



# STATEMENT OF ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2023

Version 1  
Version 2  
Version 3

12 July 2023  
26 March 2024  
30 April 2024

Draft Statement of Accounts  
Updated Draft Statement of Accounts  
Final Audited Statement of Accounts

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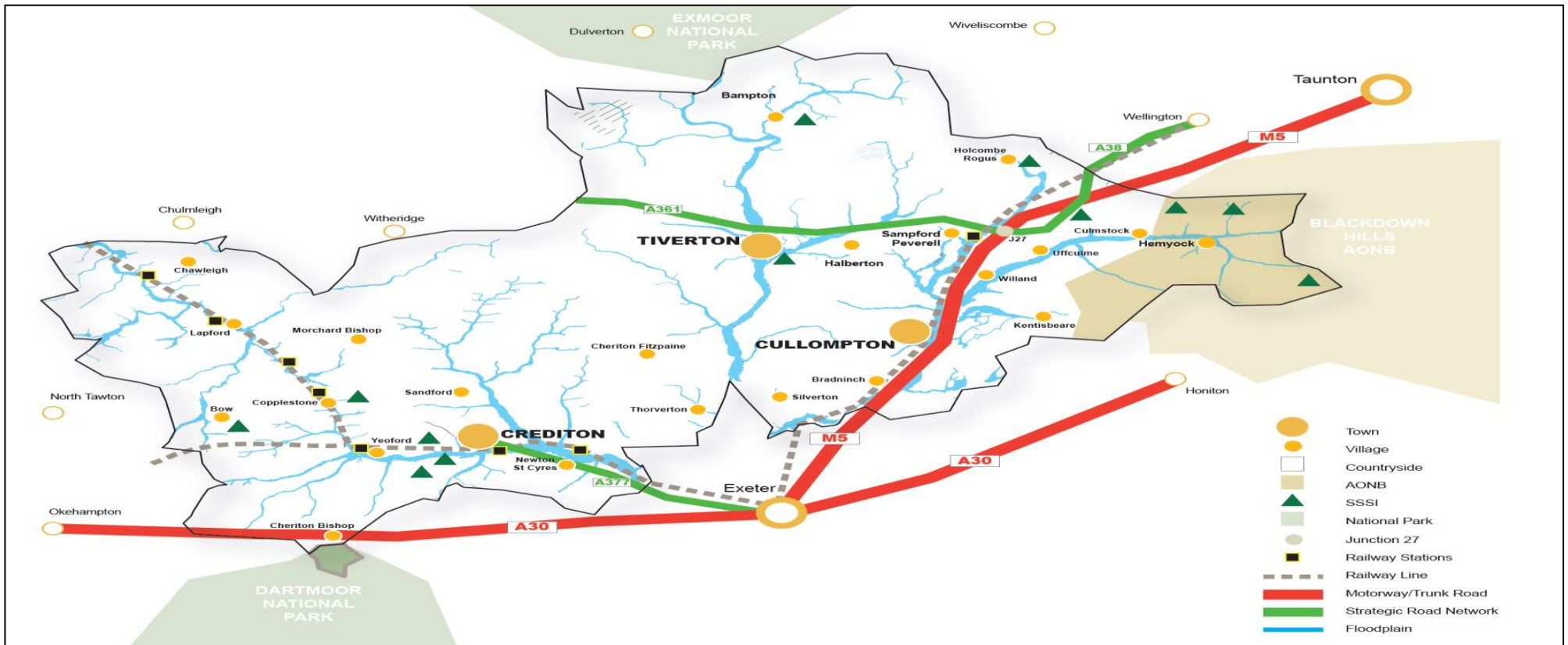
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# 1 Introduction to Mid Devon District Council

Mid Devon District Council serves a rural location covering an area of 353 square miles (914 km<sup>2</sup>) in the agricultural heartland of Devon, between Dartmoor, Exmoor and the Blackdown Hills. More than half the population of some 82,000 people is scattered in villages in the rural hinterland, with the balance divided between the three main towns of Tiverton, Cullompton and Crediton.

While it is the 23rd-largest district council in England by area, it is also the 34th-smallest by population. Our main offices lie to the North East of the city of Exeter, one of the most rapidly expanding economies in the country, and as a district council Mid Devon has sought to maximise this opportunity by delivering quality growth in a high-quality environment.

There are 62 towns and parishes in the Mid Devon area, 50 of which have a local town or parish council. However, following a recent review a number of parishes will see a change in the number of elected members representing their parish, while boundary changes will come into effect in the Willand / Uffculme / Halberton area as well as at Cheriton Bishop.



## Council Structure

Mid Devon District Council is a progressive council committed to providing high quality and sustainable services, creating an environment where communities and businesses can flourish and grow together.

The Council has 42 Elected Members (or ‘Councillors’), elected by the public to represent a particular local area. Collectively they are responsible for the democratic structure of the Council. During 2022/23, no single political party had overall control of the Council. The Council has adopted the Cabinet model of governance. Supporting the Cabinet are four Policy Development Groups overseeing the four priorities identified within the Corporate Plan formed from various back-bench Councillors. The Scrutiny Committee holds the Cabinet to account, while the Audit Committee provides assurance over the governance arrangements and risk management.

The Council’s strategic direction is driven by the Leadership team which is formed from the Chief Executive, Deputy Chief Executive (S151), Monitoring Officer and two Corporate Directors. The day-to-day operations of the Council are managed by six Corporate Managers. Our [Constitution](#) sets out the rules and procedures by which the Council operates.

## Link to the Corporate Plan

The [Corporate Plan for 2020-2024](#) retains the four key priority areas that were identified in 2016 and for the next four years our Elected Members and Officers will work together to ensure these areas continue to be the focus of our work. These four priorities are split down into three key strands, for which there are a number of aims:

Priority	Strand	Aims
Homes	Sustainable and prosperous communities	Deliver more affordable housing and greater numbers of social rented homes
		Work with Community Land Trusts and other organisations to deliver homes retained in perpetuity for local need
		Work with landlords to ensure the high quality of homes in the private rented sector
		Lobby to see the abolition of the ‘Right-to-Buy’ or the devolvement of discounting powers to individual local housing authorities
		Promote the regeneration of our town centres by working with landlords and property developers to improve and increase the supply of quality housing
	A sustainable planet	Introduce zero carbon policies for new development
		Encourage the piloting of Modern Methods of Construction (MMC) and self-build opportunities
		Use new development as opportunities to help communities to become increasingly sustainable and self-sustaining at neighbourhood level (district heating, energy use, recycling/re-use systems etc.)
	Sustainable participation	Work with local stakeholders to initiate delivery of the new garden village at Culm
		Support and grow active tenancy engagement
		Support the establishment of Community Land Trusts in partnership with parish councils and other local bodies



Priority	Strand	Aims
Environment	Sustainable and prosperous communities	Encourage retro-fitting of measures to reduce energy use in buildings
		Encourage “green” sources of energy, supply new policies and develop plans to decarbonise energy consumption in Mid Devon
		Identify opportunities to work with landowners to secure additional hedgerow planting, biodiversity and reforestation
		Consider promoting the designation of the Exe Valley as an Area of Outstanding Natural Beauty (AONB)
		Encourage new housing and commercial developments to be “exemplars” in terms of increasing biodiversity and reducing carbon use
	A sustainable planet	Increase recycling rates and reduce the amounts of residual waste generated
		Explore large-scale tree-planting projects and re-wilding to enhance biodiversity and address carbon pressures
		Promote sustainable farming practices in partnership with local farmers, district and county councils; including research into best practice re better soil management and animal husbandry
	Sustainable participation	Work with parish and town councils to promote the development and retention of parks and play areas across the district
		Support community activities that improve the environment such as litter-picks, guerrilla gardening, or community adoption of assets

Priority	Strand	Aims
Community	Sustainable and prosperous communities	Work with developers and Devon County Council to deliver strategic cycle routes between settlements and key destinations
		Secure decent digital connectivity for all of Mid Devon
		Work with education providers to secure appropriate post-16 provision within the district to minimise the need to commute out for A/T level studies
		Lobby Devon County Council and others to introduce 20mph speed limits where children play, and take opportunities to pilot car-free days/routes
		Promote new, more integrated approaches to promoting good health and healthier living especially in the context of planned new developments
		Seek opportunities to address public health issues and disparities to improve the health and wellbeing of everyone in Mid Devon
	A sustainable planet	Encourage communities to deliver their own projects to reduce carbon emissions
		Facilitate networking across volunteer and community groups to spread knowledge, expertise and awareness on climate issues
	Sustainable participation	Work with the NHS and other health bodies to promote use of our leisure centres
		Promote community involvement in Council activity
		Promote new approaches to rural transport in partnership with town and parish councils through the deployment of emerging technologies
		Work with county, town and parish councils to identify safer walking journeys to school

Priority	Strand	Aims
Economy	Sustainable and prosperous communities	Work with developers to secure our ambitious plans for the J27 'Devon Gateway' development site
		Consider acquiring or creating new business parks to accelerate economic growth, and creating new opportunities for incubator and start-up space
		Identify strategic and tactical interventions to create economic and community confidence and pride in the places we live. This includes a continued focus on Town Centre Regeneration
		Facilitate the creation of exciting new commercial opportunities within strategic developments at Culm Garden Village and Tiverton Eastern Urban Extension
		Produce business plans for the creation of a commercial Economic Development function perhaps in partnership with other agencies
		Explore commercial opportunities that deliver new or innovative services for customers that can generate revenue for the council
	A sustainable planet	Promote zero carbon exemplar sites within commercial settings
		Use car park pricing mechanism to effectively balance the needs of vehicular access with those of reducing car use
	Sustainable participation	Promote the development of the farming economy and local food production. Working in partnership with farmers to develop and grow markets on the principle of reducing carbon emissions and sustainability
		Support the creation of South West Mutual Bank and seek opportunities to encourage new branches being opened in areas that aren't well-served by existing banking services providers
		Develop and deliver regeneration plans for all three main towns in partnership with town and parish councils, private and third sector and communities

## Core Values

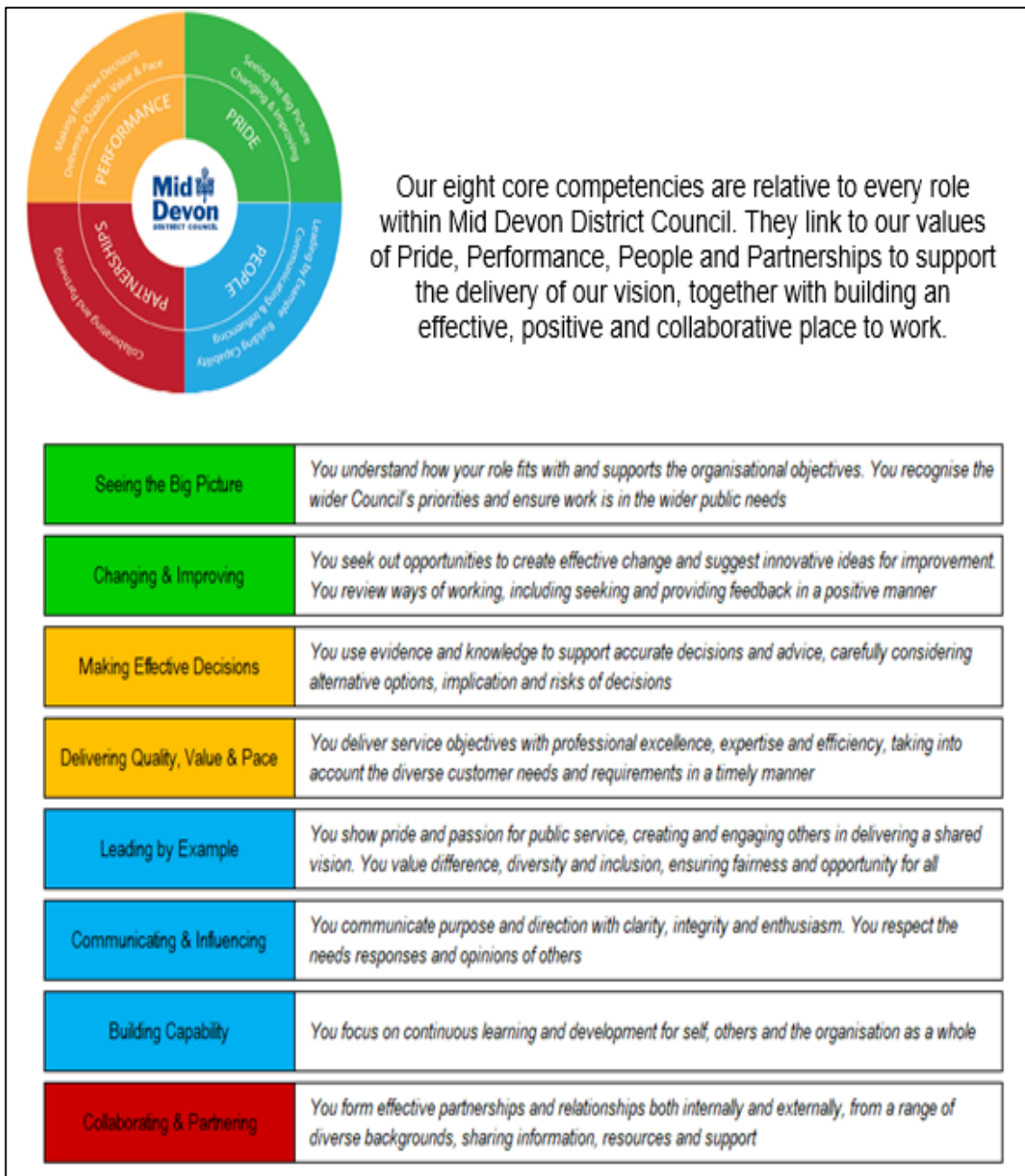
The organisation has an agreed set of core values that underpin the way we work and how we fulfil our aspirations. The values of Pride, People, Partnerships and Performance are known as the four Ps and set out what we believe should be the basis for the type of organisation we are. These values are:

### The Medium Term Financial Plan (MTFP)

The Medium Term Financial Plan (MTFP) is based upon the long term vision included within the Council’s Corporate Plan for 2020-2024. It is the vehicle by which the Council identifies resources to deliver the Corporate Plan. The MTFP covers both General Fund revenue resources and those for the Housing Revenue Account. Both are supported with resources in the Capital Programme. The MTFP aims to:

- Ensure the level of reserves remains appropriate;
- Identify service delivery trends, changes in legislation etc. to accurately predict levels of spend in the future;
- Identify whole life costs of capital projects and ensures all projects are adequately funded and resourced;
- Provide efficiency savings where possible to fund new investment or enhanced services;
- Increase value for money;

The Government’s austerity measures over recent years significantly reduce the level of Government funding. When combined with the Cost of Living Crisis and ever increasing demand for our services from families and businesses, there is considerable pressure on our budgets.



## 2 Views from the Chief Executive



I thank and commend the many officers who contributed to compiling these financial accounts, and to the auditors who review and check them in order to deliver public confidence in the sound financial management of the Council.

The role of the council continues to be shaped by national and international events as this year our accounts include significant expenditure on enabling and facilitating the Homes for Ukraine scheme. This added significantly to the work of the housing department and support services as many of our citizens volunteered to become 'hosts' for those fleeing the war in their homeland.

Housing in its wider sense continues to be a challenge as demand outstrips supply, with local people who want to make their home in Mid Devon suffering from the wider market influence of remote working allowing more people to choose to live in Devon while working elsewhere, plus the boom in short-term letting that is impacting the long-term rental sector in particular. While it seems churlish to remonstrate that the attractiveness of our area is now open to a wider market appeal due to hybrid/remote working, the impact on local people is significant. We can only hope that recent national consultations on strengthening regulation around the short-term letting sector go some way to rebalancing this part of the market as a sustainable long-term private rental sector is vital. Across the myriad of housing challenges, the ultimate indicator of risk and system failure can be seen in the Council's homelessness budgets, which are under increasing pressure.

Just before Christmas 2022, we hosted a follow-up session for our peer challenge review colleagues, who revisited the council and were pleased to see the progress that had been made against the recommendations set out earlier in the year. While this was useful to push ourselves to improve in certain areas, I am particularly proud of the fact that our sustained effort on better and more effective communication yielded a genuine and quantitative shift in satisfaction as measured through our residents' survey. There is always merit in chasing business efficiency through 'back office' processes and procedures, but when our citizens notice a better service it takes the peer challenge process from useful to transformational.

This year also saw a major investment in decarbonising our leisure facilities with the support of a £2.8m grant to install ground source heating and further solar arrays at the leisure centres in Crediton and Tiverton. As well as being a vital step in reducing our carbon footprint, it also reduces our exposure to the volatile energy prices we have witnessed over the last year; good for the environment, good for business.

On a similar note, this year also saw us make a strategic change to our waste and recycling service – our biggest single area of budgetary expenditure. After a successful pilot trial, we rolled out the revised scheme district-wide in October 2022, moving to a 1-2-3 scheme for food, recycling and residual waste collections. This involved a significant capital outlay but is already seeing material gains in recycling figures – which keeps us on track to meet the increasingly challenging environmental sustainability targets ahead.



Finally, throughout 2022 we experienced the tightest labour market conditions that I can ever recall, with severe impacts on our ability to recruit in our financially-constrained operating environment. Our agency and contractor costs incurred during the year reflect this, and represent the necessity of maintaining core service delivery for the people of Mid Devon. While conditions have since eased slightly, we continue to be at risk of valuable staff leaving the organisation and it is more imperative than ever to focus on retention as much as recruitment and to support all colleagues in their personal development. Almost without exception organisations are seeing sickness and turnover costs rising, and key to managing this will be the effectiveness of helping people progress their careers with us, ensuring that people feel valued, respected and supported, and recognising the unifying motivation of providing our broad and diverse range of services to the people and businesses of Mid Devon.

**Stephen Walford**  
**Chief Executive**



## Financial Commentary by Deputy Chief Executive (S151)

It has been another challenging year for local government!

Hot on the heels of the Covid-19 global pandemic, a Cost of Living Crisis has dominated 2022/23 both nationally and locally. Russia's invasion of Ukraine has played a key part in the significant increase in gas prices and has a knock-on impact on electricity and fuel prices, which has required increases in wages, all culminating in the highest levels of inflation in over 40 years. To combat this inflation, the Bank of England's Monetary Policy Committee (MPC) has increased the underlying Bank Rate eight times during the 2022/23 financial year and at the end of the year stands at 4.25%; the highest level since the 2007/08 Financial Crisis, further stretching household finances.

The government are trying to mitigate the economic impact with financial support for businesses through further Business Rates Relief and for households through support with utility bills with over £3,283k has been paid out through the Energy Rebate schemes – all of which are administered by the Council. This has meant that we continue to divert our resources to support such schemes for a third year in a row.

Alongside this, the Council has managed the Homes for Ukraine scheme on behalf of the Government. During 2022/23 we assisted 282 Ukrainians through local host families, community support and subsistence payments at a cost of £650k. A number of staff have been deployed to support this scheme, therefore £80k of the funding has been allocated to cover that staffing cost.

We successfully bid for £141k of funding under the Rough Sleeping Initiative grant scheme and prevented 75 people from becoming rough sleepers.

### 2022/23 Financial Highlights

Despite the economic impact on both businesses and residents, our Council Tax collection rate increased year-on-year. However, it was lower than assumed within the budget, as was the case for Business Rates collection resulting in a small deficit on the fund. Further evidence of the robustness of our local economy is the high occupancy levels within our commercial property estate, with only 3 units empty at the end of the year.

Service areas saw a return to normality, with good signs of recovery from the impacts of Covid-19. Our leisure centres, for example, saw an increase of 30% in membership numbers, which restores them close to pre-Covid-19 levels. Similarly, our planning service has handled near 2,400 applications during the year. Our treasury performance saw a dramatic change from the previous year's minimal return, generating investment income of £1,671k equivalent to a return of 1.84% on internally managed funds, an significant increase from the 0.18% in the previous year.

However, throughout 2022/23, the Council has struggled to retain and recruit, with the annual staff turnover at approximately 20%. This has led to significantly higher than budgeted agency costs, particularly to some key professional posts such as Planning, which have exceeded the vacancy saving. Sickness levels have remained high with approximately 10 days per FTE lost during the year. Infections and Chest/Respiratory problems stretched some services, particularly during the winter period; the first without Covid-19 restrictions in place.

Despite this, the Council continued to deliver excellent services and deliver good value of money. In our recent residents' survey, 78% of residents said they were very or fairly satisfied with the local area as a place to live.

During 2022/23 the Council have invested £2,776k in carbon reduction schemes within in our leisure centres. It also planted 1,192 trees to help offset our carbon usage; a good step towards our corporate goal of carbon neutrality by 2030. More information can be found on our dedicated website: [www.SustainableMidDevon.org.uk](http://www.SustainableMidDevon.org.uk)

We continue to provide a rolling programme of upgrades and enhancements to our key property assets. Unfortunately though, we have twice been rejected in our Levelling-Up bids to unlock economic growth, leaving key infrastructure projects hanging in the balance. The roll out of Bin-It 123 has been achieved, which will further help our carbon reduction and increased recycling rates by 2% year-on-year, placing us in the top 15% of recycling councils nationwide.

The Council's subsidiary company, 3 Rivers Developments Ltd, has had a challenging year. It, along with all development companies, has suffered significant price increases for labour and materials. This has put pressure on the budgets of their live developments and on the potential future opportunities. Alongside the housing market has stagnated, also as a consequence of the Cost of Living Crisis, adding further pressure as sales income is likely to be reduced. Therefore, the Council is considering the future of the company.

Conversely to this, the Council received some great news in terms of a VAT refund against Leisure income backdated to 2011. This concludes the sector's legal challenge that local authorities' leisure services are provided under a statutory framework and can therefore be treated as non-business for VAT purposes. As such, a £2,999k refund dating back to 2011 is likely. This also means that moving forward, 20% VAT no longer needs to be passed to Government.

Although an extremely challenging financial year, through excellent budgetary control by service management, the Council has delivered close to budget.

## Summary of the key elements from the Core Financial Statements

### The Movement in Reserves Statement

This statement is the key to establishing the aggregate financial position of the Council, as it produces a summary of all the “cash backed” reserves that the Council holds. It shows that the Council’s usable reserves have decreased by £1,122k to £55,624k in 2022/23. This is largely due to the impairment of loans to 3 Rivers Developments Ltd during the year.

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

The Comprehensive Income and Expenditure Statement (CIES) shows an overall surplus of £52,914k. However, this position also includes the consolidation of the Council’s HRA. In addition, there are a number of technical accounting adjustments made to the final accounts which need to be “reversed out” in order to reflect the final cash position. These entries are included in the Adjustments between Accounting Basis and Funding Basis under Regulations. Once all of these adjustments are accounted for, the overall outturn is a £190k deficit on the General Fund and a £312k surplus on the HRA and these amounts have adjusted the General Reserve and HRA Earmarked Reserves accordingly.

### Balance Sheet

The Council instructed the District Valuer to undertake a valuation of a fifth of its asset portfolio and review the remaining assets in order to establish a “true and fair” view for the 31 March 2023 Balance Sheet. The Property, Plant and Equipment valuation, after adjustment for additions, disposals, and finance leases increased by £13,398k during 2022/23. This is mainly due to new housing developments under construction and a buoyant house market increasing the value of our housing stock. The overall Pension Scheme deficit decreased by £40,021k due to Pension Fund assets decreasing in value by £2,510k and Pension Liabilities decreasing by £42,531k mainly due to a higher discount rate being applied.

### Cash Flow Statement

The Council had a net cash reduction during 2022/23 of £6,200k.

### The Collection Fund

The Council set a Band D equivalent Council Tax rate of £218.84 in 2022/23. There was a closing surplus of £553k on the Council Tax Collection Fund in 2022/22 due to a lower than budgeted collection rate achieved in the year of 97.1% (96.6% in 2021/22). Circa 13% is due to Mid Devon District Council, amounting to £73k.

There was a £267k deficit on the Business Rates Collection Fund in 2022/23, of which 40% is due to Mid Devon District Council, amounting to £107k. The Business Rates collection rate achieved in the year was 96.8% (98.6% in 2021/22).

The Local Authorities (Collection Fund: Surplus and Deficit) (Coronavirus) (England) Regulations 2020 came into force on 1 December 2020. The regulations implemented the announcement made by the Secretary of State on 2 July 2020 that “the repayment of collection fund deficits arising in 2020/21, will be spread over the next three years rather than the usual period of a year, giving councils breathing space in setting budgets for next year.” The Council accounted for the full deficit in 2020/21 and therefore in 2022/23 has benefitted by the release of £152k



from the Business Rates Smoothing Reserve and £62k from the Council Tax Smoothing Reserve. These same values will be drawn down again in 2023/24.

## **The Financial Outlook**

The 2023/24 budget includes significant increases in expenditure budgets resulting from the inflationary pressures highlighted above. This has required a full review of our fees and charges which have also had to increase to offset the pressure on the budget. The 2023/24 budget and projected future year budgets also include plans for significant growth in highly efficient (net-zero) social housing across the district providing high quality housing that can be an exemplar of modern living. Planning permission has also been granted for 70 PassivHaus standard affordable homes at Post Hill, Tiverton.

Nationally, the way local councils are funded remains a challenge. The long overdue review of funding mechanisms, known as the Fair Funding Review initially promised in 2016, has now been delayed into the next Parliament. With an accrued loss of around c.£5,000k in Government funding since 2010, continued additional requirements placed upon us and reductions in service income levels, which appear to be the “new norm”, setting the 2023/24 budget has been the hardest year yet.

The wider financial outlook for councils continues to be uncertain. The sector only has clarity over the level of funding for one year, making planning for future service delivery practically impossible. However, the Council is in a strong financial position due to good track record of robust financial management, effective budget management, the achievement of planned cost reductions/efficiencies and healthy levels of reserves.

Looking to the future, local elections in May 2023 will be a significant driver for change for the Authority. New Councillors with new ideas will set the strategic direction of the Council over the coming four years. We look forward to delivering the new vision.

**Andrew Jarrett**  
**Deputy Chief Executive (S151)**

## **3 Narrative and Performance Report 2022/23**

### **3.1 Introduction**

The Council's Narrative Report sets out the overall financial position and details the financial transactions relating to the District Council's activities for the year ended 31 March 2023. The purpose of the Narrative Report is to provide a commentary on the main financial highlights and to identify any significant events that may affect the reader's interpretation of the Accounts. It also provides non-financial highlights to offer a more holistic view of the performance of the Council.

## **Financial Performance**

### **3.2 In year forecast position**

During the year regular monthly financial monitoring information has been produced and reported to Senior Management and Elected Members. Each monitoring report declared forecasts of varying amounts dependent on the information known at each point in time during the year. The month 9 monitoring report tabled at the 7 February 2023 Cabinet meeting forecast Service expenditure to be an estimated £527k over budget.

This over spend position was heavily influenced by the Cost of Living Crisis. The agreed pay award for staff was higher than the budgeted assumption of 2%. In addition, utility and fuel prices increased considerably in line with those experienced by households and companies across the country. Although protected by the Government's cap, the projected additional forecast energy charges have been increased from £188k to £370k. The Council also struggled with recruitment and retention. Key services, particularly Waste and Planning have higher usage of agency staff than planned although this is partially offset by underspends on the staffing establishment, leading to a net additional cost of £281k. Income remained lower than pre-Covid-19 levels in both Leisure and Car Parks although both are showing good signs of recovery. This was partially offset by increased yields on temporary investments following the increase in interest rates.

Therefore, the overall projected outturn position for the Council was an over spend of £436k on the General Fund (this detailed report can be found on the Council's website). Considering the additional costs outlined above, the forecast over spend position shows that good budget management continues within services in order to mitigate funding pressures.

### **3.3 Outturn Summary**

The table below shows the summary outturn position against budget.

Outturn Summary	Budget	Actual	Variance	Net contributions To / (From)	Total Expenditure variation after
	2022/23	2022/23	2022/23	Earmarked Reserves	Earmarked Reserves
	£	£	£	2022/23 £	2022/23 £
Community Development	208,820	208,997	177	-	177
Corporate Management	1,702,694	1,006,330	(696,364)	(1,062,800)	(1,759,164)
Car Parks	(489,680)	(529,139)	(39,459)	25,000	(14,459)
Customer Services	749,318	706,394	(42,924)	-	(42,924)
Public Health	948,074	786,404	(161,670)	52,231	(109,439)
Finance and Procurement	773,070	794,864	21,794	(16,720)	5,074
Grounds Maintenance	559,523	528,245	(31,278)	(11,316)	(42,594)
General Fund Housing	269,192	175,628	(93,564)	5,099	(88,465)
Human Resources	616,470	510,636	(105,834)	-	(105,834)
I.T. Services	1,337,150	1,361,715	24,565	(40,891)	(16,326)
Legal and Democratic Services	1,182,601	1,069,825	(112,776)	-	(112,776)
Planning and Regeneration	1,921,549	6,102	(1,915,447)	1,756,318	(159,129)
Property Services	1,610,240	1,070,756	(539,484)	542,785	3,301
Revenues and Benefits	608,000	461,461	(146,539)	(19,999)	(166,538)
Recreation and Sport	903,485	1,482,360	578,875	35,867	614,742
Waste Services	1,905,790	2,880,908	975,118	(761,219)	213,898
<b>ALL GENERAL FUND SERVICES</b>	<b>14,806,296</b>	<b>12,521,486</b>	<b>(2,284,810)</b>	<b>504,355</b>	<b>(1,780,455)</b>
Net recharge to HRA	(1,714,560)	(1,565,938)	148,622	-	148,622
Statutory Adjustments (Capital Charges)	686,660	2,868,262	2,181,602	96,720	2,278,323
<b>NET COST OF SERVICES</b>	<b>13,778,396</b>	<b>13,823,811</b>	<b>45,415</b>	<b>601,075</b>	<b>646,490</b>
Net Interest Payable / (Receivable)	(840,013)	(1,198,306)	(358,293)	-	(358,293)
Net Transfers To / (From) Reserves	(2,677,223)	(2,495,538)	181,685	27	181,712
Revenue contribution to fund 2022/23 Capital Programme	-	581,861	581,861	(581,861)	0
<b>TOTAL EXPENDITURE</b>	<b>10,261,160</b>	<b>10,711,828</b>	<b>450,668</b>	<b>19,241</b>	<b>469,909</b>
<b>Funded by:</b>					
Net Business Rates	(1,854,550)	(2,071,896)	(217,346)	162,445	(54,901)
Council Tax	(6,945,960)	(6,959,448)	(13,488)	-	(13,488)
Un-Ringfenced Grants	(1,460,650)	(1,490,462)	(29,812)	-	(29,812)
<b>NET INCOME AND EXPENDITURE</b>	<b>-</b>	<b>190,022</b>	<b>190,022</b>	<b>181,686</b>	<b>371,708</b>

There have been a number of overarching matters that has had a material impact on the Council's finances for the year. These include:

### **Covid-19 and Cost of Living Crisis**

The Covid-19 Pandemic continued to have a legacy impact on the Council's finances. Income generated in services such as Leisure continued to be below pre-pandemic levels, although have shown recovery during the year. Also, the Council has continued to be the vehicle chosen by Government to distribute various grants to local businesses and residents affected by the pandemic and the increase in energy prices. This has significantly diverted the team's attention and required additional staffing to cope with the additional requirements placed upon the Council. There has however been a number of one-off grants to mitigate the impact on staffing costs arising from the additional requirements such as the grant distribution. These requirements, and the associated financial support, looks set to continue in 2023/24.

### **Local Government Pay Award**

During the year, the Local Government pay award was offered and accepted nationally. As a result of the Cost of Living Crisis, and the rising costs of energy, food and fuel, the uplift of £1,925 per Full Time Equivalent (FTE) (broadly 6.5% on average) was significantly in excess of the 2% budget assumption. This added c£500k to our staffing costs within the General Fund and c£150k in the HRA.

### **Agency Costs**

The Council continues to struggle with recruitment and retention and has had higher levels of sickness during the year. This has resulted in key services, particularly Waste and Planning, having higher usage of agency staff than planned, although this is partially offset by the vacancy underspends on the staffing establishment, leading to a net additional cost of £275k. Some of these additional agency costs were further mitigated through the use of Earmarked Reserves.

### **Bin-it 123**

In October 2022, the Council moved to collecting all non-recyclable waste every three weeks as part of the Council's drive to increase recycling and reduce waste. All other collections remain unchanged – with food waste collected weekly, dry recycling and garden waste (opt-in chargeable service) fortnightly. The implementation cost including providing the new black bins and recycling boxes, advertising campaign and additional staff time was £930k. This was largely covered by the planned drawdown from reserves of £762k. Recycling rates improved by 2% from 2021/22, placing us in the top 15% of recycling councils nationwide.

### **Homes for Ukraine / Homelessness**

Across 2022/23 the Council managed the Homes for Ukraine scheme on behalf of the Government. During 2022/23 the Council assisted 282 Ukrainians through local host families, community support and substance payments at a cost of £650,000. A number of staff were deployed to support this scheme, therefore £80k of the funding has been allocated to cover that staffing cost.

We successfully bid for £141,480 of funding under the Rough Sleeping Initiative grant scheme and prevented 75 people from becoming rough sleepers.

### **Leisure VAT**

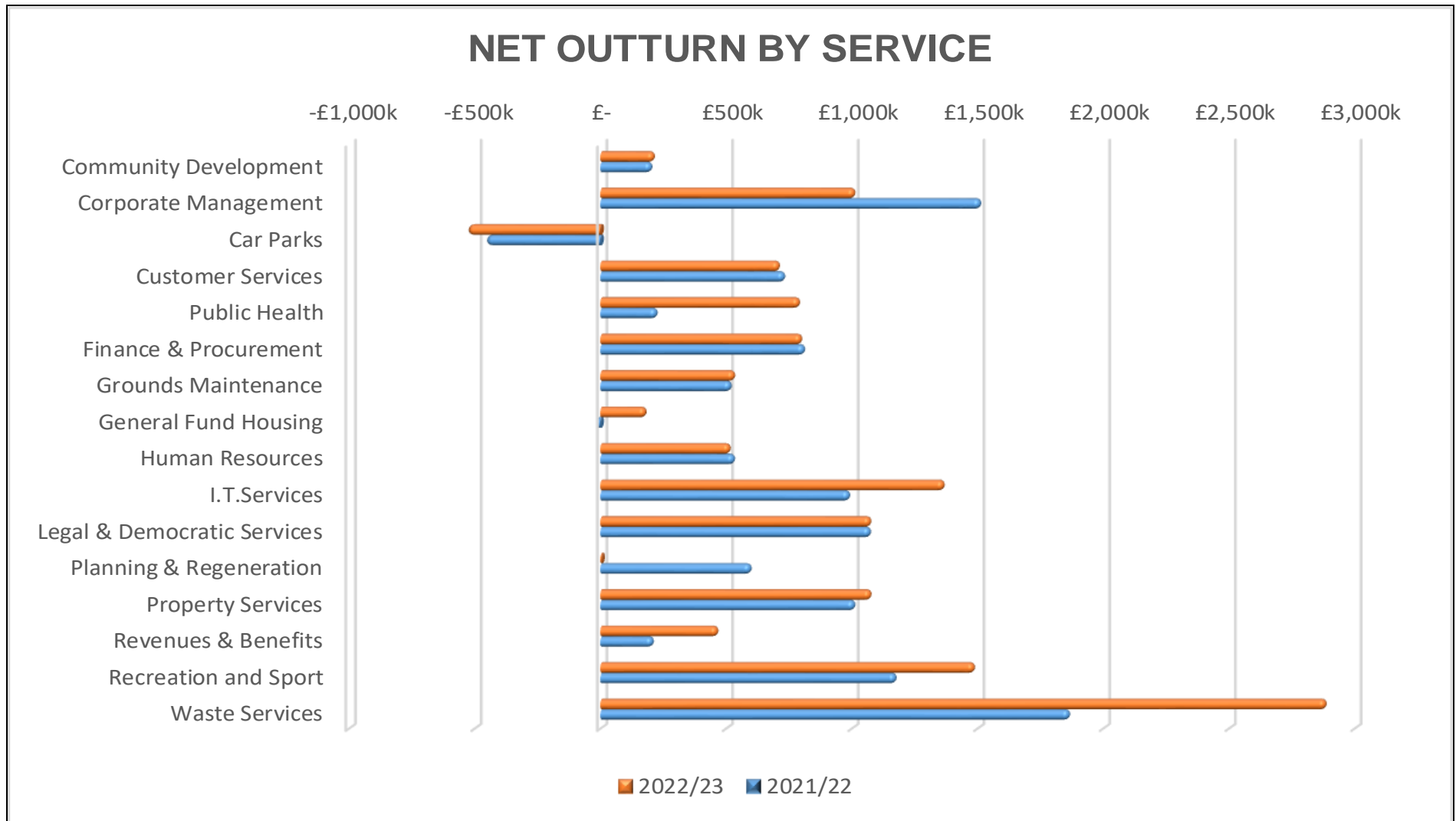
In March 2023, the long awaited outcome of the legal challenge concluded that local authorities' leisure services are provided under a statutory framework and can therefore be treated as non-business for VAT purposes. As such, a significant refund dating back to 2011 is likely. This also means that moving forward, 20% VAT no longer needs to be passed to Government, meaning £300k+ on income is retained.



### 3 Rivers Developments Ltd (3Rivers)

The Council's subsidiary company, 3 Rivers Developments Ltd, has had a challenging year. It, along with all development companies, has suffered significant price increases for labour and materials. This has put pressure on the budgets for their live developments and on the potential future opportunities. Alongside, also as a consequence of the Cost of Living Crisis, the housing market has stagnated, adding further pressure as sales income is likely to be reduced.

More specifically, the chart below compares Actual Net Expenditure for 2022/23 with 2021/22 at an individual service level.



### 3.4 Significant Service Variances

Overall, the Council's actual expenditure in 2022/23 was £10,712k, against funding of £10,522k which results in a reported net over spend of £190k.

There are some material variances at individual service level. These are explained in the narrative below:

#### **Car parks**

Car parking income has recovered a little from the reduced lower activity as a result of Covid-19 restrictions and less travel to work or shops. Overall, income was £69k above budget and over £100k above the previous year. This has been achieved across all areas of Pay & Display, Permits and Penalty Notices.

#### **Public Health**

This underspend is due to vacancy savings, additional S106 income mainly related to the control of air pollution and additional grant funding to cover the additional costs of delivering Government schemes re Covid-19 and Homes for Ukraine. This was offset by agency costs to cover vacancies and the project costs incurred in developing the town centre CCTV solution with Exeter City Council. The majority of these variances have been earmarked to offset expenditure in 2023/24.

#### **General Fund Housing**

There has been a significant increase in the need to provide temporary accommodation. This has been offset by increases in rental income from those placed in the temporary accommodation and additional homelessness and rough sleeping grant funding.

#### **Human Resources**

The under spend has been driven by the decision to no longer upgrade the HR software system. In addition, the service received income for Apprenticeships and won an award for its outstanding commitment and contribution to the development of apprentice programmes.

#### **Legal and Democratic Services**

The elections service has had a number of unbudgeted events including a Boundary Review and a District and Parliamentary By-Election. This has been more than offset by vacancy savings and lower costs including lower member allowance payments.

#### **Planning & Regeneration**

Similar to Public Health, significant additional S106 income has been received and added to an earmarked reserve. Planning income has also over achieved by over £160k on budget. In addition, over £900k of additional grant was received for further feasibility work on J28, and the Cullompton relief road project. The S106 funding and the majority of the grant funding has been earmarked to offset expenditure in 2023/24.

#### **Property Services**

Salary underspends and delays in completing maintenance projects are partially offset by the increases in energy costs and minor reductions in rental income from the commercial property portfolio. The under spend has been earmarked to offset expenditure in 2023/24.

## **Revenues & Benefits**

As stated above, additional grant funding has been received to compensate for the additional workload required to make the payments for the various Covid-19 and energy support related grant schemes. The reduction in Housing Benefit payments was greater than the reduction in the subsidy claim, giving a £40k gain. Similarly, there was an under spend against the Household Support Fund grant.

## **Recreation & Sport**

Membership and fee income was £236k lower than budget as the service continues its recovery from the reduction in patronage as a result of Covid-19. The service has also been impacted by the higher than budgeted pay award, higher energy costs and increases in material prices. Priority over some planned maintenance work was given to moving two of the centres off mains gas to reduce their carbon footprint, which has been covered by Salix Funding and from Earmarked Reserves. The planned maintenance projects will now be undertaken in 2023/24.

## **Waste Services**

The main reason for this overspend is the additional salary expenditure with over £300k additional cost across the Pay Award and the need for additional agency staffing to cover absences through vacancies, holiday, sickness and training. In addition, the service suffered from the significant increase in fuel costs. The roll out of Bin-it 123 was largely covered by the planned draw from the Earmarked Reserve, as was the vehicle maintenance and damage repairs. As a result of the increased recycling, income from recycling materials was significantly above budget, as was Garden and Bulky Waste, Trade Waste and the contribution from the Devon Shared Savings scheme.

### **3.5 Non-Service (Corporate) Costs**

There are also significant variances in Corporate Non-Service costs, as follows:

Interest received on treasury investments were significantly higher (£229k) than budget due to the rapid increase in interest rates following setting the budget. Increased interest charges on lending to 3 Rivers Developments Ltd also generated an additional £241k.

The Council has considered its outstanding loans to 3Rivers given the information available to it regarding the economic conditions and has concluded that it needs to impair some of the loans. If sales proceeds vary from the current forecasts, and if the Council agree a new Business Plan for the company that enables them to progress with new developments, the position will be reviewed again. To mitigate the financial impact of the impairments, the Council will use the leisure VAT refund and remove/reduce the earmarked reserves set aside for Covid-19 recovery and a new Waste Depot site. The opportunity cost of utilising these funds means that should the Council still require a new Waste Depot, it will need to find alternative funding, most likely through borrowing.

### **3.6 Summary**

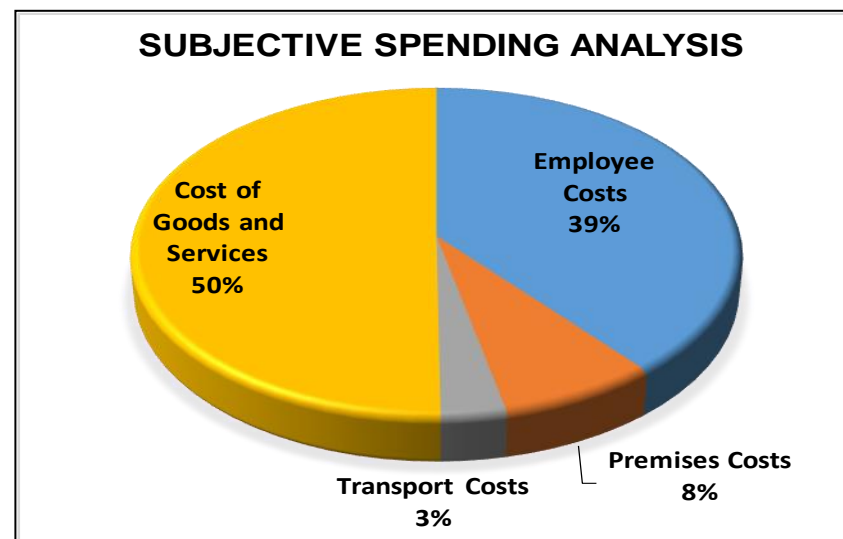
The overall General Fund position delivered in 2022/23 reflects the continued efforts of both Officers and Elected Members to provide high quality services at an affordable cost. It demonstrates the Council's ongoing commitment to reducing operational cost to mitigate against cuts in Central Government funding.

Further information on spending on services, other operating costs and income is shown within the Notes to the Accounts Section.

### 3.7 Types of Expenditure

The Chartered Institute of Public Finance and Accountancy (CIPFA) defined a common subjective analysis that would improve consistency within local government financial reporting and enable authorities to make effective comparisons and benchmarking analyses for service income and expenditure. Below is a breakdown of the Council's expenditure over the main subjective groupings.

<b>General Fund Revenue Account Outturn</b>				
<b>Services Subjective Spending Analysis</b>				
	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	
	<b>2022/23</b>	<b>2022/23</b>		
	<b>£k</b>	<b>£k</b>	<b>£k</b>	<b>%</b>
Employee Costs	15,303	15,960	658	4.30%
Premises Costs	3,017	3,164	148	4.90%
Transport Costs	1,215	1,311	96	7.89%
Cost of Goods and Services	16,817	20,596	3,780	22.48%
Income	(21,545)	(28,510)	(6,966)	32.33%
<b>TOTAL NET DIRECT SERVICE EXPENDITURE</b>	<b>14,806</b>	<b>12,521</b>	<b>(2,285)</b>	<b>(15.43%)</b>



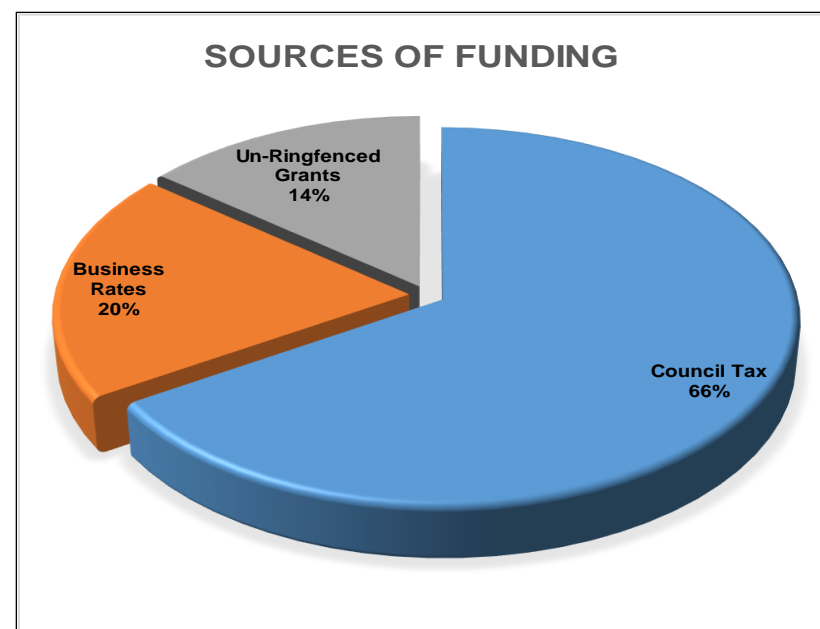
### 3.8 Sources of Income

The Council's funding streams for 2022/23 are detailed below. It shows that the Council is largely funded through localised taxation, namely Council Tax and Business Rates. In setting the budget for 2022/23 the Council increased Council Tax by £5 or 2.34% for a Band D property. This meant that the Band D Council Tax rate became £218.84. As in the previous two financial years, retained Business Rates were adjusted by the award of national reliefs and the Council received additional Section 31 Grant to compensate. Furthermore, the Government regulation spreading the impact of the 2020/21 deficit over three years also reduces the net value. However, the Devon Business Rates Pool is forecasting a surplus. Only 14% of our overall funding now comes via Un-ringfenced Grant following more than a decade of austerity measures.

The Council received £10,523k of the various sources of funding, £262k above budget. The bulk of this increase relating to the Devon Business Rates Pool surplus. Overall, income is £409k (4%) higher than 2021/22.



Sources of Funding	2022/23	
	Budget	Actual
	£k	£k
<b>Council Tax</b>	<b>(6,946)</b>	<b>(6,959)</b>
Council Tax	(6,524)	(6,524)
Collection Fund (Surplus)/Deficit	(401)	(401)
S31 Grants Council Tax Annexes	(21)	(34)
<b>Business Rates</b>	<b>(1,855)</b>	<b>(2,073)</b>
Non-Domestic Rates	(1,083)	(1,224)
S31 Grant associated with Covid-19 Reliefs	(2,449)	(2,329)
Non-Domestic Rates (Surplus)/Deficit	1,678	1,648
Business Rates Benefit from Devon Pool	-	(168)
<b>Unringfenced Grants</b>	<b>(1,461)</b>	<b>(1,491)</b>
New Homes Bonus Grant	(719)	(719)
Rural Services Delivery Grant	(490)	(490)
Lower Tier Services Grant	(99)	(101)
2022/23 Services Grant	(153)	(153)
Other Grants	-	(28)
<b>Total Funding</b>	<b>(10,261)</b>	<b>(10,523)</b>



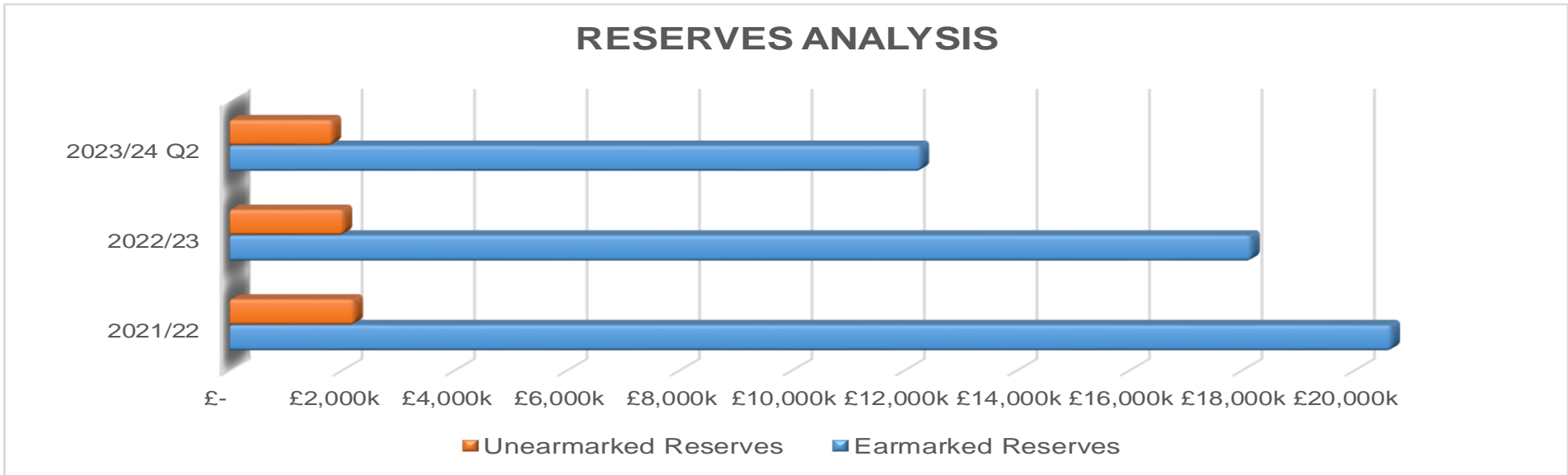
### 3.9 Revenue Reserves

The Financial Strategy is to retain sufficient General Fund balances to meet our major financial risks. The greater the level of uncertainty and risk, the more likely it is that these may be needed. Consideration has been given to the levels of reserves as these are the means by which the Council can manage any movements from the planned position in the short term. The Cabinet decision taken on 16 January 2020 agreed that the minimum General Fund balance held should be £2,000k.

The outturn position resulted in an overall deficit of £190k. Therefore, the General Fund Reserves have slightly decreased from £2,215k at the start of the year to £2,025k at 31 March 2023.

The Council also holds a number of reserves earmarked for specific purposes or known events that will happen in the future. An example of such a reserve is the amount set aside annually to meet the cost of the District Council elections that occur every four years. Cabinet set aside a budgeted amount annually to cover any exceptional or unforeseen events that may arise during the financial year.

The outturn position resulted in an overall reduction across the various General Fund Earmarked Reserves of £2,496k from the start of the year. Therefore, in total they now stand at £18,160k at 31 March 2023.



It should be noted that the March Full Council meeting approved the further draw on General Fund Reserves of £625k to support the 2023/24 Budget. This will reduce the reserve down to £1,400k. Cabinet, in consultation with the Deputy Chief Exec (S151), will need to consider whether the minimum level remains appropriate and assuming so, have a plan as to how and over what period it will be replenished back to the £2,000k minimum.

The Council (in common with other public bodies) continues to face a difficult financial climate and continues to believe that it is prudent to retain robust balances to smooth the potential effect to the tax payer of further cuts.

### 3.10 Housing Revenue Account (HRA) – Revenue Expenditure

The Council is a major provider of social housing, working closely with housing associations and other social landlords to provide affordable housing for tenants in the District. The Housing Revenue Account (HRA) only accounts for the costs and income related to provision of Council-owned accommodation. The Local Government Act 1989 requires this expenditure to be ring-fenced and it cannot be subsidised by the General Fund. The following table provides a summary of performance against budget for the year.

HRA Outturn	2022/23	2022/23	Variance	
	Budget	Outturn	£k	%
	£k	£k		
Gross Income	(13,304)	(14,537)	(1,234)	9.27%
Service Expenditure	7,107	7,147	40	0.57%
Other Operating Costs and Income	233	163	(69)	(29.78%)
Earmarked Reserve Transfers	3,756	3,357	(399)	(10.62%)
Capital Financing and Debt Repayment	2,058	3,412	1,353	65.76%
Technical Accounting Adjustments	150	146	(4)	(2.82%)
(Gain) / Loss on Sale of Fixed Assets	0	0	0	0.00%
<b>Net Variance</b>	<b>0</b>	<b>(312)</b>	<b>(312)</b>	<b>2.35%</b>

The Net Budget for the HRA is £Nil, reflecting the self-financing nature of the account. However, financial performance is measured against the Gross Income budget, which is £13,304k for the year. The HRA has reported a net surplus of £312k for 2022/23, which is 2.35% of gross income. The surplus will increase the Renewable Energy Fund and the Affordable Rent Surplus so that the HRA reserve will remain at £2,000k. When the surplus is added to the budgeted transfers to reserves, the HRA Earmarked Reserves will then total £22,190k (this is net of £666k utilised for capital expenditure on HRA assets). These reserves are committed in a number of areas including long term major works to dwellings, new house building, the HRA's debt premium deficit, renewable energy projects and sewage treatment plant upgrades.

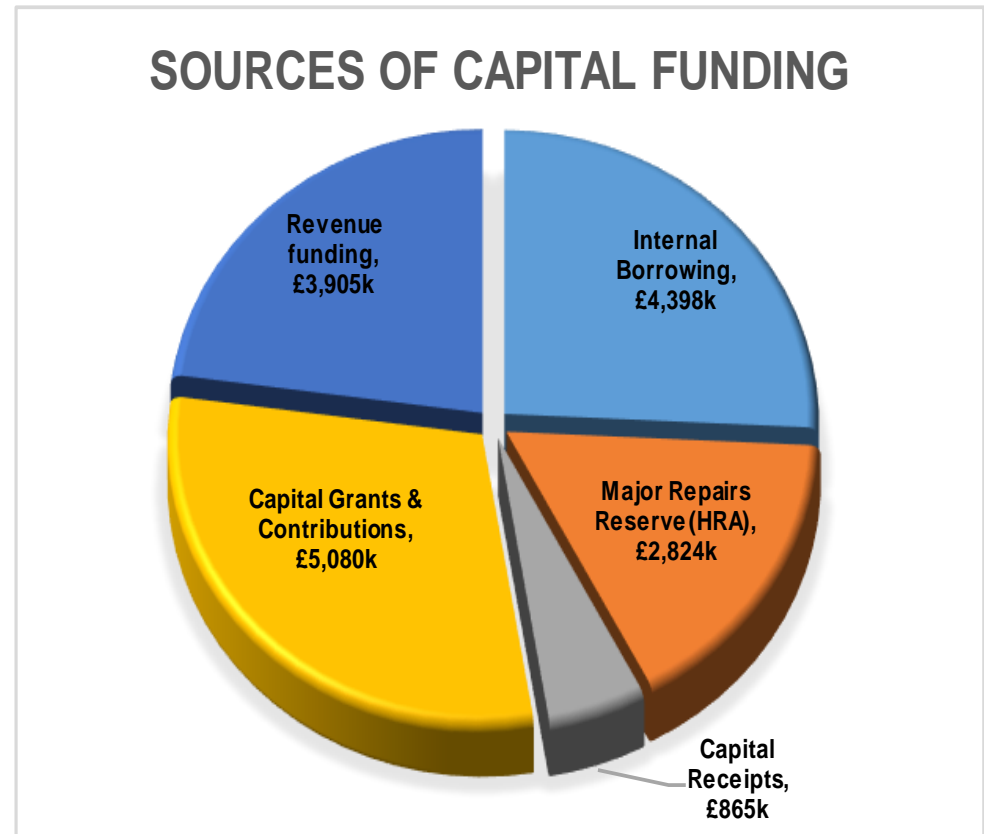
The Housing Revenue Account also holds a MRR (Major Repairs Reserve), which is ring fenced for capital expenditure on HRA properties. This reserve effectively carries forward any unspent major repairs allowance (see note 67).

### 3.11 Capital Expenditure

In addition to our spending on day-to-day service provision, the Council spends money on assets such as buildings, leisure equipment and other projects which are capital in nature. Capital expenditure in the year totalled £17,072k (£11,623k 2021/22). Capital expenditure comprised £10,178k in General Fund schemes and £6,894k on HRA capital works, as summarised in the tables below.

General Fund Capital Expenditure Schemes	£k
Loans to 3 Rivers for Development schemes	5,363
Decarbonisation Works at Leisure Centres	2,776
Purchase of new Homelessness Accommodation	626
Disabled Facilities Grants – Private Sector	421
Cullompton Relief Road	402
ICT Hardware and Equipment	157
Replacement Leisure Equipment	144
Tiverton EUE Junction Phase 2	133
Replacement Play Area Equipment	130
Other Small Projects	26
<b>General Fund Capital Schemes - Total</b>	<b>10,178</b>

HRA Capital Expenditure Schemes	£k
Major repairs to Housing Stock	2,770
New Social / Affordable Housing schemes	3,368
Renewable Energy Fund Spend	336
Disabled Facilities Grants - Council Houses	310
1 Right-To-Buy buyback House Purchase	110
<b>HRA Capital Schemes - Total</b>	<b>6,894</b>



The General Fund capital spend related to a wide range of projects which included £5,363k of additional loans to 3 Rivers Developments Ltd to enable a number of housing development sites, excluding Working Capital loans which are revenue backed. Lords Meadow and Exe Valley Leisure centres had substantial works undertaken during the year to replace the fossil fuel heating system with Air and Heat Sources boilers, as part of the Salix funding decarbonisation works. This year renovations to private sector homes funded through the Disabled Facilities Grant have cost £421k. Progressing major infrastructure works on the Cullompton Town Centre Relief Road cost £402k and £133k was spent on the junction on the A361 as part of the Tiverton Eastern Urban Extension (EUE), although these projects are now paused until sufficient funding can be found to complete the schemes. A third Levelling-Up bid is being prepared for the Cullompton project. Two Homes of Multiple Occupation (HMO's) were purchased during the year to bolster the Council's options for homelessness accommodation. New and replacement equipment costing £457k was spent on upgrading the ICT hardware and equipment, fitness studio and play area equipment, and a new grave digger.

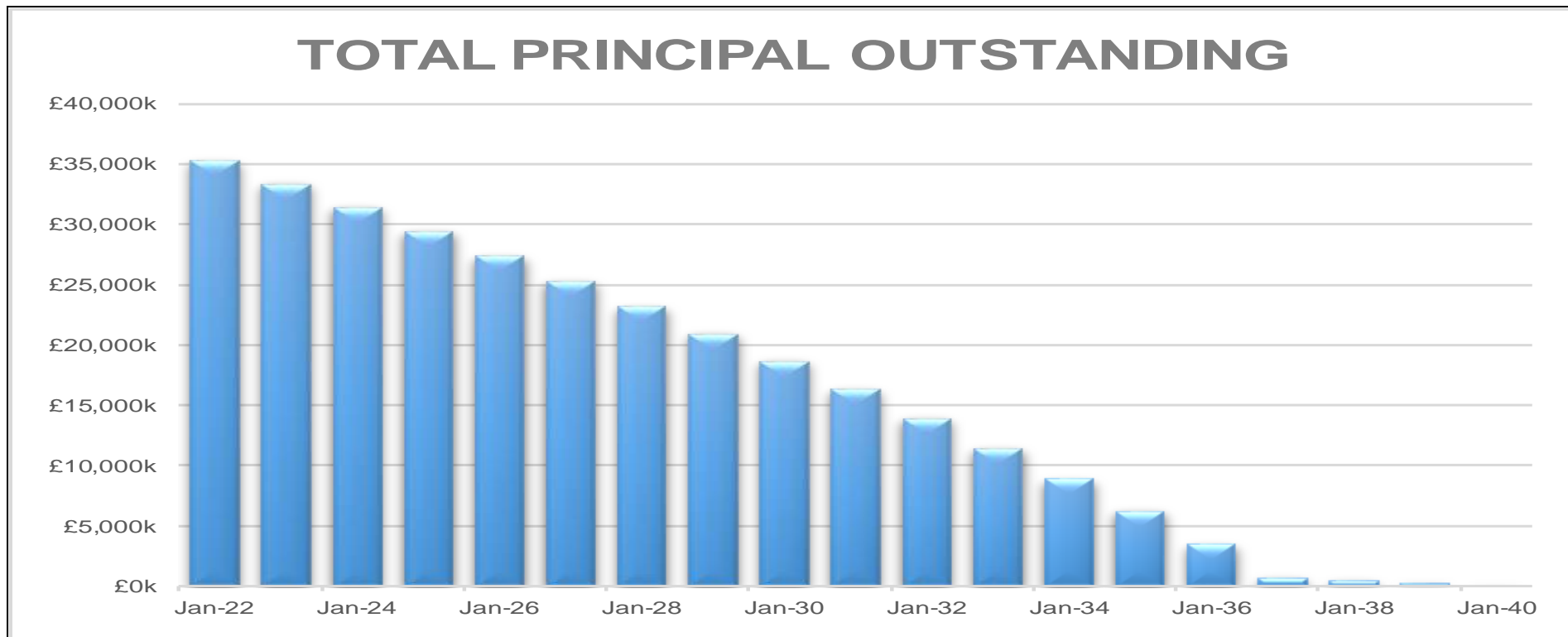
Within the HRA, £2,770k was spent on updating and maintaining housing standards, including replacing kitchens, bathrooms, windows, doors, heating systems and other related works. Alongside that, £310k of Disabled Facilities Grant was also spent enabling tenants to remain in their homes longer before needing to go into hospital or care. 12 homes were sold to tenants through the Right-to-Buy scheme and 1 was repurchased. During the year the Council began their ambitious programme of building 500 new modular homes to increase the housing stock and reduce the carbon



footprint. A total of £3,368k was spent across various sites such as Shapland Place, Tiverton and St Andrews, Cullompton and Post Hill, Tiverton. £336k was spent on increasing the use of Renewable Energy.

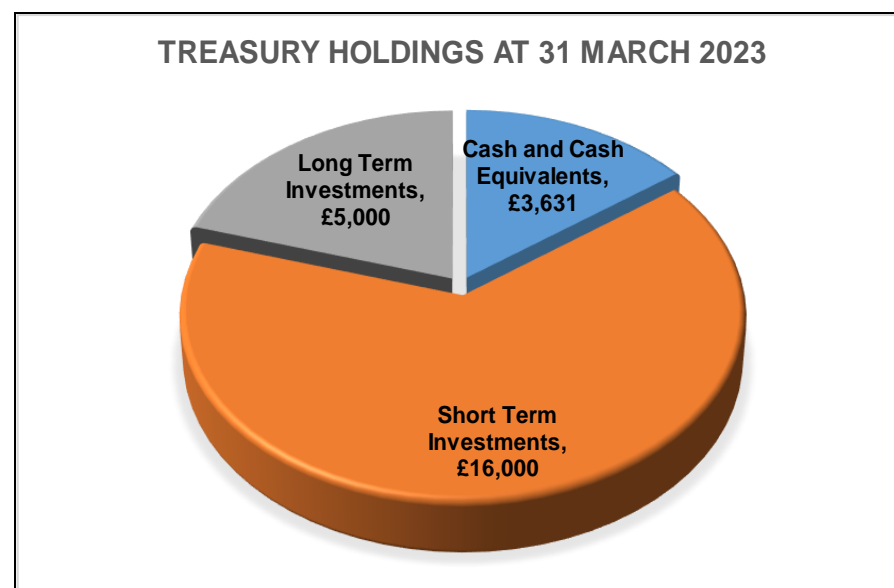
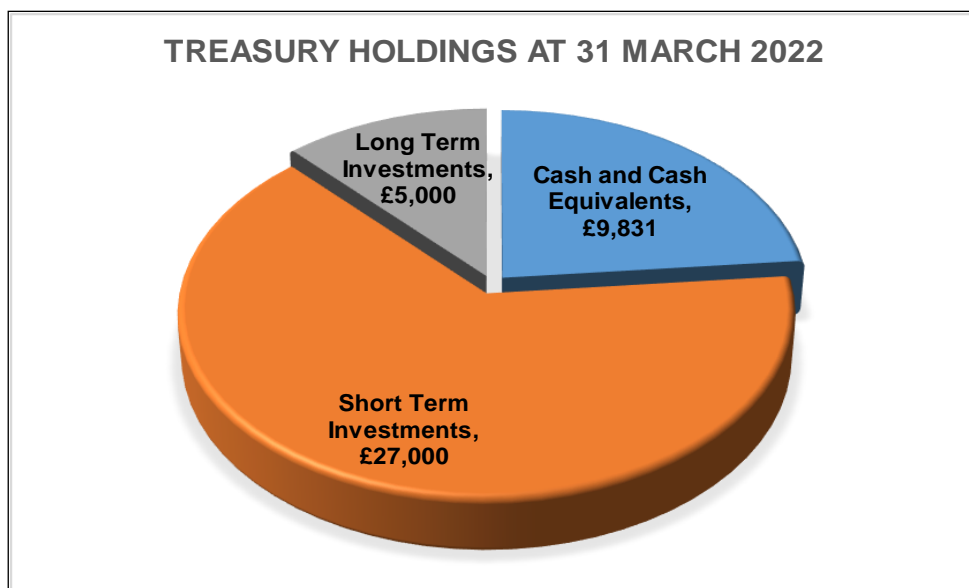
### 3.12 Borrowing

At the end of 2022/23, the Council had three Public Works Loan Board loans with total principal outstanding of £33,310k. No new loans were taken out during the year. The Council has paid off £1,924k of the outstanding principal during the year and interest of £1,011k (£86k GF and £925k HRA). The interest rates on these loans range from 2.61% to 2.94% pa and give a weighted average of 2.91%.



### 3.13 Treasury Activities

The charts below gives an overview of the Council's treasury holdings at the 2022/23 financial year end and that held at the end of the previous financial year (2021/22):



From the Short Term investments managed by the Council investment interest of £539k (£54k 2021/22) was generated which gave an average rate of return of 1.84% (0.18% 2021/22). This is a marked increase on the prior year reflecting the significant increase in the interest rates following the Bank of England's attempts to curb inflation and calm the Cost of Living Crisis. The dividends received from the Long Term investments, held with CCLA, totalled £201k or 4.02% (3.67% 2021/22).

### Non-Financial Performance

When reviewing the performance of the Council in 2022/23, it is important to not only see performance against budget, it is also important to assess performance against the operational/strategic targets set within the context of the Corporate Plan during the year. The full Performance and Risk Report for 2022/23 will be presented to Audit Committee alongside these Statements. Below are some of the key performance statistics:

# Non-Financial Performance 2022/23



**1,192** trees planted on our land and private land

**99.7%** of emergency housing repairs completed on time



**93%** of householder planning applications determined within 8 weeks



**100%** of housing complaints responded to on time

Renewable heating systems installed at our leisure centres in Tiverton and Crediton



**78%** of residents are very or fairly satisfied with their local area as a place to live



**4,716** charging sessions at our electric vehicle charging points



**55.4%** of household waste reused, recycled and composted

**97.1%** of Council Tax collected

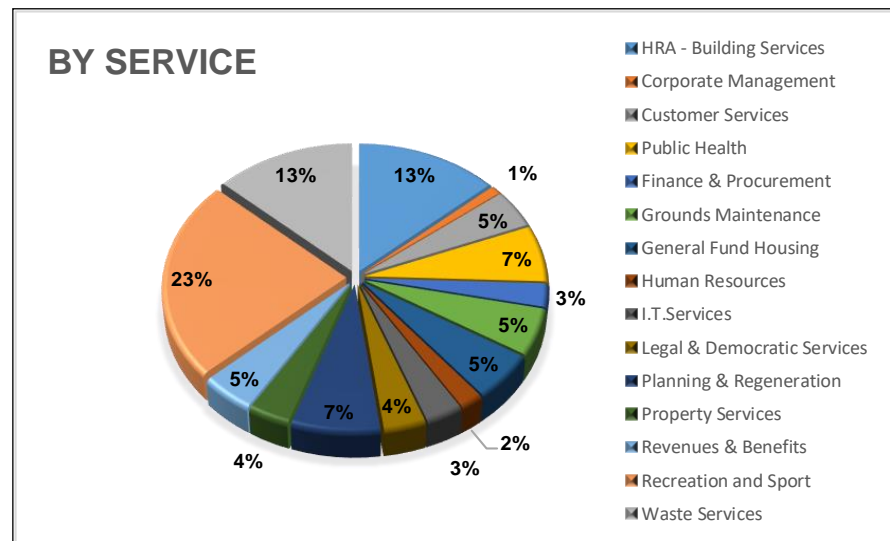
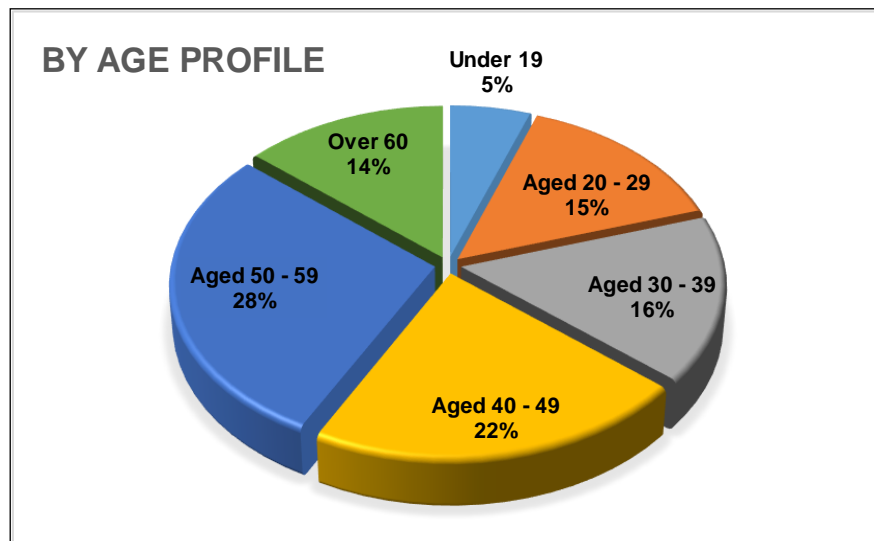
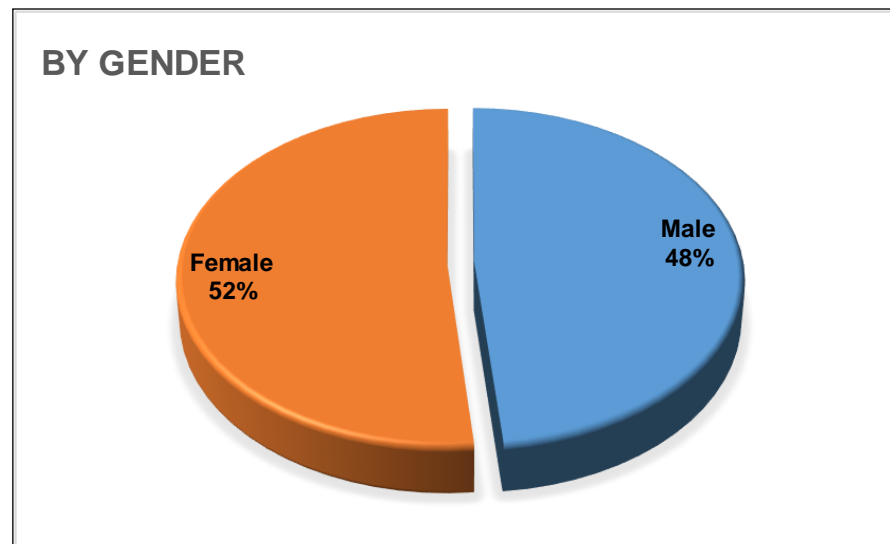
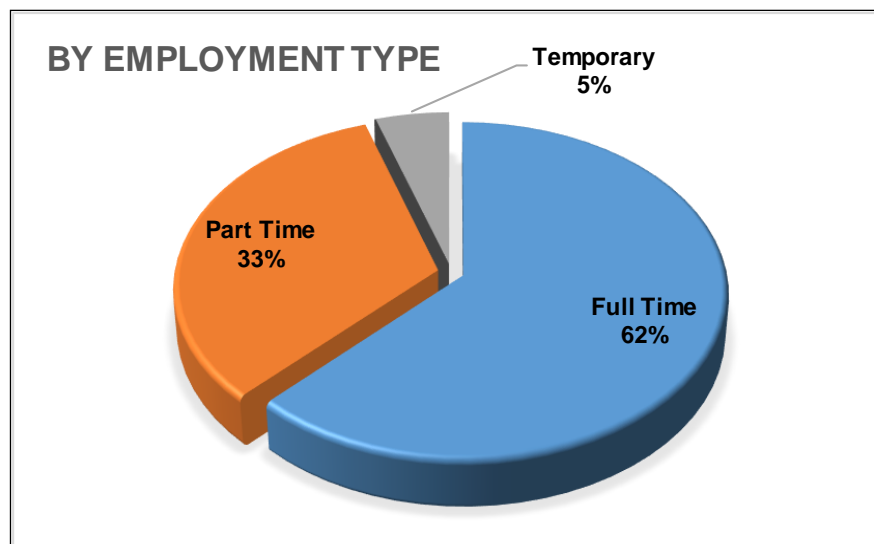


**96.8%** of Business Rates collected



### 3.14 Workforce Data

The Council employed 545 people in full, part time or temporary contracts on 31 March 2023. Employees are a valued significant resource within the Council and employees' costs account for 39% of the total gross expenditure. The Council's workforce profile can be seen in the charts below.



### 3.15 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.

Risks are managed at all levels within the Council. The most serious and/or cross-cutting risks are escalated to the Corporate Risk Register. The Corporate Risk Register is subject to regular review by the Leadership Team and the risks regularly reported to all Policy Development Groups (PDGs), Audit Committee, Cabinet, and Scrutiny. Each risk has an owner and is supported by mitigating actions designed to reduce uncertainty and the Council's exposure to risk.

The key areas of corporate risk at March 2023 centred on:

Ref	Risk Name	Risk Owner	Risk Rating
CR1	Culm Garden Village	Adrian Welsh	16
CR2	Cyber Security	Brian Trebilcock	20
CR3	Failure to meet Climate Change Commitments by 2030	Andrew Busby	15
CR4	Homes for Ukraine Scheme	Simon Newcombe	9
CR5	Information Security	Giovanni Wallace	12
CR6	National shortage of chlorine and other chemicals	Lee Chester	4
CR7	Financial Sustainability	Paul Deal	25
CR8	Quality of Planning Committee Decisions	Angharad Williams	16
CR9	SPV – 3 Rivers – Failure of the Company	Paul Deal	25
CR10	Cullompton Town Centre Relief Road	Adrian Welsh	25



### 3.16 The Council's Governance Arrangements

The Council has a well-established and robust corporate governance framework. This includes the statutory elements such as the posts of Chief Executive (as Head of Paid Service), Monitoring Officer and Chief Finance Officer (as S151 Officer).

The Annual Governance Statement has been reviewed taking into account external and internal audit reviews and feedback from the Senior Leadership Team. It includes a review of the effectiveness of the Council's governance arrangements and concludes that the existing arrangements remain fit for purposes and help provide reasonable assurance of their effectiveness.

### 3.17 Notable Events affecting the Finances

#### Covid-19 Pandemic

Over three years since the outbreak of Covid-19, its legacy continues to have an impact on the public's and businesses' behaviour and consequently an impact on the Council. The Council's key income streams within Leisure and Car Parking continue to be below pre-pandemic levels. The new

ways of working, i.e. largely hybrid working, continue and the use of virtual meetings calls have become the new norm, including our public meetings. However, the Council are no longer required to provide the levels of support to the community through grant payments, the vaccination programme and shielding hubs. Therefore, in respect of Covid-19, the impact has lessened and is now largely manageable.

### Invasion of Ukraine

In February 2022, Russia invaded Ukraine which led to millions of people becoming homeless and/or fleeing the country for safety. To provide support, the Government offered homes through the Homes for Ukraine Scheme. Under the scheme, UK households are able to sponsor Ukrainian nationals or families to come to live with them providing they have suitable accommodation to offer. The scheme is administered by local authorities, with Devon County Council working closely with Mid Devon District Council to put in place a scheme, assess the homes offered and make support payments to the Ukrainians and UK host families. Nationally, over 150,000 people were supported by this scheme in 2022/23, with 282 locally placed within Mid Devon through local host families, community support and subsistence payments at a cost of £650k.

Initially, the scheme was planned to cover six months. However, as the war has lasted longer, extension plans and alternative arrangements have been necessary. This includes “rematching” some guests with new sponsors and in some cases housing on a more permanent basis to avoid increases in homelessness. Looking at the medium / longer term, it is not clear whether there will be options to relocate families to other hosts or to private landlords. Therefore there is a risk that some of those initially covered by the scheme could present as homeless and require the Council to house them. Less, if any, associated funding is likely be available to cover those additional costs.

### Cost of Living Crisis

The invasion of Ukraine has had a significant impact on the global economy. Supplies of energy, fuel and food have been squeezed leading to unprecedented price levels. This has caused inflation to reach its highest levels in over 40 years and household disposable income to reduce. This has become known as the Cost of Living Crisis. As was the case with Covid-19 and the Homes for Ukraine Scheme, it has required the reallocation of Council resources into supporting the Government with their support packages, such as the Energy Rebate scheme and Business Rates and Council Tax reliefs.

These additional costs have had a significant impact on the financial outturn for 2022/23, as has been the case for all companies and households. The Council experienced substantial increases in its fuel costs, rising from c£1.25 per litre originally to c£1.75 in the autumn. Similarly, utility prices have increased across both Gas and Electricity, with cumulative increases of c.260% (compounded by the end of the previous fixed price contract). Other costs such as goods and materials have also increased and is likely to have a material impact on our ambitions to build new housing. Cost of living pay awards have needed to be much higher to enable families to cope. The average 2022/23 increase was more than triple that budgeted for at the beginning of the year. However, with an increase in interest rates, returns on investments have increased markedly, with the annual income in excess of £1,671k compared to the original budget forecast of £940k.

It is difficult to forecast how long these issues will last and how deeply they will impact. Concerns surround whether the pressure on companies and households will lead to reductions in our funding, whether through lower collection rates for Business Rates and Council Tax, or through lower fee income in areas such as leisure, car parks or planning as people reduce their lifestyles accordingly.

### Leisure VAT

In March 2023, the long awaited outcome of the legal challenge concluded that local authorities’ leisure services are provided under a statutory framework and can therefore be treated as non-business for VAT purposes. As such, a significant refund dating back to 2011 is likely. This also means that moving forward, 20% VAT no longer needs to be passed to Government, meaning £300k+ on income is retained.



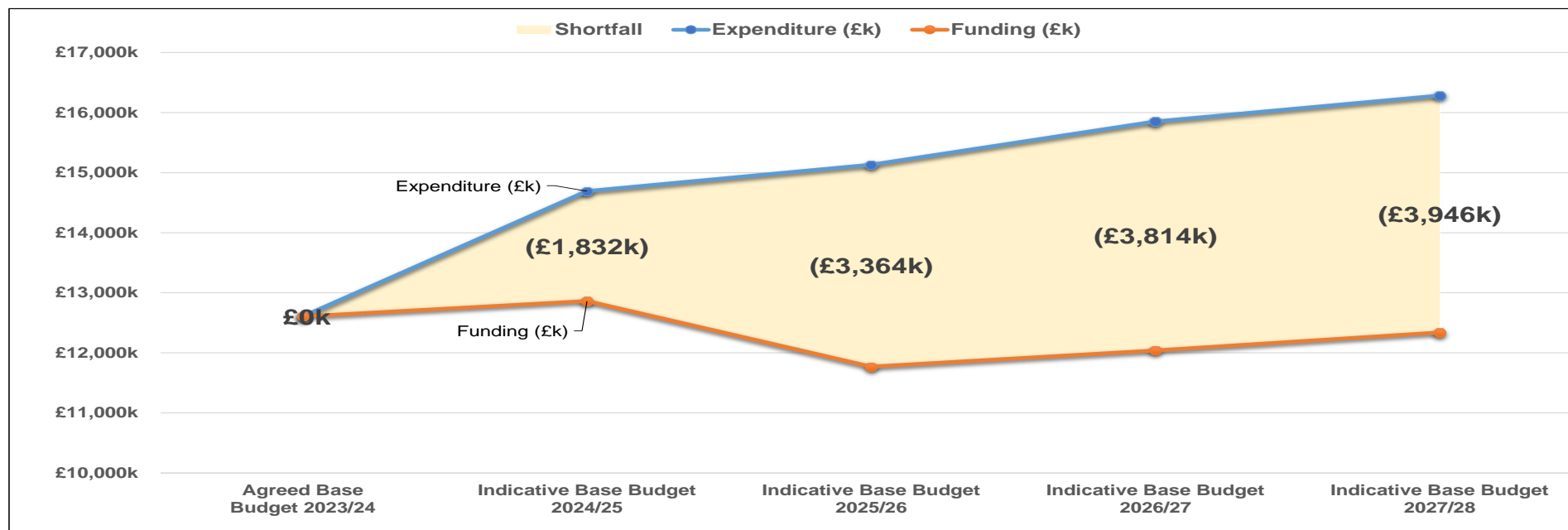
### 3 Rivers Developments Ltd (3Rivers)

The Council's subsidiary company, 3 Rivers Developments Ltd, has had a challenging year. It, along with all development companies, has suffered significant price increases for labour and materials. This has put pressure on the budgets for their live developments and on the potential future opportunities. Alongside, also as a consequence of the Cost of Living Crisis, the housing market has stagnated, adding further pressure as sales income is likely to be reduced.

In addition, towards the end of the financial year the council rejected three submitted business plans, only agreed to support the completion of the live development projects and agreed to commission an option appraisal report externally. This uncertainty has had a financial and confidence impact on the company's 2022/23 trading position and potential future going concern.

### 3.18 The Financial Future of Mid Devon – Medium Term Forecast

The Medium Term Financial Plan (MTFP) position following the late adjustments to the 2023/24 Budget, shows that delivering our existing range and level of services, without any remedial action, would result in the Council's expenditure exceeding the available resources by approximately £3,946k by 2027/28. As shown in the chart below, the majority of this shortfall falls within the first two financial years.



In 2024/25, it is assumed that the draw from General Reserves to balance the 2023/24 budget will be replenished in full, i.e. ongoing savings or income is identified instead. Inflation remains a significant factor for 2024/25 at this point in time although the latest forecasts from the Office for Budget Responsibility (March 2023 – used with the Chancellor's Spring Budget) expect a sharp fall from the current 40-year highs of 10%+, potentially falling below the Bank of England's target of 2% before steadying around that target level. Increases in income are not expected to keep pace with increases in costs.

Funding is expected to fall after 2025/26 due to the Government reviewing the future of Business Rates funding allocation, which could see a loss of the growth in this funding since 2013 known as resource equalisation. Uncertainty also surrounds the various forms of central Government funding following the extended delays to reforms being considered within the Fair Funding Review, initially commissioned in 2016. New Homes Bonus was formally phased out in 2022/23, however one-off allocations have been received in 2022/23 and 2023/24. The Government have committed to provide clarity about the future position of New Homes Bonus beyond 2023-24 in advance of the 2024-25 Finance Settlement. Other one-off funding received such as Services Grant and the 2023/24 Funding Guarantee are assumed to cease, leaving the Rural Services grant as the only grant funding received from Government. With the increasing demands on services this puts increased pressure on our ability to generate Business Rates and Council Tax or income from Fees and Charges as the only remaining funding streams.

This uncertainty makes medium term financial planning far more challenging. However, proactive financial stewardship has seen the Council make provision to manage any adverse consequences emanating from these delays and the potential outcomes of the long awaited Fair Funding Review and Business Rates Baseline Reset consultations.

The Council has prudently sought to build up the General Fund balance and Earmarked Reserves in recent years to ensure the Council is financially resilient. The Council is therefore in a position to draw upon its General Fund reserve balance should it need to but clearly this could have longer term solvency implications. Regular financial monitoring will continue to ensure the Council takes all necessary remedial action, where practicable, with a continued focus on delivering key services against the backdrop of considerably reduced available resources.

Moving forward, the Council's financial position is more sustainable, as there is little funding left outside of our control that can be cut.

### **3.19 Conclusion**

Overall 2022/23 should be considered a successful year with the outturn position for the General Fund and Housing Revenue Account delivered close to, or within, budget. The Council's performance was strong with the vast majority of our performance targets achieved, despite the significant financial pressures and strain on resources experienced. This achievement should be celebrated.

We are aware that the future position continues to be challenging. Therefore we are taking action now to limit the impact and find solutions to enable the Council to continue to build from its current position of strength. We are looking to expand how we work collaboratively with neighbouring Councils and partners to deliver financial savings and build additional operational capacity and resilience and ensure we are in a very strong financial position which will enable us to move forward and react to all of these challenges that will undoubtedly come our way.

**Andrew Jarrett**  
**Deputy Chief Executive (S151)**

## **4 Statement of Accounting Policies**

### **4.1 General Principles**

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its position at the year ending 31 March 2023. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code"), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the Local Government 2003 Act.

There have been no material changes to the accounting policies for 2022/23 and therefore there are no significant changes to the production of the accounts as a result of changes to the Code.

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. These statements have been compiled on the basis of the Council remaining a going concern and all amounts have been rounded to the nearest £1,000.

### **4.2 Accruals and Prepayments of Income and Expenditure**

Activity is accounted for in the year in which 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.
- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services provided (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 income 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.

A de minimis of £10k is normally applied to any adjustments made.

### **4.3 Overheads and Support Services**

The actual costs of overheads and support services are charged to those users that benefit from the supply or service as required by the Code.

#### **4.4 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 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 carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the accounting year. The accrual is charged to Surplus or Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement (CIES), but then reversed out through the Movement in Reserves Statement (MIRS) 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 terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis and form part of the relevant service's expenditure in the CIES when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers, or making an offer to encourage voluntary redundancy.

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 MIRS, 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 Pension Scheme, administered by Devon County Council. The scheme provides defined benefits to members (retirement lump sums and pensions) earned as employees working for the Authority.

#### **4.5 The Local Government Pensions Scheme (LGPS)**

The LGPS is accounted for as a defined benefits scheme:

- The liabilities of the Devon County Council pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the 'projected unit method', i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc. and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices using a discount rate as shown in the assumptions in Note 21 to the accounts. The assets of the fund attributable to the Authority are included in the Balance Sheet at fair value.

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 CIES to the services for which the employees worked.
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years debited to the Surplus or Deficit on the Provision of Services in the CIES as part of Corporate Management.
- Net interest on the net defined benefit liability, i.e. net interest expense for the Authority – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the CIES. This is calculated by applying the discount rate used to measure the defined benefit liability at the beginning of the period, taking into account any changes in the net defined benefit liability during the period as a result of contribution and pension payments.

Remeasurements comprising:

- The return on plan assets - excluding amounts included in net interest on the net defined benefit liability - 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 LGPS - 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 MIRS, 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 any such amounts payable but unpaid at year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

### **Discretionary Benefits**

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

#### **4.6 Government Grants and Contributions**

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

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

Amounts recognised as due to the Council are not credited to the CIES 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 either short term or long term creditors, depending upon their nature. When conditions are satisfied, the grant or contribution is credited to the relevant service in the CIES.

Where capital grants are credited to the CIES, they are reversed out of the General Fund balance in the MIRS. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. When it has been applied it is posted to the Capital Adjustment Account.

Any amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

#### **4.7 Revenue Expenditure Funded from Capital under Statute (REFCUS)**

REFCUS represents expenditure that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset controlled by the Council. Service revenue accounts have been charged on the basis of the benefit that the service received as a result of the expenditure, net of any capital grants received during the year. As the asset created is not owned by the Authority at the end of the accounting period, the expenditure, net of any capital grants received during the year, is immediately written off in full in the year of creation. Where the Council has determined to meet the cost of the REFCUS from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the MIRS from the General Fund Balance to the Capital Adjustment Account so there is no impact on the level of Council Tax.

#### **4.8 Value Added Tax (VAT)**

Income and expenditure exclude any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs (HMRC) and all VAT paid is recoverable from it, except where the Council is unable to recover VAT. VAT receivable from HMRC is excluded from income.

#### **4.9 Minimum Revenue Provision**

The Prudential Code requires that all capital expenditure is financed by a credit to the Capital Adjustment Account. If funding is not immediately available then a Capital Financing Requirement (CFR) arises. Essentially the CFR has to be mitigated over time on a prudent basis by making a "Minimum Revenue Provision". This is a charge to the General Fund made from the "Adjustments between Accounting Basis and Funding Basis under Regulations" and the Capital Adjustment account.



The basis of estimation adopted by the Authority comprises three elements:

- There is a minimum revenue provision of 4% on assets acquired prior to 1 April 2008.
- Finance leases have their capital financing applied on a straight line basis over the life of the lease contract.
- New assets, acquired after 1 April 2008, that are not finance leases, have their capital financing calculated on a straight line basis over the life of the asset.

#### **4.10 Events after the Balance Sheet Date**

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

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

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

#### **4.11 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 if 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. When a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the 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.

There are no adjustments to prior period figures.

## 4.12 Property, Plant and Equipment

### Recognition

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.

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 (e.g. repairs and maintenance) is charged as an expense when it is incurred. The Council has a discretionary de minimis level for recognising Property, Plant and Equipment of £20,000.

### Measurement

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

Where non-property assets have short lives or low values (or both), Depreciated Historical Cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. In some cases, gains may be credited to the CIES 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 CIES.

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

### Componentisation

IAS 16 states that where a large asset is made up of a number of components that have differing economic lives, they should be depreciated component by component. Taking account of materiality, the Council has decided to only account for a component that makes up in excess of 20% of the total asset value subject to a minimum value of £250k.

The only exception to this is where major components of council dwellings are separated out from the whole asset for the purposes of setting a more accurate depreciation figure. These major components have been identified as roofs, kitchens, bathrooms, windows and boilers.

## Impairment

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

Where impairment losses are identified, they are accounted for 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 CIES.

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

The Council had the District Valuer estimate current values of approximately 1/5th of the property portfolio at 31 March 2023.

## Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged in full in the year of acquisition. An exception is made for assets without a determinable finite life (i.e. freehold land and certain Community Assets), Heritage Assets and assets that are not yet available for use (i.e. assets under construction) where no depreciation is charged.

Depreciation is calculated on the following bases:

- Council dwellings – depreciation has been calculated based upon the expected lives of key components of our housing units
  - Roofs 50 years
  - Kitchens 20 years
  - Bathrooms 30 years
  - Windows 30 years
  - Boilers 10 years
  - Structure 60 years
- Other buildings – straight-line allocation over the life of the property as estimated by the Valuer
- Vehicles, plant and equipment – straight-line allocation over the life of the asset as estimated by suitably qualified and experienced officers.
- Infrastructure – straight-line allocation over the life of the property as estimated by the Valuer
- IT equipment and Intangible Assets – straight-line allocation over the life of the asset as estimated by suitably qualified and experienced officers.

Examples of time scales are given below:

Plant	Expected asset life of 10 years
Vehicles	Expected asset life of 3 to 7 years
ICT equipment	Expected asset life of 3 to 5 years
Specialist equipment	Expected asset life of 3 to 10 years
Phoenix House boilers	Expected asset life of 15 years
Solar panels	Expected asset life of 25 years

Where an asset has major components with different estimated useful lives, these are depreciated separately. Currently the Council has identified no such assets.

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.

#### **4.13 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 in the CIES. Gains or losses on sale are posted to the Other Operating Expenditure line in the CIES. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for sale. When an asset is disposed of or decommissioned, the value 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 in the CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES 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.

Sales proceeds in excess of £10k are categorised as capital receipts. In prior years, a proportion of receipts relating to housing disposals and other assets, net of statutory deductions and allowances, is payable to the Government. However, for 2022/23 and 2023/24, the Government have granted further fixed term flexibilities for Right-to-Buy sales receipt, allowing 100% of the sale value to be retained. Part of the retained balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow, and part is required to be set aside in a ring fenced reserve for future Council house building. Receipts are appropriated to the Reserve from the Adjustments between Accounting Basis and Funding Basis under Regulations.

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

#### **4.14 Heritage Assets**

A tangible heritage asset is defined as an asset with historical, artistic, scientific, technological, geophysical or environmental qualities, which are held primarily to increase the knowledge, understanding and appreciation of the Authority's history and local area.

Where such assets are identified, the asset is included in the accounts as a tangible heritage asset and shown separately from vehicles, plant and equipment. If the asset was donated or acquired for less than fair value the asset is brought into the balance sheet at its fair value. The Authority values heritage assets on the basis of insurance valuations.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment. Where an impairment loss has been determined, and a revised valuation obtained, the impairment loss is charged to the Surplus or Deficit on the Provision of Services. The charge is then reversed out and charged to the Capital Adjustment account.

Proceeds from the sale of Heritage Assets are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital receipts.

##### **Art Collection**

The Authority's art collection includes paintings (oil on canvas, oil on board), statues and busts and some furniture, most of which are contained within the Town Hall at Tiverton. Although there is no requirement for valuations to be carried out, the assets which were donated in years past were valued for insurance purposes by Chilcotts professional Fine Art Valuers and Auctioneers in March 2012 and then revalued in 2016/17. There is no prescribed minimum period between valuations.

The assets within the art collection are deemed to have indeterminate lives and a high residual value; hence the Authority does not consider it appropriate to charge depreciation.

The collection is relatively static and acquisitions and donations are rare. Purchases would be initially recognised at cost and donations recognised at valuations provided by the external valuers, with reference to the most relevant and recent information from sales at auctions and other commercial markets.

##### **Acquisition, Preservation and Management**

The Authority does not have a defined policy to acquire further heritage assets. Those owned by the Authority have been bequeathed or donated to the Authority. The Authority's Estates team maintain a record of the assets, working with relevant professional advisers to ensure their continued preservation.

## 4.15 Leases

Following CIPFA/LASAAC's decision to further delay of the adoption IFRS 16 Leases in the Public Sector until the 2024/25 financial year, the Council continues to account for leases as it has previously.

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to the ownership of the property, plant or equipment from the lessor to the lessee. The Council consider that leases for land for a period of at least 125 years are pragmatically a substantial period of the asset life and use discretion to treat these as finance leases, whether as lessor or 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 upon the use of specific assets.

### The Authority as Lessee

#### Finance Leases

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

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the PPE – applied to write down the lease liability; and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the CIES).

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

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

#### Operating Leases

Rentals paid under operating leases are charged to the CIES as an expense to the services benefitting from the use of the leased PPE. 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. if there is a rent-free period at the commencement of the lease).

## **The Authority as Lessor**

### **Finance Leases**

For this set of accounts the Council has no lessor finance leases.

### **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 Other Operating Expenditure line in the CIES. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

#### **4.16 Investments including Cash on Deposit with Banking Institutions**

Where investments are held at the balance sheet date they are treated as long term if, at the initial contract date, their term is more than twelve months. If, at the initial contract date, their term is more than three months but less than twelve months they are regarded as short term investments.

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition, and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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.

#### **4.17 Council Tax and Non-Domestic Rates**

Billing authorities act as agents, collecting Council Tax and Non-Domestic Rates (NDR) on behalf of the major preceptors (including Government for NDR) and, as principals, collecting Council Tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of Council Tax and NDR. Under the legislative framework for the Collection Fund, all parties share proportionately the risks and rewards that the amount of Council Tax and NDR collected could be less or more than predicted.

##### **Accounting for Council Tax and NDR**

The Council Tax and NDR income included in the CIES is the Authority's share of accrued income for the year. However, regulations determine the amount of Council Tax and NDR that must be included in the Authority's General Fund. Therefore, the difference between the income included in the CIES 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 MIRS.

The Balance Sheet includes the Authority's share of the end of year balances in respect of Council Tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.



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

#### **4.18 Inventories**

Inventories are included in the Balance Sheet at cost. This is a departure from the CIPFA Code of Practice, which requires inventories to be shown at the lower of cost and net realisable value. However, the effect of this alternative treatment is not considered to be material.

#### **4.19 Financial Instruments**

##### **Financial Assets**

Financial assets are based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- Amortised cost. These represent loans and loan-type arrangements where repayments or interest and principal take place on set dates and at specified amounts. The amount presented in the Balance Sheet represents the outstanding principal received plus accrued interest. Interest credited to the CIES is the amount receivable as per the loan agreement;
- Fair value through profit or loss (FVPL). 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.; and
- 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. Separate accounting policy is required where an Authority holds financial instruments at fair value through other comprehensive income.

The Authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as 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 Authority 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 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 Authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest), with interest credited to the CIES being 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.

### **Expected Credit Loss Model**

The Authority 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 Authority.

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.

### **Financial Assets Measured at Fair Value through Profit or Loss (FVPL)**

The Authority recognises gains and losses on its Pooled Investment (CCLA) through Surplus / Deficit on Provision of Services on the face of the Income Statement. There is a “statutory reversal” which means that the impact of this change in valuation does not hit the “bottom line” or taxpayers. The impact is reversed out and placed in an unusable reserve. This is shown in Note 43.

### **Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)**

The Council does not hold any investments that are required to be measured as FVOCI.

## **4.20 Provisions**

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

Provisions are charged as an expense to the appropriate service line in the CIES in the year that the Council becomes aware of the obligation, based on the best estimate at the balance sheet date of the amount 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 by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

## **4.21 Contingent Assets or Liabilities**

A contingent asset or liability arises where an event has taken place that gives the Authority a possible benefit or obligation whose existence will only be confirmed by the existence 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 assets or liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts where applicable.

The Council has no contingent assets and liabilities to report at the 31 March 2023.

#### **4.22 Interests in Companies and Other Entities**

The Authority has material interests in its wholly-owned subsidiary 3 Rivers Developments Ltd, and due to the materiality of the interest the Authority is required to prepare Group Accounts which can be found within these accounts.

In the Authority's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

#### **4.23 General Fund Reserve**

Council has approved a policy whereby the level of the General Fund balance should not fall below £2,000k of the net General Fund budget. The balance at 31 March 2023 was £2,025k.

#### **4.24 Housing Revenue Account (HRA)**

Council has approved a policy of the HRA maintaining a reserve balance of £2,000k and this has been maintained throughout 2022/23.

## 5 The Statement of Responsibilities for the Statement of Accounts

### 5.1 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 Deputy Chief Executive (S151).
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

### 5.2 The Deputy Chief Executive (S151)'s Responsibilities

The Deputy Chief Executive (S151) is responsible for the preparation of the Authority's Statement of Accounts in accordance with the 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 Deputy Chief Executive (S151) has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgments and estimates that were reasonable and prudent;
- Complied with the Local Authority Code;
- Kept proper accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities;
- Assessed the 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.

### 5.3 Opinion

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

A Jarrett

30 Apr 2024

.....  
Signature

.....  
Date

**Andrew Jarrett CPFA**  
**Deputy Chief Executive (S151)**  
**Mid Devon District Council**

## 6 Chief Finance Officer's Certificate

I certify that the accounts set out in the following pages, give a true and fair view of the financial position of the Council at 31 March 2023.

The date on which the draft Statement of Accounts was authorised for issue by the Deputy Chief Executive (S151) was 12 July 2023.

This is also the date up to which events after the Balance Sheet date have been considered.

### Approved by the Deputy Chief Executive (S151)

A Jarrett

30 Apr 2024

.....  
Andrew Jarrett CPFA

.....  
Dated

### Approved by the Chairman of the Audit Committee

L Kennedy

30 Apr 2024

.....  
Cllr Lance Kennedy

.....  
Dated

### Approved by the Leader of the Council

L Taylor

30 Apr 2024

.....  
Cllr Luke Taylor

.....  
Dated

# 7 Independent Auditor's Report to the Members of Mid Devon District Council

## 7.1 Report on the Audit of the Financial Statements

### Opinion on financial statements

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

In our opinion, the financial statements:

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

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and 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.

### Emphasis of matter – Subsequent events

In forming our opinion on the financial statements, which is not modified, we draw attention to note 59, within the Council's financial statements, and note 5 within the group financial statements. These notes reference a decision taken by the Council on 6th September 2023 to 'soft close' their subsidiary, whereby all the assets held by the company will be sold or transferred to Mid Devon District Council. Due to this, the subsidiary accounts have been prepared and consolidated on a basis other than going concern.

### Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Deputy Chief Executive's (S151) use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority or the group to cease to continue as a going concern.

In our evaluation of the Deputy Chief Executive's (S151) conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that the Authority's and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the group and the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the group and Authority and the group and Authority's disclosures over the going concern period.

In auditing the financial statements, we have concluded that the Deputy Chief Executive's (S151) use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the Deputy Chief Executive (S151) with respect to going concern are described in the relevant sections of this report.

#### **Other information**

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Deputy Chief Executive (S151) is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

#### **Opinion on other matters required by the Code of Audit Practice**

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

#### **Matters on which we are required to report by exception**

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

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

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

#### **Responsibilities of the Authority and the Deputy Chief Executive (S151)**

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 Deputy Chief Executive (S151). The Deputy Chief Executive (S151) is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Deputy Chief Executive (S151) 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 Deputy Chief Executive (S151) is responsible for assessing the Authority's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority and the group without the transfer of its services to another public sector entity.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

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

We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, Local Government Act 2003), Local Government and Housing Act 1989, and the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992 and the Local Government Finance Act 2012).

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

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

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

We assessed the susceptibility of the Authority and group's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to journals, accounting estimates and critical judgements made by management. Our audit procedures involved:

- evaluation of the design effectiveness of controls that the Deputy Chief Executive (S151) has in place to prevent and detect fraud;
- journal entry testing, with a focus on unusual transactions;
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, and defined benefit pensions liability valuations;
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

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

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

Our assessment of the appropriateness of the collective competence and capabilities of the group and Authority's engagement team and component auditors included consideration of the engagement team's and component auditor's:

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government sector in which the group and Authority operates

- understanding of the legal and regulatory requirements specific to the Authority and group including:

- o the provisions of the applicable legislation
- o guidance issued by CIPFA/LASAAC and SOLACE
- o the applicable statutory provisions.

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

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

For components at which audit procedures were performed, we requested component auditors report to us instances of non-compliance with laws and regulations that gave rise to a risk of material misstatement of the group financial statements. No such matters were identified by the component auditors.

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

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

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

We have nothing to report in respect of the above matter except on 26 March 2024 we identified:

- a significant weakness in the Authority's arrangements for Governance and ensuring economy, efficiency and effectiveness as the Authority did not exercise its shareholder role effectively in relation to its arm's length subsidiary company, 3 Rivers Developments Ltd, contributing to the failure and a significant financial loss. In particular, it did not maintain a clear strategic direction for the company, make effective timely decisions, or ensure there was clear and effective strategic reporting on performance and risk.
  - We recommended that the Authority needs to ensure it implements an action plan with a clear timeline and allocation of responsibilities for the Authority's closure, and to work effectively to ensure the closure is conducted in a way that minimises the financial loss to the Authority. We further recommended that the Authority's decisions are based on high quality expert advice.
  - We also recommended that the Authority should ensure both members and officers uphold effective political and management oversight of key partnerships and commercial entities. It should ensure it maintains a clear focus on the Authority's objectives, ensures high quality reporting on performance and risk to inform key decisions and acts promptly changes of circumstances that the challenge the basis for establishing the partnership.
- a significant weakness in the Authority's arrangements for Governance and in how it conducted the debate around the approval of 3 Rivers Developments Ltd.'s 2022 Business plan in a way that damaged the Authority's reputation and prevented the Authority setting its budget in a robust and timely manner. We recommended that the Authority should:
  - Learn lessons from the debate over 3 Rivers Development Limited's business plan and ensure future discussions around key strategic and operational decisions are conducted in a robust and constructive manner. This includes ensuring relevant actions and recommendations from internal and external reviews of it's management of the company, are implemented.

**Responsibilities of the Authority**

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

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

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

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

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

#### **Report on other legal and regulatory requirements – Audit certificate**

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

#### **Use of our report**

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

#### ***Julie Masci***

Julie Masci, Key Audit Partner  
for and on behalf of Grant Thornton UK LLP, Local Auditor  
Bristol  
**8 May 2024**

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## Introduction to the Core Financial Statements

Below is a list of the Core Financial Statements and other key areas within the Accounts along with a brief description that outlines the purpose of each component. The financial statements have been prepared in accordance with the requirements of the “Code of Practice on Local Authority Accounting in the United Kingdom for 2022/23”.

- **Movement in Reserves Statement**

This statement analyses the in-year changes in both usable and unusable reserves.

- **Comprehensive Income and Expenditure Statement**

The Comprehensive Income and Expenditure Statement (CIES) is a summary of the resources generated and consumed by the Council in the year.

- **The Balance Sheet**

This is a snapshot of the Council’s financial position at 31 March. It shows all balances and reserves at the Council’s disposal, its long-term indebtedness and the non-current assets and net current assets employed in its operation.

- **Cash Flow Statement**

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

- **The Housing Revenue Account (HRA) Income and Expenditure Account**

This account reflects the statutory obligation to account separately for the Council’s provision of housing. The HRA Income and Expenditure Account shows in more detail the income and expenditure on HRA services included in the whole Authority CIES.

- **Collection Fund**

This account reflects the statutory requirement for the Council to maintain a separate Collection Fund which shows its transactions in relation to Non Domestic Rates and Council Tax, and illustrates how these have been distributed to Devon County Council, Devon and Cornwall Police and Crime Commissioner, Devon and Somerset Fire Authority, Central Government and the Council itself. The Balance Sheet and the Cash Flow Statement only reflect the Council’s share of any Collection Fund surplus or deficit.

- **Group Accounts**

The Council is required to consolidate into its own accounts (as a single entity) the financial activities of outside organisations such as subsidiaries, joint ventures and associates. This is the fifth year that the Council’s wholly owned subsidiary, 3 Rivers Developments Ltd has been in operation. The company accounts have again been consolidated with the Council’s accounts in the Group Accounts section.

## 9 Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'Usable Reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for Council Tax setting and dwellings rent setting purposes. The net increase/decrease before transfers to earmarked reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

2022/23	USABLE RESERVES								Total Usable Reserves	Unusable Reserves	Total Authority Reserves	
	REVENUE RESERVES						CAPITAL RESERVES					
	General Fund Balance	Earmarked General Fund Reserves	General Fund Total	Housing Revenue Account	Earmarked HRA Reserves	HRA Total	Capital Receipts Reserve	Capital Grants Unapplied				
Note	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000		
<b>Balance at 31 March 2022</b>	(2,215)	(20,655)	(22,870)	(2,000)	(22,650)	(24,650)	(6,529)	(2,697)	(56,745)	(95,122)	(151,867)	
<b>Movement in Reserves during year</b> (Surplus) or deficit on the provision of services	3,779	-	3,779	(8,912)	-	(8,912)	-	-	(5,133)	-	(5,133)	
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-	(47,780)	(47,780)	
<b>Total Comprehensive Income and Expenditure</b>	<b>3,779</b>	<b>-</b>	<b>3,779</b>	<b>(8,912)</b>	<b>-</b>	<b>(8,912)</b>	<b>-</b>	<b>-</b>	<b>(5,133)</b>	<b>(47,780)</b>	<b>(52,913)</b>	
Adjustments between accounting basis and funding basis under regulations	5	(1,093)	-	(1,093)	7,954	42	7,996	(780)	132	6,255	(6,255)	-
<b>Net (Increase) / Decrease before Transfers to Earmarked Reserves</b>	<b>2,686</b>	<b>-</b>	<b>2,686</b>	<b>(958)</b>	<b>42</b>	<b>(916)</b>	<b>(780)</b>	<b>132</b>	<b>1,122</b>	<b>(54,035)</b>	<b>(52,913)</b>	
Transfers (to) / from Earmarked Reserves	6	(2,496)	2,496	-	958	(958)	-	-	-	-	-	-
<b>(Increase) / Decrease in year</b>	<b>190</b>	<b>2,496</b>	<b>2,686</b>	<b>-</b>	<b>(915)</b>	<b>(915)</b>	<b>(780)</b>	<b>132</b>	<b>1,122</b>	<b>(54,035)</b>	<b>(52,913)</b>	
<b>Balance at 31 March 2023 Carried forward</b>	<b>(2,025)</b>	<b>(18,160)</b>	<b>(20,184)</b>	<b>(2,000)</b>	<b>(23,565)</b>	<b>(25,565)</b>	<b>(7,309)</b>	<b>(2,565)</b>	<b>(55,624)</b>	<b>(149,157)</b>	<b>(204,780)</b>	
<b>Held for Revenue Purposes</b>	<b>(2,025)</b>	<b>(18,160)</b>	<b>(20,184)</b>	<b>(2,000)</b>	<b>(22,190)</b>	<b>(24,190)</b>	<b>-</b>	<b>-</b>	<b>(44,373)</b>	<b>-</b>	<b>-</b>	
<b>Held for Capital Purposes</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,375)</b>	<b>(1,375)</b>	<b>(7,309)</b>	<b>(2,565)</b>	<b>(11,249)</b>	<b>-</b>	<b>-</b>	



## Movement in Reserves Statement (Continued)

2021/22	USABLE RESERVES								Total Usable Reserves	Unusable Reserves	Total Authority Reserves	
	REVENUE RESERVES						CAPITAL RESERVES					
	General Fund Balance	Earmarked General Fund Reserves	General Fund Total	Housing Revenue Account	Earmarked HRA Reserves	HRA Total	Capital Receipts Reserve	Capital Grants Unapplied				£'000
Note	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000		
<b>Balance at 31 March 2021</b>		(2,187)	(20,247)	(22,434)	(2,000)	(20,774)	(22,774)	(5,498)	(2,625)	(53,329)	(68,848)	(122,176)
<b>Movement in Reserves during year</b>												
(Surplus) or deficit on the provision of services		1,588	-	1,588	(5,675)	-	(5,675)	-	-	(4,087)	-	(4,087)
Other Comprehensive Income and Expenditure		-	-	-	-	-	-	-	-	-	(25,604)	(25,604)
<b>Total Comprehensive Income and Expenditure</b>		<b>1,588</b>	<b>-</b>	<b>1,588</b>	<b>(5,675)</b>	<b>-</b>	<b>(5,675)</b>	<b>-</b>	<b>-</b>	<b>(4,087)</b>	<b>(25,604)</b>	<b>(29,691)</b>
Adjustments between accounting basis and funding basis under regulations	5	(2,024)	-	(2,024)	4,009	(211)	3,798	(1,031)	(72)	671	(671)	-
<b>Net (Increase) / Decrease before Transfers to Earmarked Reserves</b>		<b>(437)</b>	<b>-</b>	<b>(437)</b>	<b>(1,665)</b>	<b>(211)</b>	<b>(1,876)</b>	<b>(1,031)</b>	<b>(72)</b>	<b>(3,416)</b>	<b>(26,275)</b>	<b>(29,691)</b>
Transfers (to) / from Earmarked Reserves	6	408	(408)	-	1,665	(1,665)	-	-	-	-	-	-
<b>(Increase) / Decrease in year</b>		<b>(29)</b>	<b>(408)</b>	<b>(437)</b>	<b>-</b>	<b>(1,876)</b>	<b>(1,876)</b>	<b>(1,031)</b>	<b>(72)</b>	<b>(3,416)</b>	<b>(26,275)</b>	<b>(29,691)</b>
<b>Balance at 31 March 2022 Carried forward</b>		<b>(2,215)</b>	<b>(20,655)</b>	<b>(22,870)</b>	<b>(2,000)</b>	<b>(22,650)</b>	<b>(24,650)</b>	<b>(6,529)</b>	<b>(2,697)</b>	<b>(56,745)</b>	<b>(95,122)</b>	<b>(151,867)</b>
<b>Held for Revenue Purposes</b>		<b>(2,215)</b>	<b>(20,655)</b>	<b>(22,870)</b>	<b>(2,000)</b>	<b>(21,233)</b>	<b>(23,233)</b>	<b>-</b>	<b>-</b>	<b>(46,102)</b>	<b>-</b>	<b>-</b>
<b>Held for Capital Purposes</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,417)</b>	<b>(1,417)</b>	<b>(6,529)</b>	<b>(2,697)</b>	<b>(10,643)</b>	<b>-</b>	<b>-</b>

## 10 Comprehensive Income and Expenditure Statement (CIES)

This section is a summary of our spending on services.

Gross Expenditure £'000	2021/22 Gross Income £'000	Net Expenditure £'000	Service Area	Note	Gross Expenditure £'000	2022/23 Gross Income £'000	Net Expenditure £'000
329	(80)	249	Community Development		347	(93)	253
1,756	(92)	1,664	Corporate Management		6,327	(3,113)	3,214
781	(738)	44	Car Parks		801	(845)	(43)
125	-	125	Customer Services		106	-	106
3,014	(1,716)	1,298	Environmental Services		2,821	(1,034)	1,786
104	(15)	90	Finance and Performance		86	(7)	80
57	(51)	6	Grounds Maintenance		147	(56)	91
1,035	(913)	122	General Fund Housing		1,356	(1,040)	315
7,616	(13,139)	(5,523)	Housing Revenue Account		5,885	(13,641)	(7,756)
113	(6)	107	Human Resources		103	(21)	82
115	(79)	35	I.T. Services		375	(11)	364
1,394	(257)	1,137	Legal and Democratic Services		1,486	(307)	1,179
4,678	(3,285)	1,393	Planning and Regeneration		5,043	(4,237)	807
1,480	(665)	815	Property Services		1,387	(738)	649
12,778	(12,120)	658	Revenues and Benefits		12,779	(12,025)	755
4,696	(1,961)	2,734	Recreation and Sport		5,953	(2,692)	3,261
5,953	(2,746)	3,207	Waste Services		7,644	(3,097)	4,547
<b>46,024</b>	<b>(37,862)</b>	<b>8,163</b>	<b>Costs of Services</b>		<b>52,645</b>	<b>(42,956)</b>	<b>9,690</b>
		1,061	Other Operating Expenditure	8			1,097
		1,081	Financing and Investment Income and Expenditure	9			1,898
		(14,392)	Taxation and Non-Specific Grant Income	10			(17,818)
		<b>(4,087)</b>	<b>(Surplus) or Deficit on Provision of Services</b>				<b>(5,133)</b>
		-	(Surplus) or Deficit on Revaluation of Available for Sale Financial Assets				-
		(24,461)	Remeasurements of the Net Defined Benefit Liability	21			(45,072)
		(1,143)	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment	44			(2,708)
		<b>(25,604)</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>(47,780)</b>
		<b>(29,691)</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>(52,914)</b>

## 11 Balance Sheet

This section shows our financial position at the end of the financial year.

2021/22 £'000	Balance Sheet	Notes	2022/23 £'000
200,269	Property, Plant & Equipment	22	213,667
330	Heritage Assets	25	330
5,554	Long-term Investments	31	4,639
7,422	Long-term Debtors	32	2,982
<b>213,575</b>	<b>Non-Current Assets</b>		<b>221,618</b>
27,000	Short-term Investments	33	16,000
470	Assets held for sale	34	30
322	Inventories	35	367
12,840	Short-term Debtors	36	25,623
9,831	Cash and Cash Equivalents	38	3,631
<b>50,463</b>	<b>Current Assets</b>		<b>45,652</b>
(17,846)	Short-term Creditors	39	(10,491)
(856)	Provisions	41	(876)
(1,924)	Short-term Borrowing	28	(1,937)
<b>(20,625)</b>	<b>Current Liabilities</b>		<b>(13,304)</b>
(2,138)	Long-term Creditors	40	(1,735)
(33,310)	Long-term Borrowing	28	(31,373)
(56,098)	Other Long Term Liabilities	47	(16,077)
<b>(91,546)</b>	<b>Long Term Liabilities</b>		<b>(49,186)</b>
<b>151,867</b>	<b>Net Assets</b>		<b>204,781</b>
56,745	Usable Reserves	42	55,624
95,122	Unusable reserves	43	149,157
<b>151,867</b>	<b>Total Reserves</b>		<b>204,781</b>

The audited accounts, notes and accounting policies were authorised by the S151 Officer and Chair of Audit Committee on 30 April 2024.

## 12 Cash Flow Statement

This section shows what cash we spend and receive.

2021/22			2022/23
£'000	Cash Flow	Note	£'000
4,087	Net surplus or (deficit) on the provision of services		5,133
9,570	Adjustments to net surplus or deficit on the provision of services for non-cash movements	50	(4,962)
(1,199)	Adjustments for items included in the net surplus on the provision of services that are investing and financing activities (See note references)	51	(5,198)
1,518	Adjustments for operating activities processed through the Balance Sheet	52	(4,327)
<b>13,976</b>	<b>Net cash flows from Operating Activities</b>		<b>(9,354)</b>
(12,791)	Investing Activities	53	5,445
(2,213)	Financing Activities	54	(2,291)
<b>(1,028)</b>	<b>Net increase or (decrease) in cash and cash equivalents</b>		<b>(6,200)</b>
10,859	Cash and cash equivalents at the beginning of the reporting period		9,831
<b>9,831</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	38	<b>3,631</b>

## Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate how the funding available to the Authority has been used. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes. Therefore, the top half shows expenditure on the same basis as in our CIES and the bottom half shows how this impacts on our Reserves. The adjustments to the Cost of Services are detailed on the next page.

2021/22			Service Area	2022/23		
Net Expenditure Chargeable to the GF and HRA Balances	Adjustments	Net Expenditure in the CIES		Net Expenditure Chargeable to the GF and HRA Balances	Adjustments	Net Expenditure in the CIES
£'000	£'000	£'000		£'000	£'000	£'000
199	50	249	Community Development	209	44	253
1,507	157	1,664	Corporate Management	1,006	2,208	3,214
(456)	500	44	Car Parks	(529)	486	(43)
728	(602)	125	Customer Services	706	(600)	106
220	1,078	1,298	Environmental Services	786	1,000	1,786
807	(717)	90	Finance and Performance	795	(715)	80
515	(509)	6	Grounds Maintenance	528	(437)	91
(21)	143	122	General Fund Housing	176	140	315
(6,865)	1,342	(5,523)	Housing Revenue Account	(7,390)	(366)	(7,756)
528	(421)	107	Human Resources	511	(429)	82
986	(951)	35	I.T. Services	1,362	(998)	364
1,069	68	1,137	Legal and Democratic Services	1,070	109	1,179
594	799	1,393	Planning and Regeneration	6	801	807
1,007	(192)	815	Property Services	1,071	(421)	649
205	453	658	Revenues and Benefits	461	293	755
1,171	1,564	2,734	Recreation and Sport	1,482	1,778	3,261
1,861	1,347	3,207	Waste Services	2,881	1,666	4,547
<b>4,054</b>	<b>4,109</b>	<b>8,163</b>	<b>Cost of Services</b>	<b>5,131</b>	<b>4,558</b>	<b>9,690</b>
(4,083)	(8,167)	(12,250)	Other Income and Expenditure	(4,941)	(9,882)	(14,823)
<b>(29)</b>	<b>(4,058)</b>	<b>(4,087)</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>190</b>	<b>(5,324)</b>	<b>(5,133)</b>
<b>(45,208)</b>			<b>Opening General Fund and HRA Balances as at 1 April</b>	<b>(47,520)</b>		
(2,284)			Transfers (to)/from Earmarked Reserves	1,580		
-			Transfer from Capital Grants Unapplied to Earmarked Reserve	-		
(29)			(Surplus) or Deficit on Provision of Services	190		
<b>(47,520)</b>			<b>Closing General Fund and HRA Balances as at 31 March</b>	<b>(45,751)</b>		

## Adjustments Showing within the Expenditure and Funding Analysis

Past Service Cost	2021/22						Service Area	2022/23						
	Current Service Cost	Salary Accruals	Recharges	Capital Charges	Other Adjustments	Total Adjustments		Past Service Cost	Current Service Cost	Salary Accruals	Recharges	Capital Charges	Other Adjustments	Total Adjustments
	£'000	£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000
-	14	4	66	(33)	-	50	Community Development	-	14	(4)	73	(39)	-	44
-	99	0	57	-	-	157	Corporate Management	-	111	8	(97)	2,186	-	2,208
-	-	-	280	220	-	500	Car Parks	-	-	-	267	218	-	486
-	126	(9)	(719)	-	-	(602)	Customer Services	-	106	(2)	(704)	-	-	(600)
-	155	(12)	749	186	-	1,078	Environmental Services	-	119	(4)	761	123	-	1,000
-	100	(7)	(810)	-	-	(717)	Finance And Performance	-	90	(0)	(805)	-	-	(715)
-	67	3	(616)	38	-	(509)	Grounds Maintenance	-	69	(1)	(552)	47	-	(437)
-	47	(4)	99	-	-	143	General Fund Housing	-	56	1	83	-	-	140
-	553	-	-	457	332	1,342	Housing Revenue Account	-	560	-	-	(2,295)	1,368	(366)
-	68	(1)	(488)	-	-	(421)	Human Resources	-	54	(6)	(477)	-	-	(429)
-	97	(6)	(1,120)	78	-	(951)	I.T. Services	-	104	(4)	(1,187)	89	-	(998)
-	103	(5)	(30)	-	-	68	Legal & Democratic Services	-	84	(6)	31	-	-	109
-	309	(26)	515	-	-	799	Planning And Regeneration	-	256	(17)	561	-	-	801
-	99	(3)	(691)	404	-	(192)	Property Services	-	103	(4)	(919)	399	-	(421)
-	125	(8)	336	-	-	453	Revenues And Benefits	-	143	(1)	152	-	-	293
-	349	7	474	735	-	1,564	Recreation And Sport	-	352	(2)	535	893	-	1,778
-	455	(18)	422	487	-	1,347	Waste Services	-	460	0	712	495	-	1,666
-	<b>2,766</b>	<b>(85)</b>	<b>(1,476)</b>	<b>2,571</b>	<b>332</b>	<b>4,109</b>	<b>Net Cost of Services</b>	<b>-</b>	<b>2,682</b>	<b>(42)</b>	<b>(1,566)</b>	<b>2,116</b>	<b>1,368</b>	<b>4,558</b>

## Expenditure and Income Analysed by Nature

Paragraph 3.4.2.99 of the Code requires that we report the Authority's expenditure and income analysed by the nature of the expenditure or income. Thus, the following shows the amounts that make up the surplus or deficit on the Provision of Services on the CIES, but categorised by nature instead of service segment.

Expenditure and Income	Note	2021/22 £'000	2022/23 £'000
<b>Expenditure</b>			
Employee benefits		20,064	21,691
Other services		23,678	31,007
Depreciation, amortisation and impairment	18	2,487	(70)
Interest payments	9	2,753	2,654
Precepts and levies	8	1,984	2,145
<b>Total Expenditure</b>		<b>50,966</b>	<b>57,427</b>
<b>Income</b>			
Fees, charges and other service income		(37,830)	(42,938)
Interest and investment income	9	(1,672)	(756)
Income from Council Tax, NDR, RSDG and other government grants including NHB	10	(14,392)	(17,818)
Gain on the disposal of assets	8	(1,158)	(1,048)
<b>Total Income</b>		<b>(55,052)</b>	<b>(62,560)</b>
<b>(Surplus) or deficit on the provision of services</b>		<b>(4,086)</b>	<b>(5,133)</b>

## 13 Notes to the Accounts

Please be aware that there may be minor rounding differences in some of these notes.

### 1 Accounting Standards that have been issued but have not yet been adopted

The Code of Practice requires that the Authority discloses information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. The requirement applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question (i.e. on or before 1 January 2023 for 2022/23).

Previously, IFRS 16 Leases in the Public Sector was due to be implemented from April 2022. This will require lessees to recognise assets subject to leases as right-of-use assets on their balance sheet, along with corresponding lease liabilities (there are exceptions for low-value and short-term leases). However, following a late emergency consultation to help alleviate delays to the publication of audited financial statements, CIPFA/LASAAC recommended the deferral of the implementation of IFRS 16 Leases in the Public Sector for a further two years until the 2024/25 financial year, with an effective date of 1 April 2024. This was considered and supported by the Government's Financial Reporting Advisory Board (FRAB). As a result the Council has not implemented IFRS 16. It has not undertaken an initial assessment of the implications, but will do so prior to the implementation on 1 April 2024.

The other minor changes, that have no material impact on these Accounts, are:

- Amendments to IAS 8 : Definition of Accounting Estimates
- Amendments to IAS 1 and IFRS Practice Statement 2 : Disclosure of Accounting Policies
- Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IFRS 3 : Updating a Reference to the Conceptual Framework

In compiling the 2022/23 accounts, the Council does not anticipate the above will have any material effects in relation to these financial statements.

### 2 Critical Judgements in Applying Accounting Policies

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

- a) Estimates for accrued expenditure/income - based on Service Managers' and Accountants' calculations at year end. A threshold of £10k is applied where practical.
- b) Bad debt provision – based on historic trends and adjusted for any material movements during the year. This includes an estimation of the impact that the Cost of Living Crisis will have on rates of debt recovery.
- c) Asset lives for the calculation of depreciation charges – based on Service Managers' experience of previously used assets.
- d) The Council has also placed reliance on technical estimates supplied by third parties for the following:



- Property valuations made by the District Valuer
- Pension valuations supplied by Barnett Waddingham - Actuary engaged by Devon County Council.

The Council has received very detailed reports from both of these sources outlining overall valuations and all of the key assumptions made in arriving at these final figures. These reports will be examined by Grant Thornton during their audit of the Council's Accounts.

- e) Delays to the reviews of the future funding mechanisms for Local Government have caused a high degree of uncertainty. The impact of this on the finances of this Authority will be material with an expectation that the current various income streams will be altered, reduced and even ceased in some cases.

### **3 Material Items of Income and Expenditure**

The Authority has a 100% interest in its subsidiary 3 Rivers Developments Ltd which builds quality homes in the Mid Devon area. During the year ended 31 March 2023, a further £6,540k was loaned to the company to enable the activities of the company and the total outstanding loan value at this date was £20,075k. During the year £856k interest was charged by the Authority in respect of these loans. The ability of the company to repay these loans is regularly reviewed to examine whether an expected credit loss arises as defined in IFRS 9. The year-end review concluded that it was prudent to increase the impairment provision above and beyond the £790k impairment made in 2019/20 in respect of one of the project loans and the working capital loan was necessary. A further £4,527k has been impaired.

### **4 Assumptions Made About the Future and Other Major Sources of Estimation**

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. If the estimates used in the calculations prove to be inaccurate then there will be further income or expenditure incurred by the General Fund.

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

Note	Item	Uncertainties	Effect if Actual results Differ
22	Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent upon assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	<p>If the useful life of an asset is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings and plant based on a gross value of £37,910k would increase by £188k for every year that useful lives had to be reduced.</p> <p>The gross value of £37,910k is the carrying value of the Council's assets excluding assets held for sale, land, council dwellings and assets under construction, as these do not attract depreciation. The values also excludes finance leases.</p>
21	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 to be £95,148k 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 some time later, may give a different value of pension assets, but this is not considered to be material.	The effects on the closing defined benefit obligation of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the closing defined benefit obligation to £93,546k and a 1 year increase in life expectancy assumptions would increase the closing defined benefit obligation to £98,818k. However, the assumptions interact in complex ways.
41	Non Domestic Rates Appeals Provision	Estimates have been made for the provision for refunding ratepayers who will 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 already appealed.	There is uncertainty and risk surrounding the calculation of the provision as future events may affect the amount required to settle an obligation.

Note	Item	Uncertainties	Effect if Actual results Differ
	Arrears	At 31 March 2023, the Authority had a gross sundry debtors balance of £1,032k, although only £285k is over 30 days old. A review of significant balances suggested that a provision for doubtful debts of £264k or 26% was appropriate (£90k of which relates to the Deposit and Rent Scheme (DARS)). Allowance has been made in this provision for the legacy effects of Covid-19 and the Cost of Living Crisis. However, given the uncertainty surrounding the current economic climate, it is not known whether such an allowance will be sufficient. However, this is not considered to be material.	If the Council were to provide for 1% more of the arrears, the provision value would increase by approximately £10k.
	Fair Value Asset Valuation	The Authority engages the District Valuer, a qualified Royal Institution of Chartered Surveyors (RICS) surveyor, to provide valuations of land and property assets at the year end. The values of assets are adjusted to their current values by reviewing the sales of similar assets in the region, applying indexation and considering impairment of individual assets. The District Valuer works closely with the finance staff on all valuation matters.	<p>Significant changes in the assumptions of future income streams/growth, occupancy levels, ongoing property maintenance and other factors would result in a significantly higher or lower fair value measurement for these assets.</p> <p>In particular, the pandemic and the current cost of living crisis continue to affect economies and real estate markets globally. Nevertheless, an adequate quantum of market evidence exists upon which to base opinions of value.</p> <p>In recognition of the potential for market conditions to move rapidly we highlight the importance of the valuation date.</p>
	Impairments	All non-current assets need to be reviewed for possible impairment. A review with service managers is undertaken each year to consider the possible impairment of assets. The District Valuer also considers possible impairment when undertaking his valuations.	If a significant impairment of an asset were not to be adjusted then the non-current assets could be materially overstated in the financial statements.
	Accruals	Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. A de minimis level of £10k is normally applied to adjust for timing differences between accounting years.	Although a review of cash paid and cash received after the year end is performed, if significant unrecorded liabilities were not identified then material misstatement of our liabilities in the balance sheet of the accounts would occur.

## **5 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 arrive at the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

### **General Fund Balance**

The General Fund is the statutory fund into which all of the receipts of an authority are required to be paid and out of which all liabilities are to be met, except for the Housing Revenue Account (HRA) see below and where statutory rules provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment at the end of the financial year. However, the General Fund balance is not available to fund the HRA services (see below).

### **Housing Revenue Account Balance**

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function.

### **Major Repairs Reserve**

The Authority is required to maintain a Major Repairs Reserve, which controls an element of the capital resources restricted to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year-end.

### **Capital Receipts Reserve**

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

### **Capital Grants Unapplied**

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

## Adjustments between Accounting Basis and Funding Basis under Regulations

2022/23	Usable Reserves					Movement in Unusable Reserves £'000
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000	£'000	
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>						
<b>Adjustments involving the Capital Adjustment Account</b>						
Charges for depreciation and impairment of non current assets	(2,027)	(2,727)	-	-	-	4,754
Revaluation (losses)/gains on Property, Plant and Equipment	(197)	5,022	-	-	-	(4,825)
Amortisation of intangible assets	-	-	-	-	-	-
Impairment of current assets	(2,186)	-	-	-	-	2,186
Capital grants and contributions applied	3,259	799	-	-	-	(4,058)
Income in relation to donated assets	-	-	-	-	-	-
Useable Capital Receipts applied in year	-	-	-	-	-	-
Revenue expenditure funded from capital under statute	(956)	-	-	-	-	956
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	(46)	(684)	-	-	-	730
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>						
Statutory provision for the financing of capital investment	2,868	972	-	-	-	(3,840)
Capital expenditure charged against the General Fund and HRA balances	582	666	-	-	-	(1,248)
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	778	-	-	-	(778)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	910	(910)
<b>Adjustments involving the Capital Receipts Reserve</b>						
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	35	1,515	(1,550)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	865	-	-	(865)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	-	(16)	16	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	-	-	-	-	-	-
Right to Buy Discounts repaid	-	-	-	-	-	-
<b>Balance carried forward</b>	<b>2,110</b>	<b>5,547</b>	<b>(669)</b>	<b>-</b>	<b>132</b>	<b>(7,120)</b>

2022/23 - Continued	Usable Reserves					Movement in Unusable Reserves £'000
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000	£'000	
<b>Balance brought forward</b>	<b>2,110</b>	<b>5,547</b>	<b>(669)</b>	<b>-</b>	<b>132</b>	<b>(7,120)</b>
<b>Adjustments involving the Deferred Capital Receipts Reserve</b>						
Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	228	-	-	-	(228)
Transfer of deferred capital receipts realised in year to the Capital Receipts Reserve	-	-	(110)	-	-	110
<b>Adjustment involving the Major Repairs Reserve</b>						
Reversal of Major Repairs Allowance credited to the HRA	-	2,727	-	(2,727)	-	-
Use of the Major Repairs Allowance to finance new capital expenditure	-	-	-	2,770	-	(2,770)
Interest credited to the Major Repairs Reserve	-	-	-	-	-	-
<b>Adjustments involving the Financial Instruments Adjustment Account</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(916)	-	-	-	-	916
<b>Adjustment involving the Pensions Reserve</b>						
Actuarial past service gain adjustment	-	-	-	-	-	-
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(6,664)	(560)	-	-	-	7,224
Employer's pension contributions and direct payments to pensioners payable in the year	3,063	-	-	-	-	(3,063)
<b>Adjustment involving the Collection Fund Adjustment Account</b>						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statements is different from council tax income calculated for the year in accordance with statutory requirements	(376)	-	-	-	-	376
Amount by which NDR income credited to the Comprehensive Income and Expenditure Statements is different from NDR income calculated for the year in accordance with statutory requirements	1,648	-	-	-	-	(1,648)
<b>Adjustment involving the Accumulating Compensated Absences Adjustment Account</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	42	12	-	-	-	(54)
<b>Total Adjustments</b>	<b>(1,093)</b>	<b>7,954</b>	<b>(780)</b>	<b>42</b>	<b>132</b>	<b>(6,255)</b>

2021/22	Usable Reserves					Movement in Unusable Reserves £'000
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000	£'000	
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>						
<b>Adjustments involving the Capital Adjustment Account</b>						
Charges for depreciation and impairment of non current assets	(1,958)	(2,629)	-	-	-	4,588
Revaluation (losses)/gains on Property, Plant and Equipment	(71)	2,172	-	-	-	(2,102)
Amortisation of intangible assets	-	-	-	-	-	-
Impairment of current assets	-	-	-	-	-	-
Capital grants and contributions applied	746	-	-	-	-	(746)
Income in relation to donated assets	-	-	-	-	-	-
Useable Capital Receipts applied in year	-	-	-	-	-	-
Revenue expenditure funded from capital under statute	(1,367)	-	-	-	-	1,367
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	(4)	(1,626)	-	-	-	1,630
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>						
Statutory provision for the financing of capital investment	671	962	-	-	-	(1,633)
Capital expenditure charged against the General Fund and HRA balances	178	300	-	-	-	(478)
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	693	-	-	-	(693)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	621	(621)
<b>Adjustments involving the Capital Receipts Reserve</b>						
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	17	2,771	(2,788)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	1,484	-	-	(1,484)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	-	(38)	38	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(235)	-	235	-	-	-
Right to Buy Discounts repaid	-	-	-	-	-	-
<b>Balance carried forward</b>	<b>(1,330)</b>	<b>1,912</b>	<b>(1,031)</b>	<b>-</b>	<b>(72)</b>	<b>521</b>

2021/22 - Continued	Usable Reserves					Movement in Unusable Reserves £'000
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000	£'000	
<b>Balance brought forward</b>	(1,330)	1,913	(1,032)	-	(72)	521
<b>Adjustments involving the Deferred Capital Receipts Reserve</b>						
Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-
<b>Adjustment involving the Major Repairs Reserve</b>						
Reversal of Major Repairs Allowance credited to the HRA	-	2,621	-	(2,621)	-	-
Use of the Major Repairs Allowance to finance new capital expenditure	-	-	-	2,411	-	(2,411)
Interest credited to the Major Repairs Reserve	-	-	-	-	-	-
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	829	-	-	-	-	(829)
<b>Adjustment involving the Pensions Reserve</b>						
Actuarial past service gain adjustment	-	-	-	-	-	-
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(6,637)	(553)	-	-	-	7,190
Employer's pension contributions and direct payments to pensioners payable in the year.	2,891	-	-	-	-	(2,891)
<b>Adjustment involving the Collection Fund Adjustment Account</b>						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statements is different from council tax income calculated for the year in accordance with statutory requirements	395	-	-	-	-	(395)
Amount by which NNDR income credited to the Comprehensive Income and Expenditure Statements is different from NNDR income calculated for the year in accordance with statutory requirements	1,744	-	-	-	-	(1,744)
<b>Adjustment involving the Accumulating Compensated Absences Adjustment Account</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	85	28	-	-	-	(113)
<b>Total Adjustments</b>	<b>(2,024)</b>	<b>4,009</b>	<b>(1,031)</b>	<b>(211)</b>	<b>(72)</b>	<b>(671)</b>



## 6 Movements in Earmarked Reserve

The tables below show the amounts set aside from the General Fund and HRA balances in revenue earmarked reserves to provide financing for future expenditure plans. It also shows the movement in each major earmarked reserve where amounts have either been posted to the reserve or back to meet General Fund and HRA expenditure in 2022/23. Reserves indicated with an asterisk (\*) are held for capital purposes.

General Fund Revenue Earmarked Reserves	Balance at 1/4/2021 £'000	Movement £'000	Balance at 31/3/2022 £'000	Movement £'000	Balance at 31/3/2023 £'000
Maintenance & Amenity Reserve (S106 Funds)	1,755	1,061	2,816	821	3,637
Property Maintenance Reserves	1,941	441	2,382	571	2,953
New Homes Bonus Reserve	3,061	233	3,295	(411)	2,883
Vehicle, Plant & Equipment Sinking Funds	1,078	135	1,214	151	1,365
NDR smoothing Reserve	4,046	(1,658)	2,388	(1,667)	720
Statutory Development Plan Reserve	506	82	588	80	667
Waste Infrastructure Reserve	2,028	-	2,028	(1,410)	618
ICT Reserves	330	-	330	276	606
ICT Equipment Sinking Fund*	546	61	607	(74)	533
J28 Cullompton	100	-	100	387	487
Homelessness Support Reserve	360	145	505	(128)	377
Economic Development Reserves	363	(50)	313	15	328
RCCO* Earmarked Reserves	255	-	255	(40)	215
General Revenue Earmarked Reserves	224	(25)	199	21	220
PSH Grant Reserves	253	(53)	200	-	200
Garden Village Reserve	652	(221)	431	(252)	179
Recycling Plant Sinking Fund	111	20	131	30	161
Cullompton Rail Station Reserve	161	(6)	155	-	155
NDR New Burdens Grants Reserve	60	136	196	(56)	140
Rough Sleeping Initiative	92	24	116	-	116
Community Housing Reserve	108	(1)	108	-	107
Council Tax Smoothing Reserve	240	(115)	125	(62)	62
Climate Change Reserve	299	(25)	275	(228)	47
Planning Improvement Programme Reserve	250	(99)	152	(141)	10
Post Covid Income Recovery Reserve	300	200	500	(500)	-
Other General Fund Reserves <£100k	1,127	122	1,249	124	1,373
<b>Total Revenue Earmarked Reserves</b>	<b>20,247</b>	<b>408</b>	<b>20,656</b>	<b>(2,496)</b>	<b>18,160</b>

\*RCCO – Revenue contributions to capital outlay.

The table on the prior page shows the General Fund earmarked reserves balances held at 31 March 2023. The Other General Fund Reserves <£100k relate to a large number of smaller reserves that are for specific projects that will be delivered in 2023/24 and future years e.g. a contribution to a Devon wide review of housing (£97k), Flood Defences Bampton (£67k), Shared Prosperity Fund grant to support economic development and community cohesion across the District (£50k) and, a Building Control reserve to support additional costs for the Building Control Partnership in complying with changes in regulations (£48k). The £2,883k held in the New Homes Bonus Reserve is non-ringfenced. Primarily it will be used to help invest and maintain the Authority's General Fund assets. It may also be used to support short term service provision and Economic Development projects. The Maintenance and Amenity Reserve is a collection of Section 106 contributions being used to fund costs of additional play parks and amenity provision included in various planning agreements across the District. NDR Smoothing Reserve is s31 grant that will offset business rates deficits that will unravel in future years. The Property Maintenance Reserves are to support the programme of maintenance on our General Fund assets. The Vehicle, Plant and Equipment Sinking Funds are for the future replacement of major assets.

<b>Housing Revenue Account Revenue Earmarked Reserves</b>	<b>Balance at 1/4/2021 £'000</b>	<b>Movement £'000</b>	<b>Balance at 31/3/2022 £'000</b>	<b>Movement £'000</b>	<b>Balance at 31/3/2023 £'000</b>
Housing Maintenance Fund	15,121	742	15,863	(88)	15,775
HRA - PWLB Loan Premium Deficit	3,516	754	4,270	803	5,073
Renewable Energy Fund	701	113	814	(161)	653
HRA Affordable Rent surplus	199	56	255	164	419
Decarbonisation Reserve	-	-	-	189	189
HRA - Vehicle Reserve	-	-	-	50	50
Sewage Treatment Works	30	-	30	-	30
<b>Total Revenue Earmarked Reserves</b>	<b>19,567</b>	<b>1,665</b>	<b>21,233</b>	<b>958</b>	<b>22,190</b>

The table above shows the Housing Revenue Account (HRA) earmarked reserves balances held at 31 March 2023. These reserves are ring-fenced for the HRA which means they cannot be used for other purposes. The Housing Maintenance Fund is the main reserve which holds any surpluses that are generated by the operation of the HRA and will be used to maintain and replenish the housing stock. The PWLB Loan Premium Deficit is a reserve which accounts for timing differences in regard to the self-financing loan the Council undertook in 2012.

## 7 Transfers to/from Capital Grants Unapplied

This note details the receipt and utilisation of various capital grants over the last two years.

Total Funds Unapplied	Balance at	Transfers In	Transfers Out	Balance at	Transfers In	Transfers Out	Balance at
	1/4/2021			31/3/2022			31/3/2023
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Repaid PSH Grants	158	-	-	158	-	-	158
Affordable Housing Contributions	1,094	156	-	1,250	130	-	1,380
Devon County Council Funding	20	-	-	20	-	-	20
MHCLG Disabled Facilities Grant	1,353	537	(621)	1,269	647	(910)	1,007
<b>Total Capital Grants Unapplied</b>	<b>2,625</b>	<b>693</b>	<b>(621)</b>	<b>2,697</b>	<b>777</b>	<b>(910)</b>	<b>2,565</b>

## 8 Other Operating Expenditure

This note summarises the payments made to Parish Councils in respect of the Precepts collected on their behalf. It also shows the element of the Housing capital receipts due to Government and any gains or losses on current assets.

Other Operating Expenditure	2021/22	2022/23
	£'000	£'000
Parish Council precepts payable	1,984	2,145
Payments to the Government housing capital receipts pool	235	-
(Gains)/Losses on the disposal of non current assets	(1,158)	(1,048)
<b>Total</b>	<b>1,061</b>	<b>1,097</b>

## 9 Financing and Investment Income and Expenditure

This includes interest from temporarily investing the Council's revenue balances, interest received from our long-term investment in Pooled Property Funds the surplus/deficit on our trading activities.

<b>Financing and Investment Income and Expenditure</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
Interest payable and similar charges	1,220	1,175
Net interest on the net defined benefit liability	1,533	1,479
Interest receivable and similar income	(843)	(1,671)
(Gains)/Losses recognised under IFRS 9 Financial Instruments*	(829)	916
<b>Total</b>	<b>1,081</b>	<b>1,898</b>

\* The Council has invested £5,000k in the Church Charities and Local Authority (CCLA) Local Authorities' Mutual Investment Trust (LAMIT) Property Fund, which is carried in the Balance Sheet at its fair value of £4,639k; this is an overall loss of £361k since the investment in 2015/16. The in-year loss of £916k is shown in the table above. It is anticipated that this investment, which is intended to be held for the long term, will provide a return equal or superior to those achieved by the Council's other current investments. The fair value is based upon public price quotations in an active market for this financial instrument and without this investment counting as capital expenditure.

## 10 Taxation and Non-Specific Grant Income

This note breaks down the various sources of taxation retained by the Council and the funding received from Government to support service provision.

<b>Taxation and Non Specific Grant Income</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
Council Tax income (including Parish Council Precepts receivable)	(8,402)	(8,728)
Non Domestic Rates	(3,380)	(3,720)
Non-ringfenced Government grants*	(2,454)	(1,490)
Capital grants and contributions*	(156)	(3,879)
<b>Total</b>	<b>(14,392)</b>	<b>(17,818)</b>

\* Further detail of non-ringfenced Government grants & Capital grants and contributions is shown in Note 55.

## 11 Operating Leases

### Authority as a Lessee

The Authority holds a number of land and buildings under the terms of operating leases. Rentals paid under operating leases are charged to the CIES as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

#### *Payments under Operating Leases*

The Authority has made payments of £180k under operating leases in 2022/23 (£178k in 2021/22) comprising of the following elements:

<b>Authority as Lessee</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
Land & Buildings	178	180
Vehicles, Plant & Equipment	-	-
<b>Total</b>	<b>178</b>	<b>180</b>

For future liabilities for Finance and Operating Leases see Note 57.

### Authority as a Lessor

The gross value of assets held for use in operating leases as at 31 March 2023 was £11,438k (£11,109k at 31 March 2022). The reason for the increase is down to revaluations and the inclusion of Crediton Town Square.

<b>Authority as Lessor</b>	<b>2021/22</b>			<b>2022/23</b>		
	<b>Gross Value</b>	<b>Net Book Value</b>	<b>Rental Income</b>	<b>Gross Value</b>	<b>Net Book Value</b>	<b>Rental Income</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
HRA Shops	1,214	1,214	(111)	1,324	1,324	(120)
General Fund Shops	3,417	3,417	(336)	2,972	2,972	(416)
Other GF Land & Buildings	4,989	4,989	(112)	5,532	5,532	(99)
Industrial Units	1,489	1,489	(106)	1,610	1,610	(139)
<b>Total</b>	<b>11,109</b>	<b>11,109</b>	<b>(665)</b>	<b>11,438</b>	<b>11,438</b>	<b>(774)</b>

The Council also received £361k from the rental of garages and £12,769k from Council Houses (£12,291k 2021/22). For more information see the Housing Revenue Account notes.

## 12 Officers' Emoluments

This table includes all statutory and non-statutory posts whose overall remuneration exceeds £50k excluding pension contributions and non taxable allowances.

Remuneration Band	2021/22		2022/23	
	Number of Employees	Left During Year	Number of Employees	Left During Year
£50,000 - £54,999	5	-	9	-
£55,000 - £59,999	2	-	1	-
£60,000 - £64,999	4	-	6	-
£65,000 - £69,999	-	-	2	1
£70,000 - £74,999	-	-	-	-
£75,000 - £79,999	-	-	-	-
£80,000 - £84,999	2	-	2	-
£85,000 - £89,999	-	-	1	-
£90,000 - £94,999	-	-	-	-
£95,000 - £99,999	-	-	-	-
£100,000 - £104,999	-	-	-	-
£105,000 - £109,999	-	-	-	-
£110,000 - £114,999	-	-	-	-
£115,000 - £119,999	1	-	1	-

Some employees in the above table are not categorised as Senior Officers and therefore are not part of the Council's Leadership Team and have been excluded from the Senior Officers table below.

## Senior Officers Earning in Excess of £50,000

The statutory instrument regarding officer emoluments requires the individual naming of any Officers with an annual salary of £150k or more and the post title of any officers earning £50k or more who occupy statutory roles or are responsible for managing the strategic direction of services, i.e. Leadership Team. The Council had no officers earning at or in excess of £150k during the year.

Post Title	Financial Year	Salary (Including Allowances)	Compensation for Loss of Employment	Total Remuneration exc pension contributions	Pension Contributions	Total Remuneration inc pension contributions
		£	£	£	£	£
<b>Chief Executive</b>	<b>2022/23</b>	118,228	-	118,228	19,626	137,853
	<b>2021/22</b>	116,443	-	116,443	19,288	135,731
<b>Deputy Chief Executive (S151)</b>	<b>2022/23</b>	86,545	-	86,545	14,367	100,912
	<b>2021/22</b>	83,704	-	83,704	14,075	97,779
<b>Director of Corporate Affairs &amp; Business Transformation</b>	<b>2022/23</b>	84,877	-	84,877	14,351	99,228
	<b>2021/22</b>	83,375	-	83,375	13,799	97,173
<b>Director of Place</b>	<b>2022/23</b>	83,613	-	83,613	13,880	97,492
	<b>2021/22</b>	38,367	-	38,367	6,322	44,689
<b>District Solicitor and Monitoring Officer. Note 3</b>	<b>2022/23</b>	43,872	1,652	45,523	4,497	50,020
	<b>2021/22</b>	36,747	-	36,747	6,059	42,806
<b>District Solicitor and Monitoring Officer. Note 4</b>	<b>2022/23</b>	29,437	-	29,437	4,887	34,324
	<b>2021/22</b>	-	-	-	-	-

Notes:

1. The amounts included in the two previous tables are shown gross of any related tax which would be levied.
2. The primary pension rate of 16.6% has been used for the 2022/23 pension contributions figures.
3. The District Solicitor and Monitoring Officer joined the Authority on 25 September 2021 and left on 11 August 2022.
4. The replacement District Solicitor and Monitoring Officer started on 27 October 2022.

### 13 Termination Benefits

During 2022/23 a number of settlement agreements were made. These were associated with service restructures and changes in order to reduce future employee costs. This helps match ongoing expenditure against the well documented cuts in Central Government funding.

<b>2022/23</b>				
<b>Exit Package Cost Band</b>	<b>Number of compulsory redundancies</b>	<b>Number of other departures agreed</b>	<b>Total number of exit packages by cost band</b>	<b>Total cost of exit packages in each band £'000</b>
<b>£0 - £19,999</b>	-	5	5	41
<b>£20,000 - £39,999</b>	-	-	-	-
<b>£40,000 - £59,999</b>	-	-	-	-
<b>£60,000 - £79,999</b>	-	-	-	-
<b>Total</b>	-	<b>5</b>	<b>5</b>	<b>41</b>

<b>2021/22</b>				
<b>Exit Package Cost Band</b>	<b>Number of compulsory redundancies</b>	<b>Number of other departures agreed</b>	<b>Total number of exit packages by cost band</b>	<b>Total cost of exit packages in each band £'000</b>
<b>£0 - £19,999</b>	2	9	11	65
<b>£20,000 - £39,999</b>	-	-	-	-
<b>£40,000 - £59,999</b>	-	-	-	-
<b>£60,000 - £79,999</b>	-	-	-	-
<b>Total</b>	<b>2</b>	<b>9</b>	<b>11</b>	<b>65</b>



## 14 External Audit Costs

Fees paid and estimated for the Council's appointed external auditor, Grant Thornton, were as follows:

<b>External Audit Costs</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
Fees payable with regard to the annual audit fee	40	44
Fees payable for the certification of claims and returns	20	25
Additional Fee relating to previous year's audit	22	1
Additional Fee relating to current year's audit	30	22
PSAA Surplus Fund distribution	(7)	-
<b>Total</b>	<b>105</b>	<b>92</b>

The fees shown include estimates for additional fees relating to the current year 2022/23 and additional fees relating to the previous year's audit. These fees are forecast at present as they are subject to external ratification. The basis for these fees are included within the audit report provided by Grant Thornton. The proposed audit fee for 2022/23 is £66,580.

## 15 Related Party Transactions

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

Central Government has significant influence over the general operations of the Council. It is responsible for providing the statutory framework, within which the Council operates, provides some of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Housing Benefits). Details of transactions with Government departments are set out in a note to the Cash Flow Statement and Note 55 relating to all grant income.

Elected Members of the Council have direct control over the Council's financial and operating policies. The Council's constitution requires Elected Members to declare their interests in related parties in a register of interests, which is available for public inspection via our website. In addition, Elected Members are asked to declare separately any transactions with the Authority.

Officers of the Council are bound by the Council's Code of Conduct. Leadership Team and Corporate Managers are required to declare any related party transactions with the Council (see below note on 3 Rivers Developments Ltd).

The Council is part of a designated pool for the retention of business rates, which allows local authorities to be treated as if they were a single entity for the purpose of calculating tariffs, top-ups, levies and safety net payments.

3 Rivers Developments Ltd – During 2022/23, one Councillor of Mid Devon District Council was appointed as a Director of 3 Rivers Developments Ltd. In 2022/23 a net £6,540k (£3,373k 2021/22) was loaned to the Company and the total outstanding loan value at this date was £20,075k. These loans will be repaid on a commercial basis.

## 16 Members' Allowances and Expenses

This table shows the payments made to, and expenses claimed by, the Elected Members.

<b>Members Allowances and Expenses</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
Allowances	321	332
Expenses	8	6
<b>Total</b>	<b>329</b>	<b>338</b>

## 17 Acquired and/or Discontinued Activities

The Council did not acquire any new activities or discontinue any existing ones during 2022/23.

## 18 Depreciation and Impairment of Non Current Assets

House values have increased during 2022/23. This has been reflected in the values applied to our council houses and this is the primary reason for a net reversal of prior year impairment of £4,825k. Council houses are valued at a vacant possession value and then have a discount factor applied to adjust the valuation to Existing Use Value - Social Housing (EUV-SH). The discount factor of 65% has been used in 2022/23. See Notes 27 and 58 for further details.

<b>Depreciation and Impairment of Non Current Assets</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
Depreciation	4,588	4,755
Net reversal of impairment of non current assets	(2,101)	(4,825)
<b>Total</b>	<b>2,487</b>	<b>(70)</b>

## 19 Minimum Revenue Provision

The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 require the Council to make an annual charge to revenue to contribute towards the reduction in its overall borrowing requirement – known as a Minimum Revenue Provision (MRP). The Council has adopted the asset life method of calculating MRP where the charge is spread in equal annual instalments over the life of each asset that creates a borrowing requirement. MRP commences in the financial year following either the year in which the expenditure was incurred or the year when the asset becomes operational. Any interest costs charged to the Comprehensive Income and Expenditure Statement in relation to finance leases will also be mitigated by a corresponding MRP adjustment.

<b>Minimum Revenue Provision</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
<b>Housing Revenue Account - Minimum Revenue Provision</b>		
HRA self-financing settlement	911	911
Housing developments after 1/4/13	43	43
Finance leases	8	18
	<b>962</b>	<b>972</b>
<b>General Fund - Minimum Revenue Provision</b>		
Assets acquired prior to 1/4/13	59	57
Assets acquired by PWLB loans after 1/4/13	141	141
Assets funded from internal borrowing	136	2,322
Finance leases	335	348
	<b>671</b>	<b>2,868</b>
<b>Total</b>	<b>1,633</b>	<b>3,840</b>

## 20 Insurance

All major risks have been identified and are insured with applicable excesses. There were no major claims outstanding as at 31 March 2023. A reserve of £86k is held in respect of our liability going back some years with Municipal Mutual Insurance Limited (MMI).

## 21 Pensions

All of the pension figures included in the 2022/23 Accounts are provided by the Pension Fund's Actuary (Barnett Waddingham) and are prepared in accordance with International Accounting Standard 19 (IAS 19) and their advice complies with Technical Actuarial Standard 100 (TAS100). The pension report has been updated to include the latest 2022 valuation information.

### *Participation in the Pension Scheme*

As part of the terms and conditions of employment of its Officers, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme (LGPS) administered by Devon County Council – this is a defined benefit statutory scheme. A defined benefit pension scheme is a fixed sum of money that is paid out from the employer's pension scheme when the employee retire. The scheme is fully funded, meaning that the Council and its Employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with the investment assets. Governance of the scheme is the responsibility of the Investments and Pension Fund Committee of Devon County Council and is assisted by the Pensions Board, also of Devon County Council. Policy is determined in accordance with the Pension Fund Regulations.

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

### *Arrangements for the award of discretionary post-retirement benefits upon early retirement*

This is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no investment assets built up to meet these pension liabilities and cash has to be generated to meet actual pension payments as they eventually fall due.

### *Discretionary Post-retirement Benefits*

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

### *Impact of McCloud / Sargeant judgment*

The Court of Appeal judgment on the McCloud and Sargeant cases, relate to age discrimination against the age-based transitional provisions put into place when the new judicial pension arrangements were introduced in 2015. Although the Tribunal ruled against the Government and the Supreme Court denied their appeal, the outcome of these matters is still to be agreed so the exact impact they will have on LGPS benefits is unknown. Remedial regulations are expected in 2023 and the uncertainty over the benefit changes proposed for the LGPS will remain until these have been finalised. The McCloud remedy may impact the value of the liabilities in respect of accrued benefits and therefore an allowance may need to be included. The Council requested this adjustment in 2019/20, therefore no further adjustment has been made in this year.

### *Guaranteed Minimum Pension (GMP) Equalisation*

On 23 March 2021, the Government published the outcome to its Guaranteed Minimum Pension Indexation consultation, concluding that all public service pension schemes, including the LGPS, will be directed to provide full indexation to members with a GMP reaching State Pension Age (SPA) beyond 5 April 2021. This is a permanent extension of the existing 'interim solution' that has applied to members with a GMP reaching SPA on or after 6 April 2016.

The Actuary's valuation assumption for GMP is that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, the Actuary has assumed that the Fund will be required to pay the entire inflationary increase. Therefore, the Actuary's assumption is consistent with the consultation outcome and the Actuary does not believe that it is necessary to make any adjustments to the value placed on the liabilities as a result of the above outcome.

### *Transactions relating to Retirement Benefits*

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by Employees rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in Note 5 – Adjustments between Accounting Basis and Funding Basis under Regulations (AABFBR). The following transactions have been made in the Income and Expenditure Account and the AABFBR.

### *Demographic/Statistical assumptions*

The standard approach is to use demographic assumptions in line with the latest actuarial valuation. For the assumptions as at 31 March 2023, the Continuous Mortality Investigation Bureau Model (CMI) is continued to be used as the updated for the funds 2022 actuarial valuations.

## Pensions – Comprehensive Income and Expenditure Statement

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

Comprehensive Income and Expenditure Statement - Cost of Services	Local Government Pension Scheme	
	21/22	22/23
	£'000	£'000
<b>Service cost comprising:</b>		
Current service cost	5,958	5,745
Past service costs	10	-
(Gain) / loss from settlements	(311)	-
<b>Financing and Investment Income and Expenditure</b>		
Net interest expense	1,482	1,430
Administrative expenses	51	49
<b>Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>7,190</b>	<b>7,224</b>
<b>Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>		
Remeasurement of the net defined benefit liability comprising:		
Return on Fund assets (excluding the amount included in the net interest expense)	4,460	(3,219)
Other actuarial gains and losses	(458)	-
Actuarial gains and losses arising on changes in demographic assumptions	8,355	
Actuarial gains and losses arising on changes in financial assumptions	12,104	48,291
Other actuarial gains and losses	-	-
<b>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>24,461</b>	<b>45,072</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	7,190	7,224
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>		
Employer's contributions payable to the scheme	2,891	3,063
Retirement benefits payable to pensioners	5,098	4,323

## Pension Assets and Liabilities Recognised in the Balance Sheet

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

Pension Assets and Liabilities Recognised in the Balance Sheet	Local Government Pension Scheme	
	2021/22	2022/23
	£'000	£'000
Present value of the defined benefit obligation	136,912	94,437
Fair value of plan assets	(81,581)	(79,071)
Present value of the unfunded obligation	767	711
<b>Net liability from defined benefit obligation</b>	<b>56,098</b>	<b>16,077</b>

## Reconciliation of the Movements in the Fair Value of Scheme Assets

The following impacted on the fair value of the scheme's assets during the year:

Reconciliation of the Movements in the Fair Value of Scheme Assets	Local Government Pension Scheme	
	21/22	22/23
	£'000	£'000
Opening fair value of scheme assets	78,412	81,581
Interest income	1,539	2,104
<b>Remeasurement gain / (loss):</b>		
The return on plan assets, excluding the amount included in the net interest expense	4,460	(3,219)
Other actuarial gains/(losses)	(458)	-
Administrative expense	(51)	(49)
Contributions from employer	2,032	2,173
Contributions from employees into the scheme	745	804
Benefits paid	(5,098)	(4,323)
<b>Closing fair value of scheme assets</b>	<b>81,581</b>	<b>79,071</b>

**Local Government Pension Scheme assets comprised:**

Local Government Pension Scheme assets comprised	Fair value of scheme assets			
	21/22		22/23	
	£'000	%	£'000	%
Cash and cash equivalents	1,157	1%	939	1%
<b>Equities:</b>				
UK	7,318	9%	6,237	8%
Overseas	41,295	51%	35,421	45%
<b>Sub-total equities</b>	<b>48,613</b>		<b>41,658</b>	
<b>Bonds:</b>				
Gilts	10,898	13%	-	0%
Other Bonds	1,635	2%	16,907	21%
<b>Sub-total bonds</b>	<b>12,533</b>		<b>16,907</b>	
<b>Other investments:</b>				
Infrastructure	4,896	6%	7,109	9%
Property	6,843	8%	6,931	9%
Target Return Portfolio	7,574	9%	5,496	7%
Alternative Assets	(35)	0%	31	0%
Private Equity	-	0%	-	0%
<b>Sub-total other investment funds</b>	<b>19,278</b>		<b>19,567</b>	
<b>Total assets</b>	<b>81,581</b>		<b>79,071</b>	



## Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

The following impacted on the present value of the scheme's liabilities during the year:

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)	Funded Liabilities	
	21/22	22/23
	£'000	£'000
<b>Opening balance at 1 April</b>	153,813	137,679
Current service cost	5,958	5,745
Interest cost	3,021	3,534
Contributions from scheme participants	745	804
<b>Remeasurement (gains) and losses:</b>		
Actuarial gains and losses arising on changes in demographic assumptions	(8,355)	-
Actuarial gains and losses arising on changes in financial assumptions	(4,430)	(59,160)
Experience loss/(gain) on defined benefit obligation	(7,674)	10,869
Liabilities assumed / (extinguished) on settlements	(953)	-
Past service cost	10	-
Benefits paid	(4,374)	(4,244)
Unfunded Pension Payments	(82)	(79)
<b>Closing balance at 31 March</b>	<b>137,679</b>	<b>95,148</b>

## Basis for Estimating Assets and Liabilities

As required under the IAS19 and FRS102 accounting standards, Liabilities have been assessed on an actuarial basis using their Projected Unit Credit method, an estimate of the pensions that will be payable in future years dependent upon assumptions about mortality rates, salary levels, etc.

The Local Government Pension Scheme position for the Council has been estimated by Barnett Waddingham, an independent firm of actuaries, estimates for the Local Government Pension Scheme being based upon the latest full valuation of the scheme as at 31 March 2022 and has then been updated for estimated fund returns, asset statement, market returns, and income and expenditure as at the 31 March 2023.

The significant assumptions used by the Actuary have been:

Mortality assumptions	Local Government Pension Scheme	
	21/22	22/23
Longevity at 65 for current pensioners		
Men	21.7	21.8
Women	22.9	22.9
Longevity at 65 for future pensioners		
Men	23.0	23.1
Women	24.3	24.4
Rate of increase in salaries	4.3%	3.9%
Rate of increase in pensions (CPI)	3.3%	2.9%
Rate for discounting scheme liabilities	2.6%	4.8%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out above. The sensitivity analysis shown below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes, while all other assumptions remain constant. The estimations in the sensitivity analysis have followed the Accounting Policies for the scheme, i.e. on the actuarial basis using the projected unit credit method.

## Impact on the Defined Benefit Obligation in the Scheme

Impact on the Defined Benefit Obligation in the Scheme	£'000	£'000	£'000	£'000	£'000
<b>Adjustment to discount rate</b>	<b>+0.5%</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>	<b>-0.5%</b>
Present value of total obligation	88,009	93,546	95,148	96,534	103,001
Projected service cost	2,203	2,532	2,622	2,714	3,119
<b>Adjustment to long term salary increase</b>	<b>+0.5%</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>	<b>-0.5%</b>
Present value of total obligation	95,651	95,144	95,148	94,897	94,414
Projected service cost	2,630	2,623	2,622	2,620	2,613
<b>Adjustment to pension increases and deferred revaluation</b>	<b>+0.5%</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>	<b>-0.5%</b>
Present value of total obligation	102,486	96,436	95,148	93,640	88,461
Projected service cost	3,133	2,716	2,622	2,531	2,191
<b>Adjustment to mortality age rating assumption</b>		<b>+1 Year</b>	<b>None</b>	<b>-1 Year</b>	
Present value of total obligation		98,818	95,148	91,388	
Projected service cost		2,713	2,622	2,532	

## Impact on the Authority's Cash Flows

The objectives of the scheme are to keep Employer's Contributions at as constant a rate as possible. Funding levels are monitored on an annual basis and the next triennial valuation will take place around 31 March 2025, the results of which will form the basis of the contribution due in the financial years 2026/27 to 2028/29. The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

## 22 Property, Plant and Equipment (Movements in Balances)

### Revaluations

The Council's assets are revalued on a five-year rolling basis. Valuations of land and buildings were carried out by the District Valuer and the Valuation Office. Valuations were carried out in accordance with methodologies and basis for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Revaluations	Assets Under Construction £'000	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles Plant & Equip £'000	Community Assets £'000	Infrastructure Assets £'000	Surplus Assets £'000	Total Property, Plant and Equipment £'000
Valued at Historical Cost - 2022/23	7,502	-	-	3,413	372	207	-	11,494
Valued at Fair Value - 2022/23		158,749	42,980	-	-	-	445	202,174
<b>Total Valuation - 2022/23</b>	<b>7,502</b>	<b>158,749</b>	<b>42,980</b>	<b>3,413</b>	<b>372</b>	<b>207</b>	<b>445</b>	<b>213,667</b>
<b>Previous Fair Valuations</b>								
2021/22	-	152,646	42,256	-	45	100	33	195,080
2020/21	-	150,862	42,602	-	-	97	33	193,593
2019/20	-	146,558	43,702	-	-	100	60	190,420
2018/19	-	145,874	43,837	-	-	-	86	189,797

At 31 March 2023 the Council held £7,502k of Assets Under Construction, £158,749k in respect of Council House Dwellings, £42,980k of other Council Land and Buildings, such as the main offices at Phoenix House and the depots at Old Road and Carlu Close. The Council's vehicle fleet is moving from being purchased outright to a leasing model as they need to be replaced – (See Note 57 for finance lease information). Also held are £372k of Community Assets, the Crediton Town Square and £207k infrastructure assets such as sewage treatment works, along with a £445k asset that the Council has identified as Non-Operational Land and Buildings.

The following table shows the movement in the balances held by asset type:

2022/23	Assets Under Construction	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equip	Community Assets	Infrastructure Assets	Surplus Assets	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b><u>Historic Cost or Fair Valuation</u></b>								
<b>At 1 April 2022</b>	<b>954</b>	<b>152,646</b>	<b>42,256</b>	<b>7,797</b>	<b>516</b>	<b>306</b>	<b>33</b>	<b>204,507</b>
Additions	6,632	3,671	-	607	-	-	-	10,910
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	(2,491)	1,336	(291)	-	(26)	(3)	(1,475)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	5,581	(756)	-	-	-	-	4,825
Derecognition - Disposals	-	(684)	-	(21)	-	-	-	(705)
Reclassification	(84)	26	144	(86)	-	-	415	415
<b>At 31 March 2023</b>	<b>7,502</b>	<b>158,749</b>	<b>42,980</b>	<b>8,006</b>	<b>516</b>	<b>280</b>	<b>445</b>	<b>218,477</b>
<b><u>Accumulated Depreciation and Impairment</u></b>								
<b>At 1 April 2022</b>	-	-	-	(4,040)	(135)	(64)	-	(4,239)
Depreciation charge	-	(2,482)	(1,350)	(903)	(10)	(10)	-	(4,755)
Depreciation written out to the Revaluation Reserve	-	2,482	1,408	291	-	2	-	4,183
Reclassification	-	-	(58)	58	-	-	-	-
<b>At 31 March 2023</b>	-	-	-	(4,593)	(144)	(72)	-	(4,810)
<b><u>Net Book Value</u></b>								
<b>At 31 March 2023</b>	<b>7,502</b>	<b>158,749</b>	<b>42,980</b>	<b>3,413</b>	<b>372</b>	<b>207</b>	<b>445</b>	<b>213,667</b>
<b>At 31 March 2022</b>	<b>954</b>	<b>152,646</b>	<b>42,256</b>	<b>3,757</b>	<b>381</b>	<b>242</b>	<b>33</b>	<b>200,269</b>
<b><u>Nature of asset holding</u></b>								
Owned	7,502	158,749	42,980	1,432	372	207	445	211,686
Subject to Finance Leases	-	-	-	1,981	-	-	-	1,981

2021/22	Assets Under Construction	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equip	Community Assets	Infrastructure Assets	Surplus Assets	Total Property, plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b><u>Historic Cost or Fair Valuation</u></b>								
<b>At 1 April 2021</b>	<b>34</b>	<b>150,862</b>	<b>42,602</b>	<b>7,901</b>	<b>516</b>	<b>303</b>	<b>33</b>	<b>202,250</b>
Additions	835	3,558	(10)	204	-	-	-	4,586
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	(2,406)	(90)	(306)	-	2	-	(2,800)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	2,171	(70)	-	-	-	-	2,101
Derecognition - Disposals	-	(1,539)	(87)	(4)	-	-	-	(1,630)
Reclassification	86	-	(88)	2	-	-	-	-
<b>At 31 March 2022</b>	<b>954</b>	<b>152,646</b>	<b>42,256</b>	<b>7,797</b>	<b>516</b>	<b>306</b>	<b>33</b>	<b>204,507</b>
<b><u>Accumulated Depreciation and Impairment</u></b>								
<b>At 1 April 2021</b>	-	-	-	<b>(3,469)</b>	<b>(125)</b>	<b>(55)</b>	-	<b>(3,649)</b>
Depreciation charge	-	(2,408)	(1,282)	(877)	(10)	(11)	-	(4,588)
Depreciation written out to the Revaluation Reserve	-	2,408	1,282	306	-	2	-	3,998
<b>At 31 March 2022</b>	-	-	-	<b>(4,040)</b>	<b>(135)</b>	<b>(64)</b>	-	<b>(4,239)</b>
<b><u>Net Book Value</u></b>								
<b>At 31 March 2022</b>	<b>954</b>	<b>152,646</b>	<b>42,256</b>	<b>3,757</b>	<b>381</b>	<b>242</b>	<b>33</b>	<b>200,269</b>
<b><u>Nature of asset holding</u></b>								
Owned	954	152,646	42,256	1,568	381	242	33	198,080
Subject to Finance Leases	-	-	-	2,189	-	-	-	2,189

## 23 Revenue Expenditure Funded from Capital Under Statute (REFCUS)

This is expenditure that does not result in, or remain matched with, assets controlled by the Council. Examples of this would include financial assistance towards capital investment incurred by other parties and works on properties not owned by the Authority.

Description	Balance at 1 April 2021	Expenditure	Transfer in Year	Amount Financed or Written Off	Balance at 31 March 2022	Expenditure	Transfer in Year	Amount Financed or Written Off	Balance at 31 March 2023
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Private Sector Housing Grants & DFG's	-	621	-	(621)	-	421	-	(421)	-
Cullompton Relief Road	-	371	-	(371)	-	402	-	(402)	-
Tiverton A361 Phase 2	-	375	-	(375)	-	133	-	(133)	-
<b>Total</b>	-	<b>1,367</b>	-	<b>(1,367)</b>	-	<b>956</b>	-	<b>(956)</b>	-

Capital Grants received in 2022/23 to finance these projects amounted to £951k (2021/22 £1,283k).

## 24 Summary of Capital Expenditure and Financing

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

<b>Summary of Capital Expenditure and Financing</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
<b>Opening Capital Financing Requirement</b>	<b>57,845</b>	<b>61,127</b>
<b>Capital investment</b>		
Property, Plant and Equipment	4,586	10,910
Other Capital Expenditure	-	-
Revenue Expenditure Funded from Capital under Statute	1,367	956
Loans to Third parties	4,703	5,288
<b>Sources of Finance</b>		
Capital receipts applied	(1,484)	(865)
Use of Major Repairs Allowance to finance HRA new capital expenditure	(2,411)	(2,770)
Government grants and contributions	(1,367)	(4,967)
Direct revenue contributions	(478)	(1,248)
Statutory provision for the financing of capital investment	(1,633)	(3,840)
<b>Closing Capital Financing Requirement</b>	<b>61,127</b>	<b>64,592</b>
<b>(Decrease)/Increase in Capital Financing Requirement</b>	<b>3,282</b>	<b>3,465</b>



## 25 Heritage Assets

How the Authority recognises and measures Heritage Assets is set out in the Authority's summary of Accounting Policies.

Heritage Assets Movements	2021/22 £'000	2022/23 £'000
<b>Cost or Valuation</b>		
<b>At 1 April 2022</b>	<b>330</b>	<b>330</b>
Additions	-	-
Donations	-	-
Disposals	-	-
Revaluation increases/(decreases)	-	-
<b>Total</b>	<b>330</b>	<b>330</b>

The Authority is the owner of some paintings, which are on loan to Tiverton Town Council and remain at the Town Hall, Tiverton. The paintings were valued by Bearnes Hampton and Littlewood Auctioneers and Valuers as at December 2016.

The civic regalia was valued by G W Pack Jewellers on 23 May 2013.

On the 1 June 2019, Tiverton Town Council donated a memorial stone to the Council. As there is no readily available information about sales prices for such items, the asset is included at nil value in the Balance Sheet.

The collection is relatively static and acquisitions and donations are rare. Purchases would be initially recognised at cost and donations recognised at valuations provided by the external valuers, with reference to the most relevant and recent information from sales at auctions and other commercial markets.

### Heritage Assets of Particular Importance

The most significant item identified within the collection is an oil painting on canvas being a full length portrait of George III by Sir Joshua Reynolds (British, 1723 – 1792) in an ornate giltwood and plaster frame with a valuation of £250k.

### Preservation and Management

The Council's Property Management Team are responsible for the ongoing maintenance and security of these assets.

## 26 Commitments under Capital Contracts

This note details Capital contracts of an individual value greater than £250k committed as at 31 March 2023.

<b>Commitments under Capital Contracts</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
Various Major Repairs Allowance Works to Maintain Council Housing Stock	1,688	1,350
Queensway, Beech Road Development Project	473	232
Modular Housing Development Projects	532	1,521
<b>Total</b>	<b>2,693</b>	<b>3,103</b>

Contracts relating to Major Repairs Works to Council Housing stock include 2023/24 planned maintenance spend: roofing £600k, window replacement £400k and modernisation of kitchens and bathrooms £350k. Modular developments include schemes in Tiverton £1,248k and Cullompton £237k.

## 27 Non-Current Asset Valuation

The Council instructed the District Valuer to complete a full property valuation exercise for a fifth of its freehold properties and a review of all other freehold properties. Where applicable property assets are therefore included in the accounts at their 31 March 2023 valuation. The Valuation Office have made their valuation in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors.

Peter McGuigan, a Senior Surveyor, with the Valuation Office, and MRICS qualified, also undertook a valuation exercise to reassess the value of the housing stock as at 31 March 2023. These revised values have been incorporated into the Council's Balance Sheet. This valuation was undertaken based on a Beacon Basis (with a fifth of these having had a full valuation and a review of all other Beacons); where a standard valuation has been applied across the Council's housing stock against similar groups of property. The adjustment factor of 65% to adjust the value of Council House values to EUV-SH has been used as the discount factor for the year.

Properties regarded by the Council as operational were valued based on Current Value in existing use (Current Value has regard to the service potential that an asset provides in support of the entity's service delivery); where this could not be assessed because there was no market for the asset; the Depreciated Replacement Cost method has been applied. Properties regarded by the Council as non-operational have been valued on the basis of Open Market Value. The Valuation Office has also undertaken a comprehensive impairment review of the Council's assets as at the 31 March 2023.

## 28 Short-Term and Long-Term Borrowing

As at the 31 March 2023 the Council had three long-term loans outstanding from the Public Works Loan Board (PWLB) with an outstanding balance of £33,310k.

1 - £30,173k to fund the Housing Revenue Account stock purchase - 25 year loan @ 2.94% maturing 28 March 2037;

2 - £18k to fund a recycling baler - 10 year loan @ 2.68% maturing 25 March 2024;

3 - £3.118k to fund the purchase of properties at Market Walk Tiverton and 32-34 Fore Street Tiverton - 25 year loan @ 2.61% maturing 27 March 2040.

The overall maturity profile for these loans is shown in the table below:

Lender	Maturity date	Balance at	Balance at
		31/03/2022	31/03/2023
		£'000	£'000
Public Works Loan Board	< 1 year	1,924	1,937
	2 - 5 years	8,036	8,254
	Over 5 years	25,273	23,120
<b>Total loan value outstanding</b>		<b>35,234</b>	<b>33,310</b>

## 29 Trusts for which the Council is the Sole Trustee

The Council is the sole trustee for the People's Park and Recreation Grounds charity. The purpose of the Trust is to provide recreational open space for the people of Tiverton. The net assets of the trust were £270k as at 31 March 2023 and comprised of land and buildings.

Peoples Park Land & Buildings	2021/22	2022/23
	£'000	£'000
Park Lodge - Land	95	95
Park Lodge - Building	175	175
<b>Total</b>	<b>270</b>	<b>270</b>

## 30 Financial Instruments

### Fair Value of Assets and Liabilities Carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at Amortised Cost. Their Fair Value can be assessed by calculating the Present Value of the cash flows that will take place over the remaining term of the instruments using the following assumptions:

Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate the Fair Value. The Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Authority only deals in these kinds of instruments.

The fair values calculated are as follows:

Financial Assets	2021/22		2022/23	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
<b>Financial Assets</b>				
Long term investment	5,554	5,554	4,639	4,639
Short term investment	27,000	27,000	16,000	16,000
Cash and cash equivalents	9,831	9,831	3,631	3,631
Loans and trade receivables	16,863	16,863	18,764	18,764
<b>Total</b>	<b>59,248</b>	<b>59,248</b>	<b>43,034</b>	<b>43,034</b>
<b>Financial Liabilities</b>				
Long term borrowing	(35,234)	(39,327)	(33,310)	(32,385)
Finance leases	(2,189)	(2,189)	(1,981)	(1,981)
Trade payables	(993)	(993)	(2,377)	(2,377)
<b>Total</b>	<b>(38,416)</b>	<b>(42,509)</b>	<b>(37,668)</b>	<b>(36,743)</b>

The gains and losses recognised in the Comprehensive Income and Expenditure Account in relation to financial instruments are made up as follows:

<b>2022/23</b>	<b>Liabilities measured at amortised cost</b>	<b>Finance lease assets</b>	<b>Loans and receivables</b>	<b>Financial assets measured at fair value through Profit or Loss</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Interest payable	1,011	-	-	-	1,011
Interest payable on finance leases	-	164	-	-	164
<b>Interest payable and similar charges</b>	<b>1,011</b>	<b>164</b>	<b>-</b>	<b>-</b>	<b>1,175</b>
Interest income	-	-	(1,470)	-	(1,470)
<b>Interest and investment income</b>	<b>-</b>	<b>-</b>	<b>(1,470)</b>	<b>-</b>	<b>(1,470)</b>
Fair Value adjustment	-	-	-	916	916
<b>Net (gain)/loss for the year</b>	<b>1,011</b>	<b>164</b>	<b>(1,470)</b>	<b>916</b>	<b>621</b>

<b>2021/22</b>	<b>Liabilities measured at amortised cost</b>	<b>Finance lease assets</b>	<b>Loans and receivables</b>	<b>Financial assets measured at fair value through Profit or Loss</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Interest payable	1,065	-	-	-	1,065
Interest payable on finance leases	-	155	-	-	155
<b>Interest payable and similar charges</b>	<b>1,065</b>	<b>155</b>	<b>-</b>	<b>-</b>	<b>1,220</b>
Interest income	-	-	(659)	-	(659)
<b>Interest and investment income</b>	<b>-</b>	<b>-</b>	<b>(659)</b>	<b>-</b>	<b>(659)</b>
Fair Value adjustment	-	-	-	(829)	(829)
<b>Net (gain)/loss for the year</b>	<b>1,065</b>	<b>155</b>	<b>(659)</b>	<b>(829)</b>	<b>(268)</b>

## **Disclosure of Nature and Extent of Risks Arising from Financial Instruments**

### **Liquidity Risk**

This is the possibility that the Council might not have funds available to meet its commitments to make payments. The Council manages its liquidity position through stringent risk management procedures (the setting and approval by Full Council of Treasury and Investment Strategy reports that include Prudential Indicators), as well as through a comprehensive cash flow management system, as required by the CIPFA Treasury Management Code of Practice. This seeks to ensure that cash is available when needed.

The Council 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**

This is the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements. The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. A Treasury Management Strategy is formally approved annually by the Council. This identifies all treasury risks and forms the basis of the day-to-day operating guidance applied by the Treasury Accountant when making decisions on placing any surplus funds (i.e. to whom, for how long, for how much, etc.). This Treasury Strategy can be found on the Council's website.

### **Credit Risk**

Credit risk arises from deposits with banks and building societies as well as credit exposure to the Council's customers. The treasury policy for the year allowed the Council to invest with the main UK Banks and Building Societies, with a FITCH credit rating of F1 or higher, up to a maximum value of £5,000k with any one institution. Once again this evidences our prudent approach to lending of surplus funds. During 2020/21, approval was given by Full Council to maintain a flexible limit on balances held with the Council's bank (NatWest) to equal that of £5,000k plus the balance of any emergency grant funds being administered.

### **Fair Value Disclosure of PWLB Loans**

The Fair Value of Public Works Loan Board (PWLB) loans of £32,385k represents what the Council would need to pay in order to settle the outstanding loans with PWLB. The difference between the carrying amount and the fair value (£925k) measures the discount on early settlement due to the rise in interest rates since the loan was taken out.

### **Fair Value Disclosure of Long Term Investments (CCLA)**

With the introduction of IFRS 9 the Authority has designated the equity at 31 March 2023 as fair value through Profit and Loss on the Comprehensive Income and Expenditure Statement.

### **Loans and Trade Receivables**

Within the Loans and Trade Receivables figure are the loans between ourselves and our subsidiary company and other parties. The Fair Value of short-term financial assets which are held at Amortised Cost, including Trade Receivables, is assumed to approximate to the carrying amount.

### 31 Long Term Investments

<b>Long Term Investments</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
CCLA Property Fund	5,554	4,639
<b>Total</b>	<b>5,554</b>	<b>4,639</b>

At the 31 March 2023, the Council held 1,634,480 units in the CCLA Local Authorities' Mutual Investment Trust Commercial Property Fund. During 2022/23, the income received amounted to £201k, a 4.02% return for the year. The carrying value of the investment in the Balance Sheet at 31 March 2023 based upon the Fair Value amounted to £4,639k.

### 32 Long Term Debtors (amounts due in more than 12 months)

Income is recognised in the accounts when it becomes due. Income that is due but has not been received at the end of the financial year is carried under the debtors heading in the Balance Sheet.

This debtor balance is reviewed at each year end to assess the recoverability of the sums due and where it is doubtful that debts will be settled the balance of debtors is written down and an impairment charge made to the relevant account for the income that might not be collected. This assessment is carried out using the Council's experience and current knowledge of collection rates for different groups of debtors.

<b>Long Term Debtors (amounts due in more than 12 months)</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
Other entities and individuals	7,422	2,982
<b>Total</b>	<b>7,422</b>	<b>2,982</b>

### 33 Short Term Investments

Below are the temporary investments that the Council held at the end of the financial year:

Bank/Building Society/Local Authority/PCC	Term		Fixed Interest Rate %	2021/22	2022/23
	From	To		£'000	£'000
Surrey Heath Borough Council	10/12/2021	10/06/2022	0.10%	2,000	
Thurrock Council	26/04/2021	25/04/2022	0.40%	2,000	
NBK International PLC	27/07/2021	27/07/2022	0.23%	1,500	
NBK International PLC	22/10/2021	21/10/2022	0.56%	1,500	
Lancashire County Council	25/10/2021	24/10/2022	0.15%	3,000	
Coventry BS	24/11/2021	24/05/2022	0.17%	4,000	
Surrey Heath Borough Council	16/12/2021	16/06/2022	0.10%	2,000	
Thurrock Council	16/12/2021	16/09/2022	0.18%	2,000	
Thurrock Council	14/01/2022	14/07/2022	0.20%	2,000	
Goldman Sachs International Bank	01/02/2022	01/08/2022	0.82%	3,000	
NBK International PLC	04/02/2022	03/02/2023	1.30%	2,000	
Slough Borough Council	15/02/2022	14/02/2023	1.10%	2,000	
Thurrock Council	25/10/2022	24/10/2023	3.55%		2,000
Thurrock Council	14/07/2022	14/04/2023	2.00%		2,000
London Borough of Croydon	24/10/2022	24/04/2023	4.00%		3,000
West Dunbartonshire Council	25/10/2022	25/07/2023	3.90%		2,000
NBK International PLC	15/11/2022	15/05/2023	3.92%		1,500
Santander	01/12/2022	01/06/2023	3.90%		2,500
Aberdeen City Council	26/01/2023	26/05/2023	3.60%		3,000
<b>Total</b>				<b>27,000</b>	<b>16,000</b>



### 34 Assets Held for Sale

Assets classified as held for sale:

<b>Assets Held for Sale</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
<b>Opening Balance</b>	<b>525</b>	<b>470</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(55)	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	-
Derecognition - Disposals	-	(25)
Reclassification	-	(415)
<b>Net Book Value</b>	<b>470</b>	<b>30</b>

The only asset held under the classification “Assets Held for Sale” at 31 March 2023 was:

- Land at Culm Valley Sports Centre, Meadow Lane.

The sale of this land is anticipated to complete in 2023/2024.

### 35 Inventories

The Council holds stock of fuel for its fleet vehicles and materials (such as recycling boxes and maintenance supplies) for its services. At the end of the year, that stock was valued at £367k:

<b>Inventories</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
Raw materials	322	367
<b>Total</b>	<b>322</b>	<b>367</b>

### 36 Short Term Debtors (amounts due in less than 12 months)

Debtors are amounts owed to the Council as at 31 March 2023.

<b>Short Term Debtors (amounts due in less than 12 months)</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
Trade Receivables	1,147	1,117
Central Government Bodies	562	5,598
Other Local Authorities	871	995
NDR Preceptors	1,054	504
Council Tax Preceptors	860	2,394
Housing Benefits	475	404
Other Receivable Amounts	9,335	15,797
Prepayments	274	680
Less Impairment Allowances	(1,739)	(1,866)
<b>Total</b>	<b>12,840</b>	<b>25,623</b>

The main creditors outstanding as at 31 March 2023 are:

- Other Receivable Amounts – this is largely loan repayments due from 3 Rivers Developments Ltd within 12 months of the balance sheet date. The amount attributable as at 31 March 2023 was £14,758k.
- Central Government Bodies – these figures largely relate to £3,710k owed to us by HMRC for reclaimed VAT in March 2023 and a claim for overpaid VAT on sport and leisure services due to a change in vat policy and, £897k of Salix grant funding owed to us by DLUHC.
- Council Tax Preceptors – Please see note 48 for more information
- Trade Receivables – these are amounts outstanding on our sales ledgers and vary due to timing differences in when invoices are raised.
- Other Local Authorities – these amounts include £238k owed by Devon County Council for the Household Support Fund grant payments and £296k for the Waste Shared Savings Scheme and £163k accrued temporary investment interest by other authorities.

### 37 Debtors for Local Taxation

The outstanding debt for local taxation (NDR and Council Tax) can be analysed by age in the table below, the figures for which are included in Notes 36.

Debtors for Local Taxation	Non-Domestic Rates		Council Tax Precepts	
	2021/22	2022/23	2021/22	2022/23
	£'000	£'000	£'000	£'000
<b>Up to one year</b>	<b>106</b>	<b>198</b>	<b>463</b>	<b>504</b>
Less impairment allowance	(46)	(34)	(114)	(116)
Up to one year	60	164	349	388
<b>One to three years</b>	<b>209</b>	<b>221</b>	<b>305</b>	<b>357</b>
Less impairment allowance	(177)	(184)	(176)	(209)
One to three years	32	37	129	148
<b>Over 3 years</b>	<b>53</b>	<b>85</b>	<b>92</b>	<b>120</b>
Less impairment allowance	(52)	(84)	(91)	(119)
Over 3 years	1	1	1	1
<b>Total Debtors for Local Taxation</b>	<b>368</b>	<b>504</b>	<b>860</b>	<b>981</b>
Total Debtors for Local Taxation less impairment allowance	93	202	479	537

### 38 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

The Council held large amounts of cash and cash equivalents in 2021/22 due to very low interest rates at the time. As interest rates started to climb in early 2022, larger amounts were placed into fixed term deposits to take advantage of the higher returns available.

<b>Cash and Cash Equivalents</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
Cash held by the Authority	3	1
Bank current accounts	9,828	3,630
Short-term deposits with financial institutions	-	-
<b>Total</b>	<b>9,831</b>	<b>3,631</b>

### 39 Short Term Creditors (amounts due in less than 12 months)

Creditors are amounts owed by the Council as at 31 March 2023.

<b>Short Term Creditors (amounts due in less than 12 months)</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
Central Government Bodies	(11,628)	(2,914)
NDR Preceptors	(1,298)	(1,857)
Council Tax Preceptors	(1,074)	(195)
Other Local Authorities	(565)	(471)
Trade Payables	(2,242)	(3,694)
Other Payables	(1,038)	(1,360)
<b>Total</b>	<b>(17,846)</b>	<b>(10,491)</b>

The main creditors outstanding as at 31 March 2023 are:

- Central Government Bodies – The movement in these figures of £8,714k is mainly associated with the fact that The Council Tax Energy payment grant (£150) received in March 2022 of £4,229k has been distributed as per government guidance during 2022/23. Also, many of the Covid-19 grants attributable to local businesses have been subject to a reconciliation process with Central Government that has been completed during 2022/23 and resulted in circa £2,279k being repaid to Central Government. In addition the amount of NDR S31 grant paid on account to the Council (to help our cash flow) was reduced due to changes in NDR reliefs for 2022/23 and therefore resulted in a reduced amount of c £2,829k that is required to be returned during 2023/24.
- Trade Payables - These figures relate to amounts payable to our suppliers for goods or services received but not yet paid, in the main because invoices had not been received or the pay terms were not due as at 31 March 2023.
- Council Tax Preceptors – The movement relates to the Precepting Authorities (Devon County Council, Devon & Cornwall Police & Crime Commissioner and Devon & Somerset Fire and Rescue) share of the Collection Fund now being a deficit.
- NDR Preceptors – The movement between 2022/23 and 2021/22 mainly relates to the fact that the deficit on the fund has reduced during 2022/23 and therefore resulted in a movement from a debtor in 2021/22 to a creditor in 2022/23 in respect of each of the preceptors (DLUHC, DCC & D & S Fire).

#### 40 Long Term Creditors (amounts due in more than 12 months)

Long Term Creditors (amounts due in more than 12 months)	2021/22 £'000	2022/23 £'000
Finance Lease Liability	(1,839)	(1,597)
S106 Contributions	(143)	(93)
Central Government Bodies	(118)	-
Other Payables	(38)	(45)
<b>Total</b>	<b>(2,138)</b>	<b>(1,735)</b>

During 2022/23 the finance lease liability has decreased by £241k, the Central Government bodies by £118k as we no longer have a requirement to Pool a proportion of future shares that could be realised from the two remaining properties that we previously sold partial shares under the Rent to Mortgage scheme and, the S106 contributions held as creditors have decreased by £50k. Note 57 gives more details on the finance lease liability.

Monies advanced as S106 contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the contribution is credited to the relevant service line (attributable revenue grants and contributions) in the Comprehensive Income and Expenditure Statement.

## 41 Provisions

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the Provision is reversed and credited back to the relevant service.

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

<b>Provisions</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
Various General Fund	(200)	(200)
Non Domestic Rates (NDR) Appeals	(656)	(676)
<b>Total</b>	<b>(856)</b>	<b>(876)</b>

### Various General Fund

The Provision in 2021/22 related to an ongoing appeal provision. In terms of 2022/23 this appeals provision value has been retained.

### Non Domestic Rates Appeals

The Local Government Finance Act 2012 introduced changes to the accounting arrangements for Non Domestic Rates. These changes require the Council to make a Provision for Appeals for refunding ratepayers who have appealed against the rateable value of their properties on the rating list. The Council has used its best estimate of the expenditure required to settle the present obligation which totals £1,690k in respect of the Non Domestic Rates Collection Fund. The Council's 40% share of this being £676k. The Council continues to take a prudent approach to evaluating the risk.

## Reserves

Reserves are reported in two categories:

1. Usable Reserves – those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).
2. Unusable Reserves – those that the Council is not able to use to provide services. This 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 were sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

### 42 Usable Reserves

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

The categories of reserves are:

- General Fund – the primary fund of the Council. It records all assets and liabilities of the council that are not assigned to a special purpose fund. It provides the resources necessary to sustain the day-to-day activities and thus pays for all administrative and operating expenses;
- Earmarked Reserves – the Council has a number of earmarked reserves, split for use between the General Fund and the HRA, the overall balances are shown below with more detail shown in Note 6;
- Capital Receipts Reserve – represents the capital receipts available to finance capital expenditure in future years, after setting aside any statutory amounts for the repayment of loans. The receipt arising from the disposal of an asset will be classed as a capital receipt, to be used to finance capital expenditure, if it is greater than £20k. If the receipt falls below this threshold it will fall to the Comprehensive Income and Expenditure Statement, in accordance with the Local Government Act 2003;
- Capital Grants Unapplied Reserve – where a capital grant or contribution has been recognised as income in the Comprehensive Income and Expenditure Statement, but the expenditure to be financed from that grant or contribution has not been incurred at the Balance Sheet date, the grant or contribution shall be transferred to the Capital Grants Unapplied Reserve. These balances are a capital resource available to finance expenditure.

Movements in the Authority's Usable Reserves are detailed below and in the Movement in Reserves Statement.

Usable Reserves	Balance at	Movement	Balance at	Movement	Balance at
	1/4/2021		31/3/2022		31/3/2023
	£'000	£'000	£'000	£'000	£'000
General Fund Balance	(2,186)	(29)	(2,215)	190	(2,025)
Earmarked General Fund Reserves	(20,247)	(408)	(20,655)	2,495	(18,160)
<b>General Fund Total</b>	<b>(22,433)</b>	<b>(437)</b>	<b>(22,870)</b>	<b>2,685</b>	<b>(20,184)</b>
Housing Revenue Account	(2,000)	-	(2,000)	-	(2,000)
Earmarked HRA Reserves	(19,567)	(1,666)	(21,233)	(957)	(22,190)
Capital HRA Reserves	(1,207)	(210)	(1,417)	42	(1,375)
<b>HRA Total</b>	<b>(22,774)</b>	<b>(1,876)</b>	<b>(24,650)</b>	<b>(915)</b>	<b>(25,565)</b>
Capital Receipts Reserve	(5,498)	(1,031)	(6,529)	(780)	(7,309)
Capital Grants Unapplied	(2,625)	(72)	(2,697)	132	(2,565)
<b>Capital Total</b>	<b>(8,123)</b>	<b>(1,103)</b>	<b>(9,226)</b>	<b>(648)</b>	<b>(9,874)</b>
<b>Total Usable Reserves</b>	<b>(53,329)</b>	<b>(3,416)</b>	<b>(56,745)</b>	<b>1,122</b>	<b>(55,624)</b>

#### 43 Unusable Reserves

Unusable Reserves	Note	2021/22	2022/23
		£'000	£'000
Revaluation reserve	44	(15,985)	(18,124)
Capital Adjustment Account	45	(137,202)	(147,660)
Deferred Capital Receipts Reserve	46	(39)	(157)
Pensions Reserve	47	56,988	16,077
Collection Fund Adjustment Account	48	1,412	141
Accumulating Compensated Absences Adjustment Account	49	258	204
Financial Instruments Adjustment Account	9	(554)	361
<b>Total</b>		<b>(95,122)</b>	<b>(149,158)</b>



#### 44 Revaluation Reserve

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

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

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

<b>Revaluation Reserve</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
<b>At 1 April</b>	<b>(15,383)</b>	<b>(15,985)</b>
Upward revaluation of assets	(2,192)	(3,108)
Downward revaluation of assets and impairment losses not posted to the Surplus on the Provision of Services	1,049	400
<b>Total of revaluations (surplus)/deficit</b>	<b>(1,143)</b>	<b>(2,708)</b>
<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus on the Provision of Services</b>	<b>(16,526)</b>	<b>(18,693)</b>
Accumulated gains on assets sold	73	-
Difference between fair value depreciation and historical cost depreciation	468	570
<b>Amount written off to Capital Adjustment Account</b>	<b>541</b>	<b>570</b>
<b>At 31 March</b>	<b>(15,985)</b>	<b>(18,124)</b>

#### 45 Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from 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 the acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert Fair Value figures to a Historical Cost basis). The account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction or enhancement.

The account contains revaluation gains and losses on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

<b>Capital Adjustment Account</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
<b>At 1 April</b>	<b>(134,771)</b>	<b>(137,202)</b>
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</b>		
Charges for Depreciation and Impairment of Non Current Assets	4,588	4,754
Revaluation gains on Property, Plant and Equipment	(2,102)	(4,825)
Revenue Expenditure Funded from Capital Under Statute	1,367	956
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	1,557	730
Adjusting amounts written out of the Revaluation Reserve	(468)	(570)
<b>Net written out amount of the cost of non current assets consumed in the year</b>	<b>(129,830)</b>	<b>(136,156)</b>
<b>Capital financing applied in the year</b>		
Use of the Capital Receipts Reserve to finance new capital expenditure	(1,484)	(865)
Use of the Major Repairs Reserve to finance new capital expenditure	(2,411)	(2,770)
Capital grants and contributions credited to Comprehensive Income and Expenditure Statement that have been applied to capital financing	(746)	(4,058)
Application of grants to capital financing from the Capital Grants Unapplied Account	(621)	(910)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(1,633)	(3,840)
Capital expenditure charged against the General Fund and HRA balances	(478)	(1,248)
Impairment of financial instruments classified as capital transactions	-	2,186
<b>At 31 March</b>	<b>(137,202)</b>	<b>(147,660)</b>

#### 46 Deferred Capital Receipts Reserve

This Deferred Capital Receipts Reserve relates to the rent to mortgage scheme that operated some time ago. Under the scheme, homeowners were able to buy a share in their property; in the future, they are able to buy part or the entire remaining share. There are two remaining properties under this scheme; these have been revalued during 2022/23 to give up-to-date figures of the amount that would be received if the remaining Council share were to be sold to the homeowner.

	2021/22	2022/23
<b>Deferred Capital Receipts Reserve</b>	<b>£'000</b>	<b>£'000</b>
<b>At 1 April</b>	(39)	(157)
Transfer to the Capital Receipts Reserve upon receipt of cash	-	-
<b>At 31 March</b>	<b>(39)</b>	<b>(157)</b>

#### 47 Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements in accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by the 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.

	2021/22	2022/23
<b>Pensions Reserve</b>	<b>£'000</b>	<b>£'000</b>
<b>At 1 April</b>	77,149	56,988
Remeasurement of net defined liability	(24,461)	(45,072)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	7,190	7,224
Employer's pension contributions and direct payments to pensioners payable in the year	(2,891)	(3,063)
<b>At 31 March</b>	<b>56,988</b>	<b>16,077</b>

Pension reserve balance includes £890k relating to the secondary rate contribution for 2022/23 paid in advance during 2020/21.

## 48 Collection Fund Adjustment Account

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

<b>Collection Fund Adjustment Account - Council Tax</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
<b>At 1 April</b>	92	(303)
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	(395)	376
<b>At 31 March</b>	<b>(303)</b>	<b>73</b>

The balance of £73k represents MDDC's share (13.29%) of the overall Council Tax Collection Fund deficit of £553k at 31 March 2023 (£2,274k surplus at 31 March 2022) (see the Collection Fund income and expenditure account).

The NDR Adjustment Account manages the differences arising from the recognition of the NDR income in the Comprehensive Income and Expenditure Statement as it falls due from NDR taxpayers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

<b>Collection Fund Adjustment Account - Non Domestic Rates</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
<b>At 1 April</b>	3,460	1,715
Amount by which NDR income credited to the Comprehensive Income and Expenditure Statement is different from the NDR income calculated for the year in accordance with statutory requirements	(1,744)	(1,648)
<b>At 31 March</b>	<b>1,715</b>	<b>67</b>

The balance of £67k represents MDDC's share (40%) of the overall NDR Collection Fund deficit of £267k at 31 March 2023 (£4,348k deficit at 31 March 2022), which is £107k; reduced by the element retained from Renewable Energy Schemes of £38k and additional £2k from Cost of Collection Grant.

#### 49 Accumulated Compensating Absences Adjustment Account

<b>Accumulating Compensating Absences Adjustment Account</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
<b>At 1 April</b>	<b>371</b>	<b>258</b>
Settlement or cancellation of accrual made at the end of the preceding year	(371)	(258)
Amounts accrued at the end of the current year	258	204
<b>At 31 March</b>	<b>258</b>	<b>204</b>

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund and HRA 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 and HRA balance is neutralised by transfers to or from the Accumulated Absences Account.

The year-on-year reduction in this year's accrual is due to annual leave balances across the Council reducing to more normal levels. In 2021/22, these balances remained high reflecting the additional demands placed on the Council as a result of Covid-19. Management decided in 2022/23 that the maximum annual leave carried forward would revert to the normal 3 working days following 2 years of higher carry forward levels due to Covid-19.

## Notes to Support the Cash flow Statement

### 50 Cash Flow – Non-Cash Items

The surplus or deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement has been adjusted for the following non-cash movements:

Cash Flow	2021/22	2022/23
	£'000	£'000
Depreciation	4,588	4,754
Amortisation	-	-
Impairment	(2,101)	(4,825)
Increase/(Decrease) in Impairment for Bad Debt	172	127
Increase/(Decrease) in Creditors	1,635	(2,331)
Increase/(Decrease) in Provisions	(13)	20
(Increase)/Decrease in Debtors	195	(8,470)
(Increase)/Decrease in Inventories	(7)	(45)
Carrying Amount of Non-Current Assets Sold	1,630	730
Pension Liability Reversal	4,299	4,161
Fair Value Equity Instrument Revaluation	(829)	916
Other Adjustments*	1	1
<b>Total</b>	<b>9,570</b>	<b>(4,962)</b>

## 51 Cash Flow – Adjustment for Items in the Net Surplus or Deficit on the Provision of Services that are Investing or Financing Activities

The surplus or deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement has been adjusted to remove the following investing and financing activities, leaving just cash flows from operating activities:

<b>Cash Flow - Adjustment</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>
Other receipts from financing activities	(156)	(3,879)
REFCUS adjustment	1,367	956
Proceeds from the sale of property, plant and equipment & investment property	(2,788)	(1,778)
Interest Paid	1,220	1,175
Interest received	(843)	(1,671)
Difference between preceptors share and amount of NDR paid to them	-	-
<b>Total</b>	<b>(1,199)</b>	<b>(5,198)</b>

## 52 Cash Flow – Operating Activities on the Balance Sheet

The cash flows from operating activities include the following items through the Balance Sheet:

Cash Flow Statement - Operating activities on the Balance Sheet	2021/22 £'000	2022/23 £'000
<b>Covid Business Grant Funds Received</b>		
Self Isolation Payments	247	16
Restart Grants	6,186	81
Omicron Grants	1,608	-
Council Tax Energy Rebate	4,229	144
Alternative Fuel Payment £400		331
Alternative Fuel Payment £200		146
Homes for Ukraine		1,200
<b>Covid Business Grant Funds Paid to Businesses/Beneficiaries</b>		
NDR Business Support Grant	(2,602)	2
National Scheme (LRSG)	(178)	(272)
Tier 2 Open	2	(4)
Tier 2 Closed	(17)	(30)
Tier 2/3 Pub	(11)	-
Lockdown 3 Closed	(574)	(718)
Lockdown 3 Addendum	(655)	(660)
Self Isolation Payments	(314)	-
Restart Grants	(6,247)	7
Omicron Grants	(1,015)	(593)
Council Tax Energy Rebate	-	(4,326)
Alternative Fuel Payment £400		(56)
Alternative Fuel Payment £200		(23)
Homes for Ukraine		(462)
Forward Funding of Pension Fund Deficit Contribution	859	890
<b>Balance of Grant Funds held on the Balance Sheet</b>	<b>1,518</b>	<b>(4,327)</b>



### 53 Cash Flow – Investing Activities

Investing activities included within the Cash Flow Statement are as follows:

<b>Cash Flow Statement - Investing Activities</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
Purchase of property, plant and equipment & investment property	(4,490)	(10,752)
Other cash payments (REFCUS)	(1,367)	(956)
Proceeds from the sale of property, plant and equipment & investment property	2,788	1,778
Capital grants received	156	3,879
Sale of long-term investments	-	-
Purchase of temporary investments	(9,500)	11,000
Other investing activities	-	-
Interest received	843	1,671
Interest paid	(1,220)	(1,175)
<b>Net cash flows from investing activities</b>	<b>(12,791)</b>	<b>5,445</b>

### 54 Cash Flow – Financing Activities

Financing activities included within the Cash Flow Statement are as follows:

<b>Cash Flow Statement - Financing Activities</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
Cash payments for the reduction of the outstanding liabilities relating to finance leases	(343)	(366)
PWLB debt repayment	(1,870)	(1,924)
<b>Net cash flows from financing activities</b>	<b>(2,213)</b>	<b>(2,291)</b>

## 55 Grant Income

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 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.

The Authority credited the following Grants, Contributions, Donations and Other Taxation Income to the Comprehensive Income and Expenditure Statement during the year.

### Within Taxation and Non-Specific Grants (also see Note 10)

Credited to Taxation and Non Specific Grant Income	2021/22 £'000	2022/23 £'000
New Homes Bonus	(959)	(719)
Rural Services Delivery Grant	(490)	(490)
Lower Tier Service Grant	(179)	(101)
Services Grant	-	(153)
Covid-19 Non-Ring Fenced Government Grants	(408)	-
Covid Income Compensation Scheme	(414)	-
Covid Additional Scheme (ARG)	(949)	-
Covid Additional Scheme (ARG) spent in year	860	-
Covid Additional Scheme (ARG) - Government Department Creditor as scheme subject to reconciliation in 22/23	104	-
Economic Vulnerability & Financial Hardship	(184)	-
Economic Vulnerability & Financial Hardship spent in year	185	-
Other Non-Ring Fenced Government Grants	(20)	(28)
<b>Total</b>	<b>(2,454)</b>	<b>(1,490)</b>

## Credited to Services

Credited to Services	2021/22 £'000	2022/23 £'000
Business Rates - Cost of Collection Grant	(115)	(118)
Contain Outbreak Management Fund	(105)	(55)
Council Tax Rebate Scheme New Burdens	-	(137)
Flexible Housing & Homelessness Grant	(197)	(229)
Garden Village Grant - Capacity Funding	(123)	-
Gardens Communities Programme - J28 Feasibility Work	-	(800)
Historic England	(113)	(227)
Housing Benefit & CTB Admin Grant	(238)	(228)
Housing Benefit Subsidy	(11,167)	(10,739)
Household Support Fund	-	(508)
Homes For Ukraine - Service funding & staffing costs	-	(124)
Local Council Tax Support Administration Subsidy Grant (LCTSS top-up )	(107)	-
NDR New Burdens	(158)	(66)
Rough Sleeping Initiative	(146)	(129)
Salix - Decarbonisation Funding	-	(112)
Section 106 Contributions	(1,344)	(1,323)
Other Grants & Contributions	(753)	(564)
<b>Total</b>	<b>(14,566)</b>	<b>(15,359)</b>

## Capital Grants applied to the Income and Expenditure Account

<b>Capital Grants Receipts in Advance (non-current)</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
Affordable Housing (S106)	(156)	(130)
Disabled Facilities Grants	-	(227)
One Public Estate Grant	-	(280)
Homes and Communities Agency Grant	-	(519)
Salix Grant	-	(2,723)
<b>Total</b>	<b>(156)</b>	<b>(3,879)</b>

### 56 Contingent Liabilities

The Authority has no Contingent Assets or Contingent Liabilities at the 31 March 2023.

### 57 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.

#### Authority as Lessee

##### Finance Leases

Vehicles, Plant and Equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception. The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Lease payments are apportioned between:

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

During 2019/20 the Council entered into a fleet contract, meaning any new vehicle will now be supplied under a Finance Lease agreement. The assets acquired under these leases are carried as Vehicles, Plant and Equipment in the Balance Sheet at the net amounts below.

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the asset acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

The minimum lease payments will be payable over the following periods:

### Future Minimum Lease Payments

<b>Finance Leases - Future Minimum Lease Payments</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>
Not later than one year - Vehicles	301	334
Not later than one year - Equipment	49	49
	<b>350</b>	<b>383</b>
Later than one year and not later than five years - Vehicles	1,137	1,126
Later than one year and not later than five years - Equipment	99	49
	<b>1,236</b>	<b>1,175</b>
Later than five years - Vehicles	603	422
Later than five years - Equipment	-	-
	<b>603</b>	<b>422</b>
<b>Total</b>	<b>2,189</b>	<b>1,980</b>

## 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. 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 reason for reduction in rental income is that some operating leases are due to expire in future years.

The future minimum lease payments due in future years are:

<b>Operating Leases - Future Minimum Lease Payments</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>
Not later than one year - Land & Buildings	180	180
	<b>180</b>	<b>180</b>
Later than one year and not later than five years - Land & Buildings	540	360
	<b>540</b>	<b>360</b>
Later than five years - Land & Buildings	-	-
	-	-
<b>Total</b>	<b>720</b>	<b>540</b>

## Lease Payments incurred during the year

<b>Lease Payments incurred during the year</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>
Operating Leases for Land and Buildings	178	180
Hire payments for vehicles, plant and equipment	68	89
<b>Total</b>	<b>246</b>	<b>269</b>

## Authority as Lessor

### Finance Leases

The Authority holds no Finance leases as Lessor.

## Operating Leases

The Authority leases out Land and Buildings under operating leases for the following purposes:

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

## Future Minimum Lease Payments Receivable

<b>Future Operating Leases</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>
Not later than one year - GF Land & Buildings	373	284
Not later than one year - Industrial Units	10	7
Not later than one year - HRA Commercial Units	66	57
	<b>449</b>	<b>348</b>
Later than one year and not later than five years - GF Land & Buildings	782	771
Later than one year and not later than five years - Industrial Units	27	20
Later than one year and not later than five years - HRA Commercial Units	65	52
	<b>874</b>	<b>843</b>
Later than five years - GF Land & Buildings	572	530
Later than five years - Industrial Units	-	-
Later than five years - HRA Commercial Units	-	-
	<b>572</b>	<b>530</b>
<b>Total</b>	<b>1,895</b>	<b>1,721</b>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. For HRA income from Council Dwellings and Garage Rents please see the HRA Income and Expenditure Account. The reason for the decrease in rental income is due to a number of leases coming to an end within the next couple of years.

## 58 Revaluation Losses and Revaluation Reversals

Where property valuations fall and there is no revaluation reserve, the drop in value is charged to the relevant service in the Comprehensive Income and Expenditure Statement. This is then reversed out in the Adjustments between Accounting Basis and Funding Basis under Regulations so that the Council Tax payer is not charged. Where property prices subsequently rise in later years then the Comprehensive Income and Expenditure Statement can only be credited to the sum of the maximum charged to the Comprehensive Income and Expenditure Statement in earlier years, with any excess then being credited to the revaluation reserve.

If there is a revaluation reserve in relation to the property, this reserve is used as a first “call” to mitigate a downward valuation.

The following amounts have been charged or credited (negative figures represent revaluations following a decrease in value) to the Comprehensive Income and Expenditure Statement following the revaluation of certain properties. See Note 27 for further details of the Non-Current Asset Valuation.

Impairment Losses and Reversals	2021/22	2022/23
	£'000	£'000
Council Dwellings	2,171	5,581
Other Land & Buildings	(70)	(756)
<b>Total</b>	<b>2,101</b>	<b>4,825</b>

The net revaluation increase of £4,825k is primarily attributable to an increase in house prices during 2022/23; which has resulted in an increased value of Council Dwellings.

## 59 Post Balance Sheet Events

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date the Statement of Accounts is authorised for issue. There are two distinct types: those that existed at the balance sheet date where the accounts should be adjusted to reflect these; and those which arose after the balance sheet date which require disclosure in the notes to the accounts if material.

### 3 Rivers Developments Limited

On 6 September 2023, Mid Devon District Council (the company’s 100% parent) agreed to “soft close” the company, with all assets being realised and a commitment to paying all contractors, suppliers and tradesmen in full.

Mid Devon District Council has therefore undertaken a review to assess whether any amendments are required to either the Council’s single entity accounts or the Group accounts. Clearly, this means that the company can no longer be considered a going concern. However, for the single entity, this does not alter the going concern status as it holds sufficient balances to mitigate the impact of the impairments.

The assessment of the impairments required to the loans to 3Rivers as at 31 March 2023 included within the accounts is £4.527m based on a net realisable value for the sale of St George’s Court, the estimated value of the land held at Knowle Lane, the value of the costs incurred in seeking planning permission on Park Nursery and the forecast unrecoverable Working Capital given the company is no longer permitted to undertake new developments. The final loan impairments required in closing the company will be included within the 2023/24 Accounts. This is estimated to be c£1.5m largely relating to Working Capital as the company can no longer pay this loan back through generating profits.



## 14 Housing Revenue Account (HRA) Income and Expenditure Account

This section is a summary of our spending on housing services and where we got the money from to do so.

HRA Income and Expenditure Account		2021/22	2022/23
	Note	£'000	£'000
<b>Expenditure</b>			
Repairs and Maintenance		3,228	3,920
Supervision and Management		3,450	3,724
Depreciation and impairment/(revaluation) of non-current assets	73	457	(2,295)
Rents, Rates, Taxes and Other Charges		72	75
Increase/(Decrease) in bad debt provision		99	134
<b>Total Expenditure</b>		<b>7,306</b>	<b>5,558</b>
<b>Income</b>			
Dwelling Rents	72	(12,291)	(12,769)
Non-dwelling Rents		(515)	(513)
Other Chargeable Services and Facilities		(332)	(360)
<b>Total Income</b>		<b>(13,139)</b>	<b>(13,642)</b>
<b>Net Expenditure or Income of HRA Services as included in the Whole Authority Comprehensive Income and Expenditure Statement</b>		<b>(5,833)</b>	<b>(8,084)</b>
HRA services share of Corporate and Democratic Core		139	153
HRA share of other amounts included in the whole Authority Net expenditure of continuing operations but not allocated to specific services		171	175
<b>Net Income of HRA Services (NB: Expenditure if positive)</b>		<b>(5,523)</b>	<b>(7,756)</b>
(Gain)/loss on sale of HRA fixed assets		(1,145)	(1,058)
Interest payable and similar charges - see note below	74	1,023	974
Interest and investment income		(30)	(272)
Capital grants and contributions receivable		-	(799)
<b>(Surplus) for the year on HRA Services</b>		<b>(5,675)</b>	<b>(8,912)</b>

## Movement on the HRA Statement

This summarises the income and expenditure on HRA services included in the Authority's Comprehensive Income and Expenditure Statement (comprising as well as the amounts included in the Authority's Net Cost of Services for the HRA, the HRA's share of amounts included in the Authority's Net Service Cost but not allocated to individual services and the HRA's share of operating income and expenditure such as Pension Interest Costs and Expected Return on Pension Assets).

<b>Movement on the HRA Statement</b>	<b>Note</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>
<b>Balance on the HRA at the end of the previous year</b>		<b>(2,000)</b>	<b>(2,000)</b>
Deficit / (Surplus) for the year on the HRA Income and Expenditure Account		(5,623)	(8,912)
Adjustments between accounting basis and funding basis under statute	60	3,958	7,954
<b>Net (increase) or decrease before transfers to or from reserves</b>		<b>(1,665)</b>	<b>(959)</b>
Transfers (to) or from reserves		1,665	958
<b>(Increase) or decrease in year on the HRA</b>		<b>-</b>	<b>(1)</b>
<b>Balance on the HRA at the end of the year</b>		<b>(2,000)</b>	<b>(2,001)</b>

## 60 Adjustments between Accounting Basis and Funding Basis under Regulations – HRA

This section shows the statutory adjustments we have to make to arrive at the final charge for Council Housing.

Adjustments	Usable Reserves					Total Usable Reserves	Unusable Reserves	
	2022/23	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied			Movement in Unusable Reserves
		£'000	£'000	£'000	£'000			
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>								
<b>Adjustments involving the Capital Adjustment Account</b>								
Charges for depreciation and impairment of non current assets	(2,727)	-	-	-	-	2,727		
Revaluation (losses)/gains on Property, Plant and Equipment	5,022	-	-	-	-	(5,022)		
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	(684)	-	-	-	-	684		
Capital grants and contributions applied	799	-	-	-	-	(799)		
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>								
Statutory provision for the financing of capital investment	972	-	-	-	-	(972)		
Capital expenditure charged against the General Fund and HRA balances	666	-	-	-	-	(666)		
Application of grants to capital financing transferred to the Capital Adjustment account	-	-	-	-	-	-		
<b>Adjustments involving the Capital Receipts Reserve</b>								
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,515	(1,515)	-	-	-	-		
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	(16)	16	-	-	-	-		
<b>Adjustments involving the Deferred Capital Receipts Reserve</b>								
Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	228	-	-	-	-	(228)		
Transfer of deferred capital receipts realised in year to the Capital Receipts Reserve	-	(110)	-	-	-	110		
<b>Subtotal</b>	<b>5,775</b>	<b>(1,609)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,166)</b>		

Adjustments  2022/23	Usable Reserves					Unusable Reserves
	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance Brought Forward</b>	5,775	(1,609)	-	-	-	(4,166)
<b>Adjustment involving the Major Repairs Reserve</b>						
Reversal of Major Repairs Allowance credited to the HRA	2,727	-	(2,727)	-	-	-
Use of the Major Repairs Allowance to finance new capital expenditure	-	-	2,770	-	-	(2,770)
<b>Adjustment involving the Pensions Reserve</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(560)	-	-	-	-	560
<b>Adjustment involving the Accumulated Absences Account</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	12	-	-	-	-	(12)
<b>Total Adjustments</b>	<b>7,954</b>	<b>(1,609)</b>	<b>42</b>	<b>-</b>	<b>-</b>	<b>(6,387)</b>

Adjustments	Usable Reserves			Unusable Reserves
	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Movement in Unusable Reserves
2021/22	£'000	£'000	£'000	£'000
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>				
<b>Adjustments involving the Capital Adjustment Account</b>				
Charges for depreciation and impairment of non current assets	(2,629)	-	-	2,629
Revaluation (losses)/gains on Property, Plant and Equipment	2,172	-	-	(2,172)
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	(1,626)	-	-	1,626
Capital grants and contributions applied				
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>				
Statutory provision for the financing of capital investment	962	-	-	(962)
Capital expenditure charged against the General Fund and HRA balances	300	-	-	(300)
<b>Adjustments involving the Capital Receipts Reserve</b>				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,771	(2,771)	-	-
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	(38)	38	-	-
<b>Subtotal</b>	<b>1,912</b>	<b>(2,733)</b>	<b>-</b>	<b>821</b>

Adjustments	Usable Reserves			Unusable Reserves
	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Movement in Unusable Reserves
2021/22	£'000	£'000	£'000	£'000
<b>Balance Brought Forward</b>	1,912	(2,733)	-	821
<b>Adjustment involving the Major Repairs Reserve</b>				
Reversal of Major Repairs Allowance credited to the HRA	2,621	-	(2,621)	-
Use of the Major Repairs Allowance to finance new capital expenditure	-	-	2,411	(2,411)
<b>Adjustment involving the Pensions Reserve</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(553)	-	-	553
<b>Adjustment involving the Accumulated Absences Account</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	28	-	-	(28)
<b>Total Adjustments</b>	<b>4,009</b>	<b>(2,733)</b>	<b>(211)</b>	<b>(1,065)</b>

## 61 Housing Stock

The Housing Revenue Account owned and managed the following property:

<b>Housing Stock</b>	<b>Council Housing No. of Units</b>	<b>Other Land &amp; Buildings No. of Units</b>	<b>Total No. of Units</b>
<b>At 1 April 2022</b>	<b>2,969</b>	<b>1,256</b>	<b>4,225</b>
Additions	3	-	3
Sales	(12)	-	(12)
Reclassified	-	(1)	(1)
<b>At 31 March 2023</b>	<b>2,960</b>	<b>1,255</b>	<b>4,215</b>

## 62 Number of Dwellings by Type

<b>Type Of Dwelling</b>	<b>2021/22 No. of Units</b>	<b>2022/23 No. of Units</b>
Houses	1,374	1,363
Bungalows	1,006	1,005
Flats	589	592
<b>Total</b>	<b>2,969</b>	<b>2,960</b>

### 63 HRA Dwelling Valuation

The vacant possession value of dwellings in the HRA is £453,568k as at the 1 April 2023, up by £17,438k from the previous year. This definition assumes that vacant possession would be provided on completion of the sale of all the dwellings. A second value of £158,749k represents the value of the property portfolio as Social Housing. The difference between these two figures reflects the economic costs to the sector of providing Social Housing at less than market rents. For 2022/23, the discount applied to determine this second valuation is 65%.

<b>HRA Dwelling Valuation continued</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
Vacant Possession Value	436,130	453,568
Existing Use Value for Social Housing (EUV-SH) @ 35%	152,646	158,749

### 64 HRA Non-Current Asset Values

<b>HRA Non-Current Asset Values</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
Dwellings	152,646	158,749
Other land and buildings	7,775	7,159
Vehicles, plant and equipment	116	158
Surplus Sites	33	-
Infrastructure assets	153	144
Assets under Construction	743	4,079
<b>Total</b>	<b>161,464</b>	<b>170,288</b>



## 65 Capital Expenditure

Capital expenditure within the HRA for 2022/23 and how it has been funded is shown below:

<b>Expenditure</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>
Improvements to dwellings	2,769	3,415
Construction of dwellings & RTB buybacks	789	256
Assets under Construction	638	3,223
<b>Total</b>	<b>4,196</b>	<b>6,894</b>

<b>Funding</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>
Major repairs reserve	2,411	2,770
Capital grants	-	799
Revenue contribution	300	666
Borrowing	1	1,859
Usable capital receipts	1,484	800
<b>Total</b>	<b>4,196</b>	<b>6,894</b>

## 66 Major Repairs Reserve

The Authority is required to hold a Major Repairs Reserve, which ensures a sufficient element of the HRA's resources are being used on capital expenditure to maintain and upgrade the standard of the Council's HRA dwellings. This account is credited with a value equal to depreciation charged on fixed assets (excluding leases) for the year. The idea being that if an amount equal to depreciation for the year is spent on upgrading the properties, their value should be maintained at a consistent level.

<b>Major Repairs Reserve</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>
<b>At 1 April</b>	<b>1,207</b>	<b>1,417</b>
Amount transferred from Housing Revenue Account	2,621	2,727
Capital expenditure incurred during the year	(2,411)	(2,770)
<b>At 31 March</b>	<b>1,417</b>	<b>1,375</b>

## 67 Capital Receipts

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

<b>Capital Receipts</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
Sale of council houses	2,771	1,515
<b>Total</b>	<b>2,771</b>	<b>1,515</b>

## 68 Pension Liability: Current Year Costs

Each year the HRA Income and Expenditure Account is charged with an amount to reflect the true cost of pension contributions in relation to that year. Since this is not an actual cost in year, it is reversed out again in Note 60.

<b>Pension Liability: Current Year Costs</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
Net interest on the defined benefit liability	(553)	(560)
<b>Total</b>	<b>(553)</b>	<b>(560)</b>

## 69 HRA Arrears

At 31 March 2023, the total arrears as a proportion of gross dwelling rent income (£12,769k) totalled 5.7% (4.8% at 31 March 2022). Rent written off during 2022/23 amounted to £16k (£30k in 2021/22). The breakdown of the total arrears is shown below.

<b>HRA Arrears</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
Rent (dwellings & garages)	433	525
Housing benefit overpayments	14	20
Court costs	14	16
Rechargeable Repairs	101	141
Other	28	29
<b>Total</b>	<b>591</b>	<b>732</b>

## 70 Bad Debt Provision

The provision for bad debt for the HRA stands at £614k as at 31 March 2023 (£480k as at 31 March 2022). The uncertainties around future cost of living pressures has been a consideration in the increased level of provision. Current tenant arrears are being provided for at 80%.

## 71 Rents Paid in Advance

<b>Rents Paid in Advance</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>
Dwellings rental income paid in advance	163	188

## 72 Dwelling Rents

This represents the total rent income due for the year after allowing for a forecast of voids and other adjustments. The rents set averaged at £83.92 per week based on a 52 week year (2021/22 £80.70).

## 73 Depreciation of Fixed Assets

### Depreciation

<b>Operational Assets</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>
Dwellings	2,408	2,482
Other Land and Buildings	202	216
Infrastructure	9	8
Vehicles, Plant and Equipment	11	21
<b>Total</b>	<b>2,629</b>	<b>2,727</b>

**Revaluation Losses and Revaluation Reversals** – Please also see comments on Note 58.

The net revaluation increase of £5,022k is primarily attributable to an increase in house prices during 2022/23; which has resulted in an increased value of Council Dwellings.

	2021/22	2022/23
Operational Assets	£'000	£'000
Dwellings	(2,171)	(5,581)
Other Land and Buildings	(1)	559
<b>Total</b>	<b>(2,172)</b>	<b>(5,022)</b>

#### 74 Interest Payable and Similar Charges

Interest payable and similar charges	2021/22	2022/23
	£'000	£'000
Interest charges on finance leases	4	7
PWLB loan interest - HRA self financing	975	925
Internal self financing - General Fund (Wells Park, Crediton)	44	42
<b>Total</b>	<b>1,023</b>	<b>974</b>

#### 75 Self Financing Settlement Payment

As part of the replacement of the HRA subsidy system in 2012, Mid Devon District Council made a one-off settlement payment of £46,590k. The size of this is based on a valuation of the Council's housing service over the 30 years from 2012-2042. In order to fund it, the Council have taken on a loan from the Public Works Loan Board (PWLB) and will be required to make payments of £2,645k per annum (made up of £925k interest and £1,720k principal in 2022/23).

Self Financing Settlement Payment	2021/22	2022/23
	£'000	£'000
<b>Opening Balance</b>	<b>(33,563)</b>	<b>(31,893)</b>
Repaid in Year	1,670	1,720
<b>Closing Balance</b>	<b>(31,893)</b>	<b>(30,173)</b>

## 15 The Collection Fund Income and Expenditure Account

The Collection Fund Statement is a record of revenue expenditure and income relating to the Council's role as a Billing Authority for Council Tax and Non-Domestic Rates (NDR) in accordance with the requirements of Section 89 of the Local Government Finance Act 1988. Its primary purpose is to show the transactions of the Billing Authority in relation to the collection from taxpayers of tax due and its distribution to other local authorities, major preceptors and the Government. Collection Fund Statement items are only included within the Comprehensive Income and Expenditure Account and Balance Sheet when they relate to the Council's own entitlements or commitments as distinct from those of Local Government or Central Government partners. Amounts owed to or owing by taxpayers at the Balance Sheet date are therefore not shown in the Council's Balance Sheet with the exception of the proportion of Council Tax to which the Council itself is entitled.

It also shows how the Council Tax income is distributed between Mid Devon District Council, Devon County Council, Devon and Cornwall Police and Crime Commissioner and Devon and Somerset Fire and Rescue Authority, and the Non-Domestic Rates (NDR) income is distributed between Mid Devon District Council, Devon County Council and Devon and Somerset Fire and Rescue Authority.

Billing authorities in England are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and Non-Domestic Rates (NDR). The fund key features relevant to accounting for Council Tax in the core financial statements are:

- While the Council Tax income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the General Fund of the Billing Authority or paid out of the Collection Fund to major preceptors.
- Council Tax income included in the Comprehensive Income and Expenditure Account for the year shall be the accrued income for the year. The difference between the income included in the Comprehensive Income and Expenditure Account and the amount required by regulation to be credited to the Collection Fund shall be taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

Since the collection of Council Tax and Non-Domestic Rates Income is in substance an agency arrangement:

- Cash collected by the Billing Authority from Council Tax debtors belongs proportionately to the Billing Authority and the major preceptors. There will be therefore a debtor/creditor position between the Billing Authority and each major preceptor to be recognised since the net cash paid to each major preceptor in the year will not be its share of the cash collected from Council Tax taxpayers.
- Cash collected from NDR taxpayers by Billing Authorities (net of the cost of collection allowance) belongs to the Government and major preceptors and the amount not yet paid to them at the Balance Sheet date shall be included in the Balance Sheet as a creditor; similarly, if cash paid to the Government and major preceptors exceeds the cash collected from NDR taxpayers (net of the Billing Authority's cost of collection allowance), the excess shall be included in the Balance Sheet as a debtor.

## Council Tax

This section summarises how the money we collected through Council Tax is distributed between the major precepting authorities.

<b>The Collection Fund Income and Expenditure Account - Council Tax</b>		<b>2021/22</b>	<b>2022/23</b>
	<b>Notes</b>	<b>£'000</b>	<b>£'000</b>
<b>Income</b>			
Council Tax receivable		(63,514)	(66,030)
Transfer for Transitional Relief, S13A Reliefs and discount for prompt payment		2	9
<b>Total Income</b>		<b>(63,512)</b>	<b>(66,021)</b>
<b>Expenditure</b>			
<b>Precepts, Demands and Shares</b>	79		
- Devon County Council		43,214	46,400
- Mid Devon District Council		6,115	6,524
- Devon and Cornwall Police and Crime Commissioner		6,764	7,350
- Devon and Somerset Fire and Rescue Authority		2,573	2,736
- Parish Precepts		1,984	2,145
		<b>60,650</b>	<b>65,155</b>
<b>Charges to Collection Fund</b>			
- Change in allowance for impairment		770	686
		<b>770</b>	<b>686</b>
<b>Apportionment of previous year's surplus/(deficit)</b>			
- Devon County Council		(609)	2,143
- Mid Devon District Council		(115)	401
- Devon and Cornwall Police and Crime Commissioner		(94)	336
- Devon and Somerset Fire and Rescue Authority		(37)	127
		<b>(855)</b>	<b>3,007</b>
<b>Total Expenditure</b>		<b>60,565</b>	<b>68,848</b>
<b>(Surplus) / Deficit for the year</b>		<b>(2,948)</b>	<b>2,827</b>
<b>Opening Balance at 1st April</b>		<b>673</b>	<b>(2,274)</b>
<b>Closing Balance at 31 March</b>	48	<b>(2,274)</b>	<b>553</b>

The £553k represents the overall deficit on the Council Tax element of the Collection Fund at 31 March 2023 (2021/22 £2,274k surplus). Of this 13.29% is attributable to MDDC, which equates to £73k (2021/22 £303k – see Note 48).

## Non-Domestic Rates

This section summarises how the money we collected through our share of Non-Domestic Rates is distributed between the major precepting authorities.

The Collection Fund Income and Expenditure Account - NDR		2021/22	2022/23
	Notes	£'000	£'000
<b>Income</b>			
NDR receivable	77	(12,179)	(14,849)
Transitional Protection Payments		(109)	-
<b>Total Income</b>		<b>(12,288)</b>	<b>(14,849)</b>
<b>Expenditure</b>			
<b>Payments of NNDR1 proportionate shares</b>			
- Central Government		7,749	7,199
- Devon County Council		1,395	1,296
- Mid Devon District Council		6,199	5,759
- Devon and Somerset Fire and Rescue Authority		155	144
		<b>15,497</b>	<b>14,398</b>
<b>Charges to Collection Fund</b>			
- Write offs / (Write ons) charged to Collection Fund		(1)	(6)
- Change in allowance for impairment		118	80
- Appeals and list alterations charged to Collection Fund		(77)	(187)
- Change in provision for alteration of lists & appeals		(244)	238
- Transitional Protection Payments		-	26
- Allowance for cost of collection		115	117
- Disregarded Amounts - Renewable Energy		229	247
		<b>142</b>	<b>515</b>
<b>Apportionment of previous year's Surplus/(Deficit)</b>			
- Central Government		(3,964)	(2,073)
- Devon County Council		(714)	(373)
- Mid Devon District Council		(3,171)	(1,658)
- Devon and Somerset Fire and Rescue Authority		(79)	(41)
		<b>(7,928)</b>	<b>(4,145)</b>
<b>Total Expenditure</b>		<b>7,711</b>	<b>10,768</b>
<b>(Surplus) / Deficit for the year</b>		<b>(4,577)</b>	<b>(4,081)</b>
<b>Opening Balance at 1st April</b>		<b>8,925</b>	<b>4,348</b>
<b>Closing Balance at 31 March ((Surplus) / Deficit)</b>	48	<b>4,348</b>	<b>267</b>

The £267k represents the overall deficit on the NDR element of the Collection Fund at 31 March 2023 (2021/22 £4,348k deficit). Of this 40% is attributable to MDDC, which equates to a deficit of £107k. (2021/22 £1,739k deficit – see Note 48).

## Notes to the Collection Fund

### 76 General

These accounts represent the transactions of the Collection Fund, which is a statutory fund separate from the main accounts of the Council. The accounts are, however, consolidated with the Council's balance sheet. The accounts have been prepared on the accruals basis.

### 77 Income from Non-Domestic Rates (NDR)

The Council collects Non-Domestic Rates for its area, which are based on local rateable values (£47,090k at 31 March 2023) multiplied by a uniform rate (51.2p or 49.9p for those receiving small business relief for 2022/23) The total amount receivable; less certain reliefs and other deductions is distributed between Central Government, Devon County Council, Devon & Somerset Fire and Rescue Authority and Mid Devon District Council. The Authority is also a member of the Devon Business Rates Pool administered by Plymouth City Council, which helps to minimise the risk of financial loss on appeals or reductions in our overall rateable value. The total income detailed on the Non-Domestic Rates statement takes into account £8,566k awarded in various discretionary and mandatory reliefs.

### 78 Calculation of Council Tax Base

The Council Tax base is calculated by taking the number of chargeable dwellings in each valuation band (adjusted for discounts as necessary) and converted into the number of Band D equivalent properties.

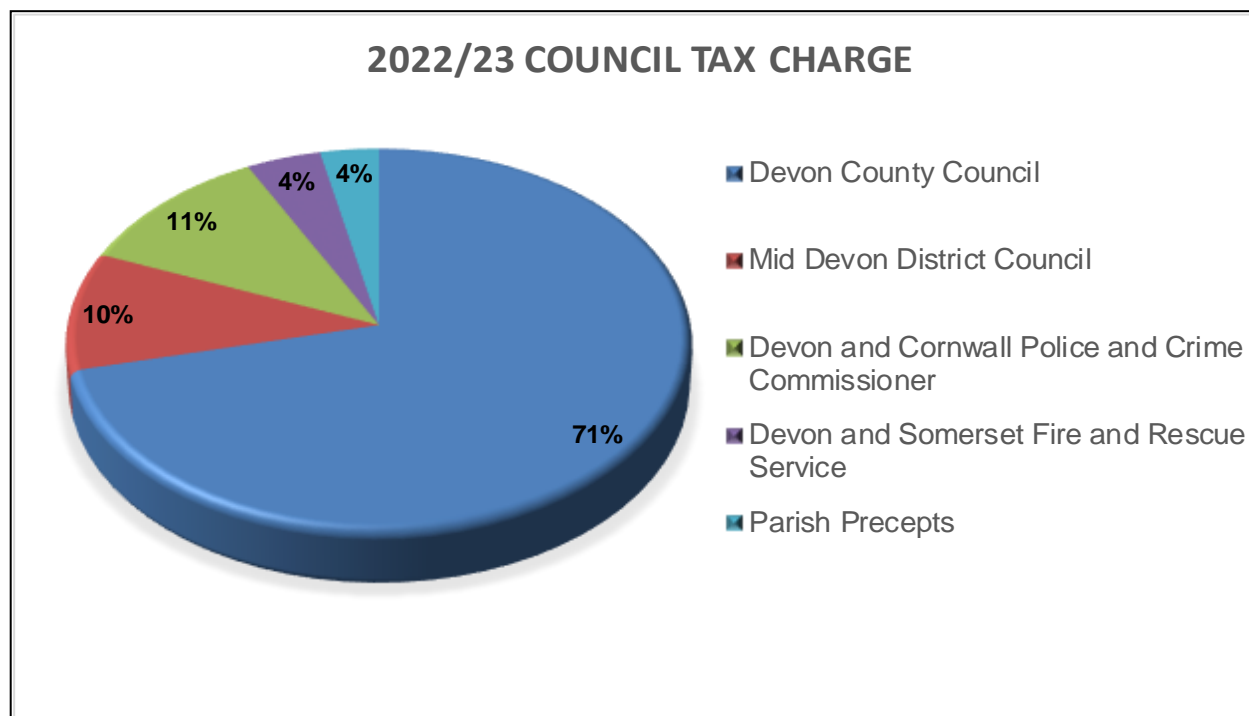
Band	Number of Dwellings		
	Chargeable Dwellings	Multiplier	Band D Equivalent
A	4,189.8	6/9	2,789.5
B	7,474.3	7/9	5,811.0
C	6,273.3	8/9	5,575.6
D	5,963.3	9/9	5,962.7
E	4,478.0	11/9	5,473.4
F	2,345.3	13/9	3,388.4
G	884.3	15/9	1,473.2
H	51.0	18/9	102.0
<b>Total</b>	<b>31,659.0</b>		<b>30,575.8</b>



## 79 Precepting Authorities

The total income is generated by multiplying the total Band D equivalent by the Council Tax charge for Band D properties.

Authority	2021/22 £'000	2022/23 £'000
Devon County Council	43,214	46,400
Mid Devon District Council	6,115	6,524
Devon and Cornwall Police and Crime Commissioner	6,764	7,350
Devon and Somerset Fire and Rescue Service	2,573	2,736
Parish Precepts	1,984	2,145
<b>Total</b>	<b>60,650</b>	<b>65,155</b>



## 16 Group Accounts

These Group Accounts, which consist of Primary Statements and Notes, are provided in addition to the Notes to the Accounting Statements within the single entity Statement of Accounts.

Mid Devon District Council owns one company which has been categorised as a wholly owned subsidiary of the Authority and has been consolidated into the Group Accounts. Control is usually presumed where the Council owns more than half the voting power of an entity (either directly or through other subsidiaries). 3 Rivers Developments Ltd is a wholly owned subsidiary of Mid Devon District Council and therefore has all the voting rights (total control).

3 Rivers Developments Ltd was incorporated on 28 April 2017 as a development company to support the Council's Corporate Plan. During the year, the Board consisted of the Mr Nick Sanderson Managing Director, Councillor Ray Stanley, Mr Paul Neilson Finance Director and a Non-Executive Director, Mr William Yardley.

The Financial Statements of the company are available from:  
3 Rivers Developments Ltd, Phoenix House, Phoenix Lane, Tiverton, Devon. EX16 6PP.

The Group Accounts have been prepared using the Group Accounts requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23. As a small company in accountancy terms, 3 Rivers complete their accounts under Financial Reporting Standard (FRS) 102. This is a different standard than the Code of Practice the Council must follow but follows the same accountancy principles. The accounting policies are therefore in line with that of the Council which makes consolidation easier at year end.

Companies or other reporting entities that are under the ultimate control of the Council have been included in the Council's Group Accounts, to the extent that they are material to the users of the financial statements in relation to their ability to see the complete economic activities of the Council and its exposure to risk through interests in other entities and participation in their activities. Notes have been omitted if there are no material differences to the disclosure already made.

The Group Accounts have been prepared by combining 3 Rivers' income and expenditure and assets and liabilities with those of the Council on a line-by-line basis, eliminating inter-organisation transactions.

3 Rivers Developments Ltd owns an investment property which is shown on the Group Balance Sheet. Under IFRS Accounting Standards, this property has been revalued by 3 Rivers Developments Ltd in line with the IFRS Fair Value methodology.

On 6 September 2023, Mid Devon District Council agreed to soft close the company, meaning that the company would complete the development of its live projects, but would not start any new developments. Closure would follow the sales of all assets, which was targeted to be achieved before the end of the 2023/24 financial year.

As such, the accounts of 3 Rivers Developments Ltd were completed on a basis other than going concern. This was highlighted in an Emphasis of matter by their auditor, Simpkins Edwards. The audit opinion was that the financial statements gave true and fair view and were fully compliant with UK GAAP and the requirements of the Companies Act 2006.

## Group Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'Usable Reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. It also contains the Reserve of the Council's wholly owned subsidiary, 3 Rivers Developments Ltd.

2022/23	USABLE RESERVES								Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's Share of Subsidiary	Total Group Reserves
	REVENUE RESERVES						CAPITAL RESERVES						
	General Fund Balance	Earmarked General Fund Reserves	General Fund Total	Housing Revenue Account	Earmarked HRA Reserves	HRA Total	Capital Receipts Reserve	Capital Grants Unapplied					
Movement	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Balance at 31 March 2022	(1,072)	(20,655)	(21,727)	(2,000)	(22,650)	(24,650)	(6,529)	(2,697)	(55,602)	(95,817)	(151,419)	2,618	(148,801)
<b>Movement in Reserves during 2022/23</b>													
(Surplus) or deficit on the provision of services	3,779	-	3,779	(8,912)	-	(8,912)	-	-	(5,133)	-	(5,133)	3,803	(1,330)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-	(47,780)	(47,780)	-	(47,780)
<b>Total Comprehensive Income and Expenditure</b>	<b>3,779</b>	<b>-</b>	<b>3,779</b>	<b>(8,912)</b>	<b>-</b>	<b>(8,912)</b>	<b>-</b>	<b>-</b>	<b>(5,133)</b>	<b>(47,780)</b>	<b>(52,914)</b>	<b>3,803</b>	<b>(49,111)</b>
Adjustment between Group Accounts & Authority Accounts	(1,456)	-	(1,456)	-	-	-	-	-	(1,456)	-	(1,456)	(111)	(1,567)
<b>Net (Increase)/Decrease before Transfers (Group A/c's)</b>	<b>2,323</b>	<b>-</b>	<b>2,323</b>	<b>(8,912)</b>	<b>-</b>	<b>(8,912)</b>	<b>-</b>	<b>-</b>	<b>(6,589)</b>	<b>(47,780)</b>	<b>(54,370)</b>	<b>3,692</b>	<b>(50,678)</b>
Adjustments between accounting basis and funding basis under regulations	(1,093)	-	(1,093)	7,954	42	7,996	(780)	132	6,255	(8,437)	(2,182)	-	(2,182)
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>1,230</b>	<b>-</b>	<b>1,230</b>	<b>(958)</b>	<b>42</b>	<b>(916)</b>	<b>(780)</b>	<b>132</b>	<b>(334)</b>	<b>(56,217)</b>	<b>(56,552)</b>	<b>3,692</b>	<b>(52,860)</b>
Transfers (to) / from Earmarked Reserves	(2,496)	2,496	-	958	(958)	-	-	-	-	-	-	-	-
<b>(Increase)/Decrease in 2022/2023</b>	<b>(1,266)</b>	<b>2,496</b>	<b>1,230</b>	<b>-</b>	<b>(915)</b>	<b>(915)</b>	<b>(780)</b>	<b>132</b>	<b>(334)</b>	<b>(56,217)</b>	<b>(56,552)</b>	<b>3,692</b>	<b>(52,860)</b>
Balance at 31 March 2023 Carried forward	(2,338)	(18,160)	(20,497)	(2,000)	(23,565)	(25,565)	(7,309)	(2,565)	(55,937)	(152,034)	(207,971)	6,310	(201,661)
Held for Revenue Purposes	(2,338)	(18,160)	(20,497)	(2,000)	(22,190)	(24,190)	-	-	(44,686)				
Held for Capital Purposes	-	-	-	-	(1,375)	(1,375)	(7,309)	(2,565)	(11,249)				

2021/22	USABLE RESERVES							Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's Share of Subsidiary	Total Group Reserves	
	REVENUE RESERVES					CAPITAL RESERVES							
	General Fund Balance	Earmarked General Fund Reserves	General Fund Total	Housing Revenue Account	Earmarked HRA Reserves	HRA Total	Capital Receipts Reserve						Capital Grants Unapplied
Movement	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000		
Balance at 31 March 2021 Carried forward	(1,622)	(20,247)	(21,869)	(2,000)	(20,774)	(22,774)	(5,497)	(2,625)	(52,764)	(69,543)	(122,306)	652	(121,654)
<b>Movement in Reserves during 2021/22</b>													
(Surplus) or deficit on the provision of services	1,588	-	1,588	(5,675)	-	(5,675)	-	-	(4,087)	-	(4,087)	2,078	(2,009)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-	(25,604)	(25,604)	-	(25,604)
<b>Total Comprehensive Income and Expenditure</b>	<b>1,588</b>	<b>-</b>	<b>1,588</b>	<b>(5,675)</b>	<b>-</b>	<b>(5,675)</b>	<b>-</b>	<b>-</b>	<b>(4,087)</b>	<b>(25,604)</b>	<b>(29,691)</b>	<b>2,078</b>	<b>(27,613)</b>
Adjustment between Group Accounts & Authority Accounts	579	-	579	-	-	-	-	-	579	-	579	(112)	467
<b>Net (Increase)/Decrease before Transfers (Group A/c's)</b>	<b>2,167</b>	<b>-</b>	<b>2,167</b>	<b>(5,675)</b>	<b>-</b>	<b>(5,675)</b>	<b>-</b>	<b>-</b>	<b>(3,508)</b>	<b>(25,604)</b>	<b>(29,112)</b>	<b>1,966</b>	<b>(27,146)</b>
Adjustments between accounting basis and funding basis under regulations	(2,024)	-	(2,024)	4,009	(211)	3,798	(1,031)	(72)	671	(671)	-	-	-
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>142</b>	<b>-</b>	<b>142</b>	<b>(1,666)</b>	<b>(211)</b>	<b>(1,877)</b>	<b>(1,031)</b>	<b>(72)</b>	<b>(2,837)</b>	<b>(26,275)</b>	<b>(29,112)</b>	<b>1,966</b>	<b>(27,146)</b>
Transfers (to) / from Earmarked Reserves	408	(408)	-	1,665	(1,665)	-	-	-	-	-	-	-	-
<b>(Increase)/Decrease in 2021/22</b>	<b>550</b>	<b>(408)</b>	<b>142</b>	<b>-</b>	<b>(1,876)</b>	<b>(1,876)</b>	<b>(1,031)</b>	<b>(72)</b>	<b>(2,837)</b>	<b>(26,275)</b>	<b>(29,112)</b>	<b>1,966</b>	<b>(27,146)</b>
Balance at 31 March 2022 Carried forward	(1,072)	(20,655)	(21,727)	(2,000)	(22,650)	(24,650)	(6,529)	(2,697)	(55,602)	(95,818)	(151,418)	2,618	(148,801)
Held for Revenue Purposes	(1,072)	(20,655)	(21,727)	(2,000)	(21,233)	(23,233)	-	-	(44,960)				
Held for Capital Purposes	-	-	-	-	(1,417)	(1,417)	(6,529)	(2,697)	(10,643)				

## Group Comprehensive Income and Expenditure Statement

This section is a summary of our spending on services and where we got the money from to do so, having incorporated the spending of the Council's wholly owned subsidiary, 3 Rivers Developments Ltd.

2021/22			2022/23			
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Service Area	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
329	(80)	249	Community Development	347	(93)	253
1,756	(90)	1,666	Corporate Management	3,985	(3,108)	877
781	(738)	44	Car Parks	801	(845)	(43)
125	-	125	Customer Services	106	-	106
3,014	(1,716)	1,298	Environmental Services	2,821	(1,034)	1,786
104	(13)	92	Finance & Performance	86	(3)	84
57	(51)	6	Ground Maintenance	147	(56)	91
1,035	(913)	122	General Fund Housing	1,356	(1,040)	315
7,615	(13,138)	(5,523)	Housing Revenue Account	5,885	(13,641)	(7,756)
113	(6)	107	Human Resources	103	(21)	82
115	(78)	36	I.T. Services	375	(10)	365
1,394	(257)	1,137	Legal & Democratic Services	1,486	(307)	1,179
4,678	(3,281)	1,397	Planning & Regeneration	5,043	(4,221)	823
1,478	(654)	824	Property Services	1,387	(737)	650
12,778	(12,120)	658	Revenues & Benefits	12,779	(12,025)	755
4,696	(1,961)	2,734	Recreation & Sport	5,953	(2,692)	3,261
5,953	(2,746)	3,207	Waste Services	7,644	(3,097)	4,547
2,495	(685)	1,810	Subsidiary Company	3,713	(21)	3,692
<b>48,519</b>	<b>(38,527)</b>	<b>9,991</b>	<b>Costs of Services</b>	<b>54,020</b>	<b>(42,951)</b>	<b>11,067</b>
		1,061	Other Operating Expenditure			1,097
		1,639	Financing and Investment Income and Expenditure			2,754
		(14,390)	Taxation and Non-Specific Grant Income			(17,815)
		<b>(1,699)</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>(2,897)</b>
		157	Tax Expenses			-
		<b>(1,542)</b>	<b>Group (Surplus) or Deficit</b>			<b>(2,897)</b>
		(24,461)	Remeasurements of the Net Defined Benefit Liability			(45,072)
		(1,143)	(Surplus)/Deficit on Revaluation of Property, Plant and Equipment			(2,708)
		<b>(25,604)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(47,780)</b>
		<b>(27,146)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(50,677)</b>

## Group Balance Sheet

This section shows our financial position at the end of the financial year, having incorporated the Council's wholly owned subsidiary, 3 Rivers Developments Ltd.

Consolidated 31 March 2022	Service Area	Notes	Consolidated 31 March 2023
£'000			£'000
200,229	Property, Plant & Equipment		213,623
175	Investment Properties		175
330	Heritage Assets		330
5,554	Long-term Investments		4,639
3,677	Long-term Debtors	2	2,982
<b>209,965</b>	<b>Non-Current Assets</b>		<b>221,749</b>
27,000	Short-term Investments		16,000
470	Assets held for sale		30
9,879	Work In Progress	4	11,632
322	Inventories		367
3,724	Short-term Debtors	3	10,645
10,376	Cash and Cash Equivalents		4,281
<b>51,771</b>	<b>Current Assets</b>		<b>42,956</b>
(18,611)	Short-term Creditors		(11,046)
(856)	Provisions		(876)
(1,924)	Short-term Borrowing		(1,937)
<b>(21,390)</b>	<b>Current Liabilities</b>		<b>(13,859)</b>
(2,138)	Long-term Creditors		(1,735)
(33,310)	Long-term Borrowing		(31,373)
(56,098)	Other Long Term Liabilities		(16,077)
-	Capital Grants Receipts in Advance		-
<b>(91,546)</b>	<b>Long Term Liabilities</b>		<b>(49,185)</b>
<b>148,801</b>	<b>Net Assets</b>		<b>201,661</b>
52,983	Usable Reserves		49,627
95,818	Unusable reserves		152,034
<b>148,801</b>	<b>Total Reserves</b>		<b>201,661</b>

## Group Cash Flow Statement

This section shows what cash we spend and receive, having incorporated the spending of the Council's wholly owned subsidiary, 3 Rivers Developments Ltd.

Cash Flow	Consolidated	Consolidated
	2021/22	2022/23
	£'000	£'000
Net surplus or (deficit) on the provision of services	1,699	2,897
Adjustments to net surplus or deficit on the provision of services for non-cash movements	11,633	(2,621)
Adjustments for items included in the net surplus on the provision of services that are investing and financing activities (See note references)	(642)	(4,342)
Adjustments for Operating activities processed through the Balance Sheet	1,518	(4,327)
<b>Net cash flows from Operating Activities</b>	<b>14,209</b>	<b>(8,393)</b>
Investing Activities	(13,348)	4,589
Financing Activities	(2,216)	(2,290)
<b>Net increase or (decrease) in cash and cash equivalents</b>	<b>(1,355)</b>	<b>(6,095)</b>
Cash and cash equivalents at the beginning of the reporting period	11,731	10,376
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>10,376</b>	<b>4,281</b>

## Notes to the Group Accounts

### 1 Group Officers' Emoluments - Senior Officers Earning in Excess of £50,000

Post Title	Financial Year	Salary (Including Allowances)	Compensation for Loss of Employment	P11D Taxable Expenses	Total Remuneration exc pension contributions	Pension Contributions	Total Remuneration inc pension contributions
		£	£	£	£	£	£
<b>Chief Executive</b>	<b>2022/23</b>	118,228	-		118,228	19,626	137,853
	<b>2021/22</b>	116,443	-		116,443	19,288	135,731
<b>Deputy Chief Executive (S151)</b>	<b>2022/23</b>	86,545	-	-	86,545	14,367	100,912
	<b>2021/22</b>	83,704	-	-	83,704	14,075	97,779
<b>Director of Corporate Affairs &amp; Business Transformation</b>	<b>2022/23</b>	84,877	-	-	84,877	14,351	99,228
	<b>2021/22</b>	83,375	-	-	83,375	13,799	97,173
<b>Director of Place</b>	<b>2022/23</b>	83,613	-	-	83,613	13,880	97,492
	<b>2021/22</b>	38,367	-	-	38,367	6,322	44,689
<b>District Solicitor and Monitoring Officer. Note 3</b>	<b>2022/23</b>	43,872	1,652	-	45,523	4,497	50,020
	<b>2021/22</b>	36,747	-	-	36,747	6,059	42,806
<b>District Solicitor and Monitoring Officer. Note 4</b>	<b>2022/23</b>	29,437	-	-	29,437	4,887	34,324
	<b>2021/22</b>	-	-	-	-	-	-
<b>Managing Director, 3 Rivers Developments Ltd</b>	<b>2022/23</b>	80,862	-	-	80,862	7,983	88,846
	<b>2021/22</b>	78,190	-	-	78,190	19,412	97,602

#### Notes:

1. The amounts included in the two previous tables are shown gross of any related tax which would be levied.
2. The primary pension rate of 16.6% has been used for the 2022/23 pension contributions figures.
3. The District Solicitor and Monitoring Officer joined the Authority on 25 September 2021 and left on 11 August 2022.
4. The replacement District Solicitor and Monitoring Officer started on 27 October 2022.



## 2 Long Term Debtors (amounts due in more than 12 months)

Long Term Debtors	2021/22 £'000	2022/23 £'000
Other entities and individuals	3,677	2,982
<b>Total</b>	<b>3,677</b>	<b>2,982</b>

## 3 Short Term Debtors (amounts due in less than 12 months)

Short Term Debtors	2021/22 £'000	2022/23 £'000
Other Receivable amounts	4,264	11,585
Trade Receivables	1,198	925
Less Impairment Allowances	(1,739)	(1,866)
<b>Total</b>	<b>3,724</b>	<b>10,645</b>

Included within the single entity Short Term Debtors (Note 36 of the Single Entity accounts) is £15,038k which relates to 3 Rivers Developments Ltd (£14,758k loan; £280k other intra-company debt) which are eliminated from both sides in the Group Accounts.

### **NB. Expected Credit Loss Model**

The Authority recognises expected credit losses under IFRS 9 on all of its financial assets (this includes its loans to 3 Rivers Developments Ltd), either on a 12-month or lifetime basis. 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.

The Council's subsidiary company, 3 Rivers Developments Ltd, has had a challenging year. It, along with all development companies, has suffered significant price increases for labour and materials. This has put pressure on the budgets for their live developments and on the potential future opportunities. Alongside, also as a consequence of the Cost of Living Crisis, the housing market has stagnated, adding further pressure as sales income is likely to be reduced. In addition, towards the end of the financial year the council rejected three submitted business plans, only agreed to support the completion of the live development projects and agreed to commission an option appraisal report externally. This uncertainty has had a financial and confidence impact on the company's 2022/23 trading position and potential future going concern.

The ongoing review of operational activities continues to indicate that cost overruns and reduced forecast sales income on the Riverside project in Tiverton will prevent the Company from making full repayment of the loan associated with this development. As such, this loan has been impaired by £2,800k (including £617k in the 2019/20 single entity accounts). Similarly, the working capital loan impairment has been increased from £173k (in the 2019/20 single entity accounts) to £1,417k to reflect the implied risk to going concern arising from a lack of an approved business case. In addition, the loan associated

with Knowle Lane has also been impaired given there is no authority to progress with this site. The impairment of £1.014k reduces the loan value back to the estimated market value of the land. The loan to fund the development of the business case for Park Road Nursery and obtain revised planning approval has been fully impaired (£87k), again as there is no authority to progress with this site.

A further update report including the recommendations from the externally commissioned options appraisal will be taken to Cabinet in due course.

#### 4 Work in Progress (WIP)

Work In Progress	2021/22 £'000	2022/23 £'000
Work in Progress	9,879	11,632
<b>Total</b>	<b>9,879</b>	<b>11,632</b>

As a development company, 3 Rivers Developments Ltd has “Work in Progress” which relates to the construction projects they have in progress. When these projects are completed, they will be classified as inventory for sale.

#### 5 Post Balance Sheet Event

On 6 September 2023, Mid Devon District Council (the company’s 100% parent) agreed to “soft close” the company. As such, the company’s financial statements were prepared on a basis other than going concern. Clearly, this means that the company can no longer be considered a going concern.

To achieve the “soft close”, all of the assets held by the company will need sold or transferred to Mid Devon District Council. The aim is to complete this by the end of March 2024. This will take the form of St George’s Court being sold to the Housing Revenue Account at an agreed price of £8.15m to enable an over 60’s social housing scheme. Knowle Lane, Cullompton, will be sold to the Council at book value (£3.66m) to be held until such time as development is permitted within Cullompton. A decision can then be taken as to the most appropriate use for the site. Any unsold units at Hadden Heights, Bampton, will be bought by the Council at the marketed price (£3.135m) and continue to be marketed for sale. The investment property will also be bought by the Council at book value (£180k). Finally, any outstanding balance on the Working Capital Loan will be written off (c£400k). Once all assets / liabilities are settled, the company will enter a dormant period of three months before being struck off at Companies House – in line with a voluntary strike off.

## 17 Glossary of Terms

### **Accounting Period**

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

### **Accruals**

Sums included in the final accounts to recognise revenue and capital income and expenditure attributable to the accounting period, but for which payment has not been received or made by 31 March.

### **Accumulated Compensated Absences Adjustment Account**

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

### **Actual**

The actual, rather than budgeted, expenditure or income attributable to the accounting period. Sometimes referred to as “Actuals”.

### **Actuary**

An expert on rates of death and insurance statistics who assesses whether we have enough money in our pension fund.

### **Actuarial Gains and Losses**

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- The actuarial assumptions have changed.

### **Appointed Auditors**

Public Sector Audit Appointments Limited (PSAA) appoints external auditors from one of the major firms of registered auditors for each local authority that opted into their national scheme, which comprised of 98% of all authorities. The PSAA also set the fees the auditors can charge.

Our external auditor is Grant Thornton UK LLP.

## **Assets**

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

- **Current assets** will be consumed within the next financial year (e.g. cash and stock).
- **Fixed assets (non current)** provide benefits over their useful life for more than one year (e.g. buildings).
- **Community assets** are assets that the local authority intends to hold in perpetuity, that have no determinable useful life and may have restrictions on their disposal (e.g. town squares and picnic sites).
- **Infrastructure assets** that form part of the economic or social framework of the area and whose function is not transferable (e.g.: highways, bridges and footpaths).
- **Operational assets** are fixed assets held and occupied by a local authority and used in the direct delivery of services.
- **Non Operational assets** are fixed assets held by a local authority but not directly occupied, used or consumed in the delivery of services (e.g.: buildings under construction and surplus assets).
- **Assets under Construction** details capital expenditure to date on work in progress.
- **Available for Sale** are assets actively being marketed at the Balance Sheet date.

## **Audit Committee**

A Committee of the Council who consider financial matters and reports from Internal Audit, and approve and monitor our Financial Regulations and risk management. The Committee is also delegated to approve the Accounts following External Audit review.

## **Audit of Accounts**

An independent examination of the Council's financial affairs.

## **Authorised Limit**

This represents the legislative limit on the Council's external debt under the Local Government Act 2003.

## **Balances**

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

## **Balance Sheet**

A statement of all of our assets, liabilities and balances at the end of the financial year, 31 March.

## **Budget**

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

## **Cabinet**

The Cabinet comprises the executive Members of the Council (including the Leader), who are responsible for making most of the essential decisions about running the Council. Each member of the Cabinet is responsible for specific service areas.

**Capital Adjustment Account**

This records the timing difference between the costs of fixed assets used and the capital financing set aside to pay for them.

**Capital Expenditure**

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

**Capital Charges**

This is a general term used for the notional charges made to service revenue accounts for the use of fixed assets. The term covers the following:

Depreciation, Impairment charges and Amortisation of Deferred Charges (included in gross expenditure) offset by the Amortisation of government grants deferred (included in income).

**Capital Financing Costs**

These are costs, such as interest, which we charge because we have spent money on non current assets.

**Capital Receipts**

Proceeds received from the sale of property and other fixed assets.

**Carrying Amount**

The Balance Sheet value recorded of either an asset or a liability.

**Cash-flow Statement**

This is a statement that shows the changes in our cash and bank balances during the year.

**CIPFA**

The Chartered Institute of Public Finance and Accountancy.

**CIPFA/LASSAC**

The Chartered Institute of Public Finance and Accountancy / The Local Authority (Scotland) Accounts Advisory Committee is responsible for preparing, maintaining, developing and issuing the Code of Practice on Local Authority Accounting for the United Kingdom (the code).

**Collection Fund**

A separate fund that records the income and expenditure relating to Council Tax and National Non-Domestic Rates.

**Community Assets**

These are fixed assets that the Council intends to hold in perpetuity which have no determinable finite useful life and in addition, may have restrictions on their disposal. An example is a park.

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

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

**Contingency**

This is money set aside in the budget to meet the cost of unforeseen items of expenditure, or shortfalls in income, and to provide for inflation where this is not included in budgets.

**Contingent Liabilities or Assets**

These are amounts potentially due to or from individuals or organisations which may arise in the future but which at this time cannot be determined accurately, and for which provision has not yet been made in the Council's accounts.

**Council Tax**

This is the main source of local taxation to local Authorities. Council Tax is levied on households within its area by the Billing Authority and the proceeds are paid into its Collection Fund for distribution to precepting Authorities and for use by its own General fund.

**Council Tax Requirement**

This is the estimated revenue expenditure on General fund services that needed to be financed from the Council Tax after deducting income from fees and charges, certain specific grants and any funding from reserves.

**Creditor**

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

**Current Assets**

These are the short-term assets we have at date of the balance sheet which we can use in the following year.

**Current Liabilities**

These are the short-term liabilities we have at date of the balance sheet which we will pay in the following year.

**Current Service Cost**

Current Service Cost is the increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period i.e. the ultimate pension benefits "earned" by employees in the current year's employment.

**Curtailement**

Curtailements will show the cost of the early payment of pension benefits if any employee has been made redundant in the previous financial year.

**Debtor**

Sums of money due to the authority but unpaid at the balance sheet date.

**Deferred Capital Receipts**

These represent capital income still to be received after disposals have taken place and wholly consist of principal outstanding from the sale of council houses.

**Defined Benefit Scheme**

This is 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.

**Deposit and Rent Scheme**

Financial assistance to help those who meet the eligibility criteria with an interest free loan to secure the property with a deposit and cover the first month's rent subject to an affordability check.

**Depreciation**

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

**Derecognition**

Financial assets and liabilities needed to be removed from the balance sheet once performance under a contract is complete or the contract is terminated.

**Earmarked Reserves**

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

**Employee Costs**

Those costs incurred employing staff including Salaries, Employer's National Insurance, Pension Contributions, and Training.

**Exceptional Items**

Material items deriving from events or transactions that will fall within the ordinary activities of the Authority, but which need to be separately disclosed by virtue of their size and/or incidence to give a fair presentation of the accounts. We have none in this year's accounts.

**Expenditure**

This refers to amounts paid by the Authority for goods and services rendered of either capital or revenue nature. This does not necessarily involve a cash payment since expenditure is deemed to have been incurred once the goods and services have been received even if they have not been paid for.

**External Audit**

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

**Fair value**

Fair value is the price at which an asset could be exchanged in an arm's length transaction, less any grants receivable towards the purchase or use of the asset.

**Fees and Charges**

The Council's charges for certain services e.g. car parking.

**Finance Lease**

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

**Financial Instruments**

A financial instrument is any contract that gives to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives.

**Financial Regulations**

These are the written code of procedures, approved by the Council, intended to provide a framework for proper financial management. Financial regulations usually set out rules on accounting, audit, administrative and budgeting procedures.

**General Fund**

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

**Government Grants**

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

**Government Grants Deferred**

Grants or contributions received which have supported wholly or in part the acquisition of fixed assets, net of the appropriate share of depreciation on those assets for which a depreciation charge is made.

**Heritage Assets**

An asset with a historical, artistic, scientific, technological, geophysical or environmental quality that is held and maintained principally for its contribution to knowledge and culture.

**Housing Benefit**

This is an allowance to persons on low income (or none) to meet, in whole or in part, their rent. Benefit is allowed or paid by local Authorities but Central Government refunds part of the cost of the benefits and of the running costs of the services to Local Authorities. Benefits paid to the Authority's own tenants are known as rent rebate and that paid to private tenants as rent allowance.

**Housing Revenue Account (HRA)**

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



**Impairment**

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

**Income**

These are amounts due to the Council for goods supplied or services rendered of either a capital or revenue nature. This does not necessarily involve a cash payment. Income is deemed to have been earned once the goods or services have been supplied even if the payment has not been received (in which case the recipient is a debtor to the Council).

**Infrastructure**

Non current assets which generally cannot be sold and from which benefit can be obtained only by continued use of the asset created. Examples of such assets are highways, footpaths, bridges and water and drainage facilities.

**Interest**

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

**International Financial reporting Standard (IFRS)**

Defined accounting standards that must be applied by all reporting entities to all financial statements in order to provide a true and fair view of the entity's financial position, and a standardised method of comparison with financial statements of other entities.

**Inventories (previously Stock)**

Items of raw materials, work in progress or finished goods held at the financial year end, valued at the lower of cost or net realisable value.

**Leasing Costs**

This is where a rental is paid for the use of an asset for a specified period of time. Two forms of lease exist: finance leases and operating leases. Operating leases are those where the risks of ownership rest with the owner of the asset whereas in the case of finance leases the asset appears in our Balance Sheet.

**LGPS (Local Government Pension Scheme)**

The fund that manages and pays our staff pensions. Our LGPS scheme is now managed by Peninsula Pensions.

**Liabilities**

These are amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the Balance Sheet date.

**Liquid Resources**

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

**Local Development Plan**

A plan which includes documents that establishes the local policy towards the use of land and the vision for involving communities in the plan making process.

**Long Term Borrowing**

Amounts borrowed in excess of 364 days.

**Long-Term Contract**

A contract entered into for the design, manufacture or construction of a single substantial asset, or the provision of a service (or a combination of assets and services which together constitute a single project), where the project falls into more than one accounting period.

**Long Term Debtors**

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

**Medium Term Financial Strategy/Plan (MTFS/MTFP)**

This is a financial planning document that sets out the future years financial forecasts for the Council. It considers local and national policy influences and projects their impact on the general fund revenue budget, capital programme and HRA. It usually covers a four year time frame.

**Member**

An elected councillor of the Council.

**Minimum Revenue Provision (MRP)**

MRP is the minimum amount which must be charged to the Authority's revenue account each year and set aside as provision for credit liabilities as required by the Prudential Code.

**Net Book Value**

The value of fixed assets included on the balance sheet, being the historical cost or a current revaluation less the cumulative amounts of depreciation.

**Net Debt**

Net debt is the Council's borrowings less cash and liquid resources.

**Net Realisable Value (NRV)**

NRV is the open market value of an asset in its existing use less any costs to be incurred in selling the asset.

**Non Current Assets**

Assets that yield benefits to the Council and the services it provides for a period of more than one year. Examples include land, buildings and vehicles.

**Non-distributed Costs**

In the main this represents support service area charges. E.g.: Corporate Management, Finance, Legal, ICT, HR services, etc. In addition to this a number of non-service specific corporate fees are included as well as any extra payments made to maintain the value of the pension fund.

**National Non-Domestic Rates (NNDR or NDR)**

NNDR or NDR is the levy on business property, based upon a national rate in the pound applied to the 'rateable value' of the property. The Government determines a national rate poundage each year, which is applicable to all Local Authorities. Mid Devon is a member of the Devon NDR Pool of Local Authorities whose share of the NDR is allocated between the members.

**Operating Lease**

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

**Operational Boundary**

This reflects the maximum anticipated level of external debt consistent with budgets and forecast cash flows.

**Pension Strain**

Additional employers pension contributions as a result of an employee's early retirement.

**Precept**

The amount levied by one authority which is collected by another. e.g.: the County Council is the Precepting Authority and the District Council is the collecting authority, also known as the Billing Authority.

**Prior Period Adjustments**

These are material adjustments which are applicable to an earlier period arising from changes in accounting policies or for the correction of fundamental errors.

**Provision**

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

**Public Works Loan Board (PWLB)**

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

**Rateable Value**

A value placed upon 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.

**Related Parties**

Related parties comprise Central Government, other Local Authorities, precepting and levying bodies subsidiary and associated companies, elected Members, all senior officers and the Pension Fund. In respect of individuals identified as related parties the following are also presumed to be related parties:

- Members of the close family, or the same household; and
- Partnerships, companies, trusts or other entities in which the individual, or member of their close family, or the same household, has a controlling interest.

**Revenue Contribution to Capital (RCCO)**

Capital spending that is directly paid for from revenue.

**Revenue Expenditure**

Spending on the day-to-day running of services – mainly wages, operating expenses of buildings and equipment, and debt charges. These costs are met from the Council tax, government grants and our own fees and charges.

**Reporting Standards**

The Code of Practice prescribes the accounting treatment and disclosures for all normal transactions of a Local Authority. It is based upon International Financial reporting standards (IFRS), International Standards (IAS) and International Financial Reporting Interpretations Committee (IFRIC), UK Generally Accepted Accounting Practice (GAAP) and Financial Reporting Standards (FRS).

**Reserves**

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

**Restatement**

We normally show the amounts that were in last year's accounts as the same figure, but where there is a change in the accountancy rules, we have to change last year's figures to meet the current rules and ensure comparability.

**Revaluation Reserve**

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

**Revenue Contributions**

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

**Revenue Expenditure**

The day to day expenditure of the authority on such items as employees, transport and equipment.

**Revenue Expenditure Funded from Capital Under Statute (REFCUS)**

Expenditure incurred during the year that may be capitalised under statutory provision but that does not result in the creation of an asset that belongs to the Authority.

**Rural Services Delivery Grant**

Funding provided from Government in recognition of the additional costs of delivering services in sparsely populated areas.

**Section 31 (S31) Grant**

Section 31 of the Local Government Act 2003 (LGA 2003) is a well-established statutory means by which central Government may disburse funds to local authorities for them to provide grants for a specified purpose while retaining control of the recipients, the quantum of the grants, and the terms and conditions upon which the grants can be provided.

**Service Reporting Code of Practice (SeRCOP)**

SeRCOP replaced the previous Best Value Accounting Code of Practice (BVACOP). Its aim is to provide consistent financial reporting for services in England and Wales and is given legislative backing by “proper practices” under the Local Government Act 2003.

**Settlements**

Generally this occurs 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 outsourcing a section of the Council. It reflects the difference between the IAS 19 liability and the assets transferred to settle the liability.

**Tax Base**

The number of houses we can charge our Council Tax on.

**Treasury Management**

This is the process by which the Authority controls its cash flow and its borrowing and lending activities.

**Treasury Management Strategy (TMS)**

A strategy, approved by Cabinet, prepared with regard to legislative and CIPFA requirements setting out the framework for treasury activity for the Council.

**Trust Funds**

Funds administered by the Council for such purposes as prizes, charities and specific projects, on behalf of minors.

**Unsupported (Prudential) Borrowing**

This is borrowing for which no financial support is provided by Central Government. The borrowing costs are to be met from current revenue budgets.

**Value for Money**

The benefit obtained (not just in financial terms) for a given input of cash.