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

M. Mansell, BSc (Hons),
F.C.P.F.A.
Chief Executive.

GOVERNANCE COMMITTEE

A meeting of the Governance Committee will be held in the Barum Room - Brynsworthy Environment Centre on **TUESDAY, 11TH JUNE, 2019 at 6.00 pm.**

(NOTE: A location plan for the Brynsworthy Environment Centre is attached to the agenda front pages. There are limited car parking spaces in the Visitors parking area. If no spaces are available, please find an alternative space. Please ensure that you enter your name and car registration details in the book in front of the entrance door)

Members of the Governance Committee Councillor Roome (Chairman)
Councillor Phillips (Vice-Chair)

Councillors Bushell, Campbell, Henderson, Saxby, Topps and Walker.

AGENDA

1. Apologies for Absence
2. Items brought forward which in the opinion of the Chairman should be considered by the meeting as a matter of urgency.
3. 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).
4. To agree the agenda between Part 'A' and Part 'B' (Confidential Restricted Information).

PART A

5. **Annual Governance Statement** (Pages 5 - 14)
Report by the Head of Corporate and Community Services.
6. **Statement of Accounts 2018/19** (Pages 15 - 102)
Report by the Head of Resources.

7. **Internal Audit Progress Report 2018/19** (Pages 103 - 110)
Report by Mazars Public Sector Internal Audit Limited.
8. **External Audit Fee Letter 2019/20** (Pages 111 - 114)
Report by Grant Thornton.
9. **External Audit Progress Report and Sector Update** (Pages 115 - 128)
Report by Grant Thornton.
10. **Audit Recommendation Tracker** (Pages 129 - 138)
Report by the Head of Corporate and Community Services.
11. **Governance work programme 2019-2020** (Pages 139 - 140)
To consider the work programme.

PART B

Nil.

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

3.06.19



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.
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.
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.
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**.

North Devon Council offices at Brynsworthy, the full address is:

North Devon Council, PO BOX 379, Barnstaple, Devon. EX32 2GR.

Sat Nav postcode is EX31 3NS.

At the Roundswell roundabout take the exit onto the B3232, after about ½ mile take the first right, BEC is about ½ a mile on the right.

Drive into the site, visitors parking is in front of the main building on the left hand side.

On arrival at the main entrance, please dial 8253 for Corporate and Community Services.



ANNUAL GOVERNANCE STATEMENT 2018/19

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, and
- 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 2019, 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 Executive

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

3.2 Ethics and Audit Committees

- Oversight of ethics and governance issues
- Dealing with complaints
- Receiving audit reports
- Risk Management

3.3 Overview and Scrutiny

- Receiving performance reports
- Holding Executive 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 also adopted various policies including those on Whistleblowing and Anti Fraud and Corruption and has provided training to officers and Members where appropriate.

All reports going to Executive 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 Ethics 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 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 new legislation eg the Homelessness Reduction Act. It has used public consultation to gain feedback on service changes in Waste and recycling and in trialling and designing new elements to services.

The Council has also been instrumental in setting up 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 two focussed objectives of Service Improvement and Growth. Backing up the Corporate Plan is a Delivery Plan which sets out specific actions that will be carried out to delivery the Corporate Plan.

The Corporate Plan is carried through into Service Plans which are approved by Executive following scrutiny by the Overview and Scrutiny 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 Executive and Overview and Scrutiny Committee, along with performance against performance indicators. Quarterly reports also go to Full Council so that all Members are aware of the progress.

The Council has a transformation programme called 21:21. There are number of themes but all contribute towards achieving the Service Improvement objective. Themes are run as projects with regular project meetings and with any issues being escalated to Senior Management Team.

A project has also been formed to deliver the second objective of Growing North Devon. Workshops have been held with Councillors who have heard presentations from representatives from other Councils. Project documents defining the scope of the project and its objectives have yet to be completed.

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 is also supportive of any employee that wishes to be seconded to other roles.

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.

Part of the 21:21 project is a complete review of processes within the Council to maximise capacity and develop a customer focus and a number of staff have received training to enable this element of the project to proceed. Arrangements are being made to extend this training to others within the Council.

Corporate training has been provided on issues such as GDPR, safeguarding and emergency planning.

The Council has reviewed it's decision making processes and will be moving 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 Councils 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 Audit Committee.

Performance against service plan actions and performance indicators is measured each month and reported monthly to SMT and quarterly to Executive and Overview and Scrutiny Committee and then ultimately Full Council.

Service planning is underpinned by financial planning, with changed expenditure in any service area being approved by the Executive 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 Audit Committee and progress towards completion is tracked and reported. Performance monitoring reports are considered by Executive and Overview and Scrutiny 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 Audit Committee. During the year Internal Audit undertook 17 audits. 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 Audit Committee. Audit Committee takes an active role in ensuring actions are completed.

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

The service is provided through an external supplier enabling access to a wide variety of skills and specialist practitioners. The supplier is Mazars Public Sector Internal Audit Ltd.

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 2017/18 Annual Audit Letter (received in August 2018) provided an unqualified opinion on the Council's accounts but made some recommendations in relation to financial savings targets to 2021/22 and in respect of the 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. The MTFP was reviewed in February/March 2019 but further work needs to be undertaken to bridge any funding gaps in subsequent years. This is reflected in the Action Plan.

5.4 Other external agencies

The **Local Government Ombudsman** (LGO) reports on each council every year. The report for the year 2017/18 shows that 23 complaints were received with the largest number (13) coming from the Planning area. In the preceding five years the numbers were 25, 23, 23, 17 and 21 respectively.

8 of those complaints were referred back to the Council for local resolution and 1 was upheld after a detailed investigation.

The **Investors in People** and **LGA Peer Review** were referenced in the previous AGS. The Council has not yet implemented the whole range of recommendations and so an action has been included in the Action Plan.

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 were considered by the Senior Management Team before agreement of the recommendations. This ensured that any action that stemmed from them was properly integrated into the Council's activity.

The Senior Management Team reviewed and updated the Corporate Risk Register, supported by the Corporate Risk Management Group.

The Council's performance was reviewed quarterly. The Senior Management Team are the first step in the chain of monitoring and action that culminated in Executive 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.

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.

Steps have commenced for the implementation of GDPR. 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.

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 2018/19 as a result of the review of arrangements:

Areas identified by an internal review of governance arrangements

Issue	Action
<u>Significant Issues</u>	
1 Potential for severe disruption of council services by extreme events, such as 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
<u>Other Issues</u>	
2 Development of an Action Plan to implement recommendations from the IIP report and the Peer review	A complete review of two reports should be undertaken and a full Action Plan developed with timescales for implementation
3 Medium Term Financial Plan	Development of savings plans to plan for budget reductions during the period 20/21 – 22/23.
4 Financial and Contract Procedure rules	A system for reporting breaches to Governance Committee should be introduced

Issue

Action

5

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.

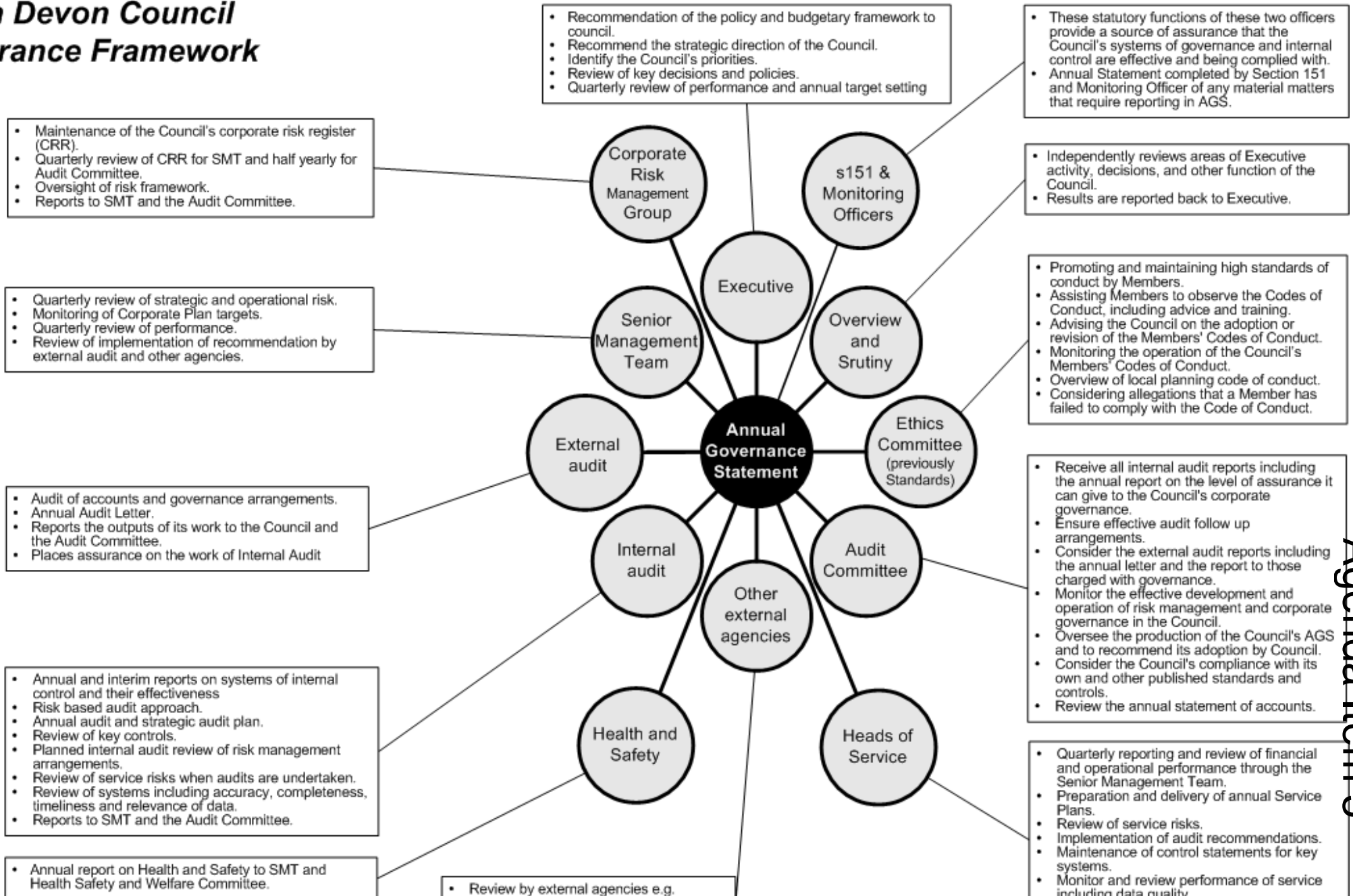
We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as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

Signed:

Councillor David Worden
Leader

Mike Mansell
Chief Executive

North Devon Council Assurance Framework



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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 2018-19 another challenging year for everyone: the Council being no exception. Returns on investments continued to be low due to unprecedented low interest rates.

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 2018-19. The Council's Corporate Plan 2015-2018 was approved in January 2016 to reflect the changed landscape we now face and the reality of the significant cuts to government grant support which have been extended into 2019-20. We are forecasting reductions beyond 2019-20 as there are no indications that austerity measures will come to an end.

The Corporate Plan 2015-2018 has identified two key priority areas, which are:

1. Organisational Transformation

- To develop a robust & flexible organisation
- Determine our own future/destiny
- Maintain or improve our services by flexing Council structures and activities delivering resilience in the short to medium term.

2. Growing North Devon

- To create & protect a resilient North Devon
- Promote Barnstaple and its uniqueness as the sub-regional centre for growth, but consider all opportunities
- Use the increase in the local tax base from predicted housing and/or businesses to deliver resilience
- Support and develop low carbon opportunities including the tidal demonstration zone.

Due to cuts in government grant and the poor economic situation, the Council has reduced its revenue budget by around £4m (to £12.2m for 2018-19) 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 2019-2023

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) 2019-2023 was approved by Full Council in February 2019. 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 2019-20 to 2022-23. The starting position is the Budget 2019-20, which is rolled forward based on a set of assumptions.

The refreshed forecasted cumulative budget gap / (surplus) for 2019-20 to 2022-23 is shown as follows:

Years	2019-20 £m	2020-21 £m	2021-22 £m	2022-23 £m
Budget gap / (surplus)	0	0.401	0.470	0.666

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 CCTV service with a number of potential options moving forwards.
- 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 2020-21 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.
- Reviewing Parish grants and all external grants/services provided by external partners through voluntary and contractual arrangements.

Whilst preparing the 2019-20 Budget, each Head of Service was tasked with preparing service plans covering 2019-20 and beyond. These plans have been through Overview and Scrutiny Committee in January 2019 and the 2019-20 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 2022-23 year.

The financial challenge faced by the Council during the year will continue through 2019-20 and beyond particularly whilst the Government continues implementing its plans to reduce public expenditure across all departments and any wider impacts to the public sector following the Brexit negotiations to leave the European Union.

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 2018-19 have now been dealt with and have been absorbed within our future financial plans, where necessary.

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 2019

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 £12.220m in 2018-19. As at 31 December 2018, the Council was forecasting a net deficit of £0.019m against the budget.

The last quarter of the financial year has seen some favourable variances since the last reported position; additional income through the one-off pilot year for 100% Business Rate Retention scheme and additional savings achieved throughout our staffing budgets.

It is pleasing to report that the final out turn position is a budget surplus of (£0.754m), which is an overall movement of (£0.773m) from the last forecast at quarter 3. The following table shows this movement:

Service and Cost Area	Qtr 3 Variance to Budget £m	Outturn Variance to Budget £m	Movement Qtr 3 to Outturn £m
Temporary accommodation/Rough Sleepers	0.021	0.005	(0.016)
Preventing repossessions income	(0.010)	(0.010)	0.000
Taxi & animal licensing	(0.010)	(0.014)	(0.004)
Various	0.002	(0.004)	(0.006)
Environmental Health & Housing	0.003	(0.023)	(0.026)
Revenues & Benefits grant	(0.060)	(0.061)	(0.001)
Revenues & Benefits postage and bailiff/court costs	0.000	0.010	0.010
Public conveniences	(0.017)	(0.011)	0.006
BEC utilities	0.016	0.063	0.047
Garage sales	0.000	(0.011)	(0.011)
Lynton agency additional surplus	0.000	(0.011)	(0.011)
Corporate properties rental income	0.030	0.015	(0.015)
Various	(0.002)	(0.004)	(0.002)
Resources	(0.033)	(0.010)	0.023
Member Services employee savings	(0.007)	(0.012)	(0.005)
Design Print supplies	0.000	(0.011)	(0.011)
Various	0.001	(0.007)	(0.008)
Corporate & Community Services	(0.006)	(0.030)	(0.024)
Works & Recycling employees	0.124	0.149	0.025
Works & Recycling vehicle costs	0.141	0.162	0.021
Works & Recycling tipping charges	0.017	0.043	0.026
Works & Recycling trade waste income	(0.029)	(0.020)	0.009
Works & Recycling recycling credits	0.013	0.021	0.008
Works & Recycling savings sharing scheme	(0.084)	(0.084)	0.000
Works & Recycling sale of recyclable materials	0.129	0.145	0.016
Works & Recycling garden waste income	(0.028)	(0.036)	(0.008)
Contribution from crematorium	(0.020)	(0.020)	0.000
Car parks rates	0.020	0.019	(0.001)

Service and Cost Area	Qtr 3 Variance to Budget £m	Outturn Variance to Budget £m	Movement Qtr 3 to Outturn £m
Car parks supplies & services	0.000	(0.031)	(0.031)
Various	0.018	0.005	(0.013)
Operational Services	0.301	0.353	0.052
Harbour employee/utilities	0.002	(0.009)	(0.011)
Building Control employees	0.000	0.010	0.010
Building Control income	0.000	0.020	0.020
Electoral Registration supplies & services	0.000	(0.016)	(0.016)
Telephone contract	0.000	(0.014)	(0.014)
Human Resources various	(0.014)	(0.015)	(0.001)
ICT software	0.000	(0.046)	(0.046)
Various	(0.009)	(0.025)	(0.016)
Corporate Services	(0.021)	(0.095)	(0.074)
Economic Development employees & running costs	(0.034)	(0.047)	(0.013)
Planning employees costs	(0.077)	(0.096)	(0.019)
Planning fee income	0.113	0.138	0.025
Planning pre application income	(0.014)	(0.006)	0.008
Pannier Market employees	0.060	0.052	(0.008)
CCTV equipment	(0.018)	(0.023)	(0.005)
Movement in bad debt provision	0.000	(0.023)	(0.023)
Various	0.000	(0.010)	(0.010)
Place	0.030	(0.015)	(0.045)
Additional vacancy savings	(0.025)	(0.083)	(0.058)
Business Rates Retention - additional income	(0.200)	(0.790)	(0.590)
Business Rates - additional income from pilot (One-Off)	(0.750)	(0.750)	0.000
Contribution to earmarked reserves	0.750	0.750	0.000
Interest receivable	(0.020)	(0.033)	(0.013)
Interest payable	(0.010)	(0.013)	(0.003)
Various	0.000	(0.015)	(0.015)
Other	(0.255)	(0.934)	(0.679)
Total	0.019	(0.754)	(0.773)

The original budget for 2018/19 included a forecast to achieve £0.200m worth of salary vacancy savings. The previous performance report at quarter 3 was forecasting this saving would be exceeded by £0.025m this year; the final quarter of 2018/19 has actually resulted in further employee savings of £0.083m over and above the original target.

The “Recycle more” service changes were introduced in June 2017; the take up of the new garden waste service exceeded our expectations; 2017/18 year saw a total sign up of 17,320 properties (the original estimated take up was 13,000 properties). This has grown further in 2018/19 with 18,134 properties signing up for the garden waste service.

The implementation of the ‘Recycle more’ project has been a challenge and has resulted in some further additional costs this year together with a further decline in the sale price of recyclable materials, which has meant the original savings target for the year not being achieved. We have also seen a significant reduction in the level of

planning fee income of £0.138m due to a reduction in the larger applications received, which is in line with other authorities experiencing the same pressure. Across the authority we have achieved a number of one off savings which have offset the additional costs and the reduced income; and as highlighted above we are now coming in under the original £12.220m budget set for the year.

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. For 2018/19 year we built in £1.252m additional income growth into the base budget over and above our 'baseline' funding. At 31 December 2018 the forecast position assumed additional income of £0.200m on top of the growth already factored into the budget and a further one-off additional income from the 100% Business Rates Retention Pilot for 2018/19 of £0.750m. The additional one-off income from the Pilot was placed into four earmarked reserves at the Quarter 3 position to fund future year projects.

The final out turn on the Business Rates Retention scheme has yielded overall additional income of £1.540m, which is a positive variance of £0.590m on the December forecast.

The 2018/19 overall revenue budget surplus of (£0.754m), of which a large element of this variance relates to the above additional income from Business Rates; it was proposed to place £0.236m into the Collection Fund reserve. 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.

The Collection Fund Reserve balance at 31 March 2019 is £1.017m; as mentioned this balance is set aside to smooth the future year's impacts on the budget from the Collection Fund balances; of which the current 40% deficit attributable to this authority is £0.353m. The reserve set aside will cover this contribution back to the Collection Fund over the next two financial years and leaves a residual balance of £0.664m to protect against any future volatility.

The revenue budget surplus of (£0.754m), once the above contribution to the Collection Fund reserve of £0.236m has been made; leaves a residual surplus of (£0.518m). It is proposed to set aside this amount into the following earmarked reserves as follows:-

- £0.050m into Strategic Contingency Reserve to fund projects coming through the Strategy and Resources committee
- £0.075m into Improvement Reserve to fund future service delivery initiatives
- £0.100m into Digital Transformation Reserve to fund further system improvements to our ICT infrastructure

- £0.100m into Repairs Fund Reserve to fund additional enhancements to Council assets (on top of the already planned maintenance)
- £0.193m into a number of smaller Earmarked Reserves to fund already identified specific projects in 2019/20 year

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 2019 of £1.161m, which is a level of 9.5%.

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 £0.205m for Crematorium capital reserve and £0.180m 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:

	2018-19 £000	%
Council Tax	7,902	51%
Government Grants	1,321	9%
Non Domestic Rates	6,156	40%
	15,379	

Balance Sheet

The Balance Sheet shows the assets and liabilities of the Council as a whole at 31 March 2019. 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 2018-19, the Council invested £4.435m from its capital resources, analysed as follows:

	2018-19 £000
New assets being constructed	1,841
Purchase of vehicles and IT equipment	1,090
Providing grants and assistance	1,251
Statutory and Landlord Functions	253
Total	4,435

This compares to £2.454m spent in 2017-18.

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 2019-20 to 2021-22:

2019-20	£25.553m
2020-21	£2.235m
2021-22	£2.153m
Total	£29.941m

This investment will be financed by:

Capital receipts/borrowing	£13.058m
Earmarked reserves	£14.508m
External grants and contributions	£2.375m
Total	£29.941m

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

31/03/18 £000		31/03/19 £000
1,161	General Revenue Account	1,161
5,647	Earmarked Reserves	5,468
6,808		6,629

The Council has an overdraft facility of up to £500,000 with its bank subject to extension by agreement. Temporary borrowing from the money markets may occur during the year to meet temporary cash flow requirements.

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 2016 our actuary undertook the latest 3-yearly review of the Pension scheme and costs; with the next review due in 2019-20 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 £62.7m to £61.7m. 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 2016 and took effect from April 2017. The Council has adjusted its contributions in line with the Actuaries recommendations which have been factored into the Medium Term Financial Strategy (MTFS) 2019-2023.

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 31st March 2019 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 £0.531m, a reduction of £0.013m on the budgeted cost of £0.544m. 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 2018-19, 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 2018/19 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 2019

The Council will hold a General Fund Balance of £1.161m and Earmarked Reserve balances of £5.468m at 31 March 2019; providing overall total reserves of £6.629m. 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

Mike Mansell
Chief Executive

Key Performance Indicators: 2017–18 and 2018–19 year

The following performance information was reported as part of Performance & Financial Management for Quarter 4 of 2018-19 to the Strategy & Resources meeting held 3 June 2019. 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
Planning									
NI 155 Number of affordable homes delivered (cumulative)	2017 - 2018	19	37	63	131		131	41	
	2018 - 2019	42	58	100	146		146		
NI 157a Percentage of major applications processed within 13 weeks	2017 - 2018	22%	30%	30%	75%	45%	39.25%	45%	
	2018 - 2019	61%	100%	85%	100%	45%	86.5%		
NI 157b Percentage of minor planning applications processed within 8 weeks	2017 - 2018	81%	71%	77%	95%		78.5%	75%	
	2018 - 2019	95%	97%	98%	100%		98.75%		
NI 157c Percentage of other applications processed within 8 weeks	2017 - 2018	88%	89%	87%	97%	85%	90.25%	85%	
	2018 - 2019	98%	99%	99%	98%	85%	98.5%		

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
Waste & Recycling									
L82(i) Total percentage domestic waste recycled or composted	2017 - 2018	48.22%	50.21%	46.9%	37.02%			46%	Quarter 4 figures not yet available
	2018 - 2019	49.16%	48.02%	42.6%					
Finance									
BV8 Percentage of invoices paid on time	2017 - 2018	97.76%	97.74%	97.24%	96.72%	97%	97.37%	97%	
	2018 - 2019	97.39%	93.13%	95.99%	97.28%	97%	95.95%		
BV9 Percentage of Council Tax collected	2017 - 2018	29.11%	56.48%	83.53%	97.03%	98%	97.03%	98%	
	2018 - 2019	28.81%	56.14%	82.98%	97.07%	98%	97.07%		
BV78a (M) Speed of processing - new Housing Benefit/Council Tax Benefit claims	2017 - 2018	20.1	20.2	18.6	22	28	20.23	28	
	2018 - 2019	23.2	24.7	19.6	16.9	28	21.1		
BV10 Percentage of Non-domestic Rates Collected	2017 - 2018	32.11%	58.11%	83.04%	97.96%	99.05%	97.96%	99.05%	
	2018 - 2019	32.14%	57.31%	81.89%	97.04%	99.05%	97.04%		
Property Services									
L728 Percentage of the gross internal area of the investment estate currently let	2017 - 2018	95.31%	95.4%	95.31%	95.4%				
	2018 - 2019	95.4%	95.4%	95.4%	95.4%				
L168 Income per car park P&D ticket	2017 - 2018	July 1.78	Sept 1.68	Dec 1.52	Apr 1.63			1.78	
	2018 - 2019	July 1.72	Sept 1.71	Dec 1.59	Apr 1.69				

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
Building Control									
L300 Percentage of Building Regulation Full Plan applications determined in 2 months	2017 - 2018	84%	95%	96%	99%	95%	93.5%	95%	
	2018 - 2019	99%	97%	96%	97%	95%	97.25%		
L301 Percentage of Building Regulation Applications examined within 3 weeks	2017 - 2018	96%	86%	98%	97%	95%	94.25%	95%	
	2018 - 2019	95%	92%	87%	89%	95%	90.75%		
L302 Average time to first response (Days)	2017 - 2018	15	14	10	10	10	12.25	10	
	2018 - 2019	11	13	12	12	10	12		
Customer Service & Communications									
L999 Percentage of Feedback Customer Satisfaction	2017 - 2018							50%	
	2018 - 2019	57%	50%	38%	39%	50%	46%		
L997 Percentage of Customer Service Satisfaction	2017 - 2018							90%	
	2018 - 2019	95%	91%	98%	94%	90%	94.5%		
L998 Percentage of Media Satisfaction Annual	2017 - 2018							90%	
	2018 - 2019	Annual				90%	100%		
Environmental Health & Housing									
LEHH014 Food Hygiene Interventions Completed	2017 - 2018	78	202	321	707		707		28 outstanding - some seasonal/not open
	2018 - 2019	137	288	472	636	664	636		

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 Percentage of Food Hygiene Due Interventions Completed	2017 - 2018	13%	35%	55.8%	95%			100%	
	2018 - 2019	26%	69.9%	63.5%	95.8%	100%	95.8%		
LEHH016 Housing Options - Number of Homelessness Prevented & Relieved	2017 - 2018	181	120	135	267		703	Data only	
	2018 - 2019	130	123	188	191		632		
LEHH017 Housing Options - Number of Households Accommodated in Temporary Accommodation	2017 - 2018	28	36	25	28		117	Data only	
	2018 - 2019	28	33	28	32		121		
LEHH019 Housing Standards - Number of DFG's Completed & Monies Paid	2017 - 2018	43	46	27	107		107	Data only	£705,912.49
	2018 - 2019	7	23	73	96		96		
LEHH026 Number of NDC Lets Through DHC	2017 - 2018	33	37	30	65		165	Data only	Broken down by bed size: 1 Bed = 24, 2 Bed = 30, 3 Bed = 5, 4 Bed = 1
	2018 - 2019	69	41	66	60		236		
LEHH020 Housing Standards – the level of unmet demand for DFGs	2017 - 2018	226,780	199,968	224,412	33,000			Data only	
	2018 - 2019	282,301	297,509	261,228	279,468				

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 District Council

Date: 24 July 2019

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 2019 and its income and expenditure for the year ended 31 March 2019.

.....
Jon Triggs, Chief Financial Officer

Date: 28 May 2019

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.

2017/18 RESTATED				2018/19		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
4,533	(533)	4,000	Corporate & Community	4,855	(1,400)	3,455
4,173	(2,382)	1,791	Environmental Health & Housing	5,072	(3,497)	1,575
28,734	(26,788)	1,946	Resources	27,450	(25,209)	2,241
2,968	(2,986)	(18)	Place	3,031	(1,721)	1,310
3,233	(814)	2,419	Corporate Services	3,063	(583)	2,480
10,088	(7,069)	3,019	Operational Services	9,398	(7,161)	2,237
53,729	(40,572)	13,157	Cost of services	52,869	(39,571)	13,298
1,824	(383)	1,441	Other operating expenditure (Note 12)	1,925	(443)	1,482
1,996	(373)	1,623	Financing and investment income and expenditure (Note 13)	1,799	(385)	1,414
90	(14,184)	(14,094)	Taxation and non-specific grant income and expenditure (Note 14)	64	(15,379)	(15,315)
57,639	(55,512)	2,127	(Surplus) or deficit on Provision of Services	56,657	(55,778)	879
0	(1,480)	(1,480)	Surplus or deficit on revaluation of property, plant and equipment assets	462	0	462
0	(7,188)	(7,188)	Re-measurements of the net defined benefit liability	0	(3,565)	(3,565)
0	(8,668)	(8,668)	Other Comprehensive Income & Expenditure	462	(3,565)	(3,103)
57,639	(64,180)	(6,541)	Total Comprehensive Income & Expenditure	57,119	(59,343)	(2,224)

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
Balance at 31st March 2017	1,161	6,520	7,680	0	127	7,807	11,160	18,967
<u>Movement in Reserves during 2017/18</u>								
Total Comprehensive Income and Expenditure	(2,127)	0	(2,127)	0		(2,127)	8,668	6,541
Adjustments between accounting basis and funding basis under regulations (Note 10)	1,253	0	1,253	0	1,861	3,114	(3,114)	0
Transfers to/(from) Earmarked Reserves (Note 11)	874	(873)	1	0	(1)	0	0	0
Increase/decrease in 2017/18	0	(873)	(873)	0	1,860	987	5,554	6,541
Balance at 31st March 2018 carried forward	1,161	5,647	6,808	0	1,987	8,795	16,714	25,509

	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
Balance at 31st March 2018	1,161	5,647	6,808	0	1,987	8,795	16,714	25,509
<u>Movement in Reserves during 2018/19</u>								
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)
Increase/decrease in 2018/19	0	(179)	(179)	0	402	223	1,999	2,222
Balance at 31st March 2019 carried forward	1,161	5,468	6,629	0	2,389	9,018	18,713	27,731

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 st March 2018		Notes	31 st March 2019
£000			£000
80,432	Property, Plant and Equipment	15	80,703
888	Heritage Assets	16	923
4,449	Investment Property	17	4,558
1	Intangible Assets	18	146
152	Long Term Debtors	19	137
85,922	Long Term Assets		86,467
156	Inventories	20	161
3,829	Short Term Debtors	22	4,423
10,735	Cash and Cash Equivalents	23	8,849
0	Short Term Investments		1,000
14,720	Current Assets		14,433
(756)	Short Term Borrowing	19	0
(5,842)	Short Term Creditors	25	(5,012)
(761)	Donated Assets Account	35	(761)
(865)	Provisions	26	(990)
(8,224)	Current Liabilities		(6,763)
(1,258)	Long Term Borrowing	19	(1,258)
(62,684)	Defined Benefit Pension Scheme Liability	42	(61,702)
(2,897)	Capital Grants Receipts in Advance	35	(3,376)
(70)	Other Long Term Liabilities		(70)
(66,909)	Long Term Liabilities		(66,406)
25,509	Net Assets		27,731
8,795	Usable Reserves		9,018
16,714	Unusable Reserves	27	18,713
25,509	Total Reserves		27,731

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.

2017/18		2018/19
£000		£000
2,127	Net (surplus) or deficit on the provision of services	879
(6,364)	Adjustments to net surplus or deficit on the provision of services for non cash movements	(801)
72	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	95
(4,165)	Net cash flows from Operating Activities (Note 28)	173
2,074	Investing Activities (Note 29)	4,351
(3,684)	Financing Activities (Note 30)	(2,638)
(5,775)	Net (increase) or decrease in cash and cash equivalents	1,886
(4,960)	Cash and cash equivalents at the beginning of the reporting period	(10,735)
(10,735)	Cash and cash equivalents at the end of the reporting period	(8,849)

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.

2018/19 Collection Fund

	Business Rates £000	Council Tax £000	Total £000	Notes
<u>INCOME</u>				
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	
<u>Contribution to Previous Year's Deficit</u>				
Central Government	529	0	529	
North Devon Council	423	0	423	
Devon County Council	95	0	95	
Devon and Somerset Fire	11	0	11	
Devon and Cornwall Police (PCC)	0	0	0	
	1,058	0	1,058	
Total Income	33,169	62,408	95,577	
<u>EXPENDITURE</u>				
<u>Apportionment of Previous Year Surplus</u>				
Central Government	0	0	0	
North Devon Council	0	69	69	
Devon County Council	0	509	509	
Devon and Somerset Fire	0	32	32	
Devon and Cornwall Police (PCC)	0	71	71	
	0	681	681	
<u>Precepts, Demands and Shares</u>				
Central Government	0	0	0	
North Devon Council	12,531	7,845	20,376	
Devon County Council	18,483	44,511	62,994	
Devon and Somerset Fire	313	2,809	3,122	
Devon and Cornwall Police (PCC)	0	6,296	6,296	
	31,327	61,461	92,788	
<u>Charges to Collection Fund</u>				
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	
Total Expenditure	32,566	62,512	95,078	
(Deficit)/Surplus for the year	603	(104)	499	
Balance at beginning of the year	(1,486)	1,450	(36)	
(Deficit)/Surplus at 31 March 2019	(883)	1,346	463	

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.

2017/18 Collection Fund

	Business Rates £000	Council Tax £000	Total £000	Notes
<u>INCOME</u>				
Council Tax Receivable	0	58,624	58,624	40
Business Rates Receivable	31,770	0	31,770	41
Transitional Protection Payments Payable	(1,139)	0	(1,139)	
	30,631	58,624	89,255	
<u>Contribution to Previous Year's Deficit</u>				
Central Government	1,299	0	1,299	
North Devon Council	1,040	0	1,040	
Devon County Council	234	0	234	
Devon and Somerset Fire	26	0	26	
Devon and Cornwall Police (PCC)	0	0	0	
	2,599	0	2,599	
Total Income	33,230	58,624	91,854	
<u>EXPENDITURE</u>				
<u>Apportionment of Previous Year Surplus</u>				
Central Government	0	0	0	
North Devon Council	0	45	45	
Devon County Council	0	328	328	
Devon and Somerset Fire	0	22	22	
Devon and Cornwall Police (PCC)	0	47	47	
	0	442	442	
<u>Precepts, Demands and Shares</u>				
Central Government	15,507	0	15,507	
North Devon Council	12,406	7,459	19,865	
Devon County Council	2,791	41,549	44,340	
Devon and Somerset Fire	310	2,673	2,983	
Devon and Cornwall Police (PCC)	0	5,777	5,777	
	31,014	57,458	88,472	
<u>Charges to Collection Fund</u>				
Write offs of uncollectable amounts	315	208	523	
Increase/(Decrease) in provision for bad debts	(117)	190	73	
Increase/(Decrease) in provision for appeals	142	0	142	
Disregarded amounts	359	0	359	
Cost of Collection	201	0	201	
	900	398	1,298	
Total Expenditure	31,914	58,298	90,212	
(Deficit)/Surplus for the year	1,316	326	1,642	
Balance at beginning of the year	(2,802)	1,124	(1,678)	
(Deficit)/Surplus at 31 March 2018	(1,486)	1,450	(36)	

The (£1,486k) represents the overall deficit on the non-domestic rate element of the Collection Fund at 31 March 2018. Of this balance 40% is attributable to North Devon Council, which equates to (£594k).

The £1,450k represents the overall surplus on the council tax element of the Collection Fund at 31 March 2018. Of this balance 10.1% is attributable to North Devon Council, which equates to £146k.

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

The Statement of Accounts summarises the Authority's transactions for the 2018/19 financial year and its position at the year-end of 31st March 2019. 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 2018/19, 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 2018/19 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.

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 BenefitsBenefits 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 2.55% (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 as part of Non Distributed Costs
 - 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

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.

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 31st 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 2018/19.

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 2018/19.

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 1st 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 or 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.

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 Resources	1,603	0	1,603	(28)	1,575
Place	1,440	84	1,524	717	2,241
Corporate Services	883	0	883	427	1,310
Operational Services	3,006	0	3,006	(526)	2,480
Net Cost of Services	11,281	84	11,365	1,933	13,298
Other Income & Expenditure	(12,035)	848	(11,187)	(1,232)	(12,419)
(Surplus) or Deficit	(754)	932	178	701	879

2017/18 Restated (*)

	As reported for resource management Restated	Adjustments to arrive at the net amount chargeable to the General Fund Note 3 Restated	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	2,966	0	2,966	1,034	4,000
Environmental Health & Housing Resources	1,888	0	1,888	(97)	1,791
Place	1,089	124	1,213	733	1,946
Corporate Services	(374)	0	(374)	356	(18)
Operational Services	4,021	223	4,244	(1,825)	2,419
Net Cost of Services	10,713	418	11,131	2,026	13,157
Other Income & Expenditure	(11,217)	960	(10,257)	(773)	(11,030)
(Surplus) or Deficit	(504)	1,378	874	1,253	2,127

Surplus £504k transferred to Provisions and Earmarked Reserves (see note 3(c) below) and there has been no change in the General Fund balance

(*) Operational restructure of services

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.

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	0	0	0	0	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
Net Cost of Services	84	0	0	84	914	1,017	2	1,933
Other Income & Expenditure	(84)	178	754	848	(2,635)	1,566	(163)	(1,232)
(Surplus) or Deficit	0	178	754	932	(1,721)	2,583	(161)	701

2017/18 Restated (*)

	Investment properties reported at Directorate level Note (a)	Transfers To/From Earmarked Reserves (b) Restated	Provisions and Reserve Transfers (c) Restated	Total to arrive at amount charged to the General Fund Restated	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	735	297	2	1,034
Environmental Health & Housing	0	0	0	0	(382)	282	3	(97)
Resources	124	0	0	124	390	342	1	733
Place	0	0	0	0	9	343	3	355
Corporate Services	0	0	223	223	(930)	(898)	4	(1,824)
Operational Services	0	0	71	71	1,180	641	4	1,825
Net Cost of Services	124	0	294	418	1,002	1,007	17	2,026
Other Income & Expenditure	(124)	873	210	959	(2,034)	1,779	(518)	(773)
(Surplus) or Deficit	0	873	504	1,377	(1,032)	2,786	(501)	1,253

(*) Operational restructure of services

- (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 2019-20 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 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 31st March 2019 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	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.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets fall.
	Asset values are based upon market prices, and are periodically reviewed to ensure the Council does not materially misstate its non-current & investment assets. The Council's Valuers provided valuations as at 1st April 2019.	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 £83m. If the valuations on these assets were to reduce/increase by 10% there would be a movement on the

<u>Item</u>	<u>Uncertainties</u>	<u>Effect if actual results differ from assumptions</u> revaluation reserve of £8.3m.
Accruals	A number of manual accruals are contained within the accounts some of which are known costs that have not been paid as at 31st March 2019. However, some of these accruals are estimates of outstanding costs for goods or services received or supplied prior to 31st March 2019 but the costs are unknown.	By the nature of estimates some of the amounts contained within the accruals may turn out to be different to the accrual. Every assurance is made to ensure that estimated accruals are as accurate as possible and reasonable assumptions have been made. It is anticipated that any variances from the accrued amount will not be material.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The 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 £2.4m. A 1 year increase in longevity rates would increase the pension liability by £5.2m. However, the assumptions interact in complex ways.
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.
Arrears	At 31 st March 2018, the Authority had a balance of	If collection rates were to deteriorate, a doubling of

<u>Item</u>	<u>Uncertainties</u>	<u>Effect if actual results differ from assumptions</u>
	<p>sundry debtors of £3.5m. A review of significant balances suggested that an impairment of doubtful debtors of 36.7% (£1,286,000) was appropriate. However, in the current economic climate, it is not certain that such an allowance would be sufficient</p>	<p>the amount of the impairment of doubtful debts would require an additional £1,286,000 to set aside as an allowance.</p>

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 28 May 2019. 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 31st March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

8. EXPENDITURE AND INCOME ANALYSED BY NATURE

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

2017/18 £000		2018/19 £000
	Expenditure	
14,834	Employee Benefits	15,346
10,189	Other Service Expenses	10,495
25,393	Housing Benefit Payments	23,938
1,819	Interest Payments	1,593
1,807	Precepts & Levies	1,921
3,582	Capital Financing	3,361
15	Loss on Disposal of Non Current Asset	3
57,639	Total Expenditure	56,657
	Income	
(7,536)	Council Tax (Incl Parish Precepts)	(7,902)
(4,412)	Non Domestic Rates	(6,156)
(2,237)	Non Specific Government Grants	(1,321)
(3,152)	Other Government Grants	(3,506)
(25,532)	Housing Benefit Subsidy	(23,851)
(73)	Interest & Investment income	(97)
(1,493)	Other Grants	(1,549)
(10,694)	Receipts	(10,953)
(383)	Gain on Disposal of Non Current Asset	(443)
(55,512)	Total Income	(55,778)
2,127	Deficit on provision of services	879

9. SEGMENT REPORTING

Income received on a segmental basis is analysed below:

2017/18 £000 Restated (*)		2018/19 £000
(208)	Corporate & Community Services	(149)
(653)	Environmental Health & Housing	(952)
(781)	Resources	(738)
(1,523)	Place	(1,503)
(480)	Corporate Services	(542)
(7,049)	Operational Services	(7,068)
(10,694)	Total analysed on a segmental basis	(10,952)

(*) Operational restructure of services

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.

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
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:						
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
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement:						
Statutory provision for the financing of capital investment	(504)	0	0	(504)	504	0
Capital expenditure charged against the General Fund	(2,513)	0	0	(2,513)	2,513	0
Adjustments primarily involving the Capital Grants Unapplied Account:						
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
Adjustments primarily involving the Capital Receipts Reserve:						

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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
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
Adjustments primarily involving the Pensions Reserve:						
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
Adjustments primarily involving the Collection Fund Adjustment Account:						
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 different from business rate income calculated for the year in accordance with statutory requirements	(175)	0	0	(175)	175	0
Adjustment primarily involving the Accumulated Absences Account:						
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
Total Adjustments	701	0	403	1,104	(1,104)	0

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2017/18	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:						
Charges for depreciation and impairment of non current assets	2,388	0	0	2,388	(2,388)	0
Revaluation (Gain)/loss on Property Plant and Equipment	430	0	0	430	(430)	0
Movements in the fair value of Investment Properties	20	0	0	20	(20)	0
Amortisation of intangible assets	10	0	0	10	(10)	0
Revenue expenditure funded from capital under statute	49	0	0	49	(49)	0
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal	159	0	0	159	(159)	0
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement:						
Statutory provision for the financing of capital investment	(504)	0	0	(504)	504	0
Capital expenditure charged against the General Fund	(1,198)	0	0	(1,198)	1,198	0
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(2,438)	0	2,438	0	0	0
Application of grants to capital financing transferred to Capital Adjustment Account	577	0	(577)	0	0	0
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(527)	527	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(528)	0	(528)	528	0

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2017/18	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	1	(1)	0	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	2	0	2	(2)	0
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	5,164	0	0	5,164	(5,164)	0
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,378)	0	0	(2,378)	2,378	0
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited is different from council tax income calculated for the year in accordance with statutory requirements	(31)	0	0	(31)	31	0
Amount by which business rate income credited is different from business rate income calculated for the year in accordance with statutory requirements	(486)	0	0	(486)	486	0
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements	17	0	0	17	(17)	0
Total Adjustments	1,253	0	1,861	3,114	(3,114)	0

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 2018/19.

	Balance at 31st March 2017 £000	Transfers Out 2017/18 £000	Transfers In 2017/18 £000	Balance at 31st March 2018 £000	Transfers Out 2018/19 £000	Transfers In 2018/19 £000	Balance at 31st March 2019 £000
Collection Fund	1,406	(1,092)	803	1,117	(423)	323	1,017
Community Housing Fund	668	(32)	0	636	(33)	0	603
Capital Funding Reserve	211	(107)	122	226	(54)	350	522
Repairs Fund	258	(229)	219	248	(335)	442	355
Digital Transformation	175	(175)	22	22	(12)	261	271
Economic Development	24	(21)	67	70	(45)	202	227
Office Technology	167	(211)	148	104	(67)	175	212
Crematorium Capital Works	262	(46)	81	297	(138)	46	205
Planning Inquiries	100	(3)	50	147	0	50	197
Crematorium Equipment Replacement	60	0	60	120	0	60	180
Local Plans	120	0	28	148	(22)	40	166
Strategic Contingency	103	(120)	79	62	(49)	130	143
2 nd Homes Council Tax	125	0	0	125	0	0	125
Improvement Programme	314	(245)	50	119	(272)	275	122
C Tax Support Scheme	160	(53)	53	160	(53)	0	107
Waste Shared Savings	0	0	90	90	0	0	90
CCTV	0	0	50	50	0	21	71
Tarka Tennis Surface Replacement	110	0	9	119	(70)	9	58
New Homes Bonus	226	(132)	0	94	(37)	0	57
Self Build & Custom Housebuild	21	(15)	30	36	(9)	30	57
Land Charges Personal Search	37	0	0	37	0	13	50
District Council Election	0	0	25	25	0	25	50
Land Charges	98	0	0	98	(48)	0	50

	Balance at 31 st March 2017 £000	Transfers Out 2017/18 £000	Transfers In 2017/18 £000	Balance at 31 st March 2018 £000	Transfers Out 2018/19 £000	Transfers In 2018/19 £000	Balance at 31 st March 2019 £000
Housing Prevention CLG Grant	108	(27)	0	81	(36)	0	45
Public Conveniences Maintenance	273	(95)	0	178	(138)	0	40
Leisure Centre Replacement	138	(85)	0	53	(22)	0	31
Domestic Abuse Reserve	129	(126)	102	105	(105)	27	27
Vehicle Renewals Fund	550	(280)	250	520	(718)	224	26
Other Reserves (balances less than £50,000)	677	(318)	201	560	(380)	184	364
Total	6,520	(3,412)	2,539	5,647	(3,066)	2,887	5,468

The following table shows the purpose of each reserve with a balance at 31st March 2019 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
Capital Funding Reserve	Future capital schemes
Repairs Fund	Maintenance of council assets
Digital Transformation	Technology enhancements and upgrades
Economic Development Reserve	Economic Development and Planning initiatives
Office Technology	ICT system upgrades
Crematorium Capital Works	Works at North Devon Crematorium

12. OTHER OPERATING EXPENDITURE

2017/18 £000s	2018/19 £000s
1,795	1,893
13	29
1	0
(368)	(440)
1,441	1,482
Total	Total

13. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2017/18 £000s	2018/19 £000s
40	27
1,779	1,566
(72)	(95)
(124)	(84)
1,623	1,414
Total	Total

14. TAXATION AND NON SPECIFIC GRANT INCOMES

2017/18 £000s		2018/19 £000s
(7,536)	Council tax income	(7,902)
(4,412)	Non domestic rates	(6,156)
(2,236)	Non ring fenced government grants	(1,321)
90	CTS grant paid to parishes	64
(14,094)	Total	(15,315)

15. PROPERTY, PLANT AND EQUIPMENT

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
GBV or Valuation							
At 1st April 2018	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)
At 31st March 2019	73,925	9,707	2,280	292	520	1,808	88,532
Accumulated Depreciation and Impairment							
At 1st April 2018	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)
At 31st March 2019	1,588	6,028	213	0	0	0	7,829
Net Book Value							
At 31st March 2018	73,583	3,442	2,133	292	520	462	80,432
At 31st March 2019	72,337	3,679	2,067	292	520	1,808	80,703

Movements in 2017/18	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
GBV or Valuation At 1st April 2017	77,527	7,751	2,280	292	475	301	88,626
Additions	231	1,097	0	0	0	446	1,774
Donations	0	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,475	0	0	0	5	0	1,480
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(526)	0	0	0	95	0	(431)
De-recognition on revaluations	(867)	0	0	0	(5)	0	(872)
De-recognition – disposals	(89)	(307)	0	0	(50)	0	(446)
Other movements in cost or valuation	179	106	0	0	0	(285)	0
At 31st March 2018	77,930	8,647	2,280	292	520	462	90,131
Accumulated Depreciation and Impairment At 1st April 2017	3,757	4,563	81	0	5	0	8,406
Depreciation charge	1,457	865	66	0	0	0	2,388
De-recognition on revaluations	(867)	0	0	0	(5)	0	(872)
Provision of Services	0	0	0	0	0	0	0
De-recognition – disposals	0	(223)	0	0	0	0	(223)
At 31st March 2018	4,347	5,205	147	0	0	0	9,699
Net Book Value At 31st March 2017	73,770	3,188	2,199	292	470	301	80,220
At 31st March 2018	73,583	3,442	2,133	292	520	462	80,432

Capital Commitments

At 31st March 2019, the Authority has the following capital commitments:

- Museum of Barnstaple – Long Bridge Wing £1,027,731

There were no similar commitments at 31st March 2017.

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, Helen Bond BSc (Hons) MRICS Estates Officer and Naomi Wild BSc (Hons) MRICS Estates Officer, as at 1st April each year. 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 1st April 2018.

Other Land and Buildings	
£000	
Valued at Historic Cost	0
Valued at fair value as at:	
31 st March 2018	71,894
31 st March 2017	617
31 st March 2016	665
31 st March 2015	458
31 st March 2014	291
Total	73,925

16. HERITAGE ASSETS

	31st March 2018	31st March 2019
	£000	£000
Valuation	888	923

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:

	2017/18 £000	2018/19 £000
Rental income from investment property	301	290
Direct operating expenses arising from investment property	(149)	(202)
Net gain/(loss)	152	88

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:

	2017/18 £000	2018/19 £000
Balance at start of year	4,459	4,449
Additions:		
• Construction	10	161
Disposals	0	(3)
Net gains/(losses) from fair value adjustments	(20)	(3)
Transfers:		
• To/from Property, Plant and Equipment	0	(46)
Other changes (IFRS re-statement - from assets held for disposal)	0	0
Balance at the end of the year	4,449	4,558

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, Helen Bond BSc (Hons) 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.

	2017/18 Total £000	2018/19 Total £000
Gross Book Value at start of year	137	137
Purchases	0	195
De-recognition – Disposals (*)	0	0
Gross Book Value at end of year	137	332
Amortisation at start of year	126	136
Amortisation for the period	10	50
De-recognition – Disposals (*)	0	0
Amortisation at end of year	136	186
Net Book Value	1	146

19. FINANCIAL INSTRUMENTS Categories of Financial Instruments

	Long Term		Current	
	31 st March 2018 £000	31 st March 2019 £000	31 st March 2018 £000	31 st March 2019 £000
Debtors				
Loans and receivables	140	125	23	22
Financial assets carried at contract amounts	12	12	2,689	3,381
Total included in Debtors	152	137	2,712	3,403
Investments				
Investments	0	0	0	1,000
Total Investments	0	0	0	1,000
Cash and Cash Equivalents				
Cash and Cash Equivalents				
Total Cash and Cash Equivalents	0	0	10,735	8,849
Borrowings				
Financial liabilities at amortised cost	(1,258)	(1,258)	(756)	0
Total included in Borrowings	(1,258)	(1,258)	(756)	0
Creditors				
Financial liabilities carried at contract amount	0	0	(4,446)	(3,736)
Total Creditors	0	0	(4,446)	(3,736)

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:

	31st March 2019	
	Carrying Amount	Fair Value
	£000	£000
Long Term Borrowing (PWLB)	(1,258)	(1,257)
Total	(1,258)	(1,257)

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 £1,258,211 would be valued at £1,257,405.

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 £1,298,862.

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 2019 was £33,491. 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 2019 was £113,290.

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

	2017/18 £000	2018/19 £000
Consumable Stores		
Balance outstanding at start of year	98	156
Purchases	911	991
Recognised as an expense in the year	(853)	(986)
Balance outstanding at year end	156	161

21. CONSTRUCTION CONTRACTS

At 31st March 2019, the Authority had no construction contracts in progress.
(31st March 2018 - None).

22. SHORT TERM DEBTORS

	31 st March 2018 £000	31 st March 2019 £000
Central government bodies	805	1,176
Other local authorities	344	191
Other entities and individuals	4,647	5,008
Gross debtors	5,796	6,375
Provision for bad debts	(1,967)	(1,952)
Net debtors	3,829	4,423

23. CASH AND CASH EQUIVALENTS

	31 st March 2018 £000	31 st March 2019 £000
2 Cash held by the Authority		3
1,169 Bank current accounts		981
9,564 Short term deposits with banks and building societies		7,865
10,735 Total Cash and Cash Equivalents	10,735	8,849

24. ASSETS HELD FOR SALE

As at 31st March 2019, the Authority had no assets held for sale.

25. SHORT TERM CREDITORS

	31 st March 2018 £000	31 st March 2019 £000
Central government bodies	1,118	457
Other local authorities	2,295	1,516
Other entities and individuals	2,429	3,039
Total	5,842	5,012

26. PROVISIONS

	Redundancy and Early Retirement £000	Business Rate Appeals £000	Holiday Pay £000	Total £000
Balance at 31st March 2018	354	461	50	865
Additional provisions made in 2018/19	253	239	0	492
Amounts used in 2018/19	(217)	(100)	(50)	(367)
Balance at 31st March 2019	390	600	0	990

27. UNUSABLE RESERVES

31 st March 2018 £000		31 st March 2019 £000
30,410	Revaluation Reserve	29,290
49,573	Capital Adjustment Account	51,550
1	Deferred Capital Receipts Reserve	0
(62,684)	Pensions Reserve	(61,702)
(401)	Collection Fund Adjustment Account	(238)
(185)	Accumulated Absences Account	(187)
16,714	Total Unusable Reserves	18,713

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 1st 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.

2017/18 £000		2018/19 £000
29,565	Balance at 1st April	30,410
2,872	Upward revaluation of assets	1,053
(1,392)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(1,475)
(624)	Difference between fair value depreciation and historical cost depreciation	(610)
(11)	Accumulated gains on assets sold or scrapped	(88)
30,410	Balance at 31st March	29,290

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 1st 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.

2017/18 £000		2018/19 £000
49,765	Balance at 1st April	49,573
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(1,764)	• Charges for depreciation and impairment of non current assets	(1,901)
(430)	• Revaluation Gains / (Loss) on Property, Plant and Equipment	454
(10)	• Amortisation of intangible assets	(50)
(734)	• Revenue expenditure funded from capital under statute	(1,251)
(212)	• 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	(5)
	Capital financing applied in the year:	
591	• Use of the Capital Receipts Reserve to finance new capital expenditure	494
685	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,223
1,198	• Capital expenditure charged against the General Fund and HRA balances	2,513
504	• Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	504
(20)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(4)
49,573	Balance at 31st March	51,550

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.

2017/18 £000		2018/19 £000
3	Balance at 1st April	1
(2)	Transfer to the Capital Receipts Reserve upon receipt of cash	(1)
1	Balance at 31st March	0

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.

2017/18 £000		2018/19 £000
(67,086)	Balance at 1st April	(62,684)
7,188	Actuarial gains or (losses) on pensions assets and liabilities	3,565
(5,164)	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	(5,194)
2,378	Employer's pensions contributions and direct payments to pensioners payable in the year	2,611
(62,684)	Balance at 31st March	(61,702)

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.

2017/18 £000		2018/19 £000
(918)	Balance at 1st April	(401)
517	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	163
(401)	Balance at 31st March	(238)

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 31st March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2017/18 £000		2018/19 £000
(169)	Balance at 1st April	(185)
169	Settlement or cancellation of accrual made at the end of the preceding year	185
(185)	Amounts accrued at the end of the current year	(187)
(185)	Balance at 31st March	(187)

28. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2017/18 £000		2018/19 £000
2,127	Net surplus/deficit on the provision of service	879
(1,253)	Net amount debited to the general fund (note 10)	(701)
(517)	Removed as part of note 10 that do form part of the cash movement	655
(504)	Minimum Revenue Provision (MRP)	(504)
(1,186)	Capital items removed that are part of note 10 and are not in the I&E	(1,993)
(266)	Movement in Provisions	(125)
	(Add back)	
(24)	Other non-cash items	27
58	Movement in Stock	5
(2,009)	Movement in Debtors	729
(663)	Movement in Creditors	1,106
	Remove interest paid and received to include in note 29	
72	Interest received	95
0	Interest paid	0
(4,165)	Net Cash flow from operating activities	173

29. CASH FLOW STATEMENT – INVESTING ACTIVITIES

2017/18 £000		2018/19 £000
2,592	Purchase of property, plant and equipment, investment property and intangible assets	4,161
0	Purchase of short term and long term investments	1,000
0	Other payments for investing activities	0
(446)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(716)
(72)	Proceeds from short term and long term investments	(94)
2,074	Net cash flows from investing activities	4,351

30. CASH FLOW STATEMENT – FINANCING ACTIVITIES

2017/18 £000		2018/19 £000
(3,684)	Other receipts from financing activities	(2,638)
0	Repayments of short and long term borrowing	0
(3,684)	Net cash flows from investing activities	(2,638)

31. TRADING OPERATIONS

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

		2017/18 £000	2018/19 £000
Car Parks	Turnover	(3,812)	(3,927)
	Expenditure	1,694	1,271
	(Surplus)/Deficit	(2,118)	(2,656)
South Molton Cattle Market	Turnover	(34)	(26)
	Expenditure	18	11
	(Surplus)/Deficit	(16)	(15)
Barnstaple Pannier Market	Turnover	(219)	(192)
	Expenditure	323	393
	(Surplus)/Deficit	104	201
Corporate Properties/Industrial Units	Turnover	(791)	(617)
	Expenditure	758	629
	(Surplus)/Deficit	(33)	12
Ilfracombe Harbour	Turnover	(285)	(360)
	Expenditure	678	569
	(Surplus)/Deficit	393	209
Seaside Undertakings	Turnover	(40)	(40)
	Expenditure	1	0
	(Surplus)/Deficit	(39)	(40)
Trade Waste	Turnover	(604)	(651)
	Expenditure	602	622
	(Surplus)/Deficit	(2)	(29)
Trade Recycling	Turnover	(69)	(72)
	Expenditure	75	74
	(Surplus)/Deficit	6	2
Net (surplus)/deficit on trading operations		(1,705)	(2,316)

32. MEMBERS' ALLOWANCES

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

	2017/18 £	2018/19 £
Allowances	280,627	291,973
Expenses	22,444	22,200
Total	303,071	314,173

33. OFFICERS' REMUNERATION

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

2018/19	Salary, fees and allowances £	Bonuses £	Expenses/ Allowances £	Compensation for loss of office £	Pension contribution £	Total £
Chief Executive	100,827	0	2,424	0	15,628	118,879
Head of Environmental Health and Housing Services	55,812	0	1,485	0	8,651	65,948
Head of Resources	55,812	0	1,642	0	8,651	66,105
Head of Corporate and Community Services	56,312	0	1,095	0	8,728	66,135
Head of Operational Services	56,063	0	1,169	0	8,690	65,922
Head of Place (1)	33,308	0	1,295	0	5,163	39,766

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

2017/18	Salary, fees and allowances £	Bonuses £	Expenses/ Allowances £	Compensation for loss of office £	Pension contribution £	Total £
Chief Executive	108,733	0	1,814	0	16,854	127,401
Head of Environmental Health and Housing Services	54,719	0	911	0	8,481	64,111
Head of Resources	54,719	0	3,165	0	8,481	66,365
Head of Corporate and Community Services	54,719	0	963	0	8,481	64,163
Head of Operational Services	54,965	0	1,549	0	8,520	65,034

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	
	2017/18	2018/19
£50,000 - £54,999	3	1
£55,000 - £59,999	0	0
£60,000 - £64,999	0	1
£65,000 - £69,999	0	0
£70,000 - £74,999	0	1
£75,000 - £79,999	0	1
£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 (£)	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18 £	2018/19 £
£0 - £20,000	0	0	2	2	2	2	15,872	21,710
£20,001 - £40,000	0	0	1	1	1	1	37,646	21,700
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	1	0	1	0	64,916	0
£80,001 - £100,000	0	0	0	1	0	1	0	82,835
£100,001 - £150,000	0	0	1	0	1	0	145,577	0
£150,001 - £200,000	0	0	0	1	0	1	0	160,230
Total	0	0	5	5	5	5	264,011	286,475

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.

The cost of exit packages in 2017/18 was £264,011 and this cost is offset by ongoing annual revenue savings achieved by the exit packages of £98,516.

34. EXTERNAL AUDIT COSTS

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

	2017/18 £000	2018/19 £000
Fees payable to (external auditors) with regard to external audit services carried out by the appointed auditor for the year	47	37
Refund from PSAA	(7)	
Fees payable to (external auditors) for Housing Benefit certification for the prior year	9	13
Total	49	50

35. GRANT INCOME

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

	2017/18 Restated £000	2018/19 £000
Credited to Taxation and Non Specific Grant Income		
Council Tax (Incl Parish Precepts)	(7,536)	(7,902)
Non Domestic Rates	(4,412)	(6,156)
New homes bonus grant	(1,150)	(1,313)
Revenue support grant	(830)	0
Rural Services Grant	(249)	0
Transparency Code Set up Grant	(8)	(8)
Total	(14,185)	(15,379)
Credited to Services		
Housing benefit admin grant & additional grant	(338)	(288)
Housing benefit subsidy	(25,353)	(23,851)
NNDR Admin Grant	(201)	(203)
CTB Admin Grant	(109)	(100)
Discretionary Housing Payment	(179)	(145)
Disabled facilities grant	(948)	(1,321)
Ilfracombe Watersports Centre	(1,381)	(99)
Museum Extension	(108)	(719)
Rough Sleepers Grant	0	(333)
Other Government Grants	(175)	(298)
Homelessness Grant	(315)	(302)
Domestic Violence	(364)	(146)
Elections Grant	(321)	0
Council Tax Annexe Discount Grant	(51)	(60)
Communities Together Fund	(75)	(75)
Revenues and Benefits Grants	(59)	(113)
Economic Development Grants	0	(90)
Barnstaple & North Devon Museum	0	(65)
Development Trust		
S106 Contributions	(37)	(520)
Other Grants	(163)	(178)
Total	(30,177)	(28,906)

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 st March 2017 £000	31 st March 2018 £000	31 st March 2019 £000
Capital Grants Receipts in Advance			
S106/Commutated sum – Community facilities	(20)	(20)	(20)
S106/Commutated sum – Affordable housing	(657)	(1,292)	(405)
Commutated sums – Public open space	(697)	(1,092)	(1,383)
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	(80)	0	0
S106/Commutated sum - CCTV	0	0	(11)
S106/Commutated sum - Biodiversity	0	0	(21)
S106/Commutated sum – Flood Defence	0	0	(97)
Land Release Fund	0	(200)	(1,146)
Total	(1,747)	(2,897)	(3,376)

	31 st March 2017 £000	31 st March 2018 £000	31 st March 2019 £000
Donated Assets Account			
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 2018/19 there were no works and services commissioned from companies where members had an interest (2017/18 £4,836). 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 £220,608 (£247,095 in 2017/18) 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.

	2017/18 £000	2018/19 £000
Opening Capital Financing Requirement	6,391	4,931
<u>Capital Investment:</u>		
Property, Plant and Equipment	1,686	3,023
Investment Properties	34	161
Intangible Assets	0	0
Revenue Expenditure funded from Capital under Statute	734	1,251
	2,454	4,435
<u>Sources of Finance:</u>		
Capital receipts	1,527	494
Government grants and other contributions	677	2,538
Sums set aside from revenue:		
Direct revenue contributions	1,206	1,197
MRP/Loans fund principal	504	504
	3,914	4,733
Closing Capital Financing Requirement	4,931	4,633
<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)	(1,460)	(298)
Assets acquired under finance leases	0	0
Assets acquired under PFI/PP contracts	0	0
Increase/(decrease) in Capital Financing Requirement	(1,460)	(298)

38. LEASES

Authority as Lessee

Finance Leases

As at 31st March 2018, 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 2018/19 was £218,842 (2017/18 £26,716). The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 requires charges to be made evenly throughout the period of the lease.

The Authority was committed at 31st March 2019 to making payments of £15,774 under operating leases in 2019/20.

	31 st March 2018 £000	31 st March 2019 £000
Not later than one year	8	3
Later than one year and not later than five years	10	13
Later than five years	0	0
	18	16

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:

	31st March	31st March
	2018	2019
	£000	£000
Not later than one year	287	375
Later than one year and not later than five years	782	1,177
Later than five years	3,145	3,287
Minimum lease payments	4,214	4,839

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 2018/19 valuation process no Impairment or Impairment reversals were identified. (2017/18 – 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 and Somerset Fire & Rescue and local Parish Councils. This amount, the Precept, is then divided by the North Devon District tax base of 33,436.99 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	5.86
A	4,271.70
B	6,921.71
C	7,546.59
D	6,989.33
E	5,066.03
F	2,477.09
G	945.54
H	70.50
Allowance for non collection at 2.5%	(857.36)
Council Tax Base	33,436.99

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 2019 was £91.047m. In 2018/19 the rate was 48.0p in the pound for small businesses and 49.3p 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 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	
	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000
Cost of services:				
• Current service cost	3,349	3,497	0	0
• Past service cost	0	81	0	0
Financing and Investment Income and Expenditure:				
• Net Interest cost	1,779	1,566	0	0
Administration expenses	36	50	0	0
Total post employment benefit charged to the Surplus or Deficit on the Provision of Services	5,164	5,194	0	0
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	5,164	5,194	0	0
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	(2,140)	(2,375)	(238)	(236)

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31st March 2019 is a gain of £3.6m.

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	
	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000
Opening balance at 1 st April	131,203	128,927	3,690	3,464
Current service cost	3,349	3,497	0	0
Past service cost	0	81	0	0
Interest cost	3,599	3,327	0	0
Contributions by scheme participants	511	576	0	0
Actuarial (gains)/losses arising on changes in financial assumptions	(6,247)	6,016	12	(12)
Actuarial (gains)/losses arising on changes in demographic assumptions	0	(7,503)	0	0
Experience (gains)/losses on defined benefit obligation	0	0	0	0
Benefits paid	(3,488)	(4,249)	0	0
Unfunded pension payments	0	0	(238)	(236)
Closing balance at 31 st March	128,927	130,672	3,464	3,216

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

	Local Government Pension Scheme	
	2017/18 £000	2018/19 £000
Opening balance at 1 st April	67,807	69,707
Interest income	1,820	1,761
Return on assets (less interest)	953	2,066
Other actuarial gains/(losses)	0	0
Employer contributions	2,378	2,611
Contributions by scheme participants	511	576
Administration expenses	(36)	(50)
Benefits paid	(3,726)	(4,485)
Closing balance at 31 st March	69,707	72,186

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 2018/19 year was £3,827,000 (£2,773,000 in 2017/18).

Fund History

	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Present value of liabilities:					
Local Government Pension Scheme	111,188	106,195	131,203	128,927	130,672
Discretionary benefits	3,736	3,448	3,690	3,464	3,216
Fair value of assets in the Local Government Pension Scheme Surplus/(deficit) in the scheme:					
Local Government Pension Scheme	60,875	59,912	67,807	69,707	72,186
Surplus/(deficit) in scheme:					
Local Government Pension Scheme	(50,313)	(46,283)	(63,396)	(59,220)	(58,486)
Discretionary benefits	(3,736)	(3,448)	(3,690)	(3,464)	(3,216)
Total	(54,049)	(49,731)	(67,086)	(62,684)	(61,702)

- The discount rate assumption has fallen from 2.55% p.a. to 2.4% p.a.
- The pension increase assumption has increased from 2.3% p.a. to 2.4%. This assumption is based on the Consumer Prices Index.
- The salary increase assumption has increased from 3.8% p.a. to 3.9%.

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 £61.7m 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 31st March 2020 is £2,377,000. Expected contributions for the discretionary benefits scheme in the year to 31st March 2020 are £236,000.

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 2019.

2017/18	Actuarial Assumptions	2018/19
	Mortality assumptions:	
	Longevity at 65 for retiring today:	
23.5	• Men	22.4
25.6	• Women	24.4
	Longevity at 65 for retiring in 20 years:	
25.7	• Men	24.1
27.9	• Women	26.2
3.3%	Rate of inflation – RPI	3.4%
2.3%	Rate of inflation – CPI	2.4%
3.8%	Rate of increase in salaries	3.9%
2.3%	Rate of increase in pensions	2.4%
2.55%	Discount rate	2.4%
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 st March 2018	31 st March 2018	31 st March 2019	31 st March 2019
	£000	%	£000	%
UK Equities	14,945	22%	11,992	16%
Overseas Equities	25,799	37%	31,045	43%
Gilts	2,189	3%	2,479	3%
Property	6,486	9%	6,380	9%
Cash	1,702	2%	1,154	2%
Target Return Portfolio	10,410	15%	10,219	14%
Infrastructure	2,500	4%	2,651	4%
Alternative Assets	3,787	5%	3,813	5%
Private Equity	464	1%	1,183	2%
Other Bonds	1,425	2%	1,270	2%
Total	69,707	100%	72,186	100%

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	131,470	133,888	136,354
Adjustment to long term salary increase	134,150	133,888	133,628
Adjustment to pension increases	136,089	133,888	131,727

Impact on the present value of total obligation	+1 year £000	None £000	-1 year £000
Adjustment in longevity	139,063	133,888	128,912

43. CONTINGENT LIABILITIES

At 31 March 2019, 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 2018/19 was approved by Full Council on 21 February 2018 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 £9.85m 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 31st March 2019 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 st March 2019 £000 A	Historical experience of default % B	Adjusted for market conditions at 31 st March 2019 % C	Estimated maximum exposure to default at 31 st March 2019 £000 (A x C)	Estimated maximum exposure to default at 31 st March 2018 £000
Customers – debtors*	3,526	36.5%	36.5%	1,286	1,288

*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 £3.526m is past its due date for payment. The past due amount can be analysed by age as follows:

	31 st March 2019 £000	31 st March 2018 £000
0 to 6 months	1,844	1,700
6 months to 1 year	352	229
1 to 2 years	293	414
More than 2 years	1,037	959
Total	3,526	3,302

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 31st March 2019 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 2019 £000s	Actual 31 March 2018 £000s
Less than 1 year	0%	50%	0	750
Between 1 and 2 years	0%	60%	750	0
Between 2 and 5 years	0%	100%	0	750
Between 5 and 10 years	0%	100%	500	500
More than 10 years	0%	50%	0	0
Total			1,250	2,000

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	Value at 31 st March 2019 £000
Valuation Movement of Heritage Assets									
Pottery	149	7	0	0	0	0	0	0	156
Carpet	184	9	0	0	0	0	0	0	193
Decorative Arts	51	2	0	0	0	0	0	0	53
Other	415	22	32	17	0	0	0	35	521
Total Valuation	799	40	32	17	0	0	0	35	923

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 Shapland and Petter design archive and the collection of James Ravilious photographs. A significant new acquisition is the Borough of Barnstaple Fire Engine.

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, 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. A significant new acquisition is the Landkey Parish Table.

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.

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**



North Devon District Council Internal Audit Progress Report 2018/19

June 2019

Distribution List:

Mike Mansell	-	Chief Executive
Jon Triggs	-	Head of Resources
Audit Committee		

This report ("Report") was prepared by Mazars LLP at the request of North Devon District Council and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

This Report was prepared solely for the use of North Devon District Council and to the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance based on the report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

Please refer to the Statement of Responsibility in Appendix III of this Report for further information about responsibilities, limitations and confidentiality.

1. INTRODUCTION

- 1.1 The purpose of internal audit is to provide Members and the Chief Executive, through the Audit Committee, with an independent and objective opinion on risk management, control and governance and their effectiveness in achieving North Devon District Council's agreed objectives. In order to provide this opinion, we are required to review annually the risk management and governance processes within North Devon District Council and on a cyclical basis, the operation of internal control systems within the organisation.

- 1.2 This report sets out the internal audit activity since the last Audit Committee meeting in March 2019 for North Devon District Council.

2. COMPLETION OF THE INTERNAL AUDIT PLAN

- 2.1 Appendix I details the 2018/19 Audit Plan and shows the status of work to date and the number of days delivered.

The following tables summarise progress against the plan:

Number of audits in plan	17	
Number of audits finalised	7	41%
Number of audits issued at draft	3	18%
Number of audits in progress	7	41%
Number of audits with agreed planned dates	0	
Number of audits to be planned	0	

- 2.2 We can report that 88% (based on the number of days in the plan excluding contingency) of the 2018/19 Operational Internal Audit Plan has been completed.
- 2.3 We have issued the following final reports since the last Committee meeting.

Main Accounting System and Budgetary Control
--

- 2.4 Appendix II details the 2018/19 Audit recommendations for individual reports with a full or substantial overall opinion finalised since the last Audit Committee meeting. Recommendations with a priority rating of 2 are detailed in full, whilst those with a rating of 3 are not shown in detail. In addition, an overall audit opinion is given for each report. If we have issued a report with a limited overall opinion, the report is attached in full rather than summarised in Appendix II. As our Email and Exchange Server report has a limited overall audit opinion it has been attached in full.

Management responses are only included where there is a substantial comment. Where management has accepted the recommendation this has not been included.

Significant Control Weaknesses 2018/19

- 2.5 Based on the work we have undertaken, there are no priority one recommendations to bring to the attention of the Audit Committee.

Performance of the Internal Audit Service

- 2.6 The following table details the Internal Audit service performance for the 2018/19 year measured against the key performance indicators set out in the Internal Audit Quality Plan.

No.	Performance indicator	Target	Actual
1.	A close out meeting to be held for each audit	100%	100%
2.	Average period between the close out meeting and issue of the draft report	10 days	4.4 days
3.	Average period between the receipt of final management responses and issue of the final report	10 days	1 day
4.	Average customer satisfaction score (measured by survey for each audit) – (Target is 80% or 4 or above) 5=Very good; 4=Good; 3=Satisfactory; 2=Poor; 1= Very poor	4	3.83

3. Action Required

- 3.1 The Audit Committee is asked to note our progress report.

Appendix I – Progress against the Internal Audit Plan 2018/19

	Audit Title	Proposed Quarter	Planned Days	Anticipated Risk Level	Assurance	Priority One	Priority Two	Priority Three	Status
1.	Risk Management and Corporate Governance	Q4	10	Medium					Draft Report
2.	Main Accounting System and Budgetary Control	Q3	12	High	Substantial	0	0	1	Final Report 5 th March 2019
3.	Creditors	Q3	10	Medium	Substantial	0	1	2	Final Report 16 th August 2018
4.	Payroll	Q1	10	Medium	Substantial	0	0	1	Final Report 16 th August 2018
5.	Cash Collection	Q2	8	Medium	Substantial	0	0	1	Final Report 13 th December 2018
6.	Council Tax and NNDR (including NNDR maximisation)	Q3	15	Medium	Substantial	0	0	1	Final Report 8 th January 2019
7.	Housing Benefits	Q1	10	Medium	Substantial	0	0	1	Final Report 12 th December 2018
8.	Efficiency savings	Q2	10	Medium					Draft Report
9.	Waste Management (Refuse and Recycling)	Q3	10	Medium					Fieldwork completed
10.	Regeneration Projects	Q1	10	Medium					Fieldwork completed
11.	Business Continuity	Q2	10	High					Fieldwork in progress
12.	Civil Contingencies Plan	Q1	10	High					Fieldwork in progress
13.	IT Audits: - GDPR - Email Exchange	Q4	11 11	High	Substantial Limited	0 0	1 3	5 1	Final Report 19 th February 2019 Final Report 24 th January 2019
14.	Fraud, Bribery & Ethics National Fraud Initiative	Q2	8	Low	2pm 30/4/19				Fieldwork completed

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Agenda Item 7

	Audit Title	Proposed Quarter	Planned Days	Anticipated Risk Level	Assurance	Priority One	Priority Two	Priority Three	Status
15.	VAT	Q1	10	Low					Draft Report
16.	Crematorium	Q4	3	Low					Fieldwork in progress
17.	Follow Up	Q4	10	N/A					Draft Report
18.	Contingency		20	N/A					
19.	Audit Management		22	N/A					
	Total		220			0	5	13	

Appendix II – Internal Audit Recommendations 2018/19

Main Accounting System and Budgetary Control

Substantial Assurance



Scope

The audit covered the following areas:

- Policies, procedures, standing orders and financial regulations, including staff awareness;
- Completeness, accuracy, reliability & integrity of transactions and records for production of annual accounts, including suspense accounts and other financial returns;
- Journal entries and manual adjustments;
- Year-end procedures including carry forward of balances;
- Production and availability of budget setting and monitoring guidance;
- Output Based Budgeting and Zero Based Budgeting exercises;
- Budgetary responsibilities;
- Budget setting processes, including the identification and management of base budget deficiencies and the use of activity data;
- Budget monitoring processes;
- Variance reporting;
- Virements and journal transfers; and
- Budget Management Training.

One priority 3 recommendation was raised

Priority 3 Procedures should denote the last review date and next date it is due for review to confirm, it is still fit-for-purpose.

Appendix III - Statement of Responsibility

We take responsibility to North Devon District Council for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

This report is confidential and must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. To the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, re-interpretation amendment and/or modification by any third party is entirely at their own risk.

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Our ref: North Devon DC fee letter 2019-20
Your ref: --

Jon Triggs
Head of Resources
North Devon District Council
Brynsworthy Environment Centre
Brynsworthy
Barnstaple
EX31 3NP

Grant Thornton UK LLP
2 Glass Wharf
Temple Quay
Bristol
BS2 0EL
T +44 (0)117 305 7600
F +44 (0)117 955 4934

16 April 2019

Dear Jon

Planned audit fee for 2019/20

The Local Audit and Accountability Act 2014 (the Act) provides the framework for local public audit. Public Sector Audit Appointments Ltd (PSAA) has been specified as an appointing person under the Act and the Local Authority (Appointing Person) Regulations 2015 and had the power to make auditor appointments for audits of opted- in local government bodies from 2018/19.

For opted- in bodies PSAA's responsibilities also include setting fees and monitoring the quality of auditors' work. Further information on PSAA and its responsibilities are available on the [PSAA website](#).

All grant work, including housing benefit certification, falls outside the PSAA contract, as PSAA no longer has the power to make appointments for assurance on grant claims and returns. Any assurance engagements will therefore be subject to separate engagements agreed between the grant-paying body, the Council and ourselves and separate fees agreed with the Council.

Scale fee

PSAA published the 2019/20 scale fees for opted-in bodies at the end of March 2019, following a consultation process. Individual scale fees have been maintained at the same level as in 2018/19, unless there were specific circumstances which required otherwise. Further details are set out on the [PSAA website](#). The Council's scale fee for 2019/20 has been set by PSAA at £36,499 which is the same as in 2018/19.

PSAA prescribes that 'scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timeframes'.

The audit planning process for 2019/20, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit fee

There are no changes to the overall work programme for audits of local government audited bodies for 2019/20. Under the provisions of the Local Audit and Accountability Act 2014, the National Audit Office (NAO) is responsible for publishing the statutory Code of Audit Practice and guidance for auditors.

Audits of the accounts for 2019/20 will be undertaken under this Code. Further information on the NAO Code and guidance is available on the [NAO website](#).

The scale fee covers:

- our audit of your financial statements;
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion); and
- our work on your whole of government accounts return (if applicable).

PSAA will agree fees for considering objections from the point at which auditors accept an objection as valid, or any special investigations, as a variation to the scale fee.

Value for Money conclusion

The Code requires us to consider whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

The NAO issued its latest guidance for auditors on value for money work in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

The NAO guidance identifies one single criterion for auditors to evaluate:

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.

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2019	9,125
December 2019	9,125
March 2020	9,125
June 2020	9,124
Total	36,499

Outline audit timetable

We will undertake our audit planning and interim audit procedures in November 2019 to March 2020.

Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in June-July 2020 and work on the whole of government accounts return in July 2020.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	Nov 2019 – March 2020	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.

Agenda Item 8

Final accounts audit	Jun – July 2020	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	Jan 2020 – July 2020	Audit Findings (Report to those charged with governance)	As above
Whole of government accounts	July 2020	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	Aug 2020	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.

Our team

The key members of the audit team for 2019/20 are:

	Name	Phone Number	E-mail
Key Audit Partner	Geraldine Daly	0117 305 7741	geri.n.daly@uk.gt.com
Engagement Manager	Mark Bartlett	0117 305 7896	mark.bartlett@uk.gt.com

Additional work

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed, and a detailed project specification and fee agreed with the Council.

Quality assurance

We are committed to providing you with a high quality service. If you are in any way dissatisfied or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively, you may wish to contact Jon Roberts, our Public Sector Assurance regional lead partner, via jon.roberts@uk.gt.com.

Yours sincerely



Geraldine Daly
Key Audit Partner
Grant Thornton UK LLP

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Audit Progress Report and Sector Update

North Devon District Council
Year ending 31 March 2019

Page 145
14 June 2019



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Introduction



Geraldine Daly

Engagement Lead

T 0117 305 7741
M 07500 783 992
E geri.n.daly@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.

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. Click on the Grant Thornton logo to be directed to the website www.grant-thornton.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.

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Mark Bartlett

Engagement Manager

T 0117 305 7896
M 07880 456 123
E mark.bartlett@uk.gt.com



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.

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. We have set out commitment to deliver a high quality audit service in the document at Appendix A. We hope this is helpful. It will also be a benchmark for you to provide feedback on our performance to PSAA via its survey in Autumn 2019.

Progress at 30 May 2019

Financial Statements Audit

We carried out our interim audit in April 2019. Our interim fieldwork visit included:

- Updated review of the Council's control environment
- Updated understanding of financial systems
- Review of Internal Audit reports on core financial systems
- Early work on emerging accounting issues
- Early substantive testing

The findings from our interim audit are included within this report.

The statutory deadline for the issue of the 2018/19 opinion is 31 July 2019. We will discuss our plan and timetable with officers.

The final accounts audit will take place in July with findings reported to you in the Audit Findings Report by the deadline of July 2019.

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 were included in our Audit Plan.

We will report our work in the Audit Findings Report and give our Value For Money Conclusion by the deadline in July 2019.

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. The certification work for the 2018/19 has not yet started. We will agree our overall project plan for completing this work with officers.

Meetings

We meet with the Chief Executive and Head of Resources as part of our regular liaison meetings, with our most recent meeting being in April 2019, and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

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 helps to ensure that members of your Finance Team are 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.

Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed	Conclusions and recommendations
Entity level controls	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> • Communication and enforcement of integrity and ethical values; • Commitment to competence; • Participation by those charged with governance; • Management's philosophy and operating style; • Organisational structure; • Assignment of authority and responsibility; and • Human resource policies and practices. 	Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements.
Understanding business processes	<p>We have obtained and documented an understanding of the Council's business processes where we have considered that the class of transaction is significant to the financial statements.</p> <p>This has been completed for:</p> <ul style="list-style-type: none"> • Cash • Collection Fund • Creditors/ Purchases • Debtors/ Fees and Charges • Grant Income • Payroll • Pensions • Plant, Property and Equipment • Welfare Benefits 	Our work identified no material weaknesses which are likely to adversely impact on the Council's financial statements.
Review of information technology controls	<p>We performed a high level review of the general IT control environment, as part of the overall review of the internal controls system.</p> <p>IT (information technology) controls were observed to have been implemented in accordance with our documented understanding.</p>	Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements.

Results of interim audit work (continued)

	Work performed	Conclusions and recommendations
Journal entry controls	<p>We have Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</p> <p>To date we have undertaken detailed testing on journal transactions recorded for the first twelve months of the financial year (not including year end journals), by extracting 'unusual' entries for further review. No issues have been identified that we wish to highlight for your attention.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach.</p> <p>At year end we will undertake further detailed testing on closedown journal transactions in April/May 2019, by extracting 'unusual' entries for further review.</p>
Early substantive testing	<p>We have performed early substantive testing in the following areas:</p> <p>Operating Expenses</p> <ul style="list-style-type: none"> Substantive testing of a sample of non-payroll expenditure transactions to period 10 <p>Other Income</p> <ul style="list-style-type: none"> Substantive testing of a sample of fees and charges income to period 12 <p>Welfare Benefits</p> <ul style="list-style-type: none"> Substantive testing of a sample of welfare benefits to period 10 	<p>Our audit work has not identified any significant issues within the testing undertaken.</p>
Walkthrough testing	<p>We performed a walkthrough for Journals, however, as revaluations and pensions are completed at the year end, it is not possible to perform a walkthrough until later in the year.</p> <p>Our work has not identified any issues which we wish to bring to your attention.</p> <p>No weaknesses were identified thus far in the design of controls relating to journals, pensions and revaluations.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach.</p>

Audit Deliverables

2018/19 Deliverables	Planned Date	Status
Fee Letter Confirming audit fee for 2018/19.	April 2018	Complete
Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2018-19 financial statements.	February 2019	Complete
Interim Audit Findings We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	June 2019	Complete
Audit Findings Report The Audit Findings Report will be reported to the July Audit Committee.	July 2019	Not yet due
Auditor's Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2019	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	August 2019	Not yet due
Annual Certification Letter This letter reports any matters arising from our certification work carried out under the PSAA contract.	December 2019	Not yet due

Sector Update

Local government finances are at a tipping point. Councils are tackling a continuing drive 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 NHS 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

National Audit Office – Local auditor reporting in England 2018

The report describes the roles and responsibilities of local auditors and relevant national bodies in relation to the local audit framework and summarises the main findings reported by local auditors in 2017-18. It also considers how the quantity and nature of the issues reported have changed since the Comptroller & Auditor General (C&AG) took up his new responsibilities in 2015, and highlights differences between the local government and NHS sectors.

Given increasing financial and demand pressures on local bodies, they need strong arrangements to manage finances and secure value for money. External auditors have a key role in determining whether these arrangements are strong enough. The fact that only three of the bodies (5%) the NAO contacted in connection with this study were able to confirm that they had fully implemented their plans to address the weaknesses reported suggests that while auditors are increasingly raising red flags, some of these are met with inadequate or complacent responses.

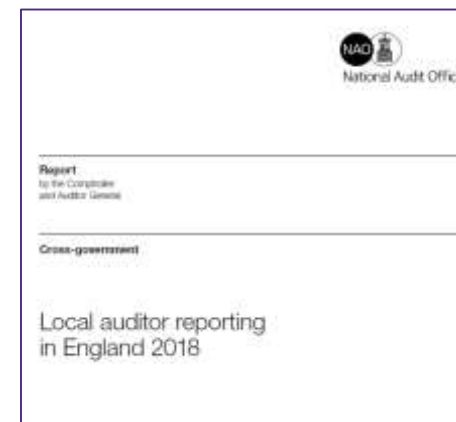
Qualified conclusions on arrangements to secure value for money locally are both unacceptably high and increasing. Auditors qualified their conclusions on arrangements to secure value for money at an increasing number of local public bodies: up from 170 (18%) in 2015-16 to 208 (22%) in 2017-18. As at 17 December 2018, auditors have yet to issue 20 conclusions on arrangements to secure value for money, so this number may increase further for 2017-18.

The proportion of local public bodies whose plans for keeping spending within budget are not fit-for-purpose, or who have significant weaknesses in their governance, is too high. This is a risk to public money and undermines confidence in how well local services are managed. Local bodies need to demonstrate to the wider public that they are managing their organisations effectively, and take local auditor reports seriously. Those charged with governance need to hold their executives to account for taking prompt and effective action. Local public bodies need to do more to strengthen their arrangements and improve their performance.

Local auditors need to exercise the full range of their additional reporting powers, where this is the most effective way of highlighting concerns, especially where they consider that local bodies are not taking sufficient action. Departments need to continue monitoring the level and nature of non-standard reporting, and formalise their processes where informal arrangements are in place. The current situation is serious, with trend lines pointing downwards.

The report is available on the NAO website:

<https://www.nao.org.uk/report/local-auditor-reporting-in-england-2018/>



Agenda Item 9

National Audit Office – Local authority governance

The report examines whether local governance arrangements provide local taxpayers and Parliament with assurance that local authority spending achieves value for money and that authorities are financially sustainable.

Local government has faced considerable funding and demand challenges since 2010-11. This raises questions as to whether the local government governance system remains effective. As demonstrated by Northamptonshire County Council, poor governance can make the difference between coping and not coping with financial and service pressures. The Department (Ministry of Housing, Communities and Local Government) places great weight on local arrangements in relation to value for money and financial sustainability, with limited engagement expected from government. For this to be effective, the Department needs to know that the governance arrangements that support local decision-making function as intended. In order to mitigate the growing risks to value for money in the sector the Department needs to improve its system-wide oversight, be more transparent in its engagement with the sector, and adopt a stronger leadership role across the governance network

Not only are the risks from poor governance greater in the current context as the stakes are higher, but the process of governance itself is more challenging and complex. Governance arrangements have to be effective in a riskier, more time-pressured and less well-resourced context. For instance, authorities need to:

- maintain tight budgetary control and scrutiny to ensure overall financial sustainability at a time when potentially contentious savings decisions have to be taken and resources for corporate support are more limited; and
- ensure that they have robust risk management arrangements in place when making commercial investments to generate new income, and that oversight and accountability is clear when entering into shared service or outsourced arrangements in order to deliver savings.

Risk profiles have increased in many local authorities as they have reduced spending and sought to generate new income in response to funding and demand pressures. Local authorities have seen a real-terms reduction in spending power (government grant and council tax) of 28.6% between 2010-11 and 2017-18. Demand in key service areas has also increased, including a 15.1% increase in the number of looked after children from 2010-11 to 2017-18. These pressures create risks to authorities' core objectives of remaining financially sustainable and meeting statutory service obligations. Furthermore, to mitigate these fundamental risks, many authorities have pursued strategies such as large-scale transformations or commercial investments that in themselves carry a risk of failure or under-performance.

The report is available on the NAO website:

<https://www.nao.org.uk/report/local-authority-governance-2/>



National Audit Office – Planning for new homes

The National Audit Office (NAO) has recently published a report on *Planning for new homes*. This report is part of a series on housing in England, including *Housing in England: overview (2017)* and *Homelessness (2017)*. The latest report focuses on the Ministry of Housing, Communities and Local Government's (MHCLG's) objective for housing in England to deliver a million homes by the end of 2020; half a million by the end of 2022; and to deliver 300,000 net additional homes year on average.

The report recognises that increasing the supply of new homes is a complex task and one of the measures MHCLG has introduced to help achieve the objective is reforming the planning system. The report notes that the planning system is fundamental to providing new homes and it assesses how effectively MHCLG supports the planning regime to provide the right homes in the right places through:

- supporting local authorities to produce plans for how the supply of new homes will meet need in their area;
- supporting local authorities and the Planning Inspectorate in having effective and sufficiently resourced planning processes and teams to deal with planning applications and appeals; and
- working effectively with local authorities, other government departments and developers to ensure infrastructure to support new homes is planned and funded.

The report finds that at present, the system is not providing value for money and that the supply of new homes has failed to meet demand. It notes that a number of factors have contributed to the planning system not working and some of these include:

- the process of setting the need for new homes;
- the reductions in local authority capability;
- the under-performing Planning Inspectorate; and
- failures in the system to ensure adequate contributions for infrastructure.

The report recognises that MHCLG's new National Planning Policy Framework is an important step, but it is too early to tell whether the changes it introduces will be effective. The report also makes a number of recommendations for MHCLG to implement alongside the framework to help the planning systems work more effectively.

The report concludes that the Department and government more widely need to take this much more seriously and bring about improvement if they are to meet their ambition of 300,000 new homes per year by the mid-2020s.

The report is available on the NAO website:

<https://www.nao.org.uk/report/planning-for-new-homes/#>



Links

Grant Thornton

<https://www.grantthornton.co.uk/>

<http://www.grantthornton.co.uk/industries/publicsector>

National Audit Office

<https://www.nao.org.uk/report/local-auditor-reporting-in-england-2018/>

<https://www.nao.org.uk/report/local-authority-governance-2/>

<https://www.nao.org.uk/report/planning-for-new-homes/#>

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NORTH DEVON DISTRICT COUNCIL

REPORT TO: GOVERNANCE COMMITTEE

Date: 11th June 2019

TOPIC: AUDIT RECOMMENDATION TRACKER

REPORT BY: HEAD OF CORPORATE AND COMMUNITY SERVICES

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 5th March Audit 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.

Table A) Live Audit Reports, Status & Numbers of Recommendations

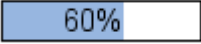
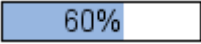
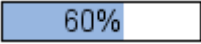
Code	Title	Status	Progress	High Risk	Medium Risk	Low Risk
14 AP	Action Plan 2013/14	In Progress	92%	0	1	1
14 E&D	Equality & Diversity 2013/14	In Progress	93%	0	1	2
15 AH	Affordable Housing 2014/15	Overdue	93%	0	1	4
15 DR	Disaster Recovery 2015/16	Overdue	89%	0	6	0
15 HN (CBL)	Housing Needs (Choice Based Lettings) 2015/16	In Progress	80%	0	1	0
15 PSR (DFG)	Private Sector Renewal (Disability Facilities Grants) 2015/16	In Progress	90%	0	1	2
16 BCM	Business Continuity Management 2015/16	Overdue	93%	0	8	1
16 HN (CBL)	Housing Needs (Choice Based Lettings) 2016/17	In Progress	85%	0	0	5
16 PL	Planning Applications 2015/16	In Progress	91%	0	3	0
16 SP	Severance Packages 2015/16	In Progress	50%	0	1	1
17 C&P	Commissioning and Procurement 2017/18	In Progress	66%	0	2	1
17 CS	Cyber Security 2016/17	Overdue	78%	0	3	3
17 SRR	Security Review Report 2017/18	In Progress	95%	4	5	0
17 L	Licencing 2017/18	In Progress	75%	0	1	3
17 G	Grants 2017/18	In Progress	85%	0	2	5
17 PO	Parking Operations 2017/18	In Progress	75%	0	2	0
18 CC	Cash Collection	In Progress	0%	0	0	1
19 E&ES	Email & Exchange Server 2018/19	In Progress	50%	0	3	1
19 GDPR	General Data Protection Regulations 2018/19	In Progress	49%	0	0	7
19 MAS & BC	Main Accounting System and Budgetary Control 2018/19	In Progress	0%	1	0	1


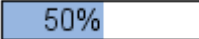

Table B) Audit recommendations setting completed since the last Audit Committee

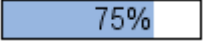


Recommendation	Closure Note	Original Due Date	Completed Date
16 C & CE 02 Contracts & Capital Expenditure Due Diligence of Consultants	This has now been included in the Constitution	31-Jan-2019	22-May-2019
18 C 01 Creditors Copy of Use of E-Procurement System	Q3 2018/19 66% of invoices paid with purchase order Q4 2018/19 71% of invoices paid with purchase order	31-Mar-2019	03-May-2019
19 E&ES 03 Email & Exchange Server Access requests and changes to the mailboxes	All requests will be asked to advise why they require access and for how long, these will then be discussed at our Change Advisory Board (CAB), decisions documented on our Service Desk and termination dates set and followed through to ensure access or closure of those accounts are actioned.	01-Mar-2019	01-Mar-2019
19 E&ES 04 Email & Exchange Server E-Mail Security	Emails have been moved to Office 365 and security recommendations have been implemented TLS, DKIM and DMARK.	30-Apr-2019	17-May-2019
19 PO 02 Parking Operations Contracts are in-place and current	New contract in place for P&D maintenance. Cashless parking being procured May / June in partnership with other Devon LA's will have new contract. New permit system (and contract) procured being installed from September 2019 Lynton Agency Agreement due for review March 2020 Combe Martin & Braunton cash collection contracts will be reviewed as part of wider cash processing review in 2020.	30-Apr-2019	13-May-2019
16 BCM 05 Business Continuity Management Alignment to the IT Disaster Recovery Plan	A service specification has now been completed. Please see attached documentation which details service resumption times which have been agreed by SMT.	30-Jul-2016	30-Apr-2019
16 EP 09 Emergency Planning Procurement	Memorandum of Agreement for Devon Emergency Planning Partnership now signed - see attached. Mutual Aid Agreement now signed - see attached.	30-Apr-2017	31-May-2019

17 C&P 02 Contracts & Capital Expenditure Effective Use of Procurement Portal	Apprentice now employed. Training on-going.	30 Apr 2019	30-May-2019
17 C&P 03 Contracts & Capital Analysis of Key Supplier Spend	A report detailing supplier totals (and detail) for the year 18-19 has been sent to the Procurement team. They will also receive reports on a monthly basis from now on. They will be able to use the spreadsheet data to check and challenge compliance with Contract Procedure rules.	31 Oct 2018	30-May-2019
17 G 01 Grants Historic grant funding agreements	The North Devon Biosphere SLA has been approved and a copy uploaded to this action. This action is now completed	17 May 2019	28 May 2019

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	Extension of Time Request
14 AGS 02 Annual Governance Statement	Review & update the IT Disaster Recovery Plan. To have in place an adequate plan and policy to deal with major ICT risks		Request an Extension of Time: The Business Continuity Recommendations have last month (April 19) confirmed which services they have established are priority for recovery. ICT await absolute confirmation that these are now the priorities. ICT will then review these and advise SMT/Governance what our current recovery capabilities are and what further mitigation would be required to achieve these recovery points. This will require a revised back-up model either on-premise, in the cloud or a hybrid approach. ICT will also consider Disaster Recovery as a Service (DRaaS) which would also provide x2 DR Test Plans a year. ICT also have an approved Cyber Incident Response Plan.	31-Mar-2015	31-Mar-2020
15 DR 05 Disaster Recovery	Disaster Recovery Procedures A new Business Impact Assessment (BIA) should be undertaken to ensure that the critical systems listed in the DR Plan are the correct ones. There should be input from other areas of the Council and from SMT in the development of a DR Plan to ensure that it meets the Council's needs. If possible, an annual BIA should be conducted to ensure that the criticality of the systems identified are in line with the business needs.		As above 14 AGS 02	12-Oct-2015	31-Mar-2020
15 DR 06 Disaster Recovery	DR Plan Test The DR Plan should be tested annually. DR test reports should be documented with lessons learned incorporated into the DR Plan.		As 14 AGS 02	31-Dec-2015	31-Mar-2020

documented with lessons learn & incorporated in DR Plan. SMT be informed for DR test results to inform their decision making	Senior Management should be informed of DR test results and reports in order to inform their decision making.				
17 CS 02 Cyber Security Network Security	Management should ensure that a formal Firewall Rules review schedule is developed and implemented. Reviews for existing firewall rules should be done on annual basis as a minimum. Formal training on the management of the firewalls should also be considered for at least 2 members of staff to ensure continuity of service in the event that the Senior Technical Analyst is absent for an extended period of time. Consideration should also be given to implementing a firewall at the Disaster Recovery site at Lynton House to ensure that the services, however limited, can be fully utilised with as minimal risk possible in the event of a disaster or loss of the main data centre at Brynsworthy.		As 14 AGS 02	30-Apr-2018	31-Mar-2020
Page 134 17 CS 04 Cyber Security Policy Development and Awareness	The Council should develop a mobile device and remote access control working policy (to include Smartphones and Tablets) to be agreed and disseminated to all staff throughout the organisation. Alternatively this could be incorporated into the IT security policy. The Information Security Policy should also be updated to reflect the Council's current minimum password controls as set within Active Directory. This should then be disseminated throughout the organisation to ensure all additional applications that have access controls outside of Active Directory adhere to these requirements.		Home Working Policy now with HR in draft form, this will need to be presented to Workforce Matters for their consideration and aligned to the roll out of new assets to all staff.	31-Mar-2018	31-Nov-2019
16 SP 01 Severance Packages Early Retirement Policy	The HR Manager should review the Early Retirement Policy dated April 2008 to ensure it fully reflects current legislation, The Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006.		This policy requires no changes at the moment until the legislation changes and this has been put on hold by the government and will likely need to go out to consultation again.	30-Sep-2018	30-Sept-2019

<p>15 AH 04 Affordable Housing Sites Group Terms of Reference should be reviewed / updated to reflect roles & responsibilities of the group</p>	<p>Sites Groups Terms of Reference Review The Terms of reference for the Council's Sites Group should be reviewed and updated to ensure that this reflects the current roles and responsibilities and membership of the group.</p>	<p></p>	<p>Extension of time request to the 28th June 2019. This will allow officers to have an informal dialogue with the Leader to see if he wishes to convene this or a similar group in the future.</p>	<p>31-Aug-2015</p>	<p>28-Jun-2019</p>
<p>16 BCM 07 Business Continuity Management Testing Strategy Page 135</p>	<p>A testing strategy should be documented and included as an Appendix within the Business Continuity Management Policy. The strategy should include:</p> <ul style="list-style-type: none"> . Frequency of testing . Type of testing . People to involve in testing . Output of the testing . Production of action plans Reporting mechanism of test results. 	<p></p>	<p>Testing not yet underway. This is a situation which has arisen following the departure from the authority of Amanda Palmer. Future testing will be dependent upon the procurement of new resources. Due to budgetary pressures a restructure of EHHS has recently been undertaken which has resulted in the provision of a new 'Emergency Planning Officer' post which will be of significant benefit to the Council. Testing expected to be achieved in 2019/20 dependent upon successful recruitment to the above mentioned post. Recommended extension until 30 April 2020.</p>	<p>30-Jul-2016</p>	<p>30-Apr-2020</p>
<p>17 SRR 06 Security Review Report Policies and Procedures</p>	<p>The Council should develop and communicate a Staff Safety & Security Policy containing at least the following themes:</p> <ul style="list-style-type: none"> • Building access and security; • Frontline officer safety; • Visiting officers/lone workers; • Unreasonable and persistent customer behaviour; • Violence and aggression markers; • Supporting staff dealing with distressing situations; • Incident reporting; • Risk assessments; and • Information sharing. <p>The reporting of all incidents should be promoted to enable an informed risk assessment of genuine risks according to local issues and to help with future</p>	<p> Now 90% system to be updated</p>	<p>Outstanding risk assessments have been chased by H&S Officer and are being updated. HR Policies have now been drafted and are currently being shared with the Union.</p>	<p>31 Mar.2019</p>	<p>31-Jul-2019</p>


	planning. Documented pathways for staff exposed to incidents and how they will be supported should also be provided.				
17 SRR 08 Security Review Report Information Sharing	Violence and Aggression Markers are now be placed on our corporate Customer Relationship Management (CRM) System Firmstep. Level 1 and Level 2 access being determined for appropriate officers				

Table D: Outstanding Audit Recommendations

Code	Description	Progress	Latest Note	Original Due Date	Due Date
	If all extension of time requests are approved. There are no outstanding audit recommendations to report to this meeting.				

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.

2013/14 AGS action plan is 98 % complete

2014/15 AGS action plan is 96 % complete

6. Constitution Context


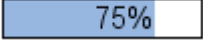
Appendix and paragraph	Referred or delegated power?
5.5	Delegated

7. Statement of Internal Advice

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

Author: Sarah Higgins Date: 22nd May 2019
Reference: Audit Recommendation Report June 2019 V.1.0

Table E: Annual Governance Statement

Code	Description	Status	Progress Bar	Latest Note	Original Due Date	Due Date
15 AGS 08	Complete audit recommendations to comply with agreed deadlines	 Overdue		22-May-2019 The Audit Recommendation Tracker provides a clear audit trail of how well services are delivering against their audit recommendations.	31-Mar-2016	31-Mar-2016

Governance Committee Work Programme 2019/20

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 2019	Jul 2019	Sep 2019	Nov 2019	Jan 2020	Mar 2020
North Devon Council items						
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						
Statement of Accounts						
Letter of Representation (JT)						
Corporate Risk Register (SH)						
Major changes to Accounting Policies Management procedures to be reported by the Head of Resources						
Update on Governance Arrangements						
21:21 Phase 2 Report (KM)						
Update on Business Continuity						

	Jun 2019	Jul 2019	Sep 2019	Nov 2019	Jan 2020	Mar 2020
Internal Auditor items						
Internal Audit Annual report		Moved from June 2019				
Internal Audit Strategy and Plan						
Internal Audit Charter						
Internal Audit Progress Report						
External Auditor items						
External Audit - Fee Letter						
External Audit - Findings Report						
External Audit - Annual Audit Letter						
External Audit - Plan						
Certification Work Report						
External Audit - Progress Report and Sector Update						
Standing Items						
Audit Recommendation Tracker						
Work Programme						