



## Public Document Pack

North Devon Council  
Brynsworthy Environment Centre  
Barnstaple  
North Devon EX31 3NP

K. Miles  
Chief Executive.

### **GOVERNANCE COMMITTEE**

A meeting of the Governance Committee will be held as a Virtual – Online meeting on **TUESDAY, 8TH SEPTEMBER, 2020 at 6.30 pm.**

Members of the Governance Committee      Councillor Roome (Chair)

Councillors Bushell, Campbell, Henderson, Jenkins, Luggar, Phillips, Topps and Walker.

### **AGENDA**

1. Virtual meetings procedure - briefing and etiquette (Pages 7 - 8)  
Chair to report.
2. Apologies for absence
3. To approve as a correct record the minutes of the meeting held on 9th June 2020 (Pages 9 - 16)  
To approve as a correct record the minutes of the meeting held on 9th June 2020 with the amendment to minute 80 as follows:  
  
“requirement for the IT business manager to attend the September 2020 meeting of Governance to provide an update report on item CS17 01 Network Security from the audit recommendation tracker”.
4. Items brought forward which in the opinion of the Chair should be considered by the meeting as a matter of urgency.
5. Declarations of Interests.  
(Please complete the form provided at the meeting or telephone Corporate and Community Services to prepare a form for your signature before the meeting. Interests must be re-declared when the item is called, and Councillors must leave the room if necessary.)
6. To agree the agenda between Part 'A' and Part 'B' (Confidential Restricted Information).

### **PART A**

7. **Half Yearly Report of the Chair of the Governance Committee** (Pages 17 - 18)  
Report by the Chair (attached).

8. **Annual Governance Statement** (Pages 19 - 30)  
Report by the Senior Solicitor and Monitoring Officer (attached).
9. **Recommendations to Update the Member Code of Conduct** (Pages 31 - 40)  
Report by the Senior Solicitor and Monitoring Officer (attached).
10. **Statement of Accounts** (Pages 41 - 134)  
Draft report by the Head of Resources (attached).
11. **Compensation Payments Made Under Delegated Powers** (Pages 135 - 136)  
Report by Customer and Corporate Services Manager (attached).
12. **Internal Audit Progress Report** (Pages 137 - 148)  
Report by Devon Audit Partnership (attached).
13. **Informing the Audit Risk Assessment 2019-2020** (Pages 149 - 178)  
Report by Grant Thornton (attached).
14. **External Audit - Progress Report and Sector Update** (Pages 179 - 194)  
Report by Grant Thornton (attached).
15. **Business Continuity** (Pages 195 - 200)  
Report by Emergency Planning Officer (attached).
16. **Update on Business Grant Schemes**  
Head of Resources to report.
17. **Audit Recommendation Tracker** (Pages 201 - 204)  
Report by the Chief Executive (attached).
18. **Work Programme** (Pages 205 - 206)

**PART B (CONFIDENTIAL RESTRICTED INFORMATION)**

Nil.

**If you have any enquiries about this agenda, please contact Corporate and  
Community Services, telephone 01271 388253**

**NOTE: Pursuant to Part 3, Annexe 1, paragraph 3 of the Constitution, Members should note that:**

*"If a Member:*

- (a) Arrives at a meeting during the consideration of an item; or*
- (b) Leaves a meeting at any time during the consideration of an item;*

*They shall not:*

- (i) propose or second any motion or amendment; or*
- (ii) cast a vote*

28.08.20



## **North Devon Council protocol on recording/filming at Council meetings**

The Council is committed to openness and transparency in its decision-making. Recording is permitted at Council meetings that are open to the public. The Council understands that some members of the public attending its meetings may not wish to be recorded. The Chairman of the meeting will make sure any request not to be recorded is respected.

The rules that the Council will apply are:

1. The recording must be overt (clearly visible to anyone at the meeting) and must not disrupt proceedings. The Council will put signs up at any meeting where we know recording is taking place and a reminder will be issued at the commencement of virtual meetings.
2. The Chairman of the meeting has absolute discretion to stop or suspend recording if, in their opinion, continuing to do so would prejudice proceedings at the meeting or if the person recording is in breach of these rules.
3. We will ask for recording to stop if the meeting goes into 'part B' where the public is excluded for confidentiality reasons. In such a case, the person filming should leave the room ensuring all recording equipment is switched off. In a virtual meeting the public will be excluded from the meeting while in Part B.
4. Any member of the public has the right not to be recorded. We ensure that agendas for, and signage at, Council meetings make it clear that recording can take place – anyone not wishing to be recorded must advise the Chairman at the earliest opportunity. Public contributions to virtual meetings will be recorded, unless, at the Chair's discretion, recording is deemed inappropriate in accordance with point 2 above.
5. The recording should not be edited in a way that could lead to misinterpretation or misrepresentation of the proceedings or in a way that ridicules or shows a lack of respect for those in the recording. The Council would expect any recording in breach of these rules to be removed from public view.

### **Notes for guidance:**

Please contact either our Corporate and Community Services team or our Communications team in advance of the meeting you wish to record at so we can make all the necessary arrangements for you on the day.

For more information contact the Corporate and Community Services team on **01271 388253** or email **memberservices@northdevon.gov.uk** or the Communications Team on **01271 388278**, email **communications@northdevon.gov.uk**.

## **Meeting Etiquette Reminder for Members**

Members are reminded to:

- Join the meeting at least 10-15 minutes prior to the commencement to ensure that the meeting starts on time.
- Behave as you would in a formal committee setting.
- Address Councillors and officers by their full names.
- Do not have Members of your household in the same room.
- Be aware of what is in screen shot.
- Mute your microphone when you are not talking.
- Switch off video if you are not speaking.
- Only speak when invited to do so by the Chair.
- Speak clearly (if you are not using video then please state your name)
- If you're referring to a specific page, mention the page number.
- Switch off your video and microphone after you have spoken.
- The only person on video will be the Chair and the one other person speaking.
- Only use the Chat function to register that you wish to speak or to move or second a motion.

### **Virtual attendance by members of the public**

If members of the public wish to attend virtually, please contact Corporate and Community services on 01271 388253 or [memberservices@northdevon.gov.uk](mailto:memberservices@northdevon.gov.uk) by 12pm on the Monday preceding the meeting.

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## ITEM 1

### Briefing Note for Committee Meeting Introduction on Teams and Meeting Etiquette

#### Introduction

- Welcome everyone to the meeting (Members, Officers and public and press)
- Say that you have checked the participants – and confirm that everyone who should be in the meeting is there and available (clerk can confirm).
- Reminder – the meeting is being held in accordance with the new Local Authority meetings regulations ..... which means remote attendance is permitted as long as certain conditions are satisfied.....these include that participants and the public are able to hear and be heard by others in attendance.
- Remind Members and Officers that this is a formal meeting of the Council and is being recorded. **Remind Members and Officers to be aware of what is in screen shot during the meeting.**
- We are using Microsoft Teams for the meeting and hope that everyone has managed to join the meeting without any difficulty.
- If Members of the Committee have received a paper copy of the Agenda, please remind them to have this available, to save the need to keep switching between different screens and hopefully make it easier to keep track of the meeting.
- Some officers may be dialling into the meeting and will not have the video function available.

#### Meeting Tips/Reminders for all attendees

- **Turn off all unnecessary microphones**, unless you are speaking, (this prevents background noises such as coughing etc. which can be very disruptive during the meeting).
- **Turn off video (unless you are speaking). Only the Chair and the person speaking will have their microphones and video on. (Please emphasise this to Members and remind during the meeting)** (This is to improve call quality and to avoid anyone being filmed/recorded without realising).
- Tell participants that if they speak they need to turn their microphones back on and video back on using the symbols at the bottom of the screen.
- This meeting will be recorded, so it is especially important that Members only turn on their microphone and video **when they speak**.

## **Registering to Speak or move/Second a motion**

- For a Councillor or officer who wishes to speak on an item, you will need to do this by using the “chat” function (speech bubble) at the top right-hand side of your screen.
- Only speak when the Chair has invited you to do so and please speak clearly.
- When asking a question on a report, please refer to the page number on the agenda so that everyone listening has a clear understanding of what is being discussed.
- Please type your name in full – this will allow both the Chair and Corporate and Community Services Officer to see who wishes to speak.
- **Please do not use function for any conversations.**
- When moving or seconding a motion, please enter your name and whether you are moving or seconding a motion using the “chat” function.
- **When speaking please clearly state your name**
- **Please remember it's a formal meeting and therefore do not refer to each other by their first names only.**

## **Voting on a decision**

- The Chair or clerk will ask each Member of the Committee to vote in turn. Councillors should (after being asked by the Corporate and Community Services Officer) to express their vote verbally and the Corporate and Community Services Officer will record the outcome of votes and announce these to the meeting. (NOTE: Names will not be recorded in the minutes unless requested)

## **End of meeting**

- When we have finished the meeting please tap your screen to see the menu toolbar options and use the ‘hang up’ option by tapping the red button receiver icon on the right of your toolbar, as shown at the bottom of the screen.



**NORTH DEVON COUNCIL**

Minutes of a meeting of Governance Committee held at Virtual - Online meeting on Tuesday, 9th June, 2020 at 6.30 pm

PRESENT: Members:

Councillor Roome (Chair)

Councillors Bushell, Henderson, Luggar, Phillips, Topps and Walker

Officers:

Chief Executive (KM), Head of Resources (JT), Senior Solicitor/Monitoring Officer (TB), and Corporate and Community Services Officers (AD and GT)

Also Present:

Mr R Hutchins, Internal Auditor representing Devon Audit Partnership

Mr D Curnow, Internal Auditor representing Devon Audit Partnership

Mr G Clarke, Internal Auditor representing Mazars

Mr P Barber, External Auditor representing Grant Thornton

**73. VIRTUAL MEETINGS PROCEDURE - BRIEFING AND ETIQUETTE.**

The Corporate and Community Services Officer read the virtual meeting procedure notes.

**74. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Mr Davies, External Auditor representing Grant Thornton.

**75. TO APPROVE AS A CORRECT RECORD THE MINUTES OF THE MEETING HELD ON 10TH MARCH 2020.**

RESOLVED that the minutes of the meeting held on 10<sup>th</sup> March 2020 (circulated previously) be approved as a correct record and signed by the Chair.

**76. DECLARATIONS OF INTERESTS.**

There were no declarations of interest made.

**77. INTERNAL AUDIT PROGRESS REPORT**

The Committee considered a report by the Devon Audit Partnership (circulated previously) regarding the Internal Audit Report.

Mr Hutchins introduced himself and gave a short summary of the Internal Audit Progress Report, (circulated previously), to the Committee as follows:

- All the staff of Devon Audit Partnership were employed by Devon County Council and during the Covid-19 situation staff were deployed to front line services. It was appreciated that this situation presented challenges at other Councils
- Recognised that a lot of services would be concentrating on responding to the pandemic situation but also aware that North Devon Council and the Governance committee wanted assurance that controls were working effectively
- North Devon Council had responded well to the Covid-19 situation

Mr Hutchins then handed over to his deputy Mr David Curnow who updated the Committee as follows:

- Section 3 headed as the “Internal Audit Response” gave details on the adapted response internal audit would be making to provide continued internal audit provision during a period of restrictions on normal operating activities
- The infographic showed the new approach that would be taken and how assurances would be delivered during a period of social distancing
- The assurance map had begun and this would be augmented with sample testing done online with minimal disruption to Officers
- The assurance mapping process was a well-recognised process built on the three lines of defence
- Section 3.7 headed as “Undertaking the agreed plans for 2020/21”, which had been agreed at the March 2020 meeting, would still stand but the delivery approach would be slightly different
- Flexibility would be the key and a balanced approach would be taken
- Section 4 headed “Counter Fraud”, was an area that other authorities had seen an increase of activity in, due, in part, to business grants and if North Devon Council had any concerns in this area it could be something that could be raised with internal audit
- Section 5 headed “DAP Development” highlighted that audit staff were attending risk management training as well as keeping up with key issues and processes

In response to a question on whether North Devon Council had noticed any fraud alerts around grants being processed, the Head of Resources advised that the implementation of an online application process which integrated background checks and validated to back office systems as part of the application process meant fraudulent activity would be mitigated against and that he was not aware of any such activity. The situation was monitored regularly by the team and any areas of concern would be raised with internal audit but none had come to light at present.

In response to a question about the three lines of defence and whether North Devon Council had been engaged with internal audit on what would now take priority Mr Curnow advised that those priorities identified had already been built into the plan.

RESOLVED that the Internal Audit Progress report be noted.

**78. INTERNAL AUDIT ANNUAL REPORT 2019/20**

The Committee considered a report by Mazars (circulated previously) regarding the Internal Audit report for 2019/20.

Mr Graeme Clarke, representing Mazars, presented the internal Audit Annual Report 2019/20 (circulated previously), to the Committee as follows:

- The purpose of the report was to give a summary on the work undertaken during the last financial year, (2019/20) and compliance with professional standards and was a basis for informing North Devon Council's financial statements
- With the work concluded this financial year alongside reports from 2018/19 Mazars felt this provided a firm basis for their opinion for 2019/20

The Chair raised the question of why the business continuity plan was showing as red on page 26 of the report to which the Head of Resources explained that this reference was to an issue rolled forward from 2018/19 where the old business continuity plan was found to be out of date. A full briefing on this matter had been subsequently presented to Members at a previous Governance Committee meeting. The new Emergency Planning Officer, had begun work last autumn (2019), updating business continuity plans.

The Chief Executive added that just prior to the lockdown, due to Covid-19, an exercise had been run looking at how we would cope with staff shortages in light of such an event. North Devon Council's services had been maintained other than the planned interruption to services such as bulky waste collections, the museum and pannier market were closed and the car parking charges had been waived.

RESOLVED that the Internal Audit Annual Report 2019/20 be noted.

**79. EXTERNAL AUDIT PROGRESS REPORT AND SECTOR UPDATE**

The Committee considered a report by Grant Thornton (circulated previously) regarding the External Audit Progress Report and Sector Update.

Mr Peter Barber, representing Grant Thornton, updated the Committee with the following:

- This progress report was presented at every meeting and reported on progress made against the plans for the year which had been presented to Committee at the March 2020 meeting
- Since the last Committee meeting in March 2020 testing work had

been completed

- Deadlines had been extended as a result of challenges faced due to the Covid-19 situation and North Devon Council now had until the end of August 2020 to produce its draft accounts and Grant Thornton now had until the end of November 2020 to sign them off
- After discussions with officers it was agreed the draft accounts would be produced by the end of July 2020 with Grant Thornton undertaking some virtual testing of those accounts in August prior to the main audit during September 2020
- Value for money conclusion work was underway
- The Housing Benefit audit was to begin 10<sup>th</sup> June 2020 and would involve screen sharing for virtual assessments to begin in that area
- Department of Work and Pensions had allowed an extension to the deadline for final subsidy claim to January 2021

The Chair asked if a correction to the wording on Page 43 of the report was needed and Mr Barber confirmed the wording should be amended with the addition of the word 'not' so the sentence under the conclusions and recommendations for early substantive testing should read as follows:

“Our testing to date has **not** identified any issues that we need to bring to your attention.”

RESOLVED that the External Audit Progress report update be noted.

Mr Barber then updated the Committee on the Sector update of the External Audit Progress report as follows:

- Significant risks had been highlighted with an additional risk having been added due to the Covid-19 situation around things like volatility in the financial markets
- Challenges around the value of assets held by the Council would be considered
- The going concern assumption would be put forward early with discussions between Grant Thornton and North Devon Council
- Grant Thornton were not minded to alter the materiality figure when signing off the accounts

In response to a question on the latest situation regarding grants from Central Government being made available to local authorities and if this was a concern for auditors. Mr Barber advised that he was not aware of any extra funding being imminently available. His advice would be to continue assessing the situation and the impact of levels of funding and model the effects on budget. Financial planning would become even more prudent with the best course of action to be decided on as a result of this planning.

In response to a question on what North Devon Council were doing to obtain additional funding, the Head of Resources replied with the following:

- Monthly financial returns from all authorities were sent to Central Government so they were aware of the financial situation North Devon Council were in
- Engaged with Central Government last week around our position. The Council was not alone in this situation and that our levels of reserves, for the size of Council we were, were healthy
- The pressures faced moving forwards were the same as other authorities
- Talks with Treasury were underway with Central Government regarding future tranches of funding
- All members would be kept up to date as and when information was made available to the authority

The Chief Executive gave a further update to Committee on what steps were being taken to obtain certainty on further funding as follows:

- North Devon Council was actively lobbying Government which was being raised through the Local Government Association (LGA), the local MP as well as directly through to Central Government.
- The previous funding provided had been awarded based on the population size or per capita
- It was preferred that Central Government looked at the individual needs of the local population and its local area and based its future funding awards on that
- This message was received with sympathy by Central Government and it was hoped would be considered
- The Treasury were overloaded with requests for additional funding which was hoped wouldn't be ignored

In response to a question on levels of council tax recovery and whether recovery rates were lower as a result of the Covid-19 situation the Head of Resources gave the Committee the following response:

- April to May 2020 council tax recovery levels were similar to last year
- The Furlough scheme had meant individuals were still in receipt of an income and so currently able to pay bills
- Business grants paid out had also helped local businesses
- The real impact of people being able to afford to pay bills would hit later on as the Furlough scheme started to wind down.
- Forecasting had made allowances for the impact of a reduction in recovery rates in later months

RESOLVED that the sector update be noted.

**80.           AUDIT RECOMMENDATION TRACKER**

The Head of Resources addressed the committee in relation to the Audit Recommendation Tracker (circulated previously), with the following:

- Table A showed progress classifications on 13 items, 15 DR, 15 HN (CBL), 16 BCM, 16 PL, 17 ITAM, 17 RM & CG, 17 CS, 17 SRR, 17 L, 17 G, 19 E&ES, 19 GDPR, and 19 CG & RM
- Table B showed recommendation 17 PO 01 as completed which had been a review of car park processes and procedures
- Table C showed six recommendations requesting target date extensions these were; 15 DR 05, 15 DR 06, 16 BCM 07 testing strategy, 17 CS 02 Network Security, 17 RM&CG 02 Service risk registers and 17 SRR 08 Information sharing
- There were two Disaster Recovery recommendations that had been on the tracker for some considerable time and had recently been put to test quite considerably under the Covid-19 pandemic
- The IT Business manager had made the request for the extension on 15 DR 05 to the end of December 2020
- The second recommendation 15 DR 06 had a request for extension to March 2021
- 16 BCM 07 testing strategy in relation to business continuity would be a large area of work with a greater threat from cyber-attacks due to the increased numbers of staff working from home remotely. The extension requested for this was to June 2022
- 17 CS 02 Network security needed work carried out in relation to the whole suite of firewalls, this work tied in with the business continuity plan and the extension being sought was to the end of December 2020
- 17 RM&CG 02 completeness of service risk registers the majority of service areas had completed before the Covid-19 situation but for those still outstanding a short extension of June 2020 was requested
- 17 SRR 08 Information sharing this was around Customer Relationship Management system and how violence and aggression markers were shared the online form needed to be built and so the requested extension was until 31<sup>st</sup> July 2020
- Table D showed there were no outstanding audit recommendations if Committee were minded to allow extensions requested
- Table E showed one outstanding annual governance recommendation 14 AGS 02 which linked in with the disaster recovery plans already mentioned

In response to a question on the requested extension date of June 2022 for testing the strategy in relation to business continuity being correct and whether it should be completed earlier the Head of Resources gave the following response:

- The requested extension date of June 2022 was correct
- Plans had been in place for a number of years but the recent Covid-19 situation had shown the need for constant evolution of plans
- Time was needed to be taken to ensure the plans were right as we still were not back to full service delivery
- Associated risks were to be picked up from testing carried out

In response to whether there was a need for a completion date on an area that was constantly evolving and changing and where a completion date seemed to be an unobtainable goal, the Chief Executive responded that it was constantly under review and in light of recent events we needed to go back over the plans and update for lessons learned over the last few months.

The Head of Resources added that this originally was picked up in 2016 when our plans were fairly light and thus the recommendations were now probably out of date. Going forwards it was anticipated that the Devon Audit Partnership would review these arrangements.

In response to a suggestion from the Chair on whether it would not be better to remove the items from the tracker and place on the work programme to be reported on every six months, the Chief Executive and Head of Resources agreed this would be a good solution.

In response to a question, the Chief Executive agreed that where a request to extend the completion date when nought percent had been completed that the appropriate officer be requested to provide an update to the Committee.

RESOLVED, that:

- (a) The internal audit recommendations 15 DR 05, 15 DR 06 and 16 BCM 07 be removed from the Audit Recommendation Tracker, and an item be placed on the Governance Committee Work Programme of Business Continuity commencing from September 2020 and again January 2021 and on a six monthly reporting basis, thereafter, and
- (b) That the relevant Senior Officer present a draft report to the Committee on Business Continuity and attend future meetings of the Committee with updates on progress
- (c) That the Audit Recommendation Tracker be noted.

## 81. GOVERNANCE WORK PROGRAMME 2020 - 21

The Head of Resources updated the Committee on the Governance Committee's work programme 2020-21 (circulated previously), with the following proposed changes:

- The Annual Governance statement and the Statement of Accounts would be moved to a slightly later date of July 2020 with the possibility they may need to be moved to September 2020
- The letter of representation formed part of the external audit so would be moved to the September 2020 meeting possibly later than the one already scheduled or even later to early October 2020
- The Internal Audit Charter came to the March 2020 meeting and would normally be presented ahead of the new financial year so recommended to move this from September 2020 to March 2021
- The external Audit Fee Letter was presented at the March 2020 meeting and needed to be removed from June 2020 to March 2021
- The External Audit Findings report would normally be July but this

- needed to move to September 2020 if not early October 2020
- The External Audit – Annual Audit letter followed on from the Findings Report so needed to be moved to November 2020

RESOLVED that the proposed changes to the work programme 2020-21 be noted.

Chair

The meeting ended at 7.57 pm

NOTE: These minutes will be confirmed as a correct record at the next meeting of the Committee.



## **North Devon Council Governance Committee**

Date: Sept 2020

### **Half Yearly Report of the Chair of Governance Committee**

Since March 2020 only one Governance Committee meeting has gone ahead, albeit online. The meeting of July 2020 was cancelled.

The Chair of the Governance had attended the first Devon Audit Partnership meeting (online).

The Audit Committee resolved in May 2014 that the Chair of the Governance Committee would report half yearly to Council in March and September to highlight key issues that have arisen in the previous period.

The last report was presented in March 2020.

### **External and Internal Audit**

#### **Internal Audit Progress Report**

The Committee was advised by DAP of the following in relation to the Internal Audit Progress Report:

- All staff of Devon Audit Partnership (DAP) were employed by Devon County Council and during Covid-10 were redeployed to the frontline services.
- The sections of the report were discussed and explanations given as to what would be covered and the DAP's approach.
- The Business Grant processes were discussed in relation to the possible opportunity for fraudulent applications. NDC's Head of Resources confirmed the systems in place would mitigate this and there had been no evidence of any fraudulent activity to date.

#### **Internal Audit Annual Report 2019/20**

The Committee was advised by MAZARS of the following in relation to the Internal Audit Annual Report 2019/20:

- The purpose of the report was to give a summary on the work undertaken during 2019/20 and compliance with standards and was a basis for forming North Devon Council's financial statements.
- With the work concluded this financial year alongside reports from 2018/19, MAZARS felt this provided a firm basis for their opinion for 2019/20.

#### **External Audit Progress Report and Sector Update**

The External Auditor advised of the following in relation to the External Audit Progress Report and Sector Update:

- Testing work had been completed.
- Deadline had been extended as a result of challenges faced due to the Covid-19 situation. NDC now had until the end of August 2020 to produce its draft accounts.
- The Value for Money work was underway.
- The Housing Benefit audit would begin on 10<sup>th</sup> June 2020. The Department for Works and Pensions had allowed an extension for the final subsidy claim to January 2021.
- Risks had been highlighted due to the Covid-19 situation.
- Challenges around the values of assets would be considered.

The Head of Resources confirmed:

- Talks with the Treasury were underway with Central Government regarding future tranches of funding. The Treasury were overloaded with requests for funding.
- NDC was actively lobbying the Government.
- Previous funding had been provided based on the population size/per capita.
- Council Tax recovery rates (for April to May 2020) were similar to those of the same period in 2019.
- Business Grants and the Furlough scheme had assisted the public. However the impact of the removal of such schemes could later affect their ability to pay their Council Tax and Business Rates.
- Forecasting had made allowances for the impact of a reduction in recovery rates in later months.

## **Audit Recommendation Tracker**

The Committee was advised in June that:

- Six recommendations had required extensions.
- The two Disaster Recovery recommendations had recently been put to the test under the Covid-19 outbreak.
- Covid-19 had shown the need for the plans to constantly evolve and change.
- The recommendation on Table E could only be finalised once the final testing of the ICT Disaster Recovery Plan were completed.
- Items 15 DR 05, 15 DR 06 and BCM 07 be removed from the Audit Recommendation Tracker and be placed on the Governance Committee work programme from Sept 2020 and January 2021. After which they would be reported on at six monthly intervals.
- The relevant Senior Officer (for Business Continuity) attend future Governance Committees.



## ANNUAL GOVERNANCE STATEMENT 2019/20

### 1 Introduction

North Devon Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. In discharging this overall responsibility the council is responsible for putting in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Council has a code of corporate governance which is consistent with the principles of the CIPFA/SoLACE Framework "Delivering Good Governance in Local Government 2016" ("The Framework"). This statement explains how the council has complied with the code and also meets the requirements of the Accounts and Audit Regulations in relation to the publication of a statement on internal control.

### 2 The purpose of the governance framework

Confidence in public sector governance is of critical importance, given the huge investments by taxpayers in local services and the need to ensure that none is wasted. This Annual Governance Statement is to help provide that confidence by formally recognising, recording and publishing the council's governance arrangements.

The Framework requires local authorities to be responsible for ensuring that:-

- Their business is conducted in accordance with all relevant laws and regulations
- Public money is safeguarded and properly accounted for
- Resources are used economically, efficiently and effectively to achieve agreed priorities which benefit local people.

The governance framework has been in place at North Devon Council for the year ended 31 March 2020, and up to the date of approval of the annual report and statement of accounts.

Our governance framework derives from core principles in the Framework. They are:

- a) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law,
- b) Ensuring openness and comprehensive stakeholder engagement
- c) Defining outcomes in terms of sustainable economic, social and environmental benefits,
- d) Determining the interventions necessary to optimise the achievement of the intended outcomes,

- e) Developing the entities capacity, including the capability of its leadership and the individuals within it,
- f) Managing risks and performance through robust internal controls and strong public financial management,
- g) Implementing good practices in transparency, reporting and audit to deliver effective accountability.

The authority's financial management arrangements conform with the governance requirements of the CIPFA "*Statement on the Role of the Chief Financial Officer in Local Government*" (2016) as set out in the Application Note to the Framework.

### **3. Key Elements of the Council's Governance Framework**

#### **3.1 Council and Strategy and Resources Committee**

- Set the budget, strategies and the corporate objectives
- Receive performance reports

#### **3.2 Governance Committee**

- Oversight of ethics and governance issues
- Dealing with complaints
- Receiving audit reports
- Risk Management
- Receiving performance reports
- Holding Strategy and Resources Committee to account
- Considering service plans

#### **3.4 Senior Management Team**

- Receiving performance reports
- Managing behaviours
- Dealing with health and safety issues
- Risk Management

#### **3.5 Corporate Risk Group**

- Identifying corporate risks and reporting

#### **3.6 Statutory Officers**

- Ensuring that the Council acts properly and lawfully

## 4 How we comply with the Framework

*This section describes the key arrangements in place to meet the core principles set out above.*

### **Principle A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**

The Council has adopted a set of management behaviours which managers are expected to comply with. Managers are judged against those behaviours through the appraisal process.

The Council has also adopted a Code of Conduct for Members and an Employee Code of Conduct which provide frameworks for the expected behaviour of Members and staff. Training has been provided on both.

The Council has in place Financial and Contract Procedure Rules, and various policies including those on Whistleblowing, Anti-Fraud and Corruption, Money-Laundering, Income Collection and Debt Recovery. Training has been provided to officers and Members where appropriate.

All reports going to the Strategy and Resources Committee have to be consulted upon with senior officers including the section 151 officer and the Monitoring Officer. The legal implications of any decisions also have to be considered. The section 151 officer and Monitoring Officer have specific duties to ensure the legality of decisions and processes and to investigate any alleged breaches.

The Council's Governance Committee has a responsibility in maintaining ethical standards.

### **Principle B - Ensuring openness and comprehensive stakeholder engagement**

All Council meetings are open to the public other than where confidential issues are to be discussed. All agendas and minutes are published on the Council's website. The Council is active on social media and publishes any events through these media channels.

The onset of the Covid-19 pandemic in early 2020 has resulted in meetings of the Council being held by virtual means. Council business has been conducted as normal, and more of the public given the opportunity to 'attend' the meetings.

The Council takes an active role in various partnerships and boards on a range of issues such as health, social inclusion and economic generation.

The Council holds regular Parish Forums where representatives of all Parish Councils are invited to attend to discuss issues of concern. It also holds public meetings when appropriate to discuss major issues such as the state of local health services and the impact that agriculture has on the local economy.

The Council also holds public consultation exercises and surveys where appropriate and engages with stakeholders over major issues such as the new income-banded Council Tax Support scheme. There have been some issues as to the efficacy of the consultation software, but investigations are continuing.

The Council continues to support the Plastic Free North Devon Consortium. This brings together public authorities, charities, voluntary groups, businesses and individuals and has agreed a strategy for reducing the use of single use plastic and for

collecting it from beaches and other areas. The input from the Consortium is feeding into measures and steps being taken within the Council.

## **Principle C and D - Defining outcomes in terms of sustainable economic, social and environmental benefits and determining the interventions necessary to optimise the achievement of the intended outcomes**

The Council has adopted a revised Corporate Plan with four focussed objectives as follows:

- achieving financial security
- becoming focused on delivering the best for our citizens
- cherish and protect our environment
- plan for North Devon's future

Backing up the Corporate Plan is a Delivery Plan which sets out specific actions that will be carried out to deliver the Corporate Plan.

The Corporate Plan is carried through into Service Plans which are approved by the Strategy and Resources Committee, following scrutiny by the Governance Committee. Individual appraisals then reflect the actions in the Service Plans.

Progress towards completing actions is reported each month to the Senior Management Team and quarterly to the Strategy and Resources Committee and Governance Committee, along with performance against performance indicators. Quarterly reports also go to Full Council so that all Members are aware of the progress.

The introduction of a new HR/Payroll system has improved efficiency by reducing the amount of information entered on to two systems and thereby the number of errors made. The system gives managers increased employee information to make decisions, whilst employees have greater control over their personal information.

## **Principle E - Developing the entities capacity, including the capability of its leadership and the individuals within it**

The Council has a programme for identifying and providing training to aspiring managers. It also has a continually adapting programme of Manager Forums at which issues are discussed or training given.

It is also identifying opportunities for apprentices and graduate pathways and is also supportive of any employee that wishes to be seconded to other roles.

Capacity is being created through the multi-skilling of teams, new software in the feedback process and through digital communications.

Training needs are identified through the annual appraisal process and a corporate training programme is developed based on this. A Member's training programme is also developed and delivered every two years.

A complete review of processes within the Council to maximise capacity and develop a customer focus is ongoing, a number of staff having received training to enable this element of the project to proceed. This training has been extended to others within the Council.

Corporate training has been provided on issues such as GDPR and RIPA.

The Council has reviewed its decision making processes and has moved from an Executive structure to a Committee structure. This will ensure greater involvement in decisions from all political groups.

## **Principle F - Managing risks and performance through robust internal controls and strong public financial management**

The Council has an adopted Risk Management Strategy which sets out the Council's approach to risk identification and resolution. Each service maintains a risk register and these are reviewed at team meetings and by Senior Management Team. A Corporate Risk Group, made of up officers, identifies corporate risks and reports these to the Governance Committee.

Performance against service plan actions and performance indicators are measured each month and reported monthly to SMT and quarterly to the Strategy and Resources Committee and Governance Committee and then ultimately Full Council.

Service planning is underpinned by financial planning, with changed expenditure in any service area being approved by the Strategy and Resources Committee and Council through the annual resource allocation process. As part of this process a rigorous examination of all budgets is undertaken to identify opportunities for making efficiency savings, maximising income, or reducing unnecessary expenditure.

## **Principle G - Implementing good practices in transparency, reporting and audit to deliver effective accountability**

All Council decisions are published on the Council's website along with the reasons for taking the decision. All reports and agendas are also published online.

Audit recommendations from Audit reports are reported to Governance Committee and progress towards completion is tracked and reported. Performance monitoring reports are considered by the Strategy and Resources Committee and the Governance Committee and subsequently by Full Council. Senior officers can be requested to attend any of these Committees to answer questions and deal with issues relating to performance.

The Council adopts a proactive approach to publishing information through its web site but when a request is received under the Freedom of Information Act, a response is sent within the statutory time limit in almost 100% of cases.

## **5 Review of effectiveness**

### **5.1 Background**

The Council has conducted its annual review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by

- the work of council officers who have responsibility for the development and maintenance of governance environment
- the annual report of internal audit, and
- comments made by the external auditors and other review agencies and inspectorates
- assurance work completed during the year and up until the point that this Annual Governance Statement is approved.

The main processes that have been relied upon by North Devon Council in reviewing and maintaining the effectiveness of the system of internal control are highlighted below.

## 5.2 Internal Audit

Internal Audit is responsible for objectively reviewing the Council's internal systems of control with a view to reporting on and making recommendations to management with regard to their effectiveness for managing business risk and achieving the organisation's objectives

Internal Audit reviews are designed to assess the effectiveness of the internal controls on which the council relies for managing risk. There is an annual risk-based internal audit plan approved by the Governance Committee. During the year Internal Audit undertook 18 audits, four of which would not be completed by March 2020. Audit Recommendations are reported to SMT on a regular basis.

All outstanding Audit actions that are contained within the Internal Audit Reports are contained within a report that is presented to the Governance Committee. The Governance Committee takes an active role in ensuring actions are completed.

The effectiveness of Internal Audit in carrying out this function is assessed by the Governance Committee.

The service is provided through an external supplier enabling access to a wide variety of skills and specialist practitioners. Up to March 2020, the supplier has been Mazars Public Sector Internal Audit Ltd, but Mazars have now been replaced by the Devon Audit Partnership.

The Internal Auditors have stated that there is reasonable assurance that the Council's governance arrangements are largely compliant with best practice guidance.

## 5.3 External Audit

The Council has appointed Grant Thornton as its external auditors.

The 2018/19 Annual Audit Letter (received in August 2019) provided an unqualified opinion on the Council's accounts but made some recommendations in relation to reporting for the 21:21 programme. The reporting of progress in relation to 21:21 now occurs as part of the quarterly business report and so this recommendation has not been carried forward to the Action Plan.

## 5.4 Other external agencies

The **Local Government Ombudsman** (LGO) has publicly available records in respect of complaints received about each council. From 31.3.19 to 31.3.20, it appears that 17 complaints were received with the largest number (7) coming from the Planning area,



whilst 4 involved waste and recycling collections .In the preceding five years the numbers were 25, 23, 23, and 23 respectively.

Only two of the complaints were upheld after a detailed investigation, whilst only one of the complaints involved the making of any reparation by the Council. The vast majority of the complaints were either not investigated or not upheld.

The **LGA Peer Review which took place in 2016** has been referenced in a previous AGS. The Council undertook a further Peer Challenge in November 2019, and a report as to the outcomes was received in February 2020. As yet Councillors have not been formally briefed as to the outcomes, which have been positive, as a result of the onset of the Covid-19 pandemic, which has interrupted the reporting-back process. An informal briefing has taken place however.

## **5.5 Statutory Officers (i.e. Head of Paid Service, Chief Financial Officer, and Monitoring Officer)**

No formal reports have been made by any statutory officer.

## **5.6 Senior Management Team**

The Senior Management Team meets each week to develop policy issues and also considers internal control issues, including risk management, performance management, compliances, efficiency and value for money, and financial management.

During the year all external and internal audit reports are considered by the Senior Management Team before agreement of the recommendations. This ensures that any action that stems from them is properly integrated into the Council's activity.

The Senior Management Team reviews and updates the Corporate Risk Register, supported by the Corporate Risk Management Group.

The Council's performance is reviewed quarterly. The Senior Management Team are the first step in the chain of monitoring and action that culminates in Strategy and Resources Committee decisions on the Performance and Financial Management Report.

Senior Management Team exercise control over all appointments and any staffing changes, including direct replacements have to be supported by business cases and approved by the Team.

All members of Senior Management Team have responsibility for maintaining a system of sound internal controls and management processes within their area of responsibility, and for reviewing their effectiveness. Each has completed an **Assurance Statement** for their area confirming that a sound system of internal control has been in place throughout the financial year, and identifying any areas that are less robust. Any issues identified as part of these have been incorporated into the Action Plan.

## **5.7 Health and Safety**

There are established risk assessment and incident reporting processes. These are supported by framework risk assessments for 'office work', 'office work at home' 'site

visits', 'driving at work', and 'attendance at exhibitions'. In addition there is information on a wide range of subjects available.

Following the onset of the Covid-19 pandemic, and the Government guidance for members of staff to work from home, wherever possible, both general and specific risk assessments have been issued to manage the return to work of those who have not been attending the workplace during the pandemic.

The Senior Management Team and the Council's Health Safety, and Welfare Committee (a joint staff/Member/management committee) met during the year and received incidence statistics with notes of trends and actions taken. These meetings support the Health and Safety Advisor's introduction of improvements and updates to guidance or practices to mitigate risks/incidence issues.

There are reports to the Chief Executive and the Senior Management Team when issues arise.

## **5.8 Information Management and Security**

The Council holds a great deal of information and personal data to support the delivery of services. The security of that information is of paramount importance. The Information Management Group monitors compliance with the Information Security, Email, Internet and Data Protection Policies. It has responsibility for ensuring that procedures are in place to reinforce the policies and for ensuring that specific training and guidance is provided at all levels within the Council. It reports to the Senior Management Team as issues arise. No major issues have been identified.

Both the spirit and the letter of the General Data Protection Regulation have been fully implemented by the Council. Data Protection Champions have been appointed for each service area and these meet regularly with the data Protection Officer to talk about issues. Training of all staff and Councillors has been undertaken and the Data Protection Officer is proactive in dealing with issues and concerns. All breaches are dealt with in accordance with the law and relevant guidance and the Data Protection Officer ensures that any changes that are highlighted by breaches are introduced. In the Data Protection Officer's absence, two other senior officers are briefed to deal with any emergency data protection issues arising.

## **6. Governance Issues of Concern**

North Devon Council has considered the outcomes of the governance arrangements referred to in this Statement. Where appropriate action plans have been developed to ensure the continuous improvement of the council's internal control, risk management and corporate governance arrangements.

The following governance issues were identified during 2019/20 as a result of the review of arrangements:

## Areas identified by an internal review of governance arrangements

Issue	Action
<b><u>Significant Issues</u></b>	
1 Potential for severe disruption of council services by extreme events, such a localised flooding of council property or deliberate actions such as cyber attack. This is carried over from previous years although work is underway.	A review of all business continuity plans and introduction of a corporate business resumption plan together with a cyber attack response plan, a revised Disaster Recovery Plan and new Cyber Incident Response Plan
<b><u>Other Issues</u></b>	
2 Development of an Action Plan to implement recommendations from the Peer Review	Formal reporting of the Peer review report should take place once received. An Action Plan should also be developed to implement appropriate recommendations.
3 Financial and Contract Procedure rules	A system for reporting breaches to Governance Committee should be introduced

*No additional risk areas were identified by either our external or internal auditors.*

### 3 Certification

We have been advised on the implications of the result of the review of the effectiveness of the governance framework to address weaknesses and ensure continuous improvement of the system is in place.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

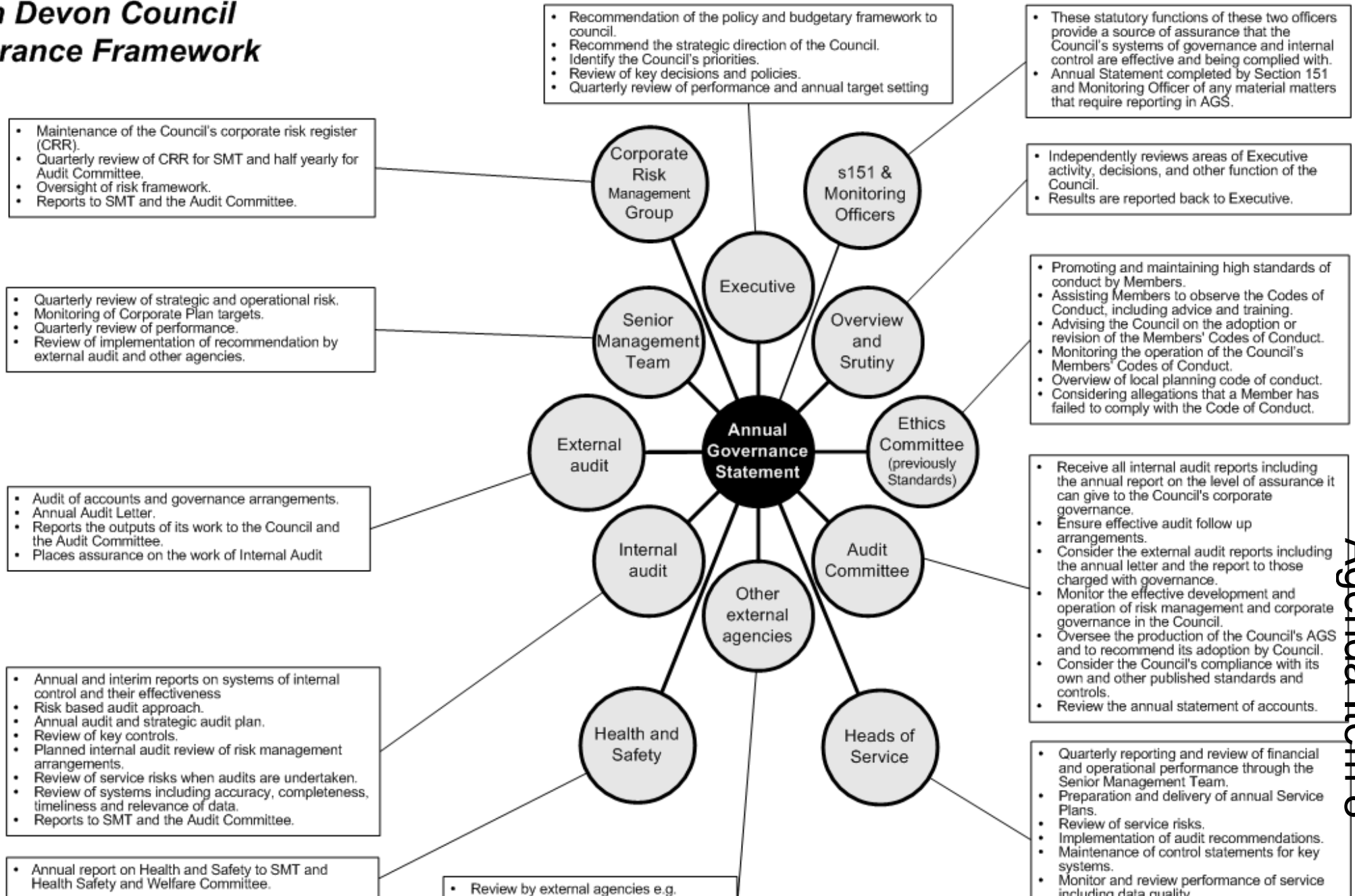
Councillor David Worden .....  
Leader

Ken Miles  
Chief Executive

.....

DRAFT

# North Devon Council Assurance Framework



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Room G.07  
1 Horse Guards Road  
London  
SW1A 2HQ

[public@public-standards.gov.uk](mailto:public@public-standards.gov.uk)

**Committee on  
Standards in  
Public Life**

Sent by email  
to Local Authorities in England  
For the attention of the Chief Executive

July 2020

## **LOCAL GOVERNMENT ETHICAL STANDARDS**

I am writing from the Committee on Standards in Public Life to follow up recommendations made in our January 2019 [report](#) on local government ethical standards.

In that report, we identified some best practice recommendations which represent a benchmark for ethical practice and which we expect any local authority should implement.

We said in our report that we would review the implementation of those best practice recommendations in 2020. We completely understand the unexpected and unprecedented pressures that local authorities are facing this year with COVID-19, so we are not of course asking for an immediate response. The purpose of this email is to let you know that we will be writing again in the autumn to ask you for your progress against these recommendations. I have attached a list of the best recommendations for ease of reference, but they are of course also set out in the report.

If you have any questions, please do just let us know. Otherwise, we wish you well and look forward to being in touch again later this year.

Secretariat  
Committee on Standards in Public Life

## List of Best Practice Recommendations

Our best practice recommendations are directed to local authorities, and we expect that any local authority can and should implement them. We intend to review the implementation of our best practice in 2020.

**Best practice 1:** Local authorities should include prohibitions on bullying and harassment in codes of conduct. These should include a definition of bullying and harassment, supplemented with a list of examples of the sort of behaviour covered by such a definition.

**Best practice 2:** Councils should include provisions in their code of conduct requiring councillors to comply with any formal standards investigation, and prohibiting trivial or malicious allegations by councillors.

**Best practice 3:** Principal authorities should review their code of conduct each year and regularly seek, where possible, the views of the public, community organisations and neighbouring authorities.

**Best practice 4:** An authority's code should be readily accessible to both councillors and the public, in a prominent position on a council's website and available in council premises.

**Best practice 5:** Local authorities should update their gifts and hospitality register at least once per quarter, and publish it in an accessible format, such as CSV.

**Best practice 6:** Councils should publish a clear and straightforward public interest test against which allegations are filtered.

**Best practice 7:** Local authorities should have access to at least two Independent Persons.

**Best practice 8:** An Independent Person should be consulted as to whether to undertake a formal investigation on an allegation, and should be given the option to review and comment on allegations which the responsible officer is minded to dismiss as being without merit, vexatious, or trivial. 19 List of best practice

**Best practice 9:** Where a local authority makes a decision on an allegation of misconduct following a formal investigation, a decision notice should be published as soon as possible on its website, including a brief statement of facts, the provisions of the code engaged by the allegations, the view of the Independent Person, the reasoning of the decision-maker, and any sanction applied.

**Best practice 10:** A local authority should have straightforward and accessible guidance on its website on how to make a complaint under the code of conduct, the process for handling complaints, and estimated timescales for investigations and outcomes.

**Best practice 11:** Formal standards complaints about the conduct of a parish councillor towards a clerk should be made by the chair or by the parish council as a whole, rather than the clerk in all but exceptional circumstances.

**Best practice 12:** Monitoring Officers' roles should include providing advice, support and management of investigations and adjudications on alleged breaches to parish councils within the remit of the principal authority. They should be provided with adequate training, corporate support and resources to undertake this work.



# Agenda Item 9

**Best practice 13:** A local authority should have procedures in place to address any conflicts of interest when undertaking a standards investigation. Possible steps should include asking the Monitoring Officer from a different authority to undertake the investigation.

**Best practice 14:** Councils should report on separate bodies they have set up or which they own as part of their annual governance statement, and give a full picture of their relationship with those bodies. Separate bodies created by local authorities should abide by the Nolan principle of openness, and publish their board agendas and minutes and annual reports in an accessible place.

**Best practice 15:** Senior officers should meet regularly with political group leaders or group whips to discuss standards issues.

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## NORTH DEVON COUNCIL

Open

**REPORT TO: GOVERNANCE COMMITTEE**

Date: 8<sup>th</sup> September 2020

**TOPIC: LOCAL GOVERNMENT ETHICAL STANDARDS**

**REPORT BY: MONITORING OFFICER**

### 1 INTRODUCTION

- 1.1 The Committee on Standards in Public Life issued a letter to local authorities in July 2020 entitled "Local Government Ethical Standards," following up recommendations made in its report of January 2019.
- 1.2 In the report, the Committee identified some best practice recommendations which "represent a benchmark for ethical practice and which we expect any local authority should implement."
- 1.3 The Committee, whilst accepting that the implementation of the items of best practice may have been delayed by the onset of the Covid-19 pandemic, intend to ask local authorities as to their progress in implementing the recommendations in the autumn of 2020.
- 1.4 This report, therefore, seeks approval to up-date the existing Member Code of Conduct in two respects, so that positive feedback can be given to the Committee on Standards in Public Life in due course.
- 1.5 A separate report, introducing a revised process document in respect of standards' complaints, will be presented to a future meeting of the Governance Committee. This document will aim to encapsulate a number of the other best practice recommendations.

### 2 RECOMMENDATIONS

- 2.1 That the Governance Committee recommend to Council that the amendments to the Council's Member Code of Conduct be adopted.

### 3 REASONS FOR RECOMMENDATIONS

- 3.1 That two elements of recommended best practice are incorporated into the Member Code of Conduct.

### 4 REPORT

- 4.1 In its report of January 2019, the Committee on Standards in Public Life set out fifteen areas of best practice in relation to standards in public life, which it expected all local authorities to adopt. The intention was for the Committee to seek feedback in 2020 on the progress that councils had made in implementing the recommendations. Although delayed by Covid-19, the Committee intends to pursue the feedback in the autumn of 2020.
- 4.2 A copy of the letter from the Committee is attached as appendix 1.
- 4.3 Many of the recommendations relate to the regime of dealing with standards' complaints, and are best encapsulated in a revised process document, which will be presented to a future meeting of the Governance Committee.
- 4.4 Recommendation numbers (2), however, can be properly implemented by modest amendments to the existing Councillor Code of Conduct.
- 4.5 Recommendation 2 specifies that provisions should be made both for Councillors to comply with any standards investigation involving a complaint against them, and to prohibit Councillors from making trivial and malicious allegations. Such provisions can properly be added to the existing Code of Conduct, as new paragraphs 4(c) and 5(h). The suggested wording is set out in Appendix 2.
- 4.6 The Committee will note that recommendation 1 relates to the prohibition on bullying and harassment, and the giving of examples of typical instances of such behaviour. The existing Code of Conduct does not need amendment in this respect.

### 5 RESOURCE IMPLICATIONS

- 5.1 There are no resource issues.

### 6 EQUALITY and HUMAN RIGHTS

- 6.1 An EIA has not been completed as no equality issues are affected.

### 7 CONSTITUTIONAL CONTEXT

Article and paragraph	Appendix and paragraph	Referred or delegated power?	A key decision?
Part 3, Annexe 1 (5)(d)		Delegated	No

### 8 BACKGROUND PAPERS

Background papers will be available for inspection and will be kept by the author of the report.

## 9 STATEMENT OF INTERNAL ADVICE

9.1 The author (below) confirms that advice has been taken from all appropriate Councillors and officers.

---

Author: Trevor Blatchford

Date: 11<sup>th</sup> August 2020

Reference: TB

## APPENDIX 2

(Members must:)

- “4(c)            comply with any formal standards investigation carried out by or on behalf of the Monitoring Officer, particularly by responding to requests for information, clarification or comment in a timely way”

(Members must not:)

- “5(h)            seek to misuse the standards process by making trivial or malicious allegations, such as by alleging misconduct against another councillor for the purposes of political gain”



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## **NARRATIVE REPORT**

### **Introduction**

The purpose of the narrative report is to provide the reader with an easy to understand guide to the most significant financial matters reported in the accounts. It also acts as the Council's annual report, which highlights the major influences on the Council's spending and comments on the Council's overall financial position and performance against the Corporate Plan and Key Performance Indicators.

### **The Challenges**

The world economic conditions continued to dominate, which made 2019-20 another challenging year for everyone: the Council being no exception.

The Council had forecast to receive less revenue during the year and continued implementing plans to reduce expenditure with careful planning and consideration to ensure service provision was not unduly compromised.

However, the Council recognises that the impact the recession has had on Public finances will continue well beyond 2019-20. The Council's new Corporate Plan was approved in September 2019 to reflect the changed landscape we now face and the reality of the significant cuts to government grant support which have been extended into 2020-21. We are forecasting reductions beyond 2020-21 as there are no indications that austerity measures will come to an end.

The Corporate Plan has identified four key priority areas, which are:

1. We achieve financial security
2. Become focused on delivering the best for our customers
3. Our environment is cherished and protected
4. We plan for North Devon's future

Due to cuts in government grant and the poor economic situation, the Council has reduced its revenue budget by around £4m (to £12.5m for 2019-20) with a reduction in workforce of around 130 posts since the start of the 2010 spending review. Income streams have also been affected by the current poor economic conditions.

### **Meeting the Challenges – the Medium Term Financial Strategy 2020-2024**

The Council already operates a robust financial planning regime through its approved rolling financial plan (the Medium Term Financial Strategy). This plan seeks to achieve Council Tax increases in line with Central Government guidelines, at the same time, achieving budget improvements to help meet new challenges and priorities set out in the Council's Corporate Plan.

The Council's Medium Term Financial Strategy (MTFS) 2020-2024 was approved by Full Council in February 2020. The plan underpins and provides the financial

cornerstone of the Corporate Plan, which will shape the Council's activities. It is good practice that it is refreshed on an annual basis to ensure that the Council's forward looking financial position is considered particularly in the current economic climate.

The MTFs looks at the changing financial situation of the Council over the future four financial years for 2020-21 to 2023-24. The starting position is the Budget 2020-21, which is rolled forward based on a set of assumptions.

The refreshed forecasted cumulative budget gap / (surplus) for 2020-21 to 2023-24 is shown as follows:

Years	2020-21 £m	2021-22 £m	2022-23 £m	2023-24 £m
Budget gap / (surplus)	0	1.781	2.110	2.678

The major plans currently included within the MTFs to deliver the savings required in the short to medium term are:

- Inclusion in the Devon-wide saving sharing scheme with Devon County Council following the roll out of changes to recycling service.
- Review of core fees and charges for service areas such as car parks and garden waste; the running costs for these services have increased however the fees and charges have not been reviewed for a number of years. A review has been incorporated within the forecast and will require Member approval in advance of the 2021-22 year.
- Continued vigorous vacancy management measures and on-going reviews of the structure of the Council to determine whether posts can be removed without detrimentally impacting on the way the Council operates.

Whilst preparing the 2020-21 Budget, each Head of Service was tasked with preparing service plans covering 2020-21 and beyond. These plans have been through Policy Development Committee in January 2020 and the 2020-21 revenue implications have been factored into the budget. The purpose of these plans is to ensure that the Council has a strategic approach to delivering the budget reductions expected as a result of the Government's austerity programme.

The Council has been preparing and positioning itself for on-going budget reductions and will continue to work on options to deliver the savings necessary to balance the budget gaps through to 2023-24 year.

Further remedial action will be required including close management of vacancies, reviewing reserve contributions and a general search for savings and income generation opportunities to meet the Council's on-going programme of investment and improvement in services, whilst meeting the challenge of reduced funding.

The challenges of 2019-20 have now been dealt with and have been absorbed within our future financial plans, where necessary.

The financial challenge faced by the Council during the year will continue through 2020-21 and beyond particularly whilst the Government have delayed the Fair Funding Review which was planned to take place for 2021-22 financial year which now does generate some uncertainty around future year funding levels.

### **Covid-19 Pandemic**

The Covid-19 pandemic has had, and will continue to have a considerable impact upon the Council. The government's lockdown announced on 23<sup>rd</sup> March 2020, has meant that many businesses have been forced to close – significantly impacting on the local economy and upon sources of core income to the Council. In addition the Council has incurred additional expense ensuring the most vulnerable in our community are cared for, the homeless are kept safe during this period and ensuring that key front-line services such as collecting waste and recycling are maintained throughout the crisis.

The Council has had to adapt and be flexible in its approach, ensuring the above resource is deployed efficiently and effectively and have also supported local businesses by administering and paying out £42million in government funded business grants to over 3700 businesses in the district.

These additional costs have not had a dramatic impact on the financial outturn for 2019/20 as the pandemic only started to make a notable impact upon the public and businesses in the last two weeks of March. The impact is being felt with losses across major income sources such as parking, commercial waste, planning fees and income from our pannier market, together with reductions in the collection of taxation income from council tax and business rates.

As part of closing the year-end accounts for 2019/20 we looked at the amount of debt outstanding to the Council and have reviewed the level of bad debt provision made and increased some areas of the provision to ensure that we prudently make provision for any impact from the pandemic. Any such increased provision cost is accounted for within the 2019/20 figures and included within the overall outturn surplus shown in these financial statements.

Of course, it is early days in terms of the recovery and these provisions are estimates; however they will be monitored ongoing through this year and reported as part of in-year monitoring as the true scale of its impact on the Council's finances will be felt during 2020/21.

It is difficult to quantify the impact of Covid-19 at this stage with any certainty, however the financial pressure on the Council will be substantial through 2020-21 and beyond – even after taking into account the emergency Covid-19 funding announced by the Government (we have currently received £1.189m). The Council does have both general fund and earmarked reserve balances which it could call upon in 2020-21 to mitigate the economic impact being experienced but clearly this would have much longer term solvency implications for the authority.

The pandemic has had and continues to have a profound impact on all aspects of life in North Devon and through 2020-21 the Council has already and will continue to adopt a pro-active approach to ensure that it responds to the emerging needs of residents and businesses.

Moving forwards, the Council will reset its Medium Term Financial Strategy in recognition of the impact of the pandemic and the refresh of the Council's strategic objectives. The changing environment and 'new normal' in which we are likely to find ourselves will require the Council to review the services it provides, how these are delivered and the outcomes that are of the highest priority.

Regular financial monitoring will continue to ensure the Council takes all necessary remedial action where it can, with a continued focus on delivering key services to our communities against the financial backdrop of considerable reduced resources.

### **The Financial Statements**

The accounts contain a number of separate but inter-related statements. These are described below.

### **Comprehensive Income and Expenditure Statement**

The Comprehensive Income and Expenditure Statement shows the income and expenditure for all the Council's services and the net surplus/deficit for the year, before taking account of transactions provided under statute, which are shown in a separate statement called Movement in Reserves Statement.

Expenditure and income on every day running costs, such as officers' salaries, premises, transport, supplies and services is contained in the Council's revenue account, the Comprehensive Income and Expenditure Statement.

### **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. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

### **Review of the Financial Year ended 31 March 2020**

The business of managing the Council's finances presents a number of significant challenges with around £60m passing through our books in a year.

The Council originally budgeted to spend £12.518m in 2019-20. As at 31 December 2019, the Council was forecasting a net surplus of £0.006m against the budget.

The last quarter of the financial year has seen some favourable variances since the last reported position; notably additional income through the Collection Fund, additional interest receivable on our investments, lower borrowing costs and additional savings achieved throughout our staffing budgets.

It is pleasing to report that the final out turn position is a budget surplus of (£0.241m), which is an overall movement of (£0.235m) from the last forecast at quarter 3. The following table shows this movement:

Service and Cost Area	Qtr 3 Variance to Budget £	Outturn Variance to Budget £	Movement Qtr 3 to Outturn £
Temporary Accommodation / Homelessness	(60,000)	(74,000)	(14,000)
EH & Housing Software	0	(12,000)	(12,000)
Various	(5,000)	(22,000)	(17,000)
<b>Environmental Health &amp; Housing</b>	<b>(65,000)</b>	<b>(108,000)</b>	<b>(43,000)</b>
Rental income and premises costs	36,000	57,000	21,000
Corporate Rates	12,000	23,000	11,000
Software Maintenance	(15,000)	(15,000)	0
Parish Grants	(10,000)	(10,000)	0
Grant income	(54,000)	(54,000)	0
Lynton Agency	0	(16,000)	(16,000)
Various	(3,000)	3,000	6,000
<b>Resources</b>	<b>(34,000)</b>	<b>(12,000)</b>	<b>22,000</b>
Museum income & Rates	33,000	33,000	0
Sports Repairs and maintenance	(40,000)	(40,000)	0
Members Allowances	(35,000)	(51,000)	(16,000)
Parks Other Works	0	(14,000)	(14,000)
Various	(5,000)	(11,000)	(6,000)
<b>Corporate &amp; Community Services</b>	<b>(47,000)</b>	<b>(83,000)</b>	<b>(36,000)</b>
Works & Recycling Employees	222,000	255,000	33,000
Works & Recycling Vehicle costs	8,000	18,000	10,000
Works & Recycling Tipping Charges	(1,000)	13,000	14,000
Works & Recycling Bulk Haulage	18,000	3,000	(15,000)
Works & Recycling Trade Waste income	38,000	27,000	(11,000)
Works & Recycling Recycling Credits	(34,000)	(57,000)	(23,000)
Works & Recycling Shared Savings Scheme	(28,000)	(28,000)	0
Works & Recycling Recycling Sales	80,000	95,000	15,000
Works & Recycling Garden Waste income	10,000	10,000	0
Works & Recycling Stock Movement	0	24,000	24,000
Works & Recycling Bad Debt Provision	0	15,000	15,000
Works & Recycling Various	(1,000)	(6,000)	(5,000)
Contribution from Crematorium	12,000	12,000	0
Cemetery Fee income	(10,000)	(10,000)	0
Bus Station cleaning & Demurrage	9,000	9,000	0
Car Parks income	(40,000)	(40,000)	0
Car Parks rates	30,000	30,000	0
Various	0	(6,000)	(6,000)
<b>Operational Services</b>	<b>313,000</b>	<b>364,000</b>	<b>51,000</b>
Harbour Utilities	(11,000)	(23,000)	(12,000)
ICT & Telephones	(46,000)	(62,000)	(16,000)
HR Corporate training	0	(30,000)	(30,000)

Service and Cost Area	Qtr 3 Variance to Budget £	Outturn Variance to Budget £	Movement Qtr 3 to Outturn £
District Election	0	37,000	37,000
Bank Charges (increased volume)	0	20,000	20,000
Various	1,000	2,000	1,000
<b>Corporate Services</b>	<b>(56,000)</b>	<b>(56,000)</b>	<b>0</b>
Planning Employees	(65,000)	(65,000)	0
Planning fee income	203,000	177,000	(26,000)
Pannier Market overtime	6,000	6,000	0
Pannier Market income	33,000	33,000	0
CCTV Employees	(5,000)	(5,000)	0
CCTV Income	10,000	10,000	0
Building Control Partnership	(30,000)	(55,000)	(25,000)
Economic Development Employees	(6,000)	(6,000)	0
Various	0	12,000	12,000
<b>Place</b>	<b>146,000</b>	<b>107,000</b>	<b>(39,000)</b>
Business Rates Growth	(200,000)	(206,000)	(6,000)
Interest Receivable	(30,000)	(78,000)	(48,000)
Borrowing costs	(16,000)	(58,000)	(42,000)
Collection Fund/Benefits Subsidy	0	(69,000)	(69,000)
Additional Grant income – Business Rates	0	(11,000)	(11,000)
Additional Vacancy Savings	(17,000)	(31,000)	(14,000)
<b>Other</b>	<b>(263,000)</b>	<b>(453,000)</b>	<b>(190,000)</b>
<b>Total</b>	<b>(6,000)</b>	<b>(241,000)</b>	<b>(235,000)</b>

The original budget for 2019/20 included a forecast to achieve £214,000 worth of salary vacancy savings, this was exceeded by £31,000 giving an overall actual saving of £245,000.

A review of procedures and processes within Works and Recycling was carried out at quarter 2 and we set targeted spend in respect of the vehicle workshop, challenging resources across all Works and Recycling services and to reduce sickness levels. As a result of these changes we factored in a targeted reduction in overtime and agency costs within the quarter 2 projections.

The Q3 position forecast a net deficit position of £312,000 for the services, the outturn position has shown this deficit to increase by a further £57,000 in the final quarter due to further pressure on employees, vehicle costs and tipping charges. However, the level of overspend seen in the final quarter, some of which would have been impacted by events of the last 2 weeks of March, was around 50% the level of budget variance seen in the first three quarters.

The Business Rate Retention scheme was introduced in April 2013 which sees Billing authorities receive a 'baseline' funding but in addition they are exposed to the risks and rewards of retaining a proportion of the income collected. This exposure is mitigated by participation in the Devon-wide pool that collates all of the Business Rate growth and decline and returns a share of the impact to each local authority. At 31 December 2019 we were forecasting additional Business Rates income of £200,000, the outturn position improved on this by a further £6,000, with overall business rate growth of £206,000.

As at 31<sup>st</sup> March 2020 the Collection Fund reserve balance was £732,620. This earmarked reserve was created to deal with the timing impacts of the Collection Fund (Business Rates), which ensures the revenue budget is not unduly affected in the year the taxes are collected. Collection Fund deficits/surpluses are reversed out to bring the revenue account back to the budgeted figure for the year; the deficits/surpluses are recovered/distributed in the following financial years. This is a healthy balance which provides some protection against future volatility.

From the revenue budget surplus of £240,615, it is proposed to set aside this amount into the following earmarked reserves as follows:-

- (£9,689) Museum Development – For the Museum garden path
- (£17,144) Office Technology – ICT spend committed to but not paid in 19/20
- (£46,000) Leisure Centre replacement – Works at Seven Brethren
- (£18,000) Building Control Partnership reserve – 50% of surplus to protect against loss of income in 20/21
- (£10,000) Harbour Repairs – Fender repairs
- (£13,522) Lynton Agency – 19/20 works not completed due to COVID-19
- (£100,000) Repairs fund – Additional contribution for planned maintenance
- (£26,260) Legal Services – External Legal Fees

The recommended level of general fund balance is 5%-10% of the Council's net revenue budget. It is pleasing to report that the combination of in year measures and robust budget management saw the Council through the financial pressures and resulted in a general fund reserve balance at 31 March 2020 of £1,161,000, which is a level of 9.3%.

Within the accounts the Council also holds balances in relation to the North Devon Crematorium, which is provided under a joint operation with Torridge District Council. The Council's Balance Sheet contains a General Balance of £0.060m and Earmarked Reserve Balances of £0.200m for Crematorium capital reserve and £0.240m for Crematorium equipment replacement reserve, which represents North Devon's estimated 60% of the share of the Crematorium total holding.



The Council's net expenditure on the Comprehensive Income and Expenditure Statement was financed from the following sources:

	2019-20 £000	%
Council Tax	8,369	56%
Government Grants	1,789	12%
Non Domestic Rates	4,820	32%
	<b>14,978</b>	

## Balance Sheet

The Balance Sheet shows the assets and liabilities of the Council as a whole at 31 March 2020. There are a number of detailed notes that break these figures down and provide further information.

These include details of capital expenditure of the Council on fixed assets such as land and buildings; as distinguished from revenue expenditure or running costs. During 2019-20, the Council invested £5.454m from its capital resources, analysed as follows:

	2019-20 £000
New assets being constructed	2,619
Purchase of vehicles and IT equipment	806
Providing grants and assistance	1,588
Statutory and Landlord Functions	441
<b>Total</b>	<b>5,454</b>

This compares to £4.435m spent in 2018-19.

Back in 2008-09 the method of accounting for certain elements traditionally accounted for as Capital Expenditure changed. Expenditure incurred on items, which includes disabled facilities grants and affordable housing, is now shown in the accounts as Revenue Expenditure Funded from Capital under Statute. It was previously known as deferred charges.

The legislation still allows the expenditure to be funded from capital resources such as capital receipts. However, the expenditure must be accounted for within the cost of services of the Comprehensive Income and Expenditure Statement together with any grants received to offset expenditure. The difference between expenditure and grant received is reversed out through the Movement in Reserves Statement in order that there is no impact on Council Tax. The reversal reflects the fact that the expenditure has already been funded from capital resources and a corresponding entry is made to the Capital Adjustment Account to reflect this.

The Council plans to invest the following sums in the period 2020-21 to 2022-23:

2020-21	£12.622m
2021-22	£10.740m
2022-23	£2.701m
<b>Total</b>	<b>£26.063m</b>

This investment will be financed by:

Capital receipts/borrowing	£13.600m
Earmarked reserves	£2.215m
External grants and contributions	£10.248m
<b>Total</b>	<b>£26.063m</b>

The Balance Sheet contains the Authority's Revenue Reserves, which are summarised below:

31/03/19 £000		31/03/20 £000
1,161	General Revenue Account	1,161
5,468	Earmarked Reserves	5,395
<b>6,629</b>		<b>6,556</b>

## Pension Liabilities

The Net Cost of Services within the Comprehensive Income and Expenditure Statement includes current service costs and past service costs. Net Operating Expenditure includes the Council's share of the return on pension's assets and the net interest cost of the Council's liability due to under-funding.

During the autumn of 2019 our actuary undertook the latest 3-yearly review of the Pension scheme and costs; with the next review due in 2022-23 year. The Local Government Pension Scheme has been reviewed nationally to ensure it meets the objectives of being viable and acceptable to both employees and the employer.

With the effect of the re-valuation of the pension fund and a range of other factors; such as a change in the discount rate assumption which the actuaries are required to use; the net liability on the pension fund has decreased from £61.7m to £55.6m. The Council's liability relating to the Devon County Council defined benefit pension scheme is included within the Balance Sheet and further details is shown in Note 42.

The amount the Council contributes to the Pension Fund is re-assessed every three years; the most recent review was in the autumn of 2019 and took effect from April 2020. The Council has adjusted its contributions in line with the Actuaries recommendations which have been factored into the Medium Term Financial Strategy (MTFS) 2020-2024.

## **Borrowing for Capital Investment**

The Council has forecast that the capital investment can be fully funded over the investment period. However, the timing and realisation of capital receipts can be impacted by events beyond the control of the Council.

The Council is able to manage its cash flows for projects through internal borrowing and also has authority to borrow from the Public Works Loan Board (PWLB) as outlined in the Treasury Management Annual Investment Strategy.

At the 31<sup>st</sup> March 2020 total external borrowing was £1.250m. The timing of any future borrowing is dependent on how the authority manages its treasury activity and due to current low interest rates and reduced returns on investments it is prudent for the Council to 'internally borrow' and use these monies to fund the Capital Programme.

The actual cost of borrowing was £0.534m, a reduction of £0.058m on the budgeted cost of £0.592m. This cost includes both the interest payable on external borrowing and the authority making a 'minimum revenue provision (MRP)' to set aside repaying the principal on the borrowing need.

## **Cash Flow Statement**

This statement summarises the inflows and outflows of cash arising from external transactions for both capital and revenue purposes.

## **Collection Fund**

These statements represent the transactions of the Collection Fund, a statutory fund separate from the main accounts of the Authority. The Fund accounts independently for income from council tax and non-domestic rates on behalf of those authorities for which the income has been raised.

## **Accounting Policies**

This section describes the accounting concepts and policies adopted in the preparation of the accounts. It contains a number of technical notes, none of which are unusual or which differ from the concepts adopted by the majority of other Local Authorities. The Council complied with all recommended accounting practices contained within the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20, which is recognised by statute as representing proper accounting practices. These principles provide the basis by which authorities present their net cost of services in the statement of accounts i.e. the classifications of service to be detailed in the service expenditure analysis in the top half of the Comprehensive Income and Expenditure Statement.

## **International Financial Reporting Standards (IFRS)**

International Financial Reporting Standards (IFRSs) are a suite of accounting standards used across the world and are the equivalent of the Financial Reporting Standards (FRSs) that were previously used in the United Kingdom.

The 2019-20 financial statements have been produced in accordance with the above standards.

## Notes to the Accounts

There are a number of disclosure notes that provide additional information and further explanation to the content of the statements. A glossary of terms is available on request.

## Balances as at 31 March 2020

The Council will hold a General Fund Balance of £1.161m and Earmarked Reserve balances of £5.395m at 31 March 2020; providing overall total reserves of £6.556m. These balances enable North Devon Council to remain in a strong financial position to deal with the risks it faces and to continue to deliver upon its priorities set out earlier in the Corporate Plan.

Councillor David Worden .....  
Leader

Ken Miles .....  
Chief Executive

**Key Performance Indicators: 2018–19 and 2019–20 year**

The following performance information was reported as part of Performance & Financial Management for Quarter 4 of 2019-20 to the Strategy & Resources meeting held 3<sup>rd</sup> August 2020. It covers the following areas:

- Planning
- Waste and Recycling
- Finance
- Property Services
- Building Control
- Customer Services & Communications
- Environmental Health and Housing

PI Code & Short name	Year	Performance Data Q1	Performance Data Q2	Performance Data Q3	Performance Data Q4	Year End Target	Year End Result	Current Target	Latest Note & History
<b>Planning</b>									
NI 155 <b>Number</b> of affordable homes delivered (cumulative)	2018 - 2019	42	58	100	146		146		
	2019 - 2020	28	45	74	178		178		
NI 157a <b>Percentage</b> of major applications processed within 13 weeks	2018 - 2019	61%	100%	85%	100%	45%	86.5%	45%	
	2019 - 2020	83%	90%	100%	100%		93.25%		
NI 157b <b>Percentage</b> of minor planning applications processed within 8 weeks	2018 - 2019	95%	97%	98%	100%		98.75%	75%	
	2019 - 2020	91%	95.19%	96.6%	95%		94.45%		
NI 157c <b>Percentage</b> of other applications processed within 8 weeks	2018 - 2019	98%	99%	99%	98%	85%	98.5%	85%	
	2019 - 2020	95%	95.68%	94.1%	96%	85%	95.2%		

PI Code & Short name	Year	Performance Data Q1	Performance Data Q2	Performance Data Q3	Performance Data Q4	Year End Target	Year End Result	Current Target	Latest Note & History
<b>Waste &amp; Recycling</b>									
L82(i) Total percentage domestic waste recycled or composted	2018 - 2019	49.16%	48.02%	42.6%	41.8%			46%	
	2019 - 2020	50.91%	50.77%	47.78%	46.07%				
<b>Finance</b>									
BV8 Percentage of invoices paid on time	2018 - 2019	97.39%	93.13%	95.99%	97.28%	97%	95.95%	97%	
	2019 - 2020	96.52%	95.76%	95.70%	95.70%	97%	95.92%		
BV9 Percentage of Council Tax collected	2018 - 2019	28.81%	56.14%	82.98%	97.07%	98%	97.07%	97.5%	
	2019 - 2020	28.59%	55.63%	82.33%	96.81%	98%	96.81%		
BV78a (M) Speed of processing - new Housing Benefit/Council Tax Benefit claims	2018 - 2019	23.2	24.7	19.6	16.9	28	21.1	28	
	2019 - 2020	21.5	17.3	17.8	21.3	28	19.5		
BV10 Percentage of Non-domestic Rates Collected	2018 - 2019	32.14%	57.31%	81.89%	97.04%	99.05%	97.04%	99.05%	
	2019 - 2020	31.96%	57.45%	81.30%	97.07%	99.05%	97.07%		
<b>Property Services</b>									
L728 Percentage of the gross internal area of the investment estate currently let	2018 - 2019	95.4%	95.4%	95.4%	95.4%				
	2019 - 2020	95.21%	98.26%	98.26%	98.26%				
L168 Income per car park P&D ticket	2018 - 2019	July 1.72	Sept 1.71	Dec 1.59	Apr 1.69			1.78	
	2019 - 2020	July 1.69	Sept 1.74	Dec 1.62	Mar 1.41				

PI Code & Short name	Year	Performance Data Q1	Performance Data Q2	Performance Data Q3	Performance Data Q4	Year End Target	Year End Result	Current Target	Latest Note & History
<b>Building Control</b>									
L300 <b>Percentage</b> of Building Regulation Full Plan applications determined in 2 months	2018 - 2019	99%	97%	96%	97%	95%	97.25%	95%	
	2019 - 2020	99%	96%	100%	100%	95%	98.75%		
L301 <b>Percentage</b> of Building Regulation Applications examined within 3 weeks	2018 - 2019	95%	92%	87%	89%	95%	90.75%	95%	
	2019 - 2020	84%	90%	98%	99%	95%	92.75%		
L302 Average time to first response ( <b>Days</b> )	2018 - 2019	11	13	12	12	10	12	10	
	2019 - 2020	12	10	8	7	10	9		
<b>Customer Service &amp; Communications</b>									
L999 <b>Percentage</b> of Feedback Customer Satisfaction	2018 - 2019	57%	50%	38%	39%	50%	46%	50%	
	2019 - 2020	57%	49%	40%	59%	50%	51%		
L997 <b>Percentage</b> of Customer Service Satisfaction	2018 - 2019	95%	91%	98%	94%	90%	94.5%	90%	
	2019 - 2020	95%	92%	93%	93%	90%	93%		
L998 <b>Percentage</b> of Media Satisfaction Annual	2018 - 2019							90%	
	2019 - 2020	Annual				90%	100%		
<b>Environmental Health &amp; Housing</b>									
LEHH014 Food Hygiene Interventions <b>Completed</b>	2018 - 2019	137	288	472	636	664	636		
	2019 - 2020	91	301	457	796	892	796		

PI Code & Short name	Year	Performance Data Q1	Performance Data Q2	Performance Data Q3	Performance Data Q4	Year End Target	Year End Result	Current Target	Latest Note & History
LEHH015 <b>Percentage</b> of Food Hygiene Due Interventions Completed	2018 - 2019	26%	69.9%	63.5%	95.8%	100%	95.8%	100%	
	2019 - 2020	10.2%	43.8%	66.3%	88.7%	100%	88.7%		
LEHH016 Housing Options - <b>Number</b> of Homelessness Prevented & Relieved	2018 - 2019	130	123	188	191		632	Data only	Q4: 115 Prevention and 51 Relief
	2019 - 2020	162	165	113	166		606		
LEHH017 Housing Options - <b>Number</b> of Households Accommodated in Temporary Accommodation	2018 - 2019	28	33	28	32		121	Data only	As per LOCATA standard report – 30 households as at 31/03/2020
	2019 - 2020	24	37	29	30				
LEHH019 Housing Standards - <b>Number</b> of DFG's Completed & <b>Monies Paid</b>	2018 - 2019	7	23	73	96		96	Data only	Total value £1,095.719.22
	2019 - 2020	20	68	104	167		96		
LEHH026 <b>Number</b> of NDC Lets Through DHC	2018 - 2019	69	41	66	60		236	Data only	
	2019 - 2020	70	71	87	88				
LEHH020 Housing Standards – the <b>level</b> of unmet demand for DFGs	2018 - 2019	282,301	297,509	261,228	279,468			Data only	
	2019 - 2020	269,616	163,468	293,164	361,260				



## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### The Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Chief Financial Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

The Accounts and Audit Regulations require the person presiding at the meeting that has approved the Statement of Accounts to sign and date the Accounts accordingly. The Chairman's signature is set out below:

.....  
Chairman, North Devon Council

Date: 07 October 2020

### The Chief Financial Officer's Responsibilities

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

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

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice.

The Chief Financial Officer has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Statement of Accounts presents a true and fair view of the financial position of North Devon Council as at 31 March 2020 and its income and expenditure for the year ended 31 March 2020.

.....  
Jon Triggs, Chief Financial Officer

Date: 22 July 2020

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2018/19				2019/20		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
4,855	(1,400)	3,455	Corporate & Community	4,574	(3,448)	1,126
5,072	(3,497)	1,575	Environmental Health & Housing	5,214	(3,590)	1,624
27,450	(25,209)	2,241	Resources	24,461	(21,545)	2,916
3,031	(1,721)	1,310	Place	3,162	(1,870)	1,292
3,063	(583)	2,480	Corporate Services	3,799	(659)	3,140
9,398	(7,161)	2,237	Operational Services	10,436	(7,033)	3,403
<b>52,869</b>	<b>(39,571)</b>	<b>13,298</b>	<b>Cost of services</b>	<b>51,646</b>	<b>(38,145)</b>	<b>13,501</b>
1,925	(443)	1,482	Other operating expenditure (Note 12)	2,104	(326)	1,778
1,799	(385)	1,414	Financing and investment income and expenditure (Note 13)	1,686	(425)	1,261
64	(15,379)	(15,315)	Taxation and non-specific grant income and expenditure (Note 14)	32	(14,978)	(14,946)
<b>56,657</b>	<b>(55,778)</b>	<b>879</b>	<b>(Surplus) or deficit on Provision of Services</b>	<b>55,468</b>	<b>(53,874)</b>	<b>1,594</b>
462	0	462	Surplus or deficit on revaluation of property, plant and equipment assets	0	(2,901)	(2,901)
0	(3,565)	(3,565)	Re-measurements of the net defined benefit liability	0	(9,596)	(9,596)
<b>462</b>	<b>(3,565)</b>	<b>(3,103)</b>	<b>Other Comprehensive Income &amp; Expenditure</b>	<b>0</b>	<b>(12,497)</b>	<b>(12,497)</b>
<b>57,119</b>	<b>(59,343)</b>	<b>(2,224)</b>	<b>Total Comprehensive Income &amp; Expenditure</b>	<b>55,468</b>	<b>(66,371)</b>	<b>(10,903)</b>

## 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. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31<sup>st</sup> March 2018</b>	1,161	5,647	6,808	0	1,987	8,795	16,714	25,509
<b><u>Movement in Reserves during 2018/19</u></b>								
Total Comprehensive Income and Expenditure	(879)	0	(879)	0		(879)	3,103	2,224
Adjustments between accounting basis and funding basis under regulations (Note 10)	701	0	701	0	403	1,104	(1,104)	0
Transfers to/(from) Earmarked Reserves (Note 11)	178	(179)	(1)	0	(1)	(2)	0	(2)
<b>Increase/decrease in 2018/19</b>	<b>0</b>	<b>(179)</b>	<b>(179)</b>	<b>0</b>	<b>402</b>	<b>223</b>	<b>1,999</b>	<b>2,222</b>
<b>Balance at 31<sup>st</sup> March 2019 carried forward</b>	<b>1,161</b>	<b>5,468</b>	<b>6,629</b>	<b>0</b>	<b>2,389</b>	<b>9,018</b>	<b>18,713</b>	<b>27,731</b>

	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31<sup>st</sup> March 2019</b>	1,161	5,468	6,629	0	2,389	9,018	18,713	27,731
<b><u>Movement in Reserves during 2019/20</u></b>								
Total Comprehensive Income and Expenditure	(1,594)	0	(1,594)	0		(1,594)	12,497	10,903
Adjustments between accounting basis and funding basis under regulations (Note 10)	1,521	0	1,521	0	779	2,300	(2,300)	0
Transfers to/(from) Earmarked Reserves (Note 11)	73	(73)	0	0	0	0	0	0
<b>Increase/decrease in 2019/20</b>	<b>0</b>	<b>(73)</b>	<b>(73)</b>	<b>0</b>	<b>779</b>	<b>706</b>	<b>10,197</b>	<b>10,903</b>
<b>Balance at 31<sup>st</sup> March 2020 carried forward</b>	<b>1,161</b>	<b>5,395</b>	<b>6,556</b>	<b>0</b>	<b>3,168</b>	<b>9,724</b>	<b>28,910</b>	<b>38,634</b>

## BALANCE SHEET

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

31 <sup>st</sup> March 2019 £000		Notes	31 <sup>st</sup> March 2020 £000
80,703	Property, Plant and Equipment	15	84,171
923	Heritage Assets	16	923
4,558	Investment Property	17	4,927
146	Intangible Assets	18	249
137	Long Term Debtors	19	112
<b>86,467</b>	<b>Long Term Assets</b>		<b>90,382</b>
161	Inventories	20	146
4,423	Short Term Debtors	22	4,097
8,849	Cash and Cash Equivalents	23	16,621
1,000	Short Term Investments		500
<b>14,433</b>	<b>Current Assets</b>		<b>21,364</b>
0	Short Term Borrowing	19	(757)
(5,012)	Short Term Creditors	25	(9,891)
(761)	Donated Assets Account	35	(761)
(990)	Provisions	26	(763)
<b>(6,763)</b>	<b>Current Liabilities</b>		<b>(12,172)</b>
(1,258)	Long Term Borrowing	19	(501)
(61,702)	Defined Benefit Pension Scheme Liability	42	(55,566)
(3,376)	Capital Grants Receipts in Advance	35	(4,803)
(70)	Other Long Term Liabilities		(70)
<b>(66,406)</b>	<b>Long Term Liabilities</b>		<b>(60,940)</b>
<b>27,731</b>	<b>Net Assets</b>		<b>38,634</b>
9,018	Usable Reserves		9,724
18,713	Unusable Reserves	27	28,910
<b>27,731</b>	<b>Total Reserves</b>		<b>38,634</b>

## CASH FLOW STATEMENT

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

2018/19 £000		2019/20 £000
879	Net (surplus) or deficit on the provision of services	1,594
(801)	Adjustments to net surplus or deficit on the provision of services for non cash movements	(7,775)
95	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	148
173	Net cash flows from Operating Activities (Note 28)	(6,033)
4,351	Investing Activities (Note 29)	4,444
(2,638)	Financing Activities (Note 30)	(6,183)
1,886	Net (increase) or decrease in cash and cash equivalents	(7,772)
(10,735)	Cash and cash equivalents at the beginning of the reporting period	(8,849)
<b>(8,849)</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>(16,621)</b>

## COLLECTION FUND

These Statements represent the transactions of the Collection Fund, a statutory fund separate from the main accounts of the Authority. The Fund accounts independently for income from council tax and non-domestic rates on behalf of those authorities for which the income has been raised.

### 2019/20 Collection Fund

	Business Rates £000	Council Tax £000	Total £000	Notes
<b><u>INCOME</u></b>				
Council Tax Receivable	0	66,925	66,925	40
Business Rates Receivable	32,349	0	32,349	41
Transitional Protection Payments Payable	(405)	0	(405)	
	31,944	66,925	98,869	
<b><u>Contribution to Previous Year's Deficit</u></b>				
Central Government	215	0	215	
North Devon Council	285	0	285	
Devon County Council	205	0	205	
Devon & Somerset Fire & Rescue Service	7	0	7	
Devon and Cornwall Police (PCC)	0	0	0	
	712	0	712	
<b>Total Income</b>	<b>32,656</b>	<b>66,925</b>	<b>99,581</b>	
<b><u>EXPENDITURE</u></b>				
<b><u>Apportionment of Previous Year Surplus</u></b>				
Central Government	0	0	0	
North Devon Council	0	77	77	
Devon County Council	0	574	574	
Devon & Somerset Fire & Rescue Service	0	36	36	
Devon and Cornwall Police (PCC)	0	81	81	
	0	768	768	
<b><u>Precepts, Demands and Shares</u></b>				
Central Government	15,539	0	15,539	
North Devon Council	12,431	8,282	20,713	
Devon County Council	2,797	46,994	49,791	
Devon & Somerset Fire & Rescue Service	311	2,937	3,248	
Devon and Cornwall Police (PCC)	0	7,207	7,207	
	31,078	65,420	96,498	
<b><u>Charges to Collection Fund</u></b>				
Write offs of uncollectable amounts	259	278	537	
Increase/(Decrease) in provision for bad debts	43	332	375	
Increase/(Decrease) in provision for appeals	74	0	74	
Disregarded amounts	225	0	225	
Cost of Collection	209	0	209	
	810	610	1,420	
<b>Total Expenditure</b>	<b>31,888</b>	<b>66,798</b>	<b>98,686</b>	
(Deficit)/Surplus for the year	768	127	895	
Balance at beginning of the year	(883)	1,346	463	
<b>(Deficit)/Surplus at 31 March 2020</b>	<b>(115)</b>	<b>1,473</b>	<b>1,358</b>	

The (£115k) represents the overall deficit on the non-domestic rate element of the Collection Fund at 31 March 2020. Of this balance 40% is attributable to North Devon Council, which equates to (£46k). The £1,473k represents the overall surplus on the council tax element of the Collection Fund at 31 March 2020. Of this balance 9.8% is attributable to North Devon Council, which equates to £144k.

## 2018/19 Collection Fund

	Business Rates £000	Council Tax £000	Total £000	Notes
<b><u>INCOME</u></b>				
Council Tax Receivable	0	62,408	62,408	40
Business Rates Receivable	32,672	0	32,672	41
Transitional Protection Payments Payable	(561)	0	(561)	
	32,111	62,408	94,519	
<b><u>Contribution to Previous Year's Deficit</u></b>				
Central Government	529	0	529	
North Devon Council	423	0	423	
Devon County Council	95	0	95	
Devon & Somerset Fire & Rescue Service	11	0	11	
Devon and Cornwall Police (PCC)	0	0	0	
	1,058	0	1,058	
<b>Total Income</b>	<b>33,169</b>	<b>62,408</b>	<b>95,577</b>	
<b><u>EXPENDITURE</u></b>				
<b><u>Apportionment of Previous Year Surplus</u></b>				
Central Government	0	0	0	
North Devon Council	0	69	69	
Devon County Council	0	509	509	
Devon & Somerset Fire & Rescue Service	0	32	32	
Devon and Cornwall Police (PCC)	0	71	71	
	0	681	681	
<b><u>Precepts, Demands and Shares</u></b>				
Central Government	0	0	0	
North Devon Council	12,531	7,845	20,376	
Devon County Council	18,483	44,511	62,994	
Devon & Somerset Fire & Rescue Service	313	2,809	3,122	
Devon and Cornwall Police (PCC)	0	6,296	6,296	
	31,327	61,461	92,788	
<b><u>Charges to Collection Fund</u></b>				
Write offs of uncollectable amounts	413	235	648	
Increase/(Decrease) in provision for bad debts	(72)	135	63	
Increase/(Decrease) in provision for appeals	350	0	350	
Disregarded amounts	345	0	345	
Cost of Collection	203	0	203	
	1,239	370	1,609	
<b>Total Expenditure</b>	<b>32,566</b>	<b>62,512</b>	<b>95,078</b>	
(Deficit)/Surplus for the year	603	(104)	499	
Balance at beginning of the year	(1,486)	1,450	(36)	
<b>(Deficit)/Surplus at 31 March 2019</b>	<b>(883)</b>	<b>1,346</b>	<b>463</b>	

The (£883k) represents the overall deficit on the non-domestic rate element of the Collection Fund at 31 March 2019. Of this balance 40% is attributable to North Devon Council, which equates to (£553k). The £1,346k represents the overall surplus on the council tax element of the Collection Fund at 31 March 2019. Of this balance 9.9% is attributable to North Devon Council, which equates to £133k.



**NOTES TO THE ACCOUNTS****1. ACCOUNTING POLICIES****i. General Principles**

The Statement of Accounts summarises the Authority's transactions for the 2019/20 financial year and its position at the year-end of 31<sup>st</sup> March 2020. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, supported by International Financial Reporting Standards (IFRS).

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

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.

**ii. Comprehensive Income and Expenditure Statement**

Expenditure on services and income relating to or derived from those services is classified in the Comprehensive Income and Expenditure Statement in accordance with CIPFA Code of Local Authority Accounting in the UK. The 2019/20 Code requires that authorities present expenditure and income on services on the basis of its reportable segments. These reportable segments are based on the authority's internal management reporting structure. This is a change from the previous requirement to present expenditure and income in accordance with the Service Expenditure Code of Practice (SERCOP).

**iii. Accruals of Income and Expenditure**

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

- Revenue from the sale of goods is recognised when the Authority transfers the significant risk and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.

- Revenue from council tax and business rates is measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received including services provided by employees are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure has 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 sheet of debtors is written down and a charge made to revenue for the income that might not be collected.
- A de minimis level of £5,000 is normally applied to any manual adjustments made.
- The Council has adopted IFRS 15 Revenue from Contracts with Customers in accordance with the Code, however, this has had no material impact upon the Financial Statements.

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

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.

**v. Material Items**

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to

the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

**vi. 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 estimate are accounted for prospectively i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

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

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

**vii. Charges to Revenue for Non Current Assets**

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

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

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement (equal to either an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance).

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the 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.

**viii. Employee Benefits**Benefits Payable During Employment

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement 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 Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post Employment Benefits

Employees of the Authority are members of the Local Government Pension Scheme (LGPS), administered by Devon County Council.

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

Local Government Pension Scheme

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

- The liabilities of the Devon County pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc. and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.35% (annualised yield on the Merrill Lynch AA rated corporate bond yield curve).
- The assets of the Devon County pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
  - Quoted securities – current bid price
  - Unquoted securities – professional estimate
  - Unitised securities – current bid price
  - Property – market value
- The change in the net pensions liability is analysed into the following components:
  - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statements 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 Comprehensive Income and Expenditure Statement.
  - Net interest cost – the 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 Comprehensive Income and Expenditure Statement – 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 benefit payments.
  - 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 Devon County pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

### Discretionary Benefits

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

## **ix. Events after the Reporting Period**

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

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect,

disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

## x. Financial Instruments

### Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost.

Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

### Financial Assets

The major change to the CIPFA Code of Practice on Local Authority Accounting 2018/19 was the implementation of IFRS 9 Financial Instruments. This has seen a significant change to the way investments are categorised.

Financial assets are subsequently measured in one of two ways:

- amortised cost – assets whose contractual terms are basic lending arrangements (i.e. they give rise on specified dates to cash flows that are solely payments of principal or interest on the principal amount outstanding, which the Council holds under a business model whose objective is to collect those cash flows)
- fair value – all other financial assets

Amortised cost assets are measured in the Balance Sheet at the outstanding principal repayable (plus accrued interest). Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) are based on the carrying amount of the asset, multiplied by the effective rate of interest for the instrument. Any gains or losses in fair value that might arise are not accounted for until the instrument matures or is sold.

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

Changes in the value of assets carried at fair value (described as Fair Value through Profit or Loss) are debited/credited to the Financing and Investment Income and Expenditure line in the CIES as they arise.

As North Devon Council does not hold any equity investments there has been no impact of the introduction of IFRS 9; all the Financial Instruments held by North Devon Council relate to surplus cash invested in fixed term temporary deposit investments and notice accounts held for the interest they accrue.

IFRS 15 revenue from contracts with customers has been adopted by the 2018/19 Accounting Code with an application date of 1<sup>st</sup> April 2018. IFRS 15 introduces a five step process for recognising revenue based on the transfer of control rather than the previous transfer of risk and reward. There has been no material impact on the revenue recognised in relation to the contracts entered into by North Devon Council.

#### **xi. Foreign Currency Translation**

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31<sup>st</sup> March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The Authority has a policy to deal in sterling only; therefore there are no foreign currency transactions in 2019/20.



**xii. 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 Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non Specific Grant Income (non ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

**xiii. Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

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

An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

There were no impairments, disposals or abandonment of intangible assets during 2019/20.

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

**xiv. Interests in Companies and Other Entities**

The Authority has no material interests in companies and other entities that have the nature of Subsidiaries, Associates and Joint Ventures and requiring the preparation of group accounts.

Although the Council does not have arrangements that give rise to the full adoption of Group Accounts the North Devon Crematorium has been treated as a Joint Operation with Torridge District Council.

The arrangements are based upon an estimated 60:40 split of all assets and liabilities. The Comprehensive Income and Expenditure Statement and Balance Sheet include this Authority's share (60%) of the income, expenditure, assets and liabilities of the Crematorium.

**xv. Inventories and Long Term Contracts**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the FIFO costing formula.

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

**xvi. Investment Property**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods.

Investment properties are measured initially at cost and subsequently at fair value, based on the highest and best price at which the asset could be exchanged between knowledgeable parties at arms length. Properties are not depreciated but are re-valued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

#### **xvii. Leases**

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

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment and accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

#### The Authority As Lessee

##### *Finance Leases*

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

Lease payments are apportioned between:

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

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the 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 and revaluation and impairment losses are therefore substituted by a revenue contribution on the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### *Operating Leases*

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

### The Authority as Lessor

#### *Finance Leases*

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal.

A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

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

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement.

Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement.

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 therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

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

### **xviii. Overheads and Support Services**

Costs of overheads and support services are not recharged to front line services and are shown in the Comprehensive Income and Expenditure Statement in the cost of services, which is line with our internal reporting method.

### **xix. Property, Plant and Equipment**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for

administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

### Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably.

Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. Expenditure is treated as revenue expenditure in nature unless the expenditure exceeds £10,000. (Exceptions to this would include where schemes cross financial years and where we have projects attracting specific grant income that must be applied to capital expenditure).

### Measurement

Assets are initially measured at cost, comprising:

- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located

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

The cost of assets acquired other than by purchase is deemed to be its current value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

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

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

- Infrastructure, community assets and assets under construction – depreciated historical cost
- All other assets – existing use value – Where prices for comparable properties are available in an active market, properties are valued at market value taking into account the existing use. Where no market exists or the property is specialised, current value is measured at depreciated replacement cost (DRC).

Assets included in the Balance Sheet at current value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains (Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service).

Where decreases in value are identified, they are accounted for by:

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

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

### Impairment

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

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

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

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

### Depreciation

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

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight line allocation over the useful life of the property as estimated by the valuer, ranging from 5 up to 100 years
- Vehicles, plant, furniture and equipment – straight line allocation ranging from 3 to 25 years
- Infrastructure – straight line allocation ranging from 5 to 100 years

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

The Authority holds one asset containing major components, namely Brynsworthy Environment Centre. The valuation of this asset has been accounted for separately with different estimated lives and thus been depreciated separately within the financial statements.

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



### Surplus Assets and Disposals

Surplus assets are measured for their economic benefit at fair value under IFRS 13.

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to Government. The balance of receipts is required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment (or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement (England and Wales))). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

### **xx Heritage Assets**

Heritage assets are valued at cost, insurance valuation or other appropriate methods depending on the nature of the asset.

The Authority's Heritage Assets are held in the Authority's Museum and surrounding grounds. The Museum has a number of collections of heritage assets, which are held in support of the primary objective of the Authority's Museum, ie increasing the knowledge, understanding and appreciation of the Authority's history and local area.

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The Authority's collections of heritage assets are deemed to have indeterminate lives hence the Authority does not consider it appropriate to charge depreciation.

The carrying amount of heritage assets are reviewed where there is evidence of impairment for heritage assets, eg where an item has suffered physical deterioration or breakage or where doubts arise to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment – see above note on property, plant and equipment in this summary of significant accounting policies. The Museum may occasionally dispose of heritage assets that have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the Authority's general provisions relating to the disposal of property, plant and equipment.

## **xxi. Provisions, Contingent Liabilities And Contingent Assets**

### Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation. 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 Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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

### Contingent Liabilities

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

arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

#### Contingent Assets

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

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

#### **xxii. Reserves**

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement.

When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

#### **xxiii. Revenue Expenditure Funded From Capital Under Statute**

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

**xxiv. VAT**

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

**xxv. 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 Regulation" and the Capital Adjustment account. The basis of estimation adopted by the Authority comprises of the following elements:

1. Finance leases have the capital financing applied on a straight line basis over the life of the lease contract.
2. All other assets that are not finance leases have their capital financing calculated on a straight line basis over the life of the asset.

## 2. EXPENDITURE & FUNDING ANALYSIS

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

### 2019/20

	As reported for resource management	Adjustments to arrive at the net amount chargeable to the General Fund Note 3	Net Expenditure Chargeable to the General Fund	Adjustments between Funding and Accounting Basis Note 3	Net expenditure in the Comprehensive Income and Expenditure Statement
	£000	£000	£000	£000	£000
Corporate & Community Services	1,991	0	1,991	(864)	1,127
Environmental Health & Housing	1,335	0	1,335	289	1,624
Resources	1,858	68	1,926	990	2,916
Place	950	0	950	342	1,292
Corporate Services	2,921	0	2,921	219	3,140
Operational Services	1,660	0	1,660	1,743	3,403
<b>Net Cost of Services</b>	<b>10,715</b>	<b>68</b>	<b>10,783</b>	<b>2,719</b>	<b>13,502</b>
Other Income & Expenditure	(10,956)	246	(10,710)	(1,197)	(11,907)
<b>(Surplus) or Deficit</b>	<b>(241)</b>	<b>314</b>	<b>73</b>	<b>1,522</b>	<b>1,595</b>

### 2018/19

	As reported for resource management	Adjustments to arrive at the net amount chargeable to the General Fund Note 3	Net Expenditure Chargeable to the General Fund	Adjustments between Funding and Accounting Basis Note 3	Net expenditure in the Comprehensive Income and Expenditure Statement
	£000	£000	£000	£000	£000
Corporate & Community Services	3,150	0	3,150	305	3,455
Environmental Health & Housing	1,603	0	1,603	(28)	1,575
Resources	1,440	84	1,524	717	2,241
Place	883	0	883	427	1,310
Corporate Services	3,006	0	3,006	(526)	2,480
Operational Services	1,199	0	1,199	1,038	2,237
<b>Net Cost of Services</b>	<b>11,281</b>	<b>84</b>	<b>11,365</b>	<b>1,933</b>	<b>13,298</b>
Other Income & Expenditure	(12,035)	848	(11,187)	(1,232)	(12,419)
<b>(Surplus) or Deficit</b>	<b>(754)</b>	<b>932</b>	<b>178</b>	<b>701</b>	<b>879</b>

### 3. NOTE TO THE EXPENDITURE & FUNDING ANALYSIS

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

#### 2019/20

	Investment properties reported at Directorate level Note (a)	Transfers To/From Earmarked Reserves (b)	Provisions and Reserve Transfers (c)	Total to arrive at amount charged to the General Fund	Adjustment for capital purposes Note (d)	Net change for the Pensions adjustment Note (e)	Other differences Note (f)	Total adjustment between funding and accounting basis
	£000	£000	£000	£000	£000	£000	£000	£000
Corporate & Community Services	0	0	0	0	(1,153)	287	2	(864)
Environmental Health & Housing	0	0	0	0	24	263	2	289
Resources	68	0	0	68	659	330	1	990
Place					9	331	2	342
Corporate Services	0	0	0	0	136	81	2	219
Operational Services	0	0	0	0	1,022	718	3	1,743
<b>Net Cost of Services</b>	<b>68</b>	<b>0</b>	<b>0</b>	<b>68</b>	<b>697</b>	<b>2,010</b>	<b>12</b>	<b>2,719</b>
Other Income & Expenditure	(68)	73	241	246	(2,468)	1,450	(179)	(1,197)
<b>(Surplus) or Deficit</b>	<b>0</b>	<b>73</b>	<b>241</b>	<b>314</b>	<b>(1,771)</b>	<b>3,460</b>	<b>(167)</b>	<b>1,522</b>

#### 2018/19

	Investment properties reported at Directorate level Note (a)	Transfers To/From Earmarked Reserves (b)	Provisions and Reserve Transfers (c)	Total to arrive at amount charged to the General Fund	Adjustment for capital purposes Note (d)	Net change for the Pensions adjustment Note (e)	Other differences Note (f)	Total adjustment between funding and accounting basis
	£000	£000	£000	£000	£000	£000	£000	£000
Corporate & Community Services	0	0	0	0	24	281	0	305
Environmental Health & Housing	0	0	0	0	(301)	273	0	(28)
Resources	84	0	0	84	412	305	0	717
Place					115	312	0	427
Corporate Services	0	0	0	0	286	(813)	1	(526)
Operational Services	0	0	0	0	378	659	1	1,038
<b>Net Cost of Services</b>	<b>84</b>	<b>0</b>	<b>0</b>	<b>84</b>	<b>914</b>	<b>1,017</b>	<b>2</b>	<b>1,933</b>
Other Income & Expenditure	(84)	178	754	848	(2,635)	1,566	(163)	(1,232)
<b>(Surplus) or Deficit</b>	<b>0</b>	<b>178</b>	<b>754</b>	<b>932</b>	<b>(1,721)</b>	<b>2,583</b>	<b>(161)</b>	<b>701</b>

- (a) The authority includes investment properties in the Resources Directorate, however, this is reported in the financial statements under Financing and investment income and expenditure below cost of services and therefore, this table shows the item being reallocated.
- (b) The authority makes in-year transfers to/from Earmarked Reserves.
- (c) The in-year net surplus is transferred to Earmarked Reserves (See Narrative Report) for details
- (d) In general this column adds in depreciation, impairments and revaluation gains and losses. It also adjusts for capital disposals with a transfer of the income on the disposal and the amounts written-off. Minimum Revenue Provision (MRP) is deducted because it is not chargeable under generally accepted practices. Adjustments are also made to recognise capital grant income.
- (e) This shows which lines have been affected by the removal of pension contributions and replaced with IAS 19 debits and credits.
- (f) This column includes timing differences for debits and credits relating to premiums or discounts on debt settlement and variations in the amount chargeable for NDR and Council Tax under statute and the Code.

#### **4. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED**

Paragraph 3.3.4.3 of 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.

There are no changes in accounting requirements for 2020-21 that are anticipated to have a material impact on the Council's financial performance or financial position.

#### **5. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

In applying the accounting policies set out in Note 1. above, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

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

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

The items in the Authority's Balance Sheet at 31<sup>st</sup> March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

<u>Item</u>	<u>Uncertainties</u>	<u>Effect if actual results differ from assumptions</u>
Property, Plant and Equipment	<p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.</p> <p>Asset values are based upon market prices, and are periodically reviewed to ensure the Council does not materially misstate its non-current &amp; investment assets. The Council's Valuers provided valuations as at 31<sup>st</sup> March 2020.</p> <p>The Covid-19 pandemic has had a global impact on financial markets. This makes judgements around valuations much more challenging as the</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets fall.</p> <p>A reduction in the estimated valuations would result in reductions to the revaluation reserve, and/or a loss recorded as appropriate to the Comprehensive Income and Expenditure statement. The net book value of assets subject to potential revaluation is £82m. If the valuations on these assets were to reduce/increase by 10% there would be a movement on the</p>



<u>Item</u>	<u>Uncertainties</u>	<u>Effect if actual results differ from assumptions</u>
	<p>previous market evidence which is used to inform valuations is less reliable given the substantially increased market uncertainty.</p> <p>Valuations are generally undertaken within guidance provided by the The Royal Institution of Chartered Surveyors (RICS) "Red Book". RICS current guidance is that valuations should be reported on the basis of "material valuation uncertainty". This means that less certainty and a higher degree of caution should be attached to valuations than would normally be the case. As the future impact of Covid-19 on real estate markets is unknown, property valuations will be kept under review.</p>	<p>revaluation reserve of £8.3m.</p>
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.</p>	<p>The effects on the net pensions liability 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 pension liability by £2.3m.</p> <p>A 1 year increase in longevity rates would increase the pension liability by £5.0m.</p> <p>However, the assumptions interact in complex ways.</p>

<u>Item</u>	<u>Uncertainties</u>	<u>Effect if actual results differ from assumptions</u>
Pension Assets	The value of pension assets is estimated based upon information available at the Balance Sheet date, but these valuations may be earlier than the Balance Sheet date.	The actual valuations at the Balance Sheet date, which may not be available until some time later, may give a different value of pension assets, but this difference is not considered to be material.
Business Rates	The Council receives income from business rates which forms part of its funding of its revenue budget. Due to the uncertain impact of Covid-19 on businesses and potential rateable value appeals it is possible that current assumptions may not be fully accurate.	Whilst the uncertainty around Covid-19 means any estimate of the impact would be highly uncertain, the impact would feed through in to the collection fund balance which would then be taken account of in future years' budgets.
Arrears	At 31 <sup>st</sup> March 2020, the Authority had a balance of sundry debtors of £3.7m. A review of significant balances suggested that an impairment of doubtful debtors of 38.7% (£1,462,000) was appropriate. However, in the current economic climate and the uncertainties with COVID-19, it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £1,462,000 to set aside as an allowance.

This list does not include assets and liabilities that are carried at fair value based on a recently observed market price.

## 7. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Chief Financial Officer (Head of Resources) on 22 July 2020. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at

31<sup>st</sup> March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The impact of the Covid-19 pandemic is reflected in the narrative statement, this is considered as a non-adjusting event.

## 8. EXPENDITURE AND INCOME ANALYSED BY NATURE

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

2018/19 £000		2019/20 £000
	<b>Expenditure</b>	
15,346	Employee Benefits	16,892
10,495	Other Service Expenses	10,454
23,938	Housing Benefit Payments	20,145
1,593	Interest Payments	1,476
1,921	Precepts & Levies	2,086
3,361	Capital Financing	4,407
3	Loss on Disposal of Non Current Asset	8
<b>56,657</b>	<b>Total Expenditure</b>	<b>55,468</b>
	<b>Income</b>	
(7,902)	Council Tax (Incl Parish Precepts)	(8,369)
(6,156)	Non Domestic Rates	(4,820)
(1,321)	Non Specific Government Grants	(1,789)
(3,506)	Other Government Grants	(4,750)
(23,851)	Housing Benefit Subsidy	(19,853)
(97)	Interest & Investment income	(168)
(1,549)	Other Grants	(2,810)
(10,953)	Receipts	(10,989)
(443)	Gain on Disposal of Non Current Asset	(326)
<b>(55,778)</b>	<b>Total Income</b>	<b>(53,874)</b>
<b>879</b>	<b>Deficit on provision of services</b>	<b>1,594</b>

## 9. SEGMENT REPORTING

Income received on a segmental basis is analysed below:

2018/19 £000		2019/20 £000
(149)	Corporate & Community Services	(145)
(952)	Environmental Health & Housing	(928)
(738)	Resources	(1,066)
(1,503)	Place	(1,593)
(542)	Corporate Services	(243)
(7,068)	Operational Services	(7,014)
<b>(10,952)</b>	<b>Total analysed on a segmental basis</b>	<b>(10,989)</b>

## 10. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

2019/20	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement:</b>						
Charges for depreciation and impairment of non current assets	2,471	0	0	2,471	(2,471)	0
Revaluation (Gain)/loss on Property Plant and Equipment	278	0	0	278	(278)	0
Movements in the fair value of Investment Properties	22	0	0	22	(22)	0
Amortisation of intangible assets	49	0	0	49	(49)	0
Revenue expenditure funded from capital under statute	0	0	0	0	0	0
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal	8	0	0	8	(8)	0
<b>Insertion of items not debited or credited to the Comprehensive Income &amp; Expenditure Statement:</b>						

2019/20	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Statutory provision for the financing of capital investment	(509)	0	0	(509)	509	0
Capital expenditure charged against the General Fund	(2,994)	0	0	(2,994)	2,994	0
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(3,326)	0	3,326	0	0	0
Application of grants to capital financing transferred to Capital Adjustment Account	2,547	0	(2,547)	0	0	0
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(326)	326	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(329)	0	(329)	329	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	9	(9)	0	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	12	0	12	(12)	0
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	6,199	0	0	6,199	(6,199)	0
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,739)	0	0	(2,739)	2,739	0
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax income credited is different from council tax income calculated for the year in	(10)	0	0	(10)	10	0

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2019/20	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
accordance with statutory requirements						
Amount by which business rate income credited is different from business rate income calculated for the year in accordance with statutory requirements	(169)	0	0	(169)	169	0
<b>Adjustment primarily involving the Accumulated Absences Account:</b>						
Amount by which officer remuneration charged on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements	12	0	0	12	(12)	0
<b>Total Adjustments</b>	<b>1,522</b>	<b>0</b>	<b>779</b>	<b>2,301</b>	<b>(2,301)</b>	<b>0</b>

2018/19	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement:</b>						
Charges for depreciation and impairment of non current assets	2,511	0	0	2,511	(2,511)	0
Revaluation (Gain)/loss on Property Plant and Equipment	(454)	0	0	(454)	454	0
Movements in the fair value of Investment Properties	4	0	0	4	(4)	0
Amortisation of intangible assets	50	0	0	50	(50)	0
Revenue expenditure funded from capital under statute	28	0	0	28	(28)	0
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal	53	0	0	53	(53)	0
<b>Insertion of items not debited or credited to the Comprehensive Income &amp; Expenditure Statement:</b>						
Statutory provision for the financing of capital investment	(504)	0	0	(504)	504	0

2018/19	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Capital expenditure charged against the General Fund	(2,513)	0	0	(2,513)	2,513	0
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(2,230)	0	2,230	0	0	0
Application of grants to capital financing transferred to Capital Adjustment Account	1,827	0	(1,827)	0	0	0
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(493)	493	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(494)	0	(494)	494	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	0	0	0	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	1	0	1	(1)	0
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	5,194	0	0	5,194	(5,194)	0
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,611)	0	0	(2,611)	2,611	0
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax income credited is different from council tax income calculated for the year in accordance with statutory requirements	13	0	0	13	(13)	0
Amount by which business rate income credited is	(175)	0	0	(175)	175	0

2018/19	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
different from business rate income calculated for the year in accordance with statutory requirements						
<b>Adjustment primarily involving the Accumulated Absences Account:</b>						
Amount by which officer remuneration charged on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements	1	0	0	1	(1)	0
<b>Total Adjustments</b>	<b>701</b>	<b>0</b>	<b>403</b>	<b>1,104</b>	<b>(1,104)</b>	<b>0</b>

## 11. TRANSFER TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2019/20.

	Balance at 31 <sup>st</sup> March 2018 £000	Transfers Out 2018/19 £000	Transfers In 2018/19 £000	Balance at 31 <sup>st</sup> March 2019 £000	Transfers Out 2019/20 £000	Transfers In 2019/20 £000	Balance at 31 <sup>st</sup> March 2020 £000
Collection Fund	1,117	(423)	323	1,017	(284)	0	733
Community Housing Fund	636	(33)	0	603	(34)	0	569
Repairs Fund	248	(335)	442	355	(291)	336	400
Capital Funding Reserve	226	(54)	350	522	(225)	100	397
Crematorium Equipment Replacement	120	0	60	180	0	60	240
Flexible Homelessness Support	0	0	0	0	0	201	201
Crematorium Capital Works	297	(138)	46	205	(5)	0	200
Strategic Contingency	62	(49)	130	143	(12)	63	194
Office Technology	104	(67)	175	212	(151)	132	193
Planning Inquiries	147	0	50	197	(7)	0	190
Vehicles Renewals	520	(718)	224	26	(104)	250	172
Digital Transformation	22	(12)	261	271	(102)	0	169



	Balance at 31 <sup>st</sup> March 2018 £000	Transfers Out 2018/19 £000	Transfers In 2018/19 £000	Balance at 31 <sup>st</sup> March 2019 £000	Transfers Out 2019/20 £000	Transfers In 2019/20 £000	Balance at 31 <sup>st</sup> March 2020 £000
Local Plans	148	(22)	40	166	(39)	17	144
Economic Development	70	(45)	202	227	(83)	0	144
2 <sup>nd</sup> Homes Council Tax	125	0	0	125	0	0	125
New Homes Bonus	94	(37)	0	57	(32)	100	125
CCTV	50	0	21	71	0	46	117
Improvement Programme	119	(272)	275	122	(26)	0	96
C Tax Support Scheme	160	(53)	0	107	(27)	0	80
Rough Sleeper Initiative	0	0	42	42	0	37	79
Self Build & Custom Housebuild	36	(9)	30	57	0	15	72
Tarka Tennis Surface Replacement	119	(70)	9	58	0	13	71
Leisure Centre Replacement	53	(22)	0	31	(14)	46	63
Cvoid-19 Funding	0	0	0	0	0	53	53
Provision for Brexit	0	0	17	17	0	35	52
Waste Shared Savings	90	0	0	90	(90)	0	0
Land Charges Personal Search	37	0	13	50	(50)	0	0
District Council Election	25	0	25	50	(103)	53	0
Land Charges	98	(48)	0	50	(50)	0	0
Other Reserves (balances less than £50,000)	924	(659)	152	417	(207)	306	516
<b>Total</b>	<b>5,647</b>	<b>(3,066)</b>	<b>2,887</b>	<b>5,468</b>	<b>(1,936)</b>	<b>1,863</b>	<b>5,395</b>

The following table shows the purpose of each reserve with a balance at 31<sup>st</sup> March 2020 over £0.200m:

Collection Fund	To deal with the timing impacts of the Collection Fund (Council Tax and Business Rates transactions)
Community Housing Fund	Housing Enabling
Repairs Fund	Maintenance of council assets
Capital Funding Reserve	Future capital schemes
Crematorium Equipment	Replace Cremators and Filtration Equipment
Flexible Homelessness Support	Support for Homelessness
Crematorium Capital Works	Works at North Devon Crematorium

## 12. OTHER OPERATING EXPENDITURE

2018/19 £000s		2019/20 £000s
1,893	Parish council precepts	2,057
29	Levies	29
0	Payments to the Government Housing Capital Receipts Pool	9
(440)	(Gains)/losses on the disposal of non current assets	(317)
<b>1,482</b>	<b>Total</b>	<b>1,778</b>

## 13. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2018/19 £000s		2019/20 £000s
27	Interest payable and similar charges	25
1,566	Pensions interest cost and expected return on pensions assets	1,450
(95)	Interest receivable and similar income	(147)
(84)	Income and expenditure in relation to investment properties and changes in their fair value	(68)
<b>1,414</b>	<b>Total</b>	<b>1,260</b>

## 14. TAXATION AND NON SPECIFIC GRANT INCOMES

2018/19 £000s		2019/20 £000s
(7,902)	Council tax income	(8,369)
(6,156)	Non domestic rates	(4,820)
(1,321)	Non ring fenced government grants	(1,789)
64	CTS grant paid to parishes	32
<b>(15,315)</b>	<b>Total</b>	<b>(14,946)</b>

## 15. PROPERTY, PLANT AND EQUIPMENT

Movements in 2019/20	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under construction £000	Total Property, Plant and Equipment £000
<b>GBV or Valuation</b>							
<b>At 1<sup>st</sup> April 2019</b>	73,925	9,707	2,280	292	520	1,808	88,532
Additions	2,102	556	0	0	0	665	3,323
Donations	0	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	2,901	0	0	0	0	0	2,901
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(278)	0	0	0	0	0	(278)
De-recognition on revaluations	(2,233)	0	0	0	0	0	(2,233)
De-recognition – disposals	0	(651)	0	0	0	0	(651)
Other movements in cost or valuation	1,681	5	0	0	0	(1,686)	0
<b>At 31<sup>st</sup> March 2020</b>	<b>78,098</b>	<b>9,617</b>	<b>2,280</b>	<b>292</b>	<b>520</b>	<b>787</b>	<b>91,594</b>
<b>Accumulated Depreciation and Impairment</b>							
<b>At 1<sup>st</sup> April 2019</b>	1,588	6,028	213	0	0	0	7,829
Depreciation charge	1,428	976	66	0	0	0	2,470
De-recognition on revaluations	(2,233)	0	0	0	0	0	(2,233)
Provision of Services	0	0	0	0	0	0	0
De-recognition – disposals	0	(643)	0	0	0	0	(643)
<b>At 31<sup>st</sup> March 2020</b>	<b>783</b>	<b>6,361</b>	<b>279</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,423</b>
<b>Net Book Value</b>							
<b>At 31<sup>st</sup> March 2019</b>	<b>72,337</b>	<b>3,679</b>	<b>2,067</b>	<b>292</b>	<b>520</b>	<b>1,808</b>	<b>80,703</b>
<b>At 31<sup>st</sup> March 2020</b>	<b>77,315</b>	<b>3,256</b>	<b>2,001</b>	<b>292</b>	<b>520</b>	<b>787</b>	<b>84,171</b>

Movements in 2018/19	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under construction £000	Total Property, Plant and Equipment £000
<b>GBV or Valuation</b>							
<b>At 1<sup>st</sup> April 2018</b>	77,930	8,647	2,280	292	520	462	90,131
Additions	230	1,090	0	0	0	1,703	3,023
Donations	0	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(497)	0	0	0	0	0	(497)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	454	0	0	0	0	0	454
De-recognition on revaluations	(4,188)	0	0	0	0	0	(4,188)
De-recognition – disposals	(50)	(192)	0	0	0	0	(242)
Other movements in cost or valuation	46	162	0	0	0	(357)	(149)
<b>At 31<sup>st</sup> March 2019</b>	<b>73,925</b>	<b>9,707</b>	<b>2,280</b>	<b>292</b>	<b>520</b>	<b>1,808</b>	<b>88,532</b>
<b>Accumulated Depreciation and Impairment</b>							
<b>At 1<sup>st</sup> April 2018</b>	4,347	5,205	147	0	0	0	9,699
Depreciation charge	1,429	1,015	66	0	0	0	2,510
De-recognition on revaluations	(4,188)	0	0	0	0	0	(4,188)
Provision of Services	0	0	0	0	0	0	0
De-recognition – disposals	0	(192)	0	0	0	0	(192)
<b>At 31<sup>st</sup> March 2019</b>	<b>1,588</b>	<b>6,028</b>	<b>213</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,829</b>
<b>Net Book Value</b>							
<b>At 31<sup>st</sup> March 2018</b>	<b>73,583</b>	<b>3,442</b>	<b>2,133</b>	<b>292</b>	<b>520</b>	<b>462</b>	<b>80,432</b>
<b>At 31<sup>st</sup> March 2019</b>	<b>72,337</b>	<b>3,679</b>	<b>2,067</b>	<b>292</b>	<b>520</b>	<b>1,808</b>	<b>80,703</b>

### Capital Commitments

At 31<sup>st</sup> March 2020, the Authority has the following capital commitments:

- Boyton House £141,962
- Leisure Provision Seven Brethren £14,083,876

2018/19 commitments were £1,027,731.

## Property, Plant and Equipment Revaluations

The Authority carries out a rolling programme that ensures all surplus assets are measured at Fair Value and that all other classes of assets within Property, Plant and Equipment are measured at Current Value. All Other Land and Buildings are revalued at least every five years.

All valuations were carried out internally by Natalie Hayes BSc (Hons) MRICS Estates Officer, Dom Rosenbaum MA MRICS Estates Officer and Naomi Wild BSc (Hons) MRICS Estates Officer, as at 31<sup>st</sup> March each year. (This was changed to a year end valuation for the 19/20 accounts, previously 1<sup>st</sup> April). Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors. The last valuation was carried out as at 31<sup>st</sup> March 2020.

<b>Other Land and Buildings</b>	<b>£000</b>
Valued at Historic Cost	0
Valued at fair value as at:	
31 <sup>st</sup> March 2020	70,521
1 <sup>st</sup> April 2018	4,509
1 <sup>st</sup> April 2017	244
1 <sup>st</sup> April 2016	65
1 <sup>st</sup> April 2015	306
<b>Total</b>	<b>75,645</b>

## 16. HERITAGE ASSETS

	<b>31<sup>st</sup> March 2019</b>	<b>31<sup>st</sup> March 2020</b>
	<b>£000</b>	<b>£000</b>
<b>Valuation</b>	<b>923</b>	<b>923</b>

The above heritage assets are reported in the Balance Sheet at insurance valuation, which is based on market values. Further information on the above collections is detailed in notes 46 and 47.

## 17. INVESTMENT PROPERTIES

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

	2018/19 £000	2019/20 £000
Rental income from investment property	290	278
Direct operating expenses arising from investment property	(202)	(188)
<b>Net gain/(loss)</b>	<b>88</b>	<b>90</b>

There are no restrictions on the Authority’s ability to realise the value inherent in its investment property or on the Authority’s right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summaries the movements in the fair value of investment properties over the year:

	2018/19 £000	2019/20 £000
Balance at start of year	4,449	4,558
Additions:		
• Construction	161	391
Disposals	(3)	0
Net gains/(losses) from fair value adjustments	(3)	(22)
Transfers:		
• To/from Property, Plant and Equipment	(46)	0
Other changes (IFRS re-statement - from assets held for disposal)	0	0
<b>Balance at the end of the year</b>	<b>4,558</b>	<b>4,927</b>

## Revaluations

The Authority carries out a rolling programme that ensures that all Investment Properties are measured at fair value and revalued every year. All valuations were carried out internally by Natalie Hayes BSc (Hons) MRICS Estates Officer, Dom Rosenbaum MA MRICS Estates Officer and Naomi Wild BSc (Hons) MRICS Estates Officer. Valuations of Investment Properties were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors.

## 18. INTANGIBLE ASSETS

The Authority accounts for its software licenses as intangible assets, to the extent that the software license is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment.

	2018/19	2019/20
	<b>Total</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>
Gross Book Value at start of year	137	332
Purchases	195	152
De-recognition – Disposals	0	0
<b>Gross Book Value at end of year</b>	<b>332</b>	<b>484</b>
Amortisation at start of year	136	186
Amortisation for the period	50	49
De-recognition – Disposals	0	0
<b>Amortisation at end of year</b>	<b>186</b>	<b>235</b>
<b>Net Book Value</b>	<b>146</b>	<b>249</b>

## 19. FINANCIAL INSTRUMENTS

### Categories of Financial Instruments

	Long Term		Current	
	31 <sup>st</sup> March	31 <sup>st</sup> March	31 <sup>st</sup> March	31 <sup>st</sup> March
	2019	2020	2019	2020
	£000	£000	£000	£000
<b>Debtors</b>				
Loans and receivables	125	112	22	24
Financial assets carried at contract amounts	12	0	3,381	3,428
<b>Total included in Debtors</b>	<b>137</b>	<b>112</b>	<b>3,403</b>	<b>3,452</b>
<b>Investments</b>				
Investments	0	0	1,000	500
<b>Total Investments</b>	<b>0</b>	<b>0</b>	<b>1,000</b>	<b>500</b>
<b>Cash and Cash Equivalents</b>				
Cash and Cash Equivalents				
<b>Total Cash and Cash Equivalents</b>	<b>0</b>	<b>0</b>	<b>8,849</b>	<b>16,621</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	(1,258)	(501)	0	(757)
<b>Total included in Borrowings</b>	<b>(1,258)</b>	<b>(501)</b>	<b>0</b>	<b>(757)</b>
<b>Creditors</b>				
Financial liabilities carried at contract amount	0	0	(3,736)	(7,893)
<b>Total Creditors</b>	<b>0</b>	<b>0</b>	<b>(3,736)</b>	<b>(7,893)</b>

### Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long term debtors and creditors 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 life of the instruments, using the following assumptions:

- For loans from the PWLB payable, prevailing borrowing rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures. An additional note to the tables sets out the alternative fair value measurement applying the premature repayment, highlighting the impact of the alternative valuation;
- No early repayment or impairment is recognised.
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31 <sup>st</sup> March 2020	
	Carrying Amount	Fair Value
	£000	£000
Long Term Borrowing (PWLB)	(1,258)	(1,242)
<b>Total</b>	<b>(1,258)</b>	<b>(1,242)</b>

The fair value of the liabilities is lower than the carrying amount because the Council's portfolio of loans includes a fixed rate loan where the interest rate payable is lower than the rates available for similar loans in the market at the balance sheet date.

The authority has a continuing ability to borrow at concessionary rates from the PWLB, rather than from the markets. A supplementary measure of the interest that the authority will pay, as a result of its PWLB commitment for fixed rate loans, is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £1,258,162 would be valued at £1,242,084.

If the authority were to seek to repay the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £1,295,807.

The valuation basis adopted in the Fair Value report uses Level 2 Inputs (inputs other than quoted prices that are observable for the financial asset/liability).

All financial investments were under 12 months in duration and so the fair value would be approximate to the carrying value.

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



The council provides interest free loans to employees for car loans and the balance outstanding at 31 March 2020 was £35,968. The council has also provided a loan to the Falcons Gymnastics Academy to enable them to construct a new facility at the Tarka Tennis Centre; the balance at 31 March 2020 was £99,950.

An assessment for soft loan issues has been completed on both of these loans and confirmed the accounting adjustment fell below our materiality level. As a result, the loans are recognised as debtors in the balance sheet and measured at nominal value.

## 20. INVENTORIES

	2018/19 £000	2019/20 £000
<b>Consumable Stores</b>		
<b>Balance outstanding at start of year</b>	156	161
Purchases	991	942
Recognised as an expense in the year	(986)	(957)
<b>Balance outstanding at year end</b>	<b>161</b>	<b>146</b>

## 21. CONSTRUCTION CONTRACTS

At 31<sup>st</sup> March 2020, the Authority had the following construction contracts in progress.

- Boyton House improvements £141,962
- Leisure Provision Seven Brethren Bank £14,083,876

(31<sup>st</sup> March 2019 - None).

## 22. SHORT TERM DEBTORS

	31 <sup>st</sup> March 2019 £000	31 <sup>st</sup> March 2020 £000
Central government bodies	1,176	342
Other local authorities	191	687
Other entities and individuals	5,008	5,248
Gross debtors	6,375	6,277
Provision for bad debts	(1,952)	(2,180)
<b>Net debtors</b>	<b>4,423</b>	<b>4,097</b>

### Debtors for Local Taxation

The tables below show the net position after impairment of the outstanding debt. The impairment has been arrived at using trend analysis based on previous years' experience. These figures are included in Note 22 Short Term Debtors above.

<b>Council Tax</b>	<b>2018/19</b>	<b>2019/20</b>
	<b>£'000</b>	<b>£'000</b>
Up to one year	107	122
One to three years	35	38
Over three years	1	1
<b>Total</b>	<b>143</b>	<b>161</b>

<b>Non-Domestic Rates</b>	<b>2018/19</b>	<b>2019/20</b>
	<b>£'000</b>	<b>£'000</b>
Up to one year	213	223
One to three years	25	33
Over three years	1	1
<b>Total</b>	<b>239</b>	<b>257</b>

## 23. CASH AND CASH EQUIVALENTS

<b>31<sup>st</sup> March</b>		<b>31<sup>st</sup> March</b>
<b>2019</b>		<b>2020</b>
<b>£000</b>		<b>£000</b>
3	Cash held by the Authority	2
981	Bank current accounts	557
7,865	Short term deposits with banks and building societies	16,062
<b>8,849</b>	<b>Total Cash and Cash Equivalents</b>	<b>16,621</b>

## 24. ASSETS HELD FOR SALE

As at 31<sup>st</sup> March 2020 the Authority had no assets held for sale.

## 25. SHORT TERM CREDITORS

	<b>31<sup>st</sup> March</b>	<b>31<sup>st</sup> March</b>
	<b>2019</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Central government bodies	457	5,653
Other local authorities	1,516	2,186
Other entities and individuals	3,039	2,051
<b>Total</b>	<b>5,012</b>	<b>9,890</b>

## 26. PROVISIONS

	Redundancy and Early Retirement £000	Business Rate Appeals £000	Holiday Pay £000	Total £000
<b>Balance at 31<sup>st</sup> March 2019</b>	390	600	0	990
Additional provisions made in 2019/20	5	246	0	251
Amounts used in 2019/20	(262)	(216)	0	(478)
<b>Balance at 31<sup>st</sup> March 2020</b>	<b>133</b>	<b>630</b>	<b>0</b>	<b>763</b>

## 27. UNUSABLE RESERVES

31 <sup>st</sup> March 2019 £000		31 <sup>st</sup> March 2020 £000
29,290	Revaluation Reserve	31,583
51,550	Capital Adjustment Account	53,151
0	Deferred Capital Receipts Reserve	0
(61,702)	Pensions Reserve	(55,566)
(238)	Collection Fund Adjustment Account	(59)
(187)	Accumulated Absences Account	(199)
<b>18,713</b>	<b>Total Unusable Reserves</b>	<b>28,910</b>

### Revaluation Reserve

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

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised

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

2018/19 £000		2019/20 £000
30,410	<b>Balance at 1<sup>st</sup> April</b>	29,290
1,053	Upward revaluation of assets	5,678
(1,475)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(2,776)
(610)	Difference between fair value depreciation and historical cost depreciation	(609)
(88)	Accumulated gains on assets sold or scrapped	
<b>29,290</b>	<b>Balance at 31<sup>st</sup> March</b>	<b>31,583</b>

## Capital Adjustment Account

The Capital Adjustment account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1<sup>st</sup> April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 10 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2018/19 £000		2019/20 £000
49,573	<b>Balance at 1<sup>st</sup> April</b>	51,550
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(1,901)	• Charges for depreciation and impairment of non current assets	(1,861)
454	• Revaluation Gains / (Loss) on Property, Plant and Equipment	(278)
(50)	• Amortisation of intangible assets	(49)
(1,251)	• Revenue expenditure funded from capital under statute	(1,588)
(5)	• 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	(21)
	<b>Capital financing applied in the year:</b>	
494	• Use of the Capital Receipts Reserve to finance new capital expenditure	329
1,223	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,588
2,513	• Capital expenditure charged against the General Fund and HRA balances	2,994
504	• Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	509
(4)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(22)
<b>51,550</b>	<b>Balance at 31<sup>st</sup> March</b>	<b>53,151</b>

## Deferred Capital Receipts Reserve (England and Wales)

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

<b>2018/19</b>		<b>2019/20</b>
<b>£000</b>		<b>£000</b>
1	<b>Balance at 1<sup>st</sup> April</b>	0
(1)	Transfer to the Capital Receipts Reserve upon receipt of cash	0
<b>0</b>	<b>Balance at 31<sup>st</sup> March</b>	<b>0</b>

## Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned, to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

<b>2018/19</b>		<b>2019/20</b>
<b>£000</b>		<b>£000</b>
(62,684)	<b>Balance at 1<sup>st</sup> April</b>	(61,702)
3,565	Actuarial gains or (losses) on pensions assets and liabilities	9,596
(5,194)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(6,199)
2,611	Employer's pensions contributions and direct payments to pensioners payable in the year	2,739
<b>(61,702)</b>	<b>Balance at 31<sup>st</sup> March</b>	<b>(55,566)</b>

## Collection Fund Adjustment Account

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

2018/19 £000	2019/20 £000		
(401)		<b>Balance at 1<sup>st</sup> April</b>	(238)
163		Amount by which council tax and business rates is charged to the Comprehensive Income and Expenditure Statement is different from council tax and business rates income calculated for the year in accordance with statutory requirements	179
<b>(238)</b>		<b>Balance at 31<sup>st</sup> March</b>	<b>(59)</b>

## Accumulated Absences Account

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

2018/19 £000	2019/20 £000		
(185)		<b>Balance at 1<sup>st</sup> April</b>	(187)
185		Settlement or cancellation of accrual made at the end of the preceding year	187
(187)		Amounts accrued at the end of the current year	(199)
<b>(187)</b>		<b>Balance at 31<sup>st</sup> March</b>	<b>(199)</b>

## 28. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2018/19 £000	2019/20 £000		
879		Net surplus/deficit on the provision of service	1,594
(701)		Net amount debited to the general fund (note 10)	(1,522)
655		Removed as part of note 10 that do form part of the cash movement	1,142
(504)		Minimum Revenue Provision (MRP)	(509)
(1,993)		Capital items removed that are part of note 10 and are not in the I&E	(1,926)
(125)		Movement in Provisions	227
		<b>(Add back)</b>	
27		Other non-cash items	10
5		Movement in Stock	(16)
729		Movement in Debtors	(343)
1,106		Movement in Creditors	(4,838)
		<b>Remove interest paid and received to include in note 29</b>	
95		Interest received	148
0		Interest paid	0
<b>173</b>		<b>Net Cash flow from operating activities</b>	<b>(6,033)</b>

## 29. CASH FLOW STATEMENT – INVESTING ACTIVITIES

2018/19 £000		2019/20 £000
4,161	Purchase of property, plant and equipment, investment property and intangible assets	5,425
1,000	Purchase of short term and long term investments	(500)
0	Other payments for investing activities	0
(716)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(333)
(94)	Proceeds from short term and long term investments	(148)
<b>4,351</b>	<b>Net cash flows from investing activities</b>	<b>4,444</b>

## 30. CASH FLOW STATEMENT – FINANCING ACTIVITIES

2018/19 £000		2019/20 £000
(2,638)	Other receipts from financing activities	(6,183)
0	Repayments of short and long term borrowing	0
<b>(2,638)</b>	<b>Net cash flows from investing activities</b>	<b>(6,183)</b>

## 31. TRADING OPERATIONS

Included within the Comprehensive Income and Expenditure Statement are the following trading activities:

		2018/19 £000	2019/20 £000
Car Parks	Turnover	(3,927)	(3,470)
	Expenditure	1,271	1,535
	<b>(Surplus)/Deficit</b>	<b>(2,656)</b>	<b>(1,935)</b>
South Molton Cattle Market	Turnover	(26)	(30)
	Expenditure	11	10
	<b>(Surplus)/Deficit</b>	<b>(15)</b>	<b>(20)</b>
Barnstaple Pannier Market	Turnover	(192)	(173)
	Expenditure	393	279
	<b>(Surplus)/Deficit</b>	<b>201</b>	<b>106</b>
Corporate Properties/Industrial Units	Turnover	(617)	(990)
	Expenditure	629	1,124
	<b>(Surplus)/Deficit</b>	<b>12</b>	<b>134</b>
Ilfracombe Harbour	Turnover	(360)	(346)
	Expenditure	569	653
	<b>(Surplus)/Deficit</b>	<b>209</b>	<b>307</b>
Seaside Undertakings	Turnover	(40)	(44)
	Expenditure	0	0
	<b>(Surplus)/Deficit</b>	<b>(40)</b>	<b>(44)</b>
Trade Waste	Turnover	(651)	(682)
	Expenditure	622	670
	<b>(Surplus)/Deficit</b>	<b>(29)</b>	<b>(12)</b>
Trade Recycling	Turnover	(72)	(103)
	Expenditure	74	80
	<b>(Surplus)/Deficit</b>	<b>2</b>	<b>(23)</b>
<b>Net (surplus)/deficit on trading operations</b>		<b>(2,316)</b>	<b>(1,487)</b>

### 32. MEMBERS' ALLOWANCES

The Authority paid the following amounts to Members of the Council during the year:

	2018/19 £	2019/20 £
Allowances	291,973	250,088
Expenses	22,200	10,413
<b>Total</b>	<b>314,173</b>	<b>260,501</b>

### 33. OFFICERS' REMUNERATION

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

<b>2019/20</b>	<b>Salary, fees and allowances £</b>	<b>Bonuses £</b>	<b>Expenses/ Allowances £</b>	<b>Compensation for loss of office £</b>	<b>Pension contribution £</b>	<b>Total £</b>
Chief Executive (1)	37,560	0	466	130,170	5,822	<b>174,018</b>
Chief Executive (2)	69,046	0	940	0	11,267	<b>81,253</b>
Head of Environmental Health and Housing Services	56,928	0	1,316	0	8,824	<b>67,068</b>
Head of Resources	56,928	0	1,937	0	8,824	<b>67,689</b>
Head of Corporate and Community Services (3)	14,232	0	241	0	2,206	<b>16,679</b>
Head of Operational Services (4)	55,493	0	1,546	0	8,601	<b>65,640</b>
Head of Place	55,514	0	998	0	8,605	<b>65,117</b>

- (1) The Chief Executive Left the Authority on 30<sup>th</sup> June 2019
- (2) The replacement Chief Executive was appointed on 1<sup>st</sup> July 2019 having previously occupied the Head of Corporate Services Post
- (3) The Head of Corporate Services Post has been vacant since 30<sup>th</sup> June 2019
- (4) The Head of Operational Services left the Authority on 20<sup>th</sup> March 2020

<b>2018/19</b>	<b>Salary, fees and allowances £</b>	<b>Bonuses £</b>	<b>Expenses/ Allowances £</b>	<b>Compensation for loss of office £</b>	<b>Pension contribution £</b>	<b>Total £</b>
Chief Executive	100,827	0	2,424	0	15,628	<b>118,879</b>
Head of Environmental Health and Housing Services	55,812	0	1,485	0	8,651	<b>65,948</b>



2018/19	Salary, fees and allowances £	Bonuses £	Expenses/ Allowances £	Compensation for loss of office £	Pension contribution £	Total £
Head of Resources	55,812	0	1,642	0	8,651	<b>66,105</b>
Head of Corporate and Community Services	56,312	0	1,095	0	8,728	<b>66,135</b>
Head of Operational Services	56,063	0	1,169	0	8,690	<b>65,922</b>
Head of Place (1)	33,308	0	1,295	0	5,163	<b>39,766</b>

(1) The position of Head of Place was appointed in August 2018

The Authority's other employees, other than Senior Officers, receiving more than £50,000 remuneration for the year (excluding employer's pensions contributions) were paid the following amounts:

Remuneration Band	Number of Employees	
	2018/19	2019/20
£50,000 - £54,999	1	0
£55,000 - £59,999	0	0
£60,000 - £64,999	1	0
£65,000 - £69,999	0	1
£70,000 - £74,999	1	0
£75,000 - £79,999	1	0
£80,000 - £84,999	0	0
£85,000 - £89,999	0	0

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

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band (£)	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19 £	2019/20 £
£0 - £20,000	0	0	2	1	2	1	21,710	3,000
£20,001 - £40,000	0	0	1	0	1	0	21,700	0
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0	0	0

£80,001 - £100,000	0	0	1	0	1	0	82,835	0
£100,001 - £150,000	0	0	0	0	0	0	0	0
£150,001 - £200,000	0	0	1	0	1	0	160,230	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>1</b>	<b>5</b>	<b>1</b>	<b>286,475</b>	<b>3,000</b>

The cost of exit packages in 2019/20 was £3,000 and this cost is offset by ongoing annual revenue savings achieved by the exit packages of £4,200.

The cost of exit packages in 2018/19 was £286,475 and this cost is offset by ongoing annual revenue savings achieved by the exit packages of £112,050.

### 34. EXTERNAL AUDIT COSTS

	2018/19 £000	2019/20 £000
Fees payable to (external auditors) with regard to external audit services carried out by the appointed auditor for the year	37	48
Refund from PSAA in relation to prior year		-4
Fees payable to (external auditors) for Housing Benefit certification for the prior year	13	25
<b>Total</b>	<b>50</b>	<b>69</b>

### 35. GRANT INCOME

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

	2018/19 £000	2019/20 £000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Council Tax (Incl Parish Precepts)	(7,902)	(8,369)
Non Domestic Rates	(6,156)	(4,820)
New homes bonus grant	(1,313)	(1,446)
Formula Grant	0	(16)
Rural Services Grant	0	(310)
Transparency Code Set up Grant	(8)	(8)
New Burdens Grant	0	(9)
<b>Total</b>	<b>(15,379)</b>	<b>(14,978)</b>
<b>Credited to Services</b>		
Housing benefit admin grant & additional grant	(288)	(256)
Housing benefit subsidy	(23,851)	(19,853)
NNDR Admin Grant	(203)	(209)
CTB Admin Grant	(100)	(99)
Discretionary Housing Payment	(145)	(158)
Disabled facilities grant	(1,321)	(1,364)
Ilfracombe Watersports Centre	(99)	0

Museum Extension	(719)	(641)
Rough Sleepers Grant	(333)	(253)
Tarka 3G Pitch	0	(445)
North Devon Leisure Centre	0	(825)
Braunton BMX Track	0	(50)
Brexit Funding	0	(35)
Covid-19 Funding	0	(53)
Land Release Fund	0	(116)
Other Government Grants	(298)	0
Homelessness Grant	(302)	(414)
Domestic Violence	(146)	(330)
Elections Grant	0	(318)
Council Tax Annexe Discount Grant	(60)	(70)
Communities Together Fund	(75)	0
Revenues and Benefits Grants	(113)	(92)
Museum Grant	0	(100)
Future High Street Funding	0	(139)
Export Health Certificate	0	(29)
Homes England	0	(85)
Rapid Rehousing Pathway	0	(84)
Economic Development Grants	(90)	0
Barnstaple & North Devon Museum	(65)	0
Development Trust		
Commutated Sums / S106 Contributions	(520)	(1,314)
Other Grants	(178)	(80)
<b>Total</b>	<b>(28,906)</b>	<b>(27,412)</b>

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them. The balances at the year-end are as follows:

	31 <sup>st</sup> March 2018 £000	31 <sup>st</sup> March 2019 £000	31 <sup>st</sup> March 2020 £000
<b>Capital Grants Receipts in Advance</b>			
S106/Commutated sum – Community facilities	(20)	(20)	(20)
S106/Commutated sum – Affordable housing	(1,292)	(405)	(365)
Commutated sums – Public open space	(1,092)	(1,383)	(1,987)
S106/Commutated sum – Car parking	(190)	(190)	(190)
S106/Commutated sum – Sustainable transport	(8)	(8)	(8)
S106/Commutated sum – Public conveniences	(15)	(15)	(15)
S106/Commutated sum – Heritage fund	(80)	(80)	(80)
S106/Commutated sum - Healthcare	0	0	0
S106/Commutated sum - CCTV	0	(11)	(11)
S106/Commutated sum - Biodiversity	0	(21)	0
S106/Commutated sum – Flood Defence	0	(97)	(97)
Land Release Fund	(200)	(1,146)	(2,030)
<b>Total</b>	<b>(2,897)</b>	<b>(3,376)</b>	<b>(4,803)</b>

	31 <sup>st</sup> March 2018 £000	31 <sup>st</sup> March 2019 £000	31 <sup>st</sup> March 2020 £000
<b>Donated Assets Account</b>			
Falcons Gymnastics	(761)	(761)	(761)

**36. RELATED PARTIES**

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

**Central Government**

Central government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Total grants received from government departments are set out in the subjective analysis in Note 8.

**Members**

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2018/19 is shown in Note 32.

During 2019/20 works and services to the value of £30 were commissioned from companies where members had an interest (2018/19 £0). Where contracts were entered into in prior years they were in full compliance with the Council's Standing Orders and Financial Regulations. In all instances, the grants were made with proper consideration of declarations of interest. The relevant Members did not take part in any discussion or decision relating to the grants.

Details of any of these transactions are recorded in the Register of Members' Interest open to public inspection during office hours.

The Council received £208,608 (£220,608 in 2018/19) in the year from the North Devon Joint Crematorium Committee being the proportion due of the Committee's annual surplus.

**37. CAPITAL EXPENDITURE AND CAPITAL FINANCING**

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirements (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.

	2018/19 £000	2019/20 £000
<b>Opening Capital Financing Requirement</b>	4,931	4,633
<u>Capital Investment:</u>		
Property, Plant and Equipment	3,023	3,324
Investment Properties	161	391
Intangible Assets	0	151
Revenue Expenditure funded from Capital under Statute	1,251	1,588
	4,435	5,454
<u>Sources of Finance:</u>		
Capital receipts	494	329
Government grants and other contributions	2,538	3,976
Sums set aside from revenue:		
Direct revenue contributions	1,197	605
MRP/Loans fund principal	504	509
	4,733	5,419
<b>Closing Capital Financing Requirement</b>	<b>4,633</b>	<b>4,668</b>
<u>Explanation of movements in year:</u>		
Increase in underlying need to borrowing (supported by government financial assistance)	0	0
Increase/(Decrease) in underlying need to borrowing (unsupported by government financial assistance)	(298)	35
Assets acquired under finance leases	0	0
Assets acquired under PFI/PP contracts	0	0
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>(298)</b>	<b>35</b>

## 38. LEASES

### Authority as Lessee

#### *Finance Leases*

As at 31<sup>st</sup> March 2019, the Authority had no lessee finance leases.

#### *Operating Leases*

The Authority uses photocopiers & printers financed under terms of an operating lease. The amount paid under these arrangements in 2019/20 was £17,308 (2018/19 £18,842). The Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 requires charges to be made evenly throughout the period of the lease.

The Authority was committed at 31<sup>st</sup> March 2020 to making payments of £14,957 under operating leases in 2020/21.

	31 <sup>st</sup> March 2019 £000	31 <sup>st</sup> March 2020 £000
Not later than one year	3	0
Later than one year and not later than five years	13	15
Later than five years	0	0
	<b>16</b>	<b>15</b>

## Authority as Lessor

### *Finance Leases*

The Authority has one finance lease arrangement relating to Plot 4, Seven Brethren Bank for a period of 150 years effective from 26 August 2011. The lease amount is a peppercorn rent of £1 per annum.

### *Operating Leases*

The Authority leases out property and equipment under operating leases for the following purposes:

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

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

	31 <sup>st</sup> March 2019 £000	31 <sup>st</sup> March 2020 £000
Not later than one year	375	428
Later than one year and not later than five years	1,177	1,018
Later than five years	3,287	3,080
<b>Minimum lease payments</b>	<b>4,839</b>	<b>4,526</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.

## 39. IMPAIRMENT LOSSES

During the 2019/20 valuation process no Impairment or Impairment reversals were identified. (2018/19 – None were identified).

## 40. COUNCIL TAX

Council Tax income is calculated by adding together the amounts required by North Devon Council, Devon County Council, Devon and Cornwall Police, Devon & Somerset Fire & Rescue Service and local Parish Councils. This amount, the Precept, is then divided by the North Devon District tax base of 33,948.44 to give an average Council Tax liability for a Band D property.

For Council Tax purposes the number of dwellings in each valuation band converted to a Band D equivalent was as follows:

Band	Band D Equivalent Numbers
-A	6.66
A	4,298.07
B	7,062.65
C	7,673.98
D	7,141.57
E	5,136.84
F	2,482.67
G	945.97
H	70.50
Allowance for non collection at 2.5%	(870.47)
<b>Council Tax Base</b>	<b>33,948.44</b>

Individual taxpayer's liability will depend upon the valuation band of the property they occupy.

## 41. BUSINESS RATES

The introduction of the new Business Rates Retention Scheme in April 2013 has necessitated a new Collection Fund Statement in relation to Business Rates; under the new regime North Devon Council has joined a Devon wide pool in order to mitigate any losses and share any gains due to changes in the local economy.

The Council collects non-domestic rates for its area that are based on local rateable values multiplied by a uniform rate. The total non-domestic rateable value as at 31st March 2020 was £92.042m. In 2019/20 the rate was 49.1p in the pound for small businesses and 50.4p in the pound for others as prescribed by the Government.

The total amount, less certain reliefs and other deductions, is paid from the Collection Fund to a combination of Central Government, Devon County Council and Devon & Somerset Fire & Rescue Service via the Devon Wide Pool which is managed by Plymouth City Council.

## 42. DEFINED BENEFIT PENSION SCHEMES

### Participation in Pension Schemes

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

The Authority participates in two post employment schemes:

- The Local Government Pension Scheme, administered locally by Devon County Council – that is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund,

calculated at a level intended to balance the pensions liabilities with investment assets.

- Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities and cash has to be generated to meet actual pensions payments as they eventually fall due.

In general, participating in a defined benefit pension scheme means that the Employer is exposed to a number of risks:

- **Investment risk.** The Fund holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges;
- **Interest rate risk.** The Fund’s liabilities are assessed using market yields on high quality corporate bonds to discount future liability cashflows. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way;
- **Inflation risk.** All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation; and
- **Longevity risk.** In the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.

### Transactions Relating To Post Employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movements in Reserves 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 Account	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2018/19 £000	2019/20 £000	2018/19 £000	2019/20 £000
Cost of services:				
• Current service cost	3,497	3,692	0	0
• Past service cost	81	1,005	0	0
Financing and Investment Income and Expenditure:				



• Net Interest cost	1,566	1,450	0	0
Administration expenses	50	52	0	0
<b>Total post employment benefit charged to the Surplus or Deficit on the Provision of Services</b>	<b>5,194</b>	<b>6,199</b>	<b>0</b>	<b>0</b>
Movement in reserves statement:				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for the past employment benefits in accordance with the Code	5,194	6,199	0	0
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	(2,375)	(2,502)	(236)	(237)

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31<sup>st</sup> March 2020 is a gain of £9.6m.

### Assets and Liabilities In Relation To Post Employment Benefits

Reconciliation of present value of the Fund liabilities:

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Discretionary Benefits	
	2018/19 £000	2019/20 £000	2018/19 £000	2019/20 £000
Opening balance at 1 <sup>st</sup> April	128,927	130,672	3,464	3,216
Current service cost	3,497	3,692	0	0
Past service cost	81	1,005	0	0
Interest cost	3,327	3,176	0	0
Contributions by scheme participants	576	612	0	0
Actuarial (gains)/losses arising on changes in financial assumptions	6,016	(12,330)	(12)	78
Actuarial (gains)/losses arising on changes in demographic assumptions	(7,503)	(1,322)	0	0
Experience (gains)/losses on defined benefit obligation	0	(3,205)	0	0
Benefits paid	(4,249)	(3,614)	0	0
Unfunded pension payments	0	0	(236)	(237)
Closing balance at 31 <sup>st</sup> March	130,672	118,686	3,216	3,057

Reconciliation of fair value of the Fund (plan) assets:

	Local Government Pension Scheme	
	2018/19 £000	2019/20 £000
Opening balance at 1 <sup>st</sup> April	69,707	72,186
Interest income	1,761	1,726
Return on assets (less interest)	2,066	(7,389)
Other actuarial gains/(losses)	0	206
Employer contributions	2,611	2,739
Contributions by scheme participants	576	612

Administration expenses	(50)	(52)
Benefits paid	(4,485)	(3,851)
Closing balance at 31 <sup>st</sup> March	72,186	66,177

The expected return on Fund assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on Fund assets in the 2019/20 year was £5,663,000 (£3,827,000 in 2018/19).

## McCloud & Sargeant Judgements

An allowance has been made for the recent Court of Appeal judgement in relation to the McCloud & Sargeant cases which relate to age discrimination within the Judicial & Fire Pension schemes respectively. On 27 June 2019 the Supreme Court denied the Government’s request for an appeal, and on 15 July 2019 the Government released a statement to confirm that it expects to have to amend all public service schemes, including the LGPS.

The estimated impact on the total liabilities at 31 March 2020 has been allowed for as a past service cost and has resulted in a slight increase in the defined benefit obligation as at 31 March 2020. The projected service cost has also increased as a result of this additional allowance.

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

The Scheme Advisory Board, with consent of the Ministry of Housing, Communities and Local Government (MHCLG), commissioned GAD to report on the possible impact of the McCloud/Sargeant judgement on LGPS liabilities. This followed an April 2019 CIPFA briefing note which said that local authorities should consider the materiality of the impact. This analysis was to be carried out on a “worst-case” basis, (i.e. what potential remedy would incur the highest increase in costs/liabilities). The results of this analysis are set out in GAD’s report dated 10 June 2019.

The Actuary has used this analysis provided by GAD to estimate the possible impact of the McCloud/Sargeant judgement. The key assumption is the assumed rate of future salary increases.

- They have allowed for the estimated impact of the recent McCloud judgement as a past service cost. We have estimated the impact on the total liabilities as at 31 March 2020 to be £904,000 (or 0.8% as a percent of total liabilities).

- They have allowed for the estimated impact of the recent McCloud judgement on the projected service cost. We have estimated the impact as a percentage of the projected service cost to be 3.1%.

## Fund History

	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
<b>Present value of liabilities:</b>					
Local Government Pension Scheme	106,195	131,203	128,927	130,672	118,686
Discretionary benefits	3,448	3,690	3,464	3,216	3,057
<b>Fair value of assets in the Local Government Pension Scheme Surplus/(deficit) in the scheme:</b>					
Local Government Pension Scheme	59,912	67,807	69,707	72,186	66,177
<b>Surplus/(deficit) in scheme:</b>					
Local Government Pension Scheme	(46,283)	(63,396)	(59,220)	(58,486)	(52,509)
Discretionary benefits	(3,448)	(3,690)	(3,464)	(3,216)	(3,057)
<b>Total</b>	<b>(49,731)</b>	<b>(67,086)</b>	<b>(62,684)</b>	<b>(61,702)</b>	<b>(55,566)</b>

- The discount rate assumption has fallen from 2.40% p.a. to 2.35% p.a.
- The pension increase assumption has fallen from 2.40% p.a. to 1.90%. This assumption is based on the Consumer Prices Index.
- The salary increase assumption has fallen from 3.90% p.a. to 2.90%.

The combined effect of these changes has decreased the value of the net liability. It may be helpful to also refer to the sensitivity analysis table at the end of this note, as this illustrates the effect of changing the assumptions.

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The total liability of £55.6m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

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

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31<sup>st</sup> March 2021 is £2,300,000. Expected contributions for the discretionary benefits scheme in the year to 31<sup>st</sup> March 2021 are £238,000.

## Basis for Estimating Assets And Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc.

Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries and are based on the latest full valuation of the scheme as at 31 March 2020.

2018/19	Actuarial Assumptions	2019/20
	Mortality assumptions:	
	Longevity at 65 for retiring today:	
22.4	• Men	22.9
24.4	• Women	24.1
	Longevity at 65 for retiring in 20 years:	
24.1	• Men	24.3
26.2	• Women	25.5
3.4%	Rate of inflation – RPI	2.7%
2.4%	Rate of inflation – CPI	1.9%
3.9%	Rate of increase in salaries	2.9%
2.4%	Rate of increase in pensions	1.9%
2.4%	Discount rate	2.35
50%/75%	Take up of option to convert annual pension into retirement lump sum	50%/75%

The discretionary benefits arrangements have no assets to cover its liabilities. The Local Government Pension Scheme’s assets consist of the following categories, by proportion of the total assets held:

	31 <sup>st</sup> March 2019	31 <sup>st</sup> March 2019	31 <sup>st</sup> March 2020	31 <sup>st</sup> March 2020
	£000	%	£000	%
UK Equities	11,992	16%	8,806	14%
Overseas Equities	31,045	43%	28,460	43%
Gilts	2,479	3%	2,824	4%
Property	6,380	9%	6,234	10%
Cash	1,154	2%	771	1%
Target Return Portfolio	10,219	14%	8,689	13%
Infrastructure	2,651	4%	2,851	4%
Alternative Assets	3,813	5%	4,075	6%
Private Equity	1,183	2%	0	0%
Other Bonds	1,270	2%	3,467	5%
<b>Total</b>	<b>72,186</b>	<b>100%</b>	<b>66,177</b>	<b>100%</b>

## Sensitivity Analysis

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the above table.

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 assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated.

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. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Impact on the present value of total obligation	+0.1% £000	0.0% £000	-0.1% £000
Adjustment to discount rate	119,413	121,743	124,121
Adjustment to long term salary increase	122,006	121,743	121,482
Adjustment to pension increases	123,866	121,743	119,661

Impact on the present value of total obligation	+1 year £000	None £000	-1 year £000
Adjustment in longevity	126,799	121,743	116,904

### 43. CONTINGENT LIABILITIES

At 31 March 2020, the Authority had no contingent liabilities.

### 44. CONTINGENT ASSETS

The Council has lodged a High Court claim against the Royal Mail for Value Added Tax on postage previously paid and for compound interest. The initial value of the claim, subject to verification and updating as the litigation progresses, amounts to £0.5 million. As receipt of the payment is uncertain it has not been included within these accounts.

### 45. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Authority
- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments

- Re-financing risk – the possibility that the Authority might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms
- Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates or stock market movements.

The Authority'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.

Risk management is carried out by Financial Services, under policies approved by the Council in the annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

### **Credit Risk**

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

This risk is minimised through the Annual Investment Strategy, which is available on the Authority's website.

The Annual Investment Strategy requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

The credit criteria in respect of financial assets held by the Council are detailed below:

This Authority uses the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modeling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poors, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

The full Investment Strategy for 2019/20 was approved by Full Council on 25 February 2019 and is available on the Council's website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit

limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £17.12m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at 31<sup>st</sup> March 2020 that this was likely to crystallise.

The following analysis summarises the Authority's maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last five years, adjusted to reflect current market conditions.

	Amount at 31 <sup>st</sup> March 2020 £000 A	Historical experience of default % B	Adjusted for market conditions at 31 <sup>st</sup> March 2020 % C	Estimated maximum exposure to default at 31 <sup>st</sup> March 2020 £000 (A x C)	Estimated maximum exposure to default at 31 <sup>st</sup> March 2019 £000
Customers – debtors*	3,772	38.7%	38.7%	1,462	1,286

\*Excluding statutory debtors – Council Tax/NNDR

No credit limits were exceeded during the reporting period and the Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Authority does not generally allow credit for customers, such that £3.772m is past its due date for payment. The past due amount can be analysed by age as follows:

	31 <sup>st</sup> March 2019 £000	31 <sup>st</sup> March 2020 £000
0 to 6 months	1,844	1,898
6 months to 1 year	352	265
1 to 2 years	293	562
<b>More than 2 years</b>	1,037	1,047
<b>Total</b>	<b>3,526</b>	<b>3,772</b>

Collateral - During the reporting period the council held no material collateral as security.

**Liquidity Risk**

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

The Council has ready access to borrowings from the money markets to cover any day-to-day cash flow need, and the PWLB and money markets for access to longer-term funds. The 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.

As at 31<sup>st</sup> March 2020 all sums owing are due to be paid in less than one year.

**Refinancing and Maturity risk**

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

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

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

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period (approved by Council in the Treasury Management Strategy):



	Approved minimum limits	Approved maximum limits	Actual 31 March 2020 £000s	Actual 31 March 2019 £000s
Less than 1 year	0%	60%	750	0
Between 1 and 2 years	0%	60%	0	750
Between 2 and 5 years	0%	100%	0	0
Between 5 and 10 years	0%	100%	500	500
More than 10 years	0%	50%	0	0
<b>Total</b>			<b>1,250</b>	<b>1,250</b>

## Market Risk

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

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances)
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investment at fixed rates – the fair value of the assets will fall (no impact on revenue balances)

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investment will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement, if material.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. Financial Services will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

**Price Risk** - The Authority does not generally invest in equity shares or marketable bonds.

### Foreign Exchange Risk

The Authority has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

## 46. HERITAGE ASSETS: SUMMARY OF TRANSACTIONS

	Original £000	2012/ 13 £000	2013/ 14 £000	2014/ 15 £000	2015/ 16 £000	2016/ 17 £000	2017/ 18 £000	2018/ 19 £000	2019/ 20 £000	Value at 31 <sup>st</sup> March 2020 £000
<b>Valuation Movement of Heritage Assets</b>										
Pottery	149	7	0	0	0	0	0	0	0	156
Carpet	184	9	0	0	0	0	0	0	0	193
Decorative Arts	51	2	0	0	0	0	0	0	0	53
Other	415	22	32	17	0	0	0	35	0	521
<b>Total Valuation</b>	<b>799</b>	<b>40</b>	<b>32</b>	<b>17</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>35</b>	<b>0</b>	<b>923</b>

## 47. HERITAGE ASSETS: FURTHER INFORMATION ON THE MUSEUM'S COLLECTIONS

The Museum of Barnstaple & North Devon opened in 1989. The collections are derived from the North Devon Athenaeum, (est. 1889, previously the Barnstaple Literary and Scientific Institution), the Borough of Barnstaple Museum in St. Anne's Chapel (est. 1924) and more recent collections. They include natural history, archaeology, social history and fine and decorative art.

Some collections including the Royal Devon Yeomanry collections, art and social history belonging to the North Devon Athenaeum, and some church silver are held on loan and are not considered to be Heritage Assets of the council.

A number of items within the collections have been acquired with grant aid from the V&A purchase grant fund and the Art Fund, which would have to be repaid in the event of sale of the items concerned.

The (council owned) collection currently comprises over 47,000 items:

## Social History

Over 23,500 items, mostly collected in the last 30 years, mainly domestic and household items with a North Devon provenance, and material representing local trades and industries. Important collections include the Borough of Barnstaple Fire Engine, Shapland and Petter design archive and the collection of James Ravillious photographs.

## Fine Art

Just over 200 drawings and paintings, mostly local topographic views. Well-represented artists include Brian Chugg, F.R.Lee and Francis Carruthers Gould.

## Decorative Arts

Around 1800 items, the most important being the Huguenot table carpet, Landkey Parish table, the North Devon Pottery collections and furniture by Shapland and Petter. Important examples of North Devon silver include a collection of spoons and the Barnstaple Dissenters' silver.

## Natural History

Nearly 10,000 natural history specimens, including the historic collections of the North Devon Athenaeum and more recent scientific collections. The Sharland herbarium is of particular importance.

## Geology

Over 5500 specimens including the Partridge and Townsend Hall collections, highly important for Devonian geology, including a number of type and figured specimens.

## Archaeology

Historic collections and stray finds and excavated material. The museum is the collecting institution for all archaeological investigations in the Northern part of Devon. There are substantial excavation archives relating to the post-mediaeval Barnstaple pottery industry and a very small ethnographic collection.

## Heritage Assets of Particular Importance

The most valuable items in the collection are as follows:

Huguenot Table Carpet	£192,973
Barnstaple Borough Fire Engine	£65,000
Dissenters silver	£10,121
Shapland & Petter display cabinet	£11,695
Bowl with lid by George Fishley	£23,391
Brannam Pottery exhibits	£132,857
Silver Spoons	£23,391
Overmantel 17th Century	£8,000
Landkey Parish Table	£10,000

The valuations are mostly based on the curator's assessment of market changes since the items were acquired. In the case of the Huguenot table carpet, which is a unique item, the valuation is based on a compensatory sum should it be destroyed.

### **Preservation and Management**

The Museum of Barnstaple & North Devon has a rolling programme of conservation work and each year spends around £500 on remedial and preventive conservation work. Last year an additional £18000 was invested in remedial conservation by the National Heritage Lottery Fund.

The Museum of Barnstaple & North Devon is a professionally staffed and fully Accredited Museum and has the necessary documentation and collections care procedures in place, including the Collections Development Policy approved by Council and Collections Care Plan. Day to day collections care is carried out by the Museum Collections Officer, under the direction of the Museum Manager.

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

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**REPORT TO: GOVERNANCE COMMITTEE**  
**DATE: 8 SEPTEMBER 2020**  
**TOPIC: COMPENSATION PAYMENTS MADE UNDER DELEGATE POWERS**  
**REPORT BY: CUSTOMER AND CORPORATE COMMUNICATIONS MANAGER**

## 1 INTRODUCTION

1.1 This is the six monthly report on compensation payments made to customers through the complaints process from January – June 2020.

## 2 RECOMMENDATIONS

2.1 Members note the report.

## 3 REASONS FOR RECOMMENDATIONS

3.1 To keep Members informed of payments made.

## 4 REPORT

4.1 The existing constitution (Article 6) gives delegated powers to Officers to agree compensation payments following investigation through our complaints procedures, subject to consent from the Chief Financial Officer and Customer and Corporate Communications Manager.

4.2 A total of £3,926 has been paid out to three customers:

- £36 refund for a garden waste permit after multiple missed collections
- £12 for a refund of a bulky waste collection which didn't take place
- £3,874 after the Local Government and Social Care Ombudsman found fault in the council's consideration of amended plans which meant a development was approved in a form which it would not otherwise have been. The payment was made so the complainant could undertake works to his property to reduce the impact from the development

4.3 The amount of compensation paid out depends on how seriously the customer was affected, how much disruption it caused them and how much time and trouble was spent making the complaint.

4.4 The Local Government and Social Care Ombudsman guidance advises that the remedy should be appropriate and proportionate to the harm done. Offering

compensation is only done in exceptional circumstances. The vast majority of complaints are dealt with without compensation being offered.

## 5 RESOURCE IMPLICATIONS

5.1 Any payments were contained within the existing budget held by the relevant service.

## 6 EQUALITY and HUMAN RIGHTS

6.1 None.

## 7 CONSTITUTIONAL CONTEXT

Article or Appendix and paragraph	Referred or delegated power?	Key decision?
9b, para 9.5	Delegated	No

## 8 STATEMENT OF CONFIDENTIALITY

8.1 This report contains no confidential information or exempt information under the provisions of Schedule 12A of 1972 Act.

## 9 BACKGROUND PAPERS

9.1 The following background papers were used in the preparation of this report:

- financial records and / or
- complaint files.

The background papers are available for inspection and kept by the author of the report.

## 10 STATEMENT OF INTERNAL ADVICE

10.1 The author (below) confirms that advice has been taken from all appropriate officers.

---

Author: Claire Holm

Date: 20 August 2020

Reference: T:\CS ADMIN TEAM\Complaints\Compensation payments



Internal Audit

Update Report 2020/21

North Devon Council



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August 2020  
Official



Auditing for achievement

Agenda Item 12

## Introduction

This (short) report provides an update on performance against the internal audit plan for the 2020/21 financial year, highlighting the key areas of work undertaken and summarising our main findings and recommendations aimed at improving controls.

The key objectives of the Devon Audit Partnership (DAP) is to provide assurance to the Council on the adequacy, security and effectiveness of the systems and controls operating within the organisation.

The Internal Audit plan for 2020/21 was presented to and approved by the Governance Committee in March 2020. The following report and appendices set out the current position with regards work undertaken in 2020/21 and provides our opinion on the overall adequacy and effectiveness of the internal control environment.

The Public Sector Internal Audit Standards require the Head of Internal Audit to provide a report providing an opinion that can be used by the organisation to inform its governance statement. This report, when consolidated with those of other service areas, provides a position statement on the progress towards that opinion.

### Expectations of Members of the Governance Committee from this update report are:-

That members are requested to consider:

- the opinion statement within this report;
- the completion of audit work against the plan;
- the scope and opportunity of audit to complete the audit work;
- audit findings provided;
- the overall performance and customer satisfaction on audit delivery.

In review of the above, members of the Governance Committee should consider the assurance provided alongside that of the Risk Management and other assurance arrangements and satisfy themselves that the internal control framework continues to be maintained at an adequate level to mitigate risks; the Committee should look to inform the Council of any concerns to meet overall governance requirements.

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# Audit Assurance Statement

**Overall, based on work performed during 2020/21 and drawing from the experiences and opinions of the former internal audit provider and their previous work, the Head of Internal Audit’s Opinion is of “Substantial Assurance” on the adequacy and effectiveness of the internal control framework.**

Our processes require that where weaknesses have been identified management should agree these findings and either agree our recommendations or accepted the associated risks. Where management actions have been agreed, as appropriate we shall undertake follow up work to ensure that the identified risks have been mitigated

Managers are provided with details of Internal Audit’s opinion on each audit review carried out. All audit reports include an action plan which identifies responsible officers, and target dates, to address control issues identified during a review. If significant weaknesses have been identified in specific areas, these will need to be considered by the Authority in preparing its Annual Governance Statement for the Statement of Accounts for 2020/21.

## Covid-19 Statement

The Covid 19 pandemic has had a considerable impact on all our lives. At the June Committee we presented a paper setting out how DAP intended to respond and the challenges facing the delivery of internal audit work.

As set out in that paper we have concentrated on developing an assurance map, identifying the key controls on which the Council relies on to ensure integrity and effectiveness in its operations.

Where possible planned audit work has been carried out in a remote way. Our work for 2020/21 has been subject to a much slower start than we would ideally have liked, due to the impact of Covid. However, we have now set up remote working arrangements for a number of staff and expect that audit work will be progressing more effectively from now onwards.

We will continue to offer advice and support as needed and aim to flexible in supporting the Council at this challenging time.

This statement of opinion is underpinned by our consideration of:



Full Assurance	Risk management arrangements are properly established, effective and fully embedded, aligned to the risk appetite of the organisation. The systems and control framework mitigate exposure to risks identified & are being consistently applied in the areas reviewed.
<b>Substantial Assurance</b>	<b>Risk management and the system of internal control are generally sound and designed to meet the organisation’s objectives. However, some weaknesses in design and / or inconsistent application of controls do not mitigate all risks identified, putting the achievement of particular objectives at risk.</b>
Limited Assurance	Inadequate risk management arrangements and weaknesses in design, and / or inconsistent application of controls put the achievement of the organisation’s objectives at risk in a number of areas reviewed.
No Assurance	Risks are not mitigated and weaknesses in control, and /or consistent non-compliance with controls could result / has resulted in failure to achieve the organisation’s objectives in the areas reviewed, to the extent that the resources of the Council may be at risk, and the ability to deliver the services may be adversely affected.

## Added Value

Our internal audit activity aims to add value to the organisation and its stakeholders by:

- Providing objective and relevant assurance;
- Contributing to the effectiveness and efficiency of the governance, risk management and internal control processes.

We trust that officers will find our engagement and support as a “trusted advisor” effective and constructive in these significantly changing times

## Progress Against Plan

This report compares the work carried out with the work that was planned, presents a summary of the audit work undertaken, includes an opinion on the adequacy and effectiveness of the internal control environment and summarises the performance of the Internal Audit function against its performance measures and other criteria.

Work will include undertaking follow up audits on areas where significant findings were made in the previous year and reporting to committee thereon, and progressing assignments in accordance with timescales agreed with management.

A table showing the status of planned audits and their associated reported executive summaries is shown at Appendix A. In addition to the year’s planned work, consultancy and advice continues to be provided, for example around the payment of business grant relief and the associated fraud risks.

## Fraud Prevention and Detection

Counter-fraud arrangements are a high priority for the Council and assist in the protection of public funds and accountability. The Governance Committee has a key role to play in ensuring the Council remains alert and vigilant to the risk of fraud and corruption.

The Cabinet Office runs a national data matching exercise, The National Fraud Initiative (NFI), every two years. The 2020/21 exercise is due to start in October 2020 and departments will be required to supply their datasets (which will be uploaded onto the NFI secure website in October 2020 in accordance with the NFI timetable). The subsequent matching reports will be received back from the Cabinet Office in February 2021 and departments have been reviewing the matches throughout 2019/20. We are happy to support the Council in this

During 2020/21 financial year to date, Internal Audit has not been made aware of any possible irregularities. However, we have sought to provide updates and guidance to Council Officers on counter fraud measures and emerging scams and fraud risks, particularly with regards payments being made to businesses in respect of Covid 19 support.

## Counter Fraud Investigations

Devon Audit Partnership has a dedicated Counter Fraud Services Team. The team offer a full and comprehensive investigation service and have carried out proactive and reactive investigation work for the majority of councils in Devon.

The Counter Fraud Team Manager is always available to provide advice, guidance and support on Counter Fraud and fraud investigation matters.

## Customer Value

### Customer Service Excellence

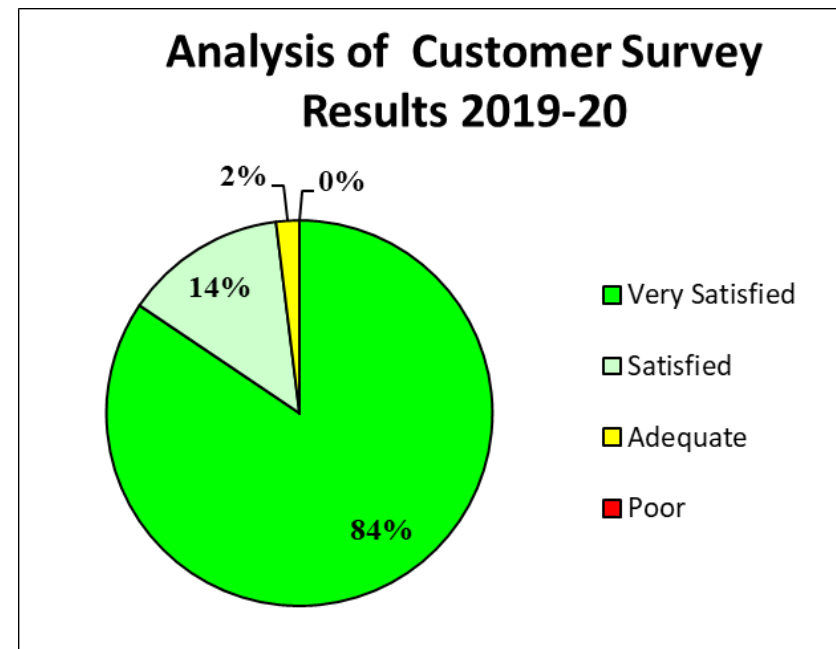
DAP maintains accreditation by G4S Assessment Services of the CSE standard during the year.

We will issue client survey forms with all our final audit reports. The results of the surveys returned in the previous financial year from other DAP partners and clients are very good and remain very positive. The overall result was very pleasing, with 98% being "satisfied" or better across our services. It is very pleasing to report that our clients continue to rate the overall usefulness of the audit and the helpfulness of our auditors highly.

### Added Value

We have had some very complimentary feedback of where our team have been able to add value to the Council these may be found upon our webpage.

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### Inherent Limitations

The opinions contained within this report are based on our examination of restricted samples of transactions / records and our discussions with officers responsible for the processes reviewed.

### Acknowledgements

We would like to express our thanks and appreciation to all those who provided support and assistance during the course of the audits.

**Robert Hutchins**  
**Head of Audit Partnership**



# Assurance Opinion and Extract Executive Summaries – as at August 2020

# Appendix I

Audit Title	Corporate Risk Register	Input (days)	Progress as at Aug 2020
Risk Management and Corporate Governance	Medium	10	Key controls identified; assurance map entry completed.
Main Accounting System & Budgetary Control	Medium F CRR 00	12	Key controls identified; assurance map entry completed.
Creditors (including ordering processes)	Medium	10	Key controls identified; assurance map entry completed.
Payroll	Medium	14	Key controls identified; assurance map entry completed.
Cash Collection	Medium	4	Key controls identified.
Council Tax & NNDR	Medium	10	Key controls identified; assurance map entry completed.
Housing Benefits	Medium	15	Key controls identified; assurance map entry completed.
Regeneration Projects	Medium	8	Key controls identified.
Parking Operations	Low	8	Meet with Parking Manager to identify key controls
Customer Service Centre	Medium	8	Meet with Communications Manager to identify key controls
Health & Safety	Medium Risk G CRR 08	7	Meet with Health and Safety Manager to identify key controls
Information Technology Audit	Medium G CRR 01	22	Meet with IT Manager to identify audits to be undertaken
National Fraud Initiative	Low Risk G CRR 36	7	Key controls identified.
Crematorium	Low	3	Key controls identified.
Transformation Programme	Medium R CRR 01 also R CRR 41	8	Meet with Head of Resources to identify key controls
Information Governance	Medium I CRR 02, I CRR 03	5	Meet with Head of Resources to identify key controls
Climate Change	Medium	10	Meet with Head of Resources to identify key controls
Governance Arrangements	Medium	5	Meet with Head of Resources to identify key controls
Other areas	Leisure contract (Parkwood)	5	Meet with Leisure Contract Manager to identify key controls
Other areas	Member Allowances	5	Key controls identified
Follow Up	N/A	10	
Contingency	NA	10	
Audit Management		22	
<b>TOTAL</b>		<b>218</b>	

## Appendix 2 – Audit Authority





## Appendix 3 - Annual Governance Framework Assurance

***This report provides an update on internal audit work on the internal control framework necessary for the Committee to consider when reviewing the Annual Governance Statement.***

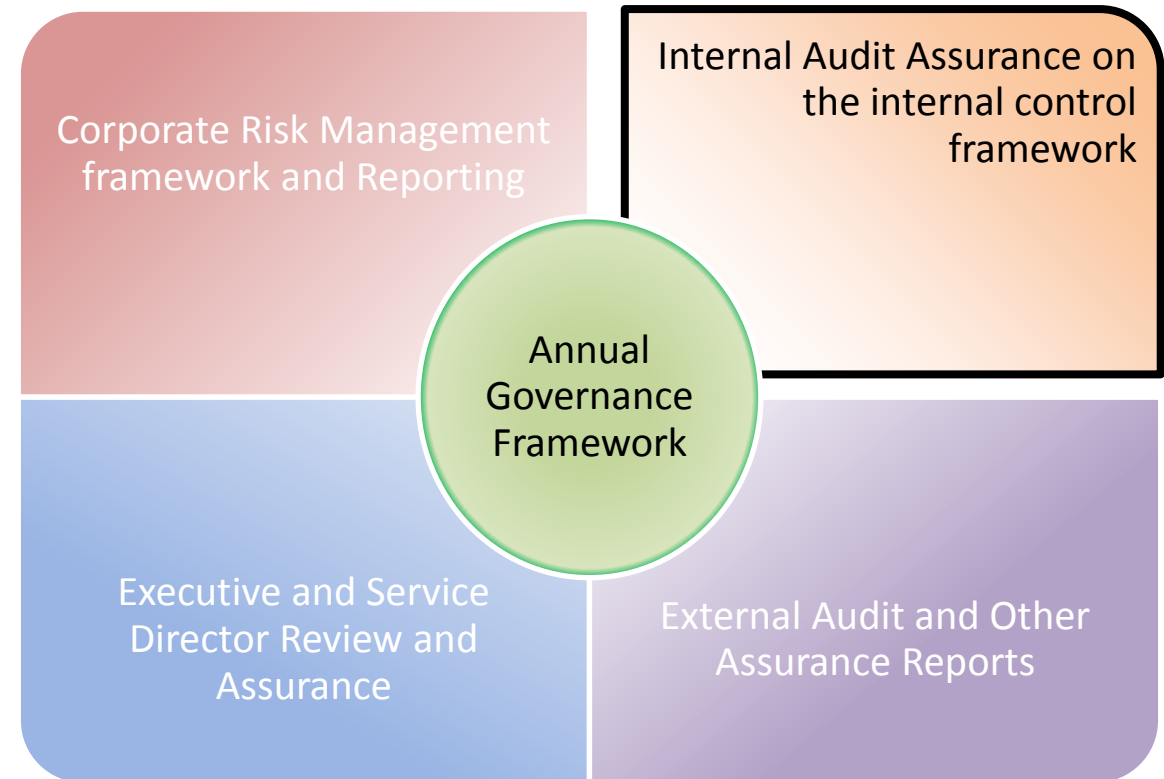
The Annual Governance Statement provides assurance that

- the Authority's policies have been complied with in practice;
- high quality services are delivered efficiently and effectively;
- ethical standards are met;
- laws and regulations are complied with;
- processes are adhered to;
- performance statements are accurate.

The statement relates to the governance system as it is applied during the year for the accounts that it accompanies. It should: -

- be prepared by senior management and signed by the Chief Executive and Chair of the Governance Committee;
- highlight significant events or developments in the year;
- acknowledge the responsibility on management to ensure good governance;
  - indicate the level of assurance that systems and processes can provide;
  - provide a narrative on the process that has been followed to ensure that the governance arrangements remain effective. This will include comment upon;
    - The Council;
    - Governance Committee;
    - Risk Management;
    - Internal Audit;
    - Other reviews / assurance.

Provide confirmation that the Authority complies with CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*. If not, a statement is required stating how other arrangements provide the same level of assurance



The AGS needs to be presented to, and approved by, the Governance Committee, and then signed by the Chair.

The Committee should satisfy themselves, from the assurances provided by the Risk Management arrangements, Senior Management and Internal Audit that the statement meets statutory requirements and that the management team endorse the content.

## Appendix 4 - Confidentiality under the National Protective Marking Scheme

This report is protectively marked in accordance with the National Protective Marking Scheme. It is accepted that issues raised may well need to be discussed with other officers within the Council, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation's disclosure policies. This report is prepared for the organisation's use. We can take no responsibility to any third party for any reliance they might place upon it.

Marking	Definitions
Official	The majority of information that is created or processed by the public sector. This includes routine business operations and services, some of which could have damaging consequences if lost, stolen or published in the media, but are not subject to a heightened threat profile.
Official: Sensitive	A limited subset of OFFICIAL information could have more damaging consequences if it were lost, stolen or published in the media. This subset of information should still be managed within the 'OFFICIAL' classification tier but may attract additional measures to reinforce the 'need to know'. In such cases where there is a clear and justifiable requirement to reinforce the 'need to know', assets should be conspicuously marked: 'OFFICIAL-SENSITIVE'. All documents marked OFFICIAL: SENSITIVE must be handled appropriately and with extra care, to ensure the information is not accessed by unauthorised people.

## Appendix 5 - Definitions

### Definitions of Audit Assurance Opinion Levels

Assurance	Definition
High Standard	The system and controls in place adequately mitigate exposure to the risks identified. The system is being adhered to and substantial reliance can be placed upon the procedures in place. We have made only minor recommendations aimed at further enhancing already sound procedures.
Good Standard	The systems and controls generally mitigate the risk identified but a few weaknesses have been identified and / or mitigating controls may not be fully applied. There are no significant matters arising from the audit and the recommendations made serve to strengthen what are mainly reliable procedures.
Improvements required	In our opinion there are a number of instances where controls and procedures do not adequately mitigate the risks identified. Existing procedures need to be improved in order to ensure that they are fully reliable. Recommendations have been made to ensure that organisational objectives are not put at risk.
Fundamental Weaknesses Identified	The risks identified are not being controlled and there is an increased likelihood that risks could occur. The matters arising from the audit are sufficiently significant to place doubt on the reliability of the procedures reviewed, to an extent that the objectives and / or resources of the Council may be at risk, and the ability to deliver the service may be adversely affected. Implementation of the recommendations made is a priority.

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### Devon Audit Partnership

The Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay and Devon councils. We aim to be recognised as a high-quality internal audit service in the public sector. We work with our partners by providing a professional internal audit service that will assist them in meeting their challenges, managing their risks and achieving their goals. In carrying out our work we are required to comply with the Public Sector Internal Audit Standards along with other best practice and professional standards. The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at [robert.hutchins@devonaudit.gov.uk](mailto:robert.hutchins@devonaudit.gov.uk)

### Definition of Recommendation Priority

High	A significant finding. A key control is absent or is being compromised; if not acted upon this could result in high exposure to risk. Failure to address could result in internal or external responsibilities and obligations not being met.
Medium	Control arrangements not operating as required resulting in a moderate exposure to risk. This could result in minor disruption of service, undetected errors or inefficiencies in service provision. Important recommendations made to improve internal control arrangements and manage identified risks.
Low	Low risk issues, minor system compliance concerns or process inefficiencies where benefit would be gained from improving arrangements. Management should review, make changes if considered necessary or formally agree to accept the risks. These issues may be dealt with outside of the formal report during the course of the audit.
Opportunity	A recommendation to drive operational improvement which may enable efficiency savings to be realised, capacity to be created, support opportunity for commercialisation / income generation or improve customer experience. These recommendations do not feed into the assurance control environment.

### Direction of Travel Indicators

Indicator	Definitions
	No Progress has been made. The action plan is not being progressed at this time; actions remain outstanding.
	Progress has been made but further work is required. The action plan is being progressed though some actions are outside of agreed timescales or have stalled.
	Good Progress has/is being made. Good Progress has continued.

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**Grant Thornton**

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# Informing the audit risk assessment for North Devon District Council 2019/20

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**Peter Barber**  
Engagement Lead  
T 0117 305 7897  
E Peter.A.Barber@uk.gt.com

**Andrew Davies**  
Engagement Manager  
T 0117 305 7844  
E Andrew.Davies@uk.gt.com

**Roz Apperley**  
Engagement In-charge  
T 0117 305 7810  
E Roz.E.Apperley@uk.gt.com

Agenda Item 13

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



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## Purpose

The purpose of this report is to contribute towards the effective two-way communication between North Devon District Council's external auditors and the Council's Governance Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Governance Committee under auditing standards.

## Background

Under International Standards on Auditing (UK) (ISA(UK)) auditors have specific responsibilities to communicate with Governance Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Governance Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Governance Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Governance Committee and supports the Governance Committee in fulfilling its responsibilities in relation to the financial reporting process.

## Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Council's oversight of the following areas:

- General Enquiries of Management
  - Fraud,
  - Laws and Regulations,
  - Going Concern,
  - Related Parties, and
  - Accounting Estimates.



## Purpose

This report includes a series of questions on each of these areas and the response we have received from Council's management. The Governance Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

## General Enquiries of Management

Question	Management response
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2019/20?	<p>Covid-19 will undoubtedly have an impact on the financial statements in terms of consideration of ongoing financial position of the authority. Consideration of going concern; reserve balances and levels of bad debt provision will be needed, together with assessment of valuation of council assets.</p> <p>The Business Rate Retention Scheme will bring accumulated balances forward from year 5 (2017-18) and year 6 (2018-19 which was the 100% pilot year). 2019/20 back as part of the Devon pooling arrangement.</p> <p>Earlier preparation of the draft financial statements; last year we signed the draft accounts on 28 May 2019 – this is year 3 of the earlier closedown, however due to Covid 19 the date for preparation of statements has been extended to 31 August, we though are planning to have the draft accounts produced by 31 July.</p>
2. Have you considered the appropriateness of the accounting policies adopted by North Devon District Council? Have there been any events or transactions that may cause you to change or adopt new accounting policies?	<p>These have been reviewed as part of the annual closure; no material changes and were reported to Audit Committee March 2020.</p>
3. Is there any use of financial instruments, including derivatives?	<p>None other than the normal debtors, creditors, cash and cash equivalents and PWLB borrowing.</p>
4. Is Are you aware of any significant transaction outside the normal course of business?	<p>No.</p>

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## General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets?	We will need to consider and assess the impact following Covid-19 with the valuers on the non-current assets.
6. Are you aware of any guarantee contracts?	No.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?	No.
8. Other than in house solicitors, can you provide details of those solicitors utilised by North Devon District Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	Legal work is carried out by in-house Legal Services team. Some external work is sourced when dealing with planning appeals.
9. Have any of the Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements?	No.
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	VAT advice from PSTAX and Link Asset Services for Treasury Management advice.

# Fraud

## Issue

### Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Governance Committee and management. Management, with the oversight of the Governance Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Governance Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As North Devon District Council's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Governance Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Governance Committee oversees the above processes. We are also required to make inquiries of both management and the Governance Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from the Council's management.



# Fraud risk assessment

Question	Management response
<p>1. Have North Devon District Council assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do North Devon District Council's risk management processes link to financial reporting?</p>	<p>Yes;</p> <ul style="list-style-type: none"> <li>• Internal Audit annual plan covers audits of all key financial systems. Plan is developed by Internal Auditor via Senior Management Team and approved by Members</li> <li>• Audit reports reviewed by Senior Management on how these systems are operating; any instances of weaknesses are reported. Action plan is reported to Governance Committee and progress monitored on regular basis</li> <li>• The Council participates in the National Fraud Initiative (NFI) that incorporates data matching exercises to identify fraud across Council systems – progress is reported to Governance Committee</li> <li>• Review of the Statement of Accounts undertaken by the Accountancy team and Chief Finance Officer prior to being signed off.</li> <li>• Finance team receive regular training to ensure knowledge and expertise is maintained</li> <li>• Governance Committee members receive training every 2 years to ensure knowledge is maintained</li> </ul> <p>I am satisfied that the above controls the Council have in place ensure it operates robust systems that mitigate the risk of material misstatement in the accounts</p> <p>The authority has policies and procedures in place (eg whistleblowing; anti-fraud and corruption; data protection and compliance with financial procedure rules). Fraud awareness training is provided to staff.</p> <p>Risk Management framework is included within projects and business cases put forward. It is also embedded within the service plans prepared by Heads of Service that are presented to Members.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>Payroll, cash income and creditor expenditure – the Council has robust internal controls in place and regular reconciliations to back office systems to ensure the controls are effective to mitigate this risk.</p>
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within North Devon District Council as a whole or within</p>	<p>None.</p>

# Fraud risk assessment

Question	Management response
<p>4. Have you identified any specific fraud risks?</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within North Devon District Council where fraud is more likely to occur?</p>	<p>None identified through service areas.</p> <p>The only area potentially at risk of fraud are the government business support schemes through business grants which the Council are administering and total value of circa £50million; however North Devon Council have embedded strong controls in the process to minimise this risk due to online claim form validating with back office information and to ensure checks and measures are in place.</p>
<p>5. What processes do North Devon District Council have in place to identify and respond to risks of fraud?</p>	<p>The authority has policies and procedures in place (eg whistleblowing; anti-fraud and corruption; data protection and compliance with financial procedure rules). Fraud awareness training is provided to staff.</p> <p>Fraud policies are in place (updated 2019) and include zero tolerance to fraud. Members, Senior Officers and Middle Managers are aware of their responsibilities and have received fraud awareness training.</p>
<p>6. How would you assess the overall control environment for North Devon District Council, including:</p> <p>the process for reviewing the effectiveness the system of internal control;</p> <p>internal controls, including segregation of duties; exist and work effectively?</p> <p>If not where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?</p>	<p>I would assess them as very good, we consistently receive substantial assurance reports from Mazars, the Council's Internal Audit contractor.</p> <p>Both Internal and External Audit review the internal controls and report to Governance Committee. Audit reports are scrutinised by members to ensure recommendations are implemented effectively.</p> <p>Both Internal and External Audit of key systems and controls each year provide assurance to the Governance Committee that the risk of override of controls is reduced.</p>

## Fraud risk assessment

Question	Management response
7. Are there any areas where there is potential for misreporting?	Both Internal and External Audit of key systems and controls each year provide assurance to the Governance Committee that the risk of misreporting is reduced.
<p>8. How do North Devon District Council communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud?</p> <p>Have any significant issues been reported?</p>	<p>Induction training and on-going training through Manager Forums cover policies and procedures in place (eg. whistle-blowing; anti fraud and corruption; data protection and compliance with financial procedure rules). Declarations are signed by officers and contractors. Fraud awareness training is provided to staff.</p> <p>Anti-Fraud &amp; Corruption and Whistle-blowing policies cover this and all staff receive fraud awareness training.</p> <p>No significant issues have been reported.</p>
<p>9. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Posts in relation to those set out in question 2;</p> <p>Payroll, cash income and creditor expenditure – the Council has robust internal controls in place and regular reconciliations to back office systems to ensure the controls are effective to mitigate this risk; together with internal audits carried out on these core systems.</p>
<p>10. Are you aware of any related party relationships or transactions that could give rise to instances of fraud?</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>None.</p> <p>We have register of interests for both officers and councillors; year-end related party transaction certificates are signed by every councillor and senior management officer.</p>

# Fraud risk assessment

Question	Management response
<p>11. What arrangements are in place to report fraud issues and risks to the Governance Committee? How does the Governance Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control? What has been the outcome of these arrangements so far this year?</p>	<p>Stipulation to notify instances to the Chief Finance Officer who would then include in a report to Members. Annual Audit opinion summarises all instances of fraud identified.</p> <p>By receiving reports from Internal Audit and a specific internal audit of Fraud Management.</p>
<p>12. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>None.</p>
<p>13. Have any reports been made under the Bribery Act?</p>	<p>No.</p>



# Law and regulations

## Issue

### Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Governance Committee, is responsible for ensuring that the Council's operations are conducted in accordance with laws and regulations including those that determine amounts in the financial statements.

As an auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make enquiries of management and the Governance Committee as to whether the entity is in compliance with laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

## Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does North Devon District Council have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to North Devon District Council's regulatory environment that may have a significant impact on North Devon District Council's financial statements?</p>	<p>Heads of Service annually sign assurance statements which provide assurance that their services are compliant with relevant laws and regulations.</p> <p>Any non compliance is reported to Senior Management team and Governance Committee along with any necessary mitigating actions.</p> <p>Annual rolling Internal Audit plan that provides assurance across all service areas that agreed policies and procedures are in place and being complied with.</p> <p>No.</p>
<p>2. How is the Governance Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>Review governance arrangements through the Annual Governance Statement and twice yearly the Corporate Risk Register is reported. All audit reports are reported to Governance Committee and time is allocated at the meeting to discuss and deal with issues raised.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2019 with an on-going impact on the 2019/2020 financial statements?</p>	<p>None reported.</p>
<p>4. Is there any actual or potential litigation or claims that would affect the financial statements?</p>	<p>None that have not already been provided for in the accounts.</p>

## Impact of laws and regulations

Question	Management response
5. What arrangements does North Devon District Council have in place to identify, evaluate and account for litigation or claims?	Legal Services team identify and assess any potential action being taken against the Council and if appropriate provision would be made within the Council's accounts.
6. Have there been any report from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	None reported.



# Going Concern

## Issue

### Matters in relation to going concern

ISA (UK) 570 covers auditor responsibilities in the audit of financial statements relating to management's use of the going concern assumption in the financial statements.

The going concern assumption is a fundamental principle in the preparation of financial statements. Under this assumption entities are viewed as continuing in business for the foreseeable future. Assets and liabilities are recorded on the basis that the entity will be able to realise its assets and discharge its liabilities in the normal course of business.

Going concern considerations have been set out below and management has provided its response.

## Going concern considerations

Question	Management response
<p>1. Has the management team carried out an assessment of the going concern basis for preparing the financial statements for North Devon District Council? What was the outcome of that assessment?</p>	<p>The Medium Term Financial Plan was updated in February 2020 together with Heads of Service producing service plans for NDC looking ahead at service changes as the Council moves forward. The plan shows a balanced budget for 2020/21; a budget gap of £1.781m in 2021/22, £2.110m in 2022/23 and £2.678m in 2023/24.</p> <p>The MTFP will be reviewed as we go through the 2020/21 year and refreshed again as part of the 2021/22 budget setting process. However, Covid-19 has put an unprecedented pressure on the current 2020-21 revenue budget due to additional cost pressures faced by the pandemic and a significant loss of core income. This has been verbally reported to members on 1 June 2020 at Strategy and Resources meeting and moving forwards the MTFP will need to be updated once we have further certainty on future income levels and additional financial support from government.</p>
<p>2. Are the financial assumptions in that report (e.g., future levels of income and expenditure) consistent with North Devon District Council's financial plan and the financial information provided to the Council throughout the year?</p>	<p>Currently we are reporting the projected net impact on general fund budget is £3.974m and with Covid-19 support funding received of £1.018m still leaves us with a projected funding shortfall of £2.956m.</p> <p>The projected fees and charges losses in the above £3.974m impact are only to July and will undoubtedly will continue to get bigger due to the economy being unable to recover immediately. With an unallocated general fund balance of only £1.2m (8.7% of net budget) this leaves us with no-where near sufficient unallocated balances to cover our projected losses; and utilising earmarked reserves (currently forecast balance of £4.1m) will impact upon the Council's ability to deliver on projects such as replacement of vehicle fleet for Refuse and Recycling and ongoing ICT infrastructure investment; both of which will have additional ongoing revenue implications if the capital investment does not materialise.</p> <p>Without any certainty of additional funding coming to the Council and the ongoing question surrounding viability the Section 151 Officer has reported to members that there is a risk that the Council will be in no other position than to issue a section 114 notice if that certainty of funding does not materialise.</p>

## Going concern considerations

Question	Management response
3. Are the implications of statutory or policy changes appropriately reflected in North Devon District Council, financial forecasts and report on going concern?	Yes.
4. Have there been any significant issues raised with the Governance Committee during the year which could cast doubts on the assumptions made? (Examples include adverse comments raised by internal and external audit regarding financial performance or significant weaknesses in systems of financial control).	None raised during the year by the auditors. At the Governance Committee on 9 June 2020 members were updated on the current financial pressures facing the Council in light of Covid-19 pandemic and the risks associated with uncertainty of the economy and income levels recovering and also the uncertainty of future government financial support.
5. Does a review of available financial information identify any adverse financial indicators including negative cash flow or poor or deteriorating performance against the better payment practice code? If so, what action is being taken to improve financial performance?	<p>As highlighted already in above answers; we continue to lobby government through our MP, through the Local Government Association and as a Devon-wide group of Section 151 Officers. Both the Chief Finance Officer and Chief Executive met with MHCLG (Central Government) on 5 June 2020 to discuss the Council's financial position and to put pressure on providing certainty about any further current year funding for 2020-21 but also to have certainty on future year funding 2021-22 onwards.</p> <p>We are also continuing to monitor closely the financial position and income levels which are feeding into monthly returns to Government in response to the Covid-19 pandemic.</p>

## Going concern considerations

Question	Management response
<p>6. Does North Devon District Council have sufficient staff in post, with the appropriate skills and experience, particularly at senior manager level, to ensure the delivery of Council's objectives? If not, what action is being taken to obtain those skills?</p>	<p>Yes the Council has sufficient staff in post, especially in the core finance team where the existing team are experienced and have been in place for some considerable time with no staff turnover.</p> <p>A recent peer review by the Local Government Association has identified a need to review strategic management and the organisational structure to add necessary and critical capacity to drive internal change and external advocacy and funding opportunities. This is being addressed by the Chief Executive in conjunction with the LGA moving forwards.</p>
<p>7. Does North Devon District Council have procedures in place to assess their ability to continue as a going concern?</p>	<p>Yes and this is being carried out currently as mentioned in light of Covid-19 and the additional cost pressures and income reductions being faced.</p>
<p>8. Is management aware of the existence of events or conditions that may cast doubt on North Devon District Council's ability to continue as a going concern?</p>	<p>Yes both management and councillors are fully aware of the above mentioned conditions and financial pressures the Council currently faces in relation to ongoing viability.</p>

## Going concern considerations

Question	Management response
<p>9. Are arrangements in place to report the going concern assessment to the Governance Committee?</p> <p>How has the Governance Committee satisfied itself that it is appropriate to adopt the going concern basis in preparing financial statements?</p>	<p>The above financial position identified has been reported to Strategy and Resources committee on 1 June 2020 and in response to questions a verbal update was also provided at Governance committee on 9 June 2020.</p> <p>Once we have completed the June financial returns to MHCLG (Central Government) and determine any additional financial support from the Treasury following this exercise, a revised Medium Term Financial Plan will be produced and presented to members. This will run concurrently with the preparation of the 2019/20 financial statements which are scheduled to be prepared by 31 July 2020.</p>



# Related Parties

## Issue

### Matters in relation to Related Parties

Council's are required to comply with IAS 24 and disclose transactions with entities/individuals that would be classed as related parties. These may include:

- entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the Council;
- associates;
- joint ventures;
- an entity that has an interest in the authority that gives it significant influence over the Council;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Council, or of any entity that is a related party of the Council.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the Council perspective but material from a related party viewpoint then the Council must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

## Relating Parties

Question	Management response
1. What controls does North Devon District Council have in place to identify, account for and disclose related party transactions and relationships?	We have register of interests for both officers and councillors; in addition year-end related party transaction certificates are signed by every councillor and senior management officer.

# Accounting estimates

## Issue

### Matters in relation to Related Accounting estimates

The Council applies estimates in the preparation of their financial statements. ISA (UK) 540 sets out requirements for auditing accounting estimates. The objective is to gain evidence that the accounting estimates are reasonable and the related disclosures are adequate.

Under this standard we have to identify and assess the risks of material misstatement for accounting estimates by understanding how the Council identifies the transactions, events and conditions that may give rise to the need for an accounting estimate.

Accounting estimates are used when it is not possible to measure precisely a figure in the accounts. We need to be aware of all estimates that the Council is using as part of its accounts preparation; these are detailed in appendix A to this report. The audit procedures we conduct on the accounting estimate will demonstrate that:

- the estimate is reasonable; and
- estimates have been calculated consistently with other accounting estimates within the financial statements.

We would ask the Governance Committee to satisfy itself that the arrangements for accounting estimates are adequate.



# Accounting Estimates

Question	Management response
1. Are management aware of transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)?	None, other than those already shown in Appendix A.
2. Are the management arrangements for the accounting estimates, as detailed in Appendix A reasonable?	Yes.
3. How is the Governance Committee provided with assurance that the arrangements for accounting estimates are adequate ?	<p>A review of accounting policies is carried out and reported to Governance Committee annually in March.</p> <p>The draft statement of accounts is presented to Governance Committee members and the Chief Finance Officer provides assurance on the financial statements when they are presented, together with assurance that the estimates and judgments are adequate as part of signing off the accounts within the 'statement of responsibilities for the statement of accounts' section.</p>

## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Property, plant & equipment Valuations	Fair value for land/buildings defined as 'existing use' by code of practice.	Valuations are performed annually to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. For land and buildings all material assets will be considered in 2019/20. The Council value its assets as at 31 March.	Internal valuers who are all professionally qualified Chartered Surveyors.	Degree of uncertainty inherent with any revaluation. We employ professional valuers and rely on expert opinion.	No
Estimated remaining useful lives of PPE	Each part of an item of property, plant and equipment with a significant cost in relation to the total cost is depreciated separately. Depreciation methods, useful lives and residual values are reviewed each financial year and adjusted if appropriate.	See left box	Discussion with internal asset team and where applicable the internal valuers.	Depreciation is calculated on a straight line basis as this reflects consumption of assets and is a reasonable assumption.	No

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## Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Depreciation and Amortisation	See above	See above	See above	See above	No
Impairments	Review of all assets undertaken annually in line with code of practice.	See left.	Discussion with internal asset team as appropriate.	N/A.	No.
Measurement of Financial Instruments	Financial instruments consist of investments (Collective Investment Fund (CIF)). Measured initially at cost and subsequently at amortised cost using the effective interest method.	Knowledge by the Investment team who manages the CIF portfolio in assessing the potential risk in credit losses.	Fund advisers – Link Asset Services.	The CIF portfolio is assessed on an individual borrower for its expected credit losses using: i) Probability of default ii) Loss of given default	No



## Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Provisions for liabilities	Provisions are identified through detailed monthly management accounts which flags any potential issues to management.	Each provision is separately reviewed by financial accounts and a working is put together to support the calculation.	As necessary on an individual basis	Each provision is assessed on an individual basis to ensure that it meets the criteria of a provision per IAS 37. The degree of uncertainty is assessed when determining whether a provision is the correct treatment for an item.	No.
Bad Debt Provision	Debts are reviewed monthly and any debts that are deemed to be irrecoverable are written off to the budget where the income was originally raised.	Knowledge by the Accounts Receivables team in likelihood of recoverability and the aging of the debts. Chief Finance Officer signs off write offs that are above £1500.	N/A	N/A	No.

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## Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Accruals	We use standard accruals accounting –accruals are based on expenses incurred that have not yet been paid.	Monthly management accounts provides rigorous analysis so that any accruals are highlighted and actioned throughout the year.	N/A.	N/A.	No.
Non Adjusting events – events after the balance sheet date	Monthly management accounts prepared would flag any adjusting/non-adjusting events.	See left.	N/A.	N/A.	No.

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## Appendix A Accounting Estimates (Continued)

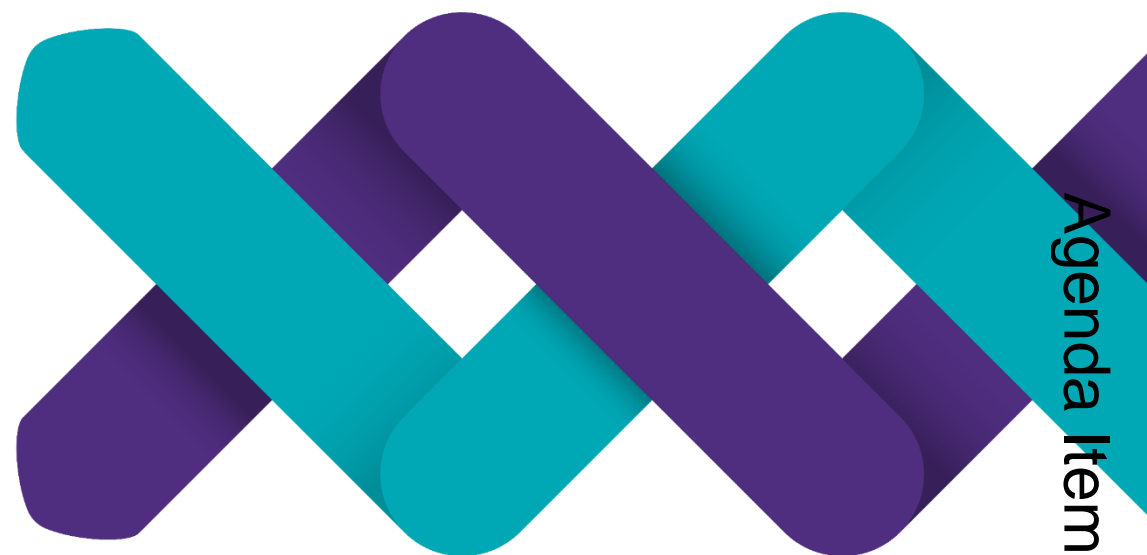
Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Pension Fund (LGPS) Actuarial gains/losses	The actuarial gains and losses figures are calculated by the actuarial expert Barnett Waddingham. These figures are based on making % adjustments to the closing values of assets/liabilities.	The Council responds to queries raised by the administering body, Devon County Council.	The Council are provided with an actuarial report by Barnett Waddingham through Devon County Council (LGPS).	The nature of these figures forecasting into the future are based upon the best information held at the current time and are developed by experts in their field.	No.





# Audit Progress Report and Sector Update

North Devon District Council  
Year ending 31 March 2020  
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1 August 2020



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# Introduction



**Peter Barber**  
**Engagement Lead**  
**T: 0117 305 7897**  
**E: Peter.A.Barber@uk.gt.com**

This paper provides the Governance Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)



**Andrew Davies**  
**Engagement Manager**  
**T 0117 305 7844**  
**M 07747 006 786**  
**E andrew.davies@uk.gt.com**

Members of the Governance Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications [www.grantthornton.co.uk](http://www.grantthornton.co.uk)

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

## PSAA Contract Monitoring

North Devon District Council opted into the Public Sector Audit Appointments (PSAA) Appointing Person scheme which starts with the 2018/19 audit. PSAA appointed Grant Thornton as auditors. PSAA is responsible under the Local Audit (Appointing Person) Regulations 2015 for monitoring compliance with the contract and is committed to ensuring good quality audit services are provided by its suppliers. Details of PSAA's audit quality monitoring arrangements are available from its website, [www.psaa.co.uk](http://www.psaa.co.uk).

Our contract with PSAA contains a method statement which sets out the firm's commitment to deliver quality audit services, our audit approach and what clients can expect from us.

# Progress at August 2020

## Financial Statements Audit

We undertook our initial planning for the 2019/20 audit in January 2020 and our interim audit in March 2020. We received your draft 2019/20 financial statements on the 23 July 2020 a week ahead of the agreed timetable. We have commenced early work on the statements and will commence our full post-statements audit on 7 September 2020. We have been working with officers whilst they were preparing the draft financial statements and discussing key emerging issues.

On 10 March 2020 we issued a detailed audit plan, setting out our proposed approach to the audit of the Council's 2019/20 financial statements.

We are aiming to report the outcome of our work in our Audit Findings Report that we will present to the Governance Committee on 5 October 2020. The revised deadline for issuing our opinion this year is the 30 November 2020.

## Covid-19

In addition to the audit risks communicated to those charged with governance in our Audit Plan in March 2020, the Covid-19 pandemic led us to update our planning risk assessment and reconsider our audit and value for money (VfM) approach to reflect the unprecedented global response. On 16 April 2020 we issued an addendum to our audit plan, setting out a new significant financial statement risk in relation to Covid-19.

## Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Details of our initial risk assessment to determine our approach can be seen in our Audit Plan.

We are aiming to report the outcome of our VFM work in our Audit Findings Report that we will present to the Governance Committee on 5 October 2020.

The NAO consultation on a new Code of Audit Practice (the "Code") has finished, and the new Code has completed its approval process in Parliament. It therefore came into force on 1 April 2020 for audit years 2020/21 and onwards. The new Code supersedes the Code of Audit Practice 2015, which was published by the National Audit Office (NAO) in April 2015.

The most significant change under the new Code is the introduction of an Auditor's Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations. The NAO public consultation is now underway and runs until 2 September 2020. It can be accessed through the NAO website:

<https://www.nao.org.uk/code-audit-practice/agn-03-vfm-consultation/>

# Progress at August 2020 (Cont.)

## Other areas

### Certification of claims and returns

We certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions (DWP). The planning of the certification work for the 2019/20 has been completed. We have also completed the initial discovery testing. This identified a number of areas where additional testing is required and this work is currently underway. We intend to complete our work by the original deadline of 30 November deadline. Although it should be noted that, in response to the impact of the Covid-19 pandemic, the DWP has moved the reporting deadline back to 31 January 2021. We will report our findings to the Governance Committee in our Certification Letter in January 2021.

### Meetings

We are in regular dialogue with Finance Officers and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

We meet regularly with your Chief Executive and Head of Resources to discuss emerging audit developments as well as challenges and opportunities faced by the Council.

### Events

We provide a range of workshops, along with network events for members and publications to support the Council. Your officers attended our Financial Reporting Workshop in February, which helped to ensure that members of your Finance Team were up to date with the latest financial reporting requirements for local authority accounts.

Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

## Audit Fees

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2019/20 is the second year of that contract. Since that time, there have been a number of developments within the accounting and audit profession. Across all sectors and firms, the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing.

Our work in the Local Government sector in 2018/19 has highlighted areas where financial reporting, in particular, property, plant and equipment and pensions, needs to improve. There is also an increase in the complexity of Local Government financial transactions and financial reporting. This combined with the FRC requirement that all Local Government audits are at or above the "few improvements needed" (2A) rating means that additional audit work is required.

We have reviewed the impact of these changes on both the cost and timing of all our audits. We have discussed the estimated impact on fees for 2019/20 for North Devon with the Head of Resources. These have been shared with PSAA who have approved these in principle subject to final sign off of the final fee variations following completion of the audit.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting.

# COVID-19 Update

## Impact on working arrangements:

- following the government's announcement on Monday 16 March 2020, we closed our Grant Thornton offices for the foreseeable future and your audit team are now working from home
- we are working remotely during your accounts audit. Although there are some audit tasks which are best undertaken in person, we hope to be able to complete the majority of the audit remotely. This is, however, likely to make the audit process longer. We continue to work closely with your finance team to make this different way of working as efficient as possible.
- there may need to be further changes to planned audit timings due to potential illness within the audit team or the finance team and due to the further developments of COVID-19.

## Impact on accounts and audit opinions:

There are a number of key issues which your finance team will have had to consider as part of the year end closedown and accounts production:

- impact on reserves and financial health and whether the Council needs to provide additional disclosures that draw attention to a Material Uncertainty around Going Concern (this could also impact on the VfM conclusion) or asset valuations.
- valuation of Property, Plant & Equipment and assumptions made by valuers, particularly in respect of carrying value to current value assessment.
- impact on collectability of debt and assumptions made in bad debt provisions.
- impact on post-balance sheet events. The consequences of the virus post 31 March 2020 will generally be non-adjusting post balance sheet events but some form of disclosure may be needed.
- disclosure of impact in annual report.
- disclosure of critical judgements and material estimation uncertainties.
- impact on the content of the Annual Governance Statement, particularly with regards to risks, controls and mitigation.
- considerations in respect of service continuity and disaster planning arrangements (this could impact on the VfM conclusion).
- impact on reporting to those charged with governance and signing arrangements.

## Changes to reporting requirements:

The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020, which amend the Accounts and Audit Regulations 2015, came into force on 30 April 2020.

These new regulations confirmed:

- the publication date for final, audited, accounts would move to 30 November 2020 for all local authority bodies;
- local authorities must commence the public inspection period on, or before, the first working day of September 2020; and
- draft accounts must be approved by 31 August 2020, or earlier where possible.

We continue to liaise with the Section 151 Officer and key finance officers in respect of the impact of Covid-19 on the Council's operations and the production of its financial statements and we have begun to make arrangements for a fully remote final accounts audit.

IFRS 16 implementation has been delayed by 1 year to 1 April 2021. IAS 8 disclosures in respect of new accounting standards which have been issued but are not yet effective are still required for IFRS 16 (Leases) even though implementation is deferred to 2021/22.



# Audit Deliverables (updated – Covid-19 impact)

2019/20 Deliverables	Planned Date	Status
<p><b>Fee Letter</b></p> <p>Confirming audit fee for 2019/20. We have appended the updated fee letter seeking additional fees as a result of the increased regulatory focus facing all audit suppliers.</p>	April 2019	Complete
<p><b>Accounts Audit Plan</b></p> <p>We are required to issue a detailed accounts audit plan to the Governance Committee setting out our proposed approach in order to give an opinion on the Council's 2019-20 financial statements. This includes the findings of our value for money initial risk assessment.</p>	March 2020	Complete
<p><b>Interim Audit Findings</b></p> <p>We will report to you the findings from our interim audit in our Audit Progress Report.</p>	June 2020	Complete
<p><b>Audit Findings Report</b></p> <p>The Audit Findings Report will be reported to the October Governance Committee.</p>	October 2020	Not yet due
<p><b>Auditors Report</b></p> <p>This is the opinion on your financial statements, annual governance statement and value for money conclusion.</p>	October 2020	Not yet due
<p><b>Annual Audit Letter</b></p> <p>This letter communicates the key issues arising from our work.</p>	October 2020	Not yet due

# Sector Update

Councils continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- **Grant Thornton Publications**
- **Insights from local government sector specialists**
- **Reports of interest**
- **Accounting and regulatory updates**

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local  
government

# In-depth insight into the impact of Covid-19 on financial reporting in the local government sector – Grant Thornton

In June Grant Thornton published a report to help officers and elected members identify points they should consider when assessing and reporting the impact of Covid-19 on their authority. Each authority will be impacted in different ways and will need to make their own assessment of the impact on their financial statements. However, the report identified some of the key challenges for the sector, along with the potential financial reporting and regulatory impact, to support preparers of local authority accounts navigate through some of these key issues. The report also included a number of useful links and other resources.

The extraordinary events we are living through follow a decade of austerity, triggered by the financial crisis of 2008/09, which had already placed considerable strain on local authorities' finances. Increased demand for many local public services, directly related to the outbreak of the virus, has placed immediate pressure on authorities' cash flows and expenditure budgets. The longer-term consequences of recession and unemployment on demand for services have yet to be experienced.

At the same time, several important sources of local authority income including Council Tax, Non-domestic (business) rates, fees and charges, rents and investment returns have, to a greater or lesser extent, been subject to reduction or suspension. This perfect storm of conditions presents a real threat to the financial sustainability of the sector. Now, more than ever, strong political and executive leadership is needed to re-establish priorities, review strategies and medium-term financial plans and ensure that public funds are being used as efficiently and effectively as possible. A balance has to be struck between responding to the needs of residents and businesses in a timely manner, protecting the most vulnerable and ensuring appropriate measures and controls around financial management are in place to mitigate against future 'financial shock'. In doing so, iterative scenario planning will help officers and elected members to take informed decisions at key stages, revisiting and revising plans along the way.

The report considered:

- Operational challenges and the related financial reporting/regulatory impact
- Government support schemes – considering the accounting implications
- Significant financial reporting issues to consider
- Other sector issues and practicalities to consider
- Impact on audit work/external scrutiny process
- Engagement with experts

In terms of key financial reporting considerations for 2019/20, consideration should be given to:

## Information published with accounts

- Does the Narrative Report reflect the urgency of the situation, the changes to Council services as a result of lockdown, the partnership arrangements in place, the impact of the pandemic on income and expenditure and possible future scenarios, the impact on savings programmes, the capital programme, treasury management, medium term financial plans and the Council's communications strategy (noting this is not an exhaustive list)?
- Does the Annual Governance Statement reflect significant developments between 31 March 2020 and the finalisation of the accounts? Does the AGS describe emergency governance arrangements for decision making, the postponement of elections, the transition to virtual meetings and plans for the return to normal democratic processes?

## Non-current asset valuations

- There has been a significant increase in volatility and uncertainty in markets following the outbreak of Covid-19. RICS has issued a Valuation Practice Alert following the pandemic, and we are aware a significant number of valuers are including 'material valuation uncertainty' disclosures within their reports. Has the Council assessed the impact of such comments, reflected 'material valuation uncertainty' disclosures within the financial statements and taken account of the requirement of Code paragraph 3.4.2.90 to provide appropriate disclosure in their financial statements in relation to major sources of estimation uncertainty?

### Non-current asset valuations

- The Council is required to make an assessment at the end of each reporting period as to whether there is any indication that assets may be impaired. There are several types of event or change in circumstance that could indicate an impairment may have occurred, including evidence of obsolescence or physical damage or a commitment to undertake a significant reorganisation. Has the Council assessed whether the impact of the pandemic may have triggered impairments?
- Has the Council considered these matters in relation to Investment Property held? Potentially more so for 2020/21, there may be significant declines in asset carrying values, especially for investments in retail or office premises.

### Impairment of receivables

- IFRS 9 *Financial Instruments* introduced an expected credit loss model for financial assets which drives earlier recognition of impairments. Has the Council assessed the impact of the pandemic on its expectation of credit losses?
- Impairment of statutory Council Tax and Non-domestic rate debtor balances is also possible. Has the Council observed a measurable decrease in estimated future cashflow, for example an increase in the number of delayed payments? Has the Council considered whether recent historical loss experience across aged debt may also need revision where current information indicates the historical experience doesn't reflect current conditions? Experience following the 2008/09 financial crisis may prove to be a useful reference point, given the ensuing recession conditions.

### Events after the reporting period

- By 31 March 2020 enough was known about the pandemic for accounts preparers and market participants to reflect and, if necessary, adjust assumptions and assessments. By the end of March 2020, it would be extremely difficult to say that the pandemic was not an event that existed and therefore any accounting impact that occurred after this date is not an adjusting event.
- Has the Council distinguished between subsequent events that are adjusting (i.e. those that provide further evidence of conditions that existed at the reporting date) and non-adjusting (i.e. those that are indicative of conditions that arose after the reporting date)? Has the Council got arrangements in place to assess events up to the date the final accounts are authorised for issue?

### Sources of estimation uncertainty

Has the Council identified the assumptions required about the future and estimates at the end of the current reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year? Have these been appropriately disclosed in accordance with the requirements of IAS 1 paras 125-133?

2019/20 financial statements are being prepared in an environment of heightened uncertainty as a result of the pandemic and the situation is evolving and fast moving. We have drawn out some of the key considerations for local authority financial reporting here, but further details can be found in our full report available on the Grant Thornton website:

<https://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/publication/2020/impact-of-covid19-on-financial-reporting-local-government-sector.pdf>



# Guide for Audit and Risk Committees on Financial Reporting and Management during COVID-19 – National Audit Office

In June the National Audit Office (NAO) published a guide that “aims to help audit and risk committee members discharge their responsibilities and to examine the impacts on their organisations of the COVID-19 outbreak. It is part of a programme of work undertaken by the NAO to support Parliament in its scrutiny of the UK government’s response to COVID-19.”

Page 189

The NAO report notes “Audit and risk committees are integral to the scrutiny and challenge process. They advise boards and accounting officers on matters of financial accountability, assurance and governance, and can support organisations, providing expert challenge, helping organisations focus on what is important, and how best to manage risk.

Each organisation will have existing risk management processes in place, but risk appetite may have changed as a result of COVID-19, for the organisation to operate effectively and respond in a timely manner. This may result in a weakening of controls in some areas, increasing the likelihood of other risks occurring. Organisations will need to consider how long this change in risk appetite is sustainable for.”

The NAO comment “This guide aims to help audit and risk committee members discharge their responsibilities in several different areas, and to examine the impacts on their organisations of the COVID-19 outbreak, including on:

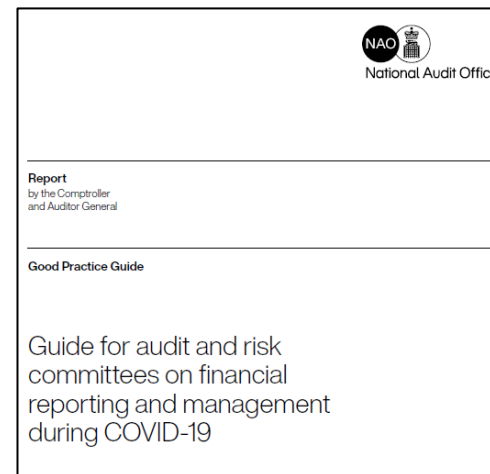
- annual reports;
- financial reporting;
- the control environment; and
- regularity of expenditure.

In each section of the guide we have set out some questions to help audit and risk committee members to understand and challenge activities. Each section can be used on its own, although we would recommend that audit and risk committee members consider the whole guide, as the questions in other sections may be interrelated. Each individual section has the questions at the end, but for ease of use all the questions are included in Appendix One.

The guide may also be used as organisations and audit and risk committees consider reporting in the 2020-21 period.”

The full report can be obtained from the NAO website:

<https://www.nao.org.uk/report/guidance-for-audit-and-risk-committees-on-financial-reporting-and-management-during-covid-19/>



# Kickstarting Housing – Grant Thornton and Localis

In July Grant Thornton Head of Local Government, Paul Dossett, wrote an essay, included as part of a collection in the Localis report – “Building for renewal: kickstarting the C19 housing recovery”.

Paul asked “So how do we address “the housing crisis” in the context of an existential threat to the British economy? Just as importantly, how do we ensure our key workers, our new heroes of the Thursday night applause, are front and centre of such a response. Paul suggested that the housing response needs to move away from the piecemeal towards a comprehensive and strategic response, with five key pillars with the key worker demographic at its heart:

• **Public housebuilding.** This will involve more borrowing, but we need a bold and ambitious target to build at least one million new public sector properties at social rents by 2025. This should involve a comprehensive and deep partnership between Homes England and local authorities and underpinned by a need to minimise the carbon footprint.

• **Private sector housing needs a rocket boost** with massive Government supported investment in modern methods of construction and consideration of required workforce needed to meet capacity. This needs to go hand in hand with a major recruitment drive into all facets of the housing industries. This should include national and local training initiatives to support workers from the service sectors who are very likely to lose their jobs because of the pandemic.

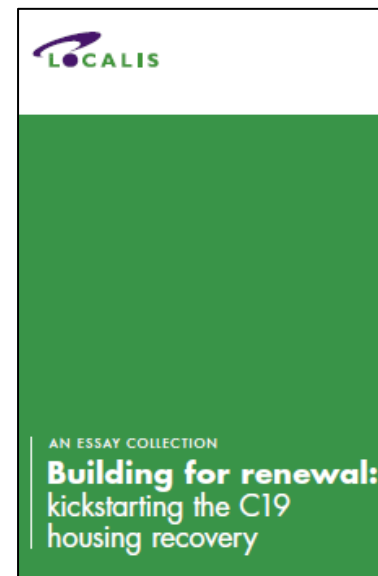
• **Strategic authorities based on existing local government footprints** across the country to remove the inconsistent patchwork quilt of current arrangements so that there is consistency between local, county and national strategic priorities. They should be legally tasked and funded for development of comprehensive infrastructure plans to support housing initiatives in their areas with a strong remit for improving public transport, supporting green energy initiatives and developing public realms which create a sense of community and belonging.

• **Building on existing initiatives to improve security of tenure and quality of accommodation,** a new partnership is needed between landlord and tenants that provides a consistent national/regional footing to ensure that housing is a shared community responsibility. This should, like the response to the pandemic, be part of a shared community narrative based on state, business and local people.

• Putting key workers at the heart of the Housing strategy. The country appears to have discovered the importance of key workers. The people that keep the country running and whose contribution is never usually recognised financially or in terms of social esteem. There are several existing key worker accommodation initiatives, but they are local and piecemeal. We need a comprehensive strategy which focuses on key worker needs, including quality of accommodation, affordable mortgages/ rents, proximity to workplaces and above all , a sense of priority on the housing ladder for those who keep the country running in good times and bad and are the best of us in every sense.

Paul concluded “Housing is a basic need and if key workers feel valued in their place in housing priorities, we will have made a giant step forward.

Key workers are not the only group in need of help of course. Utilising the momentum behind keyworkers that their role in COVID-19 has brought into focus, could help kickstart housing initiatives that help all those in need.”



The full report can be obtained from the Grant Thornton website:

<https://www.grantthornton.co.uk/en/insights/homes-fit-for-heroes-affordable-housing-for-all/>



# Place-Based Growth - 'Unleashing counties' role in levelling up England' – Grant Thornton

In March Grant Thornton launched a new place-based growth report 'Unleashing counties' role in levelling up England. The report, produced in collaboration with the County Councils Network, provides evidence and insight into place-based growth through the lens of county authority areas. It unpacks the role of county authorities in delivering growth over the past decade through: desk-based research, data analysis and case study consultations with 10 county authorities (Cheshire East, Cornwall, Durham, Essex, Hertfordshire, North Yorkshire, Nottinghamshire, Oxfordshire, Staffordshire, Surrey).

The report reveals:

• Growth, as measured by Gross Added Value (GVA), in county areas has lagged behind the rest of the country by 2.6% over the last five years. GVA in the 36 county areas has grown by 14.1% between 2014 and 2018, compared to 16.7% for the rest of England.

• In total, 25 of these counties have grown at a rate slower than the rest of the country. The research finds no north-south divide, as the county areas experiencing some of the smallest economic growth are Herefordshire (5.3%), Oxfordshire (5.6%) and Cumbria (8.2%), Gloucestershire (9.2%), and Wiltshire (9.7%) – showing that one size fits all policies will not work.

• Some 30 of the 36 county authority areas have workplace productivity levels below the England average. At the same time, counties have witnessed sluggish business growth, with county authorities averaging 7.9% growth over the last five years – almost half of that of the rest of the country's figure of 15.1% over the period 2014 to 2019.

To address these regional disparities in growth and local powers, the report's key recommendations include:

• Rather than a focus on the 'north-side divide', government economic and investment assessments should identify those places where the economic 'gap' is greatest – Either to the national average or between different places – and focus investment decisions on closing that gap and levelling up local economies.

• The devolution white paper must consider how devolution of powers to county authorities could assist in levelling-up the country. This should include devolving significant budgets and powers down to councils, shaped around existing county authorities and local leadership but recognising the additional complexity in two-tier local authority areas and whether structural changes are required.

• Growth boards should be established in every county authority area. As part of this a statutory duty should be placed on county authorities to convene and coordinate key stakeholders (which could include neighbouring authorities). These growth boards should be governed by a national framework which would cover the agreed 'building blocks' for growth – powers, governance, funding and capacity.

• Planning responsibilities should be reviewed with responsibility for strategic planning given to county authorities. In line with the recently published final report of the Building Better, Building Beautiful Commission, the government should consider how county authorities, along with neighbouring unitary authorities within the county boundary, could take a more material role in the strategic and spatial planning process.

• The National Infrastructure Commission should ensure greater consideration of the infrastructure requirements in non-metropolitan areas. Their national infrastructure assessments could consider how better investment in infrastructure outside metropolitan areas could link to wider growth-related matters that would help to level up the economy across the country.

The full report can be obtained from the Grant Thornton website:

<https://www.grantthornton.co.uk/en/insights/unleashing-counties-role-in-levelling-up-england/>



# CIPFA – Financial Scrutiny Practice Guide

Produced by the Centre for Public Scrutiny (CfPS) and CIPFA, this guide provides guidance to councils and councillors in England on how they might best integrate an awareness of council finances into the way that overview and scrutiny works.

The impact of the COVID-19 pandemic on council finances, uncertainty regarding the delayed fair funding review and future operations for social care – on top of a decade of progressively more significant financial constraints – has placed local government in a hugely challenging position.

For the foreseeable future, council budgeting will be even more about the language of priorities and difficult choices than ever before.

This guide suggests ways to move budget and finance scrutiny beyond set-piece scrutiny events' in December and quarterly financial performance scorecards being reported to committee. Effective financial scrutiny is one of the few ways that councils can assure themselves that their budget is robust and sustainable, and that it intelligently takes into account the needs of residents.

Scrutiny can provide an independent perspective, drawing directly on the insights of local people, and can challenge assumptions and preconceptions. It can also provide a mechanism to ensure an understanding tough choices that councils are now making.

This paper has been published as the local government sector is seeking to manage the unique set of financial circumstances arising from the COVID-19 pandemic. This has resulted, through the Coronavirus Act 2020 and other legislation, in changes to local authorities' formal duties around financial systems and procedures.

The approaches set out in this guide reflect CfPS and CIPFA's thinking on scrutiny's role on financial matters as things stand, but the preparation for the 2021/22 budget might look different. CfPS has produced a separate guide to assist scrutineers in understanding financial matters during the pandemic



The full report can be obtained from CIPFA's website:

<https://www.cipfa.org/policy-and-guidance/reports/financial-scrutiny-practice-guide>



# Future Procurement and Market Supply Options Review – Public Sector Audit Appointments

Public Sector Audit Appointments (PSAA) has commissioned an independent review of the sustainability of the local government audit market. The review was undertaken by an independent consultancy, Touchstone Renard.

PSAA note that the report “draws on the views of audit firms active in the local authority market as well as others that are not. In doing so it identifies a number of distinctive challenges in the current local audit market. In particular it highlights the unprecedented scrutiny and significant regulatory pressure on the auditing profession; the challenges of a demanding timetable which expects publication of audited accounts by 31 July each year; and the impact of austerity on local public bodies and its effect on both the complexity of the issues auditors face and the capacity of local finance teams”.

Key findings in the report include:

- A lack of experienced local authority auditors as the main threat to the future sustainability of the market.
- It will be difficult to bring the non-approved firms into the market.
- Of the nine approved firms, only five have current contracts with PSAA.
- Almost all of the approved firms have reservations about remaining in the market.
- Firms perceive that their risks have increased since bids were submitted for the current contracts.
- The timing of local audits is problematic.

Key issues for the next procurement round include:

- Number of lots and lot sizes.
- Lot composition.
- Length of contracts.
- Price:quality ratio.

The report notes that “PSAA will need to balance the views of the firms with wider considerations including the needs of audited bodies and the requirement to appoint an auditor to every individual body opting in to its collective scheme”.



The full report can be obtained from the PSAA website:

<https://www.psa.co.uk/wp-content/uploads/2020/03/PSAA-Future-Procurement-and-Market-Supply-Options-Review.pdf>

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**NORTH DEVON COUNCIL**

**Open**

**REPORT TO: GOVERNANCE COMMITTEE**

Date: 8<sup>th</sup> September 2020

**TOPIC: NDC BUSINESS CONTINUITY PROPOSAL**

**REPORT BY: ALEX MILES – GRADUATE EMERGENCY PLANNING OFFICER.**

## 1 INTRODUCTION

- 1.1 The purpose of this report is to seek approval for the North Devon Council Business Continuity Strategy. This report will set out the approach North Devon Council will adopt and will form the basis of how business continuity is delivered in the future.
- 1.2 The primary objective of Business Continuity Management (BCM) is to ensure that the organisation has a planned and structured response to a major disruption and the ability to continue to provide our critical services. Whilst this must be worthwhile in itself, there are other benefits that can be gained by embracing BCM as a management discipline.
- 1.3 North Devon Council is a Category one responder under the Civil Contingencies Act 2004 and the implementation of a robust and effective Business Continuity Strategy will serve to provide additional assurance to North Devon Council's ability to meet our role and responsibilities under duty.
- 1.3 Work towards a comprehensive business continuity programme has been ongoing but there remains an absence of robust business continuity plans. The 2018/19 internal audit report identified the 2016 Business Continuity Policy and the 2016 Business Continuity Incident Management Plan as being due for review. In addition, 11 service resumption plans were identified as due for review back in 2017, but no such review was evident.
- 1.4 Both the Public Protection Manager and Graduate Emergency Planning Officer were tasked with updating the above plans in the audit report dated January 2020 with a completion date of 31<sup>st</sup> March 2021 set.
- 1.5 In preparation for the onset of COVID19 all service resumption plans were updated by the business continuity leads in each service area. Additional incident specific appendices were completed to aid the response.

- 1.6 Work was then halted to allow the Public Protection Manager and Graduate Emergency Planning Officer to focus on supporting the Incident Management Team in the response to COVID19.
- 1.7 Given that the existing business continuity programme is based on Pre COVID19 working, it is clear that upon recovery from COVID19 and the subsequent adoption of agile working, a new approach to business continuity will be required.

## 2 RECOMMENDATIONS

- 2.1 To align North Devon Council's Business Continuity Management System (BCMS) with ISO 22301:2019 and follow Business Continuity Institute (BCI) Good Practice Guidelines 2018.

## 3 REASONS FOR RECOMMENDATIONS

- 3.1 COVID19 has accelerated the move towards agile and remote working. NDC Business Continuity Plans need to reflect this change and manage the associated risks.
- 3.2 Implementing a business continuity programme that incorporates good practice and that can be embedded into business as usual activities will increase organisational resilience. This resilience will be measured by a reduction in the impact and frequency of incidents or overall improvement in response.
- 3.3 Aligning North Devon Council's BCMS to ISO 22301 will provide assurance to our customers, partners and Governance boards that we are able to sustain operations when disruptions occur.

## 4 REPORT

- 4.1 ISO 22301:2019 is an international standard that specifies the requirements for BCMS and provides a framework for maintaining and improving compliance with business continuity requirements and good practice. Following these internationally recognised standards will provide a sound basis upon which to develop our plans.
- 4.2 The seven phases of the ISO 22301:2019 strategy are as follows:
  - 1) Understand the context of the organisation  
Establish the context of the BCMS as it applies to the organisation as well as needs, requirements and scope.
  - 2) Leadership

Establish the requirements specific to top management's role in the BCMS and ensure the BCMS achieves its expected outcomes and continual improvement.

## 3) Planning

Establish strategic objectives and guiding principles for the BCMS.

## 4) Support

Determine and provide the resources needed for the establishment, maintenance and continual improvement of the BCMS.

## 5) Operation

Identify the risks to the BCMS not being established, implemented and maintained by the organisation. Bring together Business Impact Assessments and Risk Assessments and implement a Business Continuity Programme with an established response structure.

## 6) Performance Evaluation – Monitoring, Measurement, Analysis and Evaluation

Ensure that appropriate metrics are in place to effectively manage and evaluate the performance and effectiveness of the BCMS.

## 7) Improvement

Determine opportunities for continual improvement and implement necessary actions to achieve the intended outcomes of the BCMS.

4.3 This programme of work will be achieved through the following steps in conjunction with the completion of requirements outlined in ISO 22301:2019 and the BCI's Good Practice Guidelines 2018.

- a) Establish a baseline – Carry out a gap analysis against ISO 22301:2019.
- b) Develop a risk based project plan to address key areas of weakness and set the scope for the Business Continuity Management Programme.
- c) Develop a top level overview of NDC services and carry out Business Impact Assessments and Risk Assessments where appropriate.
- d) Embed Business Continuity within North Devon Council. This will be achieved through training, education and awareness programmes.
- e) Align NDC Business Continuity Programme with other risk disciplines such as Disaster Recovery and The Corporate Risk Register.

- f) Implement an annual review and testing schedule. To ensure NDC processes replicate best practice we will undertake an annual review against ISO 22301.

4.4 The aim of the organisation over the medium to long term (5 -10 years) will be to develop the skills and knowledge to enable North Devon Council to champion business continuity and make it an integral part of all activities in which it engages in, including those with partners and in the community.

## 5 RESOURCE IMPLICATIONS (FINANCIAL IMPLICATIONS, MANPOWER

- 5.1 The work in producing the Business Continuity Programme will incur staff time but should generate benefits in operational efficiency through increasing resilience. Any additional costs required for this programme of work will be subject to a separate reporting process.

## 6 EQUALITIES ASSESSMENT

- 6.1 No adverse outcomes of this programme of work have been identified.

## 7 CONSTITUTIONAL CONTEXT

Article or Appendix and paragraph	Referred or delegated power?
Part 3, Paragraph 5 (b)	Delegated

## 8 STATEMENT OF CONFIDENTIALITY

- 8.1 This report contains no confidential information or exempt information under the provisions of Schedule 12A of 1972 Act.

## 9 BACKGROUND PAPERS

- 9.1 The following background papers were used in the preparation of this report:
  - o ISO 22301:2019. Security and resilience – Business Continuity Management Systems – Requirements.
  - o The Business Continuity Institutes Good Practice Guidelines 2018 Edition (GPG, 2018)
  - o Civil Contingencies Act 2004- Legislation.gov.uk
  - o Emergency Preparedness, Ch. 6 Business Continuity Management, Cabinet Office.

The background papers are available for inspection and kept by the author of the report.

## 10 STATEMENT OF INTERNAL ADVICE

10.1 The author (below) confirms that advice has been taken from all appropriate Councillors and Officers.

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Author: Alex Miles Date: 08.09.2020  
Reference: NDC Business Continuity proposal.

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## NORTH DEVON DISTRICT COUNCIL

**REPORT TO: GOVERNANCE COMMITTEE**

Date: 8<sup>th</sup> September 2020

**TOPIC: AUDIT RECOMMENDATION TRACKER**

**REPORT BY: CHIEF EXECUTIVE**

### **1 Introduction**

- 1.1 This is the regular progress report to the Committee in relation to action taken to address internal and external audit recommendations.

### **2. Recommendations**

- 2.1 That the Committee note the actions that have been taken to address identified risks since the 9<sup>th</sup> June 2020 Governance Committee meeting.
- 2.2 That the Committee raises any areas of concern arising from the list of outstanding recommendations.

### **3. Reasons for Recommendations**

- 3.1 To give assurance to the Committee that audit recommendations are being actively managed, and to give the Committee a full opportunity to review any areas of concern.

### **4. Report**

- 4.1 SMT has reviewed the high and medium risk audit recommendations to assess progress and instigate any required actions.
- 4.2 Since the last meeting the number of recommendations now tracked has risen to 1,207.


**Table A) Live Audit Reports, Status & Numbers**

Code	Title	Status	Progress	High Risk	Medium Risk	Low Risk
16 PL	Planning Applications 2015/16	In Progress	83%	0	3	0
17 ITAM	IT Asset Management 2016/17	In Progress	87%	1	6	0
17 SRR	Security Review Report 2017/18	Overdue	98%	4	5	0
17 L	Licencing 2017/18	Overdue	75%	0	1	3
17 G	Grants 2017/18	In Progress	99%	0	2	5
19 E&ES	Email & Exchange Server 2018/19	Overdue	95%	0	3	1
19 GDPR	General Data Protection Regulations 2018/19	Overdue	92%	0	0	7
20 BC	Business Continuity 2018/19	In Progress	0%	3	1	0
20 FB&E	Fraud, Bribery & Ethics 2018/19	In Progress	40%	0	5	1
20 P	Payroll 2019/20	In Progress	0%	0	0	1

**Table B: Audit recommendations setting completed since the last Audit Committee**

Recommendation	Closure Note	Original Due Date	Completed Date
17 RM&CG 02 Completeness of Service Risk Registers	Every service area has now updated their service risk register including specific Covid-19 risk assessments.	30-Apr-2017	06-Aug-2020
20 FB&E 02 Service Risk Registers	The Service Risk Registers have all been reviewed recently by services and updated in light of C-19 with additional risk assessments added noted by the Head of Resources.	30-Sep-2020	11-Aug-2020

**Table C: Outstanding Audit Recommendations where Head of Service have requested a revision to the due date**

Code	Description	Progress	Latest Note	Original Due Date	Due Date
17 SRR 08 Information Sharing Page 203	The Council should ensure that the Customer Record Management system is fit for purpose and is accessible by all staff dealing with the Council's service users, especially those with violence markers. As the reporting, recording and maintaining of information on incidents will always be user dependant, it is vital that all users are trained up and encouraged to make use of and update the CRM system regularly. The Council should also consider a regular group email updating users on both incidents and markers	 85%	Due to Covid-19 the implementation for this automated process has been delayed, however in the meantime there is a manual process where V&A markers can be approved by SMT and placed in the Firmstep (CRM) and then shared with relevant departments to place on their own systems.  <b>Request revised due date for automated process: 31 November 2020</b>	30-Jun-2018	31-Nov-2020

**Table D: Outstanding Audit Recommendations**

Code	Description	Progress	Latest Note	Original Due Date	Due Date
NIL					

## 5. Progress tracking of Annual Governance Statement

- 5.1 An annual review of NDC's governance arrangements leads to the Annual Governance Statement, which forms part of the Statement of Accounts.
- 5.2 In addition to any other issues the review captures recommendations from external and internal audit and inspections and sets out an action plan. This plan is tracked through Covalent.
- 5.3 We await the latest assurance statement which is being prepared by our Monitoring Officer.

## 6. Constitution Context

Appendix and paragraph	Referred or delegated power?
5.5	Delegated

## 7. Statement of Internal Advice

- 7.1 The author (below) confirms that advice has been taken from all appropriate Councillors and officers.

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Author: Sarah Higgins Date: 11<sup>th</sup> August 2020  
Reference: Audit Recommendation Report September 2020 V1.0

# Governance Committee Work Programme 2020/21

This work programme provides structure for the Audit Committee to ensure it receives reports and updates at the appropriate meetings throughout the year. It is reviewed and updated at each committee meeting.

	Jun 2020	Jul 2020	Sep 2020	Oct 5 <sup>th</sup> 2020 (Special)	Nov 2020	Jan 2021	Mar 2021
<b>North Devon Council items</b>		Cancelled					
Review of the Committee's Terms of Reference							
Annual Review of the Committee's effectiveness (JT)							
Half Yearly Report from the Chair of the Governance Committee (KJ).			Sept each year				March each year
Annual Governance Statement (TB)	<i>Moved to July</i>	<i>Moved to Sept</i>					
Statement of Accounts (JT)	<i>Moved to July</i>	<i>Moved to Sept</i>					
Letter of Representation (JT)		<i>Moved to Oct by JT</i>					
Compensation payments made under delegated powers. (Claire H)		<i>Moved to Sept</i>					
Corporate Risk Register (SH) <b>Part B</b>							
Major changes to Accounting Policies Management procedures to be reported by the Head of Resources (JT)							
Update on Governance Arrangements							
21:21 Phase 2 Report (KM)							
Business Continuity (to include Disaster Recovery Procedures and Plan Testing (NL & AM) <b>Part B</b>			Every six months				
Recommendation to update the Members' Code of Conduct (TB)							

	Jun 2020	Jul 2020	Sep 2020	Oct 5 <sup>th</sup> 2020 (Special)	Nov 2020	Jan 2021	Mar 2021
<b>Internal Auditor items</b>							
Internal Audit Annual report							
Internal Audit Strategy and Plan							
Internal Audit Charter							March each year
Internal Audit Progress Report							
<b>External Auditor items</b>							
External Audit - Fee Letter	<i>Moved to March</i>						
External Audit - Findings Report		<i>Moved to Oct by JT</i>					
External Audit - Annual Audit Letter			<i>Moved to Nov</i>				
External Audit - Plan							
Certification Work Report							
External Audit - Progress Report and Sector Update							
<b>Standing Items</b>							
Audit Recommendation Tracker							
Work Programme							

Updated 5/8/20 per meeting of 9<sup>th</sup> June 2020, see minute 81 and discussion with JT