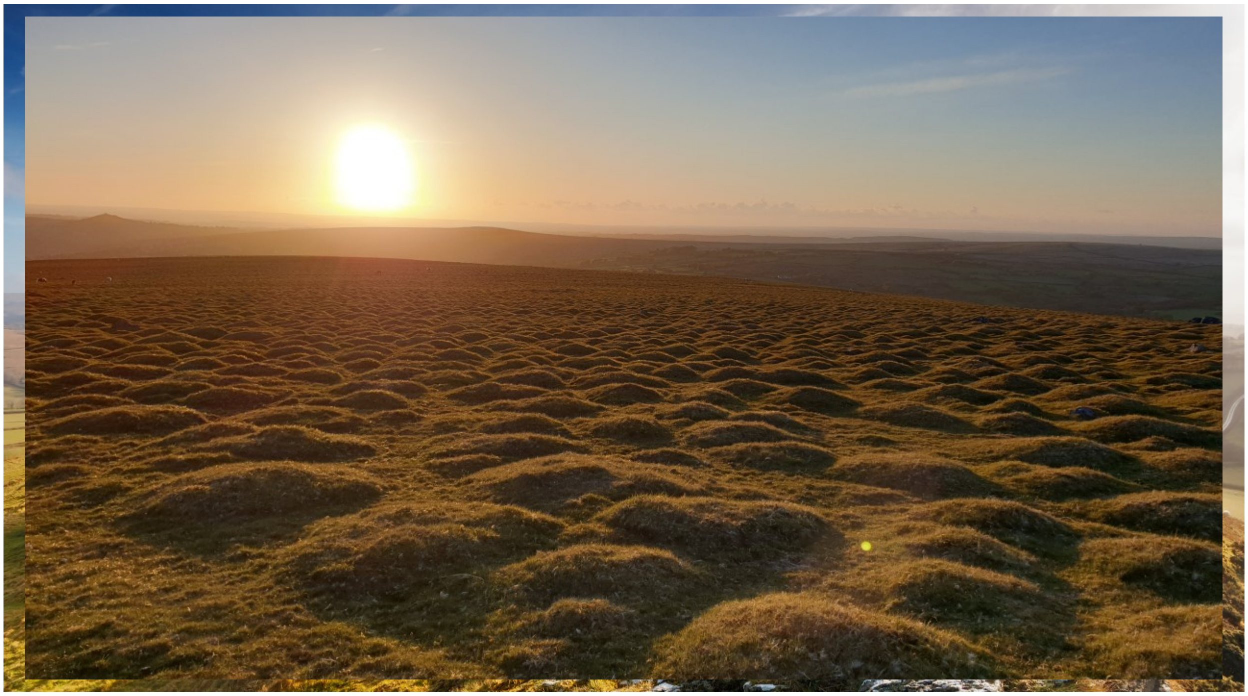


West Devon Borough Council

Audited Statement of Accounts

2019/2020

West Devon Borough Council

Contents

Statement of Accounts 2019-20

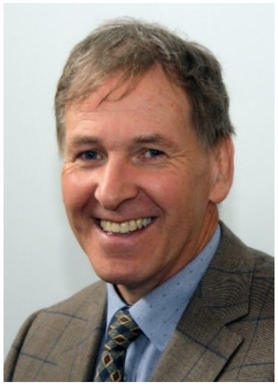
The Statement of Accounts 2019-20 can be made available in large print, Braille, tape format or other languages upon request.

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

Section *1*

Narrative Statement

Introduction to the 2019/20 Statement of Accounts by Councillor Neil Jory, Leader of West Devon Borough Council



I am very pleased to welcome you to the 2019/20 Statement of Accounts for West Devon Borough Council. It has undoubtedly been a year that will remain in all of our memories for a very long time.

Our communities, our businesses and our residents have all been impacted in a way that none of us could have imagined with the Coronavirus pandemic. In March 2020, the Council rapidly changed its operations, to provide much needed support to our community groups, our businesses and offering assistance to our most vulnerable residents through our community response.

The Council has handed out essential Government funding of £16.2 million of business grants to 1,438 businesses within the matter of a few weeks, as we recognised this money was providing a crucial lifeline to our businesses. I am truly proud of the way that we have all united together, in the most difficult of times, to be there for each other. The pandemic has brought about a profound rethink of the way we live and work.

It is important that we take a strategic approach to recovery, to ensure that we learn from the response, understand the new challenges we face and emerge as an organisation that is fit for purpose and financially sustainable. The Council will follow the principle of ‘Build Back Better’ in our Recovery Plan, so that the opportunities to learn and become more efficient and effective are realised wherever possible.

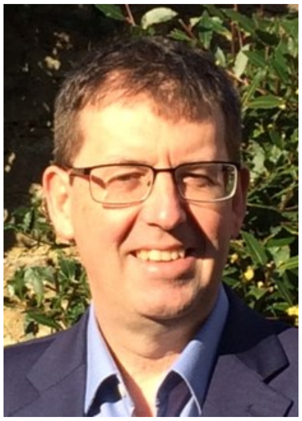
On 21st May 2019, the Council declared a climate change and biodiversity emergency. West Devon signed the Devon Climate Declaration (23rd July 2019) and published a Plan for Climate Change Action (December 2019). Our aim is to be a carbon neutral organisation by 2030 and to have improved the habitats in our green and wooded open spaces by up to 10% by 2025. For those things that are outside of our direct control, we have joined forces with the Devon Climate Emergency Response Group to support the creation of a Devon-wide plan, with the aim of Devon becoming carbon neutral by 2050.

As the Local Planning Authority we have a key role to play in setting the local strategy for development in our area. A major success for us this year has been the commencement of our new Waste and Recycling contract (jointly with South Hams) which went live on 1st April 2019. This new partnership with FCC will save us around £2m during the lifetime of the contract. We also held our local elections in May, following which we welcomed 15 new Borough Councillors with 16 returning Councillors. A comprehensive induction programme was held.

In such a testing time, I am pleased to report the surplus for the 2019/20 year of £133,000 (1.9% of the net budget of £7m). Strong financial management across the Council has meant we are underspent against our budget for 2019/20, which has aided our financial resilience. The future won’t be without its challenges but the pandemic has shown us what is achievable within a very short space of time. We are beginning to turn the corner and we will be building today the foundations for future prosperity tomorrow.

Councillor N Jory, Leader of the Council

Foreword by the Chief Executive



I am delighted to take up my new post as Chief Executive of both West Devon Borough Council and South Hams District Council. I joined in June 2020, at a time when the Councils were focused on supporting our businesses, residents and communities through the Coronavirus pandemic.

I am incredibly impressed at the speed at which both Councils have adapted to support the delivery of government support schemes such as the business grants, emergency food parcels for shielding residents and processing emergency welfare grants. The Coronavirus pandemic has impacted the lives of everybody in our Borough. The response has, by necessity, been large-scale and complex, involving all sectors of the community, from the Government through to individual volunteers. The Leader, the Hub Committee and the wider membership have been at the fore front of the response, working with their communities to provide support to the most vulnerable and local businesses.

The Council has played a vital role in responding to the global pandemic, by continuing to deliver core services, whilst also re-aligning staff and resources to respond to the emerging needs of the community and Government initiatives. The agile operating model established over the last few years has enabled the vast majority of staff to work efficiently and safely from home, whilst the ability and willingness of staff to take on new challenges has delivered support where it has been urgently needed.

The main priority for the Council for 2020 will be to formulate and start delivering on the Council's Recovery Plan. This also provides an opportunity to assess the potential 'benefits' arising from the pandemic in terms of how we work and in the delivery of services, for example reduced air pollution/emissions, reduced car travel, increased physical activity, focus on local food chains, healthier eating, a reduction in rough sleeping and embed them in long term recovery/renewal. We continue to play a significant role in our region, working with other local authorities and partners through the Heart of the South West Joint Committee, with the Local Enterprise Partnership and agencies such as Homes England to improve infrastructure, facilitate economic growth and support the building of affordable housing in our area.

The Council will also focus on re-setting its 2020/21 Budget by September, to take account of the financial impacts of the pandemic and the Government support package recently announced around the loss of key income streams, which we are awaiting the detail on. I am extremely pleased that the benchmarking of our customer experience has shown significant improvements in just the second year. We have undertaken a huge amount of work to refocus our officers on activities that will improve our customer perception. We will continue to make improvements in how we interact with our customers. I would like to take this opportunity to pay tribute to all of the Members and staff whose tireless commitment and dedication to public service has shone through in the Council's response to the pandemic. We look ahead to the future with ambition for our communities.

Andy Bates, Chief Executive

Message from the Section 151 Officer & Strategic Finance Lead - Lisa Buckle

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

- Understand the financial position of the Council as at 31 March 2020 and how the Council has performed against the budget set for 2019/20
- Be assured that the financial position of the Council is secure, with a degree of resilience.

This Narrative Statement provides information about West Devon Borough Council, including the key issues affecting the Council and its Accounts. It is very important to us to provide residents and other stakeholders with the confidence that the public money for which we are responsible has been properly accounted for. We have embedded financial management disciplines, processes and procedures.

Prudent financial management in the past, has meant that the Council was in a relatively healthy position financially before the pandemic hit. Since 2010, we have had to redesign our services to balance the books. We have done this by sharing a single workforce with South Hams District Council, generating an ongoing annual saving of £2.2 million for West Devon and by reducing our staffing levels by 30% through our Transformation Programme. The decisions that Councillors took in the past are securing benefits to meet the financial challenges of the future.

When Councillors set the Budget for 2020/21 in February 2020, no-one could have foreseen how our future finances and everyday lives were about to be impacted. Significant proportions of the Council's income ceased for a number of months and there was potential for these levels not to return to normal levels for many months to come. The Government has stated that they will stand 'shoulder to shoulder' with local Councils in our Covid19 response. We eagerly await further details of the Government's comprehensive financial package to ensure Councils can focus on their Recovery Plans, with confidence that there will be Government support underpinning their finances.

The situation continues to evolve and we are continuing to assess the impacts on our finances and our communities, but we know that this will be a long term recovery. Whilst we are still awaiting clarity over the full package of support, we have commenced our recovery planning and an Amended Budget for 2020/21 will be set by Councillors in September 2020.

The financial standing of the Council is secure in the immediate future, but there is still much work to do to ensure the long term financial sustainability of the Council. The next few years will be challenging as the Council moves into the Recovery phase and the Government's Fair Funding Review and the reset of the Business Rates baseline will be introduced, coupled with receiving no Government Grant and the cessation of the current New Homes Bonus scheme.

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

NARRATIVE STATEMENT – INTRODUCTION

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

REVIEW OF THE YEAR – THE REVENUE BUDGET

2. The 2019/20 budget for West Devon was £7.08 million but the actual spend was 1.9% lower, providing an underspend of £133,000, which will go into the Council's Unearmarked Reserves which now stand at £1.219 million. The main components of the General Fund budget for 2019/20 and how these compare with actual income and expenditure are set out below:

	Estimate £000	**Actual £000**	**Difference Cost/ (Saving) £000**
Cost of services*	5,715	5,702	(13)
Parish Precepts	1,453	1,453	-
Interest and Investment income	(90)	(130)	(40)
Amount to be met from Government grants and taxation	**7,078**	**7,025**	**(53)**
Financed from:			
Business Rates	(1,620)	(1,620)	-
Business Rates Pooling Gain*	-	(99)	(99)
Council Tax	(4,673)	(4,673)	-
Surplus on Collection Fund	(84)	(84)	-
Business Rates Levy Surplus Grant	(25)	(6)	19
Rural Services Delivery Grant	(464)	(464)	-
Reserve Contributions	(212)	(212)	-
UNDERSPEND 2019/20	**-**	**(133)**	**(133)**

* The Business Rates Pooling Gain budget of £40,000 is shown within the Cost of Services estimate above, therefore the additional Business Rates Pooling Gain received in 2019/20 is £59,000.

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

	£000
General Fund Balance (un-earmarked revenue reserve) at 1 April 2019	(1,286)
Underspend for the 2019/20 financial year	**(133)**
Transfer from the General Fund Balance to earmarked reserves	200
General Fund Balance (un-earmarked revenue reserve) at 31 March 2020	(1,219)

4. The table below shows a reconciliation of the position shown on the bottom of the Comprehensive Income and Expenditure Statement and the underspend for 19/20.

	£000
Total Comprehensive Income and Expenditure	**(747)**
Remeasurements of the net defined benefit pension liability	3,043
Surplus on the revaluation of Property, Plant and Equipment	89
Surplus on the revaluation of financial assets	(18)
Transfers to earmarked reserves	668
Transfers from the General Fund Balance to earmarked reserves	(200)
The detail of the items below are shown in Note 7 'Adjustments between Accounting Basis and Funding Basis under Regulations'	
Adjustments primarily involving the Capital Adjustment Account	(1,926)
Adjustments primarily involving the Capital Receipts Reserve	110
Adjustments primarily involving the Capital Grants Unapplied Account	92
Adjustments primarily involving the Pensions Reserve	(1,004)
Adjustments primarily involving the Council Tax Collection Fund Adjustment Account	(20)
Adjustments primarily involving the Business Rates Collection Fund Adjustment Account	(239)
Adjustments primarily involving the Accumulated Absences Account	19
Underspend for the 2019/20 financial year	**(133)**

5. A summary of the main differences from budget in 2019/20 is provided below:

ANALYSIS OF VARIATIONS (% column shows variation against budget)	**£000**	**% variation**
Increases in expenditure/reduction in income		
Customer First		
Shortfall in Housing Benefit overpayment recoveries including an increase in the bad debt provision for Covid-19 of £35,000 (budgeted income £135,000) * Partly offset by additional Housing Benefit subsidy below	109	80.7%
Shortfall in Planning income (budgeted income £387,000)	35	9.0%
St James, Okehampton – unbudgeted costs including repairs & maintenance. ** Partly offset by a saving on Kilworthy Park below	25	-
Land Charges – shortfall in income (budgeted income £110,000)	23	20.9%
Commercial Services		
Car Parking – shortfall in income (budgeted income £1,006,000).	41	4.1%
Support Services		
Corporate Management - payment collection expenses – bank and card processing fees (budgeted costs £7,000)	20	285.7%
Reductions in expenditure/additional income		
Customer First		
*Additional Housing Benefit Subsidy (budgeted income £7.992m)	(62)	0.8%
Additional Employment Estates Income (budgeted income £290,000)	(34)	11.7%
Additional Housing Benefit administration subsidy (budget £106,000)	(32)	30.2%
Homelessness underspend due to additional grant income (budgeted costs £119,000)	(30)	25.2%
**Kilworthy Park – mainly Business Rates savings (budgeted costs £407,000)	(20)	4.9%
Net salary savings from vacancies (budgeted salaries of £2.07m)	(19)	0.9%
Street Naming and Numbering income (nil budget in 2019/20)	(17)	-
Financing and Investment income and expenditure		
Commercial Property net investment income - (budgeted income £200,000)	(86)	43.0%
Additional Treasury Management investment income (budgeted income £90,000)	(40)	44.4%
Taxation and non-specific grant income		
Business Rates Pooling Gain (budgeted income £40,000)	(59)	147.5%
Other small variances	(17)	-
Sub Total	**(163)**	
Less: Transfer of homelessness underspend to the Earmarked Reserve	30	-
TOTAL UNDERSPEND FOR 2019/20	**(133)**	**(1.9%)**

The 2019/20 budget for West Devon was £7.08 million but the actual spend was 1.9% lower, providing an underspend of £133,000 as shown above.

KEY AREAS TO NOTE FROM THE 2019/20 STATEMENT OF ACCOUNTS

Pension Liability

6. International Accounting Standard 19 (IAS19) requires Local Authorities to recognise pension assets and liabilities within their accounts. The overall impact on the General Fund of the IAS 19 entries is neutral.

7. The Actuary has estimated a net deficit on the funded liabilities within the Pension Fund as at 31 March 2020 of £21.8 million. This compares to £23.8 million as at 31 March 2019. The deficit is derived by calculating the pension assets and liabilities at 31 March 2020. See Note 36 for further information.

Business Rates

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

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

10. In 2019/20 there has been a £388,000 increase in the provision for appeals within the Collection Fund. The balance on the Business Rates Collection Fund at 31 March 2020 is a small deficit of £53,000 (£545,000 surplus in 2018/19). West Devon Borough Council's share of the deficit is 40% (£21,000).

11. Monies are set aside in the Business Rates Retention Earmarked Reserve to mitigate the impact of volatility in Business Rates income. In 2019/20 the balance of the Business Rates Retention Scheme (BRRS) earmarked reserve increased by £412,000 to £904,000 as at 31 March 2020 (£492,000 at 31 March 2019). This reflects the additional Business Rates income generated for the Borough in 2019/20 following the closure of the Business Rates Collection Fund at the year end. In 2019/20 budgeted income for Business Rates was £1.62m, however income generated amounted to £2.03m. This additional income was transferred to the BRRS earmarked reserve, which is held to address any future volatility in funding from the complex accounting arrangements for Business Rates. Some of this additional business rates income is due to timing differences in the way the Collection Fund operates and part of the funding will be needed to meet future years' budgets for business rates, in particular when business rates baselines are due to be re-set in the future.

Trading Company

12. West Devon Borough Council and South Hams District Council set up a trading company, Servaco Limited, on 4th September 2014. This is a company limited by shares. The company has not traded in 2019/20 and a set of statutory dormant Accounts will be filed with Companies House for the period 1 April 2019 to 31 March 2020. The future of Servaco Limited will be reviewed during 2020/21.

Borrowing

13. In 2019/20 the long term borrowing of the Council increased from £27,066,000 (18/19) to £28,944,000. Short term borrowing increased from £514,000 to £590,000. Borrowing increased to fund the capital programme over the next two years.

Capital Spending

14. The Council spent £1.4 million on capital projects in 2019/20. The main areas of expenditure were as follows:

- Housing renovation grants including disabled facilities grants (£1.1m)

- Acquisition of land (£0.2m)

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

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

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

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

17. A summary of the position of these equity instruments as at 31 March 2020 is shown below:

	Purchase cost	Fair Value at 31 March 2020	Movement in Financial Instruments Revaluation Reserve 2019/20
	£000	£000	£000
Equity Instrument			
CCLA Local Authorities Property Fund	500	474	(18)

FINANCIAL NEEDS AND RESOURCES

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

19. General Fund reserves (which include earmarked reserves) have increased by £0.6m from the preceding year and stand at £6.2m at 31 March 2020.

20. The General Fund Balance (un-earmarked reserve) has reduced by £67,000 in 2019/20 and totals £1.219m. This reflects the underspend of £133,000 in 2019/20 and a transfer of £200,000 from the General Fund Balance to the Financial Stability earmarked reserve. Revenue reserves may be used to finance capital or revenue spending plans. The level of Reserves are assessed as adequate for the Council's operations.

21. Capital Reserves are represented by capital receipts and capital contributions unapplied. The balance at 31 March 2020 amounts to £0.367m, compared to £0.869m at the end of the previous year.

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

23. When reviewing the amount of overall reserves held, consideration should be given to the possible implications of the Pension Fund deficiency disclosed within the notes to the balance sheet. The requirement to recognise the net pension liability in the balance

sheet has reduced the reported net worth of the Authority by £21.8 million at 31 March 2020. This disclosure follows the implementation of the International Accounting Standards (IAS 19). This standard requires local authorities and other businesses to disclose pension assets and liabilities within the balance sheet.

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

Newly Elected Council

25. Following the Elections in May 2019, the Council welcomed 15 new Members and 16 returning Members. An intensive 4 week induction programme was held with a key focus on ensuring that all Members were provided with an in-depth understanding of the Council's financial position and corporate priorities.

Senior & Extended Leadership Team Restructure

26. Following the resignation of the former Executive Director in February 2018, Council approved interim senior management arrangements. A report was presented to Council on 12 February 2019 (Council Minute CM54) that outlined a review of the Staffing Establishment.

27. Following a restructure and the recruitment process, the Senior Leadership Team was finalised in September 2019 to include the following posts:

- Chief Executive & Head of Paid Service
- Strategic Director of Customer Service and Delivery
- Strategic Director of Place and Enterprise
- Corporate Director of Governance & Assurance
- Corporate Director of Strategic Finance

28. This year West Devon and South Hams Councils have concluded a restructure of their Senior Leadership Team and Extended Leadership Team, to ensure that we are aligned to best deliver our corporate priorities.

29. This resulted in the following changes to the establishment:-
<u>Deletion of the following posts</u>

- Specialist Manager: Customer First
- Specialist Manager: Support Services
- Case Management Manager: Customer First
- Case management Manager: Support Services
- Commissioning Manager

Creation of the following posts

- Head of Strategy & Projects
- Business Manager: Specialists
- Business manager: Case Management
- Customer Improvement Manager

30. This restructure concluded in December 2019 resulting in a saving of £60,000 a year for West Devon Borough Council.

Annual Governance Statement (AGS)

31. The Council's Annual Governance Statement sets out the arrangements for governance which the Council has in place. The AGS is published alongside the Accounts for 2019/20

Peer Challenge

32. In 2018, the Council requested that the Local Government Association ("LGA") undertake a Peer Challenge of West Devon Borough Council, jointly with South Hams District Council in order to identify their strengths and any areas for improvement.

33. Significant progress has been made in progressing the action plan and a follow-up progress review will be made by the LGA in 2020.

LOOKING FORWARD TO THE FUTURE AND NEXT STEPS

34. The Council has a proud tradition of innovation. We will continue to strive to achieve this whilst implementing the Peer Review recommendations, the customer satisfaction improvement plan and of course working with local communities to deliver against the Council's key corporate themes.

New Chief Executive

35. Following the departure of Sophie Hosking as the Council's Chief Executive in March 2020, the Council, jointly with South Hams District Council, undertook a national recruitment to appoint a replacement.

36. Andy Bates, previously the South West Principal Adviser for the Local Government Association, has taken up the Chief Executive post from June 2020.

Climate Change and Biodiversity Emergency Response

37. On 21st May 2019, the Council declared a climate change and biodiversity emergency. West Devon signed the Devon Climate Declaration (23rd July 2019) and published a Plan for Climate Change Action (December 2019). Our aim is to be a carbon neutral organisation by 2030 and to have improved the habitats in our green and wooded open spaces by up to 10% by 2025. For those things that are outside of our direct control, we have joined forces with the Devon Climate Emergency Response Group to support the creation of a Devon-wide plan, with the aim of Devon becoming carbon neutral by 2050.

38. The Council has approved a temporary 12 month Climate Change Officer post to take forward the development of our Climate Strategy and action plan.

39. We will be working closely with our communities and partner agencies to ensure that this funding is used for maximum impact.

Covid-19 Community Leadership

40. A key focus for the Council in 2020/21 will be ensuring we continue to support our communities in responding to the Covid-19 pandemic.

41. The Council has handed out essential Government funding of £16.2 million of business grants to 1,438 businesses within the matter of a few weeks, as we recognised this money was providing a crucial lifeline to our businesses.

42. We have already restructured large parts of the Council to focus on our community response which will have an impact on service performance over the coming months.

43. We know that the broader impacts of this pandemic will be felt for many years both locally and nationally and we continue to assess the impact on the Council's finances and our communities.

Customer Satisfaction

44. In 2019 we undertook a Customer Satisfaction Survey for the second year. This demonstrated a significant improvement of satisfaction with an 11.8% increase in our 'Getting it right first time' score which is encouraging during a year where across all industries, average satisfaction scores have decreased.

45. While we are extremely pleased with the improvements demonstrated in our Customer Satisfaction rating in 2019/20, we will continue to focus on making improvements to our customer experience.

46. In November we held all staff away days which focused on further improving the customer experience and identifying steps we can take to make our customers interaction with us easier.

47. During 2020/21 we will be implementing new technology platforms for the majority of our customer online and back-office functions. Based on Low-Code technology, we will aim to review every online process to ensure a seamless customer interaction.

Working with communities

48. We will continue our work with Town and Parish Councils and Neighbourhood Planning Groups to prepare Town Centre Strategies. These will identify priorities and provide the basis for coordinated action to ensure the role town centres play in meeting the needs of communities and their hinterland are maintained and enhanced.

49. Covid-19 has enhanced our relationship with Town and Parish Councils as well as wider community groups, some of which have formed specifically to help the most vulnerable through the pandemic.

50. Through our recovery planning we will look to further develop on these relationships and identify opportunities to support our communities.

Our financial future

51. The situation continues to evolve and we are continuing to assess the impacts on our finances and our communities of the pandemic, but we know that this will b**e a long term recovery and** we have commenced our recovery planning.

52. The financial standing of the Council is secure in the immediate future, but there is still much work to do to ensure the long term financial sustainability of the Council. The next few years will be challenging as the Council moves into the Recovery phase and the Government's Fair Funding Review and the reset of the Business Rates baseline will be introduced, coupled with receiving no Government Grant and the cessation of the current New Homes Bonus scheme.

Going Concern

53. There is a high degree of uncertainty about future levels of funding for local government. The Council is awaiting the announcement from the Government on the Comprehensive Spending Review for 2021/22 to 2023/24. The other areas adding to the uncertainty are the postponement of the implementation of the Fair Funding Review, the future resetting of business rates baselines, the impact of the COVID-19 pandemic on major income streams and the future of the New Homes Bonus scheme. South West Councils are lobbying Government for the current 'income backed guarantee scheme' announced by the Government for losses on major income streams due to COVID to be extended into 2021-22.

54. In 2020/21 a shortfall of £0.5million has been projected due to the impact of the COVID pandemic on the Council's financial position. At Council on 22nd September 2020, Members approved an Amended Budget for 2020/21 which addressed this shortfall. In October 2020, the Hub Committee will consider the Medium Term Financial Strategy and draft Budget Proposals for 2021/22 will be considered by the Hub Committee on 1st December 2020.

55. Based on the S151 Officer's management assessment (which has included consideration of the Government support available, the Council's current level of reserves, the level of working capital including cash and investments, a sensitivity analysis on forecast cashflows, income from local taxation and borrowing headroom etc.), there is no material uncertainty and as a result the Accounts for 2019/20 are prepared on a going concern basis.

Issue of the Accounts

56. The Corporate Director for Strategic Finance (Section 151 Officer) authorised the Statement of Accounts 2019/20 for issue on 13 October 2020. Events taking place after this date are not reflected in the financial statements or notes.

ACHIEVEMENTS FOR 2019/20

The following pages set out the achievements of the Council for 2019/20 by each of the Themes within its Corporate Strategy.

COUNCIL - Delivering efficient and effective services

Action	Progress 2019/20
Improved the efficiency of our IT systems	This year we have made investments in our IT system, firstly by implementing a new Benefits platform that enables users to sign in to an account to see the progress of their benefits claims. We have also committed to investing £1.6m (shared with South Hams) in improving our other customer facing IT systems by replacing our current technology with new state of the art platforms. The new system will enable us to be much more responsive to customer needs and ensure a better overall customer experience. This will be a significant project to be delivered in 2020/21.
Positive progress on our Customer Improvement programme	In 2018 we joined the Institute of Customer Service and undertook our first Customer Satisfaction benchmarking. Following the results, we started a programme of improvements to improve our customer experience. This year we undertook a follow up survey which showed a real improvement including an 11.8% improvement in our 'Getting it right first time' score. This is a real achievement at a time when across all sectors, the average customer satisfaction levels are decreasing. Our benchmarking score is now 4.1 times higher than the national local council average.
Elections	In May 2019 we held Borough Council as well as Town and Parish Council elections followed by the General Election in December. An incredibly busy year for the elections team.
New Waste and Recycling Contract	The new Waste and Recycling contract went live in April 2019. This will save the Council £2m over the life of the contract.
Restructure of Management team	It important that the Council remains efficient in deployment of its staff. A recommendation of the Peer Challenge in 2018 was that we should look to realign our management team to better support our future priorities. As a result, the Senior and Extended Leadership Teams and Management functions of the Council were restructured with the new team in place for January 2020. This not only enables us to focus on our priorities, but has also reduced our management costs by £120,000 across the two Councils (£60,000 for West Devon).

COMMUNITIES - Council and residents working together to create strong empowered communities

Action	Progress 2019/20
Agreed 3 year funding to partner agencies	This year we agreed to a three year funding arrangement with partner organisations rather than agreeing it annually. This will provide those organisations providing vital frontline support to our communities with medium term certainty over their finances. These include CVS and Citizens Advice.
Support to community schemes	Our Members each have a locality fund which support local community initiatives. During 2019/20, grant payments of £9,300 were made supporting 19 community activities including refurbishment of woods, contribution to community defibrillators, art workshops and contribution to a local Dads support group.
Community Lottery	Enabled community groups to raise £25,000 for specific causes through the Seamoor Lotto
Covid-19 Community Response	In March, the Council acted quickly to establish a Community Response Team to assist community groups and residents with responding to the Covid-19 pandemic. 35 employees were quickly re-tasked to providing frontline support, working closely to support the work of our Members. The Council has worked closely with voluntary sector and partner organisations, developing a support website and dedicated telephone support line offering emergency food and welfare grants, signposting to mental health support amongst many other support functions.
Community Events attended	We attended Okehampton, Chagford and Lamerton shows, providing our residents with an opportunity to engage with the Council as well as holding regular engagement events at supermarkets in Tavistock and Okehampton.

HOMES - Enabling homes that meet the needs of all

Action	Progress 2019/20
Disabled Facilities Grants	In the last 12 months we have completed 75 Disabled Facilities Grants which enable people to continue to live more independently in their own homes.
Rough Sleeper support	In 2019 the Council adopted a Rough Sleeper Strategy as part of its overall Homelessness Strategy with the aim to reduce the number of people sleeping rough by 50% by the end of 2022. Working with South Hams District Council and Teignbridge District Council, we have secured £150,000 to work in partnership to continue the work of three outreach workers to help rough sleepers. This work has developed accommodation strategies and support plans for vulnerable residents as well as sharing best practice.
Affordable housing	Council have approved £4.3m funding for the construction of 29 residential units in Lamerton and Brentor. This will be the first delivery of new homes by the Council in a generation .

ENVIRONMENT - Protecting, conserving and enhancing our built and natural environment

Action	Progress 2019/20
New Waste and Recycling Contract	In April 2019, our new partnership with FCC for recycling, waste and street cleansing services went live. This contract will allow us to improve the environmental impact of the Borough by enabling our residents to increase what they can recycle as well as saving us around £2m over the lifetime of the contract
Fusion Leisure reduced CO2 output	Our Leisure partners, Fusion Leisure, have implemented a range of energy saving measures which have reduced the CO2 emissions from the centres by 71 tonnes compared to 2018
Carbon Neutral by 2030	The Council has agreed an ambitious plan to support its aim to be a carbon neutral organisation by 2030 and to help the whole Borough reach zero carbon by 2050. We have appointed a Climate Change Officer to lead this work.
Electric charging points for car parks	Working with other Devon Councils (who have collectively secured a £817,712 grant) we have commenced a project to install electric charging points in key car parks in Okehampton and Tavistock.
Launched an Electric Car Scheme	We have already taken massive steps in reducing the Councils carbon footprint by enabling our staff to work from home (which saves approximately 1million miles a year) but during 2019 we've gone further and launched a scheme to enable our staff to purchase electric vehicles – 6 staff have already signed up to the scheme.

ENTERPRISE - Creating places for enterprise to thrive and business to grow

Action	Progress 2019/20
Investing in renewables	In July 2019, Council agreed to amend our investment strategy to include investments in renewable energy developments.
Supporting our businesses	Through our partnership with Business Information Point we have provided 90 hours of 1-to-1 business support including 62.5 hours support to people looking to start a new business in West Devon. Workshops and a Small Business Day were also delivered during the year attended by 22 businesses.
Greater Dartmoor LEAF	As above £80,800 awarded in last 12 months to 7 projects expected to create 12 FTE jobs. Projects include the development of better facilities for communities, expanding small local businesses so they can take on more staff and become more profitable, helping food and drink producers grow and improve their production lines and support for farmers to buy new high tech equipment. To date 27 new FTE jobs have been created in West Devon through this fund. In recognition of the programme's success, additional funding of £153k has been awarded by Defra to extend the programme during 2020-21

WELLBEING - Supporting positive, safe and healthy lifestyles and helping those most in need

Action	Progress 2019/20
Investing in Leisure	Our Leisure partner, Fusion, completed the improvement works at Meadowland and Parklands Leisure Centres Across the Fusion SW Devon operation (which includes South Hams Leisure Centres) Membership has increased by 22% compared to 2018/19. The most significant increase in West Devon being an increase of over 20,000 in participating in activities.
Community Safety Partnership Schemes	Through our membership of the Community Safety Partnership we have delivered a number of schemes including:- - Erected 'Moorwatch' banners at West Devon beauty spots with high crime which has significantly reduced the number of car thefts - Co-ordinated multi agency meetings to support vulnerable young people in Okehampton (Operation Linger) - Provided funding for youth outreach and diversionary activity in Bere Alston.
Covid-19 Support	At the end of the year, we quickly formed Community Support Teams to facilitate support to community groups and our most vulnerable residents. This enabled us to ensure we could deliver emergency supplies to residents that we're shielding or provide small grants to community groups that were better placed to support residents.
Junior Lifeskills	In September, we held our Junior Life skills event. The scheme is an important milestone in students taking more independence before they move up to secondary education and challenges children in 'real-life' scenarios which teach essential safety lessons and helps to prevent issues from developing. This gives the students the opportunity to learn crucial life skills. A total of 535 children engaged in small groups with a range of agencies such as the Police, RNLI, BT, Western Power, Dartmoor Rangers, the Dogs Trust, the Royal Life Saving Society, with First Aid and West Devon Borough Council. During their visit, the children gained an understanding of personal safety and community responsibility, as well as an awareness of health and safety issues.

PERFORMANCE INDICATORS FOR 2019/20

Performance has continued the multi-year trend and been maintained at a high, and generally improving, level. It is encouraging to see a continuing decline in the volumes of calls to the contact centre and a continued trend in a move to online interaction. Work is planned to review performance measures in line with the Council's Corporate Strategy with a new approach to reporting performance through Overview and Scrutiny so that performance is reported by each theme rather than all performance measures being included in a single report.

Balanced Scorecard

⬢	Below target performance
▲	Narrowly off target, be aware
●	On or above target

Customer

Q1	Q2	Q3	Q4	Yr.	
▲	▲	●	▲	▲	Waste Recycling Rate %
●	●	●	●	●	Residual waste per household
▲	⬢	▲	▲	▲	Contact centre calls answered within 20 seconds
●	●	●	●	●	Average number missed waste and recycling collections per 100,000

Process

Q1	Q2	Q3	Q4	Yr.	
●	●	●	●	●	Processing speed of new benefit claims
●	●	●	●	●	Processing speed – change of circumstances
●	⬢	●	⬢	▲	% of Major planning applications determined on time

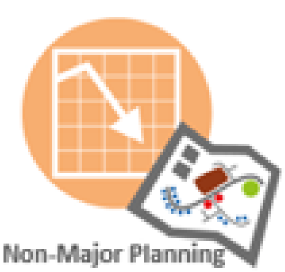
Financial

Q1	Q2	Q3	Q4	Yr.	
●	●	▲	●	●	% of Non-Domestic Rates collected
▲	▲	▲	▲	▲	% of Council Tax collected

Organisational Capacity

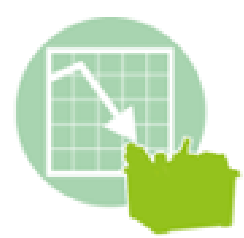
Q1	Q2	Q3	Q4	Yr.	
●	●	●	●	●	Working days lost to sickness absence
●	●	●	●	●	% of customer contact through online interaction

New Housing Benefit claims processed 9.8 days faster than national target



Non-Major Planning Applications determined on time – 89.5%

Call volumes reduced by 9,264 in last 12 months



Missed waste collections equate to 46 in every 100,000

A FEW THINGS WE SPENT YOUR MONEY ON IN 2019/20

PRINCIPAL RISKS AND UNCERTAINTIES

A risk and opportunity management strategy is in place to identify and evaluate risks. There are clearly defined steps to support better decision making through the understanding of risks, whether a positive opportunity or a threat and the likely impact. A Statutory Officers' Panel was set up in 2015/16 and a key role of this Panel is strategic risk management. This Panel consists of the Head of Paid Service, Chief Finance Officer and the Monitoring Officer.

A risk report is presented to the Council's Audit Committee every six months. Due to the impact of Covid-19 on our ability to hold committee meetings, this was delayed by three months from March 2020. Below is an extract from the Risk report to the Audit Committee in June 2020.

Description	What is (or are the) Uncertainties	Latest Note (as at June 2020)
Adherence to Medium Term Financial Strategy	Reduction in Government grant, increasing demand for services and other cost pressures and increased risks associated with localised business rates and council tax support. Additionally, income from activities may not materialise or may be reduced, e.g. business rate appeals or a reduction in the commercial property market. The amount of income received can be adversely affected by a fall in collection rates due to economic downturn and other factors such as the bankruptcy/liquidation of large ratepayers or any sizeable rateable value reductions achieved by business rated properties in the area. The latest forecast for the Devon Business Rates Pooling gain is over £7 million, with the WDBC share of the pooling gain being around £100,000. On 9th October the Public Work Loans Board (PWLB) increased their interest rates on borrowing by 1%. This was without any prior notice and this dramatic increase is unprecedented. This only affects new loans taken out. It affects the Council's commercial investment strategy in as much as the Council will need to factor in a higher rate of interest into future business cases. The commercial investment strategy itself remains still relevant. It is expected that various financial institutions will enter the market and make products available to Local Authorities at competitive interest rates.	The Budget for 2020-21 was approved by Council in February 2020. Waste contract procurement has delivered significant financial savings. ICT review to be carried out to deliver either growth opportunity or efficiencies in working methods. Since the budget was set in February, the impact of Covid-19 has begun impacting on the Council's finances. The gross service expenditure budget for 2020/21 was set at £23 million (£7.212 million net). Actual net revenue expenditure is forecast to be over budget by £1.028 million when compared against the total budget set for 2020/21, due mainly to the impact of the Covid 19 pandemic. The significant extent of these predicted losses present imminent funding challenges for the Council. With income falling, unemployment expected to rise and a lack of certainty around funding, there are going to be difficult decisions to be made. The Council is awaiting the detail of the Government's 'income guarantee' scheme. A Members' Budget Workshop will be arranged for August 2020. **Council will be asked to consider a revised budget for 2020-21 at the September 2020 cycle of meetings.**

Description	What is (or are the) Uncertainties	Latest Note (as at June 2020)
Covid-19 (Coronavirus) impact on services	The situation evolves on a daily basis and there are many uncertainties at this stage	The Council's Management Team undertook planning of a 'Pandemic Flu' scenario in in February 2020 to prepare for the Covid-19 pandemic. We have also made many changes to the services that are being delivered, stopping some and changing others to align to our response. As a result of Covid-19, the Council will need to reconsider its budget for this current year and make plans for future years to address the financial impacts. There are likely to be direct impacts on:- - Housing and Benefits - Increased service demand as the economic impact is realised - Environmental Health - support to businesses as well as enforcement of government policy around re-openings - our Corporate Strategy which may no longer reflect our priorities - Delivery of current projects such as the Future IT Project and Waste Service Changes
Service Performance	Process implementation is now complete. Uncertainties could be due to a lack of appropriate resources. In the past, a lack of appropriate resource and the T18 transformation and change in processes combined to affect our ability to deliver appropriately on occasion. This pressure was increased due to county and general elections in 2017.	The Customer Satisfaction survey undertaken in 2019 shows an encouraging improvement in overall customer satisfaction levels. We will continue to ensure that progress is made to further improve satisfaction. In December 2019, as part of the Extended Leadership restructure, we created a Customer Improvement Manager post to lead these improvements. Covid-19 has impacted service performance, with some services having to stop delivering services to ensure that we comply with Government guidance to ensure our employees were kept safe. That said, it must be noted that the vast majority of office based employees have been able to continue undertaking their work from home from day 1 of the lockdown. **Business Managers have been asked to undertake a review of service performance across the Council during the past 3 months to inform future planning.**

Description	What is (or are the) Uncertainties	Latest Note (as at June 2020)
Inadequate Staffing Resource	Performance being reviewed to understand whether resourcing levels are correct; difficult to assess accurately as organisation continues to experience change effects and processes being embedded / roll-out of new technology and working practices.	The Council quickly moved to a 'Working at Home' scheme for all employees that could work from home in order to ensure that we minimised any risks to staff, and in turn, ensure that we did not experience any significant reductions in staff numbers. So far, we have not experienced levels of un-planned absences above what we would normally see at this time of year. A staff survey was undertaken to 'check-in' on staff which on the whole saw positive responses. Managers are regularly catching up with staff over skype and SLT are holding frequent staff briefings to keep them updated.
Political commitment for change	Considerable external political uncertainty and Governmental inertial; leading to uncertainty over policy direction and financial decisions from central government. Political balance of the Council impacting on policy and decision-making within and between SH & WD. Lack of briefing/understanding of issues or clear direction affects decision making by Members.	We continue to keep Members informed on policy changes which has become even more crucial during the Covid-19 pandemic. SLT continue to attend Member briefings. Despite Covid-19, the Council has continued to hold key meetings via Skype and has so far held two Full Council meetings and an Overview & Scrutiny Meeting and an Audit Committee. **All-Member workshops will be held during the summer to develop the Councils Covid-19 recovery plan which will be considered by Full Council in September 2020.**
Health and Wellbeing Service Provision	There are many uncertainties: • When leisure centres may reopen • When they do open, what will the customer appetite be • How long any measures that reduce capacity will have to remain in place.	Discussions continue with our Leisure Services provider who will continue to develop plans for the safe reopening following the Government announcement. Measures will include signage, pre-booking to limit numbers etc. The Council has been successful in securing a Sport England grant (Lottery Funding of £4,560 across both Councils) for external support to ensure that the impact on the contract is minimised and the Centres are in the best position to adapt and react to the future environment, delivering services for customers which enhance key outcomes (such as increased health and wellbeing). **The work will result in a remobilisation action plan and a check and challenge of the current arrangements**.

Description	What is (or are the) Uncertainties	Latest Note (as at June 2020)
Business Continuity	Following the event, how quickly will certain systems and processes be able to be back on-line	The last few months have been the most significant test of the Councils Business Continuity plans in many years. We continue to keep Members informed on policy changes which has become even more crucial during the Covid-19 pandemic. Officers have implemented weekly Business Continuity Management meetings to continually monitor the impact on the Council and rapidly respond to issues. This has been effective in ensuring an effective response. **Weekly BCP meetings will continue to be held (although reducing to once a week) with recovery meetings now also being scheduled weekly.**
Emergency Response	Following the event, the expectation that coastal defences and asset repairs will be urgently undertaken despite competing claims on capital resources	The Council has demonstrated, along with partners and community groups that it can quickly adapt to support our local communities during an emergency. The concern is that the Covid-19 pandemic will continue for some time which may impact on the Councils ability to respond to other emergencies such as floods. **The Council continues to be an active member of the Local Resilience Forum and will continue to keep its Emergency Response plans updated as the current pandemic progresses.**

Section 2

Core Financial Statements

SECTION 2A: COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2018/19				2019/20		
Gross Expenditure £000	**Gross Income £000**	**Net Expenditure £000**	**Segment**	**Gross Expenditure £000**	**Gross Income £000**	**Net Expenditure £000**
17,998	(15,342)	2,656	Customer First*	16,991	(12,985)	4,006
4,086	(2,029)	2,057	Commercial Services	3,855	(1,706)	2,149
1,180	(316)	864	Strategy & Commissioning	1,529	(596)	933
2,151	(376)	1,775	Support Services	2,049	(361)	1,688
830	-	830	Centrally Held Costs	911	(109)	802
32	-	32	Material Items (Note 2)	-	-	-
26,277	**(18,063)**	**8,214**	**Cost of Services**	**25,335**	**(15,757)**	**9,578**
		1,643	Other operating expenditure (Note 9)			1,375
		1,506	Financing and investment income and expenditure (Note 10)			1,124
		(10,028)	Taxation and non-specific grant income (Note 11)			(9,710)
		1,335	**(Surplus) or Deficit on Provision of Services**			**2,367**
		(2,225)	(Surplus) or deficit on revaluation of Property, Plant and Equipment			(89)
		(1,218)	Remeasurements of the net defined benefit liability			(3,043)
		(7)	(Surplus) or deficit from investments in equity instruments designated at fair value through other comprehensive income			18
		(3,450)	**Other Comprehensive Income and Expenditure**			**(3,114)**
		(2,115)	**Total Comprehensive Income and Expenditure**			**(747)**

*The significant decrease in Customer First gross income of £2.4m mainly relates to a reduction in Housing Benefit Subsidy following a drop in Housing Benefit caseload in 2019/20. This is part of an ongoing reduction expected as part of the transition to Universal Credit. This decrease in caseload is reflected in the reduction in Housing Benefit payments shown within Customer First gross expenditure for 2019/20 (£1.9m). This reduction in gross expenditure is partly offset by capital accounting adjustments of £677,000.

SECTION 2B: MOVEMENT IN RESERVES STATEMENT

Movement in Reserves Statement

This statement shows the movement from the start of the year to the end on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Movement in Reserves Statement shows how the movements in year of the Authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Increase/Decrease in Year line shows the statutory General Fund Balance movements in the year following these adjustments.

2019/20	General Fund Balance £000	Earmarked General Fund Reserves £000	**Total General Fund Reserves £000**	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Authority Reserves 2019/20 £000**
Balance at 31 March 2019 carried forward	**1,286**	**4,316**	**5,602**	**321**	**548**	**6,471**	**(4,780)**	**1,691**
Movement in Reserves during Year								
Total Comprehensive Income & Expenditure	(2,367)	-	**(2,367)**	-	-	**(2,367)**	3,114	**747**
Adjustments between accounting basis & funding basis under regulations (Note 7)	2,968	-	**2,968**	(162)	(340)	**2,466**	(2,466)	**-**
Transfers to/from Earmarked Reserves (Note 8)	(668)	668	**-**	-	-	**-**	-	**-**
Increase/ (Decrease) in Year	**(67)**	**668**	**601**	**(162)**	**(340)**	**99**	**648**	**747**
Balance at 31 March 2020 carried forward	**1,219**	**4,984**	**6,203**	**159**	**208**	**6,570**	**(4,132)**	**2,438**

SECTION 2B: MOVEMENT IN RESERVES STATEMENT

2018/19 Comparatives	General Fund Balance £000	Earmarked General Fund Reserves £000	**Total General Fund Reserves £000**	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Authority Reserves 2018/19 £000**
Balance at 31 March 2018 carried forward	**1,197**	**4,015**	**5,212**	**347**	**122**	**5,681**	**(6,105)**	**(424)**
Movement in Reserves during Year								
Total Comprehensive Income & Expenditure	(1,335)	-	**(1,335)**	-	-	**(1,335)**	3,450	**2,115**
Adjustments between accounting basis & funding basis under regulations (Note 7)	1,725	-	**1,725**	(26)	426	**2,125**	(2,125)	**-**
Transfers to/from Earmarked Reserves (Note 8)	(301)	301	**-**	-	-	**-**	-	**-**
Increase/ (Decrease) in Year	**89**	**301**	**390**	**(26)**	**426**	**790**	**1,325**	**2,115**
Balance at 31 March 2019 carried forward	**1,286**	**4,316**	**5,602**	**321**	**548**	**6,471**	**(4,780)**	**1,691**

SECTION 2C. BALANCE SHEET

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

31 March 2019		Notes		31 March 2020
£000				£000
25,149	Property, Plant & Equipment	12		24,593
20,130	Investment Property	13		19,004
125	Intangible Assets			75
491	Long Term Investments	14		474
123	Long Term Debtors	15		-
46,018	**Long Term Assets**			**44,146**
-	Short Term Investments	14		3,000
3,014	Short Term Debtors	15		3,318
10,638	Cash and Cash Equivalents	17		10,477
13,652	**Current Assets**			**16,795**
(5,203)	Short Term Creditors	18		(4,135)
(514)	Short Term Borrowing	14		(590)
-	Revenue Grants in Advance	31		(1,129)
(649)	Provisions	19		(804)
(6,366)	**Current Liabilities**			**(6,658)**
(211)	Long Term Creditors	18		(208)
(27,066)	Long Term Borrowing	14		(28,944)
(23,822)	Pension Fund Liabilities	36		(21,783)
(514)	Capital Grants Receipts in Advance	31		(910)
(51,613)	**Long Term Liabilities**			**(51,845)**
1,691	**Total Net Assets**			**2,438**
6,471	Usable Reserves	20		6,570
(4,780)	Unusable Reserves	21		(4,132)
1,691	**Total Reserves**			**2,438**

The notes on pages 35 to 117 form part of these financial statements. The unaudited accounts were issued on 15 July 2020. The audited accounts were issued on 13 October 2020.

SECTION 2D. CASH FLOW STATEMENT

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

2018/19 £000 Restated*		**2019/20 £000**
1,335	**Net (surplus) or deficit on the provision of services**	**2,367**
(5,051)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 22)	(2,346)
843*	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 23)	816
(2,873)	**Net cash flows from Operating Activities**	**837**
19,553*	Net increase/(decrease) in Investing Activities (Note 24)	1,882
(22,941)	Net cash outflow/(inflow) from Financing Activities (Note 25)	(2,558)
(6,261)	**Net (increase) or decrease in cash and cash equivalents**	**161**
4,377	Cash and cash equivalents at the beginning of the reporting period	10,638
10,638	**Cash and cash equivalents at the end of the reporting period (Note 17)**	**10,477**

***Restatement Note** – the 2018/19 Cash Flow Statement, Note 23 (Cash Flow - Adjustments to Net Surplus or Deficit on the Provision of Services) and Note 24 (Cash Flow – Investing Activities) have been restated to reflect the correct classification of purchases of short term investments. In 2018/19 purchases of short term investments (£3 million) were incorrectly reflected within Note 23 (Cash Flow - Adjustments to Net Surplus or Deficit on the Provision of Services) but should have been reflected in Note 24 (Cash Flow – Investing Activities). The movement of £3 million has no overall impact on the Cash Flow Statement, the restatement is purely for presentational purposes.

Section 3

Notes to the Financial Statements

Notes to the Financial Statements

1. Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty
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3. Events After the Reporting Period
4. Expenditure and Funding Analysis
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15. Debtors
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    - Revaluation Reserve
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    - Pensions Reserve
    - Available for Sale Financial Instruments Reserve
    - Financial Instruments Revaluation Reserve
    - Council Tax Collection Fund Adjustment Account
    - Business Rates Collection Fund Adjustment Account

- Accumulated Absences Account

22 Cash Flow Statement – Adjustments to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements

23 Cash Flow Statement – Adjustments to Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities

24 Cash Flow Statement – Investing Activities

25 Cash Flow Statement – Financing Activities

26 Trading Operations – Building Control

27 Business Improvement Districts

28 Members’ Allowances

29 Officers’ Remuneration

30 Payments to External Auditors

31 Grant Income

32 Related Parties

33 Capital Expenditure and Capital Financing

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35 Exit Packages and Termination Benefits

36 Defined Benefit Pension Schemes

37 Contingent Liabilities

38 Nature and Extent of Risks Arising from Financial Instruments

39 Accounting Policies

40 Accounting Standards that have been Issued but have not yet been Adopted

41 Critical Judgements in Applying Accounting Policies

SECTION 3 NOTES TO THE ACCOUNTS

1. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

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

The items in the Authority's Balance Sheet at 31 March 2020 for which there are significant risks of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Asset valuations are based on market prices and are periodically reviewed to ensure that the Council does not materially misstate its non-current assets. The outbreak of Covid-19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement. Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS (Royal Institution of Chartered Surveyors) Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation. At the current time, it is not possible to accurately predict the longevity and severity of the impact of Covid-19 on the economy. Therefore, values have been based on the situation prior to Covid-19, on the assumption that values will be restored when the real estate market becomes more fluid. Assets are depreciated over useful lives which are estimated annually. The carrying value of Property, Plant and Equipment as at 31 March 2020 is £25 million.	A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. If the value of the Council's operational properties were to reduce by 10%, this would result in an impact on the financial statements of approximately £2.5m. An increase in estimated valuations would result in increases to the Revaluation Reserve and / or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and / or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement. If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. If the depreciation lives of the assets were to change by 1 year across all assets, this would have a £26,000 impact on the Council's finances.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Fair value measure-ment of investment property	The Council's external valuers use recognised valuation techniques to determine the fair value of Investment Property each year. This involves making assumptions and estimates in terms of how market participants would price the property. The fair value of Investment Properties as at 31 March 2020 is £19 million. The outbreak of Covid-19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement. Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS (Royal Institution of Chartered Surveyors) Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation. At the current time, it is not possible to accurately predict the longevity and severity of the impact of Covid-19 on the economy. Therefore, values have been based on the situation prior to Covid-19, on the assumption that values will be restored when the real estate market becomes more fluid.	The valuations for our Investment Properties are subject to the same uncertainties as those described above. In addition, the fair value estimates may differ from the actual prices that could be achieved in an arm's length transaction. If the fair value estimates were to change by 2%, this would have a £380,000 impact on the Council's finances.
Business Rates Appeals Provision	Estimates have been made for the provision for refunding ratepayers who may successfully appeal against the rateable value of their properties. This includes the current and previous financial years. The estimate is based on those ratepayers who have appealed. The total appeals provision as at 31 March 2020 is £2.01 million, of which the Council's share is 40% (£804,000).	Whilst the uncertainty around Covid-19 means any estimate of the impact would be highly uncertain, the impact would feed through in to the collection fund balance which would then be taken account of in future years' budgets.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	Due to the uncertain impact of Covid-19 on businesses and potential rateable value appeals it is possible that current assumptions may not be fully accurate.	
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied. The value of pension assets is estimated based upon information available at the Balance Sheet date, but these valuations may be earlier than the Balance Sheet date. The actual valuations at the Balance Sheet date, which may not be available until sometime later, may give a different value of pension assets, but this difference is not considered to be material. The Pension Fund's Actuary has provided updated figures for the year based on the last valuation in 2019. This valuation is based upon cash flow and assets values as at 31 March 2020. Contributions are set every 3 years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out during 2022/23 (as at 31 March 2022) and will set contributions for the period from 1 April 2023 to 31 March 2026. The carrying value of the Pensions Liability as at 31 March 2020 is £21.8 million.	The effects on the net pension liability of changes in individual assumptions can be measured. For example, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £869,000. The assumptions interact in complex ways. For example, in 2019/20, the Authority's actuaries advised that the pension liability has increased by £0.6 million as a result of a change in "demographic assumptions" and increased by £4.5 million as a result of a change in "financial assumptions". Please refer to Note 36 for further information about the assumptions used by the actuaries. If the value of investments is found to have changed from the estimates used by the actuaries, it will impact the overall value of the pension liability. For instance, a 5% increase in the pension liability would have an impact of £1.2m on the financial statements.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	Movements in the value of investments due to current economic uncertainty will affect the valuation of the pension liability. This will include the impact on the value of Investment Properties held by the Local Government Pension Scheme on behalf of West Devon Borough Council. A material uncertainty has been identified on the valuations of a number of pooled property investment funds held by Devon Pension Fund for 2019/20 as a result of the COVID-19 pandemic. These assets are material to the Devon Pension Fund as at 31 March 2020.	The Council's share of these Pension Fund property investments would be material to the Council's net liability, this would also present a material uncertainty on the valuation of the Council's pension assets and liabilities as at 31 March 2020.

2. MATERIAL ITEMS OF INCOME AND EXPENDITURE

The following material item has been included on the face of the Comprehensive Income and Expenditure Statement (CIES) since 2014/15. This expenditure relates to the upfront investment costs for the Council's Transformation Programme (T18). No material items of income and expenditure were incurred in 2019/20.

	2018/19			2019/20		
Transformation Programme (T18) Investment Costs	**Direct £000**	**Recharges £000**	**Total £000**	**Direct £000**	**Recharges £000**	**Total £000**
GROSS REVENUE EXPENDITURE Redundancy and Pension strain payments	32	-	32	-	-	-
Sub Total	**32**	**-**	**32**	**-**	**-**	**-**
GROSS REVENUE INCOME Shared Service Recharge to South Hams DC	-	-	**-**	-	-	**-**
Sub Total	**-**	**-**	**-**	**-**	**-**	**-**
NET REVENUE EXPENDITURE/(INCOME) (as shown in the CIES)	**32**	**-**	**32**	**-**	**-**	**-**

3. EVENTS AFTER THE REPORTING PERIOD

The draft Statement of Accounts (SOA) for 2019/2020 was approved for issue by the Corporate Director of Strategic Finance (S.151 Officer) on 15 July 2020. The Statement of Accounts were then reviewed by the Audit Committee on 21 July 2020 and the audited accounts were authorised for issue on 13 October 2020. This is also the date up to which events after the reporting period have been considered. There are no events which took place after 31 March 2020 which require disclosure.

4. EXPENDITURE AND FUNDING ANALYSIS

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

2019-2020	**Net Expenditure Chargeable to the General Fund £000**	**Adjustments between Funding and Accounting Basis (Note 5) £000**	**Net Expenditure in the Comprehensive Income and Expenditure Statement £000**
Customer First	2,119	1,887	4,006
Commercial Services	1,684	465	2,149
Strategy & Commissioning	903	30	933
Support Services	1,697	(9)	1,688
Centrally Held Costs	802	0	802
Net Cost of Services	**7,205**	**2,373**	**9,578**
Other income and expenditure	(7,806)	595	(7,211)
(Surplus)/Deficit on Provision of Services	**(601)**	**2,968**	**2,367**

	General Fund Balance £000	Earmarked Reserves £000	Total General Fund Reserves £000
Opening Balance at 31 March 2019	**(1,286)**	**(4,316)**	**(5,602)**
(Increase)/decrease in year	67	(668)	(601)
Closing Balance at 31 March 2020	**(1,219)**	**(4,984)**	**(6,203)**

2018-2019 Comparatives	Net Expenditure Chargeable to the General Fund £000	Adjustments between Funding and Accounting Basis (Note 5) £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Customer First	1,675	981	2,656
Commercial Services	1,727	330	2,057
Strategy & Commissioning	862	2	864
Support Services	1,717	58	1,775
Centrally Held Costs	830	-	830
Material Items	32	-	32
Net Cost of Services	**6,843**	**1,371**	**8,214**
Other income and expenditure	(7,233)	354	(6,879)
(Surplus)/Deficit on Provision of Services	**(390)**	**1,725**	**1,335**

	General Fund Balance £000	Earmarked Reserves £000	Total General Fund Reserves £000
Opening Balance at 31 March 2018	**(1,197)**	**(4,015)**	**(5,212)**
(Increase)/decrease in year	(89)	(301)	(390)
Closing Balance at 31 March 2019	**(1,286)**	**(4,316)**	**(5,602)**

5. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

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

Adjustments between Funding and Accounting Basis				
2019/20	**Adjustments for capital purposes (Note A) £000**	**Net change for the pensions adjustments (Note B) £000**	**Other Differences (Note C) £000**	**Total adjustments £000**
Customer First	1,572	316	0	**1,888**
Commercial Services	396	69	0	**465**
Strategy and Commissioning	0	30	0	**30**
Support Services	2	8	(20)	**(10)**
Net Cost of Services	**1,970**	**423**	**(20)**	**2,373**
Other income and expenditure from the Expenditure & Funding Analysis	**(246)**	**581**	**260**	**595**
Difference between the General Fund surplus or deficit, and the surplus or deficit on the provision of services in the CIES	**1,724**	**1,004**	**240**	**2,968**

Adjustments between Funding and Accounting Basis				
2018/19 Comparatives	**Adjustments for capital purposes (Note A) £000**	**Net change for the pensions adjustments (Note B) £000**	**Other Differences (Note C) £000**	**Total adjustments £000**
Customer First	957	24	-	**981**
Commercial Services	325	5	-	**330**
Strategy and Commissioning	-	2	-	**2**
Support Services	52	1	5	**58**
Net Cost of Services	**1,334**	**32**	**5**	**1,371**
Other income and expenditure from the Expenditure & Funding Analysis	**(145)**	**628**	**(129)**	**354**
Difference between the General Fund surplus or deficit, and the surplus or deficit on the provision of services in the CIES	**1,189**	**660**	**(124)**	**1,725**

SECTION 3 NOTES TO THE ACCOUNTS

Note A: Adjustments for Capital Purposes
Adjustments for capital purposes reflect:
For services this column adds in depreciation and impairment and adjusts for revenue expenditure funded from capital under statute.
Other income and expenditure from the Expenditure and Funding Analysis – this adjusts for statutory charges for capital financing i.e. Minimum Revenue Provision and other capital contributions. It also adjusts for capital disposals with a transfer of the income on the disposal and the amounts written-off.

Note B: Net Change for the Pensions Adjustments
Net changes for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:
For services this represents the removal of the employer pension contributions made by the Authority as allowed by statute and the replacement with current service costs and past service costs.
For other income and expenditure from the Expenditure and Funding Analysis – the net interest on the defined benefit liability is charged to the CIES.

Note C: Other Differences
Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:
For services reflects the change in the annual leave accrual when compared with the previous year.
For other income and expenditure from the Expenditure and Funding Analysis represents the timing difference between what is chargeable under statutory regulations for Council Tax and Business Rates that was projected to be received at the start of the financial year, and the income recognised under generally accepted accounting practices.

6. EXPENDITURE AND INCOME ANALYSED BY NATURE

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

Expenditure and Income Analysed by Nature	**2018/19 £000**	**2019/20 £000**
Employee Benefits Expenses	6,717	7,245
Other Service Expenses*	18,260	16,174
Depreciation, Amortisation and Impairment	1,334	1,970
Interest Payments	609	750
Pension Fund Administration Expenses	19	20
Net Interest on the net defined benefit liability	609	561
Losses/(Gains) from fair value adjustments	1,249	1,130
Total Expenditure	**28,797**	**27,850**
Fees, Charges and Other Service Income	(6,115)	(5,818)
Interest and Investment Income	(41)	(130)
Income from Council Tax and Business Rates**	(6,310)	(5,508)
Revenue Grants and Contributions	(14,412)	(13,203)
Capital Grants and Contributions	(843)	(716)
Losses/(Gains) on disposal of non-current assets	259	(98)
Other Income	-	(10)
Total Income	**(27,462)**	**(25,483)**
(Surplus) or Deficit on Provision of Services	**1,335**	**2,367**

*Other Service Expenses sees a significant reduction, in most part due to the reduction in Housing Benefit payments made in 2019/20. This is part of an ongoing reduction expected as part of the transition to Universal Credit.

**The figure for Council Tax and Business Rates in this statement is shown net of expenditure (precepts to other bodies). The expenditure detail is shown in Note 11 – Taxation and Non-Specific Grant Income.

SECTION 3 NOTES TO THE ACCOUNTS

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year, in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

	Usable Reserves			
2019/20	**General Fund Balance £000**	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**	**Movement in Unusable Reserves £000**
Adjustments primarily involving the Capital Adjustment Account (CAA):				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):				
Charges for depreciation and impairment of non-current assets	**819**			**(819)**
Revaluation losses/(gains) on Property, Plant and Equipment	**9**			**(9)**
Movements in the market value of Investment Properties	**1,130**			**(1,130)**
Amortisation of Intangible Assets	**59**			**(59)**
Capital grants and contributions applied	**(624)**			**624**
Capital grants written off	**123**			**(123)**
Revenue expenditure funded from capital under statute (REFCUS)	**1,082**			**(1,082)**
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	**2**			**(2)**
Insertion of items not debited or credited to the CIES:				
Statutory provision for the financing of capital investment	**(598)**			**598**
Capital expenditure charged against the General Fund	**(76)**			**76**
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	**(92)**		**92**	**-**
Application of grants to capital financing transferred to the Capital Adjustment Account			**(432)**	**432**

	Usable Reserves			
2019/20	**General Fund Balance £000**	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**	**Movement in Unusable Reserves £000**
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	**(100)**	**100**		**-**
Transfer of unattached capital receipts	**(10)**	**10**		**-**
Use of the Capital Receipts Reserve to finance new capital expenditure		**(272)**		**272**
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES (see Note 36)	**1,972**			**(1,972)**
Employer's pension contributions and direct payments to pensioners payable in the year	**(968)**			**968**
Adjustments primarily involving the Council Tax Collection Fund Adjustment Account:				
Amount by which Council Tax income credited to the CIES is different from Council Tax income calculated for the year in accordance with statutory requirements	**20**			**(20)**
Adjustments primarily involving the Business Rates Collection Fund Adjustment Account:				
Amount by which Business Rates income credited to the CIES is different from Business Rates income calculated for the year in accordance with statutory requirements	**239**			**(239)**
Adjustment primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	**(19)**			**19**
Total Adjustments between the Accounting Basis and Funding Basis under regulations in 2019/20	**2,968**	**162**	**340**	**(2,466)**

	Usable Reserves			
2018/19 Comparatives	**General Fund Balance £000**	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**	**Movement in Unusable Reserves £000**
Adjustments primarily involving the Capital Adjustment Account (CAA):				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):				
Charges for depreciation and impairment of non-current assets	**644**			**(644)**
Revaluation losses/(gains) on Property, Plant and Equipment	**183**			**(183)**
Movements in the market value of Investment Properties	**1,249**			**(1,249)**
Amortisation of Intangible Assets	**52**			**(52)**
Capital grants and contributions applied	**(316)**			**316**
Revenue expenditure funded from capital under statute (REFCUS)	**455**			**(455)**
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	**259**			**(259)**
Write down of bank investment	**50**			**(50)**
Insertion of items not debited or credited to the CIES:				
Statutory provision for the financing of capital investment	**(494)**			**494**
Capital expenditure charged against the General Fund	**(366)**			**366**
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	**(527)**		**527**	**-**
Application of grants to capital financing transferred to the Capital Adjustment Account			**(101)**	**101**
Adjustments primarily involving the Capital Receipts Reserve:				
Use of the Capital Receipts Reserve to finance new capital expenditure		**(26)**		**26**

	Usable Reserves			
2018/19 Comparatives	**General Fund Balance £000**	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**	**Movement in Unusable Reserves £000**
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES (see Note 36)	**1,653**			**(1,653)**
Employer's pension contributions and direct payments to pensioners payable in the year	**(993)**			**993**
Adjustments primarily involving the Council Tax Collection Fund Adjustment Account:				
Amount by which Council Tax income credited to the CIES is different from Council Tax income calculated for the year in accordance with statutory requirements	**28**			**(28)**
Adjustments primarily involving the Business Rates Collection Fund Adjustment Account:				
Amount by which Business Rates income credited to the CIES is different from Business Rates income calculated for the year in accordance with statutory requirements	**(157)**			**157**
Adjustment primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	**5**			**(5)**
Total Adjustments between the Accounting Basis and Funding Basis under regulations in 2018/19	**1,725**	**(26)**	**426**	**(2,125)**

8. TRANSFERS TO/ FROM EARMARKED RESERVES

This note details the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2019/20. The purpose of some of the more significant earmarked reserves are shown below:

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

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

Business Rates Retention Scheme – The business rates reserve covers any possible funding issues from the new accounting arrangements. Monies are set aside in the Business Rates Retention Earmarked Reserve to mitigate the impact of volatility in Business Rates income. In 2019/20 the balance of the Business Rates Retention Scheme (BRRS) earmarked reserve increased by £412,000 to £904,000 as at 31 March 2020 (£492,000 at 31 March 2019). This reflects the additional Business Rates income generated for the Borough in 2019/20 following the closure of the Business Rates Collection Fund. In 2019/20 budgeted income for Business Rates was £1.62m, however income generated amounted to £2.03m. This additional income was transferred to the BRRS earmarked reserve, which is held to address any future volatility in funding from the complex accounting arrangements for Business Rates. Some of this additional business rates income is due to timing differences in the way the Collection Fund operates and the funding will be needed to meet future years' budgets for business rates, in particular when baselines are due to be re-set in the future. Further information is provided in paragraphs 8 to 10 of the Narrative Statement.

16/17 Budget Surplus Contingency – This reserve was created as part of the 2016/17 Budget setting process.

Innovation Fund (Invest to Earn) Reserve – Some of this fund will be used to acquire and develop land within West Devon to support local housing need and to facilitate an upgrade to the Hayedown Depot.

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

Financial Stability Reserve – This reserve was set up in 2018/19 to hold the business rates pilot income. It will be used to meet the primary aim of the business rates pilot bid which is to achieve higher levels of investment in economic regeneration in Devon, and to help secure financial stability for the longer term.

Vehicle & Plant Reserve – This reserve was set up in 2019/20 to fund the Council's vehicle replacement programme.

The table below shows the earmarked reserve balances at 31 March 2020 and the movement during 2019/20.

2019/20 EARMARKED RESERVES	**Balance at 31.3.2019 £000**	**Transfers Out £000**	**Transfers In £000**	**Balance at 31.3.2020 £000**
General Fund				
Car Parking Maintenance	417	-	47	464
ICT Development	76	(54)	44	66
JSG Future Options	5	-	-	5
Planning Policy & Major Developments	104	(7)	25	122
16/17 Budget Surplus Contingency	375	(179)	-	196
Innovation Fund (Invest to Earn)	453	(28)	7	432
Outdoor Sports & Recreation	18	-	-	18
Strategic Waste & Cleansing Options Review	163	(59)	-	104
Community Housing Fund	152	(152)	-	-
Leisure Services	231	(27)	-	204
Support Services Trading	8	-	-	8
Environmental Health Initiatives	20	-	-	20
Habitats Reserve	8	(5)	-	3
Financial Stability	267	(56)	243	454
Joint Local Plan	30	(10)	-	20
Maintenance, Management & Risk Mitigation (Investment Properties)	88	(18)	120	190
Landscape Maintenance	-	-	18	18
Invest to Save	12	-	-	12
Elections	24	(44)	20	-
DCC Localism Support Officer	5	-	9	14
Neighbourhood Planning Grants	42	(26)	-	16
Cannons Meadow	11	(3)	-	8
DCC Public Health	6	-	-	6
Revenue Grants	422	(49)	135	508
Business Rates Retention Scheme	492	-	412	904
Town Teams & Economic Grants	23	-	-	23
Flood Works	15	-	-	15
New Homes Bonus	291	(390)	500	401
Homelessness	115	(30)	30	115
Strategic Change	234	(167)	-	67
Planning Enforcement	5	-	-	5
Maintenance Fund	196	(26)	-	170
S106 Monitoring	8	(9)	1	-
Vehicle Replacement	-	-	396	396
TOTAL EARMARKED REVENUE RESERVES	**4,316**	**(1,339)**	**2,007**	**4,984**

2018/19 Comparatives EARMARKED RESERVES	**Balance at 31.3.2018 £000**	**Transfers Out £000**	**Transfers In £000**	**Balance at 31.3.2019 £000**
General Fund				
Car Parking Maintenance	435	(60)	42	417
ICT Development	30	(64)	110	76
JSG Future Options	11	(6)	-	5
Planning Policy & Major Developments	44	(65)	125	104
16/17 Budget Surplus Contingency	382	(7)	-	375
Innovation Fund (Invest to Earn)	724	(271)	-	453
Outdoor Sports & Recreation	18	-	-	18
Strategic Waste & Cleansing Options Review	80	(51)	134	163
Community Housing Fund	243	(91)	-	152
Leisure Services	231	-	-	231
Support Services Trading	8	-	-	8
Environmental Health Initiatives	20	-	-	20
Habitats Reserve	10	(2)	-	8
Financial Stability	-	(50)	317	267
Joint Local Plan	-	(86)	116	30
Maintenance, Management & Risk Mitigation	-	(7)	95	88
Landscape Maintenance	5	(5)	-	-
Invest to Save	27	(15)	-	12
Elections	24	-	-	24
DCC Localism Support Officer	5	-	-	5
New Burdens CLG	3	(3)	-	-
CLG – Assets Community Value	8	(8)	-	-
Neighbourhood Planning Grants	47	(25)	20	42
World Heritage Key Site	5	(5)	-	-
Cannons Meadow	13	(2)	-	11
Millwood Homes	15	(15)	-	-
DCC Public Health	6	-	-	6
Revenue Grants	220	(7)	209	422
Business Rates Retention Scheme	509	(17)	-	492
Town Teams & Economic Grants	23	-	-	23
Flood Works	15	-	-	15
New Homes Bonus	225	(577)	643	291
Homelessness	95	-	20	115
Strategic Change	287	(63)	10	234
Planning Enforcement	5	-	-	5
Maintenance Fund	223	(27)	-	196
S106 Monitoring	19	(11)	-	8
TOTAL EARMARKED REVENUE RESERVES	**4,015**	**(1,540)**	**1,841**	**4,316**

9. OTHER OPERATING EXPENDITURE

2018/19 £000		**2019/20 £000**
1,365	Parish council precepts	1,453
259	(Gains)/losses on the disposal of non-current assets	(98)
19	Pension administration expenses	20
1,643	**Total**	**1,375**

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2018/19 £000		**2019/20 £000**
609	Interest payable and similar charges	750
(91)	Interest receivable and similar income	(130)
-	Other investment income	(10)
50	Investment (gains)/losses	-
609	Net interest on the net defined benefit liability	561
329	Investment properties (Note 13)	(47)
1,506	**Total**	**1,124**

11. TAXATION AND NON SPECIFIC GRANT INCOME

2018/19 £000		2019/20 £000
	Council Tax	
(5,890)	• Income	(6,127)
13	• Collection Fund adjustment	(84)
(81)	• Collection Fund - distribution of surplus	21
65	• Support grant to parishes	59
	Business Rates	
(3,930)	• Income	(3,965)
2,643	• Tariff*	3,179
-	• Pooling administration costs	1
-	• Pooling gain	(99)
(296)	• Pilot contribution	-
	• Section 31 Adjustment	8
-	• Levy payment	120
(199)	• Transfer of Collection Fund deficit/(surplus)	(73)
	Non ring - fenced Government Grants:	
(842)	• Small Business Rate Relief Grant	(1,063)
(643)	• New Homes Bonus Grant	(501)
-	• Rural Services Delivery Grant*	(464)
(25)	• Levy Account Surplus Grant	(6)
(843)	Capital grants and contributions	(716)
(10,028)	**Total**	**(9,710)**

Rural Services Delivery Grant
*There is no direct 2018/19 comparator for the Rural Services Delivery Grant shown above due to the mechanism of how this grant was allocated to Councils with business rates pilot status. In 2018/19 the Council's business rates baseline was increased to reflect the Rural Services Delivery Grant of £464,365. This is reflected in the reduced Tariff figure for 2018/19. However in 2019/20 the Council was no longer part of a business rates pilot and therefore the Rural Services Delivery Grant was paid direct as shown above.

12. PROPERTY, PLANT AND EQUIPMENT

Movements in 2019/20:

	Land and Buildings £000	Vehicles, Plant & Equipment £000	Infra-structure Assets £000	Community Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation						
At 1 April 2019	**22,193**	**2,628**	**1,074**	**-**	**-**	**25,895**
Additions	187					187
Revaluation increases/(decreases) recognised in the Revaluation Reserve	37					37
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(12)					(12)
At 31 March 2020	**22,405**	**2,628**	**1,074**	**-**	**-**	**26,107**
Accumulated Depreciation and Impairment at 1 April 2019	**148**	**218**	**380**	**-**	**-**	**746**
Charge for 2019/20	462	325	32			819
Depreciation written out to the Revaluation Reserve	(52)					(52)
Depreciation written out to the Surplus/Deficit on the Provision of Services	1					1
At 31 March 2020	**559**	**543**	**412**	**-**	**-**	**1,514**
Balance Sheet amount at 31 March 2020	**21,846**	**2,085**	**662**	**-**	**-**	**24,593**
Balance Sheet amount at 31 March 2019	**22,045**	**2,410**	**694**	**-**	**-**	**25,149**

Comparative Movements in 2018/19:

	Land and Buildings £000	Vehicles, Plant & Equipment £000	Infra-structure Assets £000	Community Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation						
At 1 April 2018	**19,300**	**3,146**	**1,074**	**83**	**1,031**	**24,634**
Additions	250	958			487	1,695
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,537					1,537
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(199)					(199)
Derecognition – disposals	(195)	(1,494)		(83)		(1,772)
Other movements in cost or valuation (reclassification)	1,500	18			(1,518)	-
At 31 March 2019	**22,193**	**2,628**	**1,074**	**-**	**-**	**25,895**
Accumulated Depreciation and Impairment at 1 April 2018	**474**	**1,493**	**352**	**-**	**-**	**2,319**
Charge for 2018/19	397	219	28			644
Depreciation written out to the Revaluation Reserve	(688)					(688)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(16)					(16)
Derecognition – disposals	(19)	(1,494)				(1,513)
At 31 March 2019	**148**	**218**	**380**	**-**	**-**	**746**
Balance Sheet amount at 31 March 2019	**22,045**	**2,410**	**694**	**-**	**-**	**25,149**
Balance Sheet amount at 31 March 2018	**18,826**	**1,653**	**722**	**83**	**1,031**	**22,315**

Depreciation

The Council provides for depreciation on all assets other than freehold land and community assets. The provision for depreciation is made by allocating the cost (or revalued amount) less the estimated residual value of the assets over the accounting period expected to benefit from their use. The straight line method of depreciation is used.

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

Capital Commitments

As at 31 March 2020 the Authority had not entered into any contracts for the construction or enhancement of Property, Plant and Equipment.

As a comparison, as at 31 March 2019 the Authority had entered into the following contract for the construction or enhancement of Property, Plant and Equipment. This commitment related to:

- Leisure Centre investment £1m

Revaluations

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

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

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

See Note 1 for uncertainty arising from the impact of the Covid-19 pandemic.

	Land and buildings £000	Vehicles, plant furniture & equipment £000	Total £000
Valued at historical cost	**-**	**2,085**	**2,085**
Valued at current value in:			
2019/20	2,801	-	2,801
2018/19	19,045	-	19,045
Total	**21,846**	**2,085**	**23,931**

Impairment Losses

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

13. INVESTMENT PROPERTIES

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

A. Income & Expenditure Account	2018/19 £000	2019/20 £000
Rental income from investment properties	(955)	(1,203)
Direct operating expenses arising from investment properties*	1,284	1,156
Net (gain)/ loss*	**329**	**(47)**

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

B. Movement in fair value	2018/19 £000	2019/20 £000
Balance at start of the year	**-**	**20,130**
Purchases	21,379	4
Net gains/(losses) from fair value adjustments*	(1,249)	(1,130)
Balance at end of the year	**20,130**	**19,004**

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal.

*During 2018/19 the Council incurred capital expenditure totalling £21.4 million for the purchase of four Investment Properties. This amount equated to the purchase price of four acquisitions of commercial property plus transaction costs (e.g. stamp duty land tax) and directly attributable expenditure (costs incurred in successfully negotiating the sale terms and price and relevant professional fees e.g. legal costs) which were also capitalised in accordance with the Code.

The Code requires that Investment Properties are measured annually at fair value. The fair value valuation was £20.1 million as at 31 March 2019. The net reduction in fair value reflects the fact that transaction costs and directly attributable expenditure were capitalised in accordance with the Code. The fair value of these Investment Properties as at 31 March 2020 is £19 million. The Code confirms that movements in fair value are debited to the provision of services and are not proper charges to the General Fund. They are reversed out to the Capital Adjustment Account in the Movement in Reserves Statement. Therefore this change in valuation does not impact on the Council's 'bottom line' of the Income and Expenditure account, as it is reversed out through the Capital Adjustment Account.

See Note 1 for uncertainty arising from the impact of the Covid-19 pandemic.

14. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

Financial Liabilities

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

Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

Financial Assets

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

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

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

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

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

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

Summary of Financial Instruments

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

	Long-term			Current	
	31 March 2019 £000	31 March 2020 £000		31 March 2019 £000	31 March 2020 £000
Financial Assets at Amortised Cost					
Investments	-	-		-	3,000
Cash and Cash Equivalents	-	-		10,638	10,477
Debtors	123	-		718	1,588
Fair Value through Other Comprehensive Income – Financial Assets					
Investments – Local Authorities' Property Fund	491	474		-	-
Total Financial Assets	**614**	**474**		**11,356**	**15,065**
Financial Liabilities at Amortised Cost					
Borrowing	(27,066)	(28,944)		(514)	(590)
Creditors	(211)	(208)		(1,727)	(1,952)
Total Financial Liabilities	**(27,277)**	**(29,152)**		**(2,241)**	**(2,542)**

Designated to Fair Value Through Other Comprehensive Income

At 31 March 2020 the Council had a £0.5 million investment with the CCLA Property Fund and up to 31 March 2018 this was held as an 'Available for Sale Financial Asset' and measured at fair value each year. Any change in fair value was posted to Other Comprehensive Income and Expenditure and accumulated gains and losses have been held in an Available for Sale Financial Instruments Reserve.

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

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

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

Statutory Override on Pooled Investments

As a result of the change in accounting standards for 2018/19 under IFRS 9, the Ministry for Housing, Communities and Local Government (MHCLG) have agreed a temporary override to allow English Local Authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years commencing from April 2018. The Council will use the statutory override to account for any changes in the fair value on its pooled investments. For the Council's Money Market Fund investments the change in fair value was immaterial in 2019/20.

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

The Council had the following investments in equity instruments at 31 March 2020:

Investment	**Nominal**	**Fair Value**	**Change in Fair Value During 2019/20**
	£000	**£000**	**£000**
CCLA Property Fund	500	474	(18)

Net Gains and Losses on Financial Instruments

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

	2018/19	2019/20
	£000	£000
Net gains/losses on: Financial Assets measured at fair value through other comprehensive income	7	(18)
Total Net Gains/(Losses)	**7**	**(18)**

Fair Value of Financial Instruments

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

Recurring Fair Value Measurements	Input Level in Fair Value Hierarchy	Valuation Technique Used to Measure Fair Value	31 March 2019 Fair Value	31 March 2020 Fair Value
			£000	£000
Fair Value Through Other Comprehensive Income				
CCLA Property Fund	Level 2	Inputs other than quoted market prices that are observable for the asset or liability	491	474
TOTAL			**491**	**474**

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

	31 March 2019		31 March 2020	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	£000	£000	£000	£000
PWLB Debt – Maturity	(5,692)	(7,052)	(5,692)	(6,719)
PWLB Debt – Annuity	(21,888)	(22,902)	(23,842)	(23,656)
Long Term Debtors	123	123	-	-
Long Term Creditors	(211)	(211)	(208)	(208)

15. DEBTORS

31.3.2019 £000		31.3.2020 £000
	Short Term	
189	Central Government bodies*	990
241	Other Local Authorities	277
	Other debtors	
888	Council Tax	677
599	Business Rates	249
1,097	Other entities and individuals	1,125
3,014	**Total**	**3,318**
	Long Term	
123	Other entities and individuals	-
123	**Total**	**-**

*The ‘Central Government bodies’ debtor has increased significantly in 2019/20 due to the end of year position for the Housing Benefit subsidy claim. At 31 March 2020 £692,000 was due from Central Government following completion of the final claim. However, in 2018/19 this position was a creditor balance, with £359,000 due to be paid to Central Government at 31 March 2019.

16. DEBTORS FOR LOCAL TAXATION

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

31.3.2019 £000		31.3.2020 £000
341	Up to one year	329
314	One to three years	262
77	Over three years	88
732	**Total Debtors for Local Taxation**	**679**

17. CASH AND CASH EQUIVALENTS

31.3.2019 £000		31.3.2020 £000
1,338	Cash held by the Authority	277
9,300	Money Market Funds	10,200
10,638	**Total Cash and Cash Equivalents**	**10,477**

18. CREDITORS

31.3.2019 £000		31.3.2020 £000
	Short Term	
(572)	Central Government bodies*	(246)
(715)	Other Local Authorities	(781)
	Other Creditors	
(50)	Council Tax	(62)
(1,127)	Business Rates	(1,158)
(2,739)	Other entities and individuals**	(1,888)
(5,203)	**Total**	**(4,135)**
	Long Term	
(211)	Other entities and individuals	(208)
(211)	**Total**	**(208)**

*The ‘Central Government bodies’ creditor as at 31.3.19 relates mainly to the amount due to Central Government following completion of the final Housing Benefit subsidy claim for 2018/19 (£359,000). At 31 March 2020 money was due from Central Government and therefore the balance is reflected in short term Debtors (Note 15).
**Balances for Short Term ‘Other entities and individuals’ creditor was higher at the end of March 2019, mainly due to income received in advance in relation to Council Tax of £979,000.

19. PROVISIONS

Provisions payable within twelve months of the Balance Sheet date are classified as current liabilities; provisions payable more than twelve months from the Balance Sheet date are classified as long term liabilities. No long term provisions were created in 2019/20 or 2018/19. The breakdown of the 2019/20 provision is shown in the following table:

	Business Rates Appeals £000
Balance at 1 April 2019	**(649)**
Provisions made in year	(182)
Amounts used in year	27
Balance at 31 March 2020	**(804)**

Short term Provision – Business Rates Appeals:
Provision is made for likely refunds of business rates as a result of appeals against the rateable value of business properties. The provision is based on the total value of outstanding appeals at the end of the financial year as advised by the Valuation Office Agency. Using this information, an assessment was made about the likely success rate of appeals and their value. In 2019/20 there has been a £388,000 increase in the provision for appeals within the Collection Fund. The Council’s share of this is 40% (£155,000).

20. USABLE RESERVES

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

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

Earmarked Reserves – The Council has set aside monies for specific purposes e.g. vehicle & plant replacement, the funding of strategic issues etc.

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

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

21. UNUSABLE RESERVES

31.3.2019 £000		31.3.2020 £000
8,899	Revaluation Reserve	8,974
9,935	Capital Adjustment Account	8,727
(23,822)	Pensions Reserve	(21,783)
(9)	Financial Instruments Revaluation Reserve	(27)
81	Council Tax Collection Fund Adjustment Account	61
218	Business Rates Collection Fund Adjustment Account	(21)
(82)	Accumulated Absences Account	(63)
(4,780)	**Total Unusable Reserves**	**(4,132)**

Revaluation Reserve

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

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

- disposed of and the gains are realised

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

The outbreak of Covid-19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement.

Valuations are therefore reported on the basis of ‘material valuation uncertainty’ as per the RICS (Royal Institution of Chartered Surveyors) Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation. At the current time, it is not possible to accurately predict the longevity and severity of the impact of Covid-19 on the economy. Therefore, values have been based on the situation prior to Covid-19, on the assumption that values will be restored when the real estate market becomes more fluid. For further information please see Note 1.

31.3.2019 £000	31.3.2019 £000	Revaluation Reserve	31.3.2020 £000	31.3.2020 £000
	6,820	**Balance at 1 April**		**8,899**
2,924		Upward revaluation of assets	111	
(699)		Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	(22)	
	2,225	**Surplus or (Deficit) on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**		**89**
(118)		Difference between fair value depreciation and historical cost depreciation	(14)	
(28)		Accumulated gains on assets sold or scrapped		
	(146)	**Amount written off to the Capital Adjustment Account**		**(14)**
	8,899	**Balance at 31 March**		**8,974**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement, as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to an historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

SECTION 3 NOTES TO THE ACCOUNTS

2018/19 £000	2018/19 £000	Capital Adjustment Account	2019/20 £000	2019/20 £000
	11,378	**Balance at 1 April**		**9,935**
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CIES) :		
(644)		▪ Charges for depreciation of non-current assets	(819)	
(183)		▪ Revaluation losses on Property, Plant and Equipment	(9)	
(1,249)		▪ Revaluation gains/(losses) on Investment Properties	(1,130)	
(52)		▪ Amortisation of Intangible Assets	(59)	
(455)		▪ Revenue expenditure funded from capital under statute (REFCUS)	(1,082)	
(259)		▪ 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)	
28		▪ Amounts of Revaluation Reserve balance written off on disposal or sale of Property, Plant and Equipment	-	
(50)		▪ Write down of Bank Investment	-	
	(2,864)	**Total**		**(3,101)**
118		Adjusting amounts written out of the Revaluation Reserve	14	
	118	**Net written out amount of the cost of non-current assets consumed in the year**		**14**
		Capital financing applied in the year:		
26		• Use of the Capital Receipts Reserve to finance new capital expenditure	272	
316		• Capital grants and contributions credited to the CIES that have been applied to capital financing	624	
101		• Application of grants to capital financing from the Capitals Grants Unapplied Account	432	
366		• Capital expenditure charged against the General Fund	76	
		• Capital Grants written off	(123)	
494		• Statutory provision for the financing of capital investment charged against the General Fund (Minimum Revenue Provision)	598	
	1,303	**Total**		**1,879**
	9,935	**Balance at 31 March**	**89**	**8,727**

Pensions Reserve

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

31.3.2019 £000	Pensions Reserve	31.3.2020 £000
(24,380)	**Balance at 1 April**	**(23,822)**
1,218	Actuarial gains or (losses) on pension assets and liabilities	3,043
(1,653)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(1,972)
993	Employer's pensions contributions and direct payments to pensioners payable in the year	968
(23,822)	**Balance at 31 March**	**(21,783)**

Available for Sale Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

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

31.3.2019 £000	Available for Sale Financial Instruments Reserve	31.3.2020 £000
-	**Balance at 1 April**	**-**
(16)	Transfer of opening balance to Financial Instruments Revaluation Reserve under IFRS 9	-
16	Downward revaluation of investments not charged to the Surplus/(Deficit) on the Provision of Services	-
-	**Balance at 31 March**	**-**

SECTION 3 NOTES TO THE ACCOUNTS

The 2018/19 Code of Practice on Local Authority Accounting adopted IFRS 9 Financial Instruments. As a result of the implementation of IFRS 9, the Available for Sale Reserve has been decommissioned and any balance held has been transferred to the Financial Instruments Revaluation Reserve. The Council has transferred the balance on the Available for Sale Reserve in relation to its investment in the CCLA property fund.

Financial Instruments Revaluation Reserve

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

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

31.3.2019 £000	Financial Instruments Revaluation Reserve	31.3.2020 £000
-	**Balance at 1 April**	**(9)**
7	Upward revaluation of assets	-
(16)	Transfer from Available for Sale Financial Instrument Reserve	-
-	Downward revaluation of assets	(18)
(9)	**Balance at 31 March**	**(27)**

Council Tax Collection Fund Adjustment Account

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

31.3.2019 £000	Council Tax Collection Fund Adjustment Account	31.3.2020 £000
109	**Balance at 1 April**	**81**
(28)	Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	(20)
81	**Balance at 31 March**	**61**

SECTION 3 NOTES TO THE ACCOUNTS

Business Rates Collection Fund Adjustment Account

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

31.3.2019 £000	**Business Rates Collection Fund Adjustment Account**	**31.3.2020 £000**
61	**Balance at 1 April**	**218**
157	Amount by which Business Rates income credited to the CIES is different from Business Rates income calculated for the year in accordance with statutory requirements	(239)
218	**Balance at 31 March**	**(21)**

Accumulated Absences Account

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

31.3.2019		**Accumulated Absences Account**	**31.3.2020**	
£000	**£000**		**£000**	**£000**
	(77)	**Balance at 1 April**		**(82)**
77		Settlement or cancellation of accrual made at the end of the preceding year	82	
(82)		Amounts accrued at the end of the current year	(63)	
	(5)	Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		**19**
	(82)	**Balance at 31 March**		**(63)**

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

2018/19 £000		**2019/20 £000**
(644)	Depreciation	(819)
(183)	Impairment & downward valuations	(9)
(1,249)	Movement in investment properties	(1,130)
(52)	Amortisation	(59)
(1,087)	(Increase)/decrease in Debtors	865
(681)	Increase/(decrease) in Creditors	(15)
(660)	Movement in pension liability	(1,004)
(495)	Other non-cash items charged to the net surplus or deficit on the provision of services	(175)
(5,051)	**Total**	**(2,346)**

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

2018/19 £000 Restated*		**2019/20 £000**
-	Proceeds from the sale of non-current assets	100
843	Other non-cash items charged to the net surplus or deficit on the provision of services	716
843*	**Total**	**816**

24. CASH FLOW STATEMENT – INVESTING ACTIVITIES

2018/19 £000 Restated*		**2019/20 £000**
23,128	Purchase of non-current assets	200
(2,999)*	Purchase of short and long term investments	3,000
140	Other payments for investing activities	-
-	Proceeds from the sale of non-current assets	(100)
(716)	Other receipts from investing activities (capital grants & contributions)	(1,218)
19,553*	**Net cash flows from investing activities**	**1,882**

***T**he 2018/19 Cash Flow Statement, Note 23 (Cash Flow - Adjustments to Net Surplus or Deficit on the Provision of Services) and Note 24 (Cash Flow – Investing Activities) have been restated to reflect the correct classification of purchases of short term investments. This is further explained in the restatement note to the Cash Flow Statement on page 34.

25. CASH FLOW STATEMENT – FINANCING ACTIVITIES

2018/19 £000		2019/20 £000
(22,830)	Cash receipts of short and long term borrowing	(1,954)
(111)	Other receipts from financing activity	(604)
(22,941)	**Total**	**(2,558)**

26. TRADING OPERATIONS – BUILDING CONTROL

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the Building Control function. Building Regulations Control Services operate as a separate trading unit.

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

The Summary Accounts for the year will be detailed in the DBCP, which can be found on Teignbridge District Council's Website under the Devon Building Control Partnership Committee 2019-2020.

27. BUSINESS IMPROVEMENT DISTRICTS

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

28. MEMBERS' ALLOWANCES

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

2018/19 £000		2019/20 £000
191	Allowances	201
15	Expenses	19
206	**Total**	**220**

29. OFFICERS' REMUNERATION

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

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

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

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

Post	Year	Salary, Fees and Allowances £	Expenses £	Pension Contribution £	Total £
Strategic Director of Customer Service Delivery and Deputy Chief Executive (previously Customer First and Support Services Group Manager) - Note C	19/20	89,000	1,000	11,800	**101,800**
	18/19	0	0	0	**0**
Corporate Director of Strategic Finance (S151 Officer)	19/20	74,800	0	10,000	**84,800**
	18/19	65,500	0	8,700	**74,200**
Strategic Director of Place & Enterprise (New post, start date 09/09/19)	19/20	41,300	1,900	5,500	**48,700**
	18/19	0	0	0	**0**
Commercial Services Group Manager (Post deleted, post holder left 28/4/19)	19/20	8,200	1,200	800	**10,200**
	18/19	74,200	2,400	9,900	**86,500**
Business Development Group Manager (Post deleted, post holder part time from 1/4/19 and left 30/4/19)	19/20	600	100	100	**800**
	18/19	64,700	2,500	8,600	**75,800**
Monitoring Officer (Business Manager, Specialists w.e.f 09/12/19, previously Head of Legal)	19/20	57,900	100	7,700	**65,700**
	18/19	56,200	400	7,500	**64,100**

SECTION 3 NOTES TO THE ACCOUNTS

Post	Year	Salary, Fees and Allowances £	Expenses £	Pension Contribution £	Total £
Head of Commissioning & Contracts (previously Lead Specialist Waste Strategy, post title changed and regraded from 01/12/19)	19/20	53,900	1,700	7,100	**62,700**
	18/19	50,200	1,400	6,700	**58,300**
Operational Manager, Environmental Services (Post deleted, post holder left 20/02/20)	19/20	42,700	1,100	5,700	**49,500**
	18/19	50,000	1,800	6.600	**58,400**
Business Manager, Case Management (New post, start date 09/12/19)	19/20	15,200	200	2,000	**17,400**
	18/19	0	0	0	**0**
Support Services Specialist Manager (Post deleted, post holder moved to Head of Projects & Strategy 09/12/19)	19/20	35,300	100	4,700	**40,100**
	18/19	52,400	400	7,000	**59,800**
Head of Projects & Strategy (New post, start date 09/12/19)	19/20	18,300	0	2,400	**20,700**
	18/19	0	0	0	**0**
Head of Assets (Post holder moved to Strategic Director of Place & Enterprise 9/9/19) – post regraded from 1/12/19, new post holder w.e.f 09/03/20	19/20	25,200	1,300	3,400	**29,900**
	18/19	53,400	3,000	7,100	**63,500**
Head of Development Management – regraded from 01/12/19	19/20	50,300	900	6,700	**57,900**
	18/19	48,000	800	6,400	**55,200**
Head of Revenues, Benefits & Housing – regraded from 01/12/19	19/20	46,200	200	6,100	**52,500**
	18/19	43,100	0	5,700	**48,800**
Head of Environmental Health – regraded from 1/12/19	19/20	53,600	600	7,100	**61,300**
	18/19	51,500	700	6,800	**59,000**
Customer Service Improvement Manager (New post, start date 09/12/19)	19/20	14,900	500	2,000	**17,400**
	18/19	0	0	0	**0**

No other senior officer posts earned over £50,000 during 2019/20 or 2018/19.

SECTION 3 NOTES TO THE ACCOUNTS

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

In 2019/20 West Devon Borough Council reimbursed costs amounting to £216,400 (2018/19 £181,800) in respect of some members of the Senior Leadership Team (SLT), and the Extended Leadership Team (ELT) who are employed by South Hams District Council. West Devon Borough Council received a reimbursement in 2019/20 from South Hams District Council of £429,700 (2018/19 £367,200) in respect of the above shared senior employees.

Note B: Senior and Extended Leadership Team Restructure
West Devon Borough Council is in a shared services arrangement with South Hams District Council and the two Councils have a shared Senior Leadership Team and a shared non-manual workforce. Following the resignation of the former Executive Director in February 2018, Council approved interim senior management arrangements. A report was presented to Council on 12 February 2019 (Minute CM 54) that outlined a review of the Staffing Establishment.

The Review Panel, consisting of the Leaders of each Council and senior Members recommended that the previous structure incorporating two Executive Directors was replaced with a Chief Executive Officer. The Panel also recommended that once in post, the Chief Executive brings forward a proposed new senior leadership structure that builds upon the recommendations of the Peer Review and will be along the lines of:

- Director of Customer Service and Delivery
- Director of Place and Enterprise
- Director of Governance
- Director of Strategic Finance

It was resolved that with effect from 21 February 2019, the Executive Director for Service Delivery and Head of Paid Service (employed by South Hams District Council) be appointed to the role of Chief Executive and that agreement be given to extending the interim senior management arrangements with a report being brought to Council recommending a new structure within six months of the 2019 Council elections.

Following a restructure and recruitment process, the Senior Leadership Team was finalised in September 2019 to include the following posts across both West Devon Borough Council and South Hams District Council:

- Chief Executive & Head of Paid Service (South Hams)
- Director of Customer Service and Delivery (West Devon)
- Director of Place and Enterprise (West Devon)
- Director of Governance & Assurance (South Hams)
- Director of Strategic Finance (West Devon)

Following the Senior Leadership Team restructure, the Extended Leadership Team and Team Leader structure was reviewed to ensure that resources were aligned to delivering the Council's corporate priorities. This resulted in the following changes to the establishments of West Devon Borough Council and South Hams District Council:-

Deletion of the following posts

- Specialist Manager: Customer First (South Hams)
- Specialist Manager: Support Services (West Devon)
- Case Management Manager: Customer First (South Hams)
- Case Management Manager: Support Services (West Devon)
- Commissioning Manager (West Devon)

Creation of the following posts

- Head of Strategy & Projects (West Devon)
- Business Manager: Specialists (West Devon)
- Business manager: Case Management (West Devon)
- Customer Improvement Manager (West Devon)

This restructure concluded in December 2019 resulting in a saving of £60,000 per annum for West Devon Borough Council.

Note C: Strategic Director of Customer Service Delivery and Deputy Chief Executive

There are no comparative figures in the table above for the Strategic Director of Customer Service Delivery as this post holder was previously employed by South Hams District Council and has therefore been included in the equivalent note of the District Council's Accounts in 2018/19. The employing authority was changed from South Hams District Council to West Devon Borough Council to allow the post holder to undertake the Returning Officer duties for the Borough Council with effect from 1st April 2019. In addition this post holder also holds the responsibility of Deputy Chief Executive. Prior to 1st September 2019 this post holder's job title was Customer First and Support Services Group Manager.

30. PAYMENTS TO EXTERNAL AUDITORS

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

	2018/19 £000	2019/20 £000
Fees payable with regard to external audit services	**35**	**43**
Core Audit Fees	35	37
Audit of Grants and Returns*	-	6
Rebate from Public Sector Audit Appointments Ltd	**-**	**(4)**
TOTAL	**35**	**39**

*The Housing Benefit Audit was provided by a separate accountancy firm in 2018/19 who were not the Council's external auditors for 2018/19.

31. GRANT INCOME

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

	2018/19 £000	2019/20 £000
Credited to Taxation and Non Specific Grant Income		
Capital grants and contributions:		
Disabled Facilities Grants	(710)	(716)
Section 106 deposits	(38)	-
Other Capital Grants and Contributions	(95)	-
Non ring - fenced Government grants and contributions:		
New Homes Bonus Grant	(643)	(501)
Small Business Rate Relief	(842)	(1,063)
Levy Account Surplus Grant	(25)	(6)
Rural Services Delivery Grant*	-	(464)
Total	**(2,353)**	**(2,750)**
Credited to Services		
Rent Allowance subsidy**	(11,710)	(9,781)
Housing Benefit administration subsidy	(184)	(178)
Rent rebate subsidy	(31)	(47)
Flexible Homelessness Support Grant	(120)	(108)
Discretionary housing payments	(130)	(135)
Business Rates cost of collection allowance	(84)	(82)
Section 106 deposits	(102)	(34)
Recycling credits	(266)	(291)
Electoral Commission - General Elections, Referendum and Police & Crime Commissioners	-	(158)
European Election	-	(99)
Other grants	(275)	(201)
Total	**(12,902)**	**(11,114)**

Rural Services Delivery Grant 2018/19
* Due to the Council's business rates pilot status in 2018/19 the Rural Services Delivery Grant of £464,365 is reflected in the lower business rates tariff for 2018/19. Further information can be found in Note 11 – Taxation and Non Specific Grant Income.

Rent Allowance Subsidy
** Housing Benefit Payments and Subsidy have reduced significantly between 2019/20 and 2018/19 mainly due to a reduction in caseload.

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

Capital Grants Receipts in Advance	**31 March 2019 £000**	**31 March 2020 £000**
Hayedown, Tavistock	(20)	(20)
Batheway Fields, North Tawton	(52)	(20)
Annan Down Park Drive, Tavistock	(29)	(29)
Land adjacent to Shellsley, North Tawton	(47)	(47)
The Barton, Spreyton	(72)	(72)
Land at Butcher Park Hill, Tavistock	(37)	(207)
The Beeches, Yelverton	(21)	(21)
Land at Lower Trendle, Tavistock	-	(79)
Barns at Hurlditch Horn, Gulworthy	-	(32)
Rear of Rowan Cottage, Lewdown	-	(26)
Land at New Launceston Road, Tavistock	-	(113)
Other Section 106 deposits	(236)	(244)
Total	**(514)**	**(910)**

Revenue Grants Receipts in Advance	**31 March 2019 £000**	**31 March 2020 £000**
MHCLG COVID-19 Business Rate Relief grant	-	(1,129)
Total	-	**(1,129)**

32. RELATED PARTIES

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

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

Members
Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2019/20 is shown in Note 28.

33. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

Summary of Capital Expenditure and Financing (incorporating the Capital Financing Requirement)	**2018/19 £000**	**2019/20 £000**
Opening Capital Financing Requirement	***4,240***	***26,570***
Capital Investment		
Property, Plant and Equipment	1,207	187
Intangible Assets	54	9
Investment Properties	21,379	4
Revenue expenditure funded from capital under statute (REFCUS)	455	1,082
Assets under Construction	488	-
Bank investment	50	-
Write off of Capital Debtor	-	123
Total expenditure for capital purposes	**23,633**	**1,405**
Sources of Finance		
Capital receipts	(26)	(273)
Capital grants and external contributions	(417)	(1,056)
Earmarked reserves	(366)	(76)
Total funding	**(809)**	**(1,405)**
Minimum Revenue Provision	**(494)**	**(598)**
Closing Capital Financing Requirement	***26,570***	***25,972***
Movement in Capital Financing Requirement	***22,330***	***(598)***
Explained by:		
Increase in underlying need to borrow (supported by government financial assistance)	23,182	-
Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	(852)	(598)
Increase/(decrease) in Capital Financing Requirement	**22,330**	**(598)**

During 2018/19 the Council incurred capital expenditure totalling £21.4 million for the purchase of four Investment Properties as shown in the Note above. This amount equated to the purchase price of four acquisitions of commercial property plus transaction costs and directly attributable expenditure which was also capitalised in accordance with the Code.

34. LEASES

Authority as Lessee

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

Authority as Lessor

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

Detail of lease	Term	Expiry date	Segment in CIES
The rental of office accommodation	15 years	17/09/2033	Investment Properties
The operation of a supermarket	9 years	08/01/2028	Investment Properties
The rental of an industrial unit	10 years	28/11/2028	Investment Properties
The rental of an industrial unit	9 years	11/12/2027	Investment Properties
The rental of an industrial unit	14 years	28/09/2032	Investment Properties

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

	31 March 2019 £000	31 March 2020 £000
Not later than one year	1,062	1,062
Later than one year & not later than five years	4,248	4,248
Later than five years	7,969	6,907
Total	**13,279**	**12,217**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

35. EXIT PACKAGES AND TERMINATION BENEFITS

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

Exit package cost band (incl. special payments)	Number of voluntary redundancies		Number of compulsory redundancies		Total number of exit packages by cost band		Total cost of exit packages in each band (£)	
	18/19	19/20	18/19	19/20	18/19	19/20	18/19	19/20
£0 - £20,000	-	-	-	1	-	1	-	11,534
£20,001 - £40,000	-	-	-	1	-	1	-	23,924
£40,001 - £60,000	-	-	-	2	-	2	-	98,982
TOTAL	**-**	**-**	**-**	**4**	**-**	**4**	**-**	**134,440**

The exit package amount (£134,440 in 2019/20) is the cost of redundancy payment plus the cost of any pension strain payments.

Shared Services with South Hams District Council
Of the £134,440 cost of exit packages in 2019/20 (Nil in 2018/19), South Hams District Council (SHDC) made a contribution of £76,919 in 2019/20 (Nil in 2018/19). In addition, West Devon Borough Council made a contribution of £659 to South Hams District Council in respect of their exit package costs of £2,636 in 2019/20 (Nil in 2018/19).

36. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

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

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

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

Contributions are set every 3 years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out as at 31 March 2022 and will set contributions for the period from 1 April 2023 to 31 March 2026. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions. Funding levels are monitored on an annual basis. The total contributions expected to be made to the LGPS by the Council in the year to 31 March 2021 is £738,000. The Actuary has estimated the duration of the Employer's liabilities to be 20 years.

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

McCloud Judgement

A judgement in the Court of Appeal about cases involving judges' and firefighters' pensions (the McCloud judgement) has the potential to impact on the Council. The cases concerned possible age discrimination in the arrangements for protecting certain scheme members from the impact of introducing new pensions arrangements. As the Local Government Pension Scheme was restructured in 2014, with protections for those members who were active in the Scheme at 2012 and over the age of 55, the judgement is likely to extend to the Scheme.

The estimated impact of the McCloud Judgement on the total liabilities at 31 March 2020 has been allowed for as a past service cost and has resulted in a slight increase in the defined benefit obligation as at 31 March 2020.

It should be noted that this adjustment is an estimate of the potential impact on the Employer's defined benefit obligation based on analysis carried out by the Government Actuary's Department (GAD) and the Employer's liability profile. It is not yet clear how this judgement may affect LGPS members' past or future service benefits

On the presumption that the remedy is for the Authority to incur costs in extending protections to all members who were active at 31 March 2012 until their retirement, the Pension Fund's Actuary has advised an indicative impact on West Devon Borough Council of a potential increase in pension liabilities of £230,000 (0.5% of total pension scheme liabilities).

This estimate from the Pension Fund's Actuary is based on the Government Actuary's Department's (GAD) estimate that salaries are assumed to increase at 1.5% each year above CPI in addition to a promotional scale.

To illustrate sensitivity to the assumed rate of salary increases, if the Actuary were to lower the salary increase assumption by 0.5% then the impact of the judgement on the total liabilities at 31 March 2020 would be 0.5% of total liabilities, and the impact of the judgement on the current service cost would be 2.1% of active liabilities.

Transactions Relating to Post-employment Benefits

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

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

Comprehensive Income and Expenditure Statement	**2018/19 £000**	**2019/20 £000**
Cost of Services		
Service cost comprising		
- Current Service Cost	1,025	1,391
Financing and Investment Income and Expenditure		
- Net Interest Expense	609	561
- Administration Expenses	19	20
Total Post-employment benefits charged to the Surplus or Deficit on the Provision of Services	**1,653**	**1,972**
Other post-employment benefits charged to the comprehensive income and expenditure statement		
Re-measurement of the net defined benefit liability comprising;		
- Change in financial assumptions	(2,425)	4,467
- Change in demographic assumptions	2,856	567
- Experience loss/(gain)	-	899
- Return on fund assets in excess of interest	787	(2,777)
- Other actuarial gains/(losses) on assets	-	(113)
Total re-measurement recognised	**1,218**	**3,043**
Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement	**2,871**	**5,015**
Movement in Reserves Statement		
- Reversal of net charges made to the surplus or deficit on the provision of services for post-employment benefits in accordance with the code	(1,653)	(1,972)
Actual amount charged against the General Fund Balance for pensions in the year		
- Employers contributions payable to scheme	993	968

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

Net Pension Liability	**31 March 2019 £000**	**31 March 2020 £000**
Present value of the defined benefit obligation	50,534	45,212
Fair value of Fund assets	(27,568)	(24,258)
Deficit/(Surplus)	**22,966**	**20,954**
Present value of unfunded obligation	856	829
Net defined benefit liability/(asset)	**23,822**	**21,783**

Reconciliation of opening and closing balances of the fair value of Fund assets	**31 March 2019 £000**	**31 March 2020 £000**
Opening fair value of Fund assets	**26,558**	**27,568**
Interest on assets	672	649
Return on assets less interest	787	(2,777)
Other actuarial gains/(losses)	-	(113)
Administration expenses	(19)	(20)
Contributions by employer including unfunded	993	968
Contributions by Scheme participants	185	192
Estimated benefits paid plus unfunded net of transfers in	(1,608)	(2,209)
Closing fair value of Fund assets	**27,568**	**24,258**
Reconciliation of opening and closing balances of the present value of the defined benefit obligation	**31 March 2019 £000**	**31 March 2020 £000**
Opening defined benefit obligation	**50,938**	**51,390**
Current service cost	1,025	1,072
Interest cost	1,281	1,210
Change in financial assumptions	2,425	(4,467)
Change in demographic assumptions	(2,856)	(567)
Experience loss/(gain) on defined benefit obligation	-	(899)
Estimated benefits paid net of transfers in	(1,530)	(2,129)
Past service costs, including curtailments	-	319
Contributions by Scheme participants	185	192
Unfunded pension payments	(78)	(80)
Closing defined benefit obligation	**51,390**	**46,041**

These figures have allowed for the estimated impact of the recent McCloud judgement as a past service cost. The impact on the total liabilities as at 31 March 2020 has been estimated to be £230,000 (or 0.5% as a percent of total liabilities).

Basis for Estimating Assets and Liabilities

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

To assess the value of the Employer's liabilities at 31 March 2020, they have rolled forward the value of the Employer's liabilities calculated for the funding valuation as at 31 March 2019, using financial assumptions that comply with IAS19.

To calculate the asset share they have rolled forward the assets allocated to the West Devon Borough Council as at 31 March 2019 allowing for investment returns (estimated where necessary), contributions paid into and estimated benefits paid from the Fund, by and in respect of the Employer and its employees.

The major assumptions are summarised in the following table:

Basis for estimating assets and liabilities	**31 March 2019**	**31 March 2020**
Mortality assumptions (in years):		
Longevity at 65 for current pensioners		
- Men	22.4	22.9
- Women	24.4	24.1
Longevity at 65 for future pensioners (in 20 years)		
- Men	24.1	24.3
- Women	26.2	25.5
Financial assumptions (in percentages):		
- RPI increases	3.40%	2.70%
- CPI increases	2.40%	1.90%
- Salary increases	3.90%	2.90%
- Pension increases	2.40%	1.90%
- Discount rate	2.40%	2.35%

The financial assumptions summarised in the table above are set with reference to market conditions at 31 March 2020.

SECTION 3 NOTES TO THE ACCOUNTS

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

Sensitivity analysis	£000s	£000s	£000s
Adjustment to discount rate	+0.1%	0.0%	(0.1%)
Present value of total obligation	45,172	46,041	46,927
Projected service cost	894	921	949
Adjustment to long term salary increase	+0.1%	0.0%	(0.1%)
Present value of total obligation	46,114	46,041	45,968
Projected service cost	921	921	921
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	(0.1%)
Present value of total obligation	46,857	46,041	45,240
Projected service cost	949	921	894
Adjustment to life expectancy assumptions	+ 1 Year	None	-1 Year
Present value of total obligation	47,998	46,041	44,169
Projected service cost	948	921	895

The estimated asset allocation for West Devon Borough Council as at 31 March 2020 is as follows:

Employer asset share	31 March 2019		31 March 2020	
	£000	%	£000	%
Gilts	946	3%	1,035	5%
UK equities	4,580	17%	3,228	13%
Overseas equities	11,856	43%	10,432	43%
Property	2,437	9%	2,285	9%
Infrastructure	1,012	4%	1,045	5%
Target return portfolio	3,903	14%	3,185	13%
Cash	441	1%	283	1%
Other bonds	485	2%	1,271	5%
Alternative assets	1,456	5%	1,494	6%
Private equity	452	2%	-	n/a
Total	**27,568**	**100%**	**24,258**	**100%**

Of the total fund asset at 31 March 2020, the following table identifies the split of those assets with a quoted market price and those that do not:

Employer Asset Share – Bid Value		**31 March 2020**	
		% Quoted	**% Unquoted**
Fixed interest government securities	UK	0.20%	
	Overseas	4.10%	
Corporate bonds	UK	0.10%	
	Overseas	2.40%	
Equities	UK	13.30%	
	Overseas	43.00%	
Property	All		9.40%
Others	Absolute return portfolio	13.10%	
	Private Equity		
	Infrastructure		4.30%
	Multi sector credit fund	6.20%	
	Private Debt		2.70%
	Cash/Temporary investments		1.10%
Net current assets	Debtors		0.10%
Total		**82.40%**	**17.60%**

37. CONTINGENT LIABILITIES

The Council had no contingent liabilities at 31 March 2020.

38. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Key Risks

Financial Instruments held by the Council are detailed in Note 14. The Council's activities expose it to a variety of financial risks:

- **Credit risk** – the possibility that other parties might fail to pay amounts due to the Council;
- **Liquidity risk** – the possibility that the Council might not have funds available to meet its commitments to make payments;
- **Market risk** - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rate movements;
- **Re-financing risk** - the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms.

Overall Procedures for Managing Risk

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

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

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

The Annual Treasury Management Strategy which incorporates the prudential indicators was approved by Council on 26 March 2019 and is available on the Council's website (Minute CM 69).

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

Credit risk

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

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

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

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

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

The full Investment Strategy for 2019/20 was approved by Council on 26 March 2019 and is available on the Council's website (Minute CM 69)

The Council's Counterparty limits are as follows:

- £3.0 million for Money Market Funds
- £0.5 million on CCLA Property Investment Fund
- £3.0 million on term deposits with banks and building societies within the UK (£4.0 million with Lloyds Bank PLC)

The Council takes a very prudent approach regarding the collection of debts from its customers and calculates an annual provision for bad debts based on the age of its debt. A detailed review of potential bad debts was undertaken at 31 March 2020 and is reflected in the current figure of £381,000. This compares to £430,000 in 2018/19. The bad debt provision is adequate to deal with the historical experience of default and current market conditions. An analysis of the Council's debtors is provided in Note 15 to the accounts.

The outbreak of Covid-19 has impacted global financial economies and there is an unprecedented set of circumstances on which to base a judgement of the likelihood of debt recovery. These provisions have been calculated using robust methodologies and adjustments have been made to reflect the uncertainties arising as a result of Covid-19.

Amounts Arising from Expected Credit Losses

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

	Balance at 31 March 2020	Historical Experience of Default	Estimated Maximum Exposure to Default and Uncollectability at 31 March 2020
	£000	**%**	**£000**
Deposits with Bank and Financial Institutions			
Aberdeen Standard Money Market Fund	3,000	0.000%	-
Deutsche Money Market Fund	1,200	0.000%	-
Blackrock Money Market Fund	3,000	0.000%	-
LGIM Money Market Fund	3,000	0.000%	-
Lloyds Bank Plc	3,000	0.004%	-
Total	**13,200**		**-**

Liquidity risk

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

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

Market Risk

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

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

Interest rate risk

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

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

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

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

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

Price risk

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

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

Foreign exchange risk

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

Refinancing and Maturity Risk

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

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

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

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

	Approved minimum limits	Approved maximum limits	31 March 2019		31 March 2020	
	%	%	£million	%	£million	%
Less than 1 year	0%	10%	0.514	1.9%	0.591	2.0%
Between 1 and 2 years	0%	10%	0.508	1.8%	0.602	2.0%
Between 2 and 5 years	0%	30%	1.675	6.1%	1.971	6.7%
Between 5 and 10 years	0%	50%	2.519	9.1%	2.714	9.2%
More than 10 years	0%	100%	22.365	81.1%	23.656	80.1%
Total			**27.581**	**100.0%**	**29.534**	**100.0%**

39. ACCOUNTING POLICIES

a) General Principles

The Statement of Accounts summarises the Authority’s transactions for the 2019/20 financial year and its position at the year end of 31 March 2020. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015. These regulations require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, supported by International Financial Reporting Standards (IFRS) (and statutory guidance issued under section 12 of the 2003 Act).

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

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

b) Accruals of Income and Expenditure

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

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

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

- Supplies are recorded as expenditure when they are consumed

- 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

The Council operates a de minimis policy for accruals. For revenue and capital the de minimis has remained at £5,000 in 2019/20.

c) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that are readily convertible to known amounts of cash with insignificant risk of change in value. Our policy is shown in the following table:

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

Key: T = trade date

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

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

d) Material items of Income and Expense

When items of income and expense are material (in excess of £300,000), their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

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

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

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

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

f) Charges to Revenue for Non-Current Assets

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

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

The Authority 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 Authority in accordance with statutory guidance. These charges are therefore replaced by the contribution in the General Fund Balance – Minimum Revenue Provision (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement, for the difference between the two.

g) Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to end an officer's employment before the normal retirement date, or an officer's decision to accept voluntary redundancy in exchange for those benefits. These benefits are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement, to terminate at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring.

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

Post-Employment Benefits

Employees of the Authority are members of the Local Government Pensions Scheme, administered by Devon County Council. This scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.

The Local Government Scheme

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

- The liabilities of the Devon County Council Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc and estimates of projected earnings for current employees.

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

- The assets of the pension fund attributable to the Authority are included in the Balance Sheet at their fair value.

For further information please refer to Note 36.

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

- **Service cost comprising:**
  - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Centrally Held Costs
  - net interest on the net defined benefit liability (asset), i.e. net interest expense for the Authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

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

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

Discretionary Benefits

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

h) Events after the Reporting Period

Events after the Reporting Period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue.

Two types of events can be identified:

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

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

i) Financial Instruments

Financial Liabilities

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

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

Financial Assets

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

The three main classes of financial assets are measured at:

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

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

Financial Assets Measured at Amortised Cost

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

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

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

The Council has equity instruments designated at fair value through other Comprehensive Income (FVOCI). This was previously classified as an Available for Sale asset at 31 March 2018.

The Council has made an irrevocable election to designate its equity instrument as FVOCI on the basis that it is held for non-contractual benefits, it is not held for trading but for strategic purposes. The asset was transferred to the new asset category on 1 April 2018.

The asset is initially measured and carried at fair value.

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

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

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

The same accounting treatment was adopted in the prior year when the asset was classified as Available for Sale, except that accumulated gains and losses on the available for sale asset were previously held in an Available for Sale Financial Instruments Reserve at 31 March 2018.

The balance on this reserve was transferred to the new Financial Instruments Revaluation Reserve as at 1 April 2018.

Expected Credit Loss Model

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

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

Fair Value

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

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

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

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

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

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

j) Government Grants and Contributions

General

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

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

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

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. Where it has been applied, it is posted to the Capital Adjustment

Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

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

k) Heritage Assets

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

l) Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority. As with Property, Plant and Equipment a de minimis level of £10,000 has been set for capitalisation.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over 3 years to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

m) Investment Properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. Investment properties are measured initially at cost and subsequently at fair value, based on the amount that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

n) Jointly Controlled Operations

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

o) Leases

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

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets (i.e. embedded leases).

The Authority as Lessee

Finance Leases

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

Operating Leases

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

The Authority as Lessor

Finance Leases

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

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the relevant line within the 'Cost of Services' or 'Financing and Investment Income' in the Comprehensive Income and Expenditure Statement. Where material, the rental income is credited on a straight line basis over the life of the lease, even if this does not match the pattern of payments.

p) Overheads and Support Services

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

q) Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

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

- infrastructure, community assets and assets under construction – depreciated historical cost
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

Assets included in the 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 at a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

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

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

De minimis policy for capital controls and accounting purposes

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

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

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

Component Accounting

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

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

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

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

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

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

1. Operational Buildings
2. Assets Held for Sale

The following will be considered outside the scope for componentisation:

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

The criteria for components to be separately valued are that:

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

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

Asset lives - *The estimated life of the component is less than half of that of the main asset.*

All three rules above must be met to consider componentisation.
These rules will apply to revaluations and when replacing components within an asset.

Where enhancement is integral to the whole asset then unless there is significant evidence to the contrary, the asset life of the enhancement will have the same remaining life as the existing asset and will not be separately identified as a component.

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

- Plant and equipment and engineering services
- Structure

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

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

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

Impairment

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

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

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

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

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

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

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

Asset	Useful life
Buildings	Up to fifty years
Infrastructure	Up to twenty years
Refuse vehicles	Up to ten years
Light vans	Up to seven years
IT equipment	Four years

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

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

Disposals and Non-current Assets Held for Sale

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

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as 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.

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

r) <u>Provisions, Contingent Liabilities and Contingent Assets</u>

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation.

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

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

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

Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts. The Council operates a disclosure de minimis policy for contingent liabilities and assets of £50,000.

Contingent Assets

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

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

s) Reserves

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

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

t) Revenue Recognition

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

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

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

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

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

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

v) Section 106 Deposits

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

w) Shared Services

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

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

x) VAT

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

y) Accounting for Local Taxes

Billing authorities act as agents, collecting council tax and business rates on behalf of the major preceptors (including government for business rates) and, as principals, collecting council tax and business rates for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and business rates. Under the legislative framework for the Collection

Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and business rates collected could be less or more than predicted.

Accounting for Council Tax and Business Rates

The council tax and business rates income included in the Comprehensive Income and Expenditure Statement is the Authority's share of accrued income for the year. However, regulations determine the amount of council tax and business rates that must be included in the Authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement. The Balance Sheet includes the Authority's share of the end of year balances in respect of council tax and business rates relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

z) Minimum Revenue Provision

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

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) introduces changes in accounting policies that will have to be adopted fully by the Authority in the 2020/21 financial statements i.e. from 1 April 2020.

The Authority is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of a new/amended standard that has been issued, but is not yet required to be adopted by the Authority.

It was originally envisaged that the financial impact of IFRS16 *Leases* would need to be disclosed in the 2019/20 Accounts. This standard will require local authorities that are lessees to recognise leases on their balance sheets as right-of-use assets with corresponding lease liabilities. However, CIPFA/LASAAC have recently deferred implementation of IFRS16 for local government for a further year from 1 April 2020 to 1 April 2021 due to the COVID-19 pandemic.

Following this deferral there are no changes in accounting requirements for 2020/21 that are anticipated to have a material impact on the Council's financial performance or financial position.

41. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- There is a high degree of uncertainty about future levels of funding for local government. The Council is awaiting the announcement from the Government on the Comprehensive Spending Review for 2021-22 to 2023-24. The other areas adding to the uncertainty are the postponement of the implementation of the Fair Funding Review, the future resetting of business rates baselines, the impact of the COVID19 pandemic on major income streams and the future of the New Homes Bonus scheme. Based on the S151 Officer's management assessment (which has included consideration of the Government support available, the Council's current level of reserves, the level of working capital including cash and investments, a sensitivity analysis on forecast cashflows, income from local taxation and borrowing headroom etc.), there is no material uncertainty and as a result the Accounts for 2019-20 are prepared on a going concern basis. Further detail is within the Narrative Statement under 'Going Concern'.

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

- The Local Government Finance Act 2012 introduced a business rates retention scheme that enabled local authorities to retain a proportion of the business rates generated in their area, with effect from 1 April 2013. Provision is made for likely refunds of business rates as a result of appeals, against the rateable value of business properties. The appeals provision is based on the total value of outstanding appeals at the year end as advised by the Valuation Office Agency. Using this information an assessment was made about the likely success rate of appeals and their value.

SECTION 4 COLLECTION FUND

COLLECTION FUND FOR THE YEAR ENDED 31 MARCH 2020

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

2018/19 Business Rates £000	2018/19 Council Tax £000		2019/20 Business Rates £000	2019/20 Council Tax £000
		INCOME		
	(39,054)	Income from Council Tax		(41,219)
(10,637)	-	Business Rates Receivable	(10,610)	-
(400)	-	Transitional Relief	(268)	-
(11,037)	**(39,054)**		**(10,878)**	**(41,219)**
		EXPENDITURE		
		Precepts, Demands and Shares*:		
-	-	Central Government	4,957	-
5,797	26,781	Devon County Council	892	27,930
-	3,788	Devon & Cornwall Police Authority	-	4,283
98	1,690	Devon & Somerset Fire Authority	99	1,746
3,930	5,889	West Devon Borough Council (net including Towns/Parishes)	3,965	6,127
70	-	Business Rates written off and change in impairment allowance	313	-
-	461	Council Tax written off and change in impairment allowance	-	719
590	-	Business Rates increase/(decrease) in provision for appeals	388	-
84	-	Business Rates – Costs of collection	82	-
		Distribution/collection of previous year's estimated surplus/(deficit):		
37	-	Central Government	390	-
7	433	Devon County Council	70	385
-	60	Devon and Cornwall Police	-	54
1	28	Devon and Somerset Fire Authority	8	24
30	96	West Devon Borough Council	312	84
10,644	**39,226**		**11,476**	**41,352**
(393)	**172**	**MOVEMENT ON BALANCE**	**598**	**133**

***Business Rates Pilot Status 2018/19**
Devon was selected as one of 10 areas to take part in a national pilot allowing Councils to retain a higher share of business rates growth in 2018/19. This pilot status is reflected in the movement in the Preceptor's Shares above for 2018/19 with no surplus due to Central Government and Devon County Council's share increasing from 9% to 59% in 2018/19. The pilot was for one year, 2018/19 and has generated an extra £460,000 of business rate income for the Borough Council.

1. COUNCIL TAX AND COUNCIL TAX BASE

In 2019/20, the Council's average Band D Council Tax was £1,986.74. The charge for each band is a ratio of band D. The 2019/2020 charges therefore were:

Band	Ratio to Band D	Council Tax (£)
Disabled A	5/9	1,103.74
A	6/9	1,324.49
B	7/9	1,545.24
C	8/9	1,765.99
D	1	1,986.74
E	11/9	2,428.24
F	13/9	2,869.74
G	15/9	3,311.23
H	18/9	3,973.48

These charges are before any appropriate discounts or benefits. The Council tax base, which is used in the tax calculation, is based on the number of dwellings in each band on the listing produced by the Listing Officer. This is adjusted for exemptions, discounts, disabled banding changes, appeals and new builds. The tax base estimate for 2019/20 was **20,176.57** as calculated below (20,117.85 in 2018/19).

Band	Dwellings per Valuation List	Adjustment for Disabled Banding Appeals, Discounts and Exemptions	Revised Dwellings	Ratio to Band D	Band D Equivalent
Dis A	-	10.00	10.00	5/9	5.56
A	3,519	(614.75)	2,904.25	6/9	1,936.17
B	6,443	(755.25)	5,687.75	7/9	4,423.81
C	5,358	(499.50)	4,858.50	8/9	4,318.67
D	4,165	(287.00)	3,878.00	1	3,878.00
E	3,373	(230.75)	3,142.25	11/9	3,840.53
F	1,778	(89.00)	1,689.00	13/9	2,439.67
G	1,016	(78.50)	937.50	15/9	1,562.50
H	81	(9.00)	72.00	18/9	144.00
Total	**25,733.00**	**(2,553.75)**	**23,179.25**		**22,548.91**
Less allowance for non-collection					(676.47)
Plus adjustment for armed forces dwellings					21.00
Other adjustments including Council Tax Support					(1,716.87)
Tax base					**20,176.57**

2. Rateable value

The total business rates rateable value at 31 March 2020 was £32,483,174. This compares to £32,228,374 at 31 March 2019. The standard business rates multiplier was 50.4p in 2019/20 (2018/19 49.3p). Without reliefs this would generate a total income of £16,371,519.70 (2018/19 £15,888,588.38). These figures are a snapshot only and differ from the value of business rate bills issued due to changes in rateable values during the year, small business rate relief, void properties and charitable relief.

3. Collection Fund balance

2018/19 Business Rates £000	2018/19 Council Tax £000		2019/20 Business Rates £000	2019/20 Council Tax £000
(152)	(701)	Fund balance at 1 April	(545)	(529)
(393)	172	Deficit/(surplus) for year	598	133
(545)	**(529)**	**Fund balance as at 31 March – deficit/(surplus)**	**53**	**(396)**

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

2018/19 Business Rates £000	2018/19 Council Tax £000		2019/20 Business Rates £000	2019/20 Council Tax £000
(39)	-	Central Government*	(91)	-
(283)	(372)	Devon County Council*	122	(275)
-	(52)	Devon and Cornwall Police	-	(43)
(5)	(24)	Devon and Somerset Fire Authority	1	(17)
(327)	**(448)**	**Total deficit/(surplus) due to Preceptors**	**32**	**(335)**
(218)	(81)	West Devon Borough Council	21	(61)
(545)	**(529)**	**Fund balance as at 31 March – deficit/(surplus)**	**53**	**(396)**

***Business Rates Pilot Status for 2018/19**

The Business Rates balances above reflect the Council’s Business Rates Pilot Status for 2018/19. Unlike the other Business Rates Preceptors, Central Government’s Collection Fund balance was not increased by a share of the 2018/19 surplus following the Devon Authorities successful bid for Pilot status. In addition the larger balance due to Devon County Council at 31 March 2019 reflected their increased share of business rates for 2018/19 from 9% to 59%. The pilot was for one year, 2018/19 and has generated an extra £460,000 of business rate income for the Borough Council.

SECTION 5 STATEMENT OF RESPONSIBILITIES / APPROVAL OF THE ACCOUNTS

The Authority's responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Corporate Director of Strategic Finance (Section 151 Officer)

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

- approve the Statement of Accounts

The Chief Financial Officer's responsibilities

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

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

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

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority at the reporting date and its income and expenditure for the year ended 31 March 2020.

....

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

13 October 2020

Approval of the Statement of Accounts

I confirm that these accounts were approved by the Audit Committee at its meeting held on 13 October 2020.

Signed on behalf of West Devon Borough Council

....

Councillor M Davies

Chairman of the Audit Committee

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of West Devon Borough Council (the 'Authority') for the year ended 31 March 2020 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund for the year ended 31 March 2020 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 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2020 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 2019/20; 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. 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.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Corporate Director of Strategic Finance (Section 151 Officer) and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Authority's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Authority's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Corporate Director of Strategic Finance (Section 151 Officer)'s use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Corporate Director of Strategic Finance (Section 151 Officer) has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the Corporate Director of Strategic Finance (Section 151 Officer)'s conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the Authority's financial statements shall be prepared on a going concern basis, we considered the risks associated with the Authority's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the Authority's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Authority will continue in operation.

Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings and investment properties

We draw attention to Note 1 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's land and buildings and investment properties as at 31 March 2020. As disclosed in Note 1 to the financial statements, the outbreak of Covid-19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. A material valuation uncertainty was therefore disclosed in the both Authority's land and buildings valuer's report and the investment property valuer's report. Our opinion is not modified in respect of this matter.

Other information

The Corporate Director of Strategic Finance (Section 151 Officer) is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Statement and the Annual Governance Statement, 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 of the Authority 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office 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 the '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 matter 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 gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report and the Annual Governance Statement 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 Corporate Director of Strategic Finance (Section 151 Officer) and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Corporate Director of Strategic Finance (Section 151 Officer). The Corporate Director of Strategic Finance (Section 151 Officer) is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Corporate Director of Strategic Finance (Section 151 Officer) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporate Director of Strategic Finance (Section 151 Officer) is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit 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. This description forms part of our auditor's report.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

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 on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the West Devon Borough Council 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, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol

13 October 2020

GLOSSARY OF TERMS

ACCRUALS	A sum included in the account to cover income or expenditure attributable to an accounting period for goods received or work done, but for which payment has not been received/made by the end date of the period for which the accounts have been prepared.
ACTUARIAL GAINS & LOSSES	These are changes in actuarial deficits or surpluses that arise because either actual experience or events have not been exactly the same as the assumptions adopted at the previous valuation (experience gains and losses) or the actuarial assumptions have changed.
BALANCES	The surplus or deficit on any account at the end of the year. Amounts in excess of that required for day to day working may be used to reduce the demand on the Collection Fund.
BUSINESS IMPROVEMENT DISTRICT (BID)	A Business Improvement District is a partnership between a local Authority and the local business community to develop projects and services that will benefit the trading environment within the boundary of a clearly defined commercial area.
CAPITAL EXPENDITURE	Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.
CAPITAL RECEIPTS	Income received from sale of assets which is available to finance other capital expenditure or to repay debt on assets financed from loans.
CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY	The governing body responsible for issuing the statement of recommended practice to prepare the accounts.
COLLECTION FUND	A separate fund which must be maintained by a district for the proper administration of Council Tax and Non Domestic Rates.
CURRENT SERVICE COST	Amount chargeable to Services based on the Actuary’s assessment of pension liabilities arising and chargeable to the financial year.

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

LIBID Acronym for the London Inter-bank Bid Rate, being the interest rate at which a market maker or underwriter will offer to buy bonds and securities.

MINIMUM REVENUE PROVISION (MRP) This is a statutory requirement to make an annual calculation of an amount or MRP considered prudent to offset against borrowings made under the Prudential Borrowing rules.

PAST SERVICE COST These will typically be additional benefits awarded on early retirement. This includes added years or augmentation and unreduced pension benefits awarded before eligible retirement age in the pension scheme.

PRECEPT The levy made by precepting authorities including the County Council and Parish Councils, on the District Council requiring it to collect the required income from council taxpayers on their behalf.

PROJECTED UNIT METHOD An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

a) the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases,
b) the accrued benefits for members in service on the valuation date.

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

RATEABLE VALUE A value placed on all properties subject to Rating. The value is based on a national rent that property could be expected to yield after deducting the cost of repairs.

REVENUE EXPENDITURE Recurring items of day to day expenditure consisting principally of Salaries and Wages, Debt Charges and general running expenses etc.

SETTLEMENTS	A settlement will generally occur where there is a bulk transfer out of the Pension Fund or from the employer's share of the Fund to a new contractor's share of the Fund as a result of an outsourcing. It reflects the difference between the IAS 19 liability transferred and the assets transferred to settle the liability.
STRAIN ON FUND CONTRIBUTIONS	Additional employers pension contributions as a result of an employee's early retirement
SUNDRY CREDITORS	Amounts owed by the Authority at 31 March.
SUNDRY DEBTORS	Amounts owed to the Authority at 31 March.