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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 Covid-19 pandemic has had, and will continue to have a considerable impact upon the Council. The government's lockdowns during 2020 and 2021 meant many businesses were forced to close – significantly impacting on the local economy and upon sources of core income to the Council. In addition, the Council incurred additional expense ensuring the most vulnerable in our community were cared for; the homeless were kept safe during this period and ensuring that key front-line services such as collecting waste and recycling were maintained throughout the crisis.

The Council had to adapt and be flexible in its approach, ensuring the above resource was deployed efficiently and effectively and has stepped up and supported local businesses by administering and paying out over £90million in government funded business grants in the district. In addition to this around £30million of further support has been awarded in further rate reliefs to North Devon businesses.

The pandemic has had a profound impact on all aspects of life in North Devon; throughout the last couple of years the Council has and will continue to adopt a pro-active approach to ensure that it responds to the emerging needs of residents and businesses.

However, post pandemic the challenge that is facing the Country now is the cost of living pressures and with the UK's inflation rate rising from 5.5% at the start of the year to 11.1% in April 2022, and global costs rising, research carried out estimates that nationally Councils' costs from inflation have risen from £789m in February when they set their budgets to £1.5bn as of June, leaving them with £729m of additional unfunded costs. Councils such as North Devon are particularly exposed to these rising costs because of the nature of delivering services in large rural areas.

The Council recognises that the impact the world economic conditions has had on public finances will continue well beyond 2021-22 and the above forementioned inflation pressures will place considerable additional increased cost on the Council in the medium term.

These projected additional costs are being captured in the first quarter of 2022-23 and a report taken to Members in early July 2022 which sets out the 2021-22 year end financial standing of the authority (these accounts) and takes these forward with the projected impact this has on the future years ongoing revenue budgets. It is recommended that a Cross Party Workshop with Members be set up to identify options for mitigating the budgetary pressures being faced prior to the autumn when detailed budget setting for next year usually starts and refresh the Medium Term Financial Strategy that was approved in February 2022.

Regular financial monitoring will continue through 2022-23 to ensure the Council takes all necessary remedial action where it can in light of the additional budgetary pressure, with a continued focus on delivering key services to our communities against the financial backdrop of considerable reduced resources.

The Council's Corporate Plan was approved in September 2019 to reflect the changed landscape we were already facing pre-pandemic, due to significant cuts to government grant support. We are forecasting reductions beyond 2022-23 due to the uncertainty surrounding on-going government funding to local authorities.

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

1. We achieve financial security

2. Become focused on delivering the best for our customers

3. Our environment is cherished and protected

4. We plan for North Devon's future

Due to cuts in government grant and the poor economic situation, the Council has reduced its revenue budget by around £4m (to £13m for 2021-22) 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 2022-2028

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) 2022-2028 was approved by Full Council in February 2022. 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.

Continued pressure and uncertainty on the Council's funding sources remains as the Government's Fair Funding Review and Business Rates Retention changes, originally planned for 2022-23 year has again been delayed by a further year until April 2023.

The Council previously accepted the Government's offer of a 4-year financial settlement through to the 2019-20 year. By accepting the 4-year settlement helped the Council to plan ahead with greater certainty and to provide a financial platform to delivery upon our corporate plan. However, due to the funding review changes above now being delayed, the financial settlement for 2022-23 year is again only a one-year funding announcement, which leaves local authorities with much greater uncertainty in being able to plan further ahead.

The MTFS looks at the changing financial situation of the Council over the future six financial years for 2022-23 to 2027-28. The starting position is the Budget 2022-23, which is rolled forward. However, the unknown future year government funding levels result in so much uncertainty, we have prudently based the future year forecast for 2023-24 year on a worse-case scenario of losing £1,064,000 of core funding/business rates and £945,000 reduction of New Homes Bonus grant.

The refreshed forecasted cumulative budget gap / (surplus) for 2022-23 to 2027-28 is shown as follows:

Years	**2022-23 £m**	**2023-24 £m**	**2024-25 £m**	**2025-26 £m**	**2026-27 £m**	**2027-28 £m**
Budget gap / (surplus)	0	2.070	2.286	2.595	3.220	3.141

Clearly, this creates a large budget gap to bridge moving forwards however it is crucial that both Officers and Members understand the potential financial context that we ‘could’ end up with, subject to any transitional arrangements the government put in place. This clearly focuses minds on becoming more efficient within the services we currently provide and becoming entrepreneurial in the way we deliver services into the future and move towards a more commercially minded Council to generate additional income for the revenue budget.

In order to agree some parameters around this approach, Members approved a Commercialisation Strategy at Full Council in November 2020. This strategy set out the context of the financial parameters we are working within and how it should move forwards to enable the Council to become a more efficient, business like operation and increase revenue generation to bridge the future predicted budget gaps.

The Council took a major steps forwards through this strategy early in 2021 when Members approved to proceed with the acquisition of Green Lanes Shopping Centre; which the Council completed the purchase in November 2021. The core rationale behind this acquisition was to gain control of this strategic asset and complement other significant regeneration improvements being delivered within the Barnstaple town centre through the Future High Streets project; however the business case demonstrated that revenue income generated from the centre would cover both the repayment of the loan and asset management costs and would return a contribution to the Council.

This clearly has both regeneration and financial benefits to the Council and provides the ability to re-invest back into other projects and help to contribute towards reducing the pressure on the Council budget moving forwards. The Council has been preparing and positioning itself for on-going budget reductions and will continue to work on further options to deliver savings and efficiencies necessary towards bridging the budget gaps through to 2027-28 year.

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

The challenges of 2021-22 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 2022

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 £13.639m in 2021-22. As at 31 December 2021, the Council was forecasting a net surplus of £89,000 against the budget.

The last quarter of the financial year has seen some favourable variances since the last reported position; most notably additional recycling sales income and reduced spend in the Waste and Recycling service, together with general employee vacancy savings.

It is pleasing to report that the final out turn position is a budget surplus of (£604,000) against original budget, which is an overall movement of (£515,000) from the last forecast at quarter 3. The following table shows this movement:

Service and Cost Area	**Quarter 3 variance to budget**	**Outturn variance to budget**	**Outturn movement from Q3**
Bank and Post Office Charges	£41,000	£10,000	(£31,000)
Corporate Services	**£41,000**	**£10,000**	**(£31,000)**
Government Grants	(£85,000)	(£56,000)	£29,000
Collection Fund - additional income	(£18,000)	(£18,000)	£0
ICT Reduced spend	£0	(£78,000)	(£78,000)
Other	(£5,000)	(£22,000)	(£17,000)
Customer Focus	**(£108,000)**	**(£174,000)**	**(£66,000)**
Covid-19 financial support	£120,000	£70,000	(£50,000)
Leisure maintenance	(£80,000)	(£80,000)	£0
Waste and Recycling - Employees	£124,000	£124,000	£0
Waste and Recycling - Vehicle costs	£106,000	£141,000	£35,000
Waste and Recycling - Tipping Charges	(£14,000)	(£14,000)	£0
Waste and Recycling - Reduced spend	£78,000	(£32,000)	(£110,000)
Waste and Recycling - Trade Waste income	(£137,000)	(£137,000)	£0
Waste and Recycling - Recycling Credits	(£14,000)	(£14,000)	£0
Waste & Recycling - Recycling Sales	(£200,000)	(£274,000)	(£74,000)
Waste and Recycling - Shared Savings Scheme	£23,000	£23,000	£0
Waste and Recycling - Garden Waste income	£0	£0	£0
Waste and Recycling - Other	(£3,000)	(£3,000)	£0
Other	(£1,000)	(£1,000)	£0
Environmental Enhancement	**£2,000**	**(£197,000)**	**(£199,000)**
Land Charges fees	£5,000	£5,000	£0
Other	(£11,000)	(£28,000)	(£17,000)
Governance	**(£6,000)**	**(£23,000)**	**(£17,000)**
HR Professional Fees and Further Education	(£13,000)	(£13,000)	£0
Organisational Development	**(£13,000)**	**(£13,000)**	**£0**
Public Conveniences Rates	£0	£0	£0
Car Parks Pay and Display income	£81,000	£21,000	(£60,000)
Pannier Market fee income	£5,000	£5,000	£0
CCTV income	£25,000	£25,000	£0
Rental Income	(£20,000)	(£20,000)	£0
Other	£1,000	£1,000	£0
Place, Property and Regeneration	**£92,000**	**£32,000**	**(£60,000)**
Temporary Accommodation	£0	£0	£0
Deposits	(£10,000)	(£10,000)	£0
Licensing variances	(£15,000)	(£15,000)	£0
Development Control - Fees	(£180,000)	(£180,000)	£0
Development Control - Employees	£2,000	£2,000	£0
Crematorium Contribution	£0	(£41,000)	(£41,000)

Service and Cost Area	**Quarter 3 variance to budget**	**Outturn variance to budget**	**Outturn movement from Q3**
Other	£4,000	£4,000	£0
Planning, Housing and Health	**(£199,000)**	**(£240,000)**	**(£41,000)**
Additional Employee Vacancy savings	(£39,000)	(£99,000)	(£60,000)
Interest Receivable	£15,000	£15,000	£0
Borrowing Costs - Interest Payable	(£55,000)	(£96,000)	(£41,000)
New Burdens Grant	(£228,000)	(£228,000)	£0
New Burdens Grant 5th Phase	(£170,000)	(£170,000)	£0
Contribution to Digital Transformation Finance System	£95,000	£95,000	£0
Contribution to Programme Delivery Reserve	£125,000	£125,000	£0
75% Government reimbursement Sales, Fees and Charges 2020/21	£28,000	£28,000	£0
75% Government reimbursement Sales, Fees and Charges Q1	(£64,000)	(£64,000)	£0
Repairs Fund Contribution	£255,000	£255,000	£0
National pay award potential higher cost	£140,000	£140,000	£0
	£102,000	**£1,000**	**(£101,000)**
	(£89,000)	**(£604,000)**	**(£515,000)**

The original budget for 2021-22 included a forecast to achieve £225,000 worth of salary vacancy savings, this was exceeded by £99,000 giving an overall actual saving of £324,000.

The movement from Q3 of £515,000 can be attributed to:

- ICT reduced spend £78,000
- Waste & Recycling reduced spend £110,000
- Waste and Recycling Sales income £74,000
- Car parking income £60,000
- Crematorium contribution £41,000
- Employee vacancy savings £60,000
- Borrowing costs – Interest Payable £41,000
- Other Reduced costs £51,000

Members approved in June 2021 to proceed with the acquisition of Green Lanes Shopping Centre; which the Council completed the purchase in November 2021. The purchase of Green Lanes Shopping Centre was a once in a lifetime opportunity to acquire this strategic asset and complement other significant regeneration improvements being delivered within the Barnstaple town centre through the Future High Streets project. The financial modelling demonstrated that revenue income generated from the centre would cover both the repayment of the loan and asset management costs and would return a contribution to the Council which could be used towards mitigating future risks on income volatility, investment back into the centre and the overarching council budget.

The financial outturn for the Centre produced a net return (income less costs) for the 2021/22 year of (£243,600) due to minimal borrowing costs for last financial year as these will start in 2022/23. This is a positive return for the Council for the four and half months ownership in the 2021/22 year. The net return to the Council of (£243,600); of this it was proposed to place £75,000 into an earmarked reserve to protect the council budget and mitigate against any future income volatility that could materialise as we move forwards with the centre and a further £168,600 into an earmarked reserve to fund future asset management initiatives to promote, market and maximise the occupancy of the Centre over the next few years, which we anticipate would then have a positive financial return on ongoing revenue streams.

This is important for the ongoing financial viability of the Centre, however the team have already made positive steps in filling five of the empty units in the last few months and recent feedback from Knight Frank (Commercial Property Specialists) to the North Devon Council team stated *"As we discussed our involvement with Green Lanes is long standing. Prior to your purchase I have to say that the level of voids within the scheme provided a fairly depressing experience however on my most recent visit the overall feel of the scheme had changed with the recent lettings which have been undertaken both improving occupancy levels but also improving the customer 'experience' within the scheme".* This is really positive feedback for the Council and demonstrates our intent to make the Centre a success, both operationally and financially.

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.

As at 31st March 2022 the Collection Fund reserve balance held is £5,722,000. This earmarked reserve was created to deal with the timing impacts of the Collection Fund (Business Rates), which ensures the revenue budget is not unduly affected in the year the taxes are collected. Collection Fund deficits/surpluses are reversed out to bring the revenue account back to the budgeted figure for the year; the deficits/surpluses are recovered/distributed in the following financial years. This reserve includes an £4,523,000 balance that will be utilised in 2022/23 and 2023/24 to mitigate timing differences of business rate reliefs awarded in 2021/22 that from an accounting perspective impact over the next two financial years; thus leaving the fund reserve with a residue balance of £1,200,000 protection against future volatility.

From the revenue budget surplus of £604,000, it was proposed to set aside the amount into the following earmarked reserves:-

- Repairs Fund £400,000 – to fund capital investment business cases
- Local Plan £100,000 – to fund the cost of the Local review
- Budget Management £104,000 – increase fund to help mitigate inflationary pressures in 2022-23 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 2022 of £1,211,000, which is a level of 8.9%.

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 £60,000 and Earmarked Reserve Balances of £231,000 for Crematorium capital reserve and £357,000 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:

	2021-22 £000	%
Council Tax	9,271	54%
Government Grants	1,869	11%
Covid Funding	1,038	6%
Non Domestic Rates	4,913	29%
	17,091	100%

Balance Sheet

The Balance Sheet shows the assets and liabilities of the Council as a whole at 31 March 2022. 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 2021-22, the Council invested £21,754,000 from its capital resources, analysed as follows:

	2021-22 £000
New assets being constructed or acquired	19,651
Purchase of vehicles, IT and CCTV equipment	267
Providing grants and assistance	1,476
Statutory and Landlord Functions	360
Total	**21,754**

This compares to £6,166,000 spent in 2020-21.

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 spend the following sums in the period 2022-23 to 2024-25:

2022-23	£19,520,000
2023-24	£6,717,000
2024-25	£712,000
Total	**£26,949,000**

This investment will be financed by:

Capital receipts/borrowing	£11,119,000
Earmarked reserves	£2,279,000
External grants and contributions	£13,551,000
Total	**£26,949,000**

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

31/03/21 £000		31/03/22 £000
1,210	General Revenue Account	1,210
16,350	Earmarked Reserves	14,522
17,560		**15,732**

Pension Liabilities

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

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

With the effect of the re-valuation of the pension fund and a range of other factors; such as a change in the discount rate assumption, which the actuaries are required to use; the net liability on the pension fund has decreased from £71.5m to £64.4m.

The Council's liability relating to the Devon County Council defined benefit pension scheme is included within the Balance Sheet and further details is shown in Note 42.

The amount the Council contributes to the Pension Fund is re-assessed every three years; the most recent review was in the autumn of 2019 and took effect from April 2020. The Council has adjusted its contributions in line with the Actuaries recommendations, which have been factored into the Medium Term Financial Strategy (MTFS) 2022-2028.

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 2022 total external borrowing was £3,000,000. 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.

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 2021-22, 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 2021-22 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 2022

The Council will hold a General Fund Balance of £1.210m and Earmarked Reserve balances of £14.522m at 31 March 2022; providing overall total reserves of £15,732m. These balances enable North Devon Council to remain in a strong financial position to deal with the risks it faces and to continue to deliver upon its priorities set out earlier in the Corporate Plan.

Councillor David Worden ………………………………………….
Leader

Ken Miles ………………………………………….
Chief Executive

Key Performance Indicators: 2020–21 and 2021–22 year

The following performance information was reported as part of Performance & Financial Management for Quarter 4 of 2021-22 to the Strategy & Resources meeting held 4th July 2022. 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)	2020 - 2021	5	40	71	100		100		
	2021 - 2022	32	81	88	113		113		
NI 157a **Percentage** of major applications processed within 13 weeks	2020 - 2021	100%	100%	100%	67%	45%	91.75%	45%	Major applications determined within statutory timeframe of 13 weeks is 33% but total within statutory timeframe or the agreed extension of time is 100%
	2021 - 2022	86%	88%	86%	100%	45%	90%		

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
NI 157b **Percentage** of minor planning applications processed within 8 weeks	2020 - 2021	97%	93%	96%	98%		96%	75%	Minor applications determined within statutory timeframe of 8 weeks is 38% but total within statutory timeframe or the agreed extension of time is 95%
	2021 - 2022	97%	90%	87%	95%		92.25%		
NI 157c **Percentage** of other applications processed within 8 weeks	2020 - 2021	91%	98%	98%	98%	85%	96.25%	85%	Other applications determined within statutory timeframe of 8 weeks is 69% but total within statutory timeframe or the agreed extension of time is 95%
	2021 - 2022	97%	96%	94%	95%	85%	95.50%		
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	2020 - 2021	51.90%	53%	47.10%	43.11%	46%	48.78%	46%	
	2021 - 2022	52.10%	52.20%	47%	39.70%	46%	47.75%		
Finance									
BV8 **Percentage** of invoices paid on time	2020 - 2021	96.20%	93.30%	91.30%	92.33%	97%	93.28%	97%	
	2021 - 2022	92.22%	91.40%	90.85%	91.82%	97%	91.57%		
	2020 - 2021	27.47%	54.63%	81.41%	96.01%	97.50%	96.01%	97.50%	

BV9 **Percentage** of Council Tax collected	2021 - 2022	28.24%	55.13%	81.98%	96.89%	97.50%	96.89%		
BV78a (M) **Speed** of processing - new Housing Benefit/Council Tax Benefit claims	2020 - 2021	27	27.6	23.8	24.1	28	25.6	28	
	2021 - 2022	27.3	25.7	29.6	21.1	28	25.9		
BV10 **Percentage** of Non-domestic Rates Collected	2020 - 2021	21.07%	57.23%	81.68%	95.23%	99.05%	95.23%	99.05%	
	2021 - 2022	20.88%	50.03%	78.62%	97.46%	99.05%	97.46%		
Property Services									
L728 **Percentage** of the gross internal area of the investment estate currently let	2020 - 2021	98.16%	95.21%	95.21%	95.23%				
	2021 - 2022	96.01%	96.01%	96.01%	89.31%				
L168 **Income** per car park P&D ticket	2020 - 2021	July £1.79	Sept £1.79	Dec £1.51	Mar £1.40	£1.69		£1.79	
	2021 - 2022	July £1.87	Sept £1.89	Dec £1.51	Mar £1.70	£1.83			
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	2020 - 2021	98%	99%	99%	97%	95%	98.75%	95%	
	2021 - 2022	90%	97%	98%	100%	95%	98.75%		
L301 **Percentage** of Building Regulation Applications examined within 3 weeks	2020 - 2021	99%	100%	99%	98%	95%	99%	95%	
	2021 - 2022	100%	98%	99%	96%	95%	99%		
	2020 - 2021	5	7	7	7	10	7	10	

L302 Average time to first response **(Days)**	2021 - 2022	8.5	7.5	8	7	10	7		
Customer Service & Communications									
L999 **Percentage** of Feedback Customer Satisfaction	2020 - 2021	N/A	N/A	N/A	N/A	N/A	N/A	50%	No surveys carried out during quarter 4 as officer was assisting with admin of business grants
	2021 - 2022	42%	53%	43%	N/A	50%	46%		
L997 **Percentage** of Customer Service Satisfaction	2020 - 2021	83%	N/A	N/A	N/A	90%	N/A	90%	No surveys carried out during quarter 4 as officer was assisting with admin of business grants
	2021 - 2022	94%	90%	92%	N/A	90%	92%		
L998 **Percentage** of Media Satisfaction Annual	2020 - 2021	Annual				N/A	100%		Survey not carried out this year; new PI's will be developed which will reflect the whole suite of channels we now use
	2021 - 2022	N/A				N/A	N/A	N/A	
Environmental Health & Housing									
LEHH014 Food Hygiene Interventions **Completed**	2020 - 2021	16	2	88	187	429	293	708	
	2021 - 2022	29	177	22	348	708	576		
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	2020 - 2021	2.5%	0.3%	0.6%	1.2%	100%	1.6%		
	2021 - 2022	3.7%	23%	3.02%	49%	100%	19.68%		
LEHH016 Housing Options - **Number** of Homelessness Prevented & Relieved	2020 - 2021	102	153	104	135		494	Data Only	Prevent 64, Relief 37.
	2021 - 2022	128	126	136	102		492		
LEHH017 Housing Options - **Number** of Households Accommodated in Temporary Accommodation	2020 - 2021	36	33	33	38		140	Data only	
	2021 - 2022	42	38	42	64		186		
LEHH019 Housing Standards - **Number** of DFG's Completed & **Monies Paid**	2020 - 2021	30	56	102	214			Data Only	Cumulative totalling £1,054,234.68
	2021 - 2022	31	78	114	186				
LEHH026 **Number** of NDC Lets Through DHC	2020 - 2021	48	98	70	98		314	Data only	
	2021 - 2022	72	70	60	63				
LEHH020 Housing Standards – the **level** of unmet demand for DFGs	2020 - 2021	£366,156	£227,416	£300,799	£401,850		£1,295,951	Data only	
	2021 - 2022	£343,163	£354,224	£426,680	£436,164		£1,560,231		

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:

……………………………………………. Date: 28 September 2022
Chairman, North Devon Council

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 2022 and its income and expenditure for the year ended 31 March 2022.

Jon Triggs, Chief Financial Officer Date: 28 September 2022

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.

2020/21 Restated				2021/22		
Gross Expenditure £000	**Gross Income £000**	**Net Expenditure £000**		**Gross Expenditure £000**	**Gross Income £000**	**Net Expenditure £000**
23,797	(20,893)	2,904	Customer Focus.	22,405	(19,351)	3,054
10,247	(5,863)	4,384	Environmental Enhancement.	11,026	(5,349)	5,677
1,981	(205)	1,776	Governance.	2,402	(557)	1,845
353	(7)	346	Organisational Development.	365	(29)	336
5,807	(2,446)	3,361	Place, Property & Regeneration.	9,063	(7,066)	1,997
7,348	(5,594)	1,754	Planning, Housing & Health.	8,090	(6,391)	1,699
0	0	0	Programme Management.	10	(149)	(139)
463	(191)	272	Corporate Services.	974	(22)	952
49,996	**(35,199)**	**14,797**	**Cost of services**	**54,335**	**(38,914)**	**15,421**
2,413	(76)	2,337	Other operating expenditure (Note 12)	2,473	(279)	2,194
1,194	(399)	795	Financing and investment income and expenditure (Note 13)	1,925	(365)	1,560
5,869	(25,775)	(19,906)	Taxation and non-specific grant income and expenditure (Note 14)	2,544	(19,635)	(17,091)
59,472	**(61,449)**	**(1,977)**	**(Surplus) or deficit on Provision of Services**	**61,277**	**(59,193)**	**2,084**
0	(5,068)	(5,068)	Surplus or deficit on revaluation of property, plant and equipment assets	0	(5,828)	(5,828)
13,749	0	13,749	Re-measurements of the net defined benefit liability	0	(11,520)	(11,520)
13,749	**(5,068)**	**8,681**	**Other Comprehensive (Income)/Expenditure**	**0**	**(17,348)**	**(17,348)**
73,221	**(66,517)**	**6,704**	**Total Comprehensive (Income)/Expenditure**	**61,277**	**(76,541)**	**(15,264)**

2020/21 Restated due to Organisational Restructure

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 2020	**1,161**	**5,395**	**6,556**	**0**	**3,168**	**9,724**	**28,910**	**38,634**
<u>Movement in Reserves during 2020/21</u>								
Total Comprehensive Income and Expenditure	1,977	0	**1,977**	**0**	**0**	**1,977**	(8,681)	**(6,704)**
Adjustments between accounting basis and funding basis under regulations (Note 10)	9,027	0	**9,027**	0	(708)	**8,319**	(8,319)	**0**
Transfers to/(from) Earmarked Reserves (Note 11)	(10,955)	10,955	**0**	0	0	**0**	0	**0**
Increase/decrease in 2020/21	**49**	**10,955**	**11,004**	**0**	**(708)**	**10,296**	**(17,000)**	**(6,704)**
Balance at 31st March 2021 carried forward	**1,210**	**16,350**	**17,560**	**0**	**2,460**	**20,020**	**11,910**	**31,930**

	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 2021	**1,210**	**16,350**	**17,560**	**0**	**2,460**	**20,020**	**11,910**	**31,930**
Movement in Reserves during 2021/22								
Total Comprehensive Income and Expenditure	(2,084)	0	**(2,084)**	**0**	**0**	**(2,084)**	17,348	**15,264**
Adjustments between accounting basis and funding basis under regulations (Note 10)	255	0	**255**	0	(137)	**118**	(118)	**0**
Transfers to/(from) Earmarked Reserves (Note 11)	1,829	(1,828)	**1**	0	0	**1**	0	**1**
Increase/decrease in 2021/22	**0**	**(1,828)**	**(1,828)**	**0**	**(137)**	**(1,965)**	**17,230**	**15,265**
Balance at 31st March 2022 carried forward	**1,210**	**14,522**	**15,732**	**0**	**2,323**	**18,055**	**29,140**	**47,195**

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'.

31st March 2021 £000		Notes	31st March 2022 £000
90,763	Property, Plant and Equipment	15	114,075
923	Heritage Assets	16	923
5,098	Investment Property	17	4,923
282	Intangible Assets	18	174
709	Long Term Debtors	19	686
97,775	**Long Term Assets**		**120,781**
154	Inventories	20	213
17,384	Short Term Debtors	22	10,282
23,861	Cash and Cash Equivalents	23	19,403
0	Short Term Investments		0
41,399	**Current Assets**		**29,898**
0	Short Term Borrowing	19	0
(28,874)	Short Term Creditors	25	(28,645)
(761)	Donated Assets Account	35	(761)
0	Finance Leases	38	(110)
(726)	Provisions	26	(688)
(30,361)	**Current Liabilities**		**(30,204)**
(501)	Long Term Borrowing	19	(3,006)
0	Finance Leases	38	(782)
(71,548)	Defined Benefit Pension Scheme Liability	42	(64,455)
(4,764)	Capital Grants Receipts in Advance	35	(4,967)
(70)	Other Long Term Liabilities		(70)
(76,883)	**Long Term Liabilities**		**(73,280)**
31,930	**Net Assets**		**47,195**
20,020	Usable Reserves		18,055
11,910	Unusable Reserves	27	29,140
31,930	**Total Reserves**		**47,195**

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.

2020/21 £000		**2021/22 £000**
(1,977)	Net (surplus) or deficit on the provision of services	2,084
(6,741)	Adjustments to net surplus or deficit on the provision of services for non cash movements	(12,432)
54	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	19
(8,664)	Net cash flows from Operating Activities (Note 28)	(10,329)
5,031	Investing Activities (Note 29)	21,800
(3,607)	Financing Activities (Note 30)	(7,013)
(7,240)	Net (increase) or decrease in cash and cash equivalents	4,458
(16,621)	Cash and cash equivalents at the beginning of the reporting period	(23,861)
(23,861)	**Cash and cash equivalents at the end of the reporting period**	**(19,403)**

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.

2021/22 Collection Fund

	Business Rates £000	Council Tax £000	Total £000	Notes
INCOME				
Council Tax Receivable	0	74,151	74,151	40
Business Rates Receivable	23,257	0	23,257	41
Transitional Protection Payments Payable	(812)	0	(812)	
	22,445	74,151	96,596	
Contribution to Previous Year's Deficit				
Central Government	10,193	0	10,193	
North Devon Council	8,155	0	8,155	
Devon County Council	1,835	0	1,835	
Devon & Somerset Fire & Rescue Service	204	0	204	
Devon and Cornwall Police (PCC)	0	0	0	
	20,387	0	20,387	
Total Income	**42,832**	**74,151**	**116,983**	
EXPENDITURE				
Apportionment of Previous Year Surplus				
Central Government	0	0	0	
North Devon Council	0	117	117	
Devon County Council	0	653	653	
Devon & Somerset Fire & Rescue Service	0	40	40	
Devon and Cornwall Police (PCC)	0	100	100	
	0	910	910	
Precepts, Demands and Shares				
Central Government	15,929	0	15,929	
North Devon Council	12,743	9,093	21,836	
Devon County Council	2,867	51,985	54,852	
Devon & Somerset Fire & Rescue Service	319	3,096	3,415	
Devon and Cornwall Police (PCC)	0	8,137	8,137	
	31,858	72,311	104,169	
Charges to Collection Fund				
Write offs of uncollectable amounts	216	395	611	
Increase/(Decrease) in provision for bad debts	(204)	42	(162)	
Increase/(Decrease) in provision for appeals	47	0	47	
Disregarded amounts	356	0	356	
Cost of Collection	215	0	215	
	630	437	1,067	
Total Expenditure	**32,488**	**73,658**	**106,146**	
(Deficit)/Surplus for the year	10,344	493	10,837	
Balance at beginning of the year	(21,651)	479	(21,172)	
(Deficit)/Surplus at 31 March 2022	**(11,307)**	**972**	**(10,335)**	

The (£11,307k) represents the overall deficit on the non-domestic rate element of the Collection Fund at 31 March 2022. Of this balance 40% is attributable to North Devon Council, which equates to (£4,523k).
The £972k represents the overall surplus on the council tax element of the Collection Fund at 31 March 2022. Of this balance 12.7% is attributable to North Devon Council, which equates to £124k.

2020/21 Collection Fund

	Business Rates £000	Council Tax £000	Total £000	Notes
INCOME				
Council Tax Receivable	0	69,848	69,848	40
Business Rates Receivable	11,819	0	11,819	41
Transitional Protection Payments Payable	(445)	0	(445)	
	11,374	69,848	81,222	
Contribution to Previous Year's Deficit				
Central Government	0	0	0	
North Devon Council	0	0	0	
Devon County Council	73	0	73	
Devon & Somerset Fire & Rescue Service	0	0	0	
Devon and Cornwall Police (PCC)	0	0	0	
	73	0	73	
Total Income	**11,447**	**69,848**	**81,295**	
EXPENDITURE				
Apportionment of Previous Year Surplus				
Central Government	157	0	157	
North Devon Council	57	57	114	
Devon County Council	0	428	428	
Devon & Somerset Fire & Rescue Service	1	27	28	
Devon and Cornwall Police (PCC)	0	65	65	
	215	577	792	
Precepts, Demands and Shares				
Central Government	15,892	0	15,892	
North Devon Council	12,714	8,887	21,601	
Devon County Council	2,861	49,761	52,622	
Devon & Somerset Fire & Rescue Service	318	3,051	3,369	
Devon and Cornwall Police (PCC)	0	7,662	7,662	
	31,785	69,361	101,146	
Charges to Collection Fund				
Write offs of uncollectable amounts	75	74	149	
Increase/(Decrease) in provision for bad debts	297	830	1,127	
Increase/(Decrease) in provision for appeals	46	0	46	
Disregarded amounts	353	0	353	
Cost of Collection	212	0	212	
	983	904	1,887	
Total Expenditure	**32,983**	**70,842**	**103,825**	
(Deficit)/Surplus for the year	(21,536)	(994)	(22,530)	
Balance at beginning of the year	(115)	1,473	1,358	
(Deficit)/Surplus at 31 March 2021	**(21,651)**	**479**	**(21,172)**	

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

Notes to the Accounts

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2021/22 financial year and its position at the year-end of 31st March 2022. 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 2021/22, 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 2021/22 Code requires that authorities present expenditure and income on services on the basis of it's reportable segments. These reportable segments are based on the authority's internal management reporting structure. Previously there was a requirement to present expenditure and income in accordance with the Service Expenditure Code of Practice (SERCOP).

iii. Accruals of Income and Expenditure

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

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

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

- Revenue from council tax and business rates is measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.

- Expenses in relation to services received including services provided by employees are recorded as expenditure when the services are received rather than when payments are made.

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where revenue and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance sheet of debtors is written down and a charge made to revenue for the income that might not be collected.

- A de minimis level of £5,000 is normally applied to any manual adjustments made.

- The Council has adopted IFRS 15 Revenue from Contracts with Customers in accordance with the Code, however, this has had no material impact upon the Financial Statements.

iv. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

v. Material Items

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

vi. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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

There were no prior period adjustments.

vii. Charges to Revenue for Non Current Assets

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

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

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

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement In Reserves Statement for the difference between the two.

viii. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Authority.

An accrual is made for the cost of holiday entitlements and time off in lieu earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer’s employment before the normal retirement date or an officer’s decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards.

In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post Employment Benefits

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

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

Local Government Pension Scheme

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

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

- Liabilities are discounted to their value at current prices, using a discount rate of 2.60% (annualised yield on the Merill Lynch AA rated corporate bond yield curve).

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

  - Quoted securities – current bid price
  - Unquoted securities – professional estimate
  - Unitised securities – current bid price
  - Property – market value

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

  - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statements to the services for which the employees worked.

  - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

  - Net interest cost – the net interest expense for the authority – the change during the period in the net defined benefit liability that arises from the passage of time; charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

  - Return on plan assets – excluding amounts included in net interest on the net defined benefit liability - charged to the

Pensions Reserve as Other Comprehensive Income and Expenditure

- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

- Contributions paid to the Devon County pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

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

Discretionary Benefits

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

ix. Events after the Reporting Period

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

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events

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

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

x. Financial Instruments

Financial Liabilities

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

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

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

Financial Assets

Financial assets are subsequently measured in one of two ways:

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

• Fair value – all other financial assets

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

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

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

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

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

xi. Foreign Currency Translation

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 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 2021/22.

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 2021/22.

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 brining 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 time value for money 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.

2021/22

	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
Customer Focus	2,140	0	**2,140**	914	**3,054**
Environmental Enhancement	2,810	0	**2,810**	2,867	**5,677**
Governance	1,522	0	**1,522**	323	**1,845**
Organisational Development	292	0	**292**	44	**336**
Place, Property, Regeneration	(480)	(93)	**(573)**	2,570	**1,997**
Planning, Housing, Health	1,035	0	**1,035**	664	**1,699**
Programme Management	(141)	0	**(141)**	2	**(139)**
Corporate Services	1,535	0	**1,535**	(583)	**952**
Net Cost of Services	**8,713**	**(93)**	**8,620**	**6,801**	**15,421**
Other Income & Expenditure	(9,317)	2,526	**(6,792)**	(6,545	**(13,337)**
(Surplus) or Deficit	**(604)**	**2,433**	**1,828**	**256**	**2,084**

2020/21 (Restated due to Organisational Restructure)

	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
Customer Focus	2,458	0	**2,458**	447	**2,905**
Environmental Enhancement	5,031	0	**5,031**	(645)	**4,386**
Governance	1,593	0	**1,593**	183	**1,776**
Organisational Development	319	0	**319**	26	**345**
Place, Property, Regeneration	1,240	435	**1,675**	1,683	**3,358**
Planning, Housing, Health	1,379	0	**1,379**	375	**1,754**
Corporate Services	981	0	**981**	(708)	**273**
Net Cost of Services	**13,001**	**435**	**13,436**	**1,361**	**14,797**
Other Income & Expenditure	(13,594)	(10,846)	**(24,440)**	7,666	**(16,774)**
(Surplus) or Deficit	**(593)**	**(10,411)**	**(11,004)**	**9,027**	**(1,977)**

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.

2021/22

	Investment properties reported at Directorate level Note (a) £000	Transfers To/From Earmarked Reserves (b) £000	Reserve Transfers (c) £000	Total to arrive at amount charged to the General Fund £000	Adjustment for capital purposes Note (d) £000	Net change for the Pensions adjustment Note (e) £000	Other differences Note (f) £000	Total adjustment between funding and accounting basis £000
Customer Focus	0	0	0	**0**	238	676	0	**914**
Environmental Enhancement	0	0	0	**0**	1,642	1,225	(1)	**2,866**
Governance	0	0	0	**0**	46	277	0	**323**
Organisational Development	0	0	0	**0**	0	45	0	**45**
Place, Property, Regeneration	(93)	0	0	**(93)**	2,114	457	(1)	**2,570**
Planning, Housing, Health	0	0	0	**0**	(189)	854	(1)	**664**
Programme Management	0	0	0	**0**	0	2	0	**2**
Corporate Services	0	0	0	**0**	0	(583)	0	**(583)**
Net Cost of Services	**(93)**	**0**	**0**	**(93)**	**3,851**	**2,953**	**(3)**	**6,801**
Other Income & Expenditure	93	1,828	605	**2,526**	(3,806)	1,474	(4,213)	**(6,545)**
(Surplus) or Deficit	**0**	**1,828**	**605**	**2,433**	**45**	**4,427**	**(4,216)**	**256**

2020/21 (Restated due to Organisational Restructure)

	Investment properties reported at Directorate level Note (a) £000	Transfers To/From Earmarked Reserves (b) £000	Provisions and Reserve Transfers (c) £000	Total to arrive at amount charged to the General Fund £000	Adjustment for capital purposes Note (d) £000	Net change for the Pensions adjustment Note (e) £000	Other differences Note (f) £000	Total adjustment between funding and accounting basis £000
Customer Focus	0	0	0	**0**	122	324	1	**447**
Environmental Enhancement	0	0	0	**0**	(1,184)	537	2	**(645)**
Governance	0	0	0	**0**	41	141	1	**183**
Organisational Development	0	0	0	**0**	0	26	0	**26**
Place, Property, Regeneration	435	0	0	**435**	1,465	216	1	**1,682**
Planning, Housing, Health	0	0	0	**0**	(49)	423	2	**376**
Corporate Services	0	0	0	**0**	0	(709)	1	**(708)**
Net Cost of Services	**435**	**0**	**0**	**435**	**395**	**958**	**8**	**1,361**
Other Income & Expenditure	(435)	(10,954)	543	**(10,846)**	(2,185)	1,275	8,576	**7,666**
(Surplus) or Deficit	**0**	**(10,954)**	**543**	**(10,411)**	**(1,790)**	**2,233**	**8,584**	**9,027**

(a) The authority includes investment properties in Place, Property and Regeneration Head of Service area, 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

The Code of Practice requires that the Authority discloses information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. The requirement applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question (i.e. on or before 1 January 2022 for 2021/22).

Previously, IFRS 16 Leases in the Public Sector was due to be implemented from April 2022. However, following a late emergency consultation to help alleviate delays to the publication of audited financial statements, CIPFA/LASAAC recommended the deferral of the implementation of IFRS 16 Leases in the Public Sector for a further two years until the 2024/25 financial year, with an effective date of 1 April 2024. This will require lessees to recognise assets subject to leases as right-of-use assets on their balance sheet, along with corresponding lease liabilities (there are exceptions for low-value and short-term leases). This was considered and supported by the Government’s Financial Reporting Advisory Board (FRAB).

Under the new standard, where leases are material they would be treated as a Finance lease rather than an Operating lease, where the asset would be bought onto the Balance Sheet with a corresponding liability, the asset and liabillity would reduce over the life of the asset with a charge to the "Income and Expenditure account" (I&E) in the form of a "Minimum Revenue Provision" (MRP) charge, this MRP charge would replace the operating leases charge to the I&E.

5. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

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

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

The items in the Authority's Balance Sheet at 31st March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate 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. 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 31st March 2022. The Covid-19 pandemic has had a global impact on financial markets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets fall. 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 £94m. If the valuations on these assets were to reduce/increase by 10% there would be a movement on the revaluation reserve or Comprehensive Income and Expenditure statement of £9.4m.

Item	Uncertainties	Effect if actual results differ from assumptions
	This makes judgements around valuations much more challenging as the previous market evidence which is used to inform valuations is less reliable given the substantially increased market uncertainty.	
Property Plant and Equipment and Investment Properties	The effects of Brexit and coming out of the Pandemic can be clearly seen in terms of the budgetary and cost pressures on the construction industry. The BCIS demonstrate a clear implication of this on build costs which have risen over 10% in the preceding 12 months. The continued inflationary pressures on the economy have potential to put further upward pressure on costs of materials and labour. There is also pressure on the construction labour force, with skill shortages in certain key areas i.e. Carpentry, and the ongoing number of COVID cases, reduces staff availability in the sector further. We are experiencing these pressures first hand with the current projects we are actively involved in i.e. Ilfracombe Watersports, Barnstaple future High Street Fund. A significant number of our assets, including those within our top 20 assets, are valued on a DRC basis, and are therefore subject to the uncertainty of rising costs. We have made realistic allowances for the cost pressures within our valuation process.	

Item	Uncertainties	Effect if actual results differ from assumptions
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 £2.9m. A 1 year increase in longevity rates would increase the pension liability by £7.0m. 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 Devon County Pension Fund, of which North Devon District Council is an admitted body, holds investments in property. The Devon County Pension Fund property assets attributable to North Devon District Council account for £8.160m (10%) of total assets.	The actual valuations at the Balance Sheet date, which may not be available until some time later, may give a different value of pension assets, but this difference is not considered to be material.
Business Rates	The Council receives income from business rates which forms part of its funding of its revenue budget. Due to the uncertain impact of Covid-19 on businesses and potential rateable value appeals it is possible that current assumptions may not be fully accurate.	Whilst the uncertainty around Covid-19 means any estimate of the impact would be highly uncertain, the impact would feed through in to the collection fund balance which would then be taken account of in future years' budgets.
Arrears	At 31st March 2022, the Authority had a balance of sundry debtors of £3.786m. A review of significant balances suggested that an	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an

Item	Uncertainties	Effect if actual results differ from assumptions
	impairment of doubtful debtors of 38.71% (£1.466m) was appropriate. However, in the current economic climate and the uncertainties with COVID-19, it is not certain that such an allowance would be sufficient.	additional £1.466m to set aside as an allowance.

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

7. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Chief Financial Officer (Director of Resources) on 5th July 2022. 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 2022, 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:

2020/21 £000		2021/22 £000
	Expenditure	
15,852	Employee Benefits	18,817
16,354	Other Service Expenses	15,085
19,214	Housing Benefit Payments	17,973
1,285	Interest Payments	1,487
2,405	Precepts & Levies	2,471
4,354	Capital Financing	5,442
8	Loss on Disposal of Non Current Asset	2
59,472	**Total Expenditure**	**61,277**
	Income	
(8,969)	Council Tax (Incl Parish Precepts)	(9,271)
(4,946)	Non Domestic Rates	(4,913)
(2,171)	Non Specific Government Grants	(1,730)
(13,548)	Other Government Grants	(10,234)
(19,095)	Housing Benefit Subsidy	(17,448)
(55)	Interest & Investment income	(23)
(3,838)	Other Grants	(2,605)
(8,751)	Receipts	(12,691)
(76)	Gain on Disposal of Non Current Asset	(278)
(61,449)	**Total Income**	**(59,193)**
(1,977)	**(surplus)/Deficit on provision of services**	**2,084**

9. SEGMENT REPORTING

Income received on a segmental basis is analysed below (2020/21 Restated due to Organisation Restructure):

2020/21 £000		2021/22 £000
(163)	Customer Focus	(343)
(2,758)	Environmental Enhancement	(3,517)
(194)	Governance	(182)
(7)	Organisational Development	(29)
(2,525)	Place, Property, Regeneration	(5,230)
(3,104)	Planning, Housing, Health	(3,387)
(0)	Programme Management	0
(0)	Corporate Services	(3)
(8,751)	**Total analysed on a segmental basis**	**(12,691)**

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.

2021/22	**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	2,827	0	0	2,827	(2,827)	0
Revaluation (Gain)/loss on Property Plant and Equipment	771	0	0	771	(771)	0
Movements in the fair value of Investment Properties	253	0	0	253	(253)	0
Amortisation of intangible assets	115	0	0	115	(115)	0
Revenue expenditure funded from capital under statute	0	0	0	0	0	0
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal	2	0	0	2	(2)	0
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement:						
Statutory provision for the financing of capital investment	(514)	0	0	(514)	514	0
Capital expenditure charged against the General Fund	(3,269)	0	0	(3,269)	3,269	0
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(3,267)	0	3,267	0	0	0
Application of grants to capital financing transferred to Capital Adjustment Account	3,404	0	(3,404)	0	0	0
involving the Capital Receipts Reserve:	**Adjustments primarily**					

2021/22	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	(278)	278	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(278)	0	(278)	278	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	0	0	0	0	0
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	7,100	0	0	7,100	(7,100)	0
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,673)	0	0	(2,673)	2,673	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	(61)	0	0	(61)	61	0
Amount by which business rate income credited is different from business rate income calculated for the year in accordance with statutory requirements	(4,152)	0	0	(4,152)	4,152	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	(3)	0	0	(3)	3	0
Total Adjustments	**255**	**0**	**(137)**	**118**	**(118)**	**0**

2020/21	**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	2,579	0	0	2,579	(2,579)	0
Revaluation (Gain)/loss on Property Plant and Equipment	302	0	0	302	(302)	0
Movements in the fair value of Investment Properties	(258)	0	0	(258)	258	0
Amortisation of intangible assets	87	0	0	87	(87)	0
Revenue expenditure funded from capital under statute	0	0	0	0	0	0
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal	83	0	0	83	(83)	0
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement:						
Statutory provision for the financing of capital investment	(541)	0	0	(541)	541	0
Capital expenditure charged against the General Fund	(3,980)	0	0	(3,980)	3,980	0
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(4,482)	0	3,863	(619)	619	0
Application of grants to capital financing transferred to Capital Adjustment Account	4,571	0	(4,571)	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	(152)	152	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(152)	0	(152)	152	0

2020/21	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	0	0	0	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	0	0	0
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	4,822	0	0	4,822	(4,822)	0
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,589)	0	0	(2,589)	2,589	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	82	0	0	82	(82)	0
Amount by which business rate income credited is different from business rate income calculated for the year in accordance with statutory requirements	8,495	0	0	8,495	(8,495)	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	8	0	0	8	(8)	0
Total Adjustments	**9,027**	**0**	**(708)**	**8,319**	**(8,319)**	**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 2021/22.

	Balance at 31st March 2020 £000	Transfers Out 2020/21 £000	Transfers In 2020/21 £000	Balance at 31st March 2021 £000	Transfers Out 2021/22 £000	Transfers In 2021/22 £000	Balance at 31st March 2022 £000
Collection Fund (Business Rates)	**733**	0	9,077	**9,810**	(8,505)	4,417	**5,722**
Repairs Fund	**400**	(315)	712	**797**	(535)	1,085	**1,347**
Budget Management	**0**	0	375	**375**	0	561	**936**
Community Housing Fund	**569**	(109)	8	**468**	(50)	46	**464**
Capital Funding	**397**	0	0	**397**	(14)	0	**383**
Crematorium Equipment Replacement	**240**	0	57	**297**	0	60	**357**
Flexible Homelessness Support	**201**	0	112	**313**	(35)	67	**345**
Office Technology	**193**	(106)	137	**224**	(21)	121	**324**
Transformation	**0**	(7)	250	**243**	0	80	**323**
Local Plans	**144**	0	12	**156**	0	100	**256**
Crematorium Capital Works	**200**	0	31	**231**	0	0	**231**
Economic Development	**144**	(34)	126	**236**	(44)	25	**217**
Rough Sleeper Initiative	**79**	(30)	80	**129**	0	61	**190**
Digital Transformation	**169**	(25)	0	**144**	(57)	95	**182**
Vehicles Renewals	**172**	(117)	250	**305**	(123)	0	**182**
C Tax Support Scheme	**80**	(27)	89	**142**	(28)	62	**176**
Corporate Property Management Initiative	**0**	0	0	**0**	0	169	**169**
Covid Toilet Cleaning	**0**	0	0	**0**	0	150	**150**
ICT Cyber Treatment	**0**	0	0	**0**	0	150	**150**
Project Man Performance (Levelling up)	**0**	0	0	**0**	0	149	**149**
Strategic Contingency	**194**	(80)	30	**144**	0	0	**144**
SFS Vehicle Tender	**0**	0	0	**0**	0	133	**133**

	Balance at 31st March 2020 £000	Transfers Out 2020/21 £000	Transfers In 2020/21 £000	Balance at 31st March 2021 £000	Transfers Out 2021/22 £000	Transfers In 2021/22 £000	Balance at 31st March 2022 £000
Programme Delivery	**0**	0	0	**0**	0	125	**125**
Leisure Centre Replacement	**63**	0	78	**141**	(27)	0	**114**
Collection Fund (Council Tax)	**0**	0	106	**106**	0	0	**106**
Development Control	**16**	0	0	**16**	0	84	**100**
Tarka Tennis Surface Replacement	**71**	0	13	**84**	0	13	**97**
Corporate Property income volatility	**0**	0	0	**0**	0	75	**75**
Planning Inquiries	**190**	(20)	0	**170**	(100)	0	**70**
Self Build & Custom Housebuild	**72**	0	0	**72**	(2)	0	**70**
Food Safety	**0**	0	0	**0**	0	67	**67**
Economic Financial Hardship	**0**	0	30	**30**	0	37	**67**
New Homes Bonus	**125**	(39)	45	**131**	(66)	0	**65**
Building Control	**18**	0	0	**18**	0	32	**50**
District Council Election	**0**	0	25	**25**	0	25	**50**
Environmental Initiatives	**0**	0	50	**50**	(1)	0	**49**
Watersports Centre	**3**	(2)	157	**158**	(114)	0	**44**
Next Step Accommodation	**0**	0	52	**52**	(52)	43	**43**
Greensweep	**33**	(30)	75	**78**	(57)	12	**33**
CCTV	**117**	(5)	0	**112**	(84)	0	**28**
Parks Reserve	**0**	(64)	116	**52**	(46)	0	**6**
Improvement Programme	**96**	(16)	0	**80**	(80)	0	**0**
Other Reserves (balances less than £50,000)	**676**	(310)	198	**564**	(99)	268	**733**
Total	**5,395**	**(1,336)**	**12,291**	**16,350**	**(10,140)**	**8,312**	**14,522**

The following table shows the purpose of each reserve with a balance at 31st March 2022 over £0.250m:

Collection Fund (Business Rates)	To deal with the timing impacts of the Collection Fund (Business Rates transactions)
Repairs Fund	Maintenance of council assets
Budget Management	Ongoing budget pressures
Community Housing Fund	Housing Enabling
Capital Funding Reserve	Future capital schemes
Crematorium Equipment	Replace Cremators and Filtration Equipment

Flexible Homelessness Support	Support for Homelessness
Office Technology	ICT Infrastructure, Bank-up and End User Assets
Transformation	NDC Transformation Programme
Local Plan	Production of the Local Plan

12. OTHER OPERATING EXPENDITURE

2020/21 £000s		2021/22 £000s
2,376	Parish council precepts	2,442
29	Levies	29
0	Payments to the Government Housing Capital Receipts Pool	0
(68)	(Gains)/losses on the disposal of non current assets	(277)
2,337	**Total**	**2,194**

13. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2020/21 £000s		2021/22 £000s
9	Interest payable and similar charges	12
1,275	Pensions interest cost and expected return on pensions assets	1,474
(54)	Interest receivable and similar income	(19)
(435)	Income and expenditure in relation to investment properties and changes in their fair value	93
795	**Total**	**1,560**

14. TAXATION AND NON SPECIFIC GRANT INCOMES

2020/21 £000s		2021/22 £000s
(8,969)	Council tax income	(9,271)
(4,946)	Non domestic rates	(4,913)
(3,201)	Covid Support from MHCLG	(1,001)
(5,869)	Covid Business Support Grants Income	(2,581)
5,869	Covid Business Support Grants Expenditure	2,544
(2,790)	Non ring fenced government grants	(1,869)
0	CTS grant paid to parishes	0
(19,906)	**Total**	**(17,091)**

15. PROPERTY, PLANT AND EQUIPMENT

Movements in 2021/22	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under construction £000	Finance Leases £000	Total Property, Plant and Equipment £000
GBV or Valuation								
At 1st April 2021	81,616	9,816	2,310	304	373	4,154	0	98,573
Additions	9,225	260	0	0	0	10,708	891	21,084
Donations	0	0	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	5,844	0	107	0	0	0	0	5,951
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(884)	(10)	0	0	0	0	0	(894)
De-recognition on revaluations	(1,996)	(11)	(388)	0	0	0	0	(2,395)
De-recognition – disposals	0	(1,900)	0	0	0	0	0	(1,900)
Other movements in cost or valuation	0	0	0	0	0	0	0	0
At 31st March 2022	**93,805**	**8,155**	**2,029**	**304**	**373**	**14,862**	**891**	**120,419**
Accumulated Depreciation and Impairment								
At 1st April 2021	323	7,142	345	0	0	0	0	7,810
Depreciation charge	1,887	874	66	0	0	0	0	2,827
De-recognition on revaluations	(1,996)	(11)	(388)	0	0	0	0	(2,395)
Provision of Services	0	0	0	0	0	0	0	0
De-recognition – disposals	0	(1,898)	0	0	0	0	0	(1,898)
At 31st March 2022	**214**	**6,107**	**23**	**0**	**0**	**0**	**0**	**6,344**
Net Book Value								
At 31st March 2021	**81,293**	**2,674**	**1,965**	**304**	**373**	**4,154**	**0**	**90,763**
At 31st March 2022	**93,591**	**2,048**	**2,006**	**304**	**373**	**14,862**	**891**	**114,075**

Movements in 2020/21	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 2020	78,098	9,617	2,280	292	520	787	91,594
Additions	557	438	30	12	0	3,367	4,404
Donations	0	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	5,065	0	0	0	3	0	5,068
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(152)	0	0	0	(150)	0	(302)
De-recognition on revaluations	(1,952)	0	0	0	0	0	(1,952)
De-recognition – disposals	0	(239)	0	0	0	0	(239)
Other movements in cost or valuation	0	0	0	0	0	0	0
At 31st March 2021	**81,616**	**9,816**	**2,310**	**304**	**373**	**4,154**	**98,573**
Accumulated Depreciation and Impairment							
At 1st April 2020	783	6,361	279	0	0	0	7,423
Depreciation charge	1,492	1,020	66	0	0	0	2,578
De-recognition on revaluations	(1,952)	0	0	0	0	0	(1,952)
Provision of Services	0	0	0	0	0	0	0
De-recognition – disposals	0	(239)	0	0	0	0	(239)
At 31st March 2021	**323**	**7,142**	**345**	**0**	**0**	**0**	**7,810**
Net Book Value							
At 31st March 2020	**77,315**	**3,256**	**2,001**	**292**	**520**	**787**	**84,171**
At 31st March 2021	**81,293**	**2,674**	**1,965**	**304**	**373**	**4,154**	**90,763**

Capital Commitments

At 31st March 2022, the Authority has the following capital commitments:
- Ilfracombe Water Sports Centre £1,826,084
- Leisure Provision Seven Brethren £2,347,177

2020/21 commitments were £11,115,941.
- Boyton House £71,591
- Leisure Provision Seven Brethren £11,044,350

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 31st March 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 Institution of Chartered Surveyors. The last valuation was carried out as at 31st March 2022.

	Other Land and Buildings £000
Valued at Historic Cost	0
Valued at fair value as at:	
31st March 2022	92,648
31st March 2021	463
31st March 2020	408
1st April 2018	241
1st April 2017	45
Total	**93,805**

Other Categories of PPE are not shown above.

16. HERITAGE ASSETS

	31st March 2021	**31st March 2022**
	£000	**£000**
Valuation	**923**	**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:

	2020/21 £000	2021/22 £000
Rental income from investment property	345	346
Direct operating expenses arising from investment property	(167)	(185)
Net gain/(loss)	178	161

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:

	2020/21 £000	2021/22 £000
Balance at start of year	4,927	5,098
Additions:		
• Construction	(3)	78
Disposals	(84)	0
Net gains/(losses) from fair value adjustments	258	(253)
Transfers:		
• To/from Property, Plant and Equipment	0	0
Other changes (IFRS re-statement - from assets held for disposal)	0	0
Balance at the end of the year	**5,098**	**4,923**

Revaluations

The Authority 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 Institution 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.

	2020/21 Total £000	2021/22 Total £000
Gross Book Value at start of year	484	604
Purchases	120	7
De-recognition – Disposals	0	0
Gross Book Value at end of year	**604**	**611**
Amortisation at start of year	235	322
Amortisation for the period	87	115
De-recognition – Disposals	0	0
Amortisation at end of year	**322**	**437**
Net Book Value	**282**	**174**

19. FINANCIAL INSTRUMENTS
Categories of Financial Instruments

	Long Term		Current	
	31st March 2021 £000	**31st March 2022 £000**	**31st March 2021 £000**	**31st March 2022 £000**
Debtors				
Loans and receivables	709	686	23	20
Financial assets carried at contract amounts	0	0	3,993	3,333
Total included in Debtors	**709**	**686**	**4,016**	**3,353**
Investments				
Investments	0	0	0	0
Total Investments	**0**	**0**	**0**	**0**
Cash and Cash Equivalents				
Cash and Cash Equivalents	**0**	**0**	23,861	19,403
Total Cash and Cash Equivalents	**0**	**0**	**23,861**	**19,403**
Borrowings				
Financial liabilities at amortised cost	(501)	(3,006)	0	0
Total included in Borrowings	**(501)**	**(3,006)**	**0**	**0**
Creditors				
Financial liabilities carried at contract amount	0	0	(15,906)	(19,046)
Total Creditors	**0**	**0**	**(15,906)**	**(19,046)**

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long term payables and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining 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 2022	
	Carrying Amount £000	**Fair Value £000**
Long Term Borrowing (PWLB)	(3,006)	(2,788)
Total	**(3,006)**	**(2,788)**

The fair value of the liabilities is lower than the carrying amount because the Council's portfolio of loans includes fixed rate loans 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 £3,005,983 would be valued at £2,788,452.

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 £3,526,852.

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 payables and receivables are carried at cost, as this is a fair approximation of their value.

The council provides loans to employees for car loans and the balance outstanding at 31 March 2022 was £13,324. 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 2022 was £73,270.

The Council received Housing Infrastructure Funding (HIF) from Homes England. This was then paid out in the form of a loan to a property developer for infrastructure works in order to bring forward the development. The loan was for £619,242.

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 receivables in the balance sheet and measured at nominal value.

20. INVENTORIES

Consumable Stores	**2020/21 £000**	**2021/22 £000**
Balance outstanding at start of year	146	154
Purchases	908	1,151
Recognised as an expense in the year	(900)	(1,092)
Balance outstanding at year end	**154**	**213**

21. CONSTRUCTION CONTRACTS

At 31st March 2022, the Authority has the following construction contracts in progress:

- Ilfracombe Water Sports Centre £1,826,084
- Leisure Provision Seven Brethren £2,347,177

2020/21 Construction contracts in progress were £11,115,941.

- Boyton House £71,591
- Leisure Provision Seven Brethren £11,044,350

22. SHORT TERM DEBTORS

	31st March 2021 £000	31st March 2022 £000
Central government bodies	11,496	5,443
Other local authorities	3,134	1,537
Other entities and individuals	5,318	5,747
Gross debtors	**19,948**	**12,727**
Provision for Bad Debts	(2,564)	(2,445)
Net debtors	**17,384**	**10,282**

- Other entities and individuals in 2021/22 includes £1,050,000 relating to Housing Benefit debtors
- Other entities and individuals in 2020/21 includes £1,166,000 relating to Housing Benefit debtors
- Central Government Bodies in 2021/22 includes £4,764,000 in respect of Collection Fund
- Central Government Bodies in 2020/21 includes £10,162,000 in respect of Collection Fund

Debtors for Local Taxation

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

Council Tax	2020/21 £'000	2021/22 £'000
Up to one year	151	176
One to three years	77	69
Over three years	2	3
Total	**230**	**248**

Non-Domestic Rates	2020/21 £'000	2021/22 £'000
Up to one year	210	156
One to three years	68	35
Over three years	2	1
Total	**280**	**192**

23. CASH AND CASH EQUIVALENTS

31st March 2021 £000		31st March 2022 £000
2	Cash held by the Authority	1
773	Bank current accounts	836
23,086	Short term deposits with banks and building societies	18,566
23,861	**Total Cash and Cash Equivalents**	**19,403**

24. ASSETS HELD FOR SALE

As at 31st March 2022 the Authority had no assets held for sale.

25. SHORT TERM CREDITORS

	31st March 2021 £000	31st March 2022 £000
Central government bodies	24,893	17,603
Other local authorities	1,212	1,870
Council Tax Energy rebate scheme	0	5,850
Other entities and individuals	2,769	3,321
Total	**28,874**	**28,644**

Central Government bodies includes:

- £7,878k in respect of Covid Grants
- £7,956k in respect of Collection Fund

26. PROVISIONS

	Redundancy and Early Retirement £000	Business Rate Appeals £000	Holiday Pay £000	Total £000
Balance at 31st March 2021	**77**	**648**	**0**	**726**
Additional provisions made in 2021/22	0	430	0	430
Amounts used in 2021/22	(56)	(411)	0	(467)
Balance at 31st March 2022	**21**	**667**	**0**	**688**

27. UNUSABLE RESERVES

31st March 2021 £000		31st March 2022 £000
35,895	Revaluation Reserve	40,592
56,405	Capital Adjustment Account	57,630
0	Deferred Capital Receipts Reserve	0
(71,548)	Pensions Reserve	(64,455)
(8,635)	Collection Fund Adjustment Account	(4,422)
(207)	Accumulated Absences Account	(205)
11,910	**Total Unusable Reserves**	**29,140**

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.

2020/21 £000		2021/22 £000
31,583	**Balance at 1st April**	35,895
7,515	Upward revaluation of assets	6,285
(2,447)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(456)
(756)	Difference between fair value depreciation and historical cost depreciation	(1,132)
	Accumulated gains on assets sold or scrapped	
35,895	**Balance at 31st March**	**40,592**

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 deprecation, 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.

2020/21 £000		2021/22 £000
53,151	**Balance at 1st April**	56,405
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(1,824)	• Charges for depreciation and impairment of non current assets	(1,695)
(302)	• Revaluation Gains / (Loss) on Property, Plant and Equipment	(771)
(87)	• Amortisation of intangible assets	(115)
(1,644)	• Revenue expenditure funded from capital under statute	(1,475)

(83)	• Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2)
	Capital financing applied in the year:	
147	• Use of the Capital Receipts Reserve to finance new capital expenditure	278
1,644	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,475
619	• Capital grant income relating to Housing Infrastructure Fund that has been credited to the Comprehensive Income and Expenditure Statement and applied to capital financing	0
3,985	• Capital expenditure charged against the General Fund and HRA balances	3,269
541	• Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	514
258	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(253)
56,405	**Balance at 31st March**	**57,630**

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.

2020/21 £000		2021/22 £000
(55,566)	**Balance at 1st April**	(71,548)
(13,749)	Actuarial gains or (losses) on pensions assets and liabilities	11,520
(4,822)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(7,100)
2,589	Employer's pensions contributions and direct payments to pensioners payable in the year	2,673
(71,548)	**Balance at 31st March**	**(64,455)**

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.

2020/21 £000		2021/22 £000
(59)	**Balance at 1st April**	(8,635)
(8,576)	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	4,213
(8,635)	**Balance at 31st March**	**(4,422)**

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.

2020/21 £000		2021/22 £000
(199)	**Balance at 1st April**	(207)
199	Settlement or cancellation of accrual made at the end of the preceding year	207
(207)	Amounts accrued at the end of the current year	(204)
(207)	**Balance at 31st March**	**(204)**

28. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2020/21 £000		2021/22 £000
(1,977)	Net surplus/deficit on the provision of service	2,084
(9,027)	Net amount debited to the general fund (note 10)	(256)
11,857	Removed as part of note 10 that do form part of the cash movement	(2,043)
(541)	Minimum Revenue Provision (MRP)	(514)
(3,795)	Capital items removed that are part of note 10 and are not in the I&E	(2,544)
38	Movement in Provisions	37
	(Add back)	
(5)	Other non-cash items	71
9	Movement in Stock	58
13,498	Movement in Debtors	(7,294)
(18,775)	Movement in Creditors	53

	Remove interest paid and received to include in note 29	
54	Interest received	19
0	Interest paid	0
(8,664)	**Net Cash flow from operating activities**	**(10,329)**

29. CASH FLOW STATEMENT – INVESTING ACTIVITIES

2020/21 £000		**2021/22 £000**
5,970	Purchase of property, plant and equipment, investment property and intangible assets	21,928
(500)	Purchase of short term and long term investments	0
0	Other payments for investing activities	0
(385)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(109)
(54)	Proceeds from short term and long term investments	(19)
5,031	**Net cash flows from investing activities**	**21,800**

30. CASH FLOW STATEMENT – FINANCING ACTIVITIES

2020/21 £000		**2021/22 £000**
(3,607)	Other receipts from financing activities	(7,013)
0	Repayments of short and long term borrowing	0
(3,607)	**Net cash flows from investing activities**	**(7,013)**

31. TRADING OPERATIONS

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

		2020/21 Restated £000	**2021/22 £000**
Car Parks	Turnover	(1,649)	(3,154)
	Expenditure	1,103	1,111
	(Surplus)/Deficit	**(546)**	**(2,043)**
South Molton Cattle Market	Turnover	(30)	(29)
	Expenditure	0	0
	(Surplus)/Deficit	**(30)**	**(29)**
Barnstaple Pannier Market	Turnover	(55)	(127)
	Expenditure	230	260
	(Surplus)/Deficit	**175**	**179**
Corporate Properties/Industrial Units	Turnover	(519)	(537)
	Expenditure	308	321
	(Surplus)/Deficit	**(211)**	**(216)**
Green Lanes Shopping Centre	Turnover	0	(794)
	Expenditure	0	550
	(Surplus)/Deficit	**0**	**(244)**
Ilfracombe Harbour	Turnover	(248)	(415)
	Expenditure	338	541
	(Surplus)/Deficit	**90**	**126**
Seaside Undertakings	Turnover	(43)	(41)
	Expenditure	0	0

		2020/21 Restated £000	2021/22 £000
	(Surplus)/Deficit	**(43)**	**(41)**
Trade Waste	Turnover	(538)	(842)
	Expenditure	556	614
	(Surplus)/Deficit	**18**	**(228)**
Trade Recycling	Turnover	(93)	(142)
	Expenditure	103	116
	(Surplus)/Deficit	**10**	**(26)**
Net (surplus)/deficit on trading operations		**(537)**	**(2,522)**

32. MEMBERS' ALLOWANCES

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

	2020/21 £	2021/22 £
Allowances	248,158	265,947
Expenses	(1,144)	2,662
Total	**247,014**	**268,609**

33. OFFICERS' REMUNERATION

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

2021/22	**Salary, fees and allowances £**	**Bonuses £**	**Expenses/ Allowances £**	**Compensation for loss of office £**	**Pension contribution £**	**Total £**
Chief Executive	104,494	0	352	0	16,754	**121,600**
Director of Resources and Deputy Chief Executive (1)	55,225	0	67	0	9,664	**64,956**
Head of Environmental Enhancement (2)	33,034	0	0	0	5,665	**38,699**
Head of Planning, Housing and Health (3)	35,655	0	0	0	6,240	**41,895**
Head of Programme Management and Performance (3)	31,719	0	0	0	5,551	**37,270**
Head of Organisation Development (3)	31,719	0	0	0	5,551	**37,270**
Head of Governance (3)	31,719	0	0	0	5,551	**37,270**
Head of Customer Focus (3)	31,719	0	110	0	5,551	**37,380**
Head of Place, Property and Regeneration (3)	31,719	0	0	0	5,551	**37,270**
Head of Resources (4)	20,712	0	415	0	3,332	**24,459**

2021/22	**Salary, fees and allowances £**	**Bonuses £**	**Expenses/ Allowances £**	**Compensation for loss of office £**	**Pension contribution £**	**Total £**
Head of Environmental Health and Housing Services (5)	24,799	0	401	0	4,340	**29,540**

(1) The Director of Resources and Deputy Chief Executive Post is new to the Establishment, starting on 27th July 2021
(2) The Head of Environmental Enhancement is a new post within the Establishment, starting 23rd August 2021
(3) The following Posts are new to the Establishment, starting on 1st September 2021
Head of Planning, Housing and Health
Head of Programme Management and Performance
Head of Organisational Development
Head of Governance
Head of Customer Focus
Head of Place Property and Regeneration
(4) The Head of Resources post became vacant on 26th July 2021 and was removed from the Establishment
(5) The Head of Environmental Health and Housing Services post became vacant on 31st August 2021 and has been removed from the Establishment

2020/21	**Salary, fees and allowances £**	**Bonuses £**	**Expenses/ Allowances £**	**Compensation for loss of office £**	**Pension contribution £**	**Total £**
Chief Executive	94,324	0	963	0	16,507	**111,794**
Head of Resources	58,494	0	1,203	0	10,236	**69,933**
Head of Environmental Health and Housing Services	58,494	0	963	0	10,236	**69,693**
Head of Place (1)	52,401	0	863	0	9,170	**62,434**
Head of Operational Services (2)	0	0	0	0	0	**0**

(1) The Head of Place Post has been vacant since 21st February 2021
(2) The Head of Operational Services Post has been vacant since 20th March 2020

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:

	Number of Employees	
Remuneration Band	**2020/21**	**2021/22**
£50,000 - £54,999	2	0
£55,000 - £59,999	0	0
£60,000 - £64,999	0	0
£65,000 - £69,999	0	0
£70,000 - £74,999	0	0
£75,000 - £79,999	0	0
£80,000 - £84,999	0	0
£85,000 - £89,999	0	0

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

Exit package cost band (including special payments)	**Number of compulsory redundancies**		**Number of other departures agreed**		**Total number of exit packages by cost band**		**Total cost of exit packages in each band (£)**	
	2020/21	**2021/22**	**2020/21**	**2021/22**	**2020/21**	**2021/22**	**2020/21 £**	**2021/22 £**
£0 - £20,000	0	0	0	0	0	0	0	0
£20,001 - £40,000	0	0	0	0	0	0	0	0
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0	0	0
£150,001 - £200,000	0	0	0	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

There were no exit packages in 2021/22

There were no exit packages in 2020/21

34. EXTERNAL AUDIT COSTS

	2020/21 £000	2021/22 £000
Fees payable to (external auditors) with regard to external audit services carried out by the appointed auditor for the year	(*) 53	(*) 46
Refund from PSAA in relation to prior year	0	0
Fees payable to (external auditors) for Housing Benefit certification for the prior year	23	23
Total	**76**	**69**

(*) The actual cost of the 2021/22 external audit will be finalised post-audit and will be paid in 2022/23. (The proposed 2021/22 fee is £58,100)

35. GRANT INCOME

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

	2020/21 £000	2021/22 £000
Credited to Taxation and Non Specific Grant Income		
Council Tax (Incl Parish Precepts)	(8,969)	(9,271)
Non Domestic Rates	(4,946)	(4,913)
New homes bonus grant	(1,837)	(1,354)
Formula Grant	(16)	(16)
Rural Services Grant	(310)	(326)
Transparency Code Set up Grant	(8)	(8)
New Burdens Grant	0	(26)
Covid Grants	(5,868)	(2,581)
Covid Support	(3,201)	(1,140)
Housing Infrastructure Fund (HIF)	(619)	0
Total	**(25,774)**	**(19,635)**
Credited to Services		
Housing benefit admin grant & additional grant	(268)	(239)
Housing benefit subsidy	(19,095)	(17,447)
NNDR Admin Grant	(212)	(215)
CTB Admin Grant	(101)	(109)
Discretionary Housing Payment	(193)	(170)
Disabled facilities grant	(1,427)	(1,524)
Ilfracombe Watersports Centre	0	(989)
Westacott Housing Infrastructure Fund	0	(984)
Future High Street Fund	0	(643)
LCTS Grant	0	(142)
Welcome Back Fund	0	(169)
Rough Sleepers Grant	0	(674)
Museum Extension	(38)	0
North Devon Leisure Centre	(2,543)	0
Covid-19 Funding	(1,062)	(546)
Homelessness Grant	(315)	(482)
Domestic Violence	(229)	(33)
Commuted Sums / S106 Contributions	(417)	(843)
Other Grants	(892)	(1,356)
Total	**(26,792)**	**(26,565)**

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:

	31st March 2020 £000	31st March 2021 £000	31st March 2022 £000
Capital Grants Receipts in Advance			
S106/Commuted sum – Community facilities	(20)	(20)	(17)
S106/Commuted sum – Affordable housing	(365)	(410)	(410)
Commuted sums – Public open space	(1,987)	(1,941)	(2,058)
S106/Commuted sum – Car parking	(190)	(190)	0
S106/Commuted sum – Sustainable transport	(8)	(8)	0
S106/Commuted sum – Public conveniences	(15)	(15)	0
S106/Commuted sum – Heritage fund	(80)	(50)	(50)
S106/Commuted sum - CCTV	(11)	(11)	(11)
S106/Commuted sum – Flood Defence	(97)	(97)	(22)
Self Build custom Project Bicclescombe Nursery	0	0	(500)
Land Release Fund	(2,030)	(2,022)	(1,899)
Total	**(4,803)**	**(4,764)**	**(4,967)**

	31st March 2020 £000	31st March 2021 £000	31st March 2022 £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 2021/22 is shown in Note 32.

During 2021/22 a grant to the value of £500 was commissioned to a charity where members had an interest (2020/21 £0). Where contracts were entered into in prior years they were in full compliance with the Council's Standing Orders and Financial Regulations. In all instances, the grants were made with proper consideration of declarations of interest. The relevant Members did not take part in any discussion or decision relating to the grants.

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

The Council received £249,740 (£208,608 in 2020/21) 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.

	2020/21 £000	**2021/22 £000**
Opening Capital Financing Requirement	4,668	4,512
Capital Investment:		
Property, Plant and Equipment	4,405	20,192
Investment Properties	(3)	79
Intangible Assets	120	7
Revenue Expenditure funded from Capital under Statute	1,644	1,476
	6,166	21,754
Sources of Finance:		
Capital receipts	157	278
Government grants and other contributions	5,115	4,370
Sums set aside from revenue:		
Direct revenue contributions	509	374
MRP/Loans fund principal	541	514
	6,322	5,536
Closing Capital Financing Requirement	**4,512**	**20,730**
Explanation of movements in year:		
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)	(156)	20,730

Assets acquired under finance leases	0	0
Assets acquired under PFI/PP contracts	0	0
Increase/(decrease) in Capital Financing Requirement	**(156)**	**20,730**

38. LEASES

Authority as Lessee

Finance Leases

During 2021/22 North Devon Council put out to tender the acquisition and maintenance of our fleet of vehicles.
These are being treated as Finance rather than operating leases.
Minimum Revenue Provision is charged in year after purchase along with depreciation. The depreciation and movement in liability won't be the same until the end of the lease as the liability calculation takes account of the time value of money.
The maintenance and interest within the lease payment is accrued based on purchase date. The effect of this is included in the Comprehensive Income and Expenditure Statement and Balance sheet.
The figures below represent the assets coming onto the Balance sheet and associated liability, along with the Minimum Revenue Provision charge.

	31st March 2021 £000	**31st March 2022 £000**
Gross Book Value	0	892
Depreciation	0	0
	0	**892**
Short term Liability	0	(110)
Long term Liability	0	(782)
	0	**(892)**
Minimum revenue provision	0	0
	0	**0**

Operating Leases

The Authority uses photocopiers & printers financed under terms of an operating lease. The amount paid under these arrangements in 2021/22 was £14,440 (2020/21 £14,440). The Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 requires charges to be made evenly throughout the period of the lease.

The Authority was committed at 31st March 2022 to making payments of £7,976 under operating leases in 2022/23.

	31st March 2021 £000	**31st March 2022 £000**

Not later than one year	5	5
Later than one year and not later than five years	5	3
Later than five years	0	0
	10	**8**

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 2021 £000	**31st March 2022 £000**
Not later than one year	440	1,601
Later than one year and not later than five years	1,109	4,135
Later than five years	2,987	4,201
Minimum lease payments	**4,536**	**9,937**

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 2021/22 valuation process no Impairment or Impairment reversals were identified. (2020/21 – None were identified).

40. COUNCIL TAX

Council Tax income is calculated by adding together the amounts required by North Devon Council, Devon County Council, Devon and Cornwall Police, Devon & Somerset Fire & Rescue Service and local Parish Councils. This amount, the Precept, is then divided by the North Devon District tax base of 34,397.87 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	5.41
A	4,244.40
B	7,030.94
C	7,858.12
D	7,372.19
E	5,373.46
F	2,552.96
G	948.74
H	75.5
Allowance for non collection at 3%	(1,063.85)
Council Tax Base	**34,397.87**

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 2022 was £93.416m. In 2021/22 the rate was 49.9p in the pound for small businesses and 51.2p in the pound for others as prescribed by the Government.

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

42. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

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

The Authority participates in two post employment schemes:

- The Local Government Pension Scheme, administered locally by Devon County Council – that is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

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

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

- **Investment risk**. The Fund holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges;

- **Interest rate risk**. The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount future liability cashflows. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way;
- **Inflation risk**. All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation; and
- **Longevity risk**. In the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.

Transactions Relating To Post Employment Benefits

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

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

Comprehensive Income and Expenditure Account	**Local Government Pension Scheme**		**Discretionary Benefits Arrangements**	
	2020/21 £000	**2021/22 £000**	**2020/21 £000**	**2021/22 £000**
Cost of services:				
• Current service cost	3,496	5,640	0	0
• Past service cost	0	0	0	0
• Assets and Liabilities transferred (Net)	0	(63)	0	0
Financing and Investment Income and Expenditure:				
• Net Interest cost	1,275	1,474	0	0
Administration expenses	51	49	0	0
Total post employment benefit charged to the Surplus or Deficit on the Provision of Services	**4,822**	**7,100**	**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	4,822	4,822	0	0
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	(2,358)	(2,447)	(226)	(231)

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31st March 2022 is a gain of £11.5m.

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**	
	2020/21 £000	**2021/22 £000**	**2020/21 £000**	**2021/22 £000**
Opening balance at 1st April	118,686	150,038	3,057	3,112
Current service cost	3,496	5,640	0	0
Past service cost	0	0	0	0
Liabilities extinguished on settlements	0	(136)	0	0
Interest cost	2,816	3,073	0	0
Contributions by scheme participants	623	657	0	0
Actuarial (gains)/losses arising on changes in financial assumptions	31,536	(7,164)	286	1
Actuarial (gains)/losses arising on changes in demographic assumptions	(1,379)	0	0	0
Experience (gains)/losses on defined benefit obligation	(1,532)	354	0	0

Benefits paid	(4,208)	(4,288)	0	0
Unfunded pension payments	0	0	(231)	(226)
Closing balance at 31st March	150,038	148,174	3,112	2,887

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

	Local Government Pension Scheme	
	2020/21 £000	2021/22 £000
Opening balance at 1st April	66,177	81,602
Interest income	1,541	1,599
Return on assets (less interest)	15,162	4,711
Other actuarial gains/(losses)	0	0
Employer contributions	2,589	2,673
Contributions by scheme participants	623	657
Administration expenses	(51)	(49)
Benefits paid	(4,439)	(4,514)
Settlement prices paid	0	(73)
Closing balance at 31st March	81,602	86,606

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.

Impact of McCloud / Sargeant judgement

The Court of Appeal judgement on the McCloud and Sargeant cases, relate to age discrimination against the age-based transitional provisions put into place when the new judicial pension arrangements were introduced in 2015. The members argued that these transitional provisions were directly discriminatory on grounds of age and indirectly discriminatory on grounds of sex and race, based on the correlation between these two factors reflected in the judicial membership. The Tribunal ruled against the Government, deeming the transitional provisions as not a proportionate means of achieving a legitimate aim.

The Government subsequently applied to the Supreme Court to appeal the judgement but their application was denied on 27 June 2019. On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS benefits in response to the McCloud and Sargeant cases. The consultation closed on 8 October 2020 and a ministerial statement in response to this was published on 13 May 2021, however a full response to the consultation is still awaited; the outcome of these matters is still to be agreed so the exact impact they will have on LGPS benefits is unknown.

The actuary valuation within the financial statements includes an allowance for the McCloud judgement.

Guaranteed Minimum Pension (GMP) Equalisation

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

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

Fund History

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Present value of liabilities:					
Local Government Pension Scheme	128,927	130,672	118,686	150,038	148,174
Discretionary benefits	3,464	3,216	3,057	3,112	2,887
Fair value of assets in the Local Government Pension Scheme Surplus/(deficit) in the scheme:					
Local Government Pension Scheme	69,707	72,186	66,177	81,602	86,606
Surplus/(deficit) in scheme:					
Local Government Pension Scheme	(59,220)	(58,486)	(52,509)	(68,436)	(61,568)
Discretionary benefits	(3,464)	(3,216)	(3,057)	(3,112)	(2,887)
Total	**(62,684)**	**(61,702)**	**(55,566)**	**(71,548)**	**(64,455)**

- The discount rate assumption has increased from 2.00% p.a. to 2.60% p.a.
- The pension increase assumption has increased from 2.80% p.a. to 3.20%. This assumption is based on the Consumer Prices Index.
- The salary increase assumption has increased from 3.80% p.a. to 4.20%.

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 £64.4m 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 2023 is £2,471,000. Expected contributions for the discretionary benefits scheme in the year to 31st March 2022 are £226,000.

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 2022.

The demographic assumptions are projected using the CMI_2020 Model.

2020/21	Actuarial Assumptions	2021/22
	Mortality assumptions:	
	Longevity at 65 for retiring today:	
22.6	• Men	22.7
23.9	• Women	24.0
	Longevity at 65 for retiring in 20 years:	
24.0	• Men	24.0
25.4	• Women	25.4
2.8%	Rate of inflation – CPI	3.2%
3.8%	Rate of increase in salaries	4.2%
2.8%	Rate of increase in pensions	3.2%
2.0%	Discount rate	2.6%
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:

	31st March 2021	31st March 2021	31st March 2022	31st March 2022
	£000	%	£000	%
UK Equities	9,038	11%	7,719	9%
Overseas Equities	42,142	52%	43,555	50%
Gilts	2,775	3%	11,519	13%
Property	6,554	8%	8,160	10%
Cash	842	1%	1,023	1%
Target Return Portfolio	7,682	9%	8,005	9%
Infrastructure	3,306	4%	4,890	6%
Alternative Assets	5,604	7%	(37)	0%

Other Bonds	3,659	5%	1,772	2%
Total	**81,602**	**100%**	**86,606**	**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	148,177	151,061	154,004
Adjustment to long term salary increase	151,401	151,061	150,724
Adjustment to pension increases	153,644	151,061	148,528

Impact on the present value of total obligation	+1 year £000	None £000	-1 year £000
Adjustment in longevity	158,078	151,061	144,369

43. CONTINGENT LIABILITIES

At 31 March 2022, the Authority had no contingent liabilities.

44. CONTINGENT ASSETS

At 31 March 2022, the Authority had no contingent assets.

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 modelling 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 2021/22 was approved by Full Council on 24 February 2021 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 £19.40m 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 2022 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 uncollected amounts over the last five years, adjusted to reflect current market conditions.

	Amount at 31st March 2022 £000 A	**Historical experience of default %** B	**Adjusted for market conditions at 31st March 2022 %** C	**Estimated maximum exposure to default at 31st March 2022 £000** (A x C)	**Estimated maximum exposure to default at 31st March 2021 £000**
Customers – debtors*	3,786	38.71%	38.71%	1,466	1,504

*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 £3.786m is past its due date for payment. The past due amount can be analysed by age as follows:

	31st March 2021 £000	**31st March 2022 £000**
0 to 6 months	1,378	1,842
6 months to 1 year	159	248
1 to 2 years	579	241
More than 2 years	1,315	1,455
Total	**3,431**	**3,786**

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 Treasury Management Code. 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 2022 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 2022 £000s	Actual 31 March 2021 £000s
Less than 1 year	0%	60%	0	0
Between 1 and 2 years	0%	60%	0	0
Between 2 and 5 years	0%	100%	500	0
Between 5 and 10 years	0%	100%	0	500
More than 10 years	0%	95%	2,500	0
Total			**3,000**	**500**

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

Valuation Movement of Heritage Assets (based on Insurance valuations)

	Up to and including 2014/15 £000	2015 /16 £000	2016 /17 £000	2017 /18 £000	2018 /19 £000	2019 /20 £000	2020 /21 £000	2021 /22 £000	Value At 31/03/2022 £000
Pottery	156	0	0	0	0	0	0	0	156
Carpet	193	0	0	0	0	0	0	0	193
Decorative Arts	53	0	0	0	0	0	0	0	53
Other	486	0	0	0	35	0	0	0	521
Total Valuation	**888**	**0**	**0**	**0**	**35**	**0**	**0**	**0**	**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, fine, and decorative art.

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

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

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

Social History

Over 23,500 items, mostly collected in the last 30 years, mainly domestic and household items with a North Devon provenance, and material representing local trades and industries. Important collections include the Borough of

Barnstaple Fire Engine, Shapland and Petter design archive and the collection of James Ravilious photographs.

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

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

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

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

Archaeology

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

Heritage Assets of Particular Importance

The most valuable items in the collection are as follows:

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

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

Preservation and Management

The Museum of Barnstaple & North Devon has a rolling programme of conservation work and each year spends around £500 on remedial and preventive conservation work.

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

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of North Devon District Council (the 'Authority') for the year ended 31 March 2022, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22.

In our opinion, the financial statements: give a true and fair view of the financial position of the Authority as at 31 March 2022 and of its expenditure and income for the year then ended;

- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

Conclusions relating to going concern

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

In our evaluation of the Director of Resources and Deputy Chief Executive's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority’s disclosures over the going concern period.

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

In auditing the financial statements, we have concluded that the Director of Resources and Deputy Chief Executive’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Director of Resources and Deputy Chief Executive with respect to going concern are described in the ‘Responsibilities of the Authority, Director of Resources and Deputy Chief Executive’s and Those Charged with Governance for the financial statements’ section of this report.

Other information

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

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

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

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

Matters on which we are required to report by exception

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

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.
- We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Director of Resources and Deputy Chief Executive’s and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Resources and Deputy Chief Executive. The Director of Resources and Deputy Chief Executive is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Director of Resources and Deputy Chief Executive’s determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant ,which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003, and the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) and the Local Government Finance Act 2012.
- We enquired of senior officers and the Governance Committee, concerning the Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Governance Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to journals, accounting estimates and critical judgements made by management.
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Director of Resources and Deputy Chief Executive has in place to prevent and detect fraud;
  - journal entry testing, with a focus on management override of controls;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, investment property and defined benefit pensions liability valuations;
  - Assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government sector
  - understanding of the legal and regulatory requirements specific to the Authority including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA/LASAAC and SOLACE
    - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.

- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

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

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

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2022.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

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

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

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

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and

- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

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

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for North Devon District Council for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report'
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2022.
- We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2022.

Use of our report

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

Peter Barber, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol

Date: