

APPENDIX A



South Hams District Council Draft Statement of Accounts 2021/22



South Hams
District Council

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Statement of Accounts 2021/22

The Statement of Accounts 2021/22 can be made available in large print, Braille, tape format or other languages upon request.

South Hams District Council is committed to reflecting the full diversity of our community and to promoting equality of opportunity for everyone.

Section 1

Narrative Statement

Introduction to the 2021/22 Statement of Accounts by Councillor Pearce, Leader of South Hams District Council



I am very pleased to welcome you to the 2021/22 Statement of Accounts for South Hams District Council. One of the significant achievements this year has been the development and adoption of our Better Lives for All Strategy which sets clear and measurable actions that the Council will take over the next few years. This report includes many examples of actions we have delivered through the strategy that will make a positive impact on lives across the District.

Having a decent, safe home is essential for the wellbeing of all residents. This year the Council has declared a Housing Crisis, to highlight the significant shortage of homes within the District. The Council has taken steps to develop a detailed action plan in response, agreeing twelve individual actions. We know it will take time but we have a clear way forward to tackle the issues.

We have continued to be on the forefront of offering vital support to businesses impacted by the Covid-19 pandemic with a total of £85m in grants processed to date. Working with Plymouth City Council and Devon County Council, we have progressed plans for the Freeport which have now been approved by the Government. The scheme will result in the creation of 3,500 jobs and £311million investment to the areas. It will secure significant investment in innovation, skills, research and development. In September, Sherford hosted the kick-off of the second stage of the Tour of Britain, the event also acted as a brilliant showcase to the nation of just how stunning our area is and of course promotes cycling and active travel.

The Council is making good progress in delivering against our climate and biodiversity action plan. District wide tree planting schemes are underway, we've had almost unanimous support from the public for our plans to increase biodiversity on Council land and had our progress recognised at a national level.

Of course this year has not been without its challenges. The ongoing issues with our waste and recycling service continue to be a significant cause of frustration for residents. The Council and FCC Environment have reached a mutual agreement to end the contract for waste, recycling, street and toilet cleaning services. Both parties agree that the past few years have presented a number of extremely challenging circumstances. In the best interest of the residents of the South Hams, it has been agreed that services will be operated by the Council from 3 October 2022.

Looking ahead, our focus is on ensuring that we continue to deliver on our strategic priorities, making a positive impact for communities across the South Hams. I am pleased to report a surplus for the 21/22 year of £214,000 (2.2% of the net budget of £9.677m). This demonstrates the Council's financial resilience and actions taken to maintain longer term stability in service delivery going forward. This surplus will go into the Council's unearmarked reserves, with a view to it being reinvested in our core services and our 'Better Lives for All' strategy.

Councillor J Pearce, Leader of the Council

Foreword by the Chief Executive



I have been incredibly impressed by the efforts of staff across the Council to support our residents and communities. We began the year continuing with our response to the global pandemic and as we ended the year, teams from across the Council were stepping up to support the Homes for Ukraine scheme. While our staff have continued to work from home throughout the pandemic, we have started to see a return to a form of normality, bringing our office staff together and working face to face.

I have to say, personally it has been fantastic to begin meeting colleagues in the office for the first time in over two years! I've also been pleased to have been able to begin joining local Members in their Towns and Parishes, experiencing first hand the incredibly positive work being delivered across the District. I look forward to being able to carry out many more of these insightful visits in the coming year.

It is a great achievement that South Hams District Council and West Devon Borough Council won the Gold award at the iESE Public Sector Transformation Awards in 2022. The Councils installed software called Liberty Create which enabled both Councils to quickly set up an online system for businesses to apply for emergency Government business grants. The software saved the Councils time and money (£450,000) and also helped us to respond to the needs of our business community when they needed us most.

For the first time in a generation, the Council is building its own affordable homes for local people. This is another step in the plan to tackle the housing crisis in the South Hams.

This year we were recognised as one of the top 20 District Councils nationally for our Climate Change Action Plan by Climate Emergency UK, independent validation that we're taking the crisis seriously.

Yet again, the Council has managed to balance its budget exceptionally well while continuing to provide a level of good service to residents of the District. Time and again, our staff have impressed me with their efforts to support the people and communities of South Hams.

We're responding to new challenges that continue to appear, like making sure we offer adequate support to our Ukrainian guests through the Homes for Ukraine scheme, but I have no doubt that our teams will continue to rise to those challenges.

We know that the year ahead will be challenging for many across the District, as the cost of living continues to provide day to day challenges. We will do all we can to support our residents and businesses by delivering the essential support you need.

Andy Bates, Chief Executive

Message from the Section 151 Officer and Corporate Director for Strategic Finance - Lisa Buckle



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

- Understand the financial position of the Council as at 31 March 2022 and how the Council has performed against the budget set for 2021/22
- Be assured that the financial position of the Council is secure, with a degree of resilience.

This Narrative Statement provides information about South Hams District Council, including the key issues affecting the Council and its Accounts. It is very important to us to provide residents and other stakeholders with the confidence that the public money for which we are responsible has been properly accounted for.

Prudent financial management in the past, has meant that the Council was in a relatively healthy position financially before the pandemic hit. When Councillors set the Budget for 2020/21 in February 2020, no-one could have foreseen how our future finances and everyday lives were about to be impacted. The pandemic has also changed the world we operate in. Across the Council, staff have been called upon to continue the efforts to help local communities against the impact of the pandemic.

The management of risk and promoting financial resilience is a key principle of our budget strategy and this has helped facilitate our response. Key to the authority's financial resilience are our reserves, which are at a prudent level. As part of the 2022/23 Budget process, a new reserve 'Financial Stability Earmarked Reserve' for £280,000 was set up, to be available for any future financial pressures from local government funding reforms and any other budget pressures.

The recent challenges presented by the war in Ukraine with its broader implications along with the current 'cost of living crisis' will have an impact on the Council's finances as well as the finances of the residents of the District. The Council's approach to delivering services remains steadfast.

There is no indication of the detailed local government funding levels for 2023/24 and beyond and therefore there are many uncertainties in preparing for the challenges we know we will face in the near future. These include the review of local authority funding as part of the Government's fair funding review, the business rates baseline reset and changes to the New Homes Bonus scheme. We will continue to assess the impacts on our finances and our communities through embedded long term strategic financial planning.

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

NARRATIVE STATEMENT – INTRODUCTION

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

REVIEW OF THE YEAR – THE REVENUE BUDGET

- The 2021/22 budget for South Hams was £9.677 million. A surplus of £214,000 means that the actual spend was 2.2% less than the budget. This saving of £214,000 will go into the Council's Unearmarked Reserves which now stand at £2.06 million. The main components of the General Fund budget for 2021/22 and how these compare with actual income and expenditure are set out below:

	Estimate £000	Actual £000	Difference Cost/ (Saving) £000
Cost of services (after allowing for income and reserve contributions)	9,881	9,778	(103)
Parish Precepts	2,960	2,960	-
Interest and Investment income	(203)	(140)	63
Amount to be met from Government grants and taxation including parish precepts	12,638	12,598	(40)
Financed from:			
Business Rates (baseline funding level)	(1,928)	(1,928)	-
Business Rates (achieved over baseline funding level)	(426)	(426)	-
Business Rates Pooling Gain	(125)	(299)	(174)
Council Tax (including parish precepts)	(9,679)	(9,679)	-
Deficit on Collection Fund	30	30	-
Rural Services Delivery Grant	(428)	(428)	-
Lower Tier Services Grant	(82)	(82)	-
SURPLUS FOR 2021/22	-	(214)	(214)

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

	£000
General Fund Balance (un-earmarked revenue reserve) at 1 April 2021	(2,122)
Surplus for the 2021/22 financial year	(214)
Transfer from the General Fund Balance to earmarked reserves	280
General Fund Balance (un-earmarked revenue reserve) at 31 March 2022	(2,056)

*On including the earmarked reserves, Total General Fund Reserves are £22.9 million.

4. The surplus on the General Fund of £214,000 is essentially a break-even position, representing 0.5% of the Council's gross turnover in 2021/22 of £41 million.
5. The table below shows a reconciliation of the position shown on the bottom of the Comprehensive Income and Expenditure Statement and the reported surplus for the 2021/22 financial year.

	£000
Total Comprehensive Income and Expenditure Statement	(14,157)
Surplus on the revaluation of Property, Plant and Equipment	1,633
Deficit on the revaluation of Financial Instruments	325
Remeasurements of the net defined benefit pension liability	12,608
Transfers to earmarked reserves	(935)
The detail of the items below are shown in Note 7 'Adjustments between Accounting Basis and Funding Basis under Regulations' in the General Fund Balance column.	
Adjustments primarily involving the Capital Adjustment Account	(1,868)
Adjustments primarily involving the Capital Grants Unapplied Account	260
Adjustments primarily involving the Capital Receipts Reserve	775
Adjustments primarily involving the Pensions Reserve	(3,878)
Adjustments primarily involving the Council Tax Collection Fund Adjustment Account	328
Adjustments primarily involving the Business Rates Collection Fund Adjustment Account	4,702
Adjustments primarily involving the Accumulated Absences Account	(7)
Surplus for the 2021/22 financial year	(214)

6. A summary of the main variances to budget in 2021/22 is provided below:

ANALYSIS OF VARIATIONS 2021/22 (% column shows variation against budget)	£000	% variation
Reductions in expenditure/additional income		
Car parking – additional income from extra usage, especially in the coastal car parks	(420)	13.3%
Planning – additional income - £70k was utilised to pay for extra planning salaries and £320k was transferred into the planning earmarked reserve	(390)	42.4%
Dartmouth Lower Ferry – additional income – this was in part offset by additional costs as shown below	(280)	33.9%
Trade Waste – Mainly savings on tipping fees and extra income on recycling sacks, due to more trade waste being recycled. This also includes additional income from CWR (Controlled Waste Regulation) properties of an extra £20k.	(190)	48.7%
Business Rates pooling gain – Actual pooling gain for 2021/22 was £299k, which was £174k higher than the estimate of £125k	(174)	139.2%
Employment estates – additional income	(160)	18.0%
Increases in expenditure/reduction in income		
COVID 19 expenditure – extra housing costs, ICT and remote working, waste, cleaning costs and community support costs.	225	-
Dartmouth Lower Ferry – fleet refurbishment, equipment costs and professional fees – offset by additional ferry income as shown above	190	475.0%
ICT software and support contracts – additional costs from above inflation increases, increased number of users on the Council's network, increase in remote working and disability access legislation compliance.	90	16.8%
Salaries – additional planning salaries – financed by additional planning income	70	7.6%
Waste & Recycling – delay to the September 2020 go live date for Devon Aligned Service for all properties. Some costs are associated with continuing to supply single use sacks for recycling and the reprocessing of the recyclable materials in the current global market. The savings from the green waste element of the waste contract reduced the cost of the service overall in 2021/22 and a one-off amount of £200,000 was transferred into a community composting earmarked reserve as shown below.	65	2.5%
Investment income – shortfall in treasury management investment income due to low base rates	63	31.0%
Additional repairs and maintenance costs	40	6.2%
Joint Local Plan contribution	25	-
Council Tax Collection – shortfall in budgeted income from summons costs	25	16.1%
Other small variances	87	
Add: Transfer of additional planning income into the planning earmarked reserve – Minute CM 81 (Council 31st March 2022)	320	-
Add: Transfer of a one-off amount of £200,000 into a community composting earmarked reserve. This was aligned to the savings in the green waste element of the waste contract in 2021/22 – Minute CM63 (Council 10th February 2022)	200	-
TOTAL SURPLUS FOR 2021/22	(214)	(2.2%)

The 2021/22 Budget for South Hams was £9.677 million but the actual spend was 2.2% lower, providing a surplus of £214,000 as shown above.

KEY AREAS TO NOTE FROM THE 2021/22 STATEMENT OF ACCOUNTS

Pension Liability

7. International Accounting Standard 19 (IAS19) requires local authorities to recognise pension assets and liabilities within their accounts. The overall impact on the General Fund of the IAS 19 entries is neutral.
8. The Actuary has estimated a net deficit on the funded liabilities within the Pension Fund as at 31 March 2022 of £52.6 million. This compares to £61.4 million as at 31 March 2021. The deficit is derived by calculating the pension assets and liabilities at 31 March 2022. See Note 35 for further information.

Business Rates

9. The Local Government Finance Act 2012 introduced a Business Rates Retention Scheme (BRRS) that enabled local authorities to retain a proportion of the business rates generated in their area, with effect from 1 April 2013. There is a risk of volatility in the system because Councils are exposed to any loss of income if businesses go into decline or if a Council's income from business rates falls due to successful business rates appeals.
10. Provision is made for likely refunds of business rates as a result of appeals against the rateable value of business properties. The provision is based on the total value of outstanding appeals at the end of the financial year as advised by the Valuation Office Agency. Using this information, an assessment was made about the likely success rate of appeals and their value.
11. In 2021/22 there has been a £354,000 decrease in the provision for appeals within the Collection Fund. The balance on the Business Rates Collection Fund at 31 March 2022 is a deficit of £6,351,000 (£18,106,000 deficit in 2021/22). South Hams District Council's share of the surplus is 40% (£2,540,000).
12. Monies are set aside in the Business Rates Retention Earmarked Reserve to mitigate the impact of volatility in Business Rates income due to the complex accounting arrangements for Business Rates. In 2021/22 the balance of the Business Rates Retention Scheme (BRRS) earmarked reserve reduced by £2.56m to £4.55m as at 31 March 2022. This included a transfer of £450,000 from the Business Rates Retention Earmarked Reserve to a new earmarked reserve called the Recovery and Renewal Reserve to support the costs of the Recovery and Renewal Plan and the Council's 20 year vision 'Better Lives for All'. Some of this additional business rates income is due to timing differences in the way the Collection Fund operates and part of the funding will be needed to meet future years' budgets for business rates, in particular as business rates baselines are due to be re-set in the future.

13. In 2020/21 a new earmarked reserve was created called the S31 Compensation Grant (Business Rates) Reserve to hold the S31 grant (£5.49m) received in 2020/21 to offset the business rate reliefs given to businesses during the pandemic and the Tax Income Guarantee S31 grant for Business Rates (£0.79m). The balance on this reserve as at 31 March 2021 was £6.28m. Under current Collection Fund accounting rules, the S31 grants received will not be discharged against the Collection Fund deficit until the following year. In 2021/22 further S31 grants were transferred to the S31 Compensation Grant (Business Rates) Reserve (£3.23m) and S31 grant received in 2020/21 was discharged to the Business Rates Collection Fund (£5.25m). This compensation grant will continue to be applied to the Collection Fund over the next three years to smooth the impact of the Business Rates deficit. The balance on this reserve as at 31 March 2022 is £4.26m.

Waste, recycling, street and toilet cleaning services

14. Throughout 2021/22, the Council had a significant focus on trying to resolve issues with its waste and recycling service.
15. On 12 July 2022, Executive considered a report, with advice from the Council's Waste Working Group. The Waste Working Group advised that the Council and FCC Environment have reached a mutual agreement to end their contract for waste, recycling, street and toilet cleaning services.
16. Both parties agree that the past few years have presented a number of extremely challenging circumstances.
17. In the best interests of the residents of the South Hams, it was proposed that the services will be operated by the Council from Monday 3 October 2022. This decision was subsequently approved by Full Council on 14 July 2022. The Council and FCC Environment will work closely together to ensure a smooth transfer of the services.
18. At the point of preparing the Statement of Accounts, planning continues and a further update will be considered by the Executive and Council in September, ahead of the transfer of services in-house in October.

Trading Company

19. South Hams District Council and West Devon Borough Council set up a trading company, Servaco Limited, on 4th September 2014. This is a company limited by shares. The company has not traded in 2021/22 and a set of statutory dormant Accounts will be filed with Companies House for the period 1 April 2021 to 31 March 2022. The future of Servaco Limited will be reviewed during 2022/23.

Sherford Community Land Trust

20. As part of the conditions of the S106 agreement for the new town of Sherford a limited company was created on 13th July 2018 to handle the various requirements of the S106 agreement. The company is limited by guarantee without share capital. It has seven directors, made up of one representative from each of the local authorities (South Hams District Council, Plymouth City Council and Devon County Council) and one representative from each of the developers. Group accounts are not required to be prepared as the Council's interest is below 20% and therefore does not have enough influence to be an associate.

Housing

21. For the first time in a generation, South Hams District Council is building its own affordable homes for local people. This is another step in the plan to tackle the housing crisis facing residents in the South Hams. To mark the start of the building works, Councillors attended the official turf cutting event in St Ann's Chapel, near Bigbury on 3rd May 2022, where 8 affordable homes will be built, with 3 open market units and 2 serviced plots. The severe shortage of affordable rented and shared ownership accommodation, particularly in coastal areas like St Ann's Chapel, resulted in the Council declaring a housing crisis. They will be high quality, energy efficient homes and will be low cost to heat and run. Air source heat pumps and low water use fittings form part of the design, along with electric car charging points. With the current energy crisis, this will be great news for future tenants to keep their bills low and manageable.
22. The Council's determination to do everything in its power to ease the area's housing crisis is paying off, with hundreds of new affordable homes being built over the last four years. Since 2018/19, 419 new affordable homes have been built in the South Hams. These include 39 new homes in Ivybridge and 12 specialist homes at Elmhurst Lodge in Dartington. Elmhurst Lodge offers local people with learning difficulties their very first taste of independent living.
23. These 419 homes are requirements of Section 106 agreements; these planning obligations with a landowner are made as part of the Council granting planning permission. S106 agreements are one of the strongest tools that the Council has to make new housing developments deliver on affordable housing. This is the District's main source of new affordable housing, which is providing incredibly high numbers of new homes for local people.

24. Homes England Strategic Partnership funding has led to an additional 54 properties being delivered during 2021-22, over and above what the Council was expecting. This funding allows a Registered Provider to purchase open market homes and convert them to affordable properties.
25. The numbers of affordable homes being built are tracking well above what the Joint Local Plan requirements would be at this point in time.

Ivybridge Regeneration Project

26. Over the last few years, South Hams District Council has considered proposals to bring more shoppers to the market town of Ivybridge by developing the Leonards Road car park including a discount food store. Before starting this journey, the Council carried out a public consultation, which showed that 66% (of nearly 2,000) respondents felt a new supermarket would improve footfall into the town centre and supported the proposals.
27. An independent economic assessment commissioned by South Hams District Council, called the CACI Report, carried out at the same time as the residents' public survey in 2020, forecast that the new store would see 13,000 additional trips made to the high street boosting footfall within the town centre. The report estimated that this would result in 16% more money being spent in the high street. The economic study reported that residents were still shown to support their local independent shops through 'cross shopping'. The project was envisaged to meet the aims of the town's Neighbourhood Plan, to ensure retail growth within the town centre to increase the town's economy and anchor other retailers to the centre. It would have also created local employment opportunities of around 30-40 new jobs.
28. As a result of public support, the Council took a decision to proceed in February 2021. Council approved the progress of the Ivybridge Regeneration project through to planning, tender, construction and lease (subject but not limited to the regulatory statutory planning process and the total scheme cost being within the £9million financial envelope).
29. The initial spend of up to £450,000 was approved, recognising these will be abortive costs and funded from the Business Rates Retention earmarked reserve, if the project did not proceed at any given stage pre-construction.
30. At its meeting on 7 July 2022, the Executive agreed to stop work permanently on the discount food store proposal in Ivybridge. The decision came after the South Hams' Development Management Committee, having considered all of the relevant planning matters, unanimously refused the planning application on 6 July 2022. It was

refused for a number of reasons. Firstly, it failed to show how the development would not have a harmful impact on town centre businesses. Secondly, the loss of trees and the loss of biodiversity. Finally, it considered that the design and the scale of the proposal would not fit in with its surroundings.

Borrowing

31. In 2021/22 the long term borrowing of the Council reduced from £14,380,000 (20/21) to £14,284,000. Short term borrowing increased from £94,000 to £96,000. No further external borrowing took place during 2021/22.

Capital spending

32. The Council spent £3.99m on capital projects in 2021/22. The main areas of expenditure were as follows:

- residential renovation grants including disabled facilities grants (£1.11m)
- Batson Harbour Depot/Commercial Units (£1.03m)
- Scheduled replacement of plant, vehicles and marine infrastructure (£0.38m)
- Dartmouth Health and Wellbeing Hub (£0.35m)
- St Ann's Chapel housing scheme (£0.33m)
- replacement of audio visual equipment and furniture in the Council Chamber (£0.16m)
- purchase of future IT (£0.12m)
- new play areas (£0.10m)
- Affordable Housing (£0.09m)
- purchase of IT replacement hardware (£0.08m)
- purchase of payroll/HR system (£0.04m)

The capital programme is funded from capital receipts, capital grants, external contributions and earmarked reserves (please see Note 32).

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

33. At 31 March 2022 the Council had investments of £1.5 million with the CCLA Property Fund and £2 million with the CCLA Diversified Income Fund.
34. Upon transition to IFRS 9 – Financial Instruments on 1 April 2018, and in accordance with paragraphs 5.7.5 and 7.2.8 (b) of IFRS9, South Hams District Council makes an irrevocable election to present in other comprehensive income, changes in the fair values of its equity instruments. These investments are eligible for the election because they meet the definition of equity instruments in paragraph 11 of IAS32 and are neither held for trading (the Council holds these investments as a long term strategic investment) nor contingent consideration recognised by an acquirer in a business combination to which IFRS3 applies. They are not considered to be puttable instruments because the Council does not have a contractual right to put the instrument back to the issuer for cash.
35. A summary of the position of these equity instruments as at 31 March 2022 is shown below:

	Purchase cost	Fair Value at 31 March 2022	Movement in Financial Instruments Revaluation Reserve 2021/22
	£000	£000	£000
Equity Instrument			
CCLA Local Authorities Property Fund	1,500	1,573	73
CCLA Diversified Income Fund	2,000	2,032	32
TOTAL	3,500	3,605	105

FINANCIAL NEEDS AND RESOURCES

36. The Council maintains both capital and revenue reserves. The provision of an appropriate level of balances is a fundamental part of prudent financial management, enabling the Council to build up funds to meet known and potential financial commitments.
37. General Fund reserves (which include earmarked reserves) have decreased by £0.721m from the preceding year and stand at £22.895 million at 31 March 2022. This is mainly due to a reduction in Earmarked Reserves of £0.655m. This follows the application of some of the S31 Business Rates compensation grant received in 2020/21 which was held in the S31 Compensation Grant Business Rates Reserve.
38. The total Earmarked Reserves balance at 31 March 2022 of £20.839m includes £4.26m held in the Business Rates s31 Compensation Grant Reserve. This is due to a technical accounting adjustment where Councils were compensated for the business rates holidays that were announced by the Government for the retail, hospitality and leisure sectors in 2020/21 and 2021/22 (this funding is in the S31 Compensation Grant Reserve). This temporary increase in reserves will reverse back out again in the 2022/23 Accounts, to fund the deficit on the Collection Fund. Therefore this is not money which is available for the Council to spend and it is important that this is not misinterpreted in the Accounts, as this is a national issue.
39. The General Fund Balance (un-earmarked reserve) has reduced by £66,000 in 2021/22 and totals £2.056 million. This reflects the underspend from 2021/22 of £214,000 offset by a transfer of £280,000 from the General Fund Balance to the Financial Stability Earmarked Reserve. This is a new reserve set up in 2021/22 as part of the 2022/23 Budget process to be available for any future financial pressures from local government funding reforms and any other budget pressures. Revenue reserves may be used to finance capital or revenue spending plans. The level of Reserves are assessed as adequate for the Council's operations.
40. Capital Reserves are represented by capital receipts and capital contributions unapplied. The balance at 31 March 2022 amounts to £3.45 million compared to £3.27 million at the end of the previous year.
41. There are a number of Unusable Reserves which include the Revaluation Reserve, Capital Adjustment Account, Financial Instruments Revaluation Reserve and Pensions Reserve which are subject to complex accounting arrangements. The Revaluation Reserve and Capital Adjustment Account are used primarily to account for changes in fixed asset values associated with revaluations and new capital expenditure and as such cannot be used to finance capital or revenue expenditure.

42. When reviewing the amount of overall reserves held, consideration should be given to the possible implications of the Pension Fund deficiency disclosed within the notes to the balance sheet. The requirement to recognise the net pension liability in the balance sheet has reduced the reported net worth of the Authority by £52.6 million at 31 March 2022. This disclosure follows the implementation of the International Accounting Standards (IAS 19). This standard requires local authorities and other businesses to disclose pension assets and liabilities within the balance sheet.
43. It is important to gain an understanding of the accounts to appreciate the nature of this reported deficiency, which is based on a “snapshot” of pension assets and liabilities at the year end. This is quite different from the valuation basis used for the purposes of establishing the employer’s contribution rate and fund shortfall, which are calculated using actuarial assumptions spread over a number of years.

Annual Governance Statement (AGS)

44. The Council’s Annual Governance Statement sets out the arrangements for governance which the Council has in place. The AGS is published alongside the Accounts for 2021/22.

COVID-19 Response

45. The COVID-19 pandemic undoubtedly continued to have an impact on the Council. The pandemic required us to refocus officer effort to deliver support to our residents, businesses and communities while maintaining the majority of our core services. We continued to process business grants and launched a grant scheme for community groups that work to support the Health and Wellbeing of our residents.

Better Lives for All

46. During the year we continued the development of a new corporate strategy for the Council, now known as Better Lives for All. Better Lives for All was developed over 12 months in response to the impacts of Covid-19 and a post-Brexit UK. A series of workshops were held with our Councillors and a wide range of partner organisations were consulted to shape our focus for the next three years.
47. The strategy is underpinned by a detailed delivery plan setting out specific actions that we will undertake in each of the years. Each meeting of the Overview and Scrutiny committee now considers a detailed update

on one of the themes. Furthermore, we have implemented a quarterly 'Integrated Performance Management Report' process to highlight progress and key risks related to the strategy to our Executive.

Achieving our Vision

These themes set out our key deliverables for the next three year period to May 2024.



Adapting & mitigating climate change and increasing biodiversity

An environment where people and nature thrive together



Improving homes

Better homes enabling better lives for all



Protecting, conserving & enhancing our built and natural environment

Planning for our future, celebrating our past



Stimulating a thriving economy

A district that attracts high quality employment opportunities and space for business to grow



Strengthening community wellbeing

Strong and prosperous communities where residents live healthy lives and are empowered to make a positive impact



Delivering quality Council services

Delivering quality services to our residents and communities


Annual Report of Achievements


48. The Council has prepared an Annual Report of Achievements setting out the key activities it has been involved in during the year.


2021/22 Annual Report

Action Across South Hams

 4 Community Composting Groups supported – and we've agreed to support more in the future with a £200,000 investment

 Freeport bid submitted in a bid to enable 3,500 jobs in the area

 6 Neighbourhood Plans Made helping to shape the future of the District

 £243k investment in community and business schemes developing future employment opportunities



 New tree planting sites commenced delivery with a total 5380 young trees planted

 £60,000 funding awarded to enable new community led projects supporting health and wellbeing of residents

 Invested £143k in a marketing campaign and town beautification activities with our key towns to help the recovery from Covid-19

49. The Annual Report was considered by the Executive at their meeting on 7th July 2022 and can be seen on our website.

LOOKING FORWARD TO THE FUTURE AND NEXT STEPS

Continuing to respond to the housing crisis

50. A significant focus for us during 2022/23 will be on delivering our action plan to address the Housing Crisis in South Hams. We will be pressing ahead with our action plan while continuing to deliver on our longer-term housing strategy.
51. We have already committed to increasing capacity within the Housing Team and recruitment to these roles will be carried out in the coming year.

Climate Emergency Response

52. This year we will be in the third year of delivering our Climate and Biodiversity Emergency Action Plan. We will be continuing to deliver on those actions including ensuring the Council delivers on commitments including progressing plans for an electric vehicle fleet and continuing with our wild flowering on Council land.

Homes for Ukraine

53. As the conflict in Ukraine continues, we will be ensuring that the District Council develops a package of support for our Ukrainian guests and those residents stepping up to offer them a safe space to live. We'll be working closely with the voluntary sector to ensure wrap-around support and to ensure that as many host/sponsor placements as possible are maintained as they come towards the end of the initial 6-month term.

Levelling up

54. A significant focus for the Council in the coming 12 months will be submitting bids for Levelling Up funding and the Shared Prosperity Fund. We'll be identifying and working up bids for projects that can make a positive difference to the lives of our communities and businesses in the future.

Plymouth and South Devon Freeport

55. Working with Plymouth City Council and Devon County Council, we have progressed the submission of a full business case to the Government in April this year. It is fantastic news that the Plymouth and South Devon Freeport has now been approved by the Government.
56. We are only one of eight areas to get Freeport status and we see this as a brilliant catalyst to build back better and drive economic growth. It is also a chance to showcase our strengths in the marine and defence sectors to the rest of the country, the world, and to support the growing space sector. We have the commitment of some of our largest local

employers, including Babcock and Princess Yachts, as key partners in the Freeport.

57. Additionally, the Freeport is also about the long term prospects for up-skilling our future workers, making sure there are great job prospects for tomorrow's workforce. The three key sites in and around Plymouth will form part of the Freeport these being, Langage, Sherford and South Yard.
58. The Freeport is expected to see over 3,500 direct jobs created and total capital investment in the Freeport is predicted to reach £311million. This is made up of £25m in Government seed capital grant and matched locally with £29m. A further £10m will be raised through Levelling Up grant income and it is anticipated that total private sector investment will be close to £247 million.

Our financial future

59. The financial standing of the Council is secure in the immediate future, but there is still much work to do to ensure the long term financial sustainability of the Council. In his speech to the Local Government Association (LGA) conference on 28 June 2022, the Secretary of State, Michael Gove MP, promised to give local authorities greater "financial certainty". It was confirmed that a 2-year financial settlement will be introduced. The proposal for a 2-year settlement suggests that there will be rollover settlements in both 2023/24 and 2024/25, meaning financial settlements that are broadly similar to 2022/23. The Fair Funding Review, business rates baseline reset, and other funding reforms now look set to be pushed back to 2025/26. It also suggests that the 2021 Census might not be reflected in funding allocations until 2025/26. In addition the timing of the cessation of the current New Homes Bonus scheme is not clear, but if it does continue, it will be smaller in value with no historic legacy payments.
60. Pushing these major changes back to 2025/26 means that they can be aligned with the next spending review period (the current spending review runs to 2024/25). 2025/26 now looks like it is shaping up to be a very significant financial year for local government, incorporating a new spending review, the 2021 Census, and funding reforms.

Going Concern

61. As highlighted above there is a high degree of uncertainty about future levels of funding for local government. However, the S151 Officer is keeping a close watch on developments and planning for this longer-term uncertainty. The Council has a strong track record of financial prudence and as a result has set aside Reserves. For example, at Council on 10 February 2022 Members approved the creation of a new earmarked reserve, the Financial Stability reserve. It was resolved that £280,000 be transferred from Unearmarked Reserves to a Financial

Stability Earmarked Reserve as part of the process of closing the 2021/22 Accounts, to be available for any future financial pressures from future local government funding reforms and any other budget pressures.

62. Based on the S151 Officer's management assessment (which has included consideration of the Government support available, the Council's current level of reserves, the level of working capital including cash and investments, a sensitivity analysis on forecast cashflows, income from local taxation and borrowing headroom etc.), there is no material uncertainty and as a result the Accounts for 2021/22 are prepared on a going concern basis.

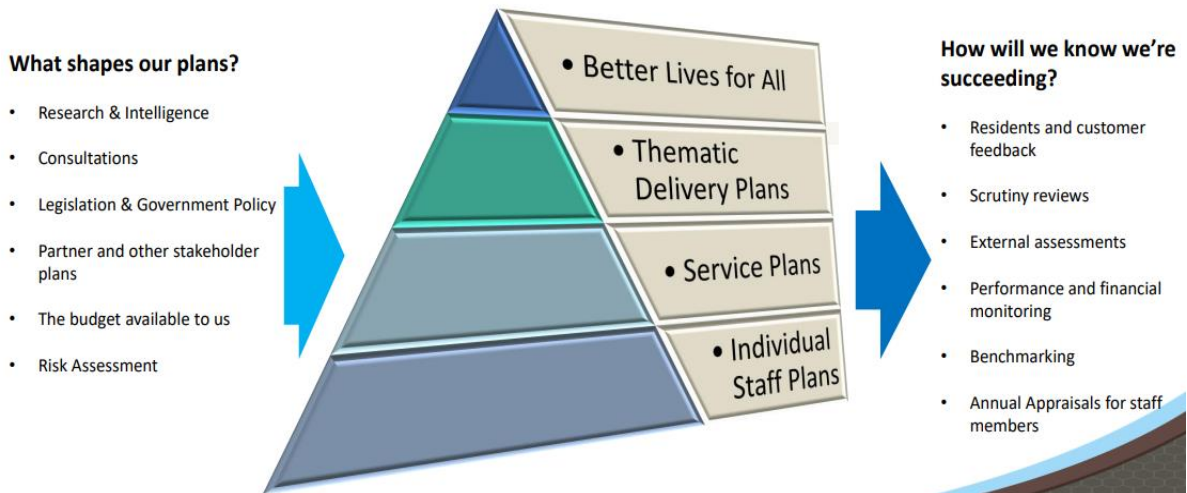
Issue of the Accounts

63. The Corporate Director for Strategic Finance authorised the unaudited Statement of Accounts 2021/22 for issue on 29 July 2022. Events taking place after this date are not reflected in the financial statements or notes.

CORPORATE PERFORMANCE FOR 2021/22

The Council adopted its 'Better Lives for All' strategy in September 2021 and regularly reports on the performance of the delivery plan to both Overview and Scrutiny and the Executive. At the end of the year, the performance for the priorities within the strategy is as set out below. Overall, positive progress has been made across all themes. Each theme has a lead officer and lead Executive Member who meet regularly to monitor progress.

Performance Management: The Golden Thread From Strategic priorities to individual targets







The following update is from the Quarter 4 Performance Management Update considered by Executive on 7th April 2022.

Overall Performance Against Actions				
Status		Total Actions Within Category	% of overall actions	Compared to previous Quarter
	This action is on track with good progress being made. There are no significant risks which require action and we are on track to deliver as planned	35	78%	
	There are some issues or risks which are requiring management but a plan is in place to bring back on track	9	20%	
	There is a significant risk that we cannot deliver this activity as planned. Regular monitoring and support from Lead Member and Senior Leadership Team is required	-	-	
	This activity is not yet due to start in the current year	1	2%	
	Totals	45	100%	

The performance by theme is as set out below.





Adapting and Mitigating Climate Change

Back in 2019, we declared a Climate and Biodiversity Crisis in response to global warming and a decline in biodiversity. During the past year we have continued to make good progress in delivering against our climate and biodiversity action plan, District wide tree planting schemes are underway, we've had almost unanimous support from the public for our plans to increase biodiversity on Council land and had our progress recognised at a national level.

Focus Area	Total Actions 2021/22	 On Track	 Slightly off track but plan in place	 Risk that unable to deliver	 Not yet due to commence
Reducing our carbon footprint	2	1 (AM1.2)	1 (AM1.1)		
Working towards net zero	4	1 (AM1.6)	2 (AM1.4 & 1.5)		1 (AM1.3)

Strengthening Community Wellbeing

From awarding funding to support community schemes to ensuring we've continued to deliver leisure facilities within the district.

Focus Area	Total Actions 2021/22	 On Track	 Slightly off track but plan in place	 Risk that unable to deliver	 Not yet due to commence
Reducing Health Inequalities & rural poverty	4	3	1 (CW1.1)		
Improving Open Space, Sport and Recreation	1	1			
Support the voluntary sector	1	1			

Improving Homes

We know that having a decent, safe home is essential for the wellbeing of all residents. This year we've taken the step of declaring a Housing Crisis in South Hams to highlight the significant shortage of homes within the District.

Focus Area	Total Actions 2021/22	 On Track	 Slightly off track but plan in place	 Risk that unable to deliver	 Not yet due to commence
Housing for Place	3	3			
Housing for People	4	3	1 (IH1.6)		





Thriving Economy

2021/22 continued to see sectors within our economy impacted by the Covid-19 pandemic, but we've taken positive steps to support South Hams businesses into the future.

Focus Area	Total Actions 2021/22	 On Track	 Slightly off track but plan in place	 Risk that unable to deliver	 Not yet due to commence
Promote South Hams Coastal and Visitor Economy	3	2	1 (TE1.3)		
Supporting Towns & Businesses	6	6			
Strategic Employment & Infrastructure	3	3			

Protecting, conserving and enhancing our built and natural environment





During the year we have taken many steps to ensure that our built and natural environment is protected, conserved and enhanced. We've simplified our planning process and supported neighbourhoods to shape their own futures through neighbourhood plans.

Focus Area	Total Actions 2021/22	 On Track	 Slightly off track but plan in place	 Risk that unable to deliver	 Not yet due to commence
Make best use of development land, green space and coastal places	5	5			
Celebrate and protect our heritage	2	1	1 (BN1.7)		

Quality Council Services

2021/22 has been another incredibly busy year for our core services. As Councillors we were able to return to our Chamber for the first time in over two years, our achievements on customer focused processes were recognised nationally and we continued to process a range of support packages for businesses and residents impacted by Covid-19.

We of course know that one service that we have not delivered to the required standard has been our waste contract. Resolving this has been a top priority for the past year and will continue to be in the coming months. In July 2022, the Council and FCC Environment have reached a mutual agreement to end the contract for waste, recycling, street and toilet cleaning services. Both parties agree that the past few years have presented a number of extremely challenging circumstances. In the best interest of the residents of the South Hams, it has been agreed that services will be operated by the Council from 3 October 2022.

Focus Area	Total Actions 2021/22	 On Track	 Slightly off track but plan in place	 Risk that unable to deliver	 Not yet due to commence
Being Digital First	2	1	1 (QS1.1)		
Being Inclusive & Accessible	2	2			
Making the best use of our resources	3	2	1 (QS1.5)		

PRINCIPAL RISKS AND UNCERTAINTIES

A risk and opportunity management strategy is in place to identify and evaluate risks. There are clearly defined steps to support better decision making through the understanding of risks, whether a positive opportunity or a threat and the likely impact. The latest update was presented to the Audit Committee on 9th December 2021 and a high-level summary considered by Executive as part of the quarterly Integrated Performance Management Reports.


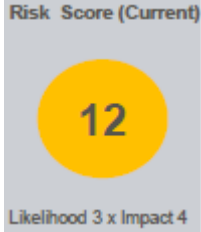
Our Risk Management Objectives




We have 6 key objectives that guide our approach to Risk Management


1. Adopt a strategic approach to risk management in order to make well informed decisions
2. Integrate risk management into how we run Council services and deliver key projects.
3. Support a culture of well-measured risk taking throughout the Council including setting risk ownership and accountabilities.
4. Accept that even with good risk management and our best endeavours, things can go wrong. We will learn lessons where this happens.
5. Ensure that the Council continues to meet all statutory and best practice requirements in relation to risk management
6. Ensure that risk management continues to be a key and effective element of our Corporate Governance



The following sets out the key strategic risks for the Council as at the last report to Audit Committee. This will be updated to reflect the next update which will be considered by Audit Committee in September 2022.

Risk Title	Description	Note at last Audit Committee Report – December 2021
<p>Delivery of waste & recycling service changes</p> 	<p>The risk is that the contractor, FCC, lacks the capacity or ability to rectify the issues being experienced by residents at this stage resulting in further delays, increased reputational damage and overall significant frustration for our residents.</p>	<p>Issues with the service continue to be experienced at the time of this update. The Council is working with FCC Environment to resolve ongoing issues.</p> <p>The Executive continue to meet regularly with FCC Senior Management. The Council continues to use contractual mechanisms to improve service performance.</p> <p>The contractor was not able to rectify issues with the collection by the end of July 2021 as previously updated on the risk register.</p> <p>To alleviate the pressure on the service, the decision has been taken to temporarily suspend garden waste collections, enabling the contractor to focus available resources on collection of waste and household recycling.</p> <p>The Executive have asked that FCC provide a detailed plan to the Council by 31st December 2021 for resuming the service by 31st March 2022 (or sooner)</p> <p>(See paragraphs 14 to 18 in the Narrative Statement for an update on the Council's waste service).</p>
<p>Adherence to Medium Term Financial Strategy</p> 	<p>Failure to sustain a robust on-going medium term financial strategy in SHDC with adequate reserves to meet unforeseen circumstances, due to cost pressures and reduced income targets, council decisions, changes in Government policy with regard to business rates and affordable housing; Potential impact on delivering the MTFs, particularly if national/regional businesses successfully appeal against business rate valuations or litigation</p>	<p>Due to the volatility of Business Rates income, Council on 23 September 2021 approved the use of funding from the Business Rates Retention Earmarked Reserve to smooth the volatility in business rates income over the next three years. The volatility is due to the business rates baseline reset anticipated in 2023/24 (this will mean the Council will have negative revenue support grant in 23/24) and the predicted reduction in business rates pooling gains at the same time in 23/24. There is a risk that the Government may introduce a more aggressive business rates tariff in 22/23 to account for the fact that the baseline reset is highly likely to be delayed until at least 23/24. If this happens, it would be recommended that a higher amount of funding from the business rates retention reserve is used in 22/23, to offset the higher tariff rate and the ensuing lower business rates income. More will be known on this when details of the Local Government Finance Settlement are announced around mid December. The forecast budget gap for 2022/23 is currently £28,500, 0.3% of the Net Budget of 2021/22 of £9.7 million. A cumulative budget gap of £349,925</p>

Risk Title	Description	Note at last Audit Committee Report – December 2021
	proceedings / legal challenges / planning appeals, etc.	is predicted for 2023/24 (the £349,925 assumes that the 22/23 budget gap of £28,500 has not been closed). The cumulative aggregated Budget Gap by 2024/25 is £1.1 million, if no action has been taken in each individual year to close the budget gap annually. The Council awaits the details of the Local Government Finance Settlement announcement in mid December, which will enable the Council to further firm up some of the assumptions within the Budget for 2022/23 onwards.
<p>Covid-19 Impact on in-house Services</p> 	<p>The risk is that Covid-19 (Coronavirus) will impact on the ability for the Council to deliver its in-house services leading to a drop in operational performance and customer satisfaction. There is the potential for additional financial implications due to increased demand for services or a reduction in income.</p>	<p>Our office based staff continue to work from home in order to mitigate the risk of spreading Covid 19 and in turn reducing the capacity of our workforce. Our frontline staff continue to employ safety measures to reduce the risk of transmission of Covid with risk assessments continually being updated.</p> <p>Member meetings have resumed face to face for many months and with the exception of wearing facemasks when moving around the building and maintaining social distancing, other safety measures have been removed. This has not so far resulted in any significant outbreaks.</p> <p>We will continue to monitor the impact on our in-house services (particularly given Omicron variant developments) over the winter and if required, instigate our incident management approach</p>
<p>Health and Wellbeing Service Provision</p> 	<p>Covid-19 has a significant impact on Leisure provision given the nature of activities and hygiene requirements. The risk is that as leisure centres make adjustments to reduce the risk of Covid-19 to both staff and customers, the capacity of the centres is significantly reduced while many overheads and operating costs remain the same.</p>	<p>At their meeting in March 2022, the Executive will consider an update from Fusion Leisure which will set out the impact Covid-19 continues to have on participation and what steps they are taking to encourage a return to pre-pandemic levels.</p> <p>The Councils lead for Fusion continue to promote the available activities within the centres.</p>
<p>Business Continuity</p> 	<p>The risk is that we do not develop and keep maintained robust processes to ensure business continuity in the event of a significant event occurring, e.g. Failure to ensure the continuous availability of critical IT systems leading to inability to deliver key council services.</p>	<p>While we still find ourselves in the 'response' phase of the pandemic however focus is now changing to refining our broader business continuity plans to cover other scenarios. Our ability to work online is fundamental to our ongoing delivery of services and this is therefore a key focus for our Business Continuity Planning. We are aware of rising incidents of cyber attacks on local authorities and are monitoring their learning closely in order to refine our own response plans. Where cyber attacks on those have been successful (i.e. not prevented by their systems and processes) they have been without core operating systems for many months and with</p>

Risk Title	Description	Note at last Audit Committee Report – December 2021
		<p>the cost of recovery being in the several millions of pounds. As a result of this learning we have increased the financial impact score to 5. Additionally, our contracted waste collection services continue to be under significant pressure triggered in part by the national HGV driver shortage which could be compounded as we enter the typical flu season and also the added covid-19 infection and isolation risk.</p> <p>We have commissioned external advice to support us in updating our ICT Business Continuity Plans with this work aiming to complete in January 2022. Following this we can update our other service business continuity plans.</p> <p>A group of core officers will be recommending a dedicated work stream to reduce this risk to acceptable levels</p>
<p>Emergency Response</p> 	<p>The risk is that the council fails to meet the high public expectation in relation to supporting communities during storm damage/flooding/ other events, as well as engagement in longer term recovery, in particular assumptions about capital investment to restore assets. The risk relates to how best to support dispersed communities, e.g. with filling, transporting and laying sandbags as well as providing workforce on site, given limited resources and expectations during an event.</p>	<p>The Council continues to engage with the Local Resilience Forum and is keeping its emergency response plans up to date. Winter plans are developed and in place.</p> <p>Most of our emergency response support will be provided by the Environmental Health Team who are also the team that are involved in supporting any requirements to respond to Covid-19. To support their ability to respond to any other emergencies through the winter, we have extended the contract of the covid-19 support officers until end of March 2022.</p>

Section 2

Core Financial Statements

SECTION 2A COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis (Note 4) and the Movement in Reserves Statement (Section 2B).

2020/21				2021/22		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Segment	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
33,553	(24,511)	9,042	Customer Service & Delivery	31,625	(22,398)	9,227
737	(199)	538	Strategic Finance	908	(386)	522
12,423	(10,656)	1,767	Place & Enterprise*	11,075	(11,393)	(318)
6,602	(1,419)	5,183	Governance & Assurance	7,236	(2,309)	4,927
53,315	(36,785)	16,530	Cost of Services	50,844	(36,486)	14,358
		2,850	Other operating expenditure (Note 9)			3,023
		636	Financing and investment income and expenditure (Note 10)			61
		(17,647)	Taxation and non-specific grant income (Note 11)			(17,033)
		2,369	(Surplus) or Deficit on Provision of Services			409
		(451)	(Surplus) or deficit on revaluation of Property, Plant and Equipment			(1,418)
		10,490	Remeasurements of the net defined benefit liability			(12,608)
		(141)	(Surplus) or deficit from investments in equity instruments designated at fair value through other comprehensive income			(325)
		9,898	Other Comprehensive Income and Expenditure			(14,351)
		12,267	Total Comprehensive Income and Expenditure			(13,942)

* The net expenditure in Place and Enterprise has reduced by £2.085 million in 2021/22. This is largely due to increases in Car Parking and Ferry income, amounting to £1.8m. In addition, in 2020/21 both gross expenditure and gross income were higher due to the impact of the payment profile (and receipt) of business grants received and paid out on behalf of Central Government during the pandemic – this has no overall impact on net expenditure.

SECTION 2B MOVEMENT IN RESERVES STATEMENT

Movement in Reserves Statement

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

2021/22	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves 2021/22 £000
Balance at 31 March 2021 carried forward	2,122	21,494	23,616	2,848	423	26,887	16,243	43,130
Movement in Reserves during 2021/22								
Total Comprehensive Income and Expenditure	(409)	-	(409)	-	-	(409)	14,351	13,942
Adjustments between accounting basis and funding basis under regulations (Note 7)	(312)	-	(312)	102	81	(129)	129	-
Transfers to/from Earmarked Reserves (Note 8)	655	(655)	-	-	-	-	-	-
Increase/ (Decrease) in Year	(66)	(655)	(721)	102	81	(538)	14,480	13,942
Balance at 31 March 2022 carried forward	2,056	20,839	22,895	2,950	504	26,349	30,723	57,072

SECTION 2B MOVEMENT IN RESERVES STATEMENT

2020/21 Comparatives	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves 2020/21 £000
Balance at 31 March 2020 carried forward	2,010	13,998	16,008	3,059	341	19,408	35,989	55,397
Movement in Reserves during 2020/21								
Total Comprehensive Income and Expenditure	(2,369)	-	(2,369)	-	-	(2,369)	(9,898)	(12,267)
Adjustments between accounting basis and funding basis under regulations (Note 7)	9,977	-	9,977	(211)	82	9,848	(9,848)	-
Transfers to/from Earmarked Reserves (Note 8)	(7,496)	7,496	-	-	-	-	-	-
Increase/ (Decrease) in Year	112	7,496	7,608	(211)	82	7,479	(19,746)	(12,267)
Balance at 31 March 2021 carried forward	2,122	21,494	23,616	2,848	423	26,887	16,243	43,130

SECTION 2C BALANCE SHEET

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

31 March 2021 £000		Notes	31 March 2022 £000
79,149	Property, Plant and Equipment	12	80,245
18,560	Investment Properties	13	18,610
202	Intangible Assets		285
3,280	Long Term Investments	14	3,605
101,191	Long Term Assets		102,745
15,600	Short Term Investments	14	30,500
293	Assets Held for Sale		-
67	Inventories		79
15,321	Short Term Debtors	15	8,862
23,838	Cash and Cash Equivalents	17	22,981
55,119	Current Assets		62,422
(27,542)	Short Term Creditors	18	(32,532)
(94)	Short Term Borrowing	14	(96)
(1,336)	Revenue Grants in Advance	30	(188)
(1,636)	Provisions	19	(1,494)
(30,608)	Current Liabilities		(34,310)
(74)	Long Term Creditors	18	(92)
(5,725)	Long Term Revenue Grants in Advance - Section 106 Deposits	30	(5,717)
(14,380)	Long Term Borrowing	14	(14,284)
(61,351)	Pensions Liability	35	(52,621)
(1,042)	Capital Grants - Receipts in Advance	30	(1,071)
(82,572)	Long Term Liabilities		(73,785)
43,130	Net Assets		57,072
26,887	Usable Reserves	20	26,349
16,243	Unusable Reserves	21	30,723
43,130	Total Reserves		57,072

The notes on pages 37 to 122 form part of these financial statements. The unaudited accounts were issued on 29 July 2022.

SECTION 2D CASHFLOW 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
2,369	Net (surplus) or deficit on the provision of services	409
(16,653)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 22)	(9,385)
1,716	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 23)	2,012
(12,568)	Net cash outflows/ (inflow) from Operating Activities	(6,964)
1,683	Net increase/(decrease) in Investing Activities (Note 24)	15,649
3,866	Net cash outflow/(inflow) from Financing Activities (Note 25)	(7,828)
(7,019)	Net (increase) or decrease in cash and cash equivalents	857
16,819	Cash and cash equivalents at the beginning of the reporting period	23,838
23,838	Cash and cash equivalents at the end of the reporting period (Note 17)	22,981

Section 3

Notes to the

Financial Statements

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

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SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

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

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

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	<p>Asset valuations are based on market prices and are periodically reviewed to ensure that the Council does not materially misstate its non-current assets.</p> <p>Assets are depreciated over useful lives which are estimated annually. The carrying value of Property, Plant and Equipment as at 31 March 2022 is £80 million.</p>	<p>A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. If the value of the Council's operational properties were to reduce by 10%, this would result in an impact on the financial statements of approximately £8m.</p> <p>An increase in estimated valuations would result in increases to the Revaluation Reserve and / or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and / or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement.</p> <p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. If the depreciation lives of the assets were to reduce by 1 year across all assets, this would have an impact of approximately £254,000 on the Council's finances.</p>

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<p>Fair value measurement of investment property</p>	<p>The Council's external valuers use recognised valuation techniques to determine the fair value of Investment Property each year. This involves making assumptions and estimates in terms of how market participants would price the property.</p> <p>The fair value of Investment Properties as at 31 March 2022 is £19 million.</p>	<p>The valuations for our Investment Properties are subject to the same uncertainties as those described above.</p> <p>In addition, the fair value estimates may differ from the actual prices that could be achieved in an arm's length transaction. If the fair value estimates were to change by 2%, this would have a £380,000 impact on the Council's finances.</p>
<p>Business Rates Appeals Provision</p>	<p>Estimates have been made for the provision for refunding ratepayers who may successfully appeal against the rateable value of their properties. This includes the current and previous financial years. The estimate is based on those ratepayers who have appealed. The total appeals provision as at 31 March 2022 is £3.7 million, of which the Council's share is 40% (£1.5 million).</p>	<p>There is uncertainty and risk surrounding the calculation of the provision as future events may affect the amount required to settle an obligation. If the Business Rates appeals provision were to change by 1% this would have an impact of £15,000 on the Council's finances.</p>
<p>Pensions Liability</p>	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.</p> <p>The value of pension assets is estimated based upon information available at the Balance Sheet date, although these valuations could be earlier. The actual valuations at the Balance Sheet date, which may not be available until sometime later, may give a different value of pension assets, but this difference is not considered to be material.</p>	<p>The effects on the net pension liability of changes in individual assumptions can be measured. For example, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £3 million.</p> <p>The assumptions interact in complex ways. For example, in 2021/22, the Authority's actuaries advised that the pension liability has decreased by £7 million as a result of a change in "financial assumptions" and there had been no change as a result of a change in "demographic assumptions".</p> <p>Please refer to Note 35 for further information about the assumptions used by the actuaries.</p>

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	<p>The Pension Fund's Actuary has provided updated figures for the year based on the valuation in 2019. This valuation is based upon cash flow and assets values as at 31 March 2022.</p> <p>Contributions are set every 3 years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out during 2022/23 (as at 31 March 2022) and will set contributions for the period from 1 April 2023 to 31 March 2026.</p> <p>The carrying value of the pensions liability as at 31 March 2022 is £52.6 million.</p> <p>Movements in the value of investments due to current economic uncertainty will affect the valuation of the pension liability. This will include the impact on the value of Investment Properties held by the Local Government Pension Scheme on behalf of South Hams District Council.</p>	<p>If the value of investments is found to have changed from the estimates used by the actuaries, it will impact the overall value of the pension liability. For instance, a 5% increase in the pension liability would have an impact of £2.6m on the financial statements.</p> <p>The Council's share of these Pension Fund property investments would be material to the Council's net liability, this would also present a material uncertainty on the valuation of the Council's pension assets and liabilities as at 31 March 2022.</p>

2. MATERIAL ITEMS OF INCOME AND EXPENSE

There are no material items of income and expense in 2020/21 or 2021/22.

3. EVENTS AFTER THE REPORTING PERIOD

The draft Statement of Accounts (SOA) for 2021/22 was approved for issue by the Section 151 Officer & Corporate Director for Strategic Finance on 29 July 2022. This is also the date up to which events after the reporting period have been considered.

There is one event after the reporting period for 2021/22. This concerns the Council's Waste and Recycling service. On 12 July 2022 Executive considered a report with advice from the Council's Waste Working Group. The Waste Working Group advised that the Council and FCC Environment have reached a mutual agreement to end their contract for Waste, Recycling, Street and Toilet Cleaning services. In the best interests of the residents in the South Hams, it is proposed that the services will be operated by the Council from Monday 3 October 2022. This decision was subsequently approved by Council on 14 July 2022.

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

At the point of preparing the Statement of Accounts, planning continues and a further update will be considered by Executive and Council in September ahead of the transfer.

4. EXPENDITURE AND FUNDING ANALYSIS

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

2021/22 – Expenditure and Funding Analysis	Net Expenditure Chargeable to the General Fund	Adjustments between Funding and Accounting Basis (Note 5)	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000	£000	£000
Customer Service & Delivery	6,097	3,130	9,227
Strategic Finance	522	-	522
Place & Enterprise	(2,240)	1,922	(318)
Governance & Assurance	3,203	1,724	4,927
Net Cost of Services	7,582	6,776	14,358
Other income and expenditure	(6,861)	(7,088)	(13,949)
(Surplus)/Deficit on Provision of Services	721	(312)	409

	General Fund Balance	Earmarked Reserves	Total General Fund Reserves
	£000	£000	£000
Opening Balance at 31 March 2021	(2,122)	(21,494)	(23,616)
(Increase)/decrease in year	66	655	721
Closing Balance at 31 March 2022	(2,056)	(20,839)	(22,895)

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

2020/21 Comparatives – Expenditure and Funding Analysis	Net Expenditure Chargeable to the General Fund	Adjustments between Funding and Accounting Basis (Note 5)	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000	£000	£000
Customer Service & Delivery	7,149	1,893	9,042
Strategic Finance	538	-	538
Place & Enterprise	(511)	2,278	1,767
Governance & Assurance	4,378	805	5,183
Net Cost of Services	11,554	4,976	16,530
Other income and expenditure	(19,162)	5,001	(14,161)
(Surplus)/Deficit on Provision of Services	(7,608)	9,977	2,369

	General Fund Balance	Earmarked Reserves	Total General Fund Reserves
	£000	£000	£000
Opening Balance at 31 March 2020	(2,010)	(13,998)	(16,008)
(Increase)/decrease in year	(112)	(7,496)	(7,608)
Closing Balance at 31 March 2021	(2,122)	(21,494)	(23,616)

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

5. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

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

Adjustments between Funding and Accounting Basis				
2021/22	Adjustments for capital purposes (Note A) £000	Net change for the pensions adjustments (Note B) £000	Other Differences (Note C) £000	Total adjustments £000
Customer Service & Delivery	1,280	1,842	7	3,129
Place & Enterprise	1,438	485	-	1,923
Governance & Assurance	1,448	276	-	1,724
Net Cost of Services	4,166	2,603	7	6,776
Other income and expenditure from the Expenditure & Funding Analysis	(3,333)	1,275	(5,030)	(7,088)
Difference between the General Fund surplus or deficit, and the surplus or deficit on the provision of services in the CIES	833	3,878	(5,023)	(312)

Adjustments between Funding and Accounting Basis				
2020/21 Comparatives	Adjustments for capital purposes (Note A) £000	Net change for the pensions adjustments (Note B) £000	Other Differences (Note C) £000	Total adjustments £000
Customer Service & Delivery	1,165	723	5	1,893
Place & Enterprise	2,008	270	-	2,278
Governance & Assurance	629	176	-	805
Net Cost of Services	3,802	1,169	5	4,976
Other income and expenditure from the Expenditure & Funding Analysis	(3,490)	1,188	7,303	5,001
Difference between the General Fund surplus or deficit, and the surplus or deficit on the provision of services in the CIES	312	2,357	7,308	9,977

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

Note A: Adjustments for Capital Purposes

Adjustments for capital purposes reflect:

For services this column adds in depreciation and impairment and adjusts for revenue expenditure funded from capital under statute.

Other income and expenditure from the Expenditure and Funding Analysis – this adjusts for statutory charges for capital financing and other capital contributions are deducted. It also adjusts for capital disposals with a transfer of the income on the disposal and the amounts written-off.

Note B: Net Change for the Pensions Adjustments

Net changes for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

For services this represents the removal of the employer pension contributions made by the Authority as allowed by statute and the replacement with current service costs and past service costs.

For other income and expenditure from the Expenditure and Funding Analysis – the net interest on the defined benefit liability is charged to the CIES.

Note C: Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

For services reflects the change in the annual leave accrual when compared with the previous year.

For other income and expenditure from the Expenditure and Funding Analysis represents the timing difference between what is chargeable under statutory regulations for Council Tax and Business Rates that was projected to be received at the start of the financial year, and the income recognised under generally accepted accounting practices.

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

6. EXPENDITURE AND INCOME ANALYSED BY NATURE

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

Expenditure and Income Analysed by Nature	2020/21	2021/22
	£000	£000
Employee Benefits Expenses*	14,342	17,009
Other Service Expenses**	35,234	29,677
Depreciation, Amortisation and Impairment	4,088	4,116
Interest Payments	414	366
Pension Fund Administration Expenses	65	63
Net Interest on the net defined benefit liability	1,123	1,212
Losses/(Gains) on disposal of non current assets	49	-
Total Expenditure	55,315	52,443
Fees, Charges and Other Service Income***	(13,376)	(17,002)
Interest and Investment Income	(220)	(153)
Income from Council Tax and Business Rates****	(59)	(4,744)
Revenue Grants and Contributions*****	(37,758)	(28,481)
Capital Grants and Contributions	(1,420)	(1,237)
Other Income	(113)	(417)
Total Income	(52,946)	(52,034)
(Surplus) or Deficit on Provision of Services	2,369	409

* Employee Benefits Expenses

The increase in Employee Benefit Expenses is mainly due to an increase in the accounting adjustment for pensions (IAS19) of £1.4m. This is shown in Note 5 - Note to the Expenditure and Funding Analysis.

** Other Service Expenses

Other Service Expenses have reduced by £6.8m in 2021/22. This mainly reflects the reduction in payment of business grants paid out on behalf of Central Government during the pandemic. In addition there has been a reduction in Housing Benefit Payments of £1.3m.

*** Fees, Charges and Other Service Income

The increase in fees and charges income in 2021/22 reflects the detrimental impact of the pandemic on the Council's income in 2020/21. For example, car parking income was almost £1.4m lower in 2020/21.

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

****** Income from Council Tax and Business Rates**

The increase in income from Council Tax and Business Rates in 2021/22 mainly reflects the impact of the accounting treatment of the Business Rates S31 compensation grant. During 2020/21 local authorities received S31 grants to offset the business rate reliefs given to businesses during lockdown. Under current Collection Fund accounting rules, the S31 grants received in 2020/21 were not discharged against the Collection Fund deficit until 2021/22 onwards. This has resulted in an increase in the total Business Rates Receivable from £15.6m in 2020/21 to £22.9m in 2021/22.

The figure for Council Tax and Business Rates in this statement is shown net of expenditure (precepts to other bodies).

*******Revenue Grants and Contributions**

The overall reduction in grant income between 2020/21 and 2021/22 of £9.3m mainly relates to the S31 Business Rate Relief Grants. The larger share of this funding was received in 2020/21. This S31 compensation grant was awarded to local authorities to offset the business rate reliefs given to businesses during the pandemic. In addition there has been a reduction in Housing Benefit Subsidy of £1.3m to offset the reduction in Housing Benefit Payments shown in 'Other Service Expenses' shown above.

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

2021/22	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
Adjustments primarily involving the Capital Adjustment Account (CAA):				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):				
Charges for depreciation and impairment of non-current assets	3,100			(3,100)
Revaluation losses/(gains) on Property, Plant and Equipment	(217)			217
Movements in the market value of Investment Properties	(50)			50
Amortisation of Intangible Assets	82			(82)
Capital grants and contributions applied	(977)			977
Revenue expenditure funded from capital under statute (REFCUS)	1,201			(1,201)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	357			(357)
Insertion of items not debited or credited to the CIES:				
Statutory provision for the financing of capital investment	(486)			486
Capital expenditure charged against the General Fund	(1,019)			1,019
Revenue contribution to Capital Outlay – RCCO	(123)			123
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the CIES	(260)		260	-
Application of grants to capital financing transferred to the Capital Adjustment Account			(179)	179
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	(360)	360		-
Costs of disposal funded from capital receipts	3	(3)		-

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

2021/22	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of unattached capital receipts	(418)	418		-
Use of the Capital Receipts Reserve to finance new capital expenditure		(673)		673
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES (see Note 35)	5,370			(5,370)
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,492)			1,492
Adjustments primarily involving the Council Tax Collection Fund Adjustment Account:				
Amount by which Council Tax income credited to the CIES is different from Council Tax income calculated for the year in accordance with statutory requirements	(328)			328
Adjustments primarily involving the Business Rates Collection Fund Adjustment Account:				
Amount by which Business Rates income credited to the CIES is different from Business Rates income calculated for the year in accordance with statutory requirements*	(4,702)			4,702
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the CIES on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	7			(7)
Total Adjustments between the Accounting Basis and Funding Basis under regulations in 2021/22	(312)	102	81	129

*The large adjustment in 2021/22 regarding the Business Rates Collection Fund Adjustment Account reflects the reduced deficit on the Business Rates Collection Fund at 31 March 2022 (£6.4m compared to £18.1m at 31 March 2021). During 2020/21 local authorities received S31 grants to offset the business rate reliefs given to businesses during lockdown. Under current Collection Fund accounting rules, the S31 grants received in 2020/21 are being discharged against the Collection Fund deficit in 2021/22 onwards. Further S31 grants were also received in 2021/22 which will have a similar impact on the Business Rates Collection Fund in future years.

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

2020/21 Comparatives	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
Adjustments primarily involving the Capital Adjustment Account (CAA):				
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):</i>				
Charges for depreciation and impairment of non-current assets	2,557			(2,557)
Revaluation losses/(gains) on Property, Plant and Equipment	(188)			188
Movements in the market value of Investment Properties	286			(286)
Amortisation of Intangible Assets	29			(29)
Capital grants and contributions applied	(1,241)			1,241
Revenue expenditure funded from capital under statute (REFCUS)	1,404			(1,404)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	232			(232)
<i>Insertion of items not debited or credited to the CIES:</i>				
Statutory provision for the financing of capital investment	(344)			344
Capital expenditure charged against the General Fund	(1,798)			1,798
Revenue contribution to Capital Outlay – RCCO	(150)			150
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the CIES	(179)		179	-
Application of grants to capital financing transferred to the Capital Adjustment Account			(97)	97
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	(184)	184		-
Costs of disposal funded from capital receipts	1	(1)		-

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
2020/21 Comparatives				
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of unattached capital receipts	(113)	113		-
Use of the Capital Receipts Reserve to finance new capital expenditure		(507)		507
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES (see Note 35)	3,787			(3,787)
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,430)			1,430
Adjustments primarily involving the Council Tax Collection Fund Adjustment Account:				
Amount by which Council Tax income credited to the CIES is different from Council Tax income calculated for the year in accordance with statutory requirements	36			(36)
Adjustments primarily involving the Business Rates Collection Fund Adjustment Account*:				
Amount by which Business Rates income credited to the CIES is different from Business Rates income calculated for the year in accordance with statutory requirements	7,267			(7,267)
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which Business Rates income credited to the CIES is different from Business Rates income calculated for the year in accordance with statutory requirements	5			(5)
Total Adjustments between the Accounting Basis and Funding Basis under regulations in 2020/21	9,977	(211)	82	(9,848)

*The large adjustment in 2020/21 regarding the Business Rates Collection Fund Adjustment Account reflects the deficit position on the Business Rates Collection Fund at 31 March 2021. During 2020/21 local authorities received S31 grants to offset the business rate reliefs given to businesses during lockdown. Under current Collection Fund accounting rules, the S31 grants received in 2020/21 was not discharged against the Collection Fund deficit until 2021/22 onwards. Therefore there was a deficit of £18.1m on the Business Rates Collection Fund Adjustment Account at 31 March 2021.

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

8. TRANSFERS TO/ FROM EARMARKED RESERVES

This note details the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2021/22. The purpose of some of the more significant earmarked reserves are shown below:

Vehicles and Plant Renewals - This reserve is used to purchase vehicles and heavy plant to maintain a modern and efficient Council fleet, and to ensure contract conditions are met.

Ferry Repairs and Renewals – This reserve allows for the financing of major repairs required to the tugs and floats used in the Council’s ferry operation and the renewal of those assets.

Planning Policy and Major Developments – This reserve originated to help smooth out annual expenditure on the review and preparation of the Local Plan. In addition it is used to fund one off planning costs and to manage future fluctuations in planning income.

Sustainable Waste Management - This reserve makes some provision to enable the Council to develop sustainable waste initiatives in line with the Government’s National Waste Strategy. It is also used to support any unforeseen future waste cost pressures relating to market changes. Additional income from increased recycling credits and dry recycling income has been transferred to this reserve. In addition, the reserve also holds the value of the 2021/22 contractual performance deductions, in order to contribute to the anticipated set up costs of bringing the service back in house in October 2022 and capital outlay.

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

Business Rates Retention Scheme - The Business Rates Retention Earmarked reserve covers any possible funding issues from the new accounting arrangements and to smooth the volatility from business rates income over a period of years.

Affordable Housing - To support the funding of affordable housing.

Emergency Climate Change Projects - This reserve was set up in 2020/21 for Emergency Climate Change projects in order to give effect to the Council’s Climate Change Action Plan.

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

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

S31 Compensation Grant (Business Rates) Reserve - This reserve was set up in 2020/21 to hold the business rates S31 grants received to offset the business rate reliefs given to businesses during lockdown. Under current Collection Fund accounting rules, the S31 grants received in 2020/21 and 2021/22 will not be discharged against the Collection Fund deficit until 2021/22 and 2022/23 onwards respectively.

Recovery and Renewal Plan – This is a new reserve set up as part of the 2021/22 Budget process to support the costs of the Recovery and Renewal Plan and the Council's 20 year vision 'Better Lives for All'.

Financial Stability – This is a new reserve set up in 2021/22 as part of the 2022/23 Budget process to be available for any future financial pressures from local government funding reforms and any other budget pressures.

*The total Earmarked Reserves balance at 31 March 2022 of £20.84m includes £4.26m held in the Business Rates s31 Compensation Grant Reserve. This is due to a technical accounting adjustment where Councils were compensated for the business rates holidays that were announced by the Government for the retail, hospitality and leisure sectors in 2020/21 and 2021/22 (this funding is in the S31 Compensation Grant Reserve). This temporary increase in reserves will reverse back out again in the 2022/23 Accounts, to fund the deficit on the Collection Fund. Therefore this is not money which is available for the Council to spend and it is important that this is not misinterpreted in the Accounts, as this is a national issue.

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

The table below shows the earmarked reserve balances at 31 March 2022 and the movement during 2021/22.

2021/22 EARMARKED RESERVES	Balance at 31.3.2021 £000	Transfers Out £000	Transfers In £000	Balance at 31.3.2022 £000
General Fund				
Affordable Housing	668	(124)	-	544
Community Parks and Open Spaces	49	(20)	17	46
Grounds Maintenance	104	(30)	75	149
Pension Fund Strain	109	-	99	208
Repairs and Maintenance	231	(30)	173	374
Members Sustainable Community	35	-	14	49
Marine Infrastructure	326	(200)	58	184
Land and Development	104	(69)	37	72
Ferry Repairs and Renewals	428	(15)	117	530
Economic Initiatives	23	-	-	23
Salary Savings	120	(120)	-	-
Emergency Climate Change Projects	400	(47)	200	553
Vehicles & Plant Renewals	143	(417)	550	276
COVID-19	100	(272)	381	209
Pay and Display Equipment	165	-	21	186
On-Street Parking	44	-	-	44
ICT Development	82	(43)	50	89
Sustainable Waste Management	246	(80)	899	1,065
District Elections	10	-	10	20
Beach Safety	14	-	-	14
Planning Policy & Major Developments	217	(56)	370	531
Section106 Agreements (no conditions)	38	-	-	38
Revenue Grants	1,101	(270)	894	1,725
Capital Programme	181	(143)	211	249
New Homes Bonus	1,803	(954)	1,068	1,917
Business Rates Retention	7,103	(2,557)	-	4,546
Homelessness Prevention	166	(22)	90	234
Housing Capital Projects	194	(117)	331	408
Leisure Services	51	(10)	-	41
Support Services Trading	72	(27)	30	75
Environmental Health Initiatives	20	-	-	20
S106 Monitoring	149	(20)	29	158
Economic Regeneration	49	(25)	-	24
S106 Technical Support	34	(20)	-	14
Maintenance, Management & Risk	37	-	29	66
Recovery and Renewal Plan	-	-	500	500
Financial Stability	-	-	280	280
Maintenance Fund	-	-	78	78
Community Composting	-	-	200	200
Tree Maintenance	-	-	60	60
Sub Total General Fund Reserves	14,616	(5,688)	6,871	15,799

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

2021/22	Balance at	Transfers	Transfers	Balance at
EARMARKED RESERVES	31.3.2021	Out	In	31.3.2022
	£000	£000	£000	£000
Business Rates s31 Compensation Grant*	6,283	(2,023)	-	4,260
Sub Total Specific Reserves Business Rates	6,283	(2,023)	-	4,260
Specific Reserves – Salcombe Harbour				
Pontoons	227	-	65	292
Harbour Renewals	169	(17)	40	192
General Reserve	199	(23)	120	296
Sub Total Specific Reserves Salcombe Harbour	595	(40)	225	780
TOTAL EARMARKED REVENUE RESERVES* (See Note on the Business Rates s31 Compensation Grant above)	21,494	(7,751)	7,096	20,839

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

2020/21 Comparatives	Balance at	Transfers	Transfers	Balance at
EARMARKED RESERVES	31.3.2020	Out	In	31.3.2021
	£000	£000	£000	£000
General Fund				
Affordable Housing	706	(38)	-	668
Community Parks and Open Spaces	38	(6)	17	49
Grounds Maintenance	-	-	104	104
Pension Fund Strain	29	(19)	99	109
Repairs and Maintenance	203	(15)	43	231
Members Sustainable Community	28	-	7	35
Marine Infrastructure	268	-	58	326
Land and Development	210	(113)	7	104
Ferry Repairs and Renewals	446	(135)	117	428
Economic Initiatives	6	(4)	21	23
Salary Savings	-	-	120	120
Emergency Climate Change Projects	-	-	400	400
Vehicles and Plant Renewals	1,183	(1,590)	550	143
COVID-19	-	-	100	100
Pay and Display Equipment	144	-	21	165
On-Street Parking	44	-	-	44
ICT Development	122	(90)	50	82
Sustainable Waste Management	54	-	192	246
District Elections	-	-	10	10
Beach Safety	14	-	-	14
Planning Policy & Major Developments	187	-	30	217
Section106 Agreements (no conditions)	38	-	-	38
Revenue Grants	607	(190)	684	1,101
Capital Programme	26	(27)	182	181
New Homes Bonus	1,697	(1,093)	1,199	1,803
Renovation Grant	7	(7)	-	-
Business Rates Retention	6,192	(6,894)	7,805	7,103
Homelessness Prevention	112	-	54	166
Strategic Change	30	(30)	-	-
Innovation Fund (Invest to Earn)	9	(9)	-	-
Community Housing Fund	493	(314)	15	194
Leisure Services	57	(6)	-	51
Support Services Trading	43	-	29	72
Environmental Health Initiatives	20	-	-	20
S106 Monitoring	133	(23)	39	149
Economic Regeneration	319	(270)	-	49
Joint Local Plan	21	(21)	-	-
S106 Technical Support	16	(19)	37	34
Maintenance, Management & Risk	8	-	29	37
Sub Total General Fund Reserves	13,510	(10,913)	12,019	14,616
Business Rates s31 Compensation Grant*	-	-	6,283	6,283
Sub Total Specific Reserves Business Rates	-	-	6,283	6,283

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

2020/21 EARMARKED RESERVES	Balance at 31.3.2020 £000	Transfers Out £000	Transfers In £000	Balance at 31.3.2021 £000
Specific Reserves – Salcombe Harbour				
Pontoons	162	0	65	227
Harbour Renewals	136	(7)	40	169
General Reserve	190	(46)	55	199
Sub Total Specific Reserves Salcombe Harbour	488	(53)	160	595
TOTAL EARMARKED REVENUE RESERVES* (See Note on the Business Rates s31 Compensation Grant below)	13,998	(10,966)	18,462	21,494

Note* - Business Rates S31 Compensation Grant Earmarked Reserve

Earmarked Reserves increased by £7.5m in 2020/21. This was mainly due to the creation of a new earmarked reserve in 2020/21 called the S31 Compensation Grant (Business Rates) Reserve. During 2020/21 local authorities received S31 grants to offset the business rate reliefs given to businesses during lockdown in the retail, hospitality and leisure sectors (business rates holidays). Under current Collection Fund accounting rules, the S31 grants received in 2020/21 are not discharged against the Collection Fund deficit until 2021/22 onwards. Therefore this S31 grant (£5.49m) together with the Tax Income Guarantee S31 grant for Business Rates of £0.79m were transferred to the S31 Compensation Grant (Business Rates) Earmarked Reserve. This compensation grant will be applied to the Collection Fund over the next three years (2021/22 onwards) to smooth the impact of the Business Rates deficit. The balance on this reserve as at 31 March 2021 was £6.28m. This is not money which is available for the Council to spend and it is important that this is not misinterpreted in the Accounts, as this is a national issue.

9. OTHER OPERATING EXPENDITURE

2020/21 £000		2021/22 £000
2,736	Parish council precepts	2,960
49	(Gains)/losses on the disposal of non-current assets	-
65	Pension administration expenses	63
2,850	Total	3,023

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2020/21 £000		2021/22 £000
414	Interest payable and similar charges	366
(207)	Interest receivable and similar income	(140)
(113)	Other investment income	(417)
1,123	Net interest on the net defined benefit liability	1,212
(581)	Investment properties (Note 13)	(960)
636	Total	61

11. TAXATION AND NON-SPECIFIC GRANT INCOME

2020/21 £000		2021/22 £000
(9,299)	Council Tax	(9,679)
35	• Income	(328)
(60)	• Collection Fund adjustment	30
37	• Collection Fund - distribution of surplus	-
	• Support grant to parishes	
	Business Rates	
(11,395)	• Income	(11,375)
11,464	• Tariff	11,464
316	• Levy payment	1,109
1	• Pooling administration costs	2
(348)	• Pooling benefit	(299)
6,454	• Transfer of Collection Fund deficit/(surplus)*	1,372
	Non ring - fenced Government Grants:	
(9,183)	• S.31 Business Rate Relief Grants*	(5,789)
(1,199)	• New Homes Bonus Grant	(1,068)
(408)	• Rural Services Delivery Grant	(428)
-	• Lower Tier Services Grant	(82)
(1,088)	• COVID-19 LA Response Grant	(381)
(1,079)	• COVID-19 Sales, Fees & Charges Compensation	(108)
(475)	• COVID-19 New Burdens Admin Support Grant	(236)
(1,420)	Capital grants and contributions	(1,237)
(17,647)	Total	(17,033)

*The S31 Business Rate Relief Grants received in 2020/21 and 2021/22 include the S31 compensation grant that local authorities were awarded to offset the business rate reliefs given to businesses during the pandemic. Under current Collection Fund accounting rules, the S31 grants are not discharged against the Collection Fund deficit until the following year onwards. Therefore there is

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

a deficit on the Business Rates Collection Fund Adjustment Account at 31 March 2021 and 31 March 2022 which is reflected in the transfers of the Collection Fund deficit above. The S31 compensation grant is held in an earmarked reserve and will be applied to the Collection Fund over the next three years to smooth the impact of the Business Rates deficit.

12. PROPERTY, PLANT AND EQUIPMENT

Movements in 2021/22	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infra-structure Assets	Community Assets	Assets Under Construction	Total Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
At 1 April 2021	68,313	10,756	11,292	454	441	91,256
Additions	346	731	75	62	1,410	2,624
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	365					365
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	65					65
Derecognition – disposals	(65)	(52)				(117)
At 31 March 2022	69,024	11,435	11,367	516	1,851	94,193
Accumulated Depreciation & Impairment at 1 April 2021	1,731	6,038	4,338	-	-	12,107
Charge for 2021/22	1,629	1,014	457	-	-	3,100
Depreciation written out to the Revaluation Reserve	(1,053)					(1,053)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(154)					(154)
Derecognition – disposals		(52)				(52)
At 31 March 2022	2,153	7,000	4,795	-	-	13,948
Balance Sheet amount at 31 March 2022	66,871	4,435	6,572	516	1,851	80,245
Balance Sheet amount at 31 March 2021	66,582	4,718	6,954	454	441	79,149

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

Comparative Movements in 2020/21	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infra- structure Assets £000	Community Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000
Cost or Valuation						
At 1 April 2020	67,314	9,799	10,912	454	397	88,876
Additions	111	2,336	341		1,274	4,062
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(582)					(582)
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(10)					(10)
Derecognition – disposals	(20)	(1,379)				(1,399)
Assets reclassified (to)/from Held for Sale	159					159
Other movements in cost/ valuation - reclassification	1,341		39		(1,230)	150
At 31 March 2021	68,313	10,756	11,292	454	441	91,256
Accumulated Depreciation & Impairment at 1 April 2020	1,588	6,621	3,899	-	-	12,108
Charge for 2020/21	1,377	741	439			2,557
Depreciation written out to the Revaluation Reserve	(1,033)					(1,033)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(198)					(198)
Derecognition – disposals	(3)	(1,324)				(1,327)
At 31 March 2021	1,731	6,038	4,338	-	-	12,107
Balance Sheet amount at 31 March 2021	66,582	4,718	6,954	454	441	79,149
Balance Sheet amount at 31 March 2020	65,726	3,178	7,013	454	397	76,768

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

Depreciation

The Council provides for depreciation on all assets other than freehold land, community assets and investment properties. The provision for depreciation is made by allocating the cost (or revalued amount) less the estimated residual value of the assets over the accounting periods expected to benefit from their use. The straight-line method of depreciation is used. Assets are depreciated in the year following acquisition and in the year of disposal.

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

Capital Commitments

As at 31 March 2022 the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment. The commitments relate to:

- St Ann's Chapel Housing Scheme - £4.20 million
- Dartmouth Health & Wellbeing Hub - £3.94 million
- Batson, Salcombe Harbour Workshop - £0.69 million
- Batson, Salcombe Employment Units - £0.41 million

As a comparison, as at 31 March 2021 the Authority had not entered into any contracts for the construction or enhancement of Property, Plant and Equipment.

Revaluations

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

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

Assets are valued in accordance with a five year rolling programme (with ad hoc valuations taking place, for example where assets have been enhanced). In addition, a formal impairment review of the entire holding of land and buildings is undertaken at the end of each financial year, to ensure the carrying value reflects the fair value at the Balance Sheet date. The basis of valuation is set out in the Statement of Accounting policies in Note 38.

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

	Land and buildings £000	Vehicles, plant, furniture & equipment £000	Total £000
Valued at historical cost	-	4,718	4,718
Valued at current value in:			
2021/2022	16,375	(283)	16,092
2020/2021	45,567		45,567
2019/2020	4,929		4,929
Total	66,871	4,435	71,306

Impairment Losses

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

13. INVESTMENT PROPERTIES

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

A. Income & Expenditure Account	2020/21 £000	2021/22 £000
Rental income from investment properties	(929)	(918)
Direct operating expenses arising from investment properties	348	(42)
Net (gain)/ loss	(581)	(960)

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

B. Movement in fair value	2020/21 £000	2021/22 £000
Balance at start of the year	19,156	18,560
Net gains/(losses) from fair value adjustments*	(286)	50
Transfers (to)/from Property, Plant and Equipment	(310)	-
Balance at end of the year	18,560	18,610

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

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

During 2019/20 the Council incurred capital expenditure totalling £5 million for the purchase of an Investment Property in Dartmouth. This amount equated to the purchase price of the investment property plus transaction costs (e.g. stamp duty land tax) and directly attributable expenditure (costs incurred in successfully negotiating the sale terms and price and relevant professional fees e.g. legal costs) which were also capitalised in accordance with the Code. In 2020/21 there was a £286,000 reduction on the fair value adjustment due to the write down of the costs of acquisition of £296,000 (e.g. stamp duty land tax and legal and professional fees) plus a £10,000 upward valuation on Lee Mill, Ivybridge.

The Code requires that Investment Properties are measured annually at fair value. The fair value valuation increased by £50,000 at 31 March 2022 amounting to a total of £18.61 million. This increase in value relates to the Investment Property in Dartmouth.

The Code confirms that movements in fair value are debited to the provision of services and are not proper charges to the General Fund. They are reversed out to the Capital Adjustment Account in the Movement in Reserves Statement. Therefore this change in valuation does not impact on the Council's 'bottom line' in the Income and Expenditure account, as it is reversed out through the Capital Adjustment Account.

Fair Value Measurement of Investment Property

Observable Inputs – Level 2

The commercial land and buildings are measured using in the income approach, by means of the discounted cash flow method, where the expected cash flows from the properties are discounted using a market-derived discount rate to establish the present value of the net income stream. The approach has been developed using the Council's own data factoring in assumptions such as duration and timing of cash inflows and outflows, rent growth, occupancy levels, bad debt levels and maintenance costs. The Council's commercial land and buildings are therefore categorised as Level 2 in the fair value hierarchy as the measurement technique uses observable inputs to determine the fair value measurements.

Highest and Best Use of Investment Properties

In estimating the fair value of the Council's Investment Properties, it has been established that their current use is the highest and best use of the properties.

Valuation Techniques

There has been no change in the valuation techniques used during the year for Investment Properties.

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

14. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

Financial Liabilities

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

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

Financial Assets

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

- **Financial assets held at amortised cost** – These represent loans and loan-type arrangements where repayments or interest and principal take place on set dates and at specific amounts. The figure presented in the Balance Sheet represents the outstanding principal received plus accrued interest. Interest credited to the Comprehensive Income and Expenditure Statement (CIES) is the amount receivable as per the loan agreement.
- **Fair Value Through Other Comprehensive Income (FVOCI)** – These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are accounted for through a reserve account, with the balance debited or credited to the CIES when the asset is disposed of.
- **Fair Value Through Profit and Loss (FVTPL)** – These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are recognised in the CIES as they occur.

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

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

in the CIES. Changes in the value of assets carried at fair value are debited/credited to the Financing and Investment Income and Expenditure line in the CIES as they arise.

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

Summary of Financial Instruments

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

	Long-term		Current	
	31 March 2021 £000	31 March 2022 £000	31 March 2021 **Restated £000	31 March 2022 £000
Financial Assets at Amortised Cost				
Investments*	-	-	15,600	30,500
Cash and Cash Equivalents	-	-	23,838	22,981
Debtors**	-	-	3,213	3,542
Fair Value through Other Comprehensive Income – Financial Assets				
Investments – CCLA Local Authorities’ Property Fund	1,338	1,573	-	-
Investments – CCLA Diversified Income Fund	1,942	2,032	-	-
Total Financial Assets	3,280	3,605	42,651	57,023
Financial Liabilities at Amortised Cost				
Borrowing	(14,380)	(14,284)	(94)	(96)
Creditors	(74)	(92)	(15,940)	(19,524)
Total Financial Liabilities	(14,454)	(14,376)	(16,034)	(19,620)

*The increase in investments as at 31 March 2022 of £14.9m partly relates to the timing of the Council Tax energy rebate grant (£4.51m) which was received at the end of 2021/22 and the payments are being made on behalf of Central Government at the beginning of 2022/23. The Council also administered various Business Grants on behalf of Central Government and part of this increase relates to unapplied funding due to be repaid to Central Government.

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

**The 2020/21 Debtors figure has reduced by £243k following the removal of the General Fund Provision for bad debts.

Designated to Fair Value Through Other Comprehensive Income

At 31 March 2022 the Council had investments of £1.5 million with the CCLA Property Fund and £2.0 million with the CCLA Diversified Income Fund.

Following the adoption of accounting standard IFRS 9 Financial Instruments in 2018/19, investments in equity are to be classified as fair value through profit and loss unless there is an irrevocable election to designate the asset as fair value through other comprehensive income.

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

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

Statutory Override on Pooled Investments

As a result of the change in accounting standards for 2018/19 under IFRS 9, the Ministry for Housing, Communities and Local Government (MHCLG) agreed a temporary override to allow English Local Authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years commencing from April 2018. The Council will use the statutory override to account for any changes in the fair value on its pooled investments. For the Council's Money Market Fund investments the change in fair value was immaterial in 2021/22.

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

The Council had the following investments in equity instruments at 31 March 2022:

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

Investment	Nominal	Fair Value	Change in Fair Value during 2021/22
	£000	£000	£000
CCLA Property Fund	1,500	1,573	(73)
CCLA Diversified Income Fund	2,000	2,032	(32)
Total	3,500	3,605	(105)

Net Gains and Losses on Financial Instruments

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

	2020/21	2021/22
	£000	£000
Net gains/losses on: Financial Assets measured at fair value through other comprehensive income	141	325
Total Net Gains/(Losses)	141	325

Fair Value of Financial Instruments

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

Recurring Fair Value Measurements	Input Level in Fair Value Hierarchy	Valuation Technique Used to Measure Fair Value	31 March 2021 Fair Value	31 March 2022 Fair Value
			£000	£000
Fair Value Through Other Comprehensive Income CCLA Property Fund and CCLA Diversified Income Fund	Level 2	Inputs other than quoted market prices that are observable for the asset or liability	3,280	3,605
TOTAL			3,280	3,605

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

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

	31 March 2021		31 March 2022	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	£000	£000	£000	£000
PWLB Debt – Maturity	(5,490)	(5,890)	(5,490)	(5,571)
PWLB Debt – Annuity	(8,984)	(9,812)	(8,890)	(8,912)
Long Term Creditors	(74)	(74)	(92)	(92)

Heritable Bank

At the 31 March 2022 the Council had £10,542 frozen in the Heritable Bank which is UK registered and regulated, but a subsidiary of Landsbanki, one of the Icelandic Banks that was affected by the world economic crisis. Heritable Bank is registered in Scotland with a registered address in Edinburgh. Heritable Bank PLC is authorised and regulated by the Financial Services Authority and is on the FSA Register. The bank's shares are owned by Icelandic bank, Landsbanki.

The Council placed a deposit of £1,250,000 on 25th September 2008 with the Heritable Bank. Of this amount £1,239,458 (99%) has already been repaid to the Council by the Administrators.

The balance outstanding at 31 March 2014 (£72,368) was impaired (written out of the Balance Sheet) in the 2013/14 Accounts.

At the time the deposit was placed, the risk rating of Heritable was 'A' (long term deposits) and F1 (short term deposits). Both ratings indicated low risk and were within the deposit policy approved by the Council.

Administrators have kept the bank trading and are winding down the business over a period of years. The Administrators have paid sixteen dividends amounting to 99% of the original deposit. However, they do not intend to make any further distributions until the conclusion of a legal dispute with Landsbanki.

15. DEBTORS

31.3.2021 £000		31.3.2022 £000
	Short Term	
1,802	Central Government bodies	1,964
787	Other Local Authorities	741
	Other debtors	
1,938	Council Tax*	652
8,389	Business Rates**	2,730
2,405	Other entities and individuals	2,775
15,321	Total	8,862

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

*There is a large reduction in the short term Council Tax debtors as at 31 March 2022 which reflects the favourable movement in the Council Tax Collection Fund balance in 2021/22. As at 31 March 2021, the Council was due to receive £1.3m from Council Tax Preceptors. As at 31 March 2022 this has moved to a Creditor position, where the Council owes the Preceptors £1.5m. This follows the improved position on the Council Tax Collection Fund at 31 March 2022, a surplus of £2.74m compared to a small surplus of £28,000 as at 31 March 2021. The debtor/creditor position also reflects the Preceptors share of the Council Tax bad debts provision.

**There is a significant decrease in the short term Business Rates debtor as at 31 March 2022. The large debtor as at 31 March 2021 (£8.39m) was due to the deficit position on the Business Rates Collection Fund resulting from the timing differences in the Collection Fund accounting treatment of the S31 compensation grant. The debtor includes the deficits attributable to each of the Business Rates Preceptors (Central Government £9.05m, Devon County Council £1.63m and Devon and Somerset Fire Authority £0.18m) at 31 March 2021. This S31 compensation grant is gradually being released to the Collection Fund hence the reduction in the Business Rates Collection Fund deficit in 2021/22 and therefore the Business Rates debtor at 31 March 2022. The £2.73m debtor includes the following deficits attributable to each of the Business Rates Preceptors as at 31 March 2022 - Central Government £3.18m, Devon County Council £0.57m and Devon and Somerset Fire Authority £0.06m. These deficits are partly offset by the Preceptors share of the Business Rates appeals and bad debts provisions as at 31 March 2022.

16. DEBTORS FOR LOCAL TAXATION

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

31.3.2021 £000		31.3.2022 £000
377	Up to one year	580
342	One to three years	468
154	Over three years	219
873	Total Debtors for Local Taxation	1,267

17. CASH AND CASH EQUIVALENTS

31.3.2021 £000		31.3.2022 £000
638	Cash held by the Authority	581
23,200	Money Market Funds	22,400
23,838	Total Cash and Cash Equivalents	22,981

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

18. CREDITORS

31.3.2021 £000		31.3.2022 £000
	Short Term	
(12,960)	Central Government bodies*	(17,466)
(1,398)	Other Local Authorities	(930)
	Other Creditors	
(135)	Council Tax**	(1,626)
(8,545)	Business Rates	(8,173)
(4,504)	Other entities and individuals	(4,337)
(27,542)	Total	(32,532)
	Long Term	
(74)	Other entities and individuals	(92)
(74)	Total	(92)

*The increase in the short term Central Government bodies creditor mainly relates to the non-discretionary element of the Council Tax energy rebate grant (£4.3m). This grant was received at the end of 2021/22 and the payments are being made on behalf of Central Government at the beginning of 2022/23. The Council also administered various Business Grants on behalf of Central Government during 2020/21 and 2021/22. The large Central Government bodies creditor balance also reflects the unapplied funding due to be repaid to Central Government.

** There is a large increase in the short term Council Tax creditors as at 31 March 2022 which reflects the favourable movement in the Council Tax Collection Fund balance in 2021/22. As at 31 March 2021, the Council was due to receive £1.3m from Council Tax Preceptors (a debtors balance). However, as at 31 March 2022 the Council owes Council Tax Preceptors £1.5m (a creditors balance). This follows the improved position on the Council Tax Collection Fund at 31 March 2022, a surplus of £2.74m compared to a small surplus of £28,000 as at 31 March 2021. The debtor/creditor position also reflects the Preceptors share of the Council Tax bad debts provision.

19. PROVISIONS

Provisions payable within twelve months of the Balance Sheet date are classified as current liabilities; provisions payable more than twelve months from the Balance Sheet date are classified as long term liabilities. No long term provisions were created in 2021/22 or 2020/21. The breakdown of the 2021/22 provision is shown in the following table:

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

	Business Rates Appeals £000
Balance at 1 April 2021	1,636
Provisions made in year	94
Amounts used in year	(236)
Balance at 31 March 2022	1,494

Short term – Business Rates Appeals:

Provision is made for likely refunds of business rates as a result of appeals against the rateable value of business properties. The provision is based on the total value of outstanding appeals at the end of the financial year as advised by the Valuation Office Agency. Using this information, an assessment is made about the likely success rate of appeals and their value. In 2021/22 there has been a £354,000 reduction in the provision for appeals within the Collection Fund. The Council's share of this is 40% (i.e. £142,000).

20. USABLE RESERVES

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

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

Earmarked Reserves - The Council has set aside monies for specific purposes e.g. vehicle and plant replacement and the funding of strategic issues. In addition, on an annual basis monies are set aside in the Business Rates Retention Earmarked Reserve to mitigate the impact of business rates income volatility in future years. The movements in the 2021/22 Earmarked Reserves balance is explained in detail in the Narrative Statement.

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

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

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

21. UNUSABLE RESERVES

31.3.2021 £000		31.3.2022 £000
30,405	Revaluation Reserve	31,072
54,796	Capital Adjustment Account	54,531
(61,351)	Pensions Reserve	(52,621)
3	Council Tax Collection Fund Adjustment Account	331
(7,242)	Business Rates Collection Fund Adjustment Account	(2,540)
(220)	Financial Instruments Revaluation Reserve	105
(148)	Accumulated Absences Account	(155)
16,243	Total Unusable Reserves	30,723

Revaluation Reserve

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

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

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

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

31.3.2021 £000	31.3.2021 £000	Revaluation Reserve	31.3.2022 £000	31.3.2022 £000
	30,278	Balance at 1 April		30,405
4,297		Upward revaluation of assets	1,882	
(3,846)		Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	(464)	
	451	Surplus or (Deficit) on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		1,418
(404)		Difference between fair value depreciation and historical cost depreciation	(590)	
117		Accumulated gains on assets reclassified as Investment Properties	-	
(37)		Accumulated gains on assets sold or scrapped	(161)	
	(324)	Amount written off to the Capital Adjustment Account		(751)
	30,405	Balance at 31 March		31,072

Capital Adjustment Account

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

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

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

2020/21 £000	2020/21 £000	Capital Adjustment Account	2021/22 £000	2021/22 £000
	54,655	Balance at 1 April		54,796
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CIES):		
(2,557)		▪ Charges for depreciation of non-current assets	(3,100)	
188		▪ Revaluation gains/(losses) on Property, Plant and Equipment (PPE)	217	
(286)		▪ Revaluation gains/(losses) on Investment Properties	50	
(29)		▪ Amortisation of Intangible Assets	(82)	
(1,404)		▪ Revenue expenditure funded from capital under statute (REFCUS)	(1,201)	
(232)		▪ Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(357)	
	(4,320)	Total		(4,473)
37		Amounts of Revaluation Reserve balance written off on disposal or sale of PPE	161	
(117)		Amounts of Revaluation Reserve written off on reclassification of PPE to Investment Properties	-	
<u>404</u>		Adjusting amounts written out of the Revaluation Reserve	<u>590</u>	
	324	Net written out amount of the cost of non-current assets consumed in the year		751
		Capital financing applied in the year:		
507		• Use of the Capital Receipts Reserve to finance new capital expenditure	673	
1,241		• Capital grants and contributions credited to the CIES that have been applied to capital financing	977	
97		• Application of grants to capital financing from the Capitals Grants Unapplied Account	179	
344		• Statutory provision for the financing of capital investment charged against the General Fund	486	
1,798		• Capital expenditure charged against the General Fund	1,019	
150		• Revenue Contribution to Capital Outlay (RCCO)	123	
	4,137	Total		3,457
	54,796	Balance at 31 March		54,531

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

Pensions Reserve

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

31.3.2021 £000	Pensions Reserve	31.3.2022 £000
(48,504)	Balance at 1 April	(61,351)
(10,490)	Actuarial gains or (losses) on pension assets and liabilities	12,608
(3,787)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(5,370)
1,430	Employer's pensions contributions and direct payments to pensioners payable in the year	1,492
(61,351)	Balance at 31 March	(52,621)

Council Tax Collection Fund Adjustment Account

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

31.3.2021 £000	Council Tax Collection Fund Adjustment Account	31.3.2022 £000
39	Balance at 1 April	3
(36)	Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	328
3	Balance at 31 March	331

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

Business Rates Collection Fund Adjustment Account

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

31.3.2021 £000	Business Rates Collection Fund Adjustment Account	31.3.2022 £000
25	Balance at 1 April	(7,242)
(7,267)	Amount by which Business Rates income credited to the CIES is different from Business Rates income calculated for the year in accordance with statutory requirements*	4,702
(7,242)	Balance at 31 March	(2,540)

*The large movement in the 2021/22 Business Rates Collection Fund Adjustment Account reflects the improved deficit position on the Business Rates Collection Fund as at 31 March 2022. (£6.4m compared to £18.1m at 31 March 2021). During 2020/21 local authorities received S31 grants to offset the business rate reliefs given to businesses during lockdown. Under current Collection Fund accounting rules, the S31 grants received in 2020/21 are being discharged against the Collection Fund deficit in 2021/22 onwards. Further S31 grants were also received in 2021/22 which will have a similar impact on the Business Rates Collection Fund in future years.

Financial Instruments Revaluation Reserve

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

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

31.3.2021 £000	Financial Instruments Revaluation Reserve	31.3.2022 £000
(361)	Balance at 1 April	(220)
151	Upward revaluation of assets	325
(10)	Downward revaluation of assets	-
(220)	Balance at 31 March	105

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

Accumulated Absences Account

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

31.3.2021		Accumulated Absences Account	31.3.2022	
£000	£000		£000	£000
	(143)	Balance at 1 April		(148)
143		Settlement or cancellation of accrual made at the end of the preceding year	148	
(148)		Amounts accrued at the end of the current year	(155)	
	(5)	Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(7)
	(148)	Balance at 31 March		(155)

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

2020/21		2021/22
£000		£000
(2,557)	Depreciation	(3,100)
188	Impairment and downward valuations	217
(286)	Movement in market value of investment properties	50
(29)	Amortisation	(82)
606	Increase/(decrease) in Debtors	486
(11,984)	Increase/(decrease) in Creditors	(2,733)
(2)	Increase/(decrease) in Inventories	12
(2,357)	Movement in pension liability	(3,878)
(232)	Carrying amount of non-current assets held for sale, sold or derecognised	(357)
(16,653)	Total	(9,385)

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

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

2020/21 £000		2021/22 £000
296	Proceeds from the sale of non-current assets	775
1,420	Other non-cash items charged to the net surplus or deficit on the provision of services	1,237
1,716	Net cash flows from investing activities	2,012

24. CASH FLOW STATEMENT – INVESTING ACTIVITIES

2020/21 £000		2021/22 £000
4,241	Purchase of Property, Plant and Equipment, Investment Properties and Intangible Assets	2,790
100	Increase/(decrease) in investments*	14,900
(296)	Proceeds from the sale of Property, Plant and Equipment, Investment Properties and Intangible Assets	(775)
(2,362)	Other receipts from investing activities (capital grants and contributions)	(1,266)
1,683	Net cash flows from investing activities	15,649

*The increase in the purchase of short and long term investments partly relates to the timing of the Council Tax energy rebate grant (£4.51m) which was received at the end of 2021/22 and the payments are being made on behalf of Central Government at the beginning of 2022/23. The Council also administered various Business Grants on behalf of Central Government and part of this increase relates to unapplied funding due to be repaid to Central Government.

25. CASH FLOW STATEMENT – FINANCING ACTIVITIES

2020/21 £000		2021/22 £000
93	Repayments of short and long-term borrowing	94
3,773	Other receipts/payments for financing activities*	(7,922)
3,866	Total	(7,828)

*The movement between 2020/21 and 2021/22 is due to the significant decrease in short term Business Rates debtors and large increase in

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

the short term Council Tax creditors. For further information please see note15 Debtors and note 18 Creditors.

26. TRADING OPERATIONS – BUILDING CONTROL

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

As of 1 April 2017, South Hams District Council (SHDC), West Devon Borough Council (WDBC) and Teignbridge District Council (TDC) entered into an updated partnership agreement and a new hosting agreement with respect to the staff and functions delivered by Devon Building Control Partnership (DBCP) to the three Council areas. This agreement saw the transfer of all staff who had DBCP responsibilities from SHDC or WDBC to TDC. As a result of this change, operational arrangements such as the delivery and management of support service functions, including holding the DBCP financial reserve, passed to TDC. Consequently the balance of the Building Control earmarked reserve was paid over to TDC during 2017/18 (£436,000). SHDC & WDBC retain control over the operation of this reserve and the DBCP by virtue of the partnership and hosting agreement, along with active participation in the controlling Devon Building Control Partnership Committee.

The Summary Accounts for the year will be detailed in the DBCP Accounts, which can be found on Teignbridge District Council's Website under the Devon Building Control Partnership Committee 2021/2022.

27. MEMBERS' ALLOWANCES

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

2020/21 £000		2021/22 £000
245	Allowances	250
1	Expenses	9
246	Total	259

28. OFFICERS' REMUNERATION

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

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

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

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

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

Post	Year	Salary, Fees and Allowances £	Expenses £	Pension Contribution £	Total £
Chief Executive and Head of Paid Service (Post vacant from 15/03/20 to 07/06/20 - Note B)	20/21	100,300	-	16,900	117,200
	21/22	125,200	1,200	21,000	147,400
Corporate Director of Governance & Assurance	20/21	72,500	500	12,200	85,200
	21/22	77,400	400	12,700	90,500
Head of Finance (Deputy S.151 Officer)	20/21	58,000	100	9,300	67,400
	21/22	56,000	100	9,400	65,500
Head of Maritime	20/21	54,200	1,000	8,900	64,100
	21/22	60,800	2,000	10,100	72,900
Head of IT	20/21	56,500	100	9,500	66,100
	21/22	57,500	100	9,700	67,300
Head of Place Making – post vacant until 26/10/20	20/21	22,200	100	3,700	26,000
	21/22	53,200	600	9,000	62,800
Head of Human Resources	20/21	52,400	200	8,800	61,400
	21/22	53,300	100	9,000	62,400
Head of Legal & Monitoring Officer (in post from 10th November 2020 – Note C)	20/21	50,300	-	8,400	58,700
	21/22	58,400	-	9,800	68,200

No other officers earned over £50,000 during 2021/22 or 2020/21.

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

Note A: Shared Services with West Devon Borough Council

The total cost of senior employees employed by West Devon Borough Council has been included in the equivalent note of West Devon Borough Council's Accounts in accordance with the accounting requirements and is therefore excluded from the table above.

In 2021/22 South Hams District Council reimbursed costs amounting to £489,100 (2020/21 £502,000) in respect of some members of the Senior Leadership Team (SLT) and the Extended Leadership Team (ELT) who are employed by West Devon Borough Council. South Hams District Council received a reimbursement in 2021/22 from West Devon Borough Council of £271,400 (2020/21 £233,100) in respect of the above shared senior employees.

Note B: Chief Executive and Head of Paid Service

The Chief Executive and Head of Paid Service left the Council on 15th March 2020. This post was covered on an interim basis by the Strategic Director of Customer Service employed by West Devon Borough Council. South Hams District Council successfully recruited to this post in June 2020.

Note C: Head of Legal and Monitoring Officer

The Chief Executive and Head of Paid Service conducted a review of the arrangements to ensure there was clarity of accountability for the statutory functions, and to make sure that the Monitoring Officer had the capacity to respond in a timely and effective manner to all issues referred to the role. A report was taken to Council in September 2020 which recommended the designation of the Monitoring Officer role to the Head of Legal Services (once appointed) and removal of the Monitoring Officer responsibilities and duties from the Business Manager (Specialists) employed by West Devon Borough Council. The Head of Legal and Monitoring Officer was appointed on 10 November 2020.

29. PAYMENTS TO EXTERNAL AUDITORS

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

	2020/21	2021/22
	£000	£000
Fees payable with regard to external audit services	64	74
Core Audit Fees	54	62
Audit of Grants and Returns	10	12
Rebate from Public Sector Audit Appointments Ltd	-	(7)
Total	64	67

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

30. 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		
Capital grants and contributions:		
Disabled Facilities Grants	(1,141)	(1,196)
Capital Section 106 deposits	-	(41)
Homes England (Clay Park)	(270)	-
Other capital grants and contributions	(9)	-
Non ring - fenced Government grants and contributions:		
New Homes Bonus Grant	(1,199)	(1,068)
S31 Business Rate Relief Grants*	(9,183)	(5,789)
Rural Services Delivery Grant	(408)	(428)
Lower Tier Services Grant	-	(82)
COVID-19 LA Response Grant	(1,088)	(381)
COVID-19 Sales, Fees & Charges Compensation	(1,079)	(108)
COVID-19 New Burdens Admin Support Grant	(475)	(236)
Total	(14,852)	(9,329)
Credited to Services		
Rent Allowance subsidy	(15,545)	(14,207)
Housing Benefit administration subsidy	(200)	(182)
Rent rebate subsidy	(62)	(95)
Discretionary housing payments	(172)	(128)
Council Tax benefit administration subsidy	(78)	(89)
Business Rates cost of collection allowance	(206)	(212)
Homelessness Prevention Grant	(120)	(205)
Neighbourhood Planning Grant	(140)	(90)
Redmond Review Local Audit Fees Grant	-	(17)
Recycling credits	(538)	(580)
Revenue Section 106 deposits	(521)	(699)
Electoral Commission – General Elections and European Elections	(18)	(199)
COVID-19 Hardship Support Fund	-	(104)
COVID-19 Additional Restrictions Support Grant	(1,178)	(1,668)
COVID-19 Additional Restrictions Support Grant (Top Up)	(223)	(550)
COVID-19 Track & Trace Administration Support Grant	(24)	(62)
COVID-19 Discretionary Business Grants Fund	(2,306)	-
COVID-19 ERDF Reopening High Streets Safely	-	(139)
COVID-19 Local Elections 2021 COVID Secure	-	(31)
COVID-19 Protect & Vaccinate Homelessness Support Grant	-	(46)
COVID-19 Contain Outbreak Management Fund	-	(98)
COVID-19 Council Tax Hardship Grant Fund	(508)	(131)
COVID-19 Local Restrictions Support Grant (Open)	(2,079)	(215)
Other grants	(408)	(631)
Total	(24,326)	(20,378)

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

S31 Business Rate Relief Grants

*The overall reduction in grant income between 2020/21 and 2021/22 of nearly £4 million mainly relates to the S31 Business Rate Relief Grants. The larger share of this funding was received in 2020/21. This S31 compensation grant was awarded to local authorities to offset the business rate reliefs given to businesses during the pandemic.

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

Capital Grants Receipts in Advance	31 March 2021 £000	31 March 2022 £000
BEIS Green Homes Grant	(1,026)	(1,026)
Other grants	(16)	(45)
Total	(1,042)	(1,071)

Revenue Grants Receipts in Advance	31 March 2021 £000	31 March 2022 £000
COVID-19 Additional Restrictions Grant	(562)	-
COVID-19 Additional Restrictions Grant (Top Up)	(550)	-
COVID-19 LRSG (Open)	(215)	-
Council Tax Rebate Grant	-	(174)
Other grants	(9)	(14)
Total	(1,336)	(188)

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

Long Term Revenue Grants Receipts in Advance (Section 106 Deposits)	31 March 2021 £000	31 March 2022 £000
Langage Energy Centre	(1,458)	(1,456)
Gara Rock, East Portlemouth	(523)	(523)
Land South East of Torhill Farm, Ivybridge	(489)	(474)
Land at Woodland Road, Ivybridge	(195)	(191)
Bonfire Hill, Salcombe	(184)	(152)
Land at Moorview, Marldon	(130)	(81)
Riverside, Totnes	(96)	(91)
Former Old Chapel Inn, Bigbury	(110)	(110)
Sawmills Field, Dartington	(77)	(46)
Trennels, Herbert Road, Salcombe	(93)	(93)
Webbers Yard, Dartington	(56)	(56)
Venn Farm, Brixton	(60)	(50)
Holywell Stores, Bigbury	(74)	(74)
Former Gas Works, Salcombe	(68)	(68)
Cornwood Road, Ivybridge	(214)	(214)
Land off Palm Cross Green, Modbury	(197)	(68)
Knighton Road, Wembury	(106)	(104)
Land East of Allern Lane, Tamerton Foliot	(105)	(103)
Land at Cornwood Road, Ivybridge	(97)	(143)
Yealm Hotel, Newton Ferrers	(139)	(139)
Various other sites	(1,254)	(1,481)
Total	(5,725)	(5,717)

31. RELATED PARTIES

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

Central Government

Central Government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework, within which the Authority operates and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from Government departments are detailed in Note 30.

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 27.

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

32. 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, giving rise to the movement in the Council's Capital Financing Requirement.

The Capital Financing Requirement has increased by £0.53m in 2021/22. This mainly reflects the capital expenditure incurred in respect of Dartmouth Health and Wellbeing Hub during the year of £0.35m.

The borrowing activity is constrained by prudential indicators for net borrowing and the CFR, and by the authorised limit.

Summary of Capital Expenditure and Financing (incorporating the Capital Financing Requirement)	2020/21 £000	2021/22 £000
<i>Opening Capital Financing Requirement</i>	11,494	13,002
Capital Investment		
Property, Plant and Equipment	2,788	1,214
Intangible Assets	179	166
Revenue expenditure funded from capital under statute (REFCUS)	1,404	1,201
Assets under Construction	1,274	1,410
Bank investment		
Total expenditure for capital purposes	5,645	3,991
Sources of Finance		
Capital receipts	(507)	(673)
Capital grants and external contributions	(1,338)	(1,156)
Earmarked reserves	(1,798)	(1,019)
Revenue	(150)	(123)
Total funding	(3,793)	(2,971)
Minimum Revenue Provision	(344)	(486)
<i>Closing Capital Financing Requirement</i>	13,002	13,536
<i>Movement in Capital Financing Requirement</i>	1,508	534
Explained by:		
Increase in underlying need to borrow (supported by government financial assistance)	(316)	(132)
Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	1,824	666
Increase/(decrease) in Capital Financing Requirement	1,508	534

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

33. LEASES

Operating Leases

Authority as Lessee

The Authority uses certain land and buildings under the terms of operating leases. The most significant are:

Detail of lease	Term	Expiry date	Segment in CIES
A parcel of land for car parking	6 years	30.05.2023	Place and Enterprise
The fundus of the Salcombe & Kingsbridge Estuary for the provision of harbour activities	21 years	24.03.2028	Place and Enterprise

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

	31 March 2021 £000	31 March 2022 £000
N.B. Rentals for the fundus have been estimated based on income generated from certain harbour activities.		
Not later than one year	232	248
Later than one year & not later than five years	627	582
Later than five years	254	142
Total	1,113	972

The expenditure charged to the Place and Enterprise line in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	2020/21 £000	2021/22 £000
Minimum lease payments	230	252
Total	230	252

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

Authority as Lessor

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

Detail of lease	Term	Expiry date	Segment in CIES
The operation of a supermarket	99 years	20.12.2077	Investment Properties
The operation of a supermarket and residential accommodation	35 years	24.03.2031	Investment Properties
The rental of an industrial unit	25 years	31.05.2029	Place and Enterprise
The rental of office accommodation	20 years	24.07.2032	Place and Enterprise
The rental of office accommodation	10 years	29.09.2026	Place and Enterprise

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

	31 March 2021 £000	31 March 2022 £000
N.B. Rental income from the temporary accommodation has been estimated (based on rentals paid).		
Not later than one year	1,004	1,004
Later than one year & not later than five years	4,015	3,993
Later than five years	32,490	31,509
Total	37,509	36,506

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.

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

34. EXIT PACKAGES AND TERMINATION BENEFITS

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

Exit package cost band (incl. special payments)	Number of voluntary redundancies		Number of compulsory redundancies		Total number of exit packages by cost band		Total cost of exit packages in each band (£)	
	20/21	21/22	20/21	21/22	20/21	21/22	20/21	21/22
£0 - £20,000	-	-	2	1	2	1	8,272	796
TOTAL	-	-	2	1	2	1	8,272	796

The exit package amount (£796 in 2021/22) is the cost of redundancy payment plus the cost of any pension strain payments.

Shared Services with West Devon Borough Council

Of the £796 cost of exit packages in 2021/22 (£8,272 in 2020/21), West Devon Borough Council (WDBC) made a contribution of nil in 2021/22 (£2,830 in 2020/21). In addition, South Hams District Council made a contribution of nil to West Devon Borough Council in respect of their exit package costs in 2021/22 (nil in 2020/21).

35. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

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

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

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

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

Contributions are set every 3 years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out during 2022/23 (as at 31 March 2022) and will set contributions for the period from 1 April 2023 to 31 March 2026. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions. Funding levels are monitored on an annual basis. The total contributions expected to be made to the LGPS by the Council in the year to 31 March 2023 is £1.347m. The Actuary has estimated the duration of the Employer's liabilities to be 20 years.

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

Transactions Relating to Post-employment Benefits

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

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

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

Comprehensive Income and Expenditure Statement	2020/21 £000	2021/22 £000
Cost of Services		
<i>Service cost comprising</i>		
- Current Service Cost	2,599	4,095
<i>Financing and Investment Income and Expenditure</i>		
- Net Interest Expense	1,123	1,212
- Administration Expenses	65	63
Total Post-employment benefits charged to the Surplus or Deficit on the Provision of Services	3,787	5,370
Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement		
<i>Re-measurement of the net defined benefit liability comprising:</i>		
- Change in financial assumptions	33,174	(7,123)
- Change in demographic assumptions	(1,470)	-
- Experience loss/(gain)	(1,829)	417
- Return on fund assets in excess of interest	(19,385)	(5,902)
<i>Total re-measurement recognised</i>	<i>10,490</i>	<i>(12,608)</i>
Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement	14,277	(7,238)
<i>Movement in Reserves Statement</i>		
- Reversal of net charges made to the surplus or deficit on the provision of services for post-employment benefits in accordance with the code	3,787	5,370
<i>Actual amount charged against the General Fund Balance for pensions in the year</i>		
- Employers contributions payable to scheme	1,430	1,492

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

Net Pension Liability	31 March 2021 £000	31 March 2022 £000
Present value of the defined benefit obligation	161,989	158,337
Fair value of Fund assets	(103,353)	(108,238)
Deficit/(surplus)	58,636	50,099
Present value of unfunded obligation	2,715	2,522
Net defined benefit liability/(asset)	61,351	52,621

Reconciliation of opening and closing balances of the fair value of Fund assets	31 March 2021 £000	31 March 2022 £000
Opening fair value of Fund assets	83,985	103,353
Interest on assets	1,951	2,037
Return on assets less interest	19,385	5,902
Administration expenses	(65)	(63)
Contributions by employer including unfunded	1,430	1,492
Contributions by Scheme participants	481	505
Estimated benefits paid plus unfunded net of transfers in	(3,814)	(4,988)
Closing fair value of Fund assets	103,353	108,238

Reconciliation of opening and closing balances of the present value of the defined benefit obligation	31 March 2021 £000	31 March 2022 £000
Opening defined benefit obligation	132,489	164,704
Current service cost	2,599	4,089
Interest cost	3,074	3,249
Change in financial assumptions	33,174	(7,123)
Change in demographic assumptions	(1,470)	-
Experience loss/(gain) on defined benefit obligation	(1,829)	417
Estimated benefits paid net of transfers in	(3,622)	(4,795)
Past service costs, including curtailments	-	6
Contributions by Scheme participants	481	505
Unfunded pension payments	(192)	(193)
Closing defined benefit obligation	164,704	160,859

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

Basis for Estimating Assets and Liabilities

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

To assess the value of the Employer's liabilities at 31 March 2022, they have rolled forward the value of the Employer's liabilities calculated for the funding valuation as at 31 March 2021, using financial assumptions that comply with IAS19.

To calculate the asset share they have rolled forward the assets allocated to South Hams District Council as at 31 March 2021 allowing for investment returns (estimated where necessary), contributions paid into and estimated benefits paid from the Fund, by and in respect of the Employer and its employees.

The demographic assumptions are projected using the CMI_2020 Model and are summarised in the table below:

Basis for estimating assets and liabilities	31 March 2021 CMI_2020	31 March 2022 CMI_2020
Mortality assumptions (in years):		
<u>Longevity at 65 for current pensioners</u>		
- Men	22.6	22.7
- Women	23.9	24.0
<u>Longevity at 65 for future pensioners (in 20 years)</u>		
- Men	24.0	24.0
- Women	25.4	25.4
Financial assumptions (in percentages):		
- RPI increases	3.2%	3.6%
- CPI increases	2.8%	3.2%
- Salary increases	3.8%	4.2%
- Pension increases	2.8%	3.2%
- Discount rate	2.0%	2.6%

The CMI_2020 Model introduces a '2020 weight parameter' for the mortality data in 2020 so that the exceptional mortality experienced due to the coronavirus pandemic can be incorporated without having a disproportionate impact on results.

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

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

Sensitivity analysis	£000s	£000s	£000s
Adjustment to discount rate	+0.1%	0.0%	(0.1%)
Present value of total obligation	157,811	160,859	163,970
Projected service cost	3,733	3,863	3,998
Adjustment to long term salary increase	+0.1%	0.0%	(0.1%)
Present value of total obligation	161,085	160,859	160,635
Projected service cost	3,865	3,863	3,861
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	(0.1%)
Present value of total obligation	163,722	160,859	158,050
Projected service cost	3,997	3,863	3,733
Adjustment to life expectancy assumptions	+ 1 Year	None	-1 Year
Present value of total obligation	168,214	160,859	153,835
Projected service cost	4,029	3,863	3,703

The estimated asset allocation for South Hams District Council as at 31 March 2022 is as follows:

Employer asset share	31 March 2021		31 March 2022	
	£000	%	£000	%
Gilts	3,514	3%	14,396	13%
UK equities	11,447	11%	9,647	9%
Overseas equities	53,375	52%	54,434	50%
Property	8,301	8%	10,198	10%
Infrastructure	4,188	4%	6,112	6%
Target return portfolio	9,730	9%	10,005	9%
Cash	1,066	1%	1,278	1%
Other bonds	4,634	5%	2,214	2%
Alternative assets	7,098	7%	(46)	0%
Total	103,353	100%	108,238	100%

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

Of the total fund asset at 31 March 2022, the following table identifies the split of those assets with a quoted market price and those that do not:

Employer Asset Share – Bid Value		31 March 2022	
		% Quoted	% Unquoted
Fixed interest government securities	UK	-	-
	Overseas	13.3%	-
Corporate bonds	UK	-	-
	Overseas	-	-
Equities	UK	8.44%	-
	Overseas	50.29%	-
Property	All	-	9.42%
Others	Absolute return portfolio	9.24%	-
	Private equity	-	0.47%
	Infrastructure	-	5.65%
	Derivatives	(0.04%)	-
	Multi sector credit fund	-	-
	Private debt	-	2.05%
	Cash/Temporary investments	-	0.98%
Net current assets	Debtors	-	0.20%
	Creditors	-	-
Total		81.23%	18.77%

McCloud Judgement

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

On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS benefits in response to the McCloud case. 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.

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

36. CONTINGENT LIABILITIES

The transfer of the Council's housing stock in March 1999 resulted in a capital receipt of some £42m. As the stock transfer had to take place over a very short timescale, wide warranties were given to South Hams Housing (now LiveWest, previously Liverty) on staffing, environmental and other issues, (for example in relation to the existence of contaminated land, subsidence, etc.). These warranties were granted for 35 years from 1999. The purpose of these warranties is to safeguard the housing company if any of the main assumptions on which the transfer price was calculated turn out to be different in reality. Any liabilities that do arise will be funded from the Council's general reserves. Unfortunately, owing to the uncertainties surrounding any potential claim, it is not practicable to make an estimate of the total value of liabilities (if any).

37. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Key Risks

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

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

Overall Procedures for Managing Risk

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

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

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

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

The Annual Treasury Management Strategy which incorporates the prudential indicators was approved by Council on 25 March 2021 and is available on the Council's website (Minute 51).

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

Credit risk

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

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

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

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

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

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

The full Investment Strategy for 2021/22 was approved by Council on 25 March 2021 and is available on the Council's website (Minute 51).

The Council's Counterparty limits are as follows:

- £6.0 million for Money Market Funds
- £1.5 million on CCLA Property Investment Fund
- £2.0 million on CCLA Diversified Income Fund
- £6.0 million on term deposits with banks and building societies with the UK (£7.0 million with Lloyds Bank PLC, the Council's bank).

The Council takes a very prudent approach regarding the collection of debts from its customers and calculates an annual provision for bad debts based on the age of its debt. A detailed review of potential bad debts was undertaken at 31 March 2022 and is reflected in the current figure of £486,000. This compares to £545,000 in 2020/21. The bad debt provision is adequate to deal with the historical experience of default and current market conditions. An analysis of the Council's debtors is provided in Note 15 to the accounts.

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

Amounts Arising from Expected Credit Losses

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

	Balance at 31 March 2022	Historical Experience of Default	Estimated Maximum Exposure to Default and Uncollectability at 31 March 2022
	£000	%	£000
Deposits with Bank and Financial Institutions			
Aberdeen Standard Money Market Fund	6,000	0.000%	-
Blackrock Money Market Fund	6,000	0.000%	-
Deutsche Money Market Fund	4,400	0.000%	-
LGIM Money Market Fund	6,000	0.000%	-
Debt Management Office	4,400	0.001%	-
Debt Management Office	3,600	0.002%	-
Debt Management Office	4,500	0.005%	-
Standard Chartered Bank	6,000	0.012%	1
Barclays Bank PLC	3,500	0.002%	-
Barclays Bank PLC	2,500	0.014%	-
Lloyds Bank PLC	6,000	0.023%	1
Total	52,900		2

Liquidity risk

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

This seeks to ensure that cash is available when needed.

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

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

Market Risk

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

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

Interest rate risk

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

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

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

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

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

Price risk

The Council has an investment of £1.5 million in the CCLA Local Authorities Property Fund and £2.0 million in the CCLA Diversified Income Fund. At the end of each financial year the value of the Local Authority's investments are adjusted to equal the number of units held, multiplied by the published bid price.

The above investments have been elected as Fair Value through Other Comprehensive Income, meaning that all movements in price will impact on gains and losses recognised in the Financial Instruments Revaluation Reserve,

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

therefore there will be no impact on the General Fund until the investment is sold or impaired.

Foreign exchange risk

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

Refinancing and Maturity Risk

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

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

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the 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 minimum limits	Approved maximum limits	31 March 2021		31 March 2022	
	%	%	£million	%	£million	%
Less than 1 year	0%	10%	0.094	0.6%	0.096	0.7
Between 1 and 2 years	0%	10%	0.096	0.7%	0.459	3.2%
Between 2 and 5 years	0%	50%	1.384	9.6%	1.392	9.7%
Between 5 and 10 years	0%	50%	2.361	16.3%	2.375	16.5%
Between 10 and 20 years	0%	50%	3.968	27.4%	3.642	25.3%
More than 20 years	0%	100%	6.571	45.4%	6.416	44.6%
Total			14.474	100.0%	14.380	100.0%

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

38. ACCOUNTING POLICIES

a) 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 31 March 2022. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015. These regulations require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, supported by International Financial Reporting Standards (IFRS) (and statutory guidance issued under section 12 of the 2003 Act).

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

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

b) Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the **Statement of Financial Position** (also known as 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.

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

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

The Council operates a de minimis policy for accruals. For revenue and capital expenditure the de minimis has remained at £5,000 in 2021/22.

c) Cash and Cash Equivalents

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

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

Key: T = trade date

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

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

d) Material Items of Income and Expense

When items of income and expense are material (in excess of £500,000), their nature and amount is disclosed separately, either on the face of the **Comprehensive Income and Expenditure Statement** (CIES) or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

f) Charges to Revenue for Non-Current Assets

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

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. These charges 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.

g) Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

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

Where termination benefits involve the enhancement of pensions, statutory provisions require the *General Fund Balance* to be charged with the amount payable by the Council 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 Council are members of the Local Government Pensions Scheme, administered by Devon County Council. This scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

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

- The liabilities of the Devon County Council Pension Fund attributable to the Council are included in the **Statement of Financial Position** (Balance Sheet) on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc and estimates of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate.

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

- The assets of the pension fund attributable to the Council are included in the **Statement of Financial Position** (Balance Sheet) at their fair value.

For further information please refer to Note 35.

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

- **Service cost comprising:**
 - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the **Comprehensive Income and Expenditure Statement** to the services for which the employees worked
 - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the *Surplus or Deficit on the Provision of Services* in the **Comprehensive Income and Expenditure Statement** as part of Non Distributed Costs
 - net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the *Financing and Investment Income and Expenditure* line of the **Comprehensive Income and Expenditure Statement** – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- **Re-measurements comprising:**
 - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the *Pensions Reserve* as Other Comprehensive Income and Expenditure
 - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the *Pensions Reserve* as Other Comprehensive Income and Expenditure
 - contributions paid to the Devon County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the *General Fund balance* to be charged with the amount payable by the Council 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*,

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this means that there are appropriations to and from the *Pensions Reserve* to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the *Pensions Reserve* thereby measures the beneficial impact to the *General Fund* of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

Discretionary Benefits

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

h) Events after the Reporting Period

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

Two types of events can be identified:

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

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

i) Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the **Statement of Financial Position** (Balance Sheet) when the Council 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** (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

Financial Assets

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

The three main classes of financial assets are measured at:

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

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

Financial Assets Measured at Amortised Cost

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

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

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

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

The Council has equity instruments designated at fair value through other Comprehensive Income (FVOCI).

The Council has made an irrevocable election to designate its equity instruments as FVOCI on the basis that it is held for non-contractual benefits, it is not held for trading but for strategic purposes.

The asset is initially measured and carried at fair value.

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

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

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

Expected Credit Loss Model

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

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

Fair Value

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

The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place in the principal market for the asset or liability. The Council measures the fair value of an asset or liability using the

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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

j) Government Grants and Contributions

General

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the **Statement of Financial Position** (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

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

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.

k) Heritage Assets

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

l) Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council 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 Council. As with Property, Plant and Equipment a de minimis level of £10,000 has been set for capitalisation.

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

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

m) Inventories

Inventories are included in the **Statement of Financial Position** (Balance Sheet) at the lower of cost and net realisable value.

n) Investment Properties

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

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

to facilitate the delivery of services or production of goods or is held for sale. Investment properties are measured initially at cost and subsequently at fair value, based on the amount that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

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

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

o) Jointly Controlled Operations

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

p) Leases

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

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

The Authority as Lessee

Finance Leases

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

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

Operating Leases

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

The Authority as Lessor

Finance Leases

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

Operating Leases

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

q) Overheads and Support Services

Costs of overheads and support services are only recharged to services requiring full cost recovery including Salcombe Harbour. Apart from these exceptions support services are shown in the Customer Service and Delivery service group within the **Comprehensive Income and Expenditure Statement**, which is in line with the Council's internal reporting method.

r) 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 Council 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.

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

Measurement

Assets are initially measured at cost, comprising:

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

Assets are then carried in the **Statement of Financial Position** (Balance Sheet) using the following measurement bases:

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

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

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

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

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

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

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

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

De minimis policy for capital controls and accounting purposes

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

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

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

Component Accounting

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

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

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

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

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

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

1. Operational Buildings
2. Assets Held for Sale

The following will be considered outside the scope for componentisation:

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

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

The criteria for components to be separately valued are that:

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

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

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

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

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

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

- Plant and equipment and engineering services
- Structure

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

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

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

Impairment

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

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

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

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

Asset	Typical Useful Life	Maximum Useful Life
Buildings	Up to sixty years	Up to eighty years
Infrastructure	Up to twenty years	Up to fifty years
Refuse vehicles	Up to seven years	Up to ten years
Light vans	Up to seven years	Up to seven years
Marine vessels	Up to fifteen years	Up to fifteen years
IT equipment	Up to three years	Up to three years

For some assets, a residual value is held on the Asset Register. The residual value is the estimated amount which would currently be realised from the disposal of the asset after deducting selling costs. Residual values are recorded as £15,000 for Ferry Tugs and £6,000 for Ferry Floats, both of which are used in the operation of the Dartmouth Ferry. Refuse vehicles purchased before 2015/16 also have a residual value of £2,000.

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

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

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

Disposals and Non-current Assets Held for Sale

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

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts.

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

s) Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the **Comprehensive Income and Expenditure Statement** in the year that the Council becomes aware of the obligation and are measured at the best estimate at the **Statement of Financial Position** (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 **Statement of Financial Position** (Balance Sheet). Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council 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 Council. 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 **Statement of Financial Position** (Balance Sheet) but disclosed in a note to the accounts. The Council operates a disclosure de minimis policy for contingent liabilities of £50,000.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council 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 Council.

Contingent assets are not recognised in the **Statement of Financial Position** (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. The Council operates a disclosure de minimis policy for contingent assets of £50,000.

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

t) Reserves

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

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 Council – these reserves are explained in the relevant policies.

u) Revenue Recognition

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

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

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

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

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

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the **Comprehensive Income and Expenditure Statement** in the year. Where the Council 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.

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

w) Section 106 Deposits

Where repayment conditions exist, developer contributions are treated as revenue receipts (Long Term Liabilities in the Statement of Financial Position, also known as the Balance Sheet) unless a clear capital use is identified in the terms of the agreement. In the latter case they are defined as Capital Receipts in Advance. Where no conditions are attached to the agreement, they are either treated as capital grants unapplied or credited directly to services if revenue in nature.

x) Shared Services

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

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

y) 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.

z) Accounting for Local Taxes

Billing authorities act as agents, collecting council tax and business rates on behalf of the major preceptors (including government for business rates) and, as principals, collecting council tax and business rates for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the *Collection Fund*) for the collection and distribution of amounts due in respect of council tax and business rates. Under the legislative framework for the *Collection Fund*, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and business rates collected could be less or more than predicted.

Accounting for Council Tax and Business Rates

The council tax and business rates income included in the **Comprehensive Income and Expenditure Statement** is the Council's share of accrued income

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

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

aa) Minimum Revenue Provision

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

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code) introduces changes in accounting policies that will have to be adopted fully by the Council in the 2022/23 financial statements i.e. from 1 April 2022.

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

It was originally envisaged that the financial impact of IFRS16 *Leases* would need to be disclosed in the 2019/20 Accounts. This standard will require local authorities that are lessees to recognise leases on their balance sheets as right-of-use assets with corresponding lease liabilities. However, CIPFA/LASAAC initially deferred implementation of IFRS16 for local government until 1 April 2022 due to the COVID-19 pandemic. However, following its emergency consultation on exploratory proposals for changing the Code in February 2022, CIPFA/LASAAC issued a preliminary decision to defer IFRS16 *Leases* until 1 April 2024. This was subsequently agreed by the government's Financial Reporting Advisory Board (FRAB) in April 2022. However, both the 2022/23 and the 2023/24 Codes will allow for adoption as of 1 April 2022 or 2023.

Following this deferral to 1 April 2024, it is not yet possible to determine the impact of IFRS16 on the Council's financial performance or financial position.

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

40. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 38, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The main critical judgement made in the Statement of Accounts is:

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

SECTION 4. COLLECTION FUND

COLLECTION FUND FOR THE YEAR ENDED 31 MARCH 2022

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

2020/21 Business Rates* £000	2020/21 Council Tax** £000		2021/22 Business Rates* £000	2021/22 Council Tax** £000
		INCOME		
-	(77,229)	Income from Council Tax		(83,021)
(15,575)	-	Business Rates Receivable	(22,865)	-
-	-	Interest on Refunds	-	-
377	-	Less: Transitional Relief	28	-
(15,198)	(77,229)		(22,837)	(83,021)
		EXPENDITURE		
		Precepts, Demands and Shares:		
14,244	-	Central Government	14,219	-
2,564	55,431	Devon County Council	2,559	57,879
-	8,535	Devon & Cornwall Police	-	9,060
285	3,398	Devon & Somerset Fire Authority	284	3,447
11,395	9,299	South Hams District Council (net including Towns/Parishes)	11,375	9,679
2,575	-	Business Rates written off and change in impairment allowance	(2,029)	-
-	362	Council Tax written off and change in impairment allowance	-	491
63	-	Business Rates increase/(decrease) in provision for appeals	(354)	-
206	-	Business Rates – Costs of collection	212	-
		Distribution/collection of previous year's estimated surplus/(deficit):		
744	-	Central Government	(7,592)	-
457	360	Devon County Council	(1,366)	(181)
-	55	Devon and Cornwall Police	-	(28)
20	22	Devon and Somerset Fire Authority	(152)	(11)
814	60	South Hams District Council	(6,074)	(30)
33,367	77,522		11,082	80,306
18,169	293	MOVEMENT ON BALANCE	(11,755)	(2,715)

SECTION 4. COLLECTION FUND

* Business Rates Receivable and the movement on the Collection Fund Balance

During 2020/21 local authorities received S31 grants to offset the business rate reliefs given to businesses during lockdown. Under current Collection Fund accounting rules, the S31 grants received in 2020/21 were not discharged against the Collection Fund deficit until 2021/22 onwards. Therefore Business Rates Receivable reduced by £14.1m in 2020/21 leading to an overall deficit on the Business Rates Collection Fund of £18.106m as at 31 March 2021. Some of the S31 compensation grant has now been applied to the Collection Fund in 2021/22 smoothing the impact of the Business Rates deficit. This has resulted in an increase in Business Rates Receivable to £22.9m in 2021/22 and a corresponding reduction in the deficit on the Business Rates Collection Fund as at 31 March 22 of £11.7m as shown above.

The significant deficit position on the Business Rates Collection Fund in 2020/21 is reflected in 2021/22 in the distributions of the previous year's deficit to the Preceptors as shown above.

**Council Tax Position

Council Tax income was higher than anticipated in 2021/22 leading to an increase in the Council Tax Collection Fund surplus from £28,000 as at 31 March 2021 to £2.74m as at 31 March 2022. Recovery of Council Tax arrears was temporarily suspended in 2020/21 during the pandemic. In addition, the estimated reduction in the Council Tax Collection Rate following the pandemic did not materialise in 2021/22, leading to higher income levels than anticipated.

1. Council Tax and Council Tax Base

In 2021/22, the Council's average Band D Council Tax was £2,090.55 (£1990.82 in 2020/21). The charge for each band is a ratio of band D. The 2021/22 charges therefore were:

Band	Ratio to Band D	Council Tax (£)
Disabled A	5/9	1,161.42
A	6/9	1,393.70
B	7/9	1,625.98
C	8/9	1,858.27
D	1	2,090.55
E	11/9	2,555.12
F	13/9	3,019.68
G	15/9	3,484.25
H	18/9	4,181.10

These charges are before any appropriate discounts. The Council tax base, which is used in the tax calculation, is based on the number of dwellings in each band on the listing produced by the Listing Officer. This is adjusted for exemptions, discounts, disabled banding changes, appeals and new builds. The tax base estimate for 2021/22 was **38,298.32** as calculated below (38,508.49 in 2020/21).

SECTION 4. COLLECTION FUND

Band	Dwellings per Valuation List	Adjustment for Disabled Banding Appeals, Discounts and Exemptions	Revised Dwellings	Ratio to Band D	Band D Equivalent
Disabled A	-	14.50	14.50	5/9	8.06
A	5,039	(872.75)	4,166.25	6/9	2,777.50
B	8,809	(1,034.25)	7,774.75	7/9	6,047.03
C	8,947	(855.50)	8,091.50	8/9	7,192.44
D	8,128	(625.50)	7,502.50	1	7,502.50
E	6,992	(474.25)	6,517.75	11/9	7,966.14
F	3,883	(192.50)	3,690.50	13/9	5,330.72
G	3,063	(174.75)	2,888.25	15/9	4,813.75
H	347	(20.50)	326.50	18/9	653.00
Total	45,208.00	(4,235.50)	40,972.50		42,291.14
Less allowance for non collection					(1,268.74)
Plus adjustment for armed forces dwellings					67.10
Other adjustments including Council Tax Support					(2,791.18)
Tax base					38,298.32

2. Rateable Value

The total business rates rateable value at 31 March 2022 was £86,993,036. This compares to £86,832,255 at 31 March 2021. The standard business rates multiplier was 51.2p in 2021/22 (2020/21 51.2p). Without reliefs this would generate a total income of £44,540,434.43 (2020/21 £44,458,114.56). These figures are a snapshot only and differ from the value of business rate bills issued due to changes in rateable values during the year, small business rate relief, void properties and charitable relief. In 2021/22 the Government continued to fund a Retail, Hospitality and Leisure Relief scheme in response to the COVID-19 pandemic.

SECTION 4. COLLECTION FUND

3. Collection Fund balance

2020/21 Business Rates* £000	2020/21 Council Tax** £000		2021/22 Business Rates* £000	2021/22 Council Tax** £000
(63)	(321)	Fund balance at 1 April	18,106	(28)
18,169	293	Deficit/(surplus) for year	(11,755)	(2,715)
18,106	(28)	Fund balance as at 31 March – deficit/(surplus)	6,351	(2,743)

***Business Rates Position**

During 2020/21 and 2021/22 local authorities received S31 grants to offset the business rate reliefs given to businesses during lockdown. Under current Collection Fund accounting rules, the S31 grants received in 2020/21 could not be discharged against the Collection Fund deficit until 2021/22 onwards. The deficit on the Business Rates Collection Fund as at 31 March 2022 has reduced from £18.1m to £6.4m following release of some of the S31 compensation grant received in 2020/21 to the Collection Fund. The S31 compensation grant will be applied to the Collection Fund over the next three years to smooth the impact of the Business Rates deficit.

****Council Tax Position**

Council Tax income was higher than anticipated in 2021/22 leading to an increase in the Council Tax Collection Fund surplus from £28,000 as at 31 March 2021 to £2.74m as at 31 March 2022. The Preceptors element of this surplus is reflected in the significant increase in the Council Tax Creditor as at 31 March 2022 detailed in Note 18.

SECTION 4. COLLECTION FUND

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

2020/21 Business Rates* £000	2020/21 Council Tax** £000		2021/22 Business Rates* £000	2021/22 Council Tax** £000
9,053	-	Central Government	3,175	-
1,630	(20)	Devon County Council	572	(1,982)
-	(4)	Devon and Cornwall Police	-	(312)
181	(1)	Devon and Somerset Fire Authority	64	(118)
10,864	(25)	Total deficit/(surplus) due to Preceptors	3,811	(2,412)
7,242	(3)	South Hams District Council	2,540	(331)
18,106	(28)	Fund balance as at 31 March – deficit/(surplus)	6,351	(2,743)

*Business Rates Position

The deficit on the Business Rates Collection Fund as at 31 March 2022 has reduced from £18.1m to £6.4m following release of some of the S31 compensation grant received in 2020/21 to the Collection Fund. This deficit is shared between the Preceptors and South Hams District Council as shown in the table above. The Preceptors element of this deficit is reflected in the significant reduction in the Business Rates Debtor as at 31 March 2022 detailed in Note 15.

**Council Tax Position

Council Tax income was higher than anticipated in 2021/22 leading to an increase in the Council Tax Collection Fund surplus from £28,000 as at 31 March 2021 to £2.74m as at 31 March 2022. The Preceptors element of this surplus is reflected in the significant increase in the Council Tax Creditor as at 31 March 2022 detailed in Note 18.

SECTION 5. 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 (the Chief Financial Officer) has responsibility for the administration of those affairs. In this Authority, that officer is the Section 151 Officer & Corporate Director of Strategic Finance;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts

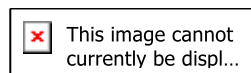
The Chief Financial Officer's responsibilities

The Chief Financial Officer is responsible for the preparation of the Authority's Statement of Accounts (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 ('the Code').

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

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

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority at the reporting date and of its income and expenditure for the year ended 31 March 2022.



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

29 July 2022

SECTION 5. STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS.

Approval of the Statement of Accounts

I confirm that these accounts were approved by the Audit and Governance Committee at its meeting held on TBA.

Signed on behalf of South Hams District Council

.....

Councillor L Austen

Chairman of the Audit Governance Committee

SECTION 6. AUDITORS REPORT.

The Auditors' report will be received following the annual audit of the accounts.

SECTION 7. GLOSSARY OF TERMS

ACCRUALS	A sum included in the accounts to cover income or expenditure attributable to an accounting period for goods received or works done, but for which payment has not been received/made by the end date of the period for which the accounts have been prepared.
ACTUARIAL GAINS AND LOSSES	These are changes in actuarial deficits or surpluses that arise because either actual experience or events have not been exactly the same as the assumptions adopted at the previous valuation (experience gains and losses) or the actuarial assumptions have changed.
BALANCES	The surplus or deficit on any account at the end of the year. Amounts in excess of that required for day to day working may be used to reduce the demand on the Collection Fund.
CAPITAL EXPENDITURE	Expenditure on the acquisition of an asset or expenditure which adds to and not merely maintains the value of an existing asset.
CAPITAL RECEIPTS	Income received from sale of assets which is available to finance other capital expenditure or to repay debt on assets financed from loan.
CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)	The governing body responsible for issuing the statement of recommended practice to prepare the accounts.
COLLECTION FUND	A separate fund which must be maintained by a district for the proper administration of council tax and business rates.
CURRENT SERVICE COST	Amount chargeable to Services based on the Actuary's assessment of pension liabilities arising and chargeable to the financial year.
CURTAILMENTS	This is the amount the Actuary estimates as the cost to the Authority of events that reduce future contributions to the scheme, such as granting early retirement.

SECTION 7. GLOSSARY OF TERMS

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

SECTION 7. GLOSSARY OF TERMS

MINIMUM REVENUE PROVISION (MRP)	This is a statutory requirement to make an annual calculation of an amount or MRP considered prudent to offset against borrowings made under the Prudential Borrowing rules.
PAST SERVICE COST	These will typically be additional benefits awarded on early retirement. This includes added years or augmentation and unreduced pension benefits awarded before eligible retirement age in the pension scheme.
PRECEPT	The levy made by precepting authorities including the County Council and Parish Councils, on the District Council requiring it to collect the required income from council taxpayers on their behalf.
PROJECTED UNIT METHOD	An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings.
RATEABLE VALUE	A value placed on all properties subject to Rating. The value is based on a national rent that property could be expected to yield after deducting the cost of repairs.
REVENUE EXPENDITURE	Recurring items of day to day expenditure consisting principally of salaries and wages, and general running expenses etc.
SETTLEMENTS	A settlement will generally occur where there is a bulk transfer out of the Pension Fund or from the employer's share of the Fund to a new contractor's share of the Fund as a result of an outsourcing. It reflects the difference between the IAS 19 liability transferred and the assets transferred to settle the liability.
STRAIN ON FUND CONTRIBUTIONS	Additional employers pension contributions as a result of an employee's early retirement.
SUNDRY CREDITORS	Amounts owed by the Council at 31 March.
SUNDRY DEBTORS	Amounts owed to the Council at 31 March.