)	285

	2020/21			2019/20		
	Gross Debt £'000	Provision £'000	Net Debt £'000	Gross Debt £'000	Provision £'000	Net Debt £'000
Business Rates						
Up to one year	532	(64)	469	251	(51)	200
one to three years	138	(33)	105	110	(35)	75
Over 3 years	21	(5)	16	38	(21)	17
Total Business Rates	691	(101)	590	399	(108)	291

Note 30. Cash and Cash Equivalents

	2020/21 £'000	2019/20 £'000
Cash and Cash Equivalents		
Cash in transit and cash floats	2	2
Bank current accounts	130	114
Strata Services Solutions Ltd cash at bank	317	100
Short term deposits	0	15,500
Total	449	15,716

Note 31. Creditors and Receipts in Advance

	2020/21 £'000	2019/20 £'000
Short Term Creditors		
Council Tax and Business Rates	(1,887)	(500)
Trade Payables	(7,741)	(4,121)
Central & Local Government	(23,000)	(10,900)
Total Short Term Creditors	(32,628)	(15,521)

Note 32. Provisions

	Balance as at 31 March 2020 £'000	Contribution to Provision £'000	Use of Provision £'000	Balance as at 31 March 2021 £'000
Short-term General Fund Provisions				
Business Rates Appeals	(800)	(726)	659	(867)
Total Short-term General Fund Provisions	(800)	(726)	659	(867)

Non Domestic Rates Appeals

The Business Rates Retention Scheme requires local authorities to forecast and make provision for the amount of money that they would expect to have to repay as a result of reductions in rateable value following a successful appeal.

This is the Council's share of the estimated outstanding appeals, including backdated appeals, which are likely to be successful. The figure takes into account the Council's option to spread the cost over 5 years.

Note 33: Usable Reserves

Movements in the Council's Usable Reserves are detailed in the Movement in Reserves Statement and Note 9.

Note 34: Unusable Reserves

Movements in the Council's Unusable Reserves are detailed in full in the balance sheet.

34.1 Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2020/21	2019/20
	£'000	£'000
Accumulated Absences Account		
Balance at 1 April	117	114
Settlement or cancellation of accrual made at the end of the preceding year	0	0
Amounts accrued at the end of the current year	(11)	3
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	106	117
Balance at 31 March	106	117

34.2 Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from Council tax payers and business ratepayers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2020/21	2019/20
	£'000	£'000
Collection Fund Adjustment Account		
Balance as at 1 April	(84)	(1,419)
Amount by which Council tax income credited to the Comprehensive Income and Expenditure Statement is different from Council tax income calculated for the year in accordance with statutory requirements	7,629	1,335
Balance at 31 March	(7,546)	(84)

34.3 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 a historical cost basis). The Account is credited with the amounts set aside by the Council 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 Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 9 provides details of the source of all the transactions posted to the Account apart from those involving the Revaluation Reserve.

Capital Adjustment Account	2020/21 £'000	2019/20 £'000
Balance at 1 April	(217,080)	(203,758)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:		
Charges for depreciation and impairment of noncurrent assets	4,985	5,198
Revaluation gain/ (losses) on Property, Plant and Equipment	4,844	(1,332)
Amortisation of intangible assets	0	0
Revenue expenditure funded from capital under Statute	3,264	1,982
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,370	9,049
Loss on share of donated assets	309	365
	15,772	15,262
Adjusting amounts written out of the Revaluation Reserve	(3,217)	(8,791)
Net written out amount of the cost of non-current assets consumed in the year	12,555	6,471
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(3,204)	(12,534)
Use of Replacement Lifts Reserve to finance new capital expenditure	(1,142)	0
Use of the Major Repairs Reserve to finance new capital expenditure	(1,972)	(3,912)
Capital grants and contributions credited to the CI&E Statement that have been applied to capital financing	(1,621)	(578)
Application of grants to capital financing from the Capital Grants Unapplied Account	(209)	(433)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(156)	(55)
Other financing movements	1,592	109
Reduction in lease liabilities	0	0
Capital expenditure charged against the General Fund & HRA balances	(2,170)	(2,390)
	(8,882)	(19,793)
Balance at 31 March	(213,407)	(217,080)

34.4 Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenditure relating to certain financial instruments and for bearing losses or benefiting from gains per statute.

	2020/21	2019/20
	£'000	£'000
Financial Instrument Adjustment Account		
Balance at 1 April	414	464
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(52)	(50)
Balance at 31 March	362	414

34.5 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 Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council 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 Council 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.

There is a temporary imbalance between the Net Pensions Liability and the Pensions Reserve, which is due to the Council opting to pay 3 years past service deficit amounts up front during 2020/21. It immediately reduced the net pension liability, but the payment will be released to the Pension Reserve over the respective three financial years, in accordance with proper accounting practice.

	2020/21	2019/20
	£'000	£'000
Pension Reserve		
Liability at Beginning of the Period	(63,360)	(65,429)
Re-measurement of the net defined benefit liability	(18,182)	6,772
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(6,499)	(7,864)
Employer's pensions contributions and direct payments to pensioners payable in the year	3,067	3,164
Balance at 31 March	(84,974)	(63,360)

34.6 Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment [and Intangible Assets]. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account

	2020/21 £'000	2019/20 £'000
Revaluation Reserve		
Balance at 1 April	(59,379)	(61,261)
Upward revaluation of assets	(1,839)	(7,661)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	19	752
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(1,820)	(6,909)
Difference between fair value depreciation and historical cost depreciation	1,662	995
Accumulated gains on assets sold or scrapped	1,555	7,796
Amount written off to the Capital Adjustment Account	3,217	8,791
Balance at 31 March	(57,982)	(59,379)

34.7 Pooled Investment Funds Adjustment Account

The Pooled Investment Funds Adjustment Account deals with fair value gains or losses arising on the Council's investments in pooled investment funds that would otherwise be charged to revenue account. The Council is prohibited by statutory instrument from charging these to revenue account in the financial years from 1 April 2018 to 31 March 2023.

	2020/21 £'000	2019/20 £'000
Pooled Investment Funds Adjustment Account		
Balance at 1 April	303	11
Change in valuation charged to Surplus/Deficit on Provision of Services of the Other Comprehensive Income and Expenditure Statement	(443)	292
Balance at 31 March	(140)	303

The fair value of Pooled Investment Funds at 31 March 2021 was £31.047m.

34.8 Financial Instruments Revaluation Account

	2019/20 £'000	2019/20 £'000
Financial Instruments Revaluation Account		
Balance at 1 April	50	0
Change in valuation charged to Other Comprehensive Income and Expenditure Statement	0	50
Balance at 31 March	50	50

Note 35. Contingent Liabilities

None to be noted.

Note 36. Contingent Assets

Section 106 Receipts

The potential receipts from section 106 payments for planning applications given to the end of March 2021 currently stand at £9.429m.

Note 37. Prior Period Adjustment

The Council discovered an error in the classification of some of its fixed term loans as cash and cash equivalents on the Balance Sheet in 2018/19 and 2019/20. This means that cash and cash equivalents were overstated by £2m in 2018/19 and £4m in 2019/20 and short term investments were understated by the same amount.

Effect on line items in the Balance Sheet 31 March 2019

	2018/19 As originally stated £'000	2018/19 As restated £'000	Amount of restatement £'000
Current Assets			
Short Term Investments	0	2,000	2,000
Cash and Cash Equivalents	7,755	5,755	(2,000)
Total Current Assets	7,755	7,755	0
Net Assets	7,755	7,755	0

Effect on line items in the Balance Sheet 31 March 2020

	2019/20 As originally stated £'000	2019/20 As restated £'000	Amount of restatement £'000
Current Assets			
Short Term Investments	0	4,000	4,000
Cash and Cash Equivalents	19,716	15,716	(4,000)
Total Current Assets	19,716	19,716	0
Net Assets	19,716	19,716	0

The reclassification above recognises that short term investments have a fixed maturity date and cannot be "callable" as defined in cash and cash equivalents. A third Balance Sheet, (for the year 2018/19), is required, as the error has an impact on the opening balances for the 2019/20 year.

There is no impact on any other financial statement except the Cash Flow Statement, which is shown below. (*Only those categories on which the error has an impact are shown in full; other categories are summarised*).

Note 37. Prior Period Adjustment continued.

Cash Flow Statement - year ended 31 March 2019	2018/19 As originally stated	2018/19 As restated	Amount of restatement
	£'000	£'000	£'000
Net Cash Flows from Operating Activities	(8,418)	(8,418)	0
Cash Flows from Investing Activities			
Purchase of Property, Plant and Equipment	15,609	15,609	0
Purchase of long term investments	50	50	0
Purchase of short term investments	0	2,000	2,000
Acquisition/ (Disposal) of Intangible Assets	99	99	0
Proceeds from the Disposal of Property, Plant and Equipment	(3,172)	(3,172)	0
Net Cash Flows from Investing Activities	12,586	14,586	2,000
Net Cash Flows from Financing Activities	(7,553)	(7,553)	0
Net Increase in Cash and Cash Equivalents in the Period	(3,385)	(1,385)	2,000
Cash and Cash Equivalents			
At the beginning of the period	2,293	2,293	0
Net increase in Cash and Cash Equivalents in the Period	3,385	1,385	(2,000)
Cash and Cash Equivalents at the end of the Period	5,678	3,678	(2,000)
Cash Flow Statement - year ended 31 March 2020			
	2019/20 As originally stated	2019/20 As restated	Amount of restatement
	£'000	£'000	£'000
Net Cash Flows from Operating Activities	(11,117)	(11,117)	0
Cash Flows from Investing Activities			
Purchase of Property, Plant and Equipment	9,901	9,901	0
Purchase of Investment Property	2,809	2,809	0
Purchase of short term investments	0	5,000	5,000
Proceeds from short term investments	0	(3,000)	(3,000)
Proceeds from the Disposal of Property, Plant and Equipment	(11,030)	(11,030)	0
Net Cash Flows from Investing Activities	1,680	3,680	2,000
Net Cash Flows from Financing Activities	(2,067)	(2,067)	0
Net Increase in Cash and Cash Equivalents in the Period	(11,504)	(9,504)	2,000
Cash and Cash Equivalents			
At the beginning of the period	5,678	3,678	(2,000)
Net increase in Cash and Cash Equivalents in the Period	11,504	9,504	(2,000)
Cash and Cash Equivalents at the end of the Period	17,182	13,182	(4,000)

Housing Revenue Account Income and Expenditure Statement - for the Year Ended 31 March 2021

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

	HRA Note	2020/21 £'000	2019/20 £'000
Income			
Dwelling Rents (Gross)	1	(17,526)	(16,882)
Non Dwelling Rents (Gross)		(218)	(455)
Charges for Services & Facilities		(599)	(578)
Contributions Received Towards Expenditure		(23)	(178)
Total Income		(18,366)	(18,083)
Expenditure			
Repairs and Maintenance		3,369	4,157
Supervision and Management		4,874	5,275
Rents, Rates, Taxes and Other Charges		25	23
Negative Subsidy – Payments to Secretary of State		0	0
Increase in Allowance for Bad and Doubtful Debts	2	15	24
Depreciation and Impairment of Fixed Assets	4	1,578	1,455
Other Comprehensive Income & Expenditure		103	204
Sums Directed by Secretary of State that are Expenditure in Accordance with the Code		0	0
Total Expenditure		9,964	11,138
Net Expenditure/(Income) of HRA Services as Included in the Comprehensive Income & Expenditure Statement		(8,402)	(6,945)
Non-distributable Costs – Pensions Past Service Cost		121	119
HRA Share of Corporate and Democratic Core		1,129	1,082
Net Expenditure/(Income) of HRA Services		(7,152)	(5,744)
HRA Share of Operating Income and Expenditure Included in the Comprehensive Income & Expenditure Account			
(Gain)/Loss on Disposal of Non-Current Assets		(644)	(874)
(Gain)/Loss on revaluation of Non-Current assets		4,729	(1,491)
Interest and Investment Income		(23)	(27)
Interest Payments		2,566	2,526
Net Interest on the Net Defined Benefit Liability		229	279
Capital Grants and Contributions Received		(509)	0
(Surplus)/Deficit for the Year on HRA Services		(804)	(5,330)

The accompanying notes form part of these financial statements

Statement of Movement in the Housing Revenue Account - for the Year Ended 31 March 2021

The HRA Income and Expenditure Statement shows the actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Council is required to raise rents on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the property, plant and equipment are consumed.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

These adjustments are reflected in the statement shown below.

HRA Note	2020/21 £'000	2019/20 £'000
Balance as at 1 April	(4,063)	(3,100)
Movement in Reserves:		
Surplus/(Deficit) on Provision of Services	(804)	(5,330)
Total Comprehensive Income & Expenditure	(4,867)	(8,430)
Adjustments Between Accounting Basis and Funding Basis Under Regulations:		
Capital Grants and Contributions Applied	509	0
Revenue Expenditure Funded from Capital Under Statute	0	0
Depreciation and Impairment of Non-current Assets	(1,578)	(1,455)
Reversal of Employee Leave Accrual	0	0
Reversal Revaluation & Impairment (Gains)/Losses on Property Plant & Equipment	(4,730)	1,491
Amounts of non-current assets written off on sale as part of the gain on disposal to the Comprehensive Income and Expenditure Statement	(883)	(1,420)
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,526	2,294
Revenue Contribution to Capital	24	66
Transfer to/(from) Major Repairs Reserve	1,972	3,912
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and expenditure Statement	(971)	(1,375)
Employer's Pension Contributions to Pension Fund Payable in the year	447	510
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from the remuneration chargeable in the year in accordance with statutory requirements	4	(1)
Total Adjustments Between Accounting Basis and Funding Basis Under Regulations	(3,679)	(4,022)
Net Increase/(Decrease) Before Transfers to Earmarked Reserves	(3,679)	(4,022)
Transfer (to)/from Earmarked Reserves	5,444	350
Increase/(Decrease) in Year	1,765	4,372
Balance as at 31 March	(3,102)	(4,060)

The accompanying notes form part of these financial statements

HRA Note 1. Rents

This is the total rent income collectable for the year after allowance is made for empty properties and irrecoverable amounts. Empty properties accounted for 1.85% (£330k) of the gross rents. In 2019/20 the figure was 1.52% (£265k).

The average weekly rent for dwellings was £80.82 in 2020/21 (£77.67 in 2019/20). The average weekly rent for garages was £5.78.

HRA Note 2. Rent Arrears

There was an increase of £136k in rent arrears and £4k increase in bad debt provision for the year ended 31 March 2021.

	2020/21 £'000	2019/20 £'000
Rents - Current Tenants	309	203
Rents - Former Tenants	94	64
Total Arrears	403	267
Provision for Bad and Doubtful Debts	(90)	(86)
Total Housing Arrears	313	181
Arrears as a percentage of Total Rent Debit	1.78%	1.07%

HRA Note 3. Housing Stock

The Council was responsible for managing on average 4,170 dwellings during 2020/21. The stock at the year-end was made up as follows:

	31 March 2020	Reclassified	Additions	Sales & Demolitions	31 March 2021
Flats & Maisonettes	1,207	0	2	(3)	1,206
Houses (including non-traditional)	1,975	0	12	(11)	1,976
Bungalows	980	0	0	(1)	979
House in multiple occupation	3	0	1	0	4
Other properties not used as dwellings	5	0	0	0	5
Total Dwellings	4,170	0	15	(15)	4,170

HRA Note 4. Housing Property, Plant and Equipment

The Housing Stock and other Housing Revenue Account Assets are included in the Balance Sheet at 31 March 2021 at a value of £247.770m (£249.576m at 1 April 2020). Due to the issue of Corona virus the 5 year rolling revaluation program has been suspended and the assets were revalued solely through a desktop based approach.

2020/21	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
<u>Cost/Valuation</u>							
As of the beginning of the period	244,925	4,769	0	155	0	0	249,849
Additions	7,658	0	0	0	0	0	7,658
Depreciation written out to Gross Carrying Amount on Revaluation	(1,322)	0	0	0	0	0	(1,322)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	2,123	0	0	0	0	0	2,123
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(4,730)	0	0	0	0	0	(4,730)
Impairment recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0
Reclassifications	(885)	0	0	0	0	0	(885)
Disposals (to Assets Held for Sale)	0	0	0	0	0	0	0
Disposals (Other)	0	0	0	0	0	0	0
As of the end of the period	247,770	4,769	0	155	0	0	252,694
<u>Accumulated Depreciation</u>							
As of the beginning of the period	(2)	(271)	0	0	0	0	(273)
Depreciation charge	(1,323)	(255)	0	0	0	0	(1,578)
Reclassifications	2	0	0	0	0	0	2
Depreciation written out to Gross Carrying Amount on Revaluation	1,322	0	0	0	0	0	1,322
Disposals (to Assets Held for Sale)	0	0	0	0	0	0	0
Disposals (Other)	0	0	0	0	0	0	0
As of the end of the period	0	(527)	0	0	0	0	(527)
Net Book Value at 31 March 2021	247,770	4,242	0	155	0	0	252,167

2019/20	Council Dwellings £'000 (restated)	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
<u>Cost/Valuation</u>							
As of the beginning of the period	235,844	4,542	699	155	0	0	241,240
Additions	7,666	0	0	0	0	0	7,666
Depreciation written out to Gross Carrying Amount on Revaluation	(1,285)	(314)	0	0	0	0	(1,599)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	2,636	661	0	0	0	0	3,297
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	1,491	0	0	0	0	0	1,491
Impairment recognised in the Surplus/Deficit on the Provision of Services	0	(112)	0	0	0	0	(112)
Reclassifications	0	0	0	0	0	0	0
Disposals (to Assets Held for Sale)	(1,425)	0	0	0	0	0	(1,425)
Disposals (Other)	(2)	(120)	(699)	0	0	0	(821)
As of the end of the period	244,925	4,657	0	155	0	0	249,737
<u>Accumulated Depreciation</u>							
As of the beginning of the period	0	(430)	(699)	0	0	0	(1,129)
Depreciation charge	(1,291)	(164)	0	0	0	0	(1,455)
Reclassifications	4	0	0	0	0	0	4
Depreciation written out to Gross Carrying Amount on Revaluation	1,285	314	0	0	0	0	1,599
Disposals (to Assets Held for Sale)	0	0	0	0	0	0	0
Disposals (Other)	0	120	699	0	0	0	819
As of the end of the period	(2)	(159)	0	0	0	0	(161)
Net Book Value at 31 March 2020	244,924	4,497	0	155	0	0	249,576

HRA Note 5. Vacant Possession Value of HRA Dwellings

Council dwellings had a valuation of £689.1 million as at 1 April 2021 on the basis of existing use value assuming vacant possession. To comply with the requirements of the Resource Accounting regulations, a regional adjustment factor of 35% has to be applied to the Existing Use Value for Social Housing (EUV-SH) valuation for all Council dwellings apart from the Houses in Multiple Occupation which have been kept at fair value. This is to reflect the fact that local Council housing is let at sub-market rents on secure tenancies. The reduction in value shows the economic cost to the Government of providing Council housing at less than open market rents.

HRA Note 6. Average Costs per Dwelling

The table below shows the average cost per dwelling of the principal expenditure types and an average rent income.

Type of Cost / Income	2020/21 £'000	2020/21 £'000
Supervision & Management – General	1,169	1,265
Repairs & Maintenance	808	997
Rent un-rebated	(4,203)	(4,048)

HRA Note 7. Major Repairs Reserve

Regulation 7(5) of the Accounts and Audit Regulations 2003 (as amended) establishes arrangements for the Major Repairs Reserve (MRR) under which the Major Repairs Allowance (MRA) is effectively restricted to being applied towards new capital expenditure, the repayment of debt or meeting liabilities under credit arrangements. The regulation requires a credit to the MRR of an amount in respect of the depreciation charged to the Housing Revenue Account for the year. Together with the Item 8 Determination provisions for transferring the difference between the MRA and depreciation to the MRR, the net effect is to credit a net amount equal to the MRA each year to the MRR.

Major Repairs Reserve	2020/21 £'000	2019/20 £'000
Balance as at 1 April	0	0
Income		
Depreciation	(1,578)	(1,455)
Additional HRA Contribution	(394)	(2,458)
Expenditure		
Major Repairs Expenditure	1,972	3,912
Balance as at 31 March	0	0

HRA Note 8. Capital Expenditure

Capital expenditure within the HRA for 2020/21 and how it was funded is shown below:

Capital Expenditure	2020/21 £'000	2019/20 £'000
Reroofing	470	124
New Affordable Housing	3,501	3,234
Aids & Adaptations	264	285
Kitchens & Bathrooms	36	716
Doors, Windows, Soffits and Fascias	44	342
Heating	66	755
Decent Homes and Other Capital Schemes	2,594	2,209
Green Homes Grant Schemes	681	0
Total Capital Expenditure	7,658	7,666
Financed by:		
Capital Receipts	(1,493)	(3,688)
Major Repairs Reserve	(1,972)	(3,912)
Capital Grants	(509)	0
Revenue Contributions	(24)	(66)
Contributions from Earmarked Reserves	(1,193)	0
Borrowing	(2,467)	
Total Financing	(7,658)	(7,666)

HRA Note 9. Capital Receipts

Capital receipts during the year from disposals of land and houses within the HRA are as follows:

Capital Receipts	2020/21 £'000	2019/20 £'000
Sale of HRA Dwellings -Right To Buy	(1,526)	(2,237)
Sale of HRA Other land and Buildings	0	(57)
Mortgage Repayments	0	0
Miscellaneous Sales	0	0
Total Capital Receipts	(1,526)	(2,294)

HRA Note 10. HRA share of contributions to/from the Pension Reserve

The Council's single entity pension fund reserve liability increased to £80.1m from £61.2m during 2020/21. It has been estimated that 16.6% of the Council's salary costs relate to the HRA, therefore the HRA's share of the overall pension deficit equates to £13.3m.

Collection Fund Statement - Income and Expenditure Account 2020/21

	Business Rates £'000	Council Tax £'000	Total £'000
Income			
Council tax (net)	0	(117,629)	(117,629)
NDR collectable from business ratepayers	(17,636)	0	(17,636)
Transitional Protection Payments due for the year from Central Government	0	(800)	(800)
Total Income	(17,636)	(118,430)	(136,066)
Expenditure			
<u>Precepts, Demands and Shares</u>			
Central Government	17,557	0	17,557
Devon County Council	3,160	86,571	89,731
Police & Crime Commissioner for Devon & Cornwall	0	13,330	13,330
East Devon District Council (including towns & parishes)	14,046	13,086	27,131
Devon & Somerset Fire & Rescue Authority	351	5,307	5,658
<u>Contributions to previous year's estimated surplus/deficit</u>			
Central Government	322	0	322
Devon County Council	(372)	804	432
Police & Crime Commissioner for Devon & Cornwall	0	123	123
East Devon District Council	(34)	122	88
Devon & Somerset Fire & Rescue Authority	(1)	50	49
<u>Disregarded amounts</u>			
Enterprise Zone Growth	84	0	84
Renewable Energy Schemes	550	0	550
<u>Charges to Collection Fund</u>			
Transitional protection payments	255	0	255
Cost of Collection Allowance	239	0	239
Write offs	(4)	43	39
Adjustment to Bad Debt provision	78	1	80
Appeals charged to the collection fund	(1,647)	0	(1,647)
Adjustment to Appeals provision	1,816	0	1,816
Total Expenditure	36,400	119,437	155,837
Movement on fund balance	18,763	1,008	19,771
Balance at beginning of Year	1,233	(5,272)	(4,039)
In year correction of prior years' balance	0	0	0
Balance at end of Year	19,996	(4,264)	15,732
Shares of Balance			
Central Government	10,337	0	10,337
Devon County Council	1,446	(3,123)	(1,677)
Police & Crime Commissioner for Devon & Cornwall	0	(486)	(486)
East Devon District Council (including Parishes)	8,013	(467)	7,546
Devon & Somerset Fire & Rescue Service	200	(188)	12
	19,996	(4,264)	15,732

The accompanying notes form part of these financial statements

Collection Fund Statement - Income and Expenditure Account 2019/20

	Business Rates £'000	Council Tax £'000	Total £'000
Income			
Council tax (net)	0	(114,233)	(114,233)
NDR collectable from business ratepayers	(34,897)	0	(34,897)
Transitional Protection Payments due for the year from Central Government	(367)	(1)	(368)
Total Income	(35,264)	(114,234)	(149,488)
Expenditure			
<u>Precepts, Demands and Shares</u>			
Central Government	17,213	0	17,213
Devon County Council	3,098	82,065	85,163
Police & Crime Commissioner for Devon & Cornwall	0	12,585	12,585
East Devon District Council (including towns & parishes)	13,771	12,447	26,218
Devon & Somerset Fire & Rescue Authority	344	5,129	5,473
<u>Contributions to previous year's estimated surplus</u>			
Central Government	325	0	325
Devon County Council	1,321	811	2,132
Police & Crime Commissioner for Devon & Cornwall	0	115	115
East Devon District Council	1,116	123	1,239
Devon & Somerset Fire & Rescue Authority	28	51	79
<u>Disregarded amounts</u>			
Enterprise Zone Growth	380	0	380
Renewable Energy Schemes	350	0	350
<u>Charges to Collection Fund</u>			
Transitional protection payments	0	0	0
Cost of Collection Allowance	231	0	231
Write offs	(1)	68	67
Adjustment to Bad Debt provision	378	110	488
Appeals charged to the collection fund	(996)	0	(996)
Adjustment to Appeals provision	1,000	0	1,000
Total Expenditure	38,557	113,504	152,061
Movement on fund balance	3,293	(730)	2,563
Balance at beginning of Year	(2,060)	(4,542)	(6,602)
In year correction of prior years' balance	0	0	0
Balance at end of Year	1,233	(5,272)	(4,039)
Shares of Balance			
Central Government	606	0	606
Devon County Council	122	(3,858)	(3,736)
Police & Crime Commissioner for Devon & Cornwall	0	(594)	(594)
East Devon District Council (including Parishes)	493	(584)	(90)
Devon & Somerset Fire & Rescue Service	12	(237)	(225)
	1,233	(5,272)	(4,039)

The accompanying notes form part of these financial statements

Note 1. General

This account represents the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the Billing Authority in relation to Non-Domestic Rates, Council tax and the distribution to the major preceptors and the General Fund. The account is consolidated with other accounts of the Council.

In 2013/14 there was a change to the method for distributing and accounting for business rates income. Prior to 1st April 2013 Non-Domestic Rates were collected by the Council and then completely paid over to the Government, who then redistributed these sums across the country in the form of the Non-Domestic rates grant.

From 1st April 2013 Business Rates Retention applies, whereby local authorities East Devon District Council (40%), Devon County Council (9%) and Devon & Somerset Fire & Rescue Authority (1%) retain 50% of the business rates collected for the area and pay the remaining 50% to central government. In addition the government has set a level of business rates funding deemed to be applicable to each area and every Council receives a top-up (if business rates collected are below this deemed level of funding) or pays a tariff (if business rates collected are above this deemed level of funding).

With the introduction of business rates retention if a Local Authority increases its business rates base, and thereby increases its business rate income, it is allowed to retain a proportion of this increased income, whilst paying up to a maximum of 50% across to central government. This payment where it occurs is known as a levy payment.

In 2018/19 the Council was successful in obtaining 100% business rate pilot status along with all other Devon authorities. This meant the government did not take their 50% element and instead this was retained locally in return for no central government funding for the year (no Revenue Support Grant and Rural Services Delivery Grant). In 19/20 the Council returned to the previously described allocations which continued into 20/21.

Note 2. Business Rates

Business Rates is a local tax that is paid by the occupiers of all non-domestic/business property.

Business rates are calculated and collected by the Council. The Government specifies an amount (51.2p in 2020/21; 49.9p for small businesses) and, subject to the effects of transitional arrangements, local businesses pay NNDR calculated by multiplying their rateable value by that amount. The income raised in East Devon is distributed between East Devon District Council, Devon County Council, Devon & Somerset Fire & Rescue Authority and Central Government in line with the distribution rules set out in Business Rates legislation.

NNDR income was £17.6m in 2020/21. The rateable value for the Council's area was £103.2m at 31 March 2021 VOA valuation (2019/20: £102.6m).

The decrease in income in 20/21 was the result of the well-publicised Government funded Retail, Hospitality & Leisure rates relief in response to the Corona Virus pandemic.

Note 3. Provision for Un-collectable Amounts

Provision has been made within the accounts for un-collectable amounts based on guidelines. At the end of 2020/21 the accumulated provision for bad debts stood at £0.682m (£0.696m for 2019/20) made up as follows:

	2020/21	2019/20
	£'000	£'000
Provision for Uncollectable Amounts		
Non Domestic Rates	253	269
Council tax	429	427
Total Provision	682	696

Note 4. Council tax Base

The Council tax Base, for tax setting purposes, is calculated by reference to the number of chargeable dwellings in each valuation band, adjusted for dwellings where discounts apply and adjustments made for exempt properties and anticipated amendments. This is then converted to an equivalent number of band D dwellings which is the amount the Council estimates would actually be collected if a tax of £1 is set. The figures for 2020/21 are:

Band	Estimated equivalent no. of taxable properties after effect of discounts	Ratio	Band D Equivalent Dwellings
A*	12	5/9ths	7
A	3,982	6/9ths	2,655
B	9,820	7/9ths	7,638
C	13,324	8/9ths	11,844
D	11,316	9/9ths	11,316
E	9,691	11/9ths	11,845
F	6,006	13/9ths	8,875
G	3,781	15/9ths	6,302
H	155	18/9ths	310
Totals	58,087		60,592
Adjustment for collection rate and contributions in lieu (-1.0%)			(606)
Contribution from MOD Properties			155
Council Tax Base 2020/21			60,141
Council Tax Base 2019/20			59,283

A* = Disabled Band A

The Council tax payable at each band is shown below. This does not include parishes.

Band	Multiplier	East Devon District Council	Devon County Council	Police & Crime Commissioner for Devon & Cornwall	Devon & Somerset Fire & Rescue Service	Total
A	6/9ths	101.19	1,007.52	157.71	60.00	1,326.42
B	7/9ths	118.05	1,175.44	183.99	70.00	1,547.48
C	8/9ths	134.92	1,343.36	210.28	80.00	1,768.56
D	9/9ths	151.78	1,511.28	236.56	90.00	1,989.62
E	11/9ths	185.51	1,847.12	289.13	110.00	2,431.76
F	13/9ths	219.24	2,182.96	341.70	130.00	2,873.90
G	15/9ths	252.97	2,518.80	394.27	150.00	3,316.04
H	18/9ths	303.56	3,022.56	473.12	180.00	3,979.24

Independent auditor's report to the members of East Devon District Council

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of East Devon District Council (the 'Authority') for the year ended 31 March 2021, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Statement of Movement in the Housing Revenue Account, the Collection Fund Statement 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 2020/21, as updated in the Update to the Code and Specifications for Future Codes for Infrastructure Assets issued in November 2022 (the "Code Update").

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2021 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, as updated by the Code Update; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

Conclusions relating to going concern

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

In our evaluation of the Strategic Lead Finance's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

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.

In auditing the financial statements, we have concluded that the Strategic Lead Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Strategic Lead Finance with respect to going concern are described in the 'Responsibilities of the Authority, the Strategic Lead Finance and Those Charged with Governance for the financial statements' section of this report.

Other information

The Strategic Lead Finance is responsible for the 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. 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 of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls. We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of the Authority, the Strategic Lead Finance and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities for the Statement of Accounts the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Strategic Lead Finance. The Strategic Lead Finance 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 2020/21, as updated by the Code Update, for being satisfied that they give a true and fair view, and for such internal control as the Strategic Lead Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

Our 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.

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

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, The Local Government Act 1972, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government and Housing Act 1989, the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) and the Local Government Finance Act 2012, and the Local Government Act 2003.
- We enquired of senior officers and the Audit & Governance Committee, concerning the Authority's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and
 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers and the Audit & Governance Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
 - journals, management estimates and judgements and transactions outside the normal course of business.
- Our audit procedures involved:
 - evaluation of the design effectiveness of controls that the Strategic Lead Finance has in place to prevent and detect fraud;
 - journal entry testing, with a focus on large and unusual journals;
 - challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of land and buildings, the valuation of investment property, defined benefit pensions liability valuations and the non-domestic rates provision; and
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to the valuation of land and buildings, investment property, defined benefit pensions liability valuations and the non-domestic rates provision.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
 - knowledge of the local government sector
 - understanding of the legal and regulatory requirements specific to the Authority including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA, LASAAC and SOLACE
 - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
 - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

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

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

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

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, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

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

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

Report on other legal and regulatory requirements – Audit certificate

We certify that we have completed the audit of East Devon District Council for the year ended 31 March 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

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

Jackson Murray

Jackson Murray, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor
Bristol
2 November 2023

Annual Governance Statement 2020/2021

ANNUAL GOVERNANCE STATEMENT

For the year ended 31st March 2021

1. Corporate Governance

Corporate Governance is about how the Council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. Good governance ensures that the Council provides for effective leadership and management in the use of public money; ensures the delivery of high quality services to all taxpayers and citizens; and achieves the desired outcomes for service users and communities.

East Devon District Council acknowledges its responsibility for ensuring that there is a sound system of governance. The Council has developed a Local Code of Corporate Governance that defines the principles that underpin the governance of the organisation. The Code can be accessed on the Council's website at [Code of Corporate Governance - East Devon](#) or can be obtained by writing to the Council. The principles upon which it is based are summarised in this Statement.

2. The Annual Governance Statement

The Accounts & Audit (England) Regulations 2015 require the Council to prepare and publish an annual governance statement. This is a public document that reports on the extent to which the Council complies with its own code of corporate governance. The Annual Governance Statement explains how the Council makes decisions; manages its resources in line with the Council's priorities; and achieves the required outcomes for service users and communities.

In the Annual Governance Statement the Council:

- Acknowledges its responsibility for ensuring that there is a sound system of governance
- Summarises the key elements of the governance framework and the roles of those responsible for the development and maintenance of the governance environment
- Describes how the Council has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period (Appendix 1)
- Provides details of how the Council has responded to any issue(s) identified in last year's governance statement
- Reports on any significant governance issues identified from this review and provides a commitment to addressing them (Section 6)

3. The Governance Framework

Scope of Responsibility:

East Devon District Council is responsible for ensuring that:

- Business is conducted in accordance with the law and proper standards
- Public money is safeguarded, properly accounted for and used economically, efficiently and effectively

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

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Purpose of the Governance Framework:

The Council's governance framework comprises the systems, processes, cultures and values by which the Council is directed and controlled and activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money. The framework aims to ensure that in conducting its business the Council:

- Operates in a lawful, open, inclusive and honest manner
- Makes sure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively
- Has effective arrangements for the management of risk
- Secures continuous improvements in the way that it operates

The Governance Framework:

The governance framework sets out how the Council is operating in order to demonstrate compliance, ongoing improvement, its commitment to maintaining the highest ethical standards and levels of governance. The governance framework has been in place at East Devon District Council for the year ended 31 March 2021 and up to the date of approval of the statement of accounts.

The Council has based its governance framework on the CIPFA/SOLACE guidance 2016 'Delivering Good Governance in Local Government'. The framework sets out seven core principles for good governance. Appendix 1 provides a summary of key elements of the Council's governance framework and how they relate to the seven principles.

4. Review of Effectiveness

East Devon District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of:

- Internal Audit (SWAP) Annual Report and Opinion 2020/21 – Report presented to the Audit & Governance Committee in September 2021 giving reasonable assurance. Key areas for improvement have been picked up within this Statement in Section 6.
- External audit and inspection (Grant Thornton) – a Report is expected to be presented to the Audit Governance Committee in January 2021 but no areas of concern are expected to be raised.
- A specific review of the effectiveness of internal control and compliance to the governance framework was undertaken in April/May 2021 through the completion of assurance statements by the Strategic Management Team and any apparent organisational improvements are included in this Statement.
- A review of this Statement is considered by the Monitoring Officer, Chief Executive, Assistant Director SWAP and the Chairman of the Audit & Governance Committee to ensure it reflects the understanding of this key individuals in terms of the Governance of the Council and to ensure any areas of concern or future improvements are identified.

- The mechanisms for maintaining and reviewing the effectiveness of the system of internal control throughout the year include.
 - Cabinet is responsible for considering overall financial and performance management and receives comprehensive budget monitoring reports on a frequent basis and Council service performance reports.
 - Overview & Scrutiny Committees challenge the Cabinet Committee where necessary including the invite of appropriate Cabinet members and Lead Officers to attend to answer questions.
 - The Standards Committee meets quarterly when required and at every meeting considers an update report on complaints against councillors which includes learning points and recommended actions. The Committee also keeps under review the Council's policies and procedures for maintaining high ethical standards.
 - The Audit & Governance Committee meet five times a year to provide independent assurance to the Council in relation to the effectiveness of the risk management and internal control environment.
 - The South West Audit Partnership provides an independent and objective assurance service (Internal Audit function) to the Council and completes a programme of reviews each year to inform an opinion on the internal control, risk management and governance arrangements. The service undertakes any fraud investigation and proactive fraud detection work which includes reviewing the control environment in areas where suspected fraud or irregularity has occurred.

The results of the annual review of the effectiveness of the key elements of the Council's governance processes during 2020/21 are set out in the table in Appendix 1.

5. Significant Governance Issues - Issues raised in 2019/20 Annual Governance Statement

Issues raised in last year's Annual Governance Statement are copied below with updates on progress.

Key Issue to be addressed	Responsible Officer	Progress
Information Governance (including GDPR) – This received a partial assurance in the SWAP audit. Key recommendations to be implemented (additional training, document disposal module, update of Information Asset Register, review of privacy notices).	Strategic Leads - Governance & Licensing, Finance & Organisation Development.	A SWAP follow up audit found recommendations had only partially been addressed and it was considered the residual risk around data protection remain as a medium risk. A further data protection review in Quarter 4 of 2021/22 will be undertaken and this will include confirming that the actions outstanding have been addressed together with the impact of changed working practices on data protection. The outcome of this review will be reported to the Audit & Governance Committee.
With the New Council, member training will be provided to ensure the Overview and	Strategic Lead - Governance & Licensing	The Member Development Working Group will be considering training needs both in terms of

<p>Scrutiny role is fully understood to enhance the role of both functions.</p>		<p>ongoing member development and the induction programme. This should include training on the role of Overview and Scrutiny.</p>
<p>Corporate Health and Safety – This received a partial assurance in the SWAP audit. Key recommendations to be implemented (training, risk assessments, first aid policy, H&S plan).</p>	<p>Service Lead - Environmental Health and Car Parks, Environmental Health & Car Parks</p>	<p>The Covid pandemic has caused a delay in progressing the actions agreed in the audit. The pandemic has meant that the team have not been in normal operations for over a year. The H&S priorities that SMT focussed on related to the review of revised risk assessments and creation of working methods, rather than the training and reporting systems that were recommended. Formal revised timescales have not been agreed for all actions as they are of an ongoing nature, or the process are continually evolving due the changing risk landscape. This change in risk landscape in the last year has resulted in some health and safety risks decreasing but there are other new risks that have arisen. SWAP therefore consider that the risk to staff remains a medium risk and will follow up progress on these actions as part of the audit on the new arrangements around Health and Safety planned for later in 2021/22</p>
<p>Following member concerns the Leader of the Council in agreement of the Chair of Audit & Governance has requested an audit of the Council's Asset Register.</p>	<p>SWAP/Service Lead - Place, Asset and Commercialisation, Service Lead - Place, Asset And Commercialisation</p>	<p>SWAP carried out a review in Quarter 2 of 2020. The Audit Opinion was reasonable, with 6 recommendation made for improvement currently being addressed but these not being classified as major concerns.</p>
<p>Review of the role of Audit & Governance Committee in line with CIPFA's Audit Committee Role – Practical guidance and core functions.</p>	<p>Strategic Lead Finance</p>	<p>This was reported to the A&G Committee in September 2020 with recommendations made; review of Terms of Reference, an independent person to be appointed to the Committee, Annual Report to Council, presentation of an Assurance Framework to A&G for review and approval.</p>



6. Significant Governance Issues – Issues raised in this year's Annual Governance Statement (2021/22).

Worth noting from this year's review:

- To address perceived issues re: transparency and openness, two additional member forums have been introduced; Exmouth Queens Drive Delivery Group and the LED Monitoring Forum.
- Council requested that an independent investigation be carried out into a senior staffing matter brought to Council for a decision. This has subsequently been revised to be an independent learning review the outcomes of which will be reported back to Council in due course.
- Council have asked for external support and advice to ensure the Council's remuneration levels are appropriate.
- The Chief Executive raised serious concerns to the Scrutiny Committee he had relating to member and officer working relationships and work demand pressures on staff. Detailed work has been undertaken within teams to capture issues and to implement actions as necessary. Issues relating to relationships are being addressed with the assistance of the Local Government Association. In addition the Council has established a Personnel Committee to ensure that Council as opposed to Cabinet has a lead role in staffing matters. The Scrutiny Committee are being kept informed of progress as issues are addressed. The Protocol for Relationships between Members and Officers is being reviewed to ensure that there is a fit for purpose document. Members are reviewing the Members' Code of Conduct.

Key issues identified in the annual review in relation to improvements required in governance arrangements or internal control procedures are given in the table below.

Key Issue to be addressed	Responsible Officer	Date for implementation
Limited Audit Assurance – Firmstep Digital Transformation. Key actions relate to ensuring adequate staffing resources, effective project management arrangements being in place around benefits realisation and post implementation reviews	Chief Executive	SWAP will undertake a follow up audit in 2021/22 with findings reported back to A&G Committee
Limited Audit Assurance – Integrated Asset Management Contract. Key findings were risk register not updated and used, no business continuity plan had been drawn up and approved, lack of key records and contract variation process was lacking	Strategic Lead Housing & Environment	SWAP will undertake a follow up audit in 2021/22 with findings reported back to A&G Committee
Limited Audit Assurance – S106/CIL. Due to staffing resources, a backlog of actions were outstanding on Exacom, the participatory budget guide was out of date and the public facing module of Exacom was not live.	Service Lead Planning Strategy and Development	SWAP will undertake a follow up audit in 2021/22 with findings reported back to A&G Committee – review reported showing all actions completed.
Delivering virtual meetings during COVID. Significant resource went in to ensuring that virtual meetings could happen. They were delivered	Strategic Lead Governance & Licensing	The Council is currently operating

<p>successfully but relaxation in restrictions / return to physical meetings is presenting an issue in terms of ensuring an appropriate approach is adopted for meetings going forward. The Council is now awaiting Government to legislate and will have to deal with issues in the meantime</p>		<p>consultative meetings with a review date of December 2021.</p>
<p>Local Plan consultation received very few responses from young people in the district.</p> <p>Propose to review the Statement of Community Involvement (SCI) for planning consultations and develop a communications plan for future consultations to adjust our approach to try and solicit more responses from those under 25 years old.</p>	<p>Service Lead Planning Strategy and Development</p>	<p>Proposals will be reported to Strategic Planning Committee</p>
<p>Safeguarding concerns. Requirement to give refresher training, lessons learnt exercise and embedding of learning and good practice.</p>	<p>Strategic Lead Housing & Environment</p>	<p>The Member Development Working Group will be considering this. A requirement of safeguarding training to be mandatory (with a preclusion for not sitting on committees if not attended) is being considered as part of the review of the Members' Code of Conduct.</p>
<p>Member conduct and member / officer relationships. This is referred to in last bullet point prior to this table but has been specifically referenced in Legal & Democratic Assurance Statement as: A review of the Council's Members' Code of Conduct, a review of the Member / Officer Protocol, reporting to members (Scrutiny and Standards), staff surveys and associated action plans. Various meetings and initiatives underway with a view to improving behaviours and ensuring effective working relationships</p>	<p>Chief Executive & Strategic Lead Governance & Licensing</p>	<p>Reports to Standards, Scrutiny and Personnel Committees and Council will be forthcoming and track issues.</p>
		
<p>Paul Arnott Leader of the Council</p>	<p>Simon Davey Chief Executive (interim)</p>	

Appendix 1 – Assessment of key controls

CORE PRINCIPLE A

Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.	
Supporting Principles	Assessment of the effectiveness of key elements of the Council's governance processes during 2020-21
Behaving with Integrity Demonstrating strong commitment to ethical values Respecting the rule of law	<p>The Council has a robust Constitution in place that sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, proportionate, transparent and accountable. The Constitution was reviewed during 2020/21.</p> <p>The Constitution contains the Code of Conduct for staff and members. Officers have a clear understanding of their roles and responsibilities through an approved scheme of delegation and through job descriptions and person specifications. All staff have been asked to confirm that they had read and understood the Code of Conduct and is included in the induction for new members and staff.</p> <p>Registers of gifts & hospitality and member & officer interests are maintained. Individual members' interests are published on the Council's website.</p> <p>The Council has effective arrangements in place for dealing with complaints against members of East Devon District Council. Allegations that a member has failed to comply with the Code of Conduct are assessed initially by the Monitoring Officer, in consultation with an Independent Person, in order to decide whether the allegations merit investigation or another course of action. Details of complaints and the findings of any investigations are reported to the Standards Committee.</p> <p>The Standards Committee comprises five Members of East Devon District Council plus four non-voting independent Persons and regulates and oversees the Code of Conduct. The Committee took an active approach to ensuring high levels of good governance, ethical behaviour and transparency throughout the Council's decision making processes. The Scrutiny Committee monitored and scrutinised the performance and decision making of the authority.</p> <p>All Legal and Financial advice supporting recommendations made to Council committees are documented.</p> <p>The Council has an appointed Corporate Counter Fraud & Compliance Manager and a Strategy has been adopted by Council.</p> <p>The Council has a whistle-blowing, Anti-Fraud and Corruption Policy and Anti-Bribery Policy.</p> <p>The Council has a designated Monitoring Officer whom ensures compliance with established policies, procedures, laws and regulations. After consulting with the Head of Paid Service and Chief Finance Officer the Monitoring Officer will report to the full Council if it is considered that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the</p>

	<p>report has been considered. The Council also conforms to the requirements of the CIPFA statement on the Role of the Chief Financial Officer in Local Government.</p> <p>Every contract that the Council enters into adheres to the Public Contract Regulations 2015 and follows Contract Standing Orders and requires high standards of transparency and ethics.</p>
<p>CORE PRINCIPLE B Ensuring openness and comprehensive stakeholder engagement</p>	
<p>Supporting Principles</p>	<p>Assessment of the effectiveness of key elements of the Council's governance processes during 2020-21</p>
<p>Openness</p> <p>Engaging comprehensively with other organisations that the council needs to work with to improve services and outcomes</p> <p>Engaging with individual citizens and service users effectively citizens</p>	<p>The Council Plan for 2016-20 sets out our main priorities and forms the focus of all that we aim to achieve by 2020. A new Plan has been developed and is likely to be approved by Council in October 2021.</p> <p>Delivery of the Council Plan is supported by a performance framework with service plans and individual targets for staff agreed through the Performance Framework which is recorded and monitored through the Council's performance management systems. Delivery of the Council Plan is monitored by the Overview and Scrutiny Committees. These Committees drive the scrutiny process on behalf of the public with a view to improving the delivery of public services.</p> <p>Council Plan outcomes for the year are presented in the Annual report.</p> <p>The Council has a communication Plan which amongst other items sets out we will;</p> <ul style="list-style-type: none"> - continue to keep our website up to date using our adopted principles so that the information clear and easy to find - write policies and strategies for intranet and web - involve residents in deciding what good public services means to them - make the most of opportunities for communities and councils to improve their local areas - tailor our communications to specific audiences using different ways to suit different people (for example, some people prefer social media whereas others prefer a newsletter so we will take this into account and monitor how effective we are) - Rigorous use of Communication and Consultation Plans at the outset of larger projects. <p>The Council has an Engagement Policy and evidence of such engagement can be seen from the Council's viewpoint survey.</p> <p>The Council complies with the Local Government Transparency Code 2015 and the Freedom of Information Act publication scheme and has a stated position towards transparency.</p>
<p>CORE PRINCIPLE C Defining outcomes in terms of sustainable economic, social, and environmental benefits</p>	
<p>Supporting Principles</p>	<p>Assessment of the effectiveness of key elements of the council's governance processes during 2020-21</p>

<p>Defining outcomes Sustainable economic, social and environmental benefits</p>	<p>The Council Plan for 2016-20 includes priorities and outcomes: Encouraging communities to be outstanding, developing an outstanding local economy, delivering and promoting our outstanding environment and continuously improving to be an outstanding Council.</p> <p>Delivery of the Council Plan is supported by a performance framework with service plans and individual targets for staff agreed through the Performance Framework which is recorded and monitored through the Council’s performance management systems</p> <p>A strategic Planning Committee is in place to oversee development of the Strategic Plan and its delivery.</p> <p>Contract Standing Orders sets out how the Council will procure goods, works and services by the most economic, efficient, effective and sustainable means to ensure that the needs of the community are met, within a clear framework of accountability and responsibility.</p> <p>The Council has an adopted Local Plan.</p>
<p>CORE PRINCIPLE D Determining the interventions necessary to optimise the achievement of the intended outcomes</p>	
<p>Supporting Principles</p>	<p>Assessment of the effectiveness of key elements of the council’s governance processes during 2020-21</p>
<p>Determining interventions</p> <p>Planning interventions</p> <p>Optimising achievement of intended outcomes</p>	<p>The Council operates a Cabinet system including delegation to Lead Members who are members of the Cabinet as defined in the Council’s Constitution with a range of thematic portfolios. This gives a clearly defined decision making process.</p> <p>The Council’s Constitution contains details of the respective roles and responsibilities of elected members, named officer roles and all officers employed by the Council. The Council’s Constitution lists statutory roles for officers which ensure legality, financial prudence and transparency in decisions and transactions.</p> <p>The Council operates an Overview and Scrutiny function. Members can “call in” decisions that have been made but not yet implemented, to enable them to consider whether the decision has been taken in accordance with the Council’s decision making principles. The Budget and Public Policy framework is detailed in the Council’s Constitution.</p> <p>The Scrutiny Committee monitors and scrutinises the performance and decision making of the authority. They may make recommendations to the Full Council.</p> <p>The Council has a robust organisational approach to business planning and performance management. A Performance Framework exists with monthly and quarterly performance monitoring and publication including financial monitoring.</p> <p>The Council has an adopted Financial Plan (2021 – 2031). The Council annual budget approval involves significant Councillor involvement before adoption.</p>

CORE PRINCIPLE E Developing the entity's capacity, including the capability of its leadership and the individuals within it	
Supporting Principles	Assessment of the effectiveness of key elements of the Council's governance processes during 2020-21
Developing the entity's capacity Developing the entity's leadership Developing the capability of individuals within the entity	<p>A corporate Member's induction programme is in place and ongoing training for Members includes the member code of conduct, personal safety and procedures.</p> <p>The Council has investors in people Platinum award recognising good policies and procedures are in place and working well which is externally validated.</p> <p>This includes having in place a performance framework covering all officers including an appraisal system with targeted, relevant training.</p> <p>There are regular team meetings, and one to ones. The Authority implements the national agreement on pay and conditions of service. The Authority has achieved its commitment to pay the Living Wage for its entire staff.</p>
CORE PRINCIPLE F Managing risks and performance through robust internal control and strong public management	
Supporting Principles	Assessment of the effectiveness of key elements of the Council's governance processes during 2020-21
Managing Risk Managing Performance Robust Internal Control Strong Public Financial Management	<p>The Council has an adopted Risk Management Policy with clear accountability and review processes in place. Audit & Governance receive 1/4ly updates on the risk register.</p> <p>The Council has an induction and development programme for Councillors. This is of vital importance, given the technical complexity of the Council's core operations, the decision making structure and the financial value of the transactions controlled by the Authority.</p> <p>All statutory Officers receive the training and support to carry out their duties effectively and as appropriate, participate in continuous professional development.</p> <p>The Cabinet meets on a monthly basis at set times to consider key matters including those on performance. Matters are published in the Forward Plan to enable the public to be aware of future decisions. All reports include reference to the Council Plan.</p> <p>In addition to the quarterly performance reports there are at least quarterly financial reports submitted to Cabinet detailing estimated outturn against the approved budget.</p> <p>The annual budget is supported by the Strategic Lead Finance commenting upon its deliverability and is supported by an appropriate reserves policy. The final accounts, of which this statement is an integral part, outline the Outturn of the Authority and are prepared in accordance with professional standards and subject to external audit.</p> <p>In order to demonstrate robust internal control the Authority has:</p>

	<ul style="list-style-type: none"> • A Risk Management Framework linked into the Authority Structure; • An appropriate suite of Anti-Fraud and Corruption Policies; • A balanced budget supported by appropriate reserves • Standards Committee supported by independent Members <p>The Council carries out staff surveys to assess their views on the management of the organisation. The findings have been considered in the production of service plans and priorities.</p>
<p>CORE PRINCIPLE G Implementing good practices in transparency, reporting, and audit to deliver effective accountability</p>	
<p>Supporting Principles</p>	<p>Assessment of the effectiveness of key elements of the Council's governance processes during 2020-21</p>
<p>Implementing good practice in transparency</p> <p>Implementing good practices in reporting</p> <p>Assurance and effective accountability</p>	<p>The Council makes as much information as possible available on its website and there are approximately 200 services that can be fulfilled on-line. Support is also available to those residents who cannot access the internet.</p> <p>The Council publishes its statement of accounts on the website.</p> <p>The Council's external auditors Grant Thornton issued their Annual Findings Report 2019/20 which contained an unqualified opinion on the financial statements. They also gave an unqualified value for money conclusion on the Council's arrangements to secure economy efficiency and effectiveness in its use of resources. The Strategic Management Team is responsible for responding to recommendations made by Internal Audit and External Audit.</p> <p>Progress made against the issues identified in the 2019-20 Annual Governance Statement action plan have been monitored by the Strategic Management Team and the Audit & Governance Committee.</p> <p>The Council has a Whistle-blowing Policy which is advertised both inside the Council and on the Council's website.</p> <p>The Council has an Anti-Fraud, Theft and Corruption Policy approved by the Audit & Governance Committee.</p> <p>The Council has a clear process for dealing with Freedom of Information (FOI) requests from the public. It complies with the Transparency Code and has a stated transparency agenda.</p>

Glossary of Terms

Accounting Period

The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the balance sheet date.

Accruals

The accruals principle is that income is recorded when it is earned rather than when it is received, and expenses are recorded when goods or services are received rather than when payment is made.

Accumulated Absences Account

This account represents the value of any unused holiday, time off in lieu or flexi hours which have not been taken by officers as at the 31 March.

Assets

An item having value to the Council in monetary terms, categorised as:

- **Current assets** will be consumed within the next financial year (e.g.: cash and inventories).
- **Property, plant and equipment** provide benefits over their useful life for more than one year and can be tangible (e.g. sports centres) or intangible (e.g. computer software licences).
- **Community assets** are assets that the local Council intends to hold in perpetuity, that have no determinable useful life and may have restrictions on their disposal (e.g. works of art and picnic sites).
- **Infrastructure assets** that form part of the economic or social framework of the area and whose function is not transferable (e.g. highways, bridges and footpaths).
- **Under Construction** details capital expenditure to date on work in progress.
- **Surplus Assets** are property, plant and equipment held by a Council actively being marketed
- **Intangible assets** usually software

Audit of Accounts

An independent examination of the Council's financial affairs undertaken by the Appointed Auditor, Grant Thornton.

Balances

The total revenue reserves required to provide a working balance during the financial year, for example in periods when expenditure exceeds income.

Budget

The forecast of net revenue and capital expenditure over the accounting period.

Capital Adjustment Account

This records the timing difference between the costs of property, plant and equipment used and the capital financing set aside to pay for them.

Capital Expenditure

Expenditure on assets which have a long term value. Includes the purchase of land, purchase or cost of construction of buildings and the acquisition of plant, equipment and vehicles.

Capital Financing

The raising of money to meet the cost of capital expenditure. Capital expenditure may be financed by borrowing, leasing, and contributions from revenue accounts, the proceeds from the sale of capital assets, capital grants and contributions from developers or others.

Capital Receipts

Proceeds received from the sale of property and other property, plant and equipment.

Chartered Institute of Public Finance and Accountancy (CIPFA)

CIPFA is the leading professional accountancy body for public services.

Collection Fund

A separate fund that records the income and expenditure relating to Council tax and non-domestic rates.

Community Assets

Non-current Assets the Council intends to hold in perpetuity and which have no determinable useful life. They may also have restriction on their disposal. An example is a cemetery.

Corporate Democratic Core

Those activities which the Council is engaged in specifically because it is an elected multi-purpose Local Authority. This includes the costs of corporate policy making, representing local interests, representatives and duties arising from public accountability.

Creditors

Amounts owed by the Council for work done, goods received or services rendered but for which payment has not been made at 31 March.

Current Assets

Assets that can be expected to be consumed or realised during the next accounting period.

Current Liabilities

Amounts that will become due or could be called upon during the next accounting period.

Debtors

Sums of money due to the Council but not received at 31 March.

Depreciation

The allocation of the cost of the useful economic life of the Council's property, plant and equipment for the accounting period through general wear and tear, consumption or obsolescence.

Earmarked Reserves

Those elements of total Council reserves which are retained for specific purposes.

External Audit

The independent examination of the activities and accounts of Local Authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices. Also to ensure the Council has made proper arrangements to secure value for money in its use of resources.

Finance Lease

A lease whereby all the risks and rewards of ownership of a fixed asset are with the lessee. In substance the asset belongs to the lessee.

General Fund

The main revenue fund of the Council. Income from the Council tax precept and Government grants are paid into the fund, from which the cost of providing services are met.

Government Grants

Payments by Central Government towards local Council expenditure. They are specific for a particular service; and are receivable in respect of both revenue and capital expenditure.

Housing Benefit

This is an allowance to persons receiving little or no income to meet, in whole or part, their rent. Benefit is allowed or paid by local authorities but Central Government refunds part of the cost of the benefits and of the running costs of the services to local authorities. Benefits paid to the Council's own tenants are known as rent rebates and that paid to private tenants as rent allowances.

Housing Revenue Account

Statutory ring-fenced account required to represent the landlord/tenant obligations for the Council in relation to managing and maintaining its housing stock in return for rental income from tenants.

Impairment

A reduction in the value of a fixed asset to below its carrying amount on the balance sheet due to damage, obsolescence or a general decrease in market value.

Income & Expenditure Account

The net cost for the year for services provided by the Council for which it is responsible and showing how the cost has been financed from precepts, grants and other income.

Interest

An amount received or paid for the use of a sum of money when it is invested or borrowed.

Liquid Resources

Cash and current Asset investments that can be easily converted to known amounts of cash without penalty, or can be traded on the active market.

Long Term Debtors

Sums of money due to the Council originally repayable within a period in excess of twelve months but where payment is not due until future years.

Minimum Revenue Provision (MRP)

The minimum amount that must be charged to a Council's revenue accounts and set aside as a provision for credit liabilities. It is calculated by applying a percentage of outstanding debt in accordance with the Council's approved policy.

Non Domestic Rates (NDR)

NDR is also referred to as business rates; is the levy on business property, based on a national rate in the pound applied to the 'rateable value' of the property. Authorities can voluntarily form a business rate retention pool, where all authorities in the pool can benefit from keeping a proportion of business rate revenue as well as growth on the revenue that is generated in their area to spend on local services.

Net Book Value

The value of property, plant and equipment included on the balance sheet, being the historical cost or a current revaluation less the cumulative amounts of depreciation.

Operating Lease

A lease where the risks and rewards, and therefore the ownership of the asset, remains with the lessor.

Precept

The amount levied by various Authorities that is collected by the District Council on their behalf. The major precepting authorities in East Devon are Devon County Council, Devon and Somerset Fire and Rescue Service and Police & Crime Commissioner for Devon & Cornwall.

Property, Plant and Equipment (PPE)

Tangible assets that are held for use in the production or supply of goods and services, for rental to others, or for administration purposes, and are expected to be used during more than one year.

Provision

This is an amount which is put aside to cover future liabilities or losses which are considered to be certain or very likely to occur, but the amounts and timing are uncertain.

Public Works Loan Board (PWLB)

An arm of Central Government which is the major provider of loans to finance long term funding requirements for Local Authorities.

Reserves

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion on the Council. Some capital reserves such as the capital adjustment account cannot be used to meet current expenditure.

Revaluation Reserve

These records net gains from revaluations made after 1 April 2007 not yet realised through sales.

Revenue Contributions

This refers to the financing of capital expenditure directly from revenue rather than from loans or other sources.

Revenue Expenditure

The day to day expenditure of the Council on such items as employees and equipment.

Revenue Expenditure Financed by Capital under Statute (REFCUS)

Expenditure which may properly be capitalised but which does not result in tangible property, plant and equipment owned by the Council.

Revenue Support Grant (RSG)

The major grant paid by central government to local authorities in aid of service provision.