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Date: Friday, 19 July 2024

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Dear Member

## **AUDIT COMMITTEE - WEDNESDAY, 24 JULY 2024**

I am now able to enclose, for consideration at the Wednesday, 24 July 2024 meeting of the Audit Committee, the following reports that were unavailable when the agenda was printed.

<b>Agenda No</b>	<b>Item</b>	<b>Page</b>
6.	<b>2021/22 Torbay Council Audit Findings Report</b>	(Pages 3 - 44)
7.	<b>2021/22 Statement of Accounts including Annual Governance Statement</b>	(Pages 45 - 202)
8.	<b>2023/2024 External Audit Plan</b>	(Pages 203 - 232)

Yours sincerely

Lisa Antrobus  
Clerk

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# The Audit Findings for Torbay Council

Year ended 31 March 2022

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Agenda Item 6

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

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and will be presented the Audit Committee on 24 July 2024.

Name: Paul Dossett  
For Grant Thornton UK LLP

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# 1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Torbay Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2022 for the attention of those charged with governance.

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## Financial Statements

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Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the group and Council's financial statements give a true and fair view of the financial position of the group and Council and the group and Council's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Our audit work was completed in a hybrid manner during October 2023 to July 2024. Our findings are summarised on pages 3 to 27. We have identified 2 adjustments to the financial statements that have resulted in a £60.5m adjustment to the Council's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix D. We have also raised recommendations for management as a result of our audit work. These are set out in Appendix B. Our follow up of recommendations from the prior year's audit are detailed in Appendix C.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion (see separate agenda item) or material changes to the financial statements, subject to the outstanding matters on page 6.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated financial statements audit report opinion will be unmodified. We have been able to satisfy ourselves that the Council has made proper arrangements in securing economy, efficiency and effectiveness in its use of resources.

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# 1. Headlines

## Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- 6 Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have completed our VFM work, which is summarised on pages 23 and 24, and our detailed commentary is set out in the separate Auditor's Annual Report, which was presented to Audit Committee in interim form in July 2023. We are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

## Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.

## Significant matters

The audit of the 2021-22 financial statements has taken an unusually long time due to resourcing challenges on both sides, and this should be understood in the context of the wider issues in the local audit market which have been discussed at previous Audit Committees. We note one general issue with the quality of Council working papers and in particular the difficulty in reconciling some balances back to the general ledger, largely due to the unfamiliarity of current officers with work performed by their predecessors which did not provide an adequate audit trail. Completing the significant reconciliation between the CIES and the trial balance was a lengthy process and we did not receive the final version of this until late March 2024. We have raised a recommendation in our Action Plan (Appendix B) in relation to this and note that officers have already been proactive in identifying improvements in future accounts preparation processes to address this.

# 1. Headlines

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## National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see [About time? \(grantthornton.co.uk\)](https://www.grantthornton.co.uk)

We would like to thank everyone at the Council for their support in working with us to complete the audit, noting the challenges for officers in working on statements prepared several years ago by their predecessors.

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## National context – level of borrowing

All Councils are operating in an increasingly challenging national context. With inflationary pressures placing increasing demands on Council budgets, there are concerns as Councils look for alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums well in excess of their revenue budgets to finance these investment schemes.

The impact of these huge debts on Councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits. The Council had managed this well, in the context of COVID-19 and other restrictive pressures, to mitigate the risks associated with high levels of borrowing. Additionally, careful use of Council reserves has enabled the Council to navigate the increasing demands for provided services such as housing.

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# 2. Financial Statements

## Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents will be discussed with management and the Audit Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

## Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment, including its IT systems and controls;
- An evaluation of the components of the group based on a measure of materiality considering each as a percentage of the group's gross revenue expenditure to assess the significance of the component and to determine the planned audit response.
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

### Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff. As highlighted on page 4, we have faced significant issues this year in completing our audit work, many of which arose from gaps in understanding around legacy working papers which support the accounts. We acknowledge the efforts of new officers led by the section 151 officer to overcome these challenges, but they have nevertheless caused significant delay in completing the audit and required extensive additional resource input causing the audit completion to run into May 2024 instead of the originally planned December 2023. We have therefore raised a significant fee variation which has been discussed and agreed with management, pending approval by PSAA. Please see Appendix E for further detail of fees charged.

## Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 24 July 2024. These outstanding items include:

- conclusion of a small number of remaining queries relating chiefly to the group consolidation;
- quality review of responses received to recommended audit adjustments and finalisation of updated disclosures;
- final quality reviews by the audit manager and Key Audit Partner and sign-off of hot review queries;
- receipt of management representation letter; and,
- review of the final set of financial statements

# 2. Financial Statements



## Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan in March 2022.

We set out in this table our determination of materiality for Torbay Council and the group.

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	6,572,000	6,194,000	This is based on 2% of your PY gross expenditure
Performance materiality	4,929,000	4,645,500	This is based on 75% of the materiality benchmark.
Trivial matters	328,600	309,700	This is based on 5% of materiality and represents the level above which uncorrected omissions or misstatements are reported to those charged with governance. Items below this are deemed to be 'trivial' for this purpose



## 2. Financial Statements: Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
<p>Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>• evaluated the design effectiveness of management controls over journals;</li> <li>• analysed the journals listings and determine the criteria for selecting high risk unusual journals;</li> <li>• tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;</li> <li>• gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and</li> <li>• evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions</li> </ul> <p>We have not identified any material issues which are required to be reported to those charged with governance.</p>	Group and Council

## 2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
<p>The revenue cycles includes fraudulent transactions (ISA240)</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and nature of the revenue streams at Torbay Council and the group, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical framework of local authorities, including Torbay Council, mean that all forms of fraud are seen as unacceptable.</li> </ul> <p>Our audit work has not identified any issues in respect of risk of the revenue cycles including fraudulent transactions</p>	Group and Council
<p>Risk of fraud related to expenditure recognition PAF Practice note 10</p> <p>In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatement due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (E.g., deferring expenditure to a later period). This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to expenditure recognition.</p>	<p>We have determined that the risk of material fraud arising from revenue recognition can be rebutted because, per Practice note 10, misstatement may arise where the audited body is under pressure to meet externally set targets. This environment does not exist at the council or group. We therefore do not consider this to be a significant risk for the Council or the group (noting that any fraud in the subsidiaries could not be material to the group).</p>	Group and Council

## 2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
<p>Valuation of land and buildings</p> <p>The Council revalues its land and buildings on a rolling five yearly basis. This valuation represents a significant estimate by management in the financial statement due to the size of the number involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>Additionally, management will need to ensure the carrying value in the Council's financial statements is not materially different from the current value or the fair value (for investment properties) at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;</li> <li>evaluated the competence, capabilities and objectivity of the valuation expert;</li> <li>written to the valuer to confirm the basis on which the valuation was carried out;</li> <li>challenged the information and assumptions used by the valuer to assess completeness and consistency with our understandings, the valuer's report, and the assumptions which underpin the valuation;</li> <li>tested revaluations made during the year to see if they had been input correctly into your asset register;</li> <li>evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current year value at year end.</li> </ul> <p>We noted two issues with the valuation of land and buildings. Firstly, for 12 assets, revaluations had not been processed even though the valuation had been performed and reported in the valuer's report. The collective value of these assets was £145k and therefore trivial, but we have raised a recommendation in Appendix B in regards to the completeness of the asset valuation exercise.</p> <p>In addition, our review of those assets not revalued identified a possibility of material misstatement as several classes of assets have not been revalued since 1 April 2017 or 2018. In particular, we reviewed those assets last revalued on 1 April 2017 and identified that for two assets the valuations at 1 April 2022 were materially different (£10.5m). We recommended that the accounts be updated for these two assets and this correction has been processed. We have also raised a recommendation to improve the process of reviewing assets for possible material misstatements (see Appendix B).</p>	Group and Council



## 2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
<p>Valuation of Investment Property</p> <p>The Council revalues its investment properties on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date. This valuation represents a significant financial statements estimate by management due to the size of the balances involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>Management have engaged the services of a valuer to estimate the fair value as at 31 March 2022.</p> <p>We therefore identified the valuation of the closing balance of investment properties as a significant risk.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work;</li> <li>evaluated the competence, capabilities and objectivity of the valuation expert;</li> <li>written to the valuer to confirm the basis on which the valuations were carried out;</li> <li>challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding; and,</li> <li>tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Council's asset register.</li> </ul> <p>Our audit work has not identified any material issues in respect of valuation of investment property. However, we noted one calculation error which resulted in an extrapolated understatement of the investment property balance of £479k – see Appendix D for further detail.</p>	<p>Council</p>

## 2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
<p><b>Valuation of pension fund net liability</b> The Council and group's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£184.7m/£202.7m in the Council's/group's balance sheet respectively) and the sensitivity of the estimate to changes in key assumptions.</p> <p>The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.</p> <p>The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.</p> <p>The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary.</p> <p>A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability, in particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in either of these two assumptions would have approximately 2% effect on the liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in its calculation. With regard to these assumptions, we have therefore identified valuation of the group and Council's pension fund net liability as a significant risk.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>• updated our understandings of the processes and controls put in place by management to ensure that the Council's pension fund liability is not materially misstated and evaluate the design of associated controls;</li> <li>• evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;</li> <li>• assessed the competence, capabilities and objectivity of the actuary who carried out the group and Council's pension fund valuation;</li> <li>• assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability;</li> <li>• tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statement with the actuarial report from the actuary;</li> <li>• undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report;</li> <li>• completed procedures with regards to the impact of the triennial valuation for the year ended 31 March 2022; and,</li> <li>• obtained assurances from the auditor of Devon Pension Fund as to the controls surrounding validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statement.</li> </ul> <p>The updated triennial valuation revised the net liability downwards by £50.1m, due to changes in key assumptions, particularly around post-retirement mortality, and updates to reflect the member data as at 31 March 2022 (particularly the significant increase in active members of the scheme).</p> <p>Our audit work has not identified any issues in respect of the valuation of the pension fund liability.</p>	Group and Council

## 2. Financial Statements: Key findings arising from the group audit

Component	Component auditor	Findings	Group audit impact
Torbay Economic Development Company	PKF Francis Clark	An unqualified audit opinion of Torbay Economic Development Company Limited was issued by PKF Francis Clark on 15 December 2022. No significant issues were identified.	No issues identified by the component auditor. We have completed our own testing on balances significant to the group accounts with no issues identified.
SWISCO	Bishop Fleming LLP	An unqualified audit opinion of SWISCO Limited was issued by Bishop Fleming LLP on 6 December 2022. No significant issues were identified.	No issues identified by the component auditor. We have completed our own testing on balances significant to the group accounts with no issues identified.

## 2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<p>Land and Building valuations – £226.6m</p>	<p>Other land and buildings comprises £123.937m of specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings are not specialised in nature and are required to be valued at existing use in value (EUV) at year end.</p> <p>The Council has engaged the TDA property team to complete the valuation of properties each year, at either 1 April or 31 March, on a five yearly cyclical basis. In addition, the Energy from Waste PFI asset was revalued by NPS South West Limited on the instruction of Devon County Council, and this valuation was communicated to Torbay Council in order to account for its share of this asset. 37% of total assets were revalued during 2021/22.</p> <p>Management have considered the year end value of non-valued properties and the potential for these to be materially misstated. The valuer has undertaken a review of each class of asset and considered the potential for significant movements since the previous valuation date. Management's assessment of assets not revalued has identified no material change to the value of the properties. We have raised one recommendation to management in Appendix B regarding the documentation of this process.</p> <p>The total year end valuation of land and buildings was £226.6m, a net increase of £19m from 2020/21 .</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>Assessed the competence and expertise of management's expert;</li> <li>Reviewed the completeness and accuracy of the underlying information used to determine the estimate;</li> <li>Reviewed the assumptions used by the expert, including the floor areas, yields, and build rates;</li> <li>Ensured that there has been no changes to the method used to revalue the assets, and ensured that the method is suitable for the different classes of the assets;</li> <li>Considered the adequacy of disclosure of the estimate in the financial statements.</li> </ul> <p>As identified on page 10, we noted a material understatement of PPE balances due to two assets not having been revalued since 1 April 2017. We have therefore assessed this area as grey i.e. the assumptions were over-cautious as the understated the value of the assets.</p>	<p>Grey</p>

### Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

## 2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Investment Property Valuation - £211m	<p>The council has a number of assets that it has determined to be investment properties. Investment properties must be included in the balance sheet at fair value (the price that would be received for the asset in an orderly transaction between market participants at the measurement date) so these assets are valued every year as at 31 March.</p> <p>The Council has engaged the TDA property team to complete the valuation of properties as at 31 March 2022. All assets were revalued in year as required by the Code of Practice.</p> <p>The total year end valuation of investment property was £211m, a net increase of £7.9m from 2020/21.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>Assessed the competence and expertise of management's expert;</li> <li>Reviewed the completeness and accuracy of the underlying information used to determine the estimate;</li> <li>Reviewed the assumptions used by the expert, including the yields;</li> <li>Ensured that there has been no changes to the method used to revalue the assets, and ensured that the method is suitable for the different classes of the assets;</li> <li>Considered the adequacy of disclosure of the estimate in the financial statements.</li> </ul> <p>We noted one immaterial error in estimation where an asset valuation had not been correctly calculated. We extrapolated this error across the population and identified that investment property assets were likely to be understated by £479k. We have included this as an unadjusted misstatement in Appendix D.</p> <p>We also identified that there had been no disclosure made in regards to the level of the assets in the fair value hierarchy as required by IFRS 13. We have noted this disclosure omission in Appendix B.</p>	Light Purple

### Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

## 2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																								
Net pension liability – (£184.7m)	<p>The Council's net pension liability at 31 March 2022 is £184.7m (PY £211.4m). The Council uses Barnett Waddingham to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in 2022, following the year end. As this had a material impact on the valuation of the liability as at 31 March 2022, an adjusting post-balance sheet event occurred and a corresponding adjustment to the accounts was processed. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £92.9m net actuarial gain during 2021/22.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>Assessed management's expert</li> <li>Assessed the actuary's approach taken and deemed it reasonable</li> <li>Used PwC as auditor's expert to assess actuary and assumptions made by actuary (see table below)</li> <li>Confirmed the completeness and accuracy of the underlying information used to determine the estimate</li> <li>Confirmed the reasonableness of the Authority's share of LPS pension assets.</li> <li>Confirmed the reasonableness of the decrease in the liability estimate</li> <li>Confirmed the adequacy of the disclosure of the estimate in the financial statements</li> </ul> <p>Our audit work has not identified any issues in respect of the valuation of the pension fund net liability.</p>	Light Purple																								
		<table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>2.6%</td> <td>2.55%-2.60%</td> <td>●</td> </tr> <tr> <td>Pension increase rate</td> <td>3.2%</td> <td>3.05%-3.45%</td> <td>●</td> </tr> <tr> <td>Salary growth</td> <td>4.2%</td> <td>1% above CPI</td> <td>●</td> </tr> <tr> <td>Life expectancy – Males currently aged 45/65</td> <td>23.0/21.7</td> <td>21.9 - 24.4/20.5 - 23.1</td> <td>●</td> </tr> <tr> <td>Life expectancy – Females currently aged 45/65</td> <td>24.3/22.9</td> <td>24.3 - 25.9/22.9 - 24.5</td> <td>●</td> </tr> </tbody> </table>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.6%	2.55%-2.60%	●	Pension increase rate	3.2%	3.05%-3.45%	●	Salary growth	4.2%	1% above CPI	●	Life expectancy – Males currently aged 45/65	23.0/21.7	21.9 - 24.4/20.5 - 23.1	●	Life expectancy – Females currently aged 45/65	24.3/22.9	24.3 - 25.9/22.9 - 24.5	●	
Assumption	Actuary Value	PwC range	Assessment																								
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### Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

## 2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision – £7.6m	<p>The council is responsible on an annual basis for determining the amount charged for the repayment of bad debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance.</p> <p>The council's policy is generally in line with the guidance from DCLG, except for in respect of capital loans, where it is recommended that MRP is charged with a maximum UEL of 20 years. The council's policy charges £nil MRP on these loans. The difference in MRP would be £2.85m.</p> <p>The year end MRP is £7.6m, a net increase of £0.4m from 2020/21.</p>	<p>We have reviewed the estimate by:</p> <ul style="list-style-type: none"> <li>assessing whether the MRP has been calculated in line with the statutory guidance;</li> <li>assessing whether the Council's policy on MRP complies with statutory guidance;</li> <li>reviewing the reasonableness of the increase in the MRP charge</li> </ul> <p>We note that:</p> <ul style="list-style-type: none"> <li>the MRP has been calculated in line with the council's policy</li> <li>the council's policy on MRP does not fully comply with the statutory guidance, due to £nil MRP charge recognised for capital loans.</li> <li>the authority's policy on MRP for 21/22 has been discussed and agreed with those charged with governance and has been approved by the full council.</li> <li>the increase in MRP charge is reasonable</li> </ul> <p>Government consulted in February 2022 on changes to the regulations that underpin MRP, to clarify that capital receipts may not be used in place of a prudent MRP and that MRP should be applied to all unfinanced capital expenditure and that certain assets should not be omitted. The consultation highlighted that the intention is not to change policy, but to clearly set out in legislation, the practices that authorities should already be following. A subsequent survey indicated amended proposals to provide additional flexibilities for certain capital loans. Government has not yet issued a full response to the consultation.</p>	Blue

### Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

## 2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

IT application	Level of assessment performed	ITGC control area rating				Related significant risks/other risks
		Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	
Page 20 SMS	ITGC assessment (design and implementation effectiveness only)	●	●	●	●	Management override of controls (significant risk)
	Understanding of link to feeder systems					
OpenRevenue from Civica	ITGC assessment (design, implementation and operating effectiveness)	●	●	●	●	Welfare expenditure (other risk) Collection fund (other risk)
ResourceLink from Zellis	ITGC assessment (design and implementation effectiveness only)	●	●	●	●	Employee benefit expenditure (other risk)
Adelante	ITGC assessment (design and implementation effectiveness only)	●	●	●	●	Fees and charges income (other risk)

### Assessment

- Significant deficiencies identified in IT controls relevant to the audit of financial statements
- Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- Not in scope for testing



## 2. Financial Statements: matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

Significant matter	Commentary
Prior year adjustments identified	We did not identify any prior period adjustments requiring changes to the primary financial statements. However, there were a number of disclosure items where the prior period required restatement. More detail can be found in Appendix D.
Other matters that are significant to the oversight of the financial reporting process.	No additional issues identified beyond those already mentioned on page 4 of this report and the subsequent recommendation made in Appendix B.

## 2. Financial Statements: other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

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Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures]
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council, including specific representations in respect of the Group, which is included in the Audit Committee papers.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to financial institutions . This permission was granted and the requests were sent. All of these requests were returned with positive confirmation with two exceptions (from the same institution) for investment balances totalling £6m . We undertook alternative procedures over these balances with no issues identified in our testing.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.

## 2. Financial Statements: other communication requirements



### Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

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Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> <li>the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities</li> <li>for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report.</li> </ul> <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> <li>the nature of the Council and the environment in which it operates</li> <li>the Council's financial reporting framework</li> <li>the Council's system of internal control for identifying events or conditions relevant to going concern</li> <li>management's going concern assessment.</li> </ul> <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> <li>a material uncertainty related to going concern has not been identified</li> <li>management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li> </ul>

## 2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement and the Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>We noted one immaterial inconsistency between the Narrative Report and the financial statements which management have agreed to correct.</p>
Matters on which we report by exception	<p>We are required to report by exception in a number of areas:</p> <ul style="list-style-type: none"> <li>• if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit;</li> <li>• if we have applied any of our statutory powers or duties;</li> <li>• where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness or weaknesses.</li> </ul> <p>We have nothing to report on these matters.</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>On 18 April 2024 the NAO confirmed that they had concluded work on the 2021/22 WGA and further assurance returns were not required. We have therefore not completed any further work in this area.</p>
Certification of the closure of the audit	<p>We intend to certify the audit as complete following the issuing of our audit opinion as our work on VFM is complete and the WGA is no longer required.</p>



# 3. Value for Money arrangements (VFM)

## Approach to Value for Money work for 2021/22

The National Audit Office issued its guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



### Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



### Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3–5 years)



### Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

## Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



### Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



### Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



### Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

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## 3. VFM: our procedures and conclusions

We have concluded all of our VFM work and so are in a position to issue our Auditor's Annual Report. The interim report for 2021-22 and 2022-23 was previously considered by Audit Committee at the meeting in July 2023.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We did not identify any significant weaknesses during completion of the VFM work for year ended 31 March 2022.

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## 4. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix E.

### Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Grant Thornton International Transparency report 2023](#).

# 4. Independence and ethics

## Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the group or Council. Due to the length of both the audit and certification processes, there are multiple overlapping services which have occurred or been billed and so we disclose all relevant fees for non-audit services undertaken. The following non-audit services were identified:

Service	Fees £	Year	Threats identified	Safeguards
<b>Audit related</b>				
Certification of Housing Benefit subsidy	20,250	2019/20	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for each year of this work is not significant in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
	20,250	2020/21		
	21,060	2021/22		
	26,400	2022/23		
Teachers' Pension scheme	5,000	2020/21	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for each year of this work is not significant in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
	7,500	2021/22		
	10,000	2022/23		
Harbour audit	1,500	2020/21	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for each year of this work is not significant in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
	1,500	2021/22		



# 4. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Company that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Group or investments in the Group held by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Group
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Group's board, senior management or staff , that would exceed the threshold set in the Ethical Standard.

# Appendices

- A. Communication of audit matters to those charged with governance
- B. Action plan – Audit of Financial Statements
- C. Follow up of prior year recommendations
- D. Audit Adjustments
- E. Fees and non-audit services
- F. Auditing developments
- G. Management Letter of Representation
- H. Audit opinion
- I. Audit letter in respect of delayed VFM work

# A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

## Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

## Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

## B. Action Plan – Audit of Financial Statements

We have identified 4 recommendations for the group and Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of our next audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
High	As highlighted on page 4, we noted a general issue with the quality of Council working papers and in particular the difficulty in reconciling some balances back to the general ledger, largely due to the unfamiliarity of current officers with work performed by their predecessors.	<p>We recommend that management put in place procedures to embed knowledge of the accounts preparation process more broadly within the finance team, with an aim to avoid “single points of failure” and the loss of institutional knowledge if key individuals leave the Council. Working papers should include sufficient detail to be understandable by users other than the preparer.</p> <p><b>Management response</b></p> <p>Agreed, management have started to address this issue and will continue to improve the quality of the working papers and ensure that knowledge of the accounts preparation process is sufficient within the Finance team.</p>
High	We identified a possibility of material misstatement of PPE assets where there had been a lengthy gap since the last valuation. In particular we identified two schools assets which were last valued on 1 April 2017 and had not been subsequently revalued within the five year rolling programme. As the valuations for 1 April 2022 (i.e. those performed for the 2022/23 financial year) were available, we compared the two schools assets to these updated valuations and identified that there was a £10.5m increase in value, which in our view demonstrated that as at 31 March 2022 the asset values were materially understated.	<p>Management should review its processes for identifying the possibility of material misstatement in assets which are not part of the revaluation programme in year and seek to proactively include those assets in the annual valuations where it seems likely that this may be required. This process should be formally documented so that it is available to review.</p> <p><b>Management response</b></p> <p>Agreed, management will review processes and revise as required.</p>

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### Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

## B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	Our testing of PPE additions identified two items which related to the prior year which had not been accrued for and incorrectly capitalised in 2021/22. We extended our testing and identified one further such item. The total value of these items was £904k. All identified errors were accounted for in the first month of 2021/22 and therefore we extrapolated the error over expenditure in this month only. The total overstatement of in-year additions is estimated to be £1,066k. We note that this would not adjust any closing balances on the primary statements as the transactions would have been recognised in the prior year instead and therefore the net position would be unchanged.	<p>Management should seek to ensure that all transactions are captured in the correct period and that cut-off and completeness procedures at the year-end are robust.</p> <p><b>Management response</b></p> <p>Agreed, the process will be reviewed to ensure that all transactions are captured and the year-end procedures for this area are robust.</p>
Medium	In the prior year we recommended that the Council consider disposing of assets held in the balance sheet with a nil Net Book Value (NBV) as these assets should have come to the end of their useful lives. If assets are no longer in use by the Council but continue to be disclosed then they overstate the Gross Book Value (GBV) and accumulated depreciation balances in the PPE note.	<p>The 2021/22 FAR and balance sheet contain 437 assets with a Gross Book Value (GBV) of £6.97m and a Net Book Value (NBV) of nil. We have therefore re-raised this recommendation.</p> <p><b>Management response</b></p> <p>Noted, the council will consider the removal of these assets for the asset register in consultation with the Council's appointed valuer.</p>

### Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

# C. Follow up of prior year recommendations

We identified the following issues in the audit of Torbay Council's 2020/21 financial statements, which resulted in 6 recommendations being reported in our 2020/21 Audit Findings report. We have followed up on the implementation of our recommendations and note that 3 are still to be completed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	As the Council's subsidiaries grow in size and in the scale of their operations, more consideration needs to be taken when constructing the group accounts as more areas become material and thereby require inclusion.	The Council has continued to review the guidance in producing its group accounts. We also note that there has been a review of the group structure and a resulting change in arrangements which may reduce the impact of the group companies on the consolidation from 2024/25 onwards.
✓	Current pension disclosures do not adequately communicate to the reader where the pension liabilities of the Councils' subsidiaries sit. For SWISCO, the pension liability has been guaranteed but does not sit on the Council's balance sheet.	The Council will review this and incorporate the necessary information which ensures this is adequately disclosed.
X	As part of our income completeness testing, we have identified income that should have been accrued for in 20/21 but was not. This was due to uncertainty that existed at year end around whether Torbay would issue a charge for the work they had performed or not. We recommend that accruals processes should be improved to ensure that accrual processes should be improved to ensure that accruals are made even when such uncertainty exists.	We did not identify any issues in relation to income accruals in 2021/22. However, we identified 3 capital expenditure items which had not been accrued in 2020/21 but accounted for in 2021/22. We have therefore raised a further recommendation in Appendix B in regards to year-end completeness procedures.

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## Assessment

- ✓ Action completed
- X Not yet addressed

# C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	It seems likely that many assets are not cleared off the balance sheet at the end of their useful life. We recommend that management give consideration to removing any assets which have reached the end of their useful as part of their review of the FAR at the year end.	The 2021/22 FAR and balance sheet contain 437 assets with a Gross Book Value (GBV) of £6.97m and a Net Book Value (NBV) of nil. We have therefore raised a further recommendation in Appendix B.
✓	<p>During the course of our work, as part of our journal inquiries, it was brought to our attention by the council that one entry with a value of £40,084.75, was incorrectly posted. This should have been entered as a month 13 AC08 accrual journal but was entered as a month 13 AC01 journal by mistake. This wasn't picked up by the authoriser of the journal either and had therefore gone through incorrectly. The journal number was 4165509 and it relates to Car Parking income. However, the amount is below trivial, and the error was subsequently picked up by other control activities (budget reviews &amp; Balance Sheet Housekeeping exercises which identified this error) and corrected by the client.</p> <p>We recommend that further controls are established during the journal authorisation process to prevent these errors from occurring in the future.</p>	We have not identified any further such issues in 2021/22.
✓	We recommended that management create a formal process for considering impairment and de-recognition of infrastructure assets	Management will review and document this as required.

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## Assessment

- ✓ Action completed
- X Not yet addressed

# D. Audit Adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2022.

Detail	Comprehensive Income and Expenditure Statement £m	Statement of Financial Position £m	Impact on total net expenditure £m	Impact on general fund £m
The publication of the triennial valuation based on data as at 31 March 2022 is an adjusting post-balance sheet event. The pension liability and corresponding remeasurement in the CIES were required to be restated.	(50.3)	50.1	50.1	0.1 (other movements adjusted through the Pensions Reserve)
Two PPE assets were understated by a total of £10.5m as identified on page 10.	(10.5)	10.4	10.4	Nil (adjusted through the Capital Adjustment Account and Revaluations Reserve)
Overall impact	(60.7)	60.5	60.5	£0.1



# D. Audit Adjustments (continued)

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure/issue/omission	Auditor recommendations	Adjusted?
We identified one operating lease for which the final year of the agreement had not been included when calculating the future minimum property lease payments receivable in future years in the "Later than five years" line in Note 38. The disclosure was therefore understated by £479k.	Management should ensure that all relevant information is being included in calculating disclosures and perform quality checks over formulas within working papers to support this. <b>Management response</b> Agreed, this will be addressed as part of the review of working papers.	X (immaterial)
The Council discloses the gross investment in its finance leases in Note 38 based on net present value (NPV). The NPV calculation was incorrectly excluding interest and therefore the disclosure was materially understated by approximately £20m. The disclosure requires updating for both the current and prior years, though there is no impact on the primary statements.	Management should ensure that all relevant information is being included in calculating disclosures and perform quality checks over formulas within working papers to support this. <b>Management response</b> Agreed, this will be addressed as part of the review of working papers.	✓
The "Property, Plant and Equipment" and "Government grants and contributions" lines in the Capital Financing Requirement in Note 37 were overstated by £500k each (which nets to nil).	Management should ensure that items are not double-counted within disclosures. <b>Management response</b> Agreed, processes will be reviewed to ensure that the risk of double counting is reduced.	X (immaterial)
Note 4 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty did not disclose any estimation uncertainty in regards to the PPE and investment property valuations. We considered that it is unlikely there would not be a possible material movement due to estimation uncertainty for these significant balances (noting that this is not the same as disclosing a material uncertainty as was done in 2019/20 and 2020/21 in relation to Covid-19).	Note 4 should disclose those significant estimates where there is material estimation uncertainty, including the basis of uncertainty and with a quantification of the possible difference arising from this. <b>Management response</b> Management will review and include the basis of uncertainty and all other required information.	✓
The disclosure of the external auditors' costs includes a line for prior year fees related to certification. £36k of this figure is for the prior year audit fee variation and should not be included in this balance.	The note should be updated to correct this disclosure. <b>Management response</b> Agreed and updated in the final accounts.	✓
The draft accounts included no disclosure as to the levels of the investment property assets within the fair value hierarchy (i.e. levels 1, 2, or 3) as required by IFRS 13.	The accounts should be updated to capture all required disclosures. <b>Management response</b> Agreed, year-end processes will be amended to ensure that this information is included.	✓

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# D. Audit Adjustments (continued)

Disclosure/issue/omission	Auditor recommendations	Adjusted?
Note 29 included disclosure of two different job titles without making it clear that these related to the same individual and therefore that users should understand their remuneration as being the combination of the two.	In the instance where an individual has held two different posts in the year, management should make sure that it is possible for users to understand that what is being reported is the remuneration for one person in two roles and not two separate individuals. <b>Management response</b> Agreed, year-end processes will be amended to ensure that this information is included.	✓
Note 40 required updating due to the results of the triennial valuation for the year ending 31 March 2022, which resulted in numerous disclosure changes as well as a material change to the primary statements (see page 37).	The underlying adjustments should be processed as required by IAS 19. <b>Management response</b> The adjustments have been processed and processes and procedures will be updated as required.	✓
The financial assets in Note 16 Financial Instruments were overstated as they included a number of current debtors which were not contractual in nature such as those balances relating to Council Tax and business rates, which are not within the scope of IFRS 9.	Management should ensure they understand the basis for inclusion of balances in the financial instruments notes and only disclose those which are within the scope of the relevant standards. <b>Management response</b> Officers will review the legislation and amend working papers where required to ensure the disclosure is correct.	✓
Note 13 includes a table disclosing the last year assets were revalued (in totality by value). The table in the draft accounts under-discloses the assets valued in 2021/22 as the £31m Energy from Waste PFI asset has not been accounted for.	Management should update the table to correct the disclosure. <b>Management response</b> An adjustment has been made where required.	✓
Note 3 included numerous items identified as “Critical judgments in applying accounting policies.” On review 3 items were identified as not being critical judgments as they either did not include any particular judgment and just restated the accounting policy, were immaterial to the accounts, or both.	Management should ensure that where critical judgments are disclosed these are truly critical and do not merely restate the accounting policies, and that there is a clearly identifiable judgment which would materially impact the accounts were it to be different. <b>Management response</b> The processes and procedures will ensure that the review and updating of this note take this recommendation into account.	✓
Note 5 Expenditure and Funding Analysis did not include all required disclosures as there was no reconciliation to the General Fund.	Management should update the note to correct the disclosure. <b>Management response</b> An adjustment has been made where required.	✓
Various other minor disclosure errors and amendments made.	No further work required as disclosures have been updated appropriately.	✓

## D. Audit Adjustments (continued)

### Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2021/22 audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000	Reason for not adjusting
A formula error was identified in the valuations of investment property which caused the valuation to be understated. The total extrapolated error of £497k understates the investment property balance and corresponding movements in the CIES and MIRS.	(497)	497	(497)	Nil (adjusted through Capital Adjustment Account)	The difference is immaterial
The "Fees, charges, and other service income" line in Note 8 Expenditure and Income Analysed by Nature discloses a balance of £49.5m. Officers were only able to provide listings to support £48.9m of this balance. We therefore consider the remaining £0.603m to be an unadjusted misstatement.	603	(603)	603	603	The difference is immaterial
<b>Overall impact</b>	<b>106</b>	<b>(106)</b>	<b>106</b>	<b>603</b>	

### Impact of prior year unadjusted misstatements

There were no unadjusted misstatements in the prior year.

# E. Fees and non-audit services

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee (£)
Scale fee	84,531
Increased FRC challenge	6,250
Group	5,065
ISA 540	12,085
Value for Money audit – new NAO requirements	19,000
Other – quality and preparation issues	37,300
IAS 19 triennial valuation	6,000
<b>Total audit fees (excluding VAT)</b>	<b>170,231</b>

The fees reconcile to the financial statements as follows:

- fees per financial statements: £135,931 as communicated in our Audit Plan (rounded to £136,000 in the financial statements)
- subtract remote working fee per Audit Plan: £10,000 (not required as we were able to partially complete our work on site)
- additional fee charged for quality and preparation issues: £37,300
- additional fee for the IAS 19 triennial valuation: £6,000
- total fees as charged above: £170,231

## E. Fees and non-audit services

Service	Proposed Fees (£)	Final Fees (£)	Year
<b>Audit related</b>			
Certification of Housing Benefit subsidy	20,250	20,250	2019/20
	20,250	20,250	2020/21
	20,250	21,060	2021/22
	26,400	26,400	2022/23
Teachers' Pension Scheme	5,000	5,000	2020/21
	7,500	7,500	2021/22
	10,000	10,000	2022/23
Harbour audit	1,500	1,500	2020/21
	1,500	1,500	2021/22

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\*Estimated fees not yet agreed

The Statement of Accounts discloses £27k of “Fees payable to Grant Thornton for the certification of grant claims and returns for the year” which agrees to the proposed fees in our Audit Plan for 2021/22. The final fees for the differ from this by £2,500 for the Teachers’ Pension Scheme work and £810 for the Housing Benefit subsidy work.

The draft Statement of Accounts disclosed £69k of “Fees payable to Grant Thornton for the certification of grant claims and returns for prior years.” This consists of the 2020/21 Harbour Audit (£1,500), 2020/21 Teachers’ Pension Audit (£5,000), 2019/20 Housing Benefit certification (£7,000), 2020/21 Housing Benefit Certification (£20,250). The remaining £35,500 is for the 2020/21 variation to the audit fee which should not be included in this line and we have recommended that this be removed.

None of the above services were provided on a contingent fee basis.

This covers all services provided by us and our network to the group and Council, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence.

# F. Auditing developments

## Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'

**This impacts audits of financial statement for periods commencing on or after 15 December 2021.**

ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'

ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements'

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: <ul style="list-style-type: none"> <li>the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures</li> <li>the identification and extent of work effort needed for indirect and direct controls in the system of internal control</li> <li>the controls for which design and implementation needs to be assess and how that impacts sampling</li> <li>the considerations for using automated tools and techniques.</li> </ul>
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> <li>increased emphasis on the exercise of professional judgement and professional scepticism</li> <li>an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence</li> <li>increased guidance on management and auditor bias</li> <li>additional focus on the authenticity of information used as audit evidence</li> <li>a focus on response to inquiries that appear implausible</li> </ul>
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. <ul style="list-style-type: none"> <li>Consideration is also being given to the potential impacts on confidentiality and independence.</li> </ul>
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> <li>clarification of the requirements relating to understanding fraud risk factors</li> <li>additional communications with management or those charged with governance</li> </ul>
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.



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**Meeting:** Audit Committee

**Date:** 24<sup>th</sup> July 2024

**Wards affected:** All Wards in Torbay

**Report Title:** 2021/22 Statement of Accounts and Annual Governance Statement

**Cabinet Member Contact Details:** Councillor Alan Tyerman, Cabinet Member for Finance, [alan.tyerman@torbay.gov.uk](mailto:alan.tyerman@torbay.gov.uk)

**Director/Assistant Director Contact Details:** Malcolm Coe, Director of Finance [Malcolm.coe@torbay.gov.uk](mailto:Malcolm.coe@torbay.gov.uk), Paul Matravers, Head of Corporate Finance [paul.matravers@torbay.gov.uk](mailto:paul.matravers@torbay.gov.uk) and Stephen Magee, Principal Accountant, [stephen.magee@torbay.gov.uk](mailto:stephen.magee@torbay.gov.uk)

## 1. Purpose of Report

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1.1 The purpose of the report is to present the 2021/22 audited Statement of Accounts.

## 2. Reason for Proposal and its benefits

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2.1 The Accounts and Audit Regulations 2015, as amended by the Accounts and Audit (amendment) Regulations 2022 states that draft 2021/22 Statement of Accounts are issued by 31 July 2022 and the Audit Committee are required to approve the audited accounts by 30 November 2022.

2.2 The draft statement of accounts were published in September 2022 and the audit of accounts commenced in January 2023, with it being anticipated that the audit would be completed by March 2023. There have been a number of factors that have delayed the conclusion of the audit, the factors are detailed in paragraph 1.3.

## 3. Recommendation(s) / Proposed Decision

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**The Audit Committee are asked to:**

i) Approve the 2021/22 Statement of Accounts and the Annual Governance Statement

- ii) If required, delegate to the Director of Finance, in consultation with the Chair of Audit Committee, the authorisation to make any minor amendments to the accounts as required as part of the finalisation of the external audit.
- iii) Delegate approval for the signing of a letter of representation, alongside point ii.

## **Appendices**

Appendix 1: 2021/22 Statement of Accounts

Appendix 2: Letter of Representation

## Supporting Information

### 1. Statement of Accounts

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- 1.1 The Accounts and Audit Regulations issued by the Secretary of State set out the requirements for the preparation and publication of final accounts. These regulations include the requirement for the formal approval, by a full Committee, of the Authority's Statement of Accounts.
- 1.2 The Statement of Accounts have been prepared in accordance with the current Code of Practice on Local Authority Accounting in Great Britain. The Statement is required to present a true and fair view of the financial position as at 31 March 2022 and the income and expenditure for the financial year 2021/22.
- 1.3 The Authority's external auditors, Grant Thornton, commenced the audit of the Statement of Accounts in January 2023. The audit has experienced delays partly due to a number of the officers who prepared the statements and the associated working papers no longer working for the council. This resulted in a loss of knowledge in respect of the preparation and content of the 2021/22 Statement of Accounts and the current team having to pick up the queries and work with the external auditors to complete the audit. This has been a challenge for the team as they were not involved with preparation of the statement of accounts and the working papers.
- 1.4 The audit has been substantially completed and currently there are no matters that would require modification to the currently anticipated 'unmodified audit opinion'. There are minor elements of the audit that remain outstanding.
- 1.5 The Audit Findings Report, based on work completed to date has been presented to the committee in the previous agenda item. The report highlights significant matters experienced by the auditors whilst undertaking their work which caused a delay in the audit. There are a series of audit findings, as set out in the report.
- 1.8 Grant Thornton are only able to formally conclude the audit and issue their final Audit Report and Audit Certificate once they have received a copy of the Statement of Accounts as approved by this Committee and all elements of their work are concluded.

### 2. Letter of Representation

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- 2.1 The International Standard on Auditing 580 requires auditors to obtain written representations from management and, where appropriate those charged with governance in an audit of the financial statements. This statement as a formal Management Representation letter to Grant Thornton, will be written when the audit is complete.
- 2.2 The Committee are requested to delegate approval for this representation. Once approved the letter will be passed to our auditors.

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2021 - 22



**2021/22**  
**Narrative Statement**  
**Statement of Accounts**  
**Annual Governance Statement**  
**24 July 2024**

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## Torbay Council

### Statement of Accounts • 2021/2022

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#### Introduction

The purpose of the Statement of Accounts is to present a detailed overview of the Council's financial position as at the end of March 2022. It gives information as to the Council's assets and liabilities at a point in time (31st March 2022) and detail on the Council's financial performance during 2021/22. This information is, where material, supported by notes to the accounts.

The Statement includes the:

- Director of Finance's Narrative Statement
- Statement of Accounts including:
  - The Core Financial Statements for 2021/22 including balance sheet, income and expenditure account, cash flow and movement in reserves.
  - Notes to the Core Financial Statements, that provide further detail to the core statements
  - Accounting Policies. The 'framework' adopted in preparing the accounts.
  - The Collection Fund Summary Account (for the accounting for the collection of National Non-Domestic Rates (NNDR) and Council Tax)
  - Group Accounts
- Annual Governance Statement

The form and content of the Statement of Accounts is highly prescribed, by the CIPFA Code of Practice, and is produced on an International Financial Reporting Standards (IFRS) basis. The classification of costs, income, and services under IFRS and the "Code of Practice" is different to the Council's internal financial reporting to management.

The Accounts are presented on a "going concern" basis as Councils cannot be created or dissolved without statutory prescription, it would not therefore be appropriate for local authority financial statements to be prepared on anything other than a going concern basis.

The Accounts are a technical document and due to statutory requirements are a lengthy and complicated document. The figures in these accounts are presented to the nearest £100,000. The Code states that "information is material if omitting it or misstating it could influence decisions that users make based on financial information about a specific reporting authority. In other words, materiality is an authority-specific aspect of relevance based on the nature or magnitude, or both, of the items to which the information relates in the context of an individual authority's financial statements".

"Group" accounts have been produced to consolidate the Council's financial position with the companies that it owns or has an ownership in with notes if material. The financial position of its subsidiary and related companies is fully disclosed in both the Narrative Statement and the related parties note.

The Accounts are subject to a detailed audit by the Council's external auditor (Grant Thornton UK LLP).

Under the Accounts and Audit Regulations, the Accounts, with its supporting documents, are available for public inspection. Full details are available from Financial Services at Torquay Town Hall or on the Council's website.

The Narrative Statement aims to offer interested parties a concise and easily understandable effective guide to the most significant matters reported in the accounts. The Council's Director of Finance is the Council's appointed Chief Finance Officer.

The Council, under the Accounts and Audit Regulations must approve an Annual Governance Statement which provides an explanation of the Council's governance framework, provides a summary of how the effectiveness of the framework has been reviewed over the course of the year and actions which will be taken over the coming year to improve the Council's governance. The 2021/22 Statement has been included within this document but is not part of the Accounts and is outside the external auditor's opinion on the Accounts.

The Statement of Accounts is a key financial document published by the Council. The Council's website contains the Statement of Accounts for previous years and a range of additional financial information:

<http://www.torbay.gov.uk/council/finance/statement-of-accounts/>

All financial reports such as monitoring reports and outturn reports are reported on a regular basis to Council Committees and are available at

<http://www.torbay.gov.uk/DemocraticServices/>

There is a glossary at the back of these documents to help explain the meaning of some of the local government finance and accounting terms.

The Council is required under statute to publish its unaudited accounts by the 31 May of the following financial year, however for 2020/21 and 2021/22 this has been extended to 31 July. The Council's external auditors will audit the accounts to enable Council (via Audit Committee) to approve its accounts with a publication date of audited accounts by end of September, however these deadlines are unlikely to be met.



## Director of Finance’s Narrative Statement

### Our Place

Torbay offers a quality of life for individuals and families – its natural environment, clean air, climate, location, good schools, growing arts and cultural sector and wide range of outdoor activities means that Torbay provides everyone with the opportunity to live a healthy and fulfilled life.

Torbay comprises the three coastal towns of Torquay, Paignton and Brixham with a population of 139,300, of which 74,500 are between the ages of 20 and 64. In addition, Torbay attracts around 1.6 million visitor trips each year.

Torbay has established areas of economic success in many industries including fishing, a large social care sector and growing pharmaceutical and tech industries. Our residents have high levels of satisfaction with Torbay as a place to live. However, like many coastal areas, Torbay suffers from high levels of poverty and deprivation with an ageing population, increasing demand for children’s social care and not enough opportunities for young people.

### Our Council

As a unitary authority, Torbay Council is responsible for a wide range of services including social care, transport, culture, housing, parks, beaches and waste.

Local elections are held every four years. A referendum on the governance arrangements for Torbay Council was held in May 2016. As a result of the referendum, from May 2019 Torbay Council changed from being made up of the Elected Mayor and 36 Councillors to a Leader and Cabinet model of governance.

A total of 36 Councillors represents Torbay’s 16 wards and the current political make-up of the Council is 12 Liberal Democrats, 16 Conservatives and 8 independents. The Liberal Democrat group and Independent group have joined together to form the administration of the Council, with the Liberal Democrat Leader of the Council supported by 6 cabinet members including an Independent Deputy Leader of the Council.

Further detail of the Council’s governance and its risk management arrangements are set out in the Annual Governance Statement, which is included in addition to the Statement of Accounts.

Supporting the work of the Leader of the Council and Councillors is the officer structure of the Council headed by the Senior Leadership Team (SLT). This is made up of the Council’s most senior officers and ensures that the key Statutory Officers are represented at the most senior level of the Council.

Torbay Council employs 1,008 people (984 20/21), not including schools-based employees.

### Our Corporate Plan

The Council’s Community and Corporate Plan – One Torbay: Working for all Torbay, was adopted in February 2020 with the ambition of wanting Torbay and its residents to thrive.

To deliver our ambition we have identified four visions, each with a number of priority areas:

- Thriving people
- Thriving economy
- Tackling climate change
- A Council fit for the future

#### Thriving people

We will ensure that all activities of the Council are focused on turning the tide on poverty and that Torbay’s residents, young and old have high aspirations and the opportunity to reach their full potential.

Our aim is to ensure that all our residents are active, healthy, safe, resilient and self-sufficient with good quality

homes, which are affordable and meet their needs. They will have access to high quality employment opportunities whilst living in a community which is vibrant and attractive.

For those in need of extra support, there will be access to good quality children's and adult social care.

We will create a whole community response to make Torbay a child-friendly and age-friendly place. One Torbay: Working for all of Torbay so that the people in our communities thrive.

#### Thriving economy

We will achieve our economic potential and play our distinctive role in the national and international economy. We will be well-connected with skilled individuals, a diverse economy and higher quality, better paid jobs.

We will work to ensure that the local economy is sustainable so as to deliver long term future prosperity and an improved quality of life for all of our residents, especially those living in our most deprived areas. We want to achieve clean, green and inclusive growth.

Through our people, our businesses and our infrastructure, we will create a whole community response to drive forward clean, inclusive growth. One Torbay: Working with all of Torbay so that our economy thrives.

#### Tackling climate change

We will work to reduce consumption and increase recycling. We will promote low carbon energy and work to improve poor air quality and reduce noise and emissions.

We will create a whole community response to protect our environment. One Torbay: Working for all of Torbay to tackle climate change.

#### A Council fit for the future

We will fundamentally change the way in which the Council communicates and engages with all residents, including our young people. We will strengthen our relationships within the community and across our partnerships, including ensuring that our plans align.

We will be an organisation that our communities can trust. One Council: Working for all of Torbay to enable our communities and create a Council fit for the future.

### **Our Achievements**

#### **Thriving people**

We continue to see a positive turnaround in our children's services. The number of children in our care system has reduced and we are successfully homing them in Torbay, thanks to our supportive fostering families. Continued investment has been made to improve school facilities, including building work at Mayfield School to improve accommodation for pupils and staff.

The Adult Social Care Precept has funded much needed front-line services in Torbay, with half of the money raised going straight to Torbay and South Devon NHS Foundation Trust. Demand for our adult social care services has increased, with 50% more domestic care needed than in 2020. To help address this, we intend to award £0.5m to an alliance of community and voluntary organisations to help us support people to remain independent in their own homes.

The precept has also supported projects to help people manage debt, digital exclusion and food poverty. Additional funding has been awarded directly to support residents in financial hardship and we've provided extra accommodation for those in immediate need and fleeing domestic abuse.

We continue to work in partnership with Torbay Community Helpline to ensure we help as many people in need as possible. The helpline offers advice, information and referrals to a whole range of support in the community.

We have worked with partners to prevent and respond to COVID-19 outbreaks in care homes, schools, businesses and other settings across the Bay, as well as providing a local enhanced contact tracing service for local residents. With our health partners, we have also supported the vaccination rollout.

We've increased spend on local sport in Torbay to more than £0.3m. Our 'Back to Sport' fund gave grants to clubs that were struggling to attract the same number of participants as before the pandemic. The 'Believe to Achieve' grant scheme also helped future sports talent meet their full potential.

### **Thriving economy**

We are creating spaces to thrive through multi-million-pound projects across Torbay. In 2021 we started regeneration plans that will help to build a prosperous future for Torquay through the Town Deal and delivered improvements to Royal Terrace Gardens, Upton Park and Princess Gardens. Work has also got underway along The Strand.

The Future High Street Fund is supporting the transformation of Paignton town centre, work at the Paignton Picture House has continued to progress and we obtained a compulsory purchase order for Crossways.

£0.15m of National Lottery money was secured for Oldway to identify a resilient and sustainable future for the historic site, building on the fantastic work already undertaken by the community.

A new government grant has been secured for Brixham and areas in the town have been earmarked for regeneration.

Claylands & Torbay Business Park Unit E have been completed enabling growth and the expansion of local businesses. Work has started on employment sites in Edginswell and Lymington Road to create and safeguard 216 jobs. We've also enabled a further 19 businesses to start up and another 78 businesses to grow.

We've helped place 81 young people (aged 18-24) into employment through the Kickstart Scheme, which offers funded work placements. Another 52 people have found work through the 'Ready for Work' programme, helping those furthest from the labour market into work.

To support our economy and complement the internationally recognised Electronic Photonics Innovation Centre (EPIC), we've worked with South Devon College to introduce a new photonics course which helps people progress. Now over 70% occupied, EPIC supports the growth of high-tech businesses to create high value jobs.

### **Tackling climate change**

We recognise that, as a Council, we have a key leadership role to help create a carbon neutral Torbay by 2030.

We have been working with our key partners and launched Heat Devon. This is a new initiative to help reduce residents' energy and fuel bills.

We want to encourage everyone to cycle and walk more and we now have a new Local Cycling and Walking Investment Plan, which sets out our initiatives and infrastructure projects.

We have successfully secured external funding to roll out electric vehicle charging points in some car parks and work commenced in spring 2022.

Thanks to our volunteers, we now have 70 tree wardens who will be helping us to help look after and plant more trees.

The amount we are recycling is increasing, however we need to increase this further. Figures show that recycling rates and the amount of waste produced is heading back to where we were before the pandemic. We have recruited new recycling coordinators who are out and about to help promote and support our residents to reduce and recycle more.

In November we held the Torbay Community Conference which focussed on climate change. The Torbay Climate Partnership has been established to accelerate local action. Over the coming year, seven community events will be held to co-design our new Carbon Neutral Torbay Action Plan.

We're now in the final stages of developing our own council action plan. This document will outline what we will be doing to reduce carbon emissions across our estate and fleet.

### **A Council fit for the future**

We are continuing to explore and develop different avenues for engaging with residents so that we can hear their views and opinions to inform our key decisions. We want to put communities at the heart of what we do.

Since the start of the pandemic, we have administered and distributed over £80m of business grants as part of the Government's Economic Response to COVID-19, offering a lifeline to many local businesses.

We are continuing Torbay's Lottery for at least another 4 years. More than 266,000 tickets have been sold in the weekly draw since it started in 2017 and it has raised over £159,000 for local good causes.

During COVID-19 there has been a huge rise in the number of residents and businesses accessing our services. We continue to invest in our transformation programme. We have been introducing better ways of working, new technology and automation so we can improve our customer's experience. We want to make our services easier to access and improve self-service options.

We have agreed our budget for 2022/23 and updated our Medium-Term Finance Plan. This provides a three-year view so we can plan more effectively for the future.

We have improved our performance reporting and risk management frameworks to help us make more informed decisions about how the council is run and the services we deliver.

Over the past year we have been working with Government agencies to support our improvement journey and we are now starting to see the results of this good work.

## Our Performance

### Thriving people

- The number of looked after children was 300 at the end of March 2022 which is 20 fewer than for the same time the previous year.
- There were 2036 Social Care referrals to Torbay Children's Services during 2021. This is a decrease of 206 on the number for 2021 (2242).
- The percentage of adults with a learning disability in paid employment was 7.1% at the end of March 2022. This is less than at the end of March 2021 (8.2%) but met the target of 7.0%.
- Numbers in temporary accommodation were 127 at the end of quarter 4 2021/22, an increase of 22 people on the same period the previous year (105).

### Thriving economy

- Average earnings for Torbay are a way below the target figures (the Great Britain average). For 2021 gross weekly earnings by residence for full time workers was £541.00 against the target of £613.10. The 2021 figure is an increase on 2020 earnings which was at £466.90.
- Earnings by workplace was £528.70 against a target of £612.80 in 2021. Torbay's figure has increased on the previous year's average of £478.50 by £50.20. Great Britain's average increased by £0.30 in 2021.
- The percentage of those claiming out of work benefits at the end of 2021/22 was 4.1%, the same as the Great Britain's monthly average. It is the lowest figure this performance indicator fell to over the year with the highest figure being 7.1% in April 2021.

### Tackling climate change

- Residual household waste for quarter 4 2021/22 was at 131kg per household, a decrease on the same period of the previous year's figure, which was 136kg but still above the target of 120kg.
- Household waste sent for reuse, recycling and composting was at 34.60% for quarter 4 of 2021/22. This is a decrease when compared to the same period the previous year 35.65%, and below the target of 50.00%.
- The percentage of commercial waste recycled averaged over 2021/22 was 29.6%. This is above the target of 25% and an increase on the previous year's figure of 25.92%

### A Council fit for the future

- The number of corporate complaints logged by the Information Compliance Team in 2021/22 was 443. This equates to complaints from 3.26 people per 1000 residents in Torbay. This year's figure is more than in the previous year when 298 complaints were logged.
- The percentage of corporate complaints that were dealt with on time fell to 49% for 2021/22 from 54% the previous year.
- Averaged over the year, the percentage of births registered within 42 days increased to 95.0% by the end of 2021. The target for this performance indicator is set at 98.0% by the General Registrar's Office. The average for 2020 was 79.8%.

### Coronavirus (COVID19)

During 2021/22 the Council due to its ongoing pandemic response incurred costs over a range of services in providing more services and supporting providers and its community. To offset these costs and lost income the Council has received DLUCH un-ringfenced Covid support funding of £4m and over £0.1m compensation for lost "sales, fees and charges" income such as car parking. There was no support for reduced rental income. The Council's investment properties continued to generate a surplus, albeit reduced, however the diversification of the council's investment properties over several sectors continued to provide protection. The Council also received additional grant funding for a range of Covid specific activities.

The Council acted as "agent" for central government in distributing over £20m of financial support to businesses during the year and actioned NNDR reliefs of £12m to the retail, leisure, and hospitality sectors.

The key areas of impact are as follows:

#### Provision of Services:

The key service impacted was adult social care in supporting providers and in particular care homes and joint working with health partners in relation to support and care for vulnerable adults. In addition, the number of people requiring temporary accommodation continued to be at levels above those pre COVID.

Several other services were impacted in the first few months of 2021/22 that were linked to social isolation requirements such as Torre Abbey and registrars. The Council also provided support to the operator of the Riviera International Conference centre while the Centre's income levels remained impacted.

#### COVID Grants

The Council received several COVID related grants for specific activities or support which are part of the Council's income and expenditure in 2021/22 and included where appropriate in the Grant note in these accounts. These included:

£2.6m	Infection Control Grant to support care providers
£1.4m	Infection Prevention to support care providers
£1.2m	Household Support Fund
£0.2m	Reopening High Streets Fund
£1.1m	Contain Outbreak Management Fund
£0.2m	Winter Spend Grant
£1.6m	Workforce Recruitment and Retention (for care providers)
£0.3m	Community Testing Grant
£0.6m	Local Support Grant
£1.2m	Discretionary Business Grants

£0.4m Isolation Support (discretionary)  
£0.2m Adult Social Care Omicron Grant

Acting as “agent” on behalf of the BEIS administered £20m on the three different Business Grants support schemes during 2021/22. On behalf of the Ministry of Housing, Communities and Local Government (MHCG) the Council administered £0.5m of Test and Trace isolation payments. To administer and make these payments was a significant task for the Council.

### Council Workforce

The primary impact of the pandemic is that most staff continued to work from home on a full time or part time basis with reduced office capacity. However, as the Council had invested in IT that supports flexible working this change has not had a fundamental impact on the work of the Council.

### Supply Chains

In 2021/22 very few suppliers have reported financial difficulty. The Riviera Centre has been supported along with concessionary bus fare operators. In February 2022, the Midas Group went into administration. This has had an impact on several construction projects within Torbay including three council projects where Midas were the appointed contractor. Another contractor was appointed, and the projects were able to continue, therefore no impairment was required.

### Collection Fund

The economic impact of the pandemic continued to have an impact (although reduced) on the Council’s income from its collection fund – both council tax and business rates (NNDR). Although as the period of COVID has merged with “cost of living” issues the impact on collection rates is now a combination of both issues.

For Business rates, central government provided additional relief scheme for some businesses in the retail, leisure, and hospitality sectors of £12m which is about 1/3rds of the business rates due to be collected.

For Council Tax there was an increase in in year collection compared to 20/21 but below pre COVID levels.

To mitigate the impact of the possible losses from collection, legislation was passed to allow Council’s to spread the cost of these losses in 2020/21 over 2021/22 and the next two financial years. (The Local Authority (Collection Fund Surplus/Deficit) (Coronavirus) Regulations 2020 (SI 2020/1202)). To mitigate this cost the Council had allocated £3.5m to a Collection Fund reserve in 2020/21.

### Reserves, financial performance, and financial position

The full ongoing financial impact of the pandemic on the council in 2022/23 and future years, although reducing, is uncertain and is now combined with the national “cost of living” issues from inflationary pressures including utility and fuel increases. The Council’s latest Medium Term Resource Plan assumes an ongoing, but reducing, financial impact of the pandemic.

## **Our Financial Performance**

### Financial Context

Torbay Council is responsible for managing cash flows and assets of over £1 billion.

The Council:

- Collects £94m of Council Tax (£89m 20/21) which is an in-year collection rate of 95.3% (95.1%

20/21) and £22m (£10m 20/21) of National Non-Domestic Rates (Business Rates) which is an in-year collection rate of 90.5% (88.0% 20/21).

- Holds over £630m of non-current assets including of £348m operational assets for delivering services, £40m of heritage assets and £211m of investment property which generates a gross rent of £13m annually.
- In 2021/22 spent £27m on capital projects and loans for a capital purpose funded from capital receipts, grants, contributions and borrowing.
- In 2021/22 spent approximately £350m on its revenue budget (its day to day spend) on a wide range of services.
- Generates over £50m of fees, charges, rental, and other income used to fund the delivery of its services

On a national level change in funding, services and legislation by the Government continue to impact on the Council, its partners, and residents. The 2021 national Spending Review did allocate funding for local government for three years (a rise in 2022/23 and then “flat cash” for the following two years). However, it is still very uncertain what the Council’s future funding will be in future years. Despite the three-year Spending Review, for 2022/23 there was a one-year settlement which gave an inflationary increase (based on September CPI) in funding to local government plus additional funding for social care. DLUCH intends to introduce a new funding formula to allocate the total funding between councils and have issued several consultation documents on the design of the formula which the Council has responded to. In addition, DLUCH intends to introduce a revised NNDR retention system in which local Councils bear a percentage of the risks/reward of changes in local NNDR income and have, again, issued several consultation documents on the design of the scheme. However, the Council has assumed that the implementation of both changes has again been delayed to 2025/26 at the earliest.

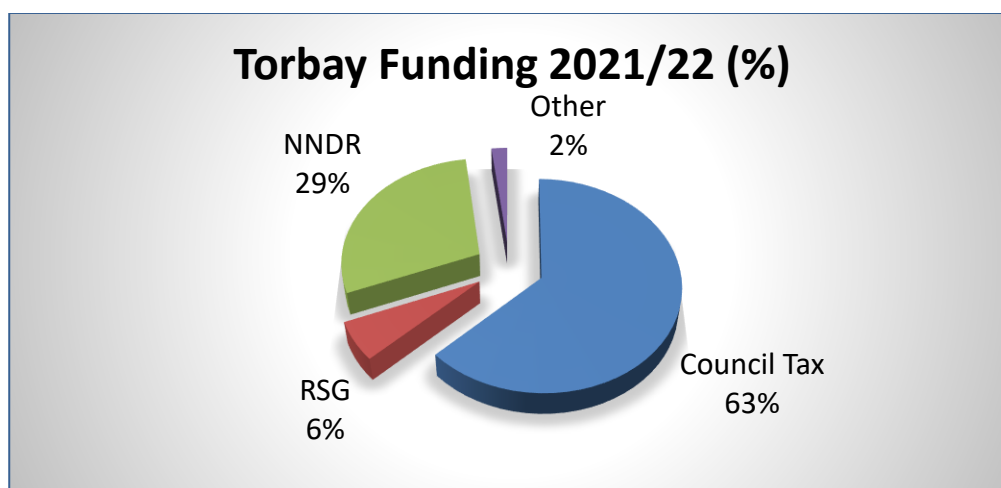
#### Revenue Budget 2021/22

In February 2021, the Council set a budget for 2021/22 of £116m (compared to a budget of £116m in 2020/21). There is also an estimated funding gap up to £17m for the three years from 2023/24. The Council has already started the process of meeting the significant financial challenges through identifying and implementing service changes and income generation opportunities, and, in some case, service reductions.

The Council raised its level of Council Tax by 4.99% which included a 3% “precept” for adult social care. This resulted in the Council setting its share of the Council Tax for a Band D property at £1,641.00, (£1,563.01 20/21).

The table below shows how the Council’s revenue budget was funded in 2021/22.

	2020/21	2021/22
	£ m	£ m
Net Budget Requirement	116	<b>116</b>
New Homes Bonus and other general grants	(1)	<b>(2)</b>
NNDR Rate Retention	(34)	<b>(34)</b>
Revenue Support Grant	(7)	<b>(7)</b>
Council Tax	(72)	<b>(74)</b>
Collection Fund (surplus)/deficit	(2)	<b>1</b>



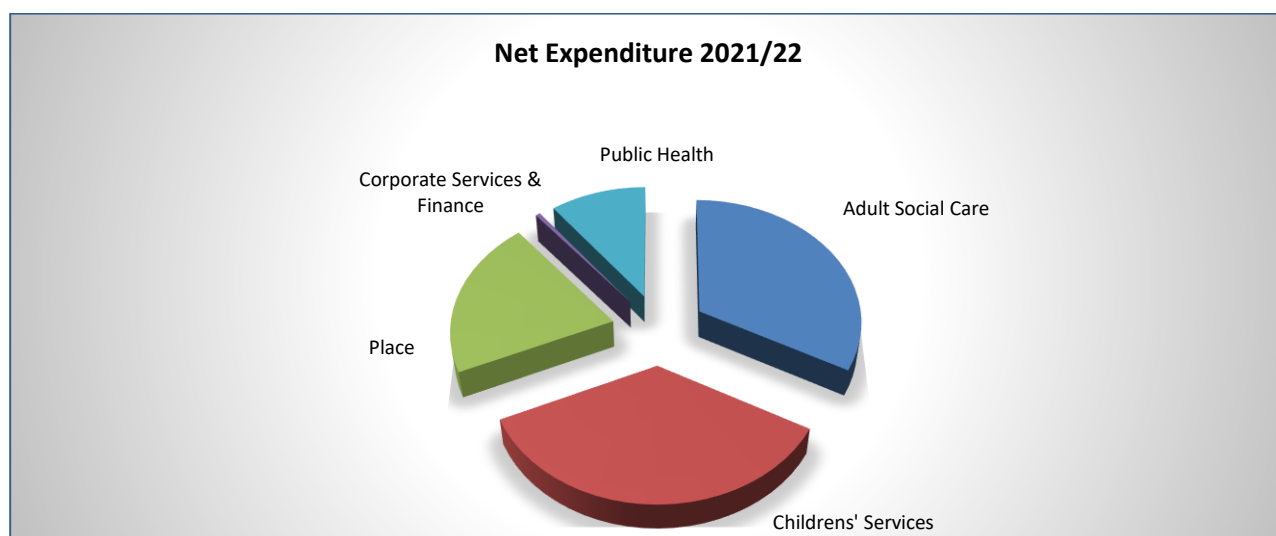
Council Spending in 2021/22

The table below provides a summary of the budget and expenditure by service in 2021/22, together with the variances against each budget at the end of the year compared to the revised 2021/22 budget. The charts below show the net expenditure by service and the budget variance as at 31 March 2022 as reported to Council in July 2022.

Torbay Council Revenue	Revised Budget	Outturn	Variance
Q4 2021/22	£000s	£000's	£000's
1. Adult Social Care	41,533	41,264	(269)
2. Community Services	2,542	2,632	90
3. Customer Services	476	322	(154)
4. Public Health	9,825	9,809	(16)
5. Children's Services	45,743	45,741	(2)
6. Corporate Services	5,926	6,732	806
7. Executive	3,182	3,062	(120)
8. Finance	(5,781)	(6,914)	(1,133)
9. Central COVID costs & grants	(4,112)	(4,248)	(136)
Sub Total – Finance	(9,893)	(11,162)	(1,269)
10. Place: Investment Portfolio	(4,639)	(4,639)	0



11. Other Place: (including SWISCo)	15,980	17,262	1,282
12. Planning and Transport	4,975	4,459	(516)
Sub Total – Place	16,316	17,082	766
<b>Revenue sub total</b>	<b>115,650</b>	<b>115,482</b>	<b>(168)</b>
<b>Sources of Finance</b>	<b>(115,650)</b>	<b>(116,252)</b>	<b>(602)</b>
<b>Revenue total</b>	<b>0</b>	<b>(770)</b>	<b>(770)</b>
<b>Additional Items</b>			<b>£'000</b>
12 Transfer to Highways per Budget 2022/23			570
13 Transfers to earmarked reserves			200
<b>Net Overspend / (underspend)</b>			<b>0</b>



The outturn for the council in 2021/22 was broadly in line with the in-year monitoring forecasts with overspends in Place and Corporate budgets linked in part to recruitment and retention issues and to a budget shortfall in SWISCo, the Council's services company.

The schools' Higher Needs Block in the Dedicated Schools Grant (DSG) continues to be under financial pressure because of an increasing level of referrals from schools for higher needs support for children. For 2021/22 there was an overspend of £3.2m, after the one off £0.5m "disapplication" transfer of funds between the funding blocks in the DSG.

The Council does not receive any funding for schools outside of the funding received through the DSG, therefore the overspend will remain in the DSG to be funded in future years and is not a cost that the Council should fund. As a result, the DSG reserve is a £9.0m deficit by the end of 2021/22. This reserve, under statutory instrument, is now reported for 2020/21 and the following two years as an unusable

reserve. Despite this reclassification on the balance sheet the deficit remains to be funded. In following years this will be aided by the voluntary Safety Valve Program.

Overall, the Council’s financial performance in 2021/22 was an underspend of £0.770m that has been transferred to earmarked reserves including an allocation for £0.570m for highways as agreed by Council in March 2022.

#### Capital Plan

The Council spent £27m on capital expenditure in 2021/22 (£27m 20/21) of which nil (nil 20/21) was Investment Properties and £2m loans for a capital purpose (£2m in 20/21). This spend was funded as shown in the table below.

	Revised Budget	Outturn	Variation
	£ m	£ m	£ m
Unsupported (Prudential) Borrowing	18	10	(8)
Grants	20	13	(7)
Other Contributions	2	2	0
Revenue and Reserves	1	1	0
Capital Receipts	2	1	(1)
<b>Total Funding</b>	<b>43</b>	<b>27</b>	<b>(16)</b>

Of the £27m, £22m was added to the value of the Council’s non-current assets (before any in-year revaluation) – these are primarily land, buildings, and investment properties. The balance of £5m was capital expenditure on assets the Council does not recognise as its own (such as academy schools), capital grants and loans for a capital purpose. A summary of capital expenditure in 2021/22 is shown below.

Corporate Plan Theme	Examples of 2021/22 Schemes	Spend £m
Thriving People	Loans to subsidiary for housing, disabled facilities grant, expansion of building at several schools	7
Thriving Economy	Harbour View hotel, Claylands, TCCT, RICC and highway improvements	20
Tackling Climate Change	n/a	0
Council Fit for the Future	n/a	0
<b>Total</b>		<b>27</b>

#### Torbay “Group” Companies – Overview of Financial Performance

The Council has interests in several companies as shown in the table below which also includes an overview of these companies’ financial performance in the year, based on draft 2021/22 accounts. 2021/22 was the first full year of trading for SWISCo and Torvista housing. In November 2021 Torbay Education Limited became operational providing a medical tuition service to the Council. Also, from April 2021 a private contractor took control of the Riviera International Conference Centre so the RICC company, in effect, stopped trading.

Entity	Assessed Relationship	Council Shareholding/ Control	Turnover £m	Surplus/ (Deficit) for year £m	Property, Plant & Equipm't £m	Net Equity £m
TDA Group: Torbay Economic Development Company Ltd, trading as TDA. Includes: TDA, Kings Ash Holdings, Complete Facilities Management Services, C & A Consultancy, Business Centres South West, TEDC Developments and Torvista Homes.	Subsidiary (Consolidated for the TDA Group)	100%	10.2	0.2	18.6	9.5
SWISCo limited (South West Integrated Services Company)	Subsidiary	100%	18.7	1.8	4.2	(11.5)
CSW Group Ltd	Associate	25%	6.3	7.3	0	(12.5)
Torbay Education Limited	Subsidiary	100%	0.4	0	0	0

The Council has also produced group accounts. For the year 2021/22 the values of the Council's subsidiaries non-current assets in relation to the Council's own balance sheet are relatively small (under 2% of Council's non-current assets).

#### Schools

The Council, as at 31 March 2022, has 8 schools (8 in 20/21) that are reflected in the Council's accounts, both within its Income and Expenditure Statement and its Balance Sheet. These are 5 primary schools, 2 secondary schools and 1 special school. The 8 schools by "ownership" are five community schools, one voluntary aided and two foundation. These schools are funded by the Dedicated Schools Grant which for 2021/22 is £44m compared with £41m in 2020/21. The level of earmarked school reserves as at 31 March 2022 is £2.3m compared with £1.4m in 2020/21. Further detail on school asset recognition and the use of Dedicated School Grant in 2021/22 are included in the notes to the accounts.

#### Economy, efficiency and effectiveness in its use of resources

The Council reports on its financial performance and economy, efficiency, and effectiveness in its use of resources over the financial year in several reports. Reports presented to the Council's Audit Committee. Including:

- Internal Audit's Annual Report and mid-year review
- Annual Governance Statement
- External Audit's Audit Findings Report
- Review of risk management
- Review of Council performance based on a basket of indicators.

Audit Committee agenda and minutes are available on the Council's website.

The Council publishes extensive information on its expenditure including details of payments in excess of £500 and details of the Council's pay policy can be found on the council's web site.

Overview of Financial Performance in 2021/22

For a second year the Council was allocated a significant number of pandemic funding for specific activities and acted as “agent” for the distribution of over £20m of support for businesses and £12m of NNDR relief for the retail, leisure, and hospitality sector.

The Council is a partner in an agreement with the Torbay and South Devon NHS Foundation Trust (which operates as an Integrated Care Organisation providing adult social care services for Torbay Council as well as community and adult health services) and the Devon Clinical Commissioning Group. In 2019/20 a three-year agreement was agreed for the three years from 2020/21 where the Council pays a fixed amount to the ICO which provided all partners with financial certainty.

In previous years, Council schools converted to Academy status and are now fully independent of the Council. In Torbay, by 31st March 2022, a total of 33 schools had converted.

The Council’s gross expenditure in the year was approximately £350m for revenue (day to day) spend and £27m for capital (spend on long term assets such as roads and schools).

The Council’s employees can be members of the Devon County Council Local Government Pension Scheme. As a defined benefit scheme, the Council is liable for any surplus or deficit on the fund. The Council’s liability is calculated on an annual basis by the fund’s actuary. This value estimates the liability of the Council if all liabilities were to be realised at a point in time. The impact on the Council is spread over a long period of time (i.e., over current, and future pensioners lives) with the Council reducing the deficit by its employers’ contributions to the fund over the long term (over 14 years from April 2020). A triennial review of the fund was provided on 27<sup>th</sup> April 2023 replacing the previous 31st March 2019. Including changes to the Council’s previous employer contribution rate from April 2020 resulting in an increased “primary rate” more than offset by a lower “secondary” rate.

The Council’s net pension liability as of 31st March 2022, as calculated under IAS19 which is a different basis to the triennial review, is assessed at £135m which is a £77m decrease in net liability over the previous year (compared to a £43m increase in 20/21). This is primarily due to an increase in the pension fund’s asset values of £21m and an increase on returns of £19m.

The “Brexit” national changes from January 2021 did not appear to have an impact on the Council’s financial position, although the Council will continue to monitor any impact.

For 2021/22 there were not any changes in IFRS that impacted on the accounting policies relevant to Torbay’s accounts. The introduction of a new standard for leases (IFRS16) has again been deferred, this time to 2024/25 unless the Council chooses to adopt earlier.

The Council’s Comprehensive Income and Expenditure Statement (CIES) is the Councils income and expenditure presented on an IFRS basis. This includes earlier recognition of grants, based on conditions attached to the grant rather than matching the grant to expenditure and several “noncash” items such as depreciation and pension assumptions, which should then allow the Council’s accounts to be comparable to other sector accounts. The total for the Provision of Services for 2021/22 is a surplus of £22m (£12m deficit 20/21). The key reason for this deficit is gains in the value of investment properties and reduced collection fund losses.

The total from the Comprehensive Income and Expenditure statement is reflected in the Movement of Reserves statement which then adds the impact of any reserve movements to usable reserves and unusable reserves to get to the “bottom line” Council position for 2021/22. Within this is the reversal of a number of accounting entries made under IFRS that appear in the Council’s Comprehensive Income and Expenditure statement such as depreciation and pension assumptions, which are allowed, under statute, to be reversed to ensure that these entries do not have a “cash” impact on the Council Taxpayer. After these adjustments the Council’s net outturn for the year was a break-even position, which matches the Council’s management financial reporting position. This statement shows that the Council’s usable reserves had a net increase of £19m. This was primarily a net increase of £10m from capital grants, capital receipts (including deferred capital receipts) to fund capital expenditure in year and a net increase in earmarked revenue reserves of £9m linked in part to an increase in unused ring-fenced grants as at year end.

On the balance sheet there were some significant changes in year. There was a net increase of £26m in the value of the Council's non-current assets and a £34m increase in the value of the Council's current assets. There was a £27m decrease in the Council's net pension liability primarily arising from changes in asset values used to calculate the net liability. The Council's General Fund reserve remained at to £5.7m, which is equivalent to 4.7% of the Council's 2022/23 net revenue budget.

Overall, the Council's net assets were higher than the previous year by £77m resulting in a net worth of £75m compared to a deficit of £2m in 2020/21. Of the increase £27m related to the net increase in the Council's pension liability and £35m of short-term investments. The cash flows associated with central government COVID funding have resulted in several items on the balance sheet that are higher than normal.

As a result of a change in legislation (The School and Local Authority (Capital Finance and Accounting) (England) (Amendment) Regulations SI 2020/1212) the accumulated negative balance in the Dedicated School Grant of £9.0m has been reclassified as an unusable reserve to better reflect that, although the negative balance is included on a council's balance sheet, it is not a liability the council has to fund.

Torbay's net worth significantly changes year on year primarily because of the pension liability. In years where the liability increases significantly it does not mean Torbay is not a going concern. Councils are required to operate within the framework set out in the Local Government Acts and Torbay will continue to budget for a positive General Fund balance but is not required to maintain a positive net worth. (When a Council has a negative net worth, this indicates that future taxpayers (whether through Council Tax or indirectly through government grants) will be funding some of the cost of providing services in the past.) The Pension Liability of £185m does not represent an immediate call on the Authority's reserves and is a snap-shot valuation in time based on assumptions. The true value of the deficit is assessed on a triennial basis with contribution rates set to recover the balance over the longer-term. This 'snapshot' approach to valuing the pension deficit is very volatile as the changes in the value of liability over the past few years in the Council's accounts has illustrated.

In terms of the Council as a going concern, it is expected that future cash flows, aligned with authority's budget processes, will provide sufficient resources to finance future liabilities as they fall due.

#### Forward Financial look

The Council has a rolling three-year Medium-Term Resource Plan which supports service planning for future years.

The ongoing impact of the pandemic is expected to result in higher costs and lost income. The Council's 2022/23 budget included some ongoing impacts of COVID related costs and lost income. The impact of these is forecast to reduce over the next few years but there could be a longer-term impact on some income and costs such as Council Tax support scheme claims, car park and rental income. The economic impact of COVID has now been overtaken to some extent by the "cost of living crisis" linked to high inflation including fuel and utility costs.

The Chancellor announced a three-year Spending Review in October 2021 which set out three-year allocations from government departments. For local government this was an increase in 2022/23 but then "flat cash" for the following two years. However, DLUH has only provided details of Revenue Support Grant to the Council for just one year.

In addition, DLUH have also delayed the introduction of a new funding formula to allocate the total funding between councils to 2023/24 at the earliest. The proposed new NNDR retention system in which local Councils bear a percentage of the risks/reward of changes in local NNDR income has also been delayed to 2023/24 at the earliest.

The Medium-Term Resource Plan (May 2022 update) provides details of the number of significant issues and risks that are impacting on the Council, its finances, and its service delivery:

In addition to the significant funding uncertainties listed in the overview section of this plan in particular the new funding formula and impact of a new NNDR retention, other significant financial planning risks that may affect the projections are likely to be:

- Inflation runs at a much higher rate than the rates that have been assumed,

- Inflation increases capital costs higher than assumed in business case
- Borrowing costs are higher than anticipated in any Business case for capital expenditure.
- Income projections built into the budget may not be achievable due to factors outside of the council's control e.g. a worsening economic outlook, further reduction in investment yields.
- Ongoing demand and cost of social care both Children's and Adults.
- Ongoing impact of COVID on Council services and income
- Impact of major changes in Adult Social Care such as Fair Cost of Care and Care Accounts and the future of the Better Care Fund.
- Achievement of the Council's transformation projects in both their timing and income target
- Potential revenue costs of major capital schemes and the risk of overspends on major capital projects.
- Risk of achievement of income targets on major capital investment projects, those funded from prudential borrowing where there is a known additional MRP and interest cost.
- Achievement of 2022/23 and future year budget savings
- Financial Performance of the Integrated Care Organisation and the Council's future adult social care cost.
- 2023 Pension actuarial Review
- Future year increases to the Living Wage
- Collection fund balances – collection of NNDR and Council Tax
- Risk of exposure of any major legal claims against the Council
- Impact of the Devon-wide NHS changes on Torbay
- Impact from the TDA Group's expansion into new trading areas including housing
- Impact of major schemes linked to Regeneration
- Impact of Council ownership of SWISCo
- Reserve levels "resilience" to future financial pressures

The combination of uncertainty of funding and rising demand is a major challenge for the Council as, to achieve the savings required, there will be an impact on the quantity and quality of services the Council will be able to provide in the future. The forecast level of savings required to achieve a balanced budget for 2023/24 to 2025/26 is approx. £17m.

The Medium-Term Resource Plan provides a summary of projected revenue income and expenditure for the next three financial years.

	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Revenue Support Grant, NNDR & Council Tax	(121)	(126)	(130)	(131)
Estimated Expenditure	121	131	139	148
<b>Total Estimated Cumulative Funding Gap</b>	<b>0</b>	<b>5</b>	<b>9</b>	<b>17</b>
In- year Funding Gap	0	5	4	8

To meet this ongoing challenge the Council had previously established a Transformation Board and now has a Council Redesign Board to bring forward and implement a range of transformation projects aimed at meeting the required budget reductions but also, where possible, improve service performance. The Transformation Board considers a wide range of projects which could result in alternative service delivery, alternative levels of service provided and/or service providers.

The Council has an approved Capital Plan that is updated throughout the year with any new funding or schemes. A summary of 2022/23 capital spend (as approved by Council in March 2022) and the following two years, is summarised below.

	2022/23 £m	2023/24 £m	2024/25 £m
Total Capital Expenditure	114	104	24

#### Borrowing and Investments

The Council undertakes borrowing to support its capital expenditure. As at 31 March 2022 the Council had £389m of borrowing, primarily from the Public Works Loans Board, a decrease of £3m in year. In addition, it had a long-term liability of £4m to the PFI contractor for The Spires (formerly Westlands) and Homelands schools and a liability of £12m in relation to the Council's share of the Energy from Waste Facility in Plymouth. The Council had £116m (£77m in 2020/21) of cash investments at year end with a net debt position including PFI liabilities of £289m (compared with £332m in 2020/21).

The cash levels were higher in the year primarily because of the timing of the receipt and spend of pandemic related funding and other grants and funding received but not spent. In addition, the Council's capital expenditure in the year was again lower than in recent years which resulted in no need to borrow in year.

The control over the level of Council borrowing is supported by the Prudential Code where the Council has to set limits in relation to its treasury management including limits for long-term borrowing and liabilities to ensure that this is prudent and affordable. One of these indicators is a calculation called the Capital Financing Requirement which shows the Council's underlying need to borrow based on previous decisions on capital expenditure and borrowing offset by any repayment of principal made or other capital funding used. The key figures, in relation to borrowing and capital financing, are as follows:

	31 March 2021 £m	31 March 2022 £m
<b>Balance Sheet Values: (principal)</b>		
External Borrowing *	392	<b>389</b>
Long Term Liabilities (PFI)	17	<b>16</b>
External Investments *	(77)	<b>(116)</b>
<b>Net Debt</b>	332	<b>289</b>
<b>Treasury Management Limits:</b>		
Capital Financing Requirement	420	<b>422</b>
Authorised Limit	710	<b>720</b>
Operational Limit	590	<b>610</b>
<b>Revenue Income &amp; Expenditure:</b>	2020/21	<b>2021/22</b>
Interest Receivable (from treasury management activity)	(0.5)	<b>(0.3)</b>
Interest Payable	11.8	<b>11.7</b>
MRP Repayment (including PFI)	7.2	<b>7.6</b>
Ratio of net financing costs to net revenue (excluding revenue contributions to capital).	<b>16%</b>	<b>16%</b>

\* note: these costs are per Treasury Management outturn report which excludes the accounting adjustments required for statutory reporting such as fair value adjustments.

The level of Council borrowing reflects the Council's capital financing requirement plus the borrowing required by the approved four-year Capital Plan. The Council's investments and other cash holdings are sufficient to meet the Council's short term cash requirements for revenue expenditure and any "cash backed" balance sheet items such as reserves and working capital. Additional borrowing to finance the Council's approved capital plan will be required as schemes, financed from borrowing, progress. These include regeneration schemes and potential finance required for the Council's housing strategy.

Significant Provisions, contingencies or insurance contracts

The Council has provisions at year end of £5.4m (£4.6m in 20/21). These are primarily in relation to insurance claims (submitted to the Council but are currently being investigated) and in relation to the Council's share of NNDR appeals.

The Council has given several pensions guarantees as Council staff transferred to other bodies. These are a type of insurance contract and are unlikely to result in a cash payment if the other body is solvent. The Council has given a pension guarantee to TDA whereby the Council has assessed a liability to the value of the TDA's IAS19 pension valuation. As owner or part owner of several limited companies the Council has some exposure to risk, but this is limited by share or guarantee.

Signed by:

Dated: 24 July 2024

Malcolm Coe  
Director of Finance  
Torbay Council



## STATEMENT OF ACCOUNTS 2021/22

STATEMENT OF ACCOUNTS 2021/22

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## FINANCIAL CERTIFICATES

The Statement of Responsibilities for the Statement of Accounts

### The Council's Responsibilities

The Council is required:-

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

### Audit Committee Approval of the Statement of Accounts 2021/22

I confirm that the Council completed its approval process of the Statement of Accounts 2021/2022 on the 24 July 2024 at a meeting of the Council's Audit Committee.

Councillor Martin Brook  
Chair of Audit Committee  
24 July 2024

### The Chief Finance Officer's Responsibilities

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

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

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

The Chief Finance Officer has also:-

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

### The Chief Finance Officer's Statement

The Statement of Accounts as required by the Accounts and Audit Regulations is set out on pages 27 to page 127 and has been prepared in accordance with the accounting policies which are set out, if significant, on pages 99 to 112. In my opinion it is a true and fair view of the financial position of the Council at 31<sup>st</sup> March 2022 and its income and expenditure for the year ended 31<sup>st</sup> March 2022.

The accounts are audited by the Council's External Auditor, Grant Thornton LLP.

The Statement of Accounts 2021/22 were authorised for issue on the 9 September 2022. This is also the date up to which events after the balance sheet date have been considered.

Malcolm Coe  
Chief Finance Officer  
24 July 2024

The Statement of Accounts 2021/22 were authorised for approval by Members on the 24 July 2024 and for publication once the audit opinion has been received. This is also the date up to which events after the balance sheet date will be considered.

Independent auditor's report to the members of Torbay Council

TO FOLLOW

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*Blank for audit findings report*





## Core Financial Statements

### Comprehensive Income and 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 the Movement in Reserves Statement.

2020/21				2021/22			
Gross Exp	Gross Income	Net Exp	Services	Note	Gross Exp	Gross Income	Net Exp
£m	£m	£m			£m	£m	£m
108.4	(69.5)	38.9	Adults' Services		106.7	(73.8)	32.9
101.1	(53.7)	47.4	Childrens' Services		108.4	(64.1)	44.3
10.9	(2.0)	8.9	Corporate Services		16.1	(5.0)	11.1
32.2	(35.5)	(3.3)	Finance		31.6	(31.9)	(0.3)
48.7	(19.3)	29.4	Place		51.3	(25.9)	25.4
8.4	0	8.4	Public Health		8.7	(0.9)	7.8
309.7	(180.0)	129.7	<b>Cost of Services</b>		<b>322.8</b>	<b>(201.6)</b>	<b>121.2</b>
6.8	(2.8)	4.0	Other Operating Income & Expenditure	See ** below	4.6	(0.2)	4.4
38.3	(29.5)	8.8	Financing and Investment Income and Expenditure	11	21.6	(28.2)	(6.6)
0	(130.2)	(130.2)	Taxation and Non-Specific Grant Income and expenditure	12	0	(140.7)	(140.7)
354.8	(342.5)	12.3	<b>(Surplus)/Deficit on Provision of Services</b>		<b>349.0</b>	<b>(370.7)</b>	<b>(21.7)</b>
		(8.4)	(Surplus)/Deficit on revaluation on Non-Current Assets (PPE)	27			(27.9)
		3.6	Impairment losses on non-current assets charged to the revaluation reserve	27			1.2
		30.8	Remeasurement of net defined pension liabilities				(92.9)
		26.0	<b>Other Comprehensive Income and Expenditure</b>				<b>(119.6)</b>
		38.3	<b>Total (Surplus)/Deficit in Comprehensive Income and Expenditure</b>				<b>(141.3)</b>

Note \*\* - includes Brixham Town Council precept of £355,218

## Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into ‘usable reserves’ (i.e., those that can be applied to fund expenditure or reduce local taxation) and other ‘unusable’ reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council’s services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

2020/21	General Fund Balance	Earmarked General Fund Reserves	Sub Total Revenue Reserves	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	*Unusable Reserves	Total Council Reserves
	£m	£m Note 10	£m	£m Note 9	£m Note 9	£m Note 25	£m Note 26	£m
<b>Balance as at 31<sup>st</sup> March 2020 brought forward</b>	<b>4.6</b>	<b>34.3</b>	<b>38.9</b>	<b>0.4</b>	<b>9.8</b>	<b>49.1</b>	<b>(12.5)</b>	<b>36.6</b>
<b>Movement in Reserves during 2020/21</b>								
Surplus or (deficit) on provision of services (accounting basis)	(12.3)	0	(12.3)	0	0	(12.3)	0	(12.3)
Other Comprehensive Expenditure and Income (see C I&E Statement)	0	0	0	0	0	0	(26.0)	(26.0)
<b>Total Comprehensive Expenditure and Income</b>	<b>(12.3)</b>	<b>0</b>	<b>(12.3)</b>	<b>0</b>	<b>0</b>	<b>(12.3)</b>	<b>(26.0)</b>	<b>(38.3)</b>
Adjustments between accounting basis & funding basis under regulations (Note 9)	36.8	0	36.8	1.4	2.4	40.6	(40.6)	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>24.5</b>	<b>0</b>	<b>24.5</b>	<b>1.4</b>	<b>2.4</b>	<b>28.3</b>	<b>(66.6)</b>	<b>(38.3)</b>
Transfers (to)/from Earmarked Reserves (Note 10)	(23.4)	23.4	0	0	0	0	0	0
<b>Increase/(Decrease) in Year</b>	<b>1.1</b>	<b>23.4</b>	<b>24.5</b>	<b>1.4</b>	<b>2.4</b>	<b>28.3</b>	<b>(66.6)</b>	<b>(38.3)</b>
<b>Balance as at 31<sup>st</sup> March 2021 carried forward</b>	<b>5.7</b>	<b>57.7</b>	<b>63.4</b>	<b>1.8</b>	<b>12.2</b>	<b>77.4</b>	<b>(79.1)</b>	<b>(1.7)</b>

Movement in Reserves Statement

2021/22	General Fund Balance	Earmarked General Fund Reserves	Sub Total Revenue Reserves	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£m	£m Note 10	£m	£m Note 9	£m Note 9	£m Note 26	£m Note 27	£m
Balance as at 31 <sup>st</sup> March 2021 brought forward	5.7	57.7	63.4	1.8	12.2	77.4	(79.1)	(1.7)
Restatement to opening balances*	0	0	0	0	(3.6)	(3.6)	(0.4)	(4.0)
Restated Balance as at 31 <sup>st</sup> March 2021	5.7	57.7	63.4	1.8	8.6	73.8	(79.5)	(5.7)
<b>Movement in Reserves during 2021/22</b>								
Surplus or (deficit) on provision of services (accounting basis)	21.7	0	21.7	0	0	21.7	0	21.7
Other Comprehensive Expenditure and Income (see C I&E Statement)	0	0	0	0	0	0	119.6	119.6
Total Comprehensive Expenditure and Income	21.7	0	21.7	0	0	21.7	119.6	141.3
Adjustments between accounting basis & funding basis under regulations (Note 9)	(12.3)	0	(12.3)	(0.6)	13.8	0.9	(0.9)	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>9.4</b>	<b>0</b>	<b>9.4</b>	<b>(0.6)</b>	<b>13.8</b>	<b>22.6</b>	<b>118.7</b>	<b>141.3</b>
Transfers (to)/from Earmarked Reserves (Note 10)	(9.4)	9.4	0	0	0	0	0	0
<b>Increase/(Decrease) in Year</b>	<b>0</b>	<b>9.4</b>	<b>9.4</b>	<b>(0.6)</b>	<b>13.8</b>	<b>22.6</b>	<b>118.7</b>	<b>141.3</b>
Balance as at 31 <sup>st</sup> March 2022 carried forward	5.7	67.1	72.8	1.2	22.4	96.4	39.2	135.6

\*Reclassifications in 21/22: Disabled Facility Grant £3.6m transferred to Receipt in Advance. £0.4m transferred to REFCUS expenditure.

## Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The Net Assets of the Council, (assets less liabilities), are matched by the reserves held by the Council.

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

31 <sup>st</sup> March 2021		31 <sup>st</sup> March 2022	
£m		Note	£m
338.6	Property, Plant & Equipment (Infrastructure pulled out)	13	258.7
34.3	Heritage Assets	15	40.3
203.1	Investment Property	16	211.0
1.1	Intangible Assets		1.0
	Infrastructure Asset (extracted from PPE)	14	100.2
4.7	Long Term Investments	19	5.5
27.6	Long Term Debtors	20	28.8
609.4	<b>Long Term (Non-Current) Assets</b>		<b>645.7</b>
72.0	Short Term Investments	19	107.2
0.6	Assets Held for Sale		0.5
0.1	Inventories		0.1
41.5	Short Term Debtors	20	36.2
2.1	Cash and Cash Equivalents	21	6.3
116.3	<b>Current Assets</b>		<b>150.3</b>
(4.4)	Short Term Borrowing	24	(5.3)
(2.3)	Other Short-Term Liabilities	25	(2.4)
(65.3)	Short Term Creditors (inc Receipts in Advance)	22	(74.3)
(0.4)	Capital Grants/Contributions: Receipts in Advance		(5.6)
(4.6)	Provisions	23	(5.3)
(2.6)	Cash Equivalents Liability	21	(2.0)
(79.6)	<b>Current Liabilities</b>		<b>(94.9)</b>

31 <sup>st</sup> March 2021		Notes	31 <sup>st</sup> March 2022
£m			£m
(3.6)	Long Term Creditors	22	(3.1)
(0.0)	Provisions	23	(0.1)
(388.9)	Long Term Borrowing	24	(385.3)
(43.5)	Other Long-Term Liabilities	25	(41.3)
(211.4)	Pension Liability	41	(134.6)
(0.4)	Capital Grants/Contributions: Receipts in Advance		(1.0)
(647.8)	<b>Long Term Liabilities</b>		<b>(565.4)</b>
(1.7)	<b>Net Assets/Liabilities</b>		<b>135.7</b>
77.4	Usable reserves	26	96.4
(79.1)	Unusable Reserves	27	39.3
(1.7)	<b>Total Reserves</b>		<b>135.7</b>
M Coe Chief Finance Officer 24 July 2024			

## Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council 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 Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council'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 Council.

2020/21				2021/22	
£m	£m		note	£m	£m
	(12.3)	Net surplus or (deficit) on the provision of services, including £11.8m interest paid and (£0.5m) interest received.			21.7
57.3		Adjustments to net surplus or deficit on the provision of services for non-cash movements	See note below	34.8	
(12.9)		Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities including proceeds of investments and disposal of assets		(13.0)	
	44.4	<b>Net cash inflows/(outflow) from Operating Activities</b>			21.8
		<b>Investing Activities:</b>			
(19.4)		Purchase of property, plant and equipment, investment property, heritage, and intangible assets	38	(20.6)	
0.7		Proceeds from the sale of property, plant and equipment, investment property and intangible assets		0.2	
(5.6)	(24.3)	Changes in short-term and long-term investments	19	(35.2)	
		Other investing receipts and activity activities (Rents)		12.8	(45.0)
		<b>Financing Activities</b>			
(0.7)		Cash payments for the reduction of the outstanding liabilities relating to transferred debt and on-balance sheet PFI contracts	25	(1.5)	
(10.6)		Council Tax and NNDR adjustments		7.8	
(3.6)	(14.9)	Net change in borrowing in year	24	(2.6)	3.7

	(7.1)	Net increase or (decrease) in cash and cash equivalents		4.8
2020/21		2021/22		
£m	Cash and Cash Equivalents		Notes	£m
6.6		Cash and cash equivalents * at the beginning of the reporting period	20	(0.5)
(0.5)		Cash and cash equivalents at the end of the reporting period	20	4.3
(7.1)		Net increase or (decrease) in cash and cash equivalents		4.8
*Cash equivalents are short term cash investments that are held for the purpose of meeting short term cash commitments rather than for investment purposes.				
<b>Note: Adjustments to net surplus or deficit on the provision of services for non-cash movements</b>				
The table below lists the adjustments required in the cash flow statement to reverse non-cash items accounted for in the Provision of Services in the Comprehensive Income and Expenditure Account				
17.0		Depreciation, Impairment & downward valuations		17.5
5.3		Change in value of Investment Properties		(7.8)
0.1		Amortisation of Intangible Assets		0.2
30.6		Increase/(Decrease) in Creditors		11.1
(23.2)		(Increase)/Decrease in Debtors including impairment for bad debts		3.9
13.2		Movement in LGPS pensions from IAS19		15.9
6.4		Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised		4.2
7.9		Other non-cash items charged to the net surplus or deficit on the provision of services including Council Tax and NNDR financing adjustments.		(10.2)
57.3		<b>Total</b>		<b>34.8</b>

## Notes to the Core Financial Statements

### 1. Changes in Accounting Policy

For 2021/22 there are no changes in International Financial Reporting Standards (IFRS) that impacted on the accounting policies relevant to Torbay's accounts.

### 2. Accounting Standards that have been issued but have not yet been adopted

There are no changes in accounting requirements for 2021/22 that are anticipated to have a material impact on the Council's financial performance or financial position.

A new leasing standard (IFRS 16), which changes the current definition and accounting for operating and finance leases, has been deferred until 2024/25 at the latest but the new standard can be adopted earlier.

The impact of this standard is not expected to be material for the Council, as the Council does not enter in many agreements where it would be a lessee.

### 3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in the accounting policy note, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements, where others may have made a different judgement, made in the statement of accounts are:

- The Council recognised its (£33m/17%) share of the Energy from Waste facility in Plymouth based on estimated tonnages per the business case for the facility and the financial allocation model agreed between Torbay, Plymouth, and Devon County Councils. All three Councils have assessed the facility to be "on balance sheet" under IFRIC12 as a service concession arrangement. The Council has recognised a liability to the value of the asset recognised. This liability is apportioned between the Council's own liability to fund the asset based on forecast unitary payments over the life of the facility from the three councils (£12m/37%) and the expected third-party income (£21m/63%) based on the business case. The third-party income liability has been accounted for as deferred income with the balance allocated to the Council's CI&E statement over the life of the 25-year contract. As a "non-cash" transaction this credit will be reversed in the MIRS to the Capital Adjustment Account the asset life of the facility has been assessed at 30 years based on the contract life and the optional 5-year extension period. The Council has assumed all lifecycle costs to be revenue unless evidence that they are capital.
- The Council has several pensions guarantees to related bodies where the Council could incur a liability if the body becomes insolvent. These are classified as insurance contracts under IFRS4. As at 31 March 2022 there are no issues in relation to the going concern of these bodies. In arriving at this conclusion, the Council considered data from the actuary of the pension fund together with the Council's knowledge of the bodies and made the judgement that the values and risk exposure were not material.
- Included in the pension guarantees is one to the TDA in relation to pension liabilities. The value has been assessed as 100% of the TDA IFRS19 pension valuation under Derivative Liabilities – IFRS9. A 100% value has been assessed on the basis that the probability of the liability crystallising cannot be accurately estimated and TDA, as a teckel compliant company is primarily reliant on the council for its funding. The relevant statutory pension override has been considered applicable as the liability primarily relates to staff transferred from the council to the TDA who would otherwise have been employees of the council.



- In relation to central government COVID funding received in the year:
  - For the business grants, business restriction grants awarded under the national scheme criteria and test and trace payments for residents isolating the Council has assumed it is acting as “agent”
  - For un-ringfenced grants including the sales, fees and charges compensation grant and the collection fund irrecoverable losses compensation grant these have been recognised as a non-specific grant.
  - For all other grants, including discretionary business grants, these have been recognised in the Comprehensive Income and Expenditure Statement.
  - Torbay Council received £1.8m ringfenced and £18.6m un-ringfenced grants during the year under a number of different schemes.

#### 4. 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 Council about the future or that are otherwise uncertain. Estimates are made considering historical experience, current trends and other relevant factors. However, because balances can't be determined with certainty, actual results could be materially different from the assumptions and estimates.

The only items in the Council's balance sheet at 31<sup>st</sup> March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Uncertainties	Effect if Actual Results Differ from Assumptions
<b>Net Pension Liability Value 31/3/22 £185m (£211m 20/21)</b>	
<p>The Council's liability as at 31<sup>st</sup> March is based on a number of complex judgements relating to</p> <ul style="list-style-type: none"> <li>• the discount rate used</li> <li>• the rate at which salaries may change</li> <li>• changes in retirement dates</li> <li>• mortality rates</li> <li>• and expected return on pension fund assets.</li> </ul> <p>A firm of pension actuaries are used to provide this information and every three years there is a detailed actuarial review of the fund.</p> <p>The value of pension assets is estimated (by the actuary) based upon information available at the Balance Sheet date, but these valuations may be earlier than the Balance Sheet date. The actual valuations at the Balance Sheet date, which may not be available until 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 instance, a future 0.1% increase in the discount rate assumption would result in a change in the (gross) pension liability of £10m. Similarly, a change in the life expectancy assumption of 1 year would result in a change of £23m. However, the assumptions interact in complex ways. The actuary advised that, during 2021/22, the net pensions' liability had decreased by £27m.</p> <p>A table on sensitivity of assumptions is included in the Pensions Note.</p>

<p><b>COVID19 Pandemic and Economic Conditions</b></p>	
<p>The impact of the global pandemic which had only started to impact on the Torbay area as at 31 March 2020 continued during 2021/22 but with a reduced impact.</p> <p>The Ukraine war started in February 2022 but had minimal impact on the Council’s balance sheet, although pension assets values were assessed as at year end.</p>	<p>Although there is ongoing uncertainty in the longer-term impact on some balance sheet values primarily on non-current asset the Council’s appointed valuer has provided an updated valuation certificate including investment property.</p> <p>The Council has valuations as at year end for all its financial assets used for treasury management purposes such as deposits and its holding in a property fund.</p> <p>The Pension Fund IAS19 valuation used pension fund asset values at month 12.</p> <p>The collectability of the Council’s debt including council tax and NNDR as at year end is still below pre COVID levels.</p> <p>In other cases, the Council has obtained a reasonable value such as a quoted value of an asset or liability as at 31 March 2022.</p> <p>The Council, on a “case by case basis”, has adjusted impairment for increased uncertainty for the uncollectability of income due for several debtors.</p>
<p><b>Property, Plant and Equipment Value 31/03/2022 £348.4m</b></p>	
<p>Asset valuations are based on Fair Value and are reviewed periodically to provide assurance that the value of the Council’s non-current assets are materially correct and not misstated. The methodologies used can cause estimation uncertainty due to the possibility of significant fluctuations in the indices and inputs applied to valuations (build costs and other market and build specific factors).</p>	<p>A reduction in estimated valuations would result in reductions to the Revaluation Reserve and/or a loss recorded in the CIES. A reduction of 1% would result in a £3.4m change in cost value.</p> <p>An increase in estimated valuations would result in an increase in the revaluation reserve and/or reversals of previous negative revaluations in the CIES.</p>

## 5. Events after the Reporting Period

Post compilation of the draft financial statements the Triennial Pension Review was undertaken and provided 27 April 2023. The resulting asset valuation generated a reduction in our overall pension liability for the date of 31 March 2022. The revised values have been reflected throughout the accounts as they are material within the accounting period, despite taking place after the event.

As part of the five-year rolling program a post year end valuation of £10.5m increase over just two schools was provided. Whilst material in value, this is dated as effective on 1 April 2022 therefore not part of the accounting period. However worth noting that it could be assumed an unconfirmed value of these properties may have been higher.

Where events taking place before publication of the final accounts provide information about conditions existing at 31 March 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

At the time of the final version of published accounts, events taking place after June 2024 are not reflected in the financial statements. Due to the time between the accounting period and final publication it is unlikely that there would be any additional significant events to report up to that date.

There is ongoing uncertainty on economic conditions and higher inflation rates which the council will continue to monitor, however these did not impact on the 2021/22 accounts.

## 6. Expenditure and Funding Analysis

This statement shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2020/21				2021/22		
Net Expend Chargeable To the General Fund	Adjustments between the Funding and Accounting	Net Expenditure in the Comprehensive Income and Expenditure Statement	Services	Net Expend Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£m	£m	£m		£m	£m	£m
38.6	0.3	38.9	Adult's Services	44.3	(11.4)	32.9
41.6	5.8	47.4	Children's Services	45.9	(1.6)	44.3
6.8	2.1	8.9	Corporate Services	9.9	1.2	11.1
0.1	(3.4)	(3.3)	Finance	(10.9)	10.6	(0.3)
24.4	5.0	29.4	Place	17.7	7.7	25.4
10.2	(1.8)	8.4	Public Health	9.8	(2.0)	7.8
<b>121.7</b>	<b>8.0</b>	<b>129.7</b>	<b>Cost of Services</b>	<b>116.7</b>	<b>4.5</b>	<b>121.2</b>
(121.7)	4.3	(117.4)	Other Income & Expenditure	(126.1)	(16.8)	(142.9)
0	12.3	12.3	<b>(Surplus)/Deficit on Provision of Services</b>	<b>(9.4)</b>	<b>-(12.3)</b>	<b>(21.7)</b>

2021/22	General Fund Balance	Earmarked General Fund Reserves	Sub Total Revenue Reserves
	£m	£m	£m
<b>*See MIRS note for adjustment and final balances.</b>			
Opening Balance as at 1 <sup>st</sup> April 2021	5.7	57.7	63.4
Surplus or (deficit) on Fund balances in year	9.4	0	9.4
<b>Closing Fund Balance</b>	<b>15.1</b>	<b>57.7</b>	<b>72.8</b>
Transferred between General Fund Reserves *	(9.4)	9.4	0
<b>Carry Forward Fund Balance allocation</b>	<b>5.7</b>	<b>67.1</b>	<b>72.8</b>

## 7. Expenditure and Income Analysis

Adjustments between Funding and Accounting Basis from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts.

2020/21					2021/22			
Adjustments for Capital Purposes £m	Net change for the Pensions Adjustments £m	Other Differences £m	Total adjustments £m		Adjustments for Capital Purposes £m	Net change for the Pensions Adjustments £m	Other Differences £m	Total adjustments £m
0.4	0	(0.1)	0.3	Adult Social Care	1.3	0	(12.7)	<b>(11.4)</b>
5.2	0	0.6	5.8	Children's Services	(4.9)	0	3.3	<b>(1.6)</b>
(2.5)	0	4.6	2.1	Corporate Services	0.6	0	0.6	<b>1.2</b>
(6.8)	9.0	(5.6)	(3.4)	Finance	(6.3)	10.9	6.0	<b>10.6</b>
11.5	0	(6.5)	5.0	Place	12.3	0	(4.6)	<b>7.7</b>
0	0	(1.8)	(1.8)	Public Health	0	0	(2.0)	<b>(2.0)</b>
7.8	9.0	(8.8)	8.0	<b>Net Cost of Services</b>	<b>3.0</b>	<b>10.9</b>	<b>(9.4)</b>	<b>4.5</b>
(1.7)	4.2	1.8	4.3	Other income and expenditure from Expenditure and Funding Analysis	(14.9)	4.7	(6.6)	<b>(16.8)</b>
6.1	13.2	(7.0)	12.3	<b>Difference between General Fund (surplus)/deficit and Comprehensive Income and Expenditure Statement (surplus)/deficit on the Provision of Services</b>	<b>(11.9)</b>	<b>15.6</b>	<b>(16.0)</b>	<b>(12.3)</b>

## 8. Expenditure and Income Analysed by Nature

The Council's expenditure and income are analysed as follows: -

2020/21		2021/22
£m		£m
	<b>Expenditure</b>	
74.1	Employee benefits expenses	81.3
219.7	Other services expenses	223.8
36.7	Depreciation, amortisation, impairment and change in Fair Value (net)	21.7
17.4	Interest payments	17.3
0.5	Precepts and levies	0.5
6.4	Written out of accounts on the disposal of assets	4.3
354.8	<b>Total Expenditure</b>	<b>348.9</b>
	<b>Income</b>	
(31.5)	Fees, charges, and other service income	(49.5)
(32.3)	Financing & Investment Income and Other Operating Income	(28.5)
(74.6)	Council tax and non-domestic rates (net)	(86.2)
(204.1)	Government grants and contributions	(206.4)
(342.5)	<b>Total Income</b>	<b>(370.6)</b>
12.3	<b>(Surplus) or Deficit on the Provision of Service</b>	<b>(21.7)</b>

### Segmental Income of Fees, charges, and other service income

Income received on a segmental basis, primarily from external customers, is analysed below:

2020/21		2021/22
£m		£m
(8.2)	Adult's Services	(19.3)
(3.4)	Children's Services	(3.9)
(1.8)	Corporate Services	(1.8)
(0.1)	Finance	(0.6)
(18.0)	Place	(23.8)
0	Public Health	(0.1)
(31.5)	<b>Total income analysed on a segmental basis</b>	<b>(49.5)</b>

## 9. 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 Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. Other includes Accumulated Absences Adjustment Account, Collection Fund Adjustment Account and Pooled Investment Fund Adjustment Account.

2020/21							2021/22							
Usable Reserves			Unusable Reserves				Usable Reserves			Unusable Reserves				
General Fund	Capital Receipts	Capital Grants Unapplied	Deferred Capital Receipts	CAA	Pension	Other	General Fund	Capital Receipts	Capital Grants Unapplied	Deferred Capital Receipts	CAA	Pension	Other	
£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	
<b>Adjustments involving the Capital Adjustment Account:</b>														
<b>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement:</b>														
<u>Items relating to capital expenditure</u>														
(17.0)	0	0	0	17.0	0	0	Charges for depreciation and impairment of non-current assets	(17.5)	0	0	0	17.5	0	0
(0.1)	0	0	0	0.1	0	0	Amortisation of intangible assets	(0.2)	0	0	0	0.2	0	0
(4.6)	0	0	0	4.6	0	0	Revenue expenditure funded from capital under statute	(2.6)	0	0	0	2.6	0	0
(6.4)	0	0	0	3.7	0	2.7*	Amounts of non-current assets written off on disposal/sale as part of the gain/loss on disposal to the CI&E statement. <i>*Revaluation Reserve</i>	(4.2)	0	0	0	3.9	0	0.3*
0.1	0	0	0	(0.1)	0	0	Notional Rent Credit	0.1	0	0	0	(0.1)	0	0
(28.0)	0	0	0	25.3	0	2.7	c/f	(24.4)	0	0	0	24.1	0	0.3

Usable Reserves								Unusable Reserves							
General Fund	Capital Receipts	Capital Grants Unapplied	Deferred Capital Receipts	CAA	Pension	Other		General Fund	Capital Receipts	Capital Grants Unapplied	Deferred Capital Receipts	CAA	Pension	Other	
£m	£m	£m	£m	£m	£m	£m		£m	£m	£m	£m	£m	£m	£m	
(28.0)	0	0	0	25.3	0	2.7	b/f	(24.4)	0	0	0	24.1	0	0.3	
0.8	0	0	0	(0.8)	0	0	Deferred Credit re Energy from Waste	0.8	0	0	0	(0.8)	0	0	
							<u>Other</u>								
(5.3)	0	0	0	5.3	0	0	Movement in the fair value of Investment Properties and AHFS	7.9	0	0	0	(7.9)	0	0	
							<u>Items relating to capital financing applied in the year</u>								
6.3	0	0	0	(6.3)	0	0	Capital Grants and Contributions Applied	1.5	0	0	0	(1.5)	0	0	
							<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>								
							<u>Items relating to capital financing applied in the year</u>								
7.2	0	0	0	(7.2)	0	0	Provision for the financing of capital investment	7.6	0	0	0	(7.6)	0	0	
1.5	0	0	0	(1.5)	0	0	Capital expenditure charged against the General Fund	1.5	0	0	0	(1.5)	0	0	
(17.5)	0	0	0	14.8	0	2.7	c/f	(5.1)	0	0	0	4.8	0	0.3	



Usable Reserves								Unusable Reserves							
General Fund	Capital Receipts	Capital Grants Unapplied	Capital Receipts Deferred	CAA	Pension	Other		General Fund	Capital Receipts	Capital Grants Unapplied	Capital Receipts Deferred	CAA	Pension	Other	
£m	£m	£m	£m	£m	£m	£m		£m	£m	£m	£m	£m	£m	£m	
(17.5)	0	0	0	14.8	0	2.7	b/f	(5.1)	0	0	0	4.8	0	0.3	
<b>Adjustments involving Capital Grant Unapplied Account</b>															
8.6	0	(8.6)	0	0	0	0	Capital Grants & Contributions unapplied credited to the CI&E Statement	26.3	0	(18.9)	0	(7.4)	0	0	
0	0	6.2	0	(6.2)	0	0	Application of (prior year) Grants to capital financing applied in the year transferred to the Capital Adjustment Account	0	0	5.1	0	(5.1)	0	0	
<b>Adjustments involving the Capital Receipts Reserve:</b>															
2.7	(0.7)	0	(2.0)	0	0	0	Transfer of sale proceeds credited as part of the gain/loss on disposal to the CI&E Statement	0.2	(0.2)	0	0	0	0	0	
0	(0.7)	0	0	0.7	0	0	Use of the Capital Receipts Reserve to finance new capital expenditure applied in the year	0	0.8	0	0	(0.8)	0	0	
<b>Adjustments involving the Pensions Reserve:</b>															
(6.2)	(1.4)	(2.4)	(2.0)	9.3	0	2.7	c/f	21.4	0.6	(13.8)	0	(8.5)	0	0.3	
Usable Reserves								Unusable Reserves							

General Fund	Capital Receipts	Capital Grants Unapplied	Capital receipts Deferred	CAA	Pension	Other		General Fund	Capital Receipts	Capital Grants Unapplied	Capital receipts Deferred	CAA	Pension	Other		
£m	£m	£m	£m	£m	£m	£m		£m	£m	£m	£m	£m	£m	£m		
(6.2)	(1.4)	(2.4)	(2.0)	9.3	0	2.7	b/f	21.4	0.6	(13.8)	0	(8.5)	0	0.3		
(20.6)	0	0	0	0	20.6	0	Reversal of items relating to retirement benefits debited or credited to the CI&E Statement (see Note 40)	(22.2)	0	0	0	0	22.2	0		
7.4	0	0	0	0	(7.4)	0	Employer's pensions contributions and direct payments to pensioners payable in the year	6.7	0	0	0	0	(6.7)	0		
<b>Adjustments involving the Collection Fund Adjustment Account:</b>																
(14.8)	0	0	0	0	0	14.8	Amount by which collection fund income credited to the CI&E Statement is different from collection fund income calculated for the year in accordance with statutory requirements	9.1	0	0	0	0	0	(9.1)		
<b>Adjustment involving the Accumulated Absences Account</b>																
(34.2)	(1.4)	(2.4)	(2.0)	9.3	13.2	17.5	c/f	15.0	0.6	(13.8)	0	(8.5)	15.5	(8.8)		
Usable Reserves				Unusable Reserves					Usable Reserves				Unusable Reserves			

General Fund	Capital Receipts	Capital Grants Unapplied	Capital receipts Deferred	CAA	Pension	Other		General Fund	Capital Receipts	Capital Grants Unapplied	Capital Receipts Deferred	CAA	Pension	Other	
£m	£m	£m	£m	£m	£m	£m		£m	£m	£m	£m	£m	£m	£m	
(34.2)	(1.4)	(2.4)	(2.0)	9.3	13.2	17.5	b/f	15.0	0.6	(13.8)	0	(8.5)	15.5	(8.8)	
(0.6)	0	0	0	0	0	0.6	Amount by which officer remuneration charged to the CI&E Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(0.3)	0	0	0	0	0	0.3	
Page 95	<b>Adjustment involving the Pooled Fund Adjustments Account</b>														
	(0)	0	0	0	0	0	Amount by which financial instruments charged to the CI&E Statement are different from amounts chargeable in the year in accordance with statutory requirements	0.8	0	0	0	0	0	(0.8)	
	<b>Adjustment involving the Dedicated Schools Grant Adjustments Account</b>														
(2.0)	0	0	0	0	0	2.0	Deficit on Dedicated Schools Grant	(3.2)	0	0	0	0	0	3.2	
(36.8)	(1.4)	(2.4)	(2.0)	9.3	13.2	20.1	c/f	12.3	0.6	(13.8)	0	(8.5)	15.5	(6.1)	
Usable Reserves				Unusable Reserves				Usable Reserves				Unusable Reserves			

General Fund	Capital Receipts	Capital Grants Unapplied	Capital receipts Deferred	CAA	Pension	Other		General Fund	Capital Receipts	Capital Grants Unapplied	Capital Receipts Deferred	CAA	Pension	Other	
£m	£m	£m	£m	£m	£m	£m		£m	£m	£m	£m	£m	£m	£m	
(36.8)	(1.4)	(2.4)	(2.0)	9.3	13.2	20.1	b/f	12.3	0.6	(13.8)	0	(8.5)	15.5	(6.1)	
<b>Total Adjustments per MIRS</b>															
<i>Memo items: -</i>															
(12.3)	0	0	0	0	0	0	Surplus/(Deficit) on Provision of Services	(22.1)	0	0	0	0	0	0	
(23.4)	0	0	0	0	0	0	Movement in earmarked reserves	9.4	0	0	0	0	0	0	
0	0	0	0	0	0	0	Restatement	0	0	3.6	0	10.9	0	0	
0	0	0	0	0	30.7	0	Other Comprehensive Income and Expenditure: Remeasurement of net defined pension liability	0	0	0	0	0	(92.9)	0	
0	0	0	0	(1.8)	0	1.6	Other movements on the Capital Adjustment Account including – Adjusting amounts written out of the revaluation reserve to the Capital Adjustment Account	0	0	0	0	(12.3)	0	1.8	
(1.1)	(1.4)	(2.4)	(2.0)	7.5	43.9	21.7	<b>Total Movement in year</b>	<b>0</b>	<b>0.6</b>	<b>(10.2)</b>	<b>0</b>	<b>(9.9)</b>	<b>(77.4)</b>	<b>(4.3)</b>	

## 10. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2021/22.

	Balance at 31 March 2020 £m	Transfer Out 20/21 £m	Transfer In 2020/21 £m	Balance at 31 March 2021 £m	Transfer Out 2021/22 £m	Transfer In 2021/22 £m	Balance at 31 March 2022 £m
Earmarked for General Expenditure	2.2	(0.5)	0.7	2.4	0	0.6	<b>3.0</b>
Earmarked for specific issues	8.5	(4.2)	13.1	17.4	(8.6)	10.5	<b>19.3</b>
Collection Fund Reserve	0.4	0.0	16.6	17.0	(12.0)	5.3	<b>10.3</b>
Grants received but not spent.	13.3	(9.5)	6.5	10.3	(6.5)	5.0	<b>8.8</b>
To support Capital expenditure	2.2	(0.7)	1.4	2.9	(1.0)	1.1	<b>3.0</b>
School Related Reserves	0.2	(0.1)	0	0.1	(0.3)	0.3	<b>0.1</b>
Schools' Balances (held under a delegation scheme)	0.1	(0.1)	1.4	1.4	(1.6)	2.5	<b>2.3</b>
Ring Fenced	7.4	(3.0)	1.8	6.2	(2.6)	16.7	<b>20.3</b>
<b>Total</b>	<b>34.3</b>	<b>(18.1)</b>	<b>41.5</b>	<b>57.7</b>	<b>(32.6)</b>	<b>42.0</b>	<b>67.1</b>

## 11. Financing and Investment Income and Expenditure

2020/21		2021/22
£m		£m
13.1	Interest payable and similar charges	13.0
4.2	Net interest on net defined pension liability	4.3
(1.6)	Interest receivable and similar income	(2.3)
(6.1)	Income and expenditure in relation to investment properties and changes in their fair value	(20.7)
(0.8)	Gain from Devon wide NNDR Pool	(0.9)
8.8	<b>Total</b>	<b>(6.6)</b>

## 12. Taxation and Non-Specific Grant Income

2020/21		2021/22
£m		£m
(72.7)	Council tax Income	(75.0)
(45.1)	Retained income from rate retention scheme	(39.7)
(1.7)	Collection Fund – NNDR & Council Tax	13.2
14.8	Collection Fund Adjustment Account	(9.1)
(8.1)	Non ring-fenced government grants	(9.6)
(17.4)	Capital grants and contributions	(20.5)
(130.2)	<b>Total</b>	<b>(140.7)</b>

## 13. Property, Plant and Equipment

### Measurement Basis

Non-Current assets are valued at fair value for their particular asset type (category). Fair Value will therefore reflect:

- Existing Use Value for most categories of Property Plant and Equipment (P, P&E)
- Depreciated Replacement Cost for assets of a specialised nature with no readily identifiable market
- Depreciated Historical Cost for Community, Infrastructure and Vehicles, Plant and Equipment
- Historical Cost for Assets under Construction
- Modified Historical Cost for Infrastructure

### Depreciation method

Assets are depreciated on a straight-line basis over the useful life of each asset to reflect the pattern in which the asset's service potential is expected to be used.

Depreciation is applied to most asset types with some exceptions. Land assets are not depreciated due to its nature. Similarly, infrastructure assets (note 14) and heritage assets (note 15) are depreciated differently.

### Useful lives used

The useful life of an asset represents the period over which an asset is expected to be of use in providing services for the Council.

### Movements on Balances

Reconciliation of movements in 2021/22, in Property, Plant and Equipment by category of assets is shown in the tables below:

2021/22	Other Land and Buildings	Vehicles, Plant & Equipment	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PFI Assets in P, P&E
	£m	£m	£m	£m	£m	£m	£m
<b>Cost or Valuation</b>							
<b>As at 1<sup>st</sup> April 2021</b>	<b>218.5</b>	<b>23</b>	<b>9.7</b>	<b>1.2</b>	<b>12.6</b>	<b>265</b>	<b>45.9</b>
Additions	10.9	0.5	0	0	4.8	<b>16.2</b>	0
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	19.5	0	-0.1	0.1	0	<b>19.5</b>	-0.1
Revaluation Increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	-5.8	0	0	0	0	<b>-5.8</b>	0
Derecognition – Disposals	-0.5	-12.1	0	-0.2	0	<b>-12.8</b>	0
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	<b>0</b>	0
Other movements in Cost or Valuation	8.5	0	0	0	-8.5	<b>0</b>	0
<b>As at 31<sup>st</sup> March 2022</b>	<b>251.1</b>	<b>11.4</b>	<b>9.6</b>	<b>1.1</b>	<b>8.9</b>	<b>282.1</b>	<b>45.8</b>
<b>Accumulated Depreciation and Impairment</b>							
<b>As at 1<sup>st</sup> April 2021</b>	<b>-10.9</b>	<b>-15.8</b>	<b>-1.1</b>	<b>0</b>	<b>0</b>	<b>-27.8</b>	<b>-1.3</b>
Depreciation charge	-5.4	-1.1	-0.1	0	0	<b>-6.6</b>	-1.6
Depreciation written out to the Revaluation Reserve	1.1	0	0.1	0	0	<b>1.2</b>	0.1
Revaluation Increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	1.1	0	0	0	0	<b>1.1</b>	0

Derecognition – Disposals	0.1	8.6	0	0	0	<b>8.7</b>	0
Other movements in Depreciation and Impairment	0	0	0	0	0	<b>0</b>	0
<b>As at 31<sup>st</sup> March 2022</b>	<b>-14</b>	<b>-8.3</b>	<b>-1.1</b>	<b>0</b>	<b>0</b>	<b>-23.4</b>	<b>-2.8</b>
<b>Net Book Value: -</b>						<b>0</b>	
<b>As at 31<sup>st</sup> March 2022</b>	<b>237.1</b>	<b>3.1</b>	<b>8.5</b>	<b>1.1</b>	<b>8.9</b>	<b>258.7</b>	<b>43</b>
As at 31 <sup>st</sup> March 2021	207.6	7.2	8.6	1.2	12.6	<b>237.2</b>	44.6



**Contractual Commitments for the acquisition of Property, Plant and Equipment as at 31<sup>st</sup> March 2022**

The significant commitments on capital schemes with a value greater than £0.5m together with the likely year of spend are shown in the table below. Similar commitments for the previous financial year were £13.6m.

Contract	Purpose	Total Commitments	2022/23	2023/24
		£m	£m	£m
	<b>Expenditure on Council Assets:</b>			
	<b>Education</b>			
New Paignton Primary School	Contribution to provision of new Free School in Paignton	0.8	0.8	0.0
	<b>Transport</b>			
Edginswell Station	Provision of new railway station to improve transport links to Torbay Hospital, The Willows and Edginswell Gateway areas.	1.8	1.8	0.0
	<b>Regeneration</b>			
Harbour View Hotel	Town Centre regeneration / employment scheme	7.2	7.2	0.0
Torquay Town Dock	Infrastructure improvements.	0.9	0.9	0.0
	<b>Total Significant Commitments</b>	<b>10.7</b>	<b>10.7</b>	<b>0.0</b>

**Revaluations**

The Council's assets are regularly revalued, (at least once during a five-year period), by the Council's appointed external qualified valuer – see accounting policies. The effective date of revaluation is usually the 1<sup>st</sup> April of the year of the revaluation. The only class of asset that has significant revaluations is "Other Land and Buildings" which is valued at existing use.

Valued at fair value as at	Other Land and Buildings £m stated at NBV
31 March 2022	60.6
31 March 2021	50.8
31 March 2020	18.6
31 March 2019	54.6
31 March 2018	52.5
Total Cost or Valuation of Other Land & Buildings	<b>237.1</b>

The council 17.061% share of Energy From Waste plant revaluation is included above as at 31<sup>st</sup> March 2022. The revaluation amount reduced by £0.7 million to £31million. This was undertaken independently on instruction of Devon County Council.

#### 14. Infrastructure Assets

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements. The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

<b>31<sup>st</sup> March 2021</b>		<b>31<sup>st</sup> March 2022</b>
<b>£m</b>	<b>Net book value: modified historical cost</b>	<b>£m</b>
<b>102.8</b>	Net Book Value – opening value	<b>101.4</b>
<b>4.5</b>	Additions	<b>5.1</b>
<b>(5.9)</b>	Depreciation in year	<b>(6.3)</b>
<b>0</b>	Movements in value in year	<b>0</b>
<b>101.4</b>	<b>Net Book Value – closing value</b>	<b>100.2</b>

The authority has determined in accordance with Regulation [England] of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

#### 15. Heritage Assets

The value of the Council's heritage assets is reported in the balance sheet at an insurance valuation. Where it is not practical to obtain an insurance valuation the asset is measured at historical cost (usually nil). Heritage assets, by their nature have an indefinite life, so have not been depreciated.

The insurance valuations for heritage assets classified as property are updated every year by an inflationary factor as recommended by the Council's insurers, then revalued every 5 years as part of a rolling programme by an external valuer. The Fine Art Collection and Mayoral Regalia are revalued periodically by external valuers to ensure the adequacy of the valuation. The value of these assets is held on the Council's Asset Register.

The following table shows the reconciliation of the carrying value of heritage assets held by the Council.

	Fine Art Collection	Mayoral Regalia	Heritage Property	Total Assets
Valuation	£m	£m	£m	£m
31st March 2020	8.0	0.2	25.3	<b>33.5</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	0	0.8	<b>0.8</b>

31st March 2021	8.0	0.2	26.1	<b>34.3</b>
Restatement of opening balance	(0.2)	0	0.2	<b>0</b>
Revised opening balance	7.8	0.2	26.3	<b>34.3</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	0	6.0	<b>6.0</b>
31st March 2022	<b>7.8</b>	<b>0.2</b>	<b>32.3</b>	<b>40.3</b>

#### Fine Arts Collection

Includes exhibits held at Torre Abbey. The valuation was undertaken by external valuers, Bearnes Hampton and Littlewood, in 2010 but the exhibits held at Torre Abbey were valued by Bearnes in 2016. The collection includes William Holman Hunt's "The Children's Holiday". There are a large number of exhibits at Torre Abbey that are not included in the valuation due to their low item value. Further details of the exhibits included in this collection and visiting information are available on the council's website.

#### Mayoral Regalia

Included in this collection are the Chains of Office, Badges, Maces and other silver items. The collection was last valued by external valuers, Fattorini Limited, in 2005. Some items were revalued in 2010.

#### Heritage Property

Some of these assets are not insured so are held at historic cost, for example the D Day Embarkation Ramps. Of the property assets with an insurance valuation, Torre Abbey is the most significant being valued at £25.5m. The Council also has properties that although culturally and historically important, are being used for operational purposes. As this purpose is more relevant to users of the financial statements these assets have been classified under the heading 'Property, Plant and Equipment' on the balance sheet. For example, these assets include Torquay Town Hall and Electric House which are used as office accommodation. The Council uses an external RICS qualified valuer to provide property reinstatement valuations for insurance purposes.

## 16. Investment Properties

Properties that are held by the Council primarily for investment returns and capital appreciation.

Gross rent income relating to these properties in 2021/22 was £13m, (£13m 20/21) with operating costs of £0.4m (£0.8m 20/21).

31 <sup>st</sup> March 2021		31 <sup>st</sup> March 2022
£m		£m
208.7	Opening Balance	<b>203.1</b>
(0.3)	Purchases in year	<b>(0)</b>
(5.3)	Movements in value in year	<b>7.9</b>
203.1	<b>Total</b>	<b>211.0</b>

The freehold and leasehold properties which comprise Torbay Borough Council's property portfolio are scheduled for revaluation annually. The annual revaluations are undertaken by the appointed valuer who issue a valuation certificate and report which confirms Investment Assets have been valued using IFRS13 on the basis of Fair Value (Current Value). In doing so they individually assess each asset hierarchy level to arrive at the highest and best use to maximise the value (see 42.3). The appropriate split for this period was:

Hierarchy	Number of Properties	NBV £m
Level 1	0	0.0
Level 2	15	206.3
Level 3	3	4.7
<b>TOTAL</b>	<b>18</b>	<b>211.0</b>

## 17. Financial Instruments

The table below includes the categories of financial instrument which are carried in the Balance Sheet. The value reported within the table for debtors and creditors include amounts which are agreed to be a financial instrument by definition. The balance sheet and relevant notes include balances of debtors and creditors; this includes balances which would not be considered a financial instrument by definition.

31 <sup>st</sup> March 2021			31 <sup>st</sup> March 2022	
Non Current	Current		Non Current	Current
£m	£m		£m	£m
		<b>Investments</b>		
0	67.5	Loans and receivables (at amortised cost)	0	102.7
4.7	4.5	Financial assets at fair value through profit and loss	5.5	4.5
<b>4.7</b>	<b>72.0</b>	<b>Total investments</b>	<b>5.5</b>	<b>107.2</b>
		<b>Cash &amp; Cash Equivalents</b>		
0	(1.3)	Cash in hand and Bank (net)	0	0.1
0	0.8	Loans and receivables (at amortised cost)	0	4.2
<b>0</b>	<b>(0.5)</b>	<b>Total Cash &amp; Cash Equivalents</b>	<b>0</b>	<b>4.3</b>
		<b>Debtors</b>		
27.6	40.5	Financial assets carried (at amortised cost)	28.8	20.8
<b>27.6</b>	<b>40.5</b>	<b>Total Debtors</b>	<b>28.8</b>	<b>20.8</b>
		<b>Borrowings/Liabilities</b>		
(388.9)	(4.4)	Financial liabilities (at amortised cost)	(385.3)	(5.3)
<b>(388.9)</b>	<b>(4.4)</b>	<b>Total borrowings</b>	<b>(385.3)</b>	<b>(5.3)</b>
		<b>Other Long-Term Liabilities</b>		
(16.0)	(0.7)	PFI liability (at amortised cost)	(15.1)	(0.9)
(7.8)	0	Financial Guarantee	(6.5)	0
<b>(23.8)</b>	<b>(0.7)</b>	<b>Total Other Long-Term liabilities</b>	<b>(21.6)</b>	<b>(0.9)</b>
		<b>Creditors</b>		
(1.1)	(35.3)	Financial liabilities (at amortised cost)	(0.9)	(41.4)
<b>(1.1)</b>	<b>(35.3)</b>	<b>Total Creditors</b>	<b>(0.9)</b>	<b>(41.4)</b>
<b>(381.5)</b>	<b>71.6</b>	<b>Total All Financial Instruments</b>	<b>(373.5)</b>	<b>84.7</b>

The Council has not pledged any financial assets as collateral for liabilities or contingent liabilities or has any loans payable including interest due in default. The main measurement bases used by the Council in preparing the treatment of Financial Instruments within its financial statement are as follows:

Financial Instrument	Basis of measurement	Note
Investments – fixed rate	Carrying value adjusted for interest owed at year end	Investments have both fixed term and fixed interest rates
Investments – Money Market Funds	Increase in carrying value recognised in Income & Expenditure Account	Interest rate determinable on 1 <sup>st</sup> April.
Investments – Enhanced Money Market Fund	Treated as a Financial Instrument at Fair Value through Profit and Loss as the fund is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.	Carrying value of the fund at 31 <sup>st</sup> March is the fair value of the Fund.
Investments – CCLA Property Fund	Treated as a Financial Instrument at Fair Value through Profit and Loss.	Carrying value of the fund at 31 <sup>st</sup> March is the fair value of the Fund. Dividends due in year are recognised in CIES. In addition, changes to the fair value of the fund are accounted for in the Income and Expenditure Account with a statutory override reversing the impact of these movements in the MIRS.
Investments – Other	Held at carrying value on basis of materiality	
Contractual Debt/payables	Held at invoiced or billed amount less an estimate of impairment for the uncollectability of that debt.	Excludes non contractual debt such as Council tax and NNDR
PWLB and fixed rate Market Debt	Carrying value adjusted for interest due at year end	Borrowing is both fixed term and fixed interest rates
LOBO Debt	Balance measured using the effective interest rate within the contract for the maximum life of the deal	Rate calculated over full term assuming the options within the contract are not exercised.
Financial Instruments under adverse economic conditions	All financial instruments assessed for impairment from economic conditions	As appropriate the impairment for contractual debt will be reviewed. The Council does not hold any investments which it has assessed to be subject to any impairment.
Financial Guarantee	IAS19 valuation of pension liability	
Council Companies	Held at initial investment (i.e., value of shares)	

The Council in compiling its accounts assessed all its financial instruments and any that were not considered material no adjustment was made to the carrying value of the asset or liability. The Council under IFRS9 has designated its holding in two of its subsidiaries, TDA Group and SWISCO as an “investment in an equity instrument designated at fair value through other comprehensive income”. Where the purpose of the subsidiaries are to primarily provide services on behalf of the council, the initial and subsequent recognition of the Council’s investment in its subsidiaries is at the fair value of the nominal shares held. Where a subsidiary company has its own subsidiary companies, the investment will continue to be at the fair value of the nominal shares held.

Income, Expense, Gains and Losses

	2020/21				2021/22			
	Financial Liabilities	Financial Assets		Total	Financial Liabilities	Financial Assets		Total
	Liabilities measured at amortised cost	Loans and receivables (treasury management)	Assets at Fair Value through Profit and Loss		Liabilities measured at amortised cost	Loans and receivables (treasury management)	Assets at Fair Value through Profit and Loss	
	£m	£m	£m	£m	£m	£m	£m	£m
Interest expense	11.8	0	0	<b>11.8</b>	10.0	0	0	<b>10.0</b>
Reductions in fair value re interest due	0	0	0	<b>0</b>	1.7	0	0	<b>1.7</b>
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>11.8</b>	<b>0</b>	<b>0</b>	<b>11.8</b>	<b>11.7</b>	<b>0</b>	<b>0</b>	<b>11.7</b>
Interest income	0	(0.2)	(0.2)	<b>(0.4)</b>	0	(0.1)	(0.2)	<b>(0.3)</b>
(Gain) /Loss in fair value	0	0	0	<b>0</b>	0	0	(0.8)	<b>(0.8)</b>
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>(0.2)</b>	<b>(0.2)</b>	<b>(0.4)</b>	<b>0</b>	<b>(0.1)</b>	<b>(1.0)</b>	<b>(1.1)</b>
<b>Net gain/(loss) for the year</b>	<b>11.8</b>	<b>(0.2)</b>	<b>(0.2)</b>	<b>11.4</b>	<b>11.7</b>	<b>(0.1)</b>	<b>(1.0)</b>	<b>10.6</b>

### Fair Values of Assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables and long-term debtors and creditors are carried in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments. For financial assets that are short term, “cash accounts” or are held at their carrying value as at 31 March the carrying amount is a reasonable approximation of fair value. The fair value of debtors and creditors is taken to be the invoiced or billed amount

For PWLB debt, with a carrying value of £378.9m (£381.5m 20/21), the fair value of £384.0m (£444.2m 20/21) has been assessed by using observed market rates as at 31 March 2022 for similar transactions and then matched, as appropriate, to the duration on an existing maturity. No early repayment or impairment is recognised. For non PWLB loans, with a carrying value of £10.1m (£10.1m 20/21), the fair value of £17.2m (£19.9m 20/21) has been assessed by using discount rates of similar length and structure with a comparable lender as at 31 March 2022. For both fair values, under the requirements of IFRS13, these values are based on Level Two inputs, i.e., inputs other than quoted prices that are observable.

The fair value of the liabilities (borrowing) is higher than the carrying amount because the Council’s portfolio of loans includes several fixed rates where the interest rate payable is higher than the rates available for similar loans at the balance sheet date for the term remaining. The commitment to pay interest above current market rates increases the amount the Council would have to pay if the lender requested or agreed to early repayment of the loans.

It should be noted that the PWLB also provided a fair value of the Council’s PWLB debt as at 31<sup>st</sup> March 2022 of £478.9m (£530.8m 20/21). This is higher than the fair value PWLB amount of £384.0m (£444.2m 20/21 restated) as the PWLB has used their “premature redemption rate of interest” to calculate fair value. This rate is a more punitive rate than current rates that only applies if a Council repays debt early.

The Council has a liability for the remaining 5.5 years on its 25-year School PFI contract for the construction element. The fair value of the liability as at 31 March 2022 of £4.7m (20/21: £5.8m) has been assessed using Level Two inputs from the AA Corporate Bond Yield Curve published by Bloomberg, i.e., an input other than quoted prices that are observable.

The Council has a liability for the remaining 17.5 years on its 25-year Energy from Waste PFI contract for the construction element. The fair value of the liability as at 31<sup>st</sup> March 2022 of £35.5m (£23.9m 20/21) has been assessed using Level Two inputs using a PWLB annuity discount rate, i.e., an input other than quoted prices that are observable.

### 18. Nature and Extent of Risks Arising from Financial Instruments

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 rates and stock movements



The Council's overall risk management programme (as outlined in its Treasury Management Strategy) focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Council's treasury team, under policies and practices approved by full Council in March 2010 and updated in February 2019. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash. The Council's treasury team also, as required, make in year adjustments in the event of changing circumstances such as economic pressures impacting on rates or changes to investment counterparty lists.

### Credit and Counterparty Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposure to the Council's customers. Deposits are not made with banks and financial institutions unless they have a sufficiently high credit rating, as designated by independent credit rating agencies, or other strong measure of security such as a central government guarantee. The system of counterparty selection includes the adoption of robust credit assessment of suitable counterparties performed by the Council's treasury management advisors.

Asset Type	Credit Risk Management	Estimation of Impairment Loss
Loans to other authorities	Guaranteed by statute	No allowance required
Banks and financial institutions	Deposits are restricted in line with Council's approved Treasury Management Strategy.	No historic or forecast losses.
Loans	All loans subject to internal risk appraisal, where appropriate guarantees and/or security is obtained in event of default.	No historic or forecast losses
Other Debtors	Debtors are not subject to internal credit ratings and have been grouped for the purposes of calculating expected losses	Expected credit losses (impairment) estimated based on age and type of debt.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on experience of default and uncollectability, adjusted to reflect current market conditions:

2021/22	Value as at 31 <sup>st</sup> March 2022	Fitch rating	Fitch rating	Fitch rating	Historical experience of default	Historical experience adjusted for market conditions as at 31 <sup>st</sup> March 2022	Estimated maximum exposure to default and uncollectability at 31 <sup>st</sup> March 2022
	£m	A	A+	AAA	%	%	£m
Deposits with banks and other financial institutions	29.9	9.3	8.0	12.6	0	0	0
Deposits held in Enhanced Money Market Fund	4.6	0	0	4.6	0	0	0
Deposits held with other public sector bodies	77.0	n/a as public sector			0	0	0

2021/22	Value as at 31 <sup>st</sup> March 2022	Fitch rating A	Fitch rating A+	Fitch rating AAA	Historical experience of default	Historical experience adjusted for market conditions as at 31 <sup>st</sup> March 2022	Estimated maximum exposure to default and uncollectability at 31 <sup>st</sup> March 2022
Units purchased in CCLA Property Fund	5.5	0	0	5.5	0	0	0
Trade and other Receivables, excluding loans (Sundry, Beach Huts & Harbour Debt)	8.0	Not applicable			0.6%	2.5%	0.2

Within the Council's sundry debt total of £8.0m (£7.1m 20/21), £2.0m (£2.2m 20/21) is over three months due for payment. The past due amount can be analysed by age as follows:

31 <sup>st</sup> March 2021		31 <sup>st</sup> March 2022
£m		£m
4.9	Less than 3 months	6.0
1.4	Three months to one year	0.7
0.8	More than one year	1.3
<b>7.1</b>	<b>Total</b>	<b>8.0</b>

At year end the level of impairment for all Council debt is assessed and reflected in the value of the impairment disclosed in the debtors note.

### Liquidity Risk

As the Council has ready access to borrowings from the Public Works Loans Board and short-term funding facilities with its Bankers, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, there is a risk that the Council will be bound to replenish a proportion of its borrowings at a time of unfavourable interest rates. The Council's treasury team aim to ensure that the Council's borrowing portfolio is spread over a range of maturities by a combination of careful planning of new loans taken out and, where it is economic to do so, rescheduling debt.

The maturity analysis of fixed rate borrowing (principal only) is as follows:

31 <sup>st</sup> March 2021		31 <sup>st</sup> March 2022
£m		£m
2.6	Less than one year	3.6
3.6	Between one and two years	2.6
16.9	Between two and five years	16.5
30.3	Between five and ten years	43.3
67.9	Between ten and twenty years	59.3
67.5	Between twenty and thirty years	73.0
202.7	Above thirty years	190.6
<b>391.5</b>	<b>Total</b>	<b>388.9</b>

The Council monitors and manages its cash flow daily to ensure it has, always, short term liquidity to meet payables and other liabilities.

### Market Risk

There are three market related risks the Council is aware of: Interest Rate Risk, Price Risk and Foreign Exchange Risk. Further detail of each risk is outlined below:

#### Interest Rate Risk

The Council is exposed to risk in terms of interest rate movements on its borrowing and investments. Movements in interest rates have a complex impact on the Council. For example, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expenses charged to the Comprehensive Income and Expenditure will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will rise
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure will rise
- investments at fixed rates – the fair value of the assets will fall

Where the Council has borrowed on a fixed rate basis there will be no variation between the carrying value and fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure account or Movement in Reserves Statement (MIRS). However, any changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure and effect the General Fund Balance.

The Council has several strategies for managing interest rate risk. Its policy is to limit its exposure to variable rate loans. As at 31<sup>st</sup> March 2022 the Council didn't have any PWLB borrowing at variable interest rates however the Council does have £5m in a market loan (LOBO) where in future years the rate could vary.

The Council's treasury management team has an active strategy for assessing interest rate exposure that supports the setting of the annual budget and which is used to proactively manage the Council's investments and borrowings during a year.

If on the 31<sup>st</sup> March 2022 the interest rates were 1% higher than the actual interest rates the financial impact would be:

#### 42) Borrowing:

The Council had no variable rate borrowing as at 31<sup>st</sup> March 2022 so there would be no impact.

#### b) Investments:

It is reasonable to assume that the Council's investments in "cash" accounts, money market funds and the fund manager should increase by the change in interest rates. If the Council's investment in these instruments were maintained at the level as at 31<sup>st</sup> March 2022 for a full financial year, this would generate an additional £1.0m over a year if rates increase by 1%. It should be noted that if the interest rate increase was forecast it is likely the profile of fixed rate deposits would have been invested on that basis.

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

#### Price Risk

The Council does not generally invest in equity shares. The Council does have an equity interest in several companies as part of service delivery. The Council's holding in the CCLA property fund will vary in price depending on the Fund's performance.

#### Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies (except for an occasional non sterling creditor payment) and thus have no exposure to loss arising from movements in exchange rates.

## 19. Investments

### Long Term Investments

Long term investments comprise any cash investments the Council has made with a maturity more than one year and an investment in a Property Fund managed by the CCLA.

2020/21			2021/22		
Cash Investment	Property fund		Cash Investment	Property Fund	Total
£m	£m		£m	£m	£m
5.0	4.7	<b>Balance at start of year:</b>	0.0	4.7	4.7
(5.0)	(0.0)	Change in Investment	0.0	0.8	0.8
0.0	4.7	<b>Fair Value as at 31<sup>st</sup> March</b>	0.0	5.5	5.5

### Short Term Investments

Temporary investments are short term investments with a maturity less than one year that are held for investment purposes not short-term cash flow liquidity.

Total Invested 31 <sup>st</sup> March 2021			Total Invested 31 <sup>st</sup> March 2022	
£ m			£ m	
		Short Term Investments (less than 1 year)		
31.0		Deposits: fixed term & structured		83.0
36.4		Notice\Call Accounts\MMF's		19.6
4.0		Enhanced Money Market Fund *		4.0
<b>71.4</b>		<b>Total Short-Term Investments</b>		<b>106.6</b>
72.0		<i>Fair Value as at 31<sup>st</sup> March – including interest due</i>		107.2

Note \* - The Council has designated its holding with an Enhanced Money Market Fund at Fair Value through Profit and Loss as, in substance, the Council's holding is part of a portfolio of identified financial instruments that are managed together and there is evidence of short-term profit making.

## 20. Debtors

Debtors represent monies owed to the Council and include deposits and payments in advance.

### Long Term Debtors (Due over one year including payment in advance)

31 March 2021		31 March 2022
£m		£m
17.7	Loans	19.4
1.6	Social Services – Client Debt	1.6
0	Impairment re Client Debt	0
0.5	Pension Related	0
7.8	Asset Related (capital accounting)	7.8
<b>27.6</b>	<b>Total</b>	<b>28.8</b>

### Current Debtors (Due within one year including payments in advance)

31 <sup>st</sup> March 2021		31 <sup>st</sup> March 2022
£m		£m
<b>18.1</b>	Central government bodies (WGA)	<b>10.8</b>
<b>4.1</b>	Other local authorities and public bodies	<b>5.4</b>
<b>1.5</b>	NHS bodies	<b>3.6</b>
<b>9.4</b>	Council Tax (including liability orders)	<b>12.9</b>
<b>1.6</b>	NNDR (including liability orders)	<b>2.4</b>
<b>3.7</b>	Housing Benefit Overpayments	<b>3.3</b>
<b>19.6</b>	Other entities and individuals	<b>16.3</b>
<b>58.0</b>	<b>Sub Total</b>	<b>54.7</b>
<b>(16.5)</b>	Impairment (collectability of debt)	<b>(18.5)</b>
<b>41.5</b>	<b>Total</b>	<b>36.2</b>

### Local Taxation

The total net debt for Council Tax and NNDR is analysed by age of debt. Impairment is not included. These amounts are included in the debtor note above and prepayments (creditors) below.

Council Tax	NNDR	Total		Council Tax	NNDR	Total
£m	£m	2020/21		£m	£m	2021/22
£m	£m	£m		£m	£m	£m
2.5	0.6	3.1	Up to 1 year	4.8	0.9	5.7
3.8	1.3	5.1	1 to 3 years	4.7	1.0	5.7
2.2	0.4	2.6	Over 3 years	3.2	0.6	3.8
<b>8.5</b>	<b>2.3</b>	<b>10.8</b>	<b>Total</b>	<b>12.7</b>	<b>2.5</b>	<b>15.2</b>

## Loans

The Council has provided the following loan or loan facility to the following organisations. These loans are included in the Council's long and short-term debtor balances on (and notes to) the balance sheet as at 31 March 2022.

Value of loan - 31 <sup>st</sup> March 2021 £m	Organisation	Value of loan -31 <sup>st</sup> March 2022 £m	Due within one year £m	Due in excess of one year £m
2.8	TEDC	2.7	0.1	2.6
3.8	Tor Vista Homes	2.9	0	2.9
3.4	South Devon College	3.2	0.1	3.1
0.3	SWISCo Ltd	0.4	0	0.4
9.3	THAT Group	9.3	0	9.3
0.5	Effect Photonics Ltd	0.5	0	0.5
0	Torbay Coast & Countryside Trust	0.5	0	0.5
0	Nanusens Ltd	0.1	0	0.1
20.1	<b>Total</b>	<b>19.6</b>	<b>0.2</b>	<b>19.4</b>

## 21. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents, including use of bank overdrafts, is made up of the following elements:

31 March 2021		31 March 2022
£m		£m
(1.3)	Bank current accounts	0.1
0.8	Short-term deposits with Liquidity Accounts	4.2
(0.5)	<b>Total Cash and Cash Equivalents</b>	<b>4.3</b>
2.1	<i>Current Assets</i>	<b>6.3</b>
(2.6)	<i>Current Liabilities</i>	<b>(2.0)</b>
(0.5)	<b>Total Cash and Cash Equivalents</b>	<b>4.3</b>

## 22. Creditors

Represents monies owed by the Council.

### Long Term Creditors (due over one year)

31 March 2021		31 March 2022
£m		£m
2.4	Section 106 agreements	2.2
0.1	Salix Finance	0.1
0.7	PFI Sinking Fund – Contractor	0.5
0.4	Other	0.3
<b>3.6</b>	<b>Total</b>	<b>3.1</b>

### Current Creditors (due within one year including revenue receipts in advance)

31 March 2021		31 March 2022
£m		£m
40.3 *	Central government bodies (WGA)	41.0 *
2.8	Other local authorities and public bodies	4.4
2.1	NHS bodies	1.8
20.1	Other entities and individuals	27.1
<b>65.3</b>	<b>Total</b>	<b>74.3</b>

Note \* - includes funds due to central government relating to COVID funding including the balances at year end on the various BEIS business support schemes.

## 23. Provisions

Represents monies potentially owed by the Council but the timing and value of the payment is uncertain.

	Insurance	NNDR Appeals *	Other	Total
	£m	£m		£m
<b>Balance at 31 March 2021</b>	<b>0.1</b>	<b>4.5</b>	<b>0</b>	<b>4.6</b>
Provisions made in year	0.2	0.5	0.1	0.8
Provisions reversed in year	0	0	0	0
Amounts used in year	0	0	0	0
<b>Balance at 31 March 2022</b>	<b>0.3</b>	<b>5.0</b>	<b>0.1</b>	<b>5.4</b>
<i>Short term</i>	<i>0.2</i>	<i>5.0</i>	<i>0.1</i>	<i>5.3</i>
<i>Long term</i>	<i>0.1</i>	<i>0</i>	<i>0</i>	<i>0.1</i>
<i>Balance at 31 March 2022</i>	<i>0.3</i>	<i>5.0</i>	<i>0.1</i>	<i>5.4</i>

*\*An analysis of NNDR movements in year not separately identifiable as appeals are reflected within a premises' overall NNDR liability in Collection Fund*

Name of Provision	Description of Provision
Insurance	Reflects a reliable estimate of Council liability on all known claims outstanding as at 31 <sup>st</sup> March, which have yet to be settled. The timing of spend will be up to three years depending on claim type.
NNDR Appeals	Reflects the Council's 49% share of the estimated value of outstanding NNDR appeals.
Other	Estimate re potential liability from a contractual issue with a provider.

## 24. Borrowing

This heading reflects the borrowing undertaken by the Council to fund its approved capital programme. Any costs of borrowing are reflected in the Comprehensive Income and Expenditure Statement for interest charges and the Minimum Revenue Provision for the repayment of debt. Any "unsupported" borrowing undertaken using the Prudential Code will have to be funded from within Council resources, savings, or additional income.

31 <sup>st</sup> March 2021		31 <sup>st</sup> March 2022
Principal	Borrowing Repayable	Principal
£ m		£ m
	Amounts falling due within one year:	
2.6	Public Works Loans Board loans	3.6
	Amounts falling due more than one year:	
10.0	Money Market loans	10.0
378.9	Public Works Loans Board loans	375.3
<b>391.5</b>	<b>Total</b>	<b>388.9</b>
393.3	<i>Carrying Amount as at 31<sup>st</sup> March – including interest due</i>	390.6

The table below shows an analysis of the maturity of (all) loans repayable (by principal outstanding):-

Total Principal Outstanding	Analysis of Loans by Maturity	Average Interest Rate	Total Principal Outstanding
31 <sup>st</sup> March 2021			31 <sup>st</sup> March 2022
£ m			£ m
2.6	Within 1 year – (short term)	3.69%	3.6
3.7	1 up to 2 years	3.81%	2.6
7.6	2 up to 3 years	2.59%	8.6
3.7	3 up to 4 years	4.07%	5.7
5.6	4 up to 5 years	3.94%	2.2
30.3	5 up to 10 years	2.49%	43.3
32.4	10 up to 15 years	3.94%	29.4
35.5	15 up to 20 years	3.45%	29.9
32.6	20 up to 25 years	3.28%	28.1
237.5	Over 25 years	2.82%	235.5
<b>391.5</b>	<b>Total</b>	<b>2.98%</b>	<b>388.9</b>



Total Principal Outstanding 31 <sup>st</sup> March 2021 £ m	Analysis of Loans by Maturity	Average Interest Rate	Total Principal Outstanding 31 <sup>st</sup> March 2022 £ m
393.3	<i>Carrying amount as at 31<sup>st</sup> March – including interest due.</i>		390.6
464.1	<i>Fair value (as IFRS 13 see Note 16 Fair Value of Assets and Liabilities)</i>		401.2

### Lenders Option Borrowers Option (LOBO)

The Council has one LOBO loan (Lenders Option Borrowers Option) with Dexia that has at inception, a constant rate of interest for the length of the loan. On the loan the lender (Dexia) has the option to increase the rate beyond the agreed rates after an initial period and at agreed intervals thereafter. The borrower then has the option to continue at the higher rate or repay the loan incurring no penalty. The loan will continue for the full term at the agreed rate unless the lender exercises the option to increase the rate of interest. The Council's loan with Barclays PLC is no longer classified as a LOBO as Barclays PLC confirmed during financial year 2016/17 that they will not enact their option for the life of the loan.

## 25. Liabilities

The Council has entered into a contract or agreement that guarantees future payments to a third party.

31 <sup>st</sup> March 2021 £m		31 <sup>st</sup> March 2022 £m
	<b>Liabilities due within 1 year</b>	
0.7	PFI Liability – Schools	0.7
0.1	PFI Liability – EFW	0.2
0.8	PFI Liability – EFW – Deferred Income	0.8
0.7	DCC Pre LGR Liability	0.7
<b>2.3</b>	<b>Total due within 1 year</b>	<b>2.4</b>
	<b>Liabilities due over 1 year</b>	
4.3	PFI Liability – Schools	3.7
11.6	PFI Liability – EFW	11.4
15.1	PFI Liability – EFW – Deferred Income	14.2
4.6	DCC Pre LGR Liability	5.5
7.9	TEDC – LGPS Pension liability	6.5
<b>43.5</b>	<b>Total due over 1 year</b>	<b>41.3</b>
<b>45.8</b>	<b>Total Liabilities</b>	<b>43.7</b>

### The Spires and Homelands Schools PFI Scheme

A Project Agreement was signed on 31<sup>st</sup> March 2000 with Torbay School Services Ltd (TSS) for the provision of serviced facilities at The Spires (formerly Westlands) Secondary and Homelands Primary Schools in Torquay. The period of the contract is 26 years from the actual completion of the redevelopment of The Spires School

buildings, which occurred on 24<sup>th</sup> October 2001 (i.e., expires in 2027). Payments under the contract commenced on 1<sup>st</sup> April 2001 when Phase 1 of The Spires was completed. The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards. The contractor took on the obligation to construct the schools and maintain them in a minimum acceptable condition and to procure and maintain the plant and equipment needed to operate the schools. The buildings and any plant and equipment installed in them at the end of the contract will be transferred to the Council for nil consideration. There were no changes to the contract arrangements during the year.

### Schools – PFI Property Plant and Equipment

The assets used to provide services at both schools are recognised on the Council's Balance Sheet. Since the PFI contract started The Spires school became a Foundation School. The Council has retained the liability to the PFI contractor.

### School – PFI Payments

The Council makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year, but which is otherwise fixed. In relation to this contract the Council recognises as a liability on its balance sheet the element of this annual payment that relates to the construction and purchase of the two schools. The other elements of the contract, finance costs and service charges are recognised on an annual basis in the Council's Comprehensive Income and Expenditure Statement. Payments remaining to be made under the PFI contract at 31 March 2022 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	Payment for Services *	Reimburse- ment of Capital Expenditure	Interest	Total
	£m	£m	£m	£m
Payable in 2022/23	2.2	0.7	0.2	3.1
Payable within 2 to 5 years	8.7	3.2	0.5	12.4
Payable within year 6	1.1	0.5	0	1.6
<b>Total</b>	<b>12.0</b>	<b>4.4</b>	<b>0.7</b>	<b>17.1</b>

\* Assumption that the total annual payment for all three elements to the contractor will remain constant (ignoring inflation) until 2027/28 when the contract finishes.

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable. The liability outstanding to pay to the contractor for capital expenditure incurred is as follows:

2020/21		2021/22
£m		£m
5.7	Balance outstanding at start of year	5.0
(0.7)	Payments during the year	(0.6)
<b>5.0</b>	<b>Balance outstanding at year-end</b>	<b>4.4</b>

### Energy from Waste Plant – Private Finance Initiative

Torbay, in partnership with Plymouth and Devon County Councils has entered into a 25 year PFI contract with MVV Umwelt for the construction and operation of an Energy from Waste Plant for the disposal of domestic waste. The Plant became operational in April 2015, the Councils deliver waste to the facility paying a unitary charge linked to waste tonnages. The period of the contract operation is to a fixed contract end date in November 2039

The three Councils appointed MVV Umwelt under a fixed price contract to finance, construct and design the 245,000 tonne capacity facility, maintain it to a minimum acceptable condition over a 24 year term, with an option to extend operations for another 5 years. The Councils have the right to terminate the contract but must compensate MVVU in full for costs incurred and for future profits that would have been generated over the remaining term of the contract. At the end of the contract term buildings, plant and equipment will be transferred back to the Councils for nil consideration should the partnership elect to exercise this option.

The EFW facility is located on Ministry of Defence land at Camel's Head, North Yard in Devonport Dockyard in Plymouth. The contract specifies the activities offered by the facility, the opening hours and the expected minimum standard of service to be provided by the operator. MVV Umwelt is required to receive all the residual waste from the defined area of the local authority partnership for which the councils are obliged to pay a fixed, but index linked gate fee based on a guaranteed waste tonnage, with an additional charge for any extra waste delivered by the councils over and above the contractual waste.

### EFW – PFI Property Plant and Equipment

Income and expenditure, assets and liabilities are recorded in each of Plymouth City Council, Torbay Council and Devon County Council's Statements of Accounts respectively in the ratio 48:17:35 based on estimated tonnages for 2015/16: The total construction costs were £195m, Torbay Council's initial recognition of its share was £33m. The plant was revalued as at 31<sup>st</sup> March 2022 and its value is carried in its balance sheet together with a corresponding liabilities for both the Council's share of the liability and a deferred income sum to reflect the value of the third party income due to be received by the operator over the life of the contract.

### EFW – PFI Payments

The three Councils each make a payment each year to the operator based on actual tonnages where the cost can vary depending on whether the tonnage is within set bands as specified by the contract. The costs are allocated between the three Councils based on agreed Financial Allocation Mechanism which is closely linked to actual tonnages delivered from the three councils compared the forecast tonnages in the business case. In relation to this contract the Council recognises as a liability on its balance sheet its share of the element of the annual payment that relates to the construction and purchase of the facility. The other elements of the contract, finance costs and service charges, are recognised on an annual basis in the Council's Comprehensive Income and Expenditure Statement. Torbay's share of payments remaining to be made under the PFI contract at 31 March 2022 (excluding any estimation of inflation) is as follows:

	Payment for Services *	Reimburse- ment of Capital Expenditure	Interest	Total
	£m	£m	£m	£m
Payable in 2022/23	2.9	0.2	1.1	4.2
Payable within 2 to 5 years	12.0	1.2	3.7	16.9
Payable within 6 to 10 years	16.3	2.2	3.4	21.9
Payable within 11 to 15 years	17.2	4.4	1.1	22.7
Payable within 16 to 18 years	9.2	3.6	(0.7)	12.1
<b>Total</b>	<b>57.6</b>	<b>11.6</b>	<b>8.6</b>	<b>77.8</b>

\* Assumption that the total annual payment for all three elements to the contractor will remain constant (ignoring inflation) until 2039 when the contract finishes.

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable. The liability outstanding to pay to the contractor for capital expenditure incurred split between Torbay and the third-party income deferred income liability is as follows:

2020/21 £m Torbay Share	2020/21 £m Deferred Income		2021/22 £m Torbay Share	2021/22 £m Deferred Income
11.8	16.7	Liability outstanding at start of year	11.7	15.9
(0.1)	(0.8)	Credits during the year	(0.1)	(0.9)
<b>11.7</b>	<b>15.9</b>	<b>Liability outstanding at year-end</b>	<b>11.6</b>	<b>15.0</b>

#### Local Government Reorganisation 1998

Torbay Council became a unitary Council in 1998 taking over some of the services previously provided by Devon County Council. The Council agreed to fund a tax base share (11.73%) of any future costs that Devon incurred in relation to discretionary pension enhancements that Devon County Council had agreed to pay to its staff prior to 1998. The payment to Devon County Council in 2021/22 was £0.6m (£0.7m 2020/21). The estimate of the remaining liability of £6.2m (£5.3m 20/21) is based on Devon County's IAS19 disclosures.

2020/21 £m		2021/22 £m
7.6	Liability outstanding at start of year	5.3
(1.6)	IAS19 Actuarial remeasurements	1.5
(0.7)	Payments during the year to Devon County	(0.6)
<b>5.3</b>	<b>Liability outstanding at year-end</b>	<b>6.2</b>

## 26. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and each reserve is shown in the table below:

31 <sup>st</sup> March 2021 £m		For in year movements see Note: -	2021/22 movement £m	31 <sup>st</sup> March 2022 £m
5.7	General Fund Reserve	9	0	5.7
57.7	Earmarked Reserves	10	9.4	67.1
1.8	Usable Capital Receipts Reserve	9	(0.6)	1.2
12.2	Capital Grants & Contributions Unapplied	9	10.2	22.4
77.4	<b>Total Usable Reserves</b>		<b>19.0</b>	<b>96.4</b>

## 27. Unusable Reserves

Movements in the Council's unusable reserves are detailed in the Movement in Reserves Statement and each reserve is shown in the table below. A full description of each reserve is available in the glossary:

31 <sup>st</sup> March 2021 £m		For in year movements see Note:-	2021/22 movement £m	31 <sup>st</sup> March 2022 £m
90.2	Revaluation Reserve	27.1	24.7	114.9
72.5	Capital Adjustment Account	9	9.9	82.4
4.7	Deferred Capital Receipts	9	0	4.7
(0.3)	Pooled Investment Fund Adjustment AC	9	0.8	0.5
(224.5)	Pensions Reserve (Funded and Unfunded)	9	77.4	(147.1)
(14.0)	Collection Fund Adjustment Account	9	9.1	(4.9)
(5.8)	Dedicated Schools Grant Deficit Account	9	(3.2)	(9.0)
(1.9)	Accumulating Compensated Absences Adjustment Account	9	(0.3)	(2.2)
(79.1)	<b>Total Unusable Reserves</b>		<b>118.4</b>	<b>39.3</b>

## 27.1 Revaluation Reserve

2020/21		2021/22		
£m		Note	£m	
89.8	<b>Balance at 1 April</b>			<b>90.2</b>
	Revaluation of assets		27.9	
4.8	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(1.2)	<b>26.7</b>
(1.7)	Difference between fair value depreciation and historical cost depreciation		(1.7)	
(2.7)	Accumulated gains on assets sold or scrapped		(0.3)	
(4.4)	Total amount written off to the Capital Adjustment Account	9		<b>(2.0)</b>
90.2	<b>Balance at 31 March</b>			<b>114.9</b>

## 28. Pooled Budgets

Joint Equipment Store

Under section 75 of the NHS Act 2006, the Council has a pooled budget arrangement with NHS South Devon and Torbay Clinical Commissioning Group (CCG) for the joint provision of an equipment store for the purchase and distribution of items to meet the social care and health needs of people living in the Torbay area. The pooled budget is hosted by the Council as the lead body on behalf of the two partners to the agreement. The Council and the CCG have an agreement in place for funding these with each contributing funds to the agreed budget equal to a 50% split. However, any overspend on the agreed budget is split equally between the two partners and Torbay and South Devon Foundation Trust (ICO). The total expenditure on the pooled budget for 2021/22 was £1.8m (£1.7m 20/21), of which £0.8m (£0.8m 21/22) was borne by the Council.

Better Care Fund (BCF) & Improved Better Care Fund (iBCF)

Under section 75 of the NHS Act 2006, the Council has a pooled budget arrangement with NHS South Devon and Torbay Clinical Commissioning Group (CCG) for the revenue elements of the Better Care Fund for the integrated supply of social care and health needs of people living in the Torbay area. The pooled budget is hosted by the CCG as the lead body on behalf of the two partners to the agreement. £23.1m of funding is reported and monitored as part of the Better Care Fund, but £2.1m DFG and £8.6m of iBCF is managed by the Council and not included in the pooled budget. Remaining funding of £12.4m is provided by Devon CCG, of which £3.5m (£3.3m 20/21) was paid to the Council to commission adult social care services and £8.9m (£8.5m 20/21) was used by the CCG to commission health related services. The Council only recognises the income and expenditure attributable to it, which is £3.5m of social care funding. The total revenue expenditure on the pooled budget for 2021/22 was £12.4m (£11.8m 20/21).

As part of the ongoing integrated working between the Council and the Health bodies responsible for the Torbay area, under section 256 of the NHS Act 2006, the Council has an agreement with the CCG for the use of £10m of funds. This funding was received as income in 21/22 and has been transferred to an earmarked reserve.

## 29. Members' Allowances

Under the Council's Members Allowances scheme £456,000 (£447,000 2020/21) were paid to members of the Council during the year. In addition, £1,801 of approved expenses was paid (£170 2020/21). The current Allowances' scheme can be found on the Council's website.

## 30. Officers' Remuneration

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

		Salary	Expenses	Compensation for Loss of Office	Pension Contribution at "common rate"	Total
		£000's	£000's	£000's	£000's	£000's
Chief Executive (commenced 1 August 2020)	<b>2021/22</b>	<b>147</b>	<b>0</b>	<b>0</b>	<b>25</b>	<b>172</b>
	2020/21	94	0	0	16	110
Chief Executive (4 days per week) (finished 31 August 2020)	2020/21	48	0	49	8	105
Director of Adult Services and Community Services	<b>2021/22</b>	<b>125</b>	<b>0</b>	<b>0</b>	<b>21</b>	<b>146</b>
	2020/21	122	0	0	20	142
Nancy Meehan Director of Children's Services	<b>2021/22</b>	<b>156</b>	<b>0</b>	<b>0</b>	<b>26</b>	<b>182</b>
	2020/21	154	0	0	26	180
Director of Place	<b>2021/22</b>	<b>125</b>	<b>0</b>	<b>0</b>	<b>21</b>	<b>146</b>
	2020/21	118	0	0	20	138
Director of Finance (s151 officer)	<b>2021/22</b>	<b>109</b>	<b>0</b>	<b>0</b>	<b>18</b>	<b>127</b>
	2020/21	104	0	0	17	121
Director of Public Health (commenced 18 January 2021)	<b>2021/22</b>	<b>126</b>	<b>0</b>	<b>0</b>	<b>18</b>	<b>144</b>
	2020/21	25	0	0	4	29
Director of Public Health (finished 28 February 2021)	2020/21	130	0	0	18	148
Head of Legal Services and Monitoring Officer (commenced 12 October 2020)	<b>2021/22</b>	<b>64</b>	<b>0</b>	<b>0</b>	<b>11</b>	<b>75</b>
	2020/21	27	0	0	5	32
Divisional Director of Corporate Services (Commenced 20 <sup>th</sup> September 2021)*	<b>2021/22</b>	<b>51</b>	<b>0</b>	<b>0</b>	<b>8</b>	<b>59</b>
	2020/21	0	0	0	0	0
Asst Director of Corporate Services (Commenced 28 <sup>th</sup> September 2020, Finished 19 <sup>th</sup> September 2021)*	<b>2021/22</b>	<b>43</b>	<b>0</b>	<b>0</b>	<b>7</b>	<b>50</b>
	2020/21	0	0	0	0	0
Director of Corporate Services & Monitoring Officer (finished 31 <sup>st</sup> July 2020)	<b>2020/21</b>	<b>37</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>43</b>

\*This is a post which has been re-graded and re-titled and is held by the same person.

The salary column in the table above is based on actual salary paid. Where a person has left or moved posts in year, the pro-rata paid for the annual salary is included is included.

The number of employees, including the senior officers disclosed above, receiving more than £50,000 remuneration, excluding employer's pension contributions, while employed by Torbay Council is set out in the table below in bands of £5,000. Remuneration for these purposes includes all sums paid or receivable by an employee and sums due by way of and the money value of any other benefits received other than in cash. School employees are reducing linked to conversion to Academy status. Employees had a pay award in 2021/22 which would impact on the lower band as the banding has not been inflated.

Number of Employees by Employer 2020/21			Remuneration Band	Number of Employees by Employer 2021/22		
Council	Schools – Council	Schools – Governing Body		Council	Schools – Council	Schools – Governing Body
21	6	8	£50,000 to £54,999	23	4	6
13	1	5	£55,000 to £59,999	13	2	2
5	3	1	£60,000 to £64,999	11	0	4
1	2	3	£65,000 to £69,999	2	4	2
0	2	1	£70,000 to £74,999	0	0	3
4	0	0	£75,000 to £79,999	0	2	0
2	0	2	£80,000 to £84,999	0	1	0
0	0	0	£85,000 to £89,999	1	0	2
1	0	0	£90,000 to £94,999	4	0	0
3	0	0	£95,000 to £99,999	2	0	0
2	0	0	£100,000 to £104,999	1	0	0
0	0	0	£105,000 to £109,999	2	0	0
0	0	0	£110,000 to £114,999	0	0	0
1	0	1	£115,000 to £119,999	0	0	1
1	0	0	£120,000 to £124,999	0	0	0
0	0	0	£125,000 to £129,999	3	0	0
1	0	0	£130,000 to £134,999	0	0	0
0	0	0	£135,000 to £139,999	0	0	0
0	0	0	£140,000 to £144,999	0	0	0
0	0	0	£145,000 to £149,999	1	0	0
1	0	0	£150,000 to £154,999	0	0	0
0	0	0	£155,000 to £159,999	1	0	0
56	14	21	Total	64	13	20



**31. External Audit Costs**

The Council will incur the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's appointed external auditors who are Grant Thornton.

2020/21 £000		2021/22 £000
103	Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year	136
25	Fees payable to Grant Thornton for the certification of grant claims and returns for the year	30
30	Fees payable to Grant Thornton for the certification of grant claims and returns for prior years	34
<b>158</b>	<b>Total</b>	<b>200</b>

### 32. Dedicated Schools Grant (DSG)

The Council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency, the Dedicated Schools Grant (DSG). DSG is ring fenced and can only be applied to meet expenditure properly included in the schools' budget, as defined in the School Finance and Early Years (England) Regulations 2020. The Schools' Budget includes elements for a range of educational services provided on a Council wide basis and for the individual Schools' Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2021/22 are as follows:

<b>Schools Budget Funded by Dedicated Schools Grant 2021/22</b>			
	Central Expenditure	Individual Schools Budget	Total
	£m	£m	£m
Final DSG for 2021/22 before academy and high needs recoupment			118.9
Less academy and high needs figure recouped for 2021/22			(74.8)
<b>Total DSG after academy and high needs Recoupment for 2021/22 *</b>			<b>44.1</b>
<b>Agreed initial budgeted distribution in 2021/22</b>	<b>24.1</b>	<b>20.0</b>	<b>44.1</b>
In year Adjustments	(0.1)	0	(0.1)
<b>Final budget distribution in 2021/22</b>	<b>24.0</b>	<b>20.0</b>	<b>44.0</b>
Less: Actual Central Expenditure	(27.2)	0	(27.2)
Less: Actual ISB deployed to schools	0	(20.0)	(20.0)
<b>In year carry forward to 2022/23– surplus/(deficit)</b>	<b>(3.2)</b>	<b>0</b>	<b>(3.2)</b>
<b>DSG unusable reserve at the end of 2020/21</b>			<b>(5.8)</b>
<b>Addition to DSG unusable reserve at the end of 2021/22</b>			<b>(3.2)</b>
<b>Total of DSG unusable reserve at the end of 2021/22</b>			<b>(9.0)</b>
<b>Net DSG position at the end of 2021/22</b>			<b>(9.0)</b>

\* Value of DSG reflected in Council's Comprehensive Income and Expenditure Statement

The Dedicated Schools Grant (DSG) has been under financial pressure because of an increasing level of referrals from schools for higher needs support for children. This resulted in a 2021/22 in year over spend of £3.2m.

The Council does not receive any funding for schools therefore the overspend will remain in the DSG to be funded in future years and is not a cost that the Council will fund a position that was confirmed by the Schools and Early Years (England) Finance Regulations 2020.

The cumulative deficit balance of £9.0m on the Dedicated Schools Grant is held in the 'Dedicated Schools Grant Adjustment Account' which is classified as an unusable reserve. This accounting treatment introduced by regulation is limited to the financial reporting periods 2020/21, 2021/22 and 2022/23 to provide time for government and local authorities to look at 51budgetary and financial management strategies to reduce the deficits.

### 33. Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement.

2020/21		2021/22
£m		£m
	<b>Credited to Taxation and Non-Specific Grant Income, Finance &amp; Investment</b>	
6.5	Revenue Support Grant	6.6
0.1	Other General Grants	0.3
6.7	COVID-19 Un-ringfenced Grants	1.8
0.9	New Homes Bonus Grant	0.1
30.7	NNDR Top Up, S31 and Transitional Relief	25.2
10.7	Capital Grants & Contributions	20.5
55.6	<b>Sub Total</b>	<b>54.5</b>
	<b>Credited to Cost of Services</b>	
41.2	Dedicated Schools Grant (Dept of Education)	44.1
45.8	Benefit Subsidy & Admin Grant (DWP)	41.4
2.2	Pupil Premium	2.1
1.4	Post 16 Funding (Learning & Skills Council)	1.3
9.7	Public Health Grant	9.8
8.6	Improved Better Care Fund	8.6
19.7	COVID 19 funding – Service Specific Grants	18.6
5.1	Social Care Grant	6.5
10.6	Other Central Government Grants – Revenue	11.8
4.2	Other Central Government Grants – REFCUS *	7.7
148.5	<b>Sub Total</b>	<b>151.9</b>
204.1	<b>Total</b>	<b>206.4</b>

In addition, the Council has received several grants and contributions that have yet to be recognised as income as conditions are attached that will require the monies or property to be returned if these conditions are not met.

The Council received £20.4m of COVID-related funding during the year under a number of different schemes. The Council was required to determine whether it was acting as an agent or principal in each case.

Note \* REFCUS Grants are Capital Grants that are used to fund "Revenue Expenditure Funded Under Statute"

where the Council must charge to revenue, capital expenditure where no asset is created, such as spend in relation to Foundation or Academy schools where the Council does not recognise the asset on its balance sheet.

### **34. Related Parties**

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council. Any balances due to/from these related parties at the end of a financial year are included within the Council's total debtor and creditor figures. Any loans outstanding are included in the Debtors note.

#### Interest in Companies

The Council maintains involvement with several subsidiary and associated companies.

The Council has provided pension guarantees to the Torbay Economic Development Company Ltd trading as TDA, CSW Group Ltd and SWISCO.

All the companies within the group that traded in 2021/22 have a reporting period end date of the 31 March.

The Torbay Economic Development Company Ltd (trading as TDA) is a private limited company by shares; however, the intention is that any surplus is reinvested into regeneration activity.

TDA has six 100% owned subsidiaries, Complete Facilities Management Services Limited, KAH Holdings Limited, Business Centres South West Limited, C&A Consultants (Torquay) Ltd, TEDC Developments Ltd and TorVista Homes Ltd.

In 2019/20 Torbay Education Limited was established to operate the Council's medical tuition school. The company became operational in November 2021.

From April 2020 the Council had expected to commence a new contract for the management of the Riviera Centre. Due to the economic impact of COVID the start date was delayed (now April 2021). Therefore, the Council took control of the appointments of the Board thus taking effective control over the company for just 2020/21 only. The new contract started April 2021 therefore the company from that date was not trading.

Torbay Council

2021/22 Statement of Accounts for the year ended 31<sup>st</sup> March 2022 – Notes to the Core Financial Statements

Company Name and Reg'n No	Type of Company	Commenced Trading	Principal Activities during the year	Assessed Relationship	Shareholding /Control and Company Directors as at 31/3/21
Torbay Economic Development Company Ltd  07604855  Trading as TDA	Private Limited Company	14 <sup>th</sup> April 2011	To bring about Regeneration in Torbay  In 21/22 Council paid £1.2m (£1.2m 20/21) of core funding  Total Long-Term Debtors to the TDA Group £9.1m	Subsidiary	Shareholding /Control: 100%  Members and Officers of Torbay Council that were Directors of this Company are as follows:-  Cllr James O'Dwyer Cllr Cordelia Law Cllr Swithin Long K Mowat (Officer Torbay Council) L M Montgomery (TEDC employee who is member of Council's senior leadership team) appointed June 2022. A full list of directors is available on the TDA Group website.
Complete Facilities Management Services Limited  10608599	Private Limited Company – 100% owned by Torbay Economic Development Company Ltd	1 April 2017	To provide cleaning services to the Council, TDA and other clients  In 21/22 Council paid £0.3m (£0.3m 20/21) for services	Subsidiary	Shareholding /Control: 100% (via Torbay Economic Development Company Ltd)  Officers of Torbay Council that were Directors of this Company are as follows:-  L M Montgomery (TEDC employee who is member of Council's senior leadership team).
C & A Consultants (Torbay) Limited  02773632	Private Limited Company – 100% owned by Torbay Economic Development Company Ltd	April 2019	Construction of civil engineering projects and other engineering activities	Subsidiary	Shareholding /Control: 100% (via Torbay Economic Development Company Ltd)  Officers of Torbay Council that were Directors of this Company are as follows:-  L M Montgomery (TEDC employee who is member of Council's senior leadership team) appointed June 2022.

<p>KAH Holdings Limited 11088019</p>	<p>Private Limited Company – 100% owned by Torbay Economic Development Company Ltd</p>	<p>1 June 2019</p>	<p>To manage property owned by Torbay Economic Development Company Ltd</p>	<p>Subsidiary</p>	<p>Shareholding /Control: 100% (via Torbay Economic Development Company Ltd)</p> <p>Officers of Torbay Council that were Directors of this Company are as follows:-</p> <p>L M Montgomery (TEDC employee who is member of Council’s senior leadership team).</p>
<p>Enterprise South West Limited 10829733</p>	<p>Private Limited Company – 100% owned by Torbay Economic Development Company Ltd</p>	<p>Not trading in 2021/22</p>	<p>To manage innovation centres across the South West of England</p>	<p>Subsidiary</p>	<p>Shareholding /Control: 100% (via Torbay Economic Development Company Ltd)</p> <p>Officers of Torbay Council that were Directors of this Company are as follows:-</p> <p>L M Montgomery (TEDC employee who is member of Council’s senior leadership team) appointed June 2022.</p>
<p>TEDC Developments Ltd 12015583</p>	<p>Private Limited Company – 100% owned by Torbay Economic Development Company Ltd</p>	<p>Incorporated 24 May 2019</p>	<p>Development of building projects</p>	<p>Subsidiary</p>	<p>Shareholding /Control: 100% (via Torbay Economic Development Company Ltd)</p> <p>Officers of Torbay Council that were Directors of is Company are as follows:-</p> <p>L M Montgomery (TEDC employee who is member of Council’s senior leadership team)</p> <p>M Phillips (Officer Torbay Council)</p>
<p>Torvista Homes Ltd 12044007</p>	<p>Private Limited Company – 100% owned by Torbay Economic Development Company Ltd</p>	<p>Incorporated 11 June 2019</p>	<p>Buying and selling of own real estate and Renting and operating of Housing Association real estate.</p>	<p>Subsidiary</p>	<p>Shareholding /Control: 100% (via Torbay Economic Development Company Ltd)</p> <p>Officers of Torbay Council that were Directors of is Company are as follows:-</p> <p>L M Montgomery (TEDC employee who is member of</p>

					Council's senior leadership team) M Phillips (Officer Torbay Council)
Oldway Mansion Management Company Ltd  08219420	Company limited by share	Dormant	To manage the Oldway Estate on behalf of Torbay Council and tenants	Subsidiary	Shareholding /Control: 100%  Directors: K Mowat (Officer Torbay Council) N Coish (Employee SWISCo) M Irving (Officer Torbay Council)
TOR2 Ltd  07204696	Company limited by share	19 <sup>th</sup> July 2010  Ceased trading 30 June 2020	Waste and recycling collections; maintenance of highways, grounds, parks, car parks, buildings, and the Council's vehicle fleet; street and beach cleansing; and out of hours call centre support in the Torbay area	Associate	Shareholding /Control: 19.99%  Members of Torbay Council that were Directors of this Company are as follows:-  Cllr Mike Morey
CSW Group Ltd  3029947	Local Authority Controlled Company Limited by Guarantee and not having a share capital	1 <sup>st</sup> April 2008 formerly Connexions Cornwall & Devon Ltd	To develop, co-ordinate, operate and ensure provision of support services for young people and provide careers advice, information, and guidance to people of all ages.  In 21/22 Council paid £0.3m (£0.3m 20/21) for services	Associate	Shareholding /Control: 25%  A list of directors is available on the CSW group website.  Officers of Torbay Council that were Directors of is Company are as follows:-  M Fairclough-Kay (Officer Torbay Council)
Torbay Housing Company Limited  10960992	Company limited by share	Not trading in 2021/22	To support the implementation of the Council's Housing Strategy	Subsidiary	Shareholding /Control: 100%  Directors: A-M Bond (Officer Torbay Council) M Phillips (Officer Torbay Council)
Torbay Housing Development	Company limited by share 100% owned by	Not trading in	To support the implementation of the Council's Housing Strategy	Subsidiary	Shareholding /Control: 100% (via Torbay Housing Company Limited)

Company 11214978	Torbay Housing Company Limited	2021/22			Directors: A-M Bond (Officer Torbay Council) M Phillips (Officer Torbay Council)
Torbay Housing Rental Company 11214868	Company limited by share 100% owned by Torbay Housing Company Limited	Not trading in 2021/22	To support the implementation of the Council's Housing Strategy	Subsidiary	Shareholding /Control: 100% (via Torbay Housing Company Limited)  Directors: A-M Bond (Officer Torbay Council) M Phillips (Officer Torbay Council)
London Medway Commercial Park Management Company Ltd 09487105	Due to a purchase of a Unit at Medway, Torbay Council now has twelve Ordinary B Share	March 2015	Management of London Medway Commercial Park		By virtue of the rights attached to B Ordinary shares, the company is controlled by Goodman Real Estate (UK) Limited
Torbay Education Ltd 12153652	Company limited by share	Incorporated 13/08/2019  Started trading November 2021	Primary, General secondary, post-secondary non-tertiary education and other education  In 21/22 Council paid £0.4m (nil 20/21) for services	Subsidiary	Shareholding /Control: 100%  Directors: A-M Bond (Officer Torbay Council) M Phillips (Officer Torbay Council)



<p>SWISCo Limited 12213029</p>	<p>Company limited by share</p>	<p>Incorporated 18/09/2019 Started trading 1 July 2020</p>	<p>Waste and recycling collections; maintenance of highways, grounds, parks, car parks, buildings and the Council's vehicle fleet; street and beach cleansing. From December management of highways and natural environment.  In 21/22 Council paid £16m (£10m 20/21) for services  Total Long Term Debtors to SWISCo £0.4m</p>	<p>Subsidiary</p>	<p>Shareholding /Control: 100%  Directors: K Mowat (Officer Torbay Council) A-M Bond (Officer Torbay Council) M Phillips (Officer Torbay Council) M Fairclough-Kay (Officer Torbay Council)</p>
<p>Riviera International Conference Centre (RICC) 04390746 Page 133</p>	<p>Company Limited by Guarantee</p>	<p>In effective control of Council from July 2020  Not trading in 2021/22</p>	<p>Operation of the Riviera International Conference Centre</p>		<p>Control: 100%  Members and Officers of Torbay Council that were Directors of this Company are as follows:-  Cllr R W M Loxton – resigned June 2021. K P Mowat (Officer Torbay Council) P Black (Officer Torbay Council) L M Montgomery (TEDC employee who is member of Council's senior leadership team) - resigned June 2021.</p>
<p>English Riviera Tourism Company 07223987</p>	<p>Company Limited by Guarantee</p>	<p>In effective control of Council from 2016/17  Not trading in 21/22</p>	<p>To provide a tourism marketing function for Torbay</p>		<p>Control: 100%  Directors  Cllr N Amil Mr K P Mowat (Officer Torbay Council)</p>

### Summary financial information of Subsidiary Companies

This table lists summary information about the Council's interest in subsidiary companies and its relationship with them in terms of ownership and trading. Torbay share 100%.

	TDA Group		SWISCO		Torbay Education Ltd.	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
	£m	£m	£m	£m	£m	£m
Income	(9.1)	<b>(10.2)</b>	(11.8)	<b>(18.7)</b>	0	<b>(0.4)</b>
Expenditure	8.8	<b>10.0</b>	12.6	<b>19.4</b>	0	<b>0.4</b>
<b>Operating (Profit) or loss</b>	(0.3)	<b>(0.2)</b>	0.8	<b>0.7</b>	0	<b>0</b>
Other Comprehensive Income and Expenditure	(0.1)	<b>0</b>	0	<b>0</b>	0	<b>0</b>
Actuarial (gains)/Losses recognised in the pension scheme	(0.2)	<b>0</b>	12.5	<b>(2.5)</b>	0	<b>0</b>
Taxation (including deferred)	0.1	<b>0</b>	0	<b>0</b>	0	<b>0</b>
<b>Total (Profit) or loss</b>	(0.5)	<b>(0.2)</b>	13.3	<b>(1.8)</b>	0	<b>0</b>
<b>Assets</b>	31.0	<b>32.0</b>	(0.2)	<b>6.4</b>	0	<b>0</b>
<b>Liabilities</b>	(23.8)	<b>(22.5)</b>	(13.1)	<b>(17.9)</b>	0	<b>0</b>
<b>Total Net Assets</b>	7.2	<b>9.5</b>	(13.3)	<b>(11.5)</b>	0	<b>0</b>

This table lists summary information about the Council's interest in associate companies and its relationship with them in terms of ownership and trading.

	TOR2 Ltd *		CSW Group Ltd	
	Total	Torbay Council's Share (19.99%)	Total	Torbay Council's Share (25%)
	£m	£m	£m	£m
<b>2020/21</b>				
Income	(13.3)	(2.7)	(6.6)	(1.7)
Expenditure	15.0	3.0	7.1	1.8
<b>Operating (Profit) or Loss</b>	<b>1.7</b>	<b>0.3</b>	<b>0.5</b>	<b>0.1</b>
Other comprehensive income and expenditure	0	0	0	0
Actuarial (Gains)/Losses recognised in the pension scheme	0	0	10.5	2.6
Taxation	(0.3)	0	0	-
<b>Total (Profit) or loss</b>	<b>1.4</b>	<b>0.3</b>	<b>11.0</b>	<b>2.7</b>
Fixed Assets & Net Current Assets	(2.8)	(0.6)	2.1	0.5
Long Term Liabilities	0	0	(22.0)	(5.5)
<b>Total Capital &amp; Reserves</b>	<b>(2.8)</b>	<b>(0.6)</b>	<b>(19.9)</b>	<b>(5.0)</b>
<b>2021/22</b>				

	TOR2 Ltd *		CSW Group Ltd	
Income	0	0	(6.3)	(1.6)
Expenditure	0	0	6.9	1.7
<b>Operating (Profit) or Loss</b>	<b>0</b>	<b>0</b>	<b>0.6</b>	<b>0.1</b>
Other comprehensive income and expenditure	0	0	0	0
Actuarial (Gains)/Losses recognised in the pension scheme	0	0	(7.9)	(1.9)
Taxation	0	0	0	0
<b>Total (Profit) or loss</b>	<b>0</b>	<b>0</b>	<b>(7.3)</b>	<b>(1.8)</b>
Fixed Assets & Net Current Assets	0	0	1.8	0.5
Long Term Liabilities	0	0	(14.3)	(3.6)
<b>Total Capital &amp; Reserves</b>	<b>0</b>	<b>0</b>	<b>(12.5)</b>	<b>(3.1)</b>

### Other interests in Companies

The following companies are also linked to the Council. However, they are not considered material in financial terms.

South West Grid for Learning Trust is limited by guarantee and was incorporated on 9<sup>th</sup> October 2005 with the 15 South West Regional Authorities as members. The company objectives are the advancement of education as a solely charitable purpose by any means relating to the effective use of information and communication technologies for the benefit of the public. There are no transactions/liabilities associated with Torbay Council's membership other than the nominal initial one-off fee. For financial reporting this relationship has been treated as an investment.

English Riviera BID Company Limited was formed to manage the Tourism Business Improvement District (BID) and the Council collects the BID levy on an agency basis. Value of levy collected in 2021/22 was £0.6m, (£0.3m 2020/21).

Heart of the South West Local Enterprise partnership (LEP). This is a Community Interest Company limited by guarantee with four councils (Torbay, Devon, Somerset and Plymouth), in the LEP area acting as members of the company.

### Trust Funds

The Council acts as a Trustee for several funds. These balances do not form part of the Council's accounts. The value of these funds as at 31<sup>st</sup> March 2022 was £23,000 (£25,000 2020/21). Of this balance £19,000 is held within the Council's bank account with the balance of £4,000 (£5,000 20/21) relating to the (civic) Mayor of Torbay's charity fund held in a separate bank account.

### Central Government

Central government (Her Majesty's Government for the United Kingdom of Britain and Northern Ireland) has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g., council tax bills, housing benefits). Significant grants received from government departments are set out in the Grants note.

### 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 the Members Allowances' Note. Members have not disclosed any material transactions with the Council. The Members' Record of Interests and Register of Gifts & Hospitality for each Member are available on the Council's website.

### Officers

Officers complete a register of interests, and the Council maintains a Register of Gifts & Hospitality for officers

### Other Public Bodies

Trading Standards South West – (TSSW) is a community interest company, who works with 15 councils to maximise the benefits of regional collaboration to protect the interest of consumers and reputable businesses in the South West of England.

Torbay and South Devon NHS Foundation Trust (ICO). In October 2015 the ICO "acquired" the Torbay and Southern Devon Health and Care NHS Trust with all its assets and liabilities transferring to the ICO including the partnership agreement for the provision of adult social care services. In 2021/22 the payment to the Trust in the year for funding adult social care was the annual agreement fee of £47m. (The second year of the new three-year agreement). Income from Deferred Payment Agreements of £0.6m also paid to the ICO.

The Council has pooled budget arrangements for the provision of a joint equipment store with the Clinical Commissioning Group (CCG) and the Better Care Fund – see Pooled Budget Note.

### Joint Committees

The Council is part of several joint committees or partnerships where local authorities have joined together to provide a service. These are listed below:

#### Devon Audit Partnership

From April 2009 Torbay set up a Joint Committee with Devon County Council and Plymouth City Council for the provision of a shared internal audit service. Since then, several other District Councils in Devon have joined. The service is also able to provide audit services to other organisations.

Devon County is the "host" Council for the Joint Committee with all staff now employed by Devon County Council. Assets and Liabilities of the Joint Committee are split on an agreed basis. Torbay's contribution to the partnership for 2021/22 was £0.2m (2020/21 £0.2m).

#### PATROL – Parking and Traffic Regulations outside London.

It is a statutory requirement for Councils undertaking civil parking enforcement to join this Joint Committee to access independent adjudication. The agreed primary objectives of the Joint Committee are the provision of:

- a) a fair adjudication service for Appellants
- b) consistency in access to adjudication;
- c) a cost effective and equitable adjudication service for all Parking Authorities
- d) to deal with a wide range of authorities with varying levels of demand for adjudication.

#### South West Devon Waste Disposal Partnership

Torbay Council, with Plymouth City Council and Devon County Council are working together and have jointly contracted a PFI project for an Energy from Waste Plant (based in Plymouth) to dispose of residual waste collected by the three Councils. As part of the Joint Working Agreement between the three Councils the South West Devon Waste Partnership Joint Committee has been established to facilitate the procurement and subsequent operation and management of the facilities (by the selected contractor). The Plant became operational in April 2015.

The expenditure associated with this project is being Incurred by Plymouth City Council (as lead authority) and then allocated on an estimated tonnage share basis to Torbay and Devon County Councils. Expenditure in year was £1.3m (£1.3m 20/21) of which Torbay's share was £0.2m (£0.2m 20/21). The expenditure in year was £0.1m of contract management costs and £1.2m of "pass through costs" relating to the Facility that the three Councils are liable for in addition to the unitary charge, such as NNDR and lease costs. Torbay's share of the expenditure is reflected within the cost of services on the comprehensive income and expenditure statement.

#### The Heart of the Southwest Joint Committee

Torbay Council along with Devon County Council, Somerset County Council, Plymouth City Council, the district councils within Devon and Somerset, Dartmoor National Park Authority and Exmoor National Park Authority have come together to form the Heart of the South West Joint Committee. Its purpose is to be the vehicle through which the Heart of the South West partners will ensure that the desired increase in productivity across the area is achieved. Each constituent authority appoints one member on an annual basis and each member has one vote. An arrangements document and an inter-authority agreement have been adopted by each constituent authority which set out how the Joint Committee will operate and be managed.

#### Adopt Southwest (a Regional Adoption Agency)

The "Agency" commenced 1<sup>st</sup> October 2018. It is a Local Authority partnership between Devon County Council (the Host Authority), Somerset County Council, Plymouth City Council and Torbay Council, tasked with performing adoption service functions for the region. By joining together, the skills, resources and best working practice of each organisation Adopt South West aims to improve outcomes for children and families, deliver a value for money service and deliver it consistently.

### **35. Impairment Losses**

Impairment losses and impairment reversals are charged to the Surplus or Deficit on the Provision of Services. During 2021/22 the Council has recognised net impairment losses of £5.8m (£5.9m 20/21) in total on its property, plant and equipment charged to the Income and Expenditure account. Impairment losses in 2021/22 related primarily to the revaluation of property at Claylands, Brixham Marina, and a school. In addition, the Council's investment properties are revalued each year. In 2021/22 this resulted in a net increase in fair value of £7.9m (£5.3m decrease in 20/21).

### **36. Contingent Liabilities**

The board of Municipal Mutual Insurance limited in 2012/13 concluded that it couldn't forecast a solvent "run off" of claims which has led to the scheme of arrangement being activated which exposes the Council to a share of the costs of any outstanding insurance claims. The company's administrator has previously set levies for all Councils to be 25% of each Council's claims, which was collected in prior years. This may increase again in the future but at present the administrator has not indicated that the levy will increase.

### 37. Termination Benefits and Exit Packages

The authority terminated the contracts of several employees in 2021/22, incurring liabilities of £0.1m. The table below shows the number of exit packages and the total cost per band. This amount is payable for 6 officers from the Council and 1 from Schools. The costs disclosed are redundancy and strain payments and relate to staff employed by the Council including Council schools.

Note: These are exit packages that were accounted for in the Council’s comprehensive income and expenditure account in the relevant year i.e., on a “demonstrably committed” basis not a cash basis.

Number of Exit packages by band 2020/21				Value of Exit package £		Number of Exit packages by band 2021/22			
Compulsory Redundancy		Other Departures				Compulsory Redundancy		Other Departures	
No. In Band	Total Cost £000’s	No. In Band	Total Cost £000’s			No. In Band	Total Cost £000’s	No. In Band	Total Cost £000’s
5	27	1	3	0	to 20,000	5	20	1	1
2	47	0	0	20,001	to 40,000	1	35	0	0
0	0	1	91	80,001	to 100,000	0	0	0	0
7	74	2	94	<b>Total</b>		6	55	1	1

### 38. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council over their asset life, the expenditure results in an increase in the Capital Financing Requirement (CFR). This is a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the table below.

2020/21 £m	Capital Financing Requirement	2021/22 £m
413.4	<b>Opening Capital Financing Requirement</b>	419.5
	Capital investment	
20.5	Property, Plant and Equipment	21.8
0.6	Intangible Assets	0.1
(0.3)	Investment Property	0
4.7	Revenue Expenditure Funded from Capital under Statute	3.1
1.5	Loans for a Capital Purpose	1.8
	<b>Sources of finance</b>	
0.3	Capital receipts including capital loan repayments	(1.0)
(12.5)	Government grants and other contributions	(14.6)
	Sums set aside from revenue:	
(1.5)	• Direct revenue contributions	(1.5)
(7.2)	• MRP	(7.6)

419.5	<b>Closing Capital Financing Requirement</b>	421.6
	<b>Explanation of movements in year</b>	
13.6	Increase in underlying need to borrowing (unsupported by government financial assistance)	9.9
(7.2)	Provision for repayment of borrowing (MRP)	(7.6)
(0.3)	Loans for a Capital Purpose – repayments	(0.2)
6.1	<b>Increase/(decrease) in Capital Financing Requirement</b>	2.1

### 39. Leases

#### Council as Lessee:

##### Operating Leases – Equipment

The Council, as lessee, does not have any material operating leases.

##### Operating Leases – Property

The Council has leases for several properties. Rent payments in 2021/22 totalled £0.1m (£0.2m 2020/21). The future minimum lease payments due under property leases in future years is £0.4m (£1.0m 2020/21).

#### Finance Leases:

The Council, as lessee, does not have any material finance leases.

#### Council as Lessor:

##### Operating Leases – Property:

The Council leases out property under operating leases for the provision of services, such as cafes and golf clubs, for regeneration purposes and as investment properties. Payments received in 2021/22, including turnover rents, totalled £17.5m (£17.5m 2020/21).

The future minimum property lease payments receivable in future years are:

31 March 2021 £m	Total payments due classified by year of expiry of lease term	31 March 2022 £m
17.5	Not later than one year	18.0
41.6	Later than one year and not later than five years	60.1
132.3	Later than five years	132.7
191.4	<b>Total</b>	<b>210.8</b>

#### Finance Leases:

The Council has leased out properties on long leases that have been classified as finance leases. The Council has a gross investment in these leases, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise of settlement of the long-term debtor for the interest in the property acquired by the lease and finance income that will be earned by the Council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

31 March 2021 £m			31 March 2022 £m	
		Finance Lease debtor (Net present value of minimum lease payments)		
		Non-Current:		
1.6		Later than one year and not later than 5 years	1.6	
25.8	27.4	Later than 5 years	25.4	27.0
	0.0	Unearned finance Income		0.0
	27.4	<b>Gross Investment in the leases</b>		<b>27.0</b>
Minimum Lease payments are: £0.4m per annum				

The minimum lease payments do not include rents that are contingent on events taking place. Also previous Years has been restated, to account for correct Net Present Value.

#### 40. Pension Schemes Accounted for as Defined Contribution Schemes

##### Teachers' Pension Scheme

The Council takes part in the Teachers' Pension Scheme. Teaching staff employed by the Council are rewarded for years of service with rights to retirement lump sums and pensions based on final salaries. The Council makes an annual contribution to the Scheme calculated as a percentage of pensionable pay. The contribution rate is specified by the Department for Education each year so that budgeted income is sufficient to cover the outgoings of the Scheme. This Scheme operates through a notional fund administered on a national basis. The Scheme does not record liabilities for each participating employer and raises contributions from all employers based on a common percentage of the pensionable pay of current employees, irrespective of any obligations created in previous years. Apart from this shared responsibility for shortfalls on the notional fund, the Council has no direct responsibility for the obligations of any other party to the Scheme.

The Scheme is a defined benefit plan but is accounted for as it were a defined contribution plan. This is because the administrators of the Scheme do not keep separate records of the defined benefit obligations for individual authorities and no assets are attributable to the Scheme.

The employers' contribution rate was 23.68% in 2021/22 and has been since September 2019 (16.48% to Aug 19). Contributions of £2.8m were paid in 2021/22 remaining the same as 2020/21. The payments for 2022/23 will remain the same as the 23.6% is applied over the full year as any changes to contributions will take effect in April 2024.

The 2021/22 accounts for the Scheme record liabilities of £532.3 billion (£481 bn 20/21). [Source: Teachers' Pension Scheme Annual Accounts 2021/22). However, the employers' contribution rate is not set with reference to outstanding liabilities, but the payments projected to be made out of the notional fund each year. The Council is one of 173 (172 20/21) local authorities participating in the Scheme, amongst a total of 12,209 employers (11,221 in 20/21).

##### NHS Pension Scheme

Public Health staff that transferred to the Council's employment in April 2013 were entitled to remain in a NHS pension scheme along with new staff recruited to public health if they meet certain criteria.

The Council takes part in the NHS Pension Scheme. Public Health staff employed by the Council are rewarded for years of service with rights to retirement lump sums and pensions based on final salaries. The Council makes



an annual contribution to the Scheme calculated as a percentage of pensionable pay. The contribution rate is specified the Department for Health each year so that budgeted income is sufficient to cover the outgoings of the Scheme. This Scheme operates through a notional fund administered on a national basis. The Scheme does not record liabilities for each participating employer and raises contributions from all employers based on a common percentage of the pensionable pay of current employees, irrespective of any obligations created in previous years. Apart from this shared responsibility for shortfalls on the notional fund, the Council has no direct responsibility for the obligations of any other party to the Scheme.

The Scheme is a defined benefit plan but is accounted for as it were a defined contribution plan. This is because the administrators of the Scheme do not keep separate records of the defined benefit obligations for individual authorities and no assets are attributable to the Scheme.

The employers' contribution rate was 14.38% in 2021/22 (14.38% 2020/21). Contributions of £0.018m were paid in 2020/21 (£0.012m 19/20). The contribution rate for participants in the Scheme has been set at 14.38% of pensionable pay for 2022/23. The payments for 2022/23 are estimated to be at a similar level to 2021/22.

The 2020/21 accounts for the Scheme record liabilities of £757 billion (£653 billion 19/20). [Source: NHS Pension Scheme Annual Accounts 2020/21]. However, the employers' contribution rate is not set with reference to outstanding liabilities, but the payments projected to be made out of the notional fund each year. The Council is one of 133 (134 19/20) local authorities participating in the Scheme, amongst a total of 8,057 employers (8,290 19/20).

## **41. Defined Benefit Pension Schemes**

### **Local Government Pension Scheme**

#### **41.1 Characteristics of Defined Benefit Plans and Associated Risks**

Employees of the Council are eligible to join 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, with various protections in place for those members in the scheme before the changes took effect.

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. Details on the scheme are on the website for Peninsula Pensions.

As administering Authority to the Fund, Devon County Council, after consultation with the Fund Actuary and other relevant parties, is responsible for the preparation and maintenance of the Funding Strategy Statement and the Investment Strategy Statement.

The appointed actuary to the pension fund is Barnett Waddingham "the actuary", who provides the pension calculations used in these accounts.

The Local Government Pension Scheme is required to have an actuarial valuation every three years. This valuation will set a rate for employers' contributions for the next three years to secure the pension fund's solvency, together with any other amounts necessary to recover the deficit built up on the fund.

Contributions are set every 3 years because of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out 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.

The latest actuarial valuation was prepared as at 31 March 2019 at the time the subsidiaries had their accounts completed. Torbay Council pension figures though do include the new amended figures as of 21<sup>st</sup> April 2023. The objectives of the scheme are to keep employer's contributions at as a constant rate as possible. The agreed contribution rates should result in a 100% funding level over the medium term. This set a contribution rate for the Council of 16.7% of pensionable pay for 2020/21, 2021/22 and 2022/23, budgeted to result in a payment of around £5m per annum to the Fund. Additional fixed cash payment of £0.5m per annum (equal to 2%) is also payable as a contribution towards the deficit on the Fund. The Council has paid the fixed cash contribution for the three years in advance in exchange for a discount.

On the Employer's withdrawal from the plan, a cessation valuation will be carried out in accordance with Regulation 64 of the LGPS Regulations 2013 which will determine the termination contribution due by the Employer, on a set of assumptions deemed appropriate by the Fund Actuary.

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

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

In addition, as many unrelated employers participate in the Devon County Council Pension Fund, there is an orphan liability risk where employers leave the Fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers.

All the risks above may also benefit the Employer e.g., higher than expected investment returns or employers leaving the Fund with excess assets which eventually get inherited by the remaining employers.

The maturity profile of Torbay members as of 31<sup>st</sup> March 2022 (dated April 2023) was an average age of 46 years for active members and 51 years for deferred pensioners, 72 years for pensioners and 79 years for unfunded pensioners

In 2021/2 there were several settlements from members transferring in/out of the Council as employer. The capitalised gain of this settlement was £0.1m. The settlements were as follows:

- A net (£0.1m) liability transferred out relating to Torbay Education Limited.

To assess the value of the Employer's liabilities at 31 March 2022, the actuary has used a number of information sources including:

- The results of the valuation as at 31 March 2019 which was carried out for funding purposes and the results of the 31<sup>st</sup> March 2021 IAS19 report which was prepared for accounting purposes.
- Whole fund asset statement for the period to 31 March 2022
- Whole fund income and expenditure for the period to 31<sup>st</sup> March 2022.
- Employer income and expenditure for the period to 31 March 2022.
- Details of any new early retirement payments for the period to 31 March 2022
- Details of any settlements for the period to 31 March 2022.

The service cost for the year ending 31 March 2022 is calculated using an estimate of the total pensionable payroll in year of £32m.

#### 41.2 Financial statements

The following tables show the impact of the Assets and liabilities in relation to post-employment benefits on the Council's accounts in 2021/22. The following tables are shown:

- Net Pension Liability – this table shows the net pension liability in the balance sheet
- Comprehensive Income and Expenditure Statement – this table shows the IAS19 entries as they appear in the Council's Comprehensive Income & Expenditure Statement and the actual cash payments to the pension fund in year.
- Reconciliation of fair value of the scheme (plan) assets – this table shows an analysis of the movements in the pension asset during the year
- Reconciliation of fair value of the scheme (plan) liabilities – this table shows an analysis of the movements in the pension liability during the year

#### Net Pension Liability

	31/3/20	31/3/21	31/3/22
	£m	£m	£m
Present value of Funded Obligation	(420.9)	(534.4)	<b>(479.4)</b>
Fair Value of Fund Assets (Bid Value)	261.0	331.5	<b>351.7</b>
<b>Net Liability</b>	<b>(159.9)</b>	<b>(202.9)</b>	<b>(127.7)</b>
Present value of Unfunded Obligation	(8.2)	(8.5)	<b>(6.9)</b>
<b>Net Liability in Balance Sheet</b>	<b>(168.1)</b>	<b>(211.4)</b>	<b>(134.6)</b>

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

<b>Post Employment Benefits</b>		
2020/21 £m	Comprehensive Income & Expenditure Statement	2021/22 £m
	<b>Cost of Services:</b>	
14.7	Current service cost	<b>17.7</b>
0	Past service costs including curtailments	<b>0</b>
1.5	Settlements	<b>0.1</b>
0.2	Administration Expenses	<b>0.2</b>
	<b>Financing and Investment Income and Expenditure</b>	
4.2	Net Interest on the defined benefit liability	<b>4.2</b>
20.6	<b>Total Charged to the Surplus or Deficit on the Provision of Services</b>	<b>22.2</b>
	<b>Other Comprehensive Income and Expenditure</b>	
0	Other Actuarial (gains)/losses on assets	<b>(1.1)</b>
103.5	Change in Financial Assumptions	<b>(20.8)</b>
(4.9)	Change in Demographic Assumptions	<b>(29.1)</b>
(6.1)	Experience (gain)/loss on defined benefit obligation	<b>(22.6)</b>
(63.1)	Return on plan assets in excess of interest	<b>(19.3)</b>
29.4	<b>Sub Total Other Comprehensive Income and Expenditure</b>	<b>(92.9)</b>
50.0	<b>Total Post Employment Benefit Charged/(Credited) to the Comprehensive Income and Expenditure Statement</b>	<b>(70.7)</b>
	<b>Movement in Reserves Statement</b>	
(20.6)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	<b>(22.2)</b>
	<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>	
6.1	Employers' contributions payable to scheme	<b>5.5</b>
0.6	Unfunded pension payments	<b>0.6</b>

For the year to 31 March 2023, after the triennial adjustment the actuary forecast a service cost of £17.7m, net interest of £4.3m and administration expenses of £0.2m with employer contributions of £5.6m.

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

Local Government Pension Scheme		
2020/21 £m		2021/22 £m
260.9	<b>Opening balance at 1 April</b>	<b>331.5</b>
4.6	Interest on Assets	<b>6.3</b>
63.2	Return on Assets less Interest	<b>19.3</b>
0	Other Actuarial gains/(losses)	<b>1.1</b>
(0.2)	Administration Expenses	<b>(0.2)</b>
1.9	Contributions by scheme participants	<b>2.1</b>
6.7	Employer contributions	<b>6.0</b>
(13.1)	Benefits paid	<b>(14.4)</b>
7.5	Settlement process received/(paid)	<b>(0.1)</b>
331.5	<b>Closing balance at 31 March</b>	<b>351.6</b>

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

Liabilities: Local Government Pension Scheme		
2020/21 £m		2021/22 £m
(429.1)	<b>Opening balance at 1 April</b>	<b>(542.9)</b>
(14.7)	Current service cost	<b>(17.7)</b>
(1.9)	Contributions by scheme participants	<b>(2.1)</b>
(8.8)	Interest cost	<b>(10.6)</b>
(103.5)	Change in Financial Assumptions	<b>20.8</b>
4.9	Change in Demographic Assumptions	<b>29.1</b>
6.1	Experience (loss)/gain on defined benefit obligation	<b>22.6</b>
12.5	Benefits paid	<b>13.8</b>
0	Past service costs, including Curtailments	<b>(0.1)</b>
(9.0)	Liabilities (assumed)/extinguished on Settlements	<b>0.2</b>
0.6	Unfunded Pension payments	<b>0.6</b>
(542.9)	<b>Closing balance at 31 March</b>	<b>(486.3)</b>
(8.5)	Present Value of Unfunded Obligation included in above	<b>(6.9)</b>

### 41.3 Fund Assets

The return on the fund (on a bid value to bid value basis) for the year to 31 March 2022 is estimated to be an increase of 7.8%. The actual return on Fund assets over the year may be different.

The estimated asset allocation for Torbay Council as at 31 March 2022 (6.5% of total fund) is as follows:

31 <sup>st</sup> March 2021			31 <sup>st</sup> March 2022	
£m	%		£m	%
11	4	Gilts	47	14
37	11	UK Equities	32	9
171	52	Overseas Equities	178	51
27	8	Property	29	8
13	4	Infrastructure	21	6
31	9	Target Return portfolio	33	9
3	1	Cash	5	1

31 <sup>st</sup> March 2021			31 <sup>st</sup> March 2022	
£m	%		£m	%
15	4	Other Bonds	7	2
23	7	Alternative Assets	0	0
<b>331</b>	<b>100</b>		<b>352</b>	<b>100</b>

Of the total asset values as at 31 March 2022, 82% are assets that have a quoted market price. Further information on the investment activity is available on the Peninsula Pensions website.

#### 41.4 Actuarial Assumptions

##### Valuation Approach

The actuary has allowed for actual pension increases experience for the period 2021 to 2022. This assumes that pension increases are in line with the annual pension increases set by HM Treasury Revaluation order.

The valuation as at 31 March 2022, like 31 March 2021 includes an allowance for the Court of Appeal judgement for the McCloud and Sargeant cases pending remedial regulations being introduced in 2022/23.

In relation to any impact of the conflict in Ukraine the actuary is comfortable in their current methodology of deriving assumptions and do not propose to change their approach. Due to the volatility in markets the Council elected for 2021/22 to have its IAS19 valuations based on fund assets as at 31 March 2022.

To assess the values the actuary has used the latest valuation information as of 2022, following the updated Triennial review completed in that moment in time. Published in March 2023, therefore the figures have been revised. This includes updating the liability estimates to reflect the 2022 valuation membership data. Also, the asset estimates to reflect the 2022 valuation allocation of assets to the employer. This update results in experience items set out in the tables and other items within the assumptions and reconciliations.

##### Demographic and Statistical Assumptions

The post retirement mortality tables adopted are the S3PA tables with a multiplier 100% for males and 120% for females. These base tables are then projected using the Continuous Mortality Investigation (CMI) 2022 Model which was released in March 2023.

The assumed life expectations from age 65 are:

Mortality assumptions:	2017/18	2018/19	2019/20	2020/21	2021/22
Longevity from age 65: retiring today					
• Men	23.5 yrs	22.4 yrs	22.9 yrs	22.6 yrs	<b>21.7 yrs</b>
• Women	25.6 yrs	24.4 yrs	24.1 yrs	23.9 yrs	<b>22.9 yrs</b>
Longevity from age 65: retiring in 20 years					
• Men	25.7 yrs	24.1 yrs	24.3 yrs	24.0 yrs	<b>23.0 yrs</b>
• Women	27.9 yrs	26.2 yrs	25.5 yrs	25.4 yrs	<b>24.3 yrs</b>

##### Financial Assumptions

	31 <sup>st</sup> March 2018	31 <sup>st</sup> March 2019	31 <sup>st</sup> March 2020	31 <sup>st</sup> March 2021	31 <sup>st</sup> March 2022
	% p.a	% p.a	% p.a	% p.a	% p.a
Salary Increases	3.8	3.9	2.9	3.8	<b>4.2</b>
Pension Increases (CPI)	2.3	2.4	1.9	2.8	<b>3.2</b>
Discount Rate	2.6	2.4	2.4	2.0	<b>2.6</b>

These assumptions are set with reference to market conditions at 31 March 2022.

The actuary's estimate of the duration of the Employer's liabilities is 20 years.

The discount rate is the annualised yield at the on the Merrill Lynch AA rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30-year point). This is consistent with the approach used at the last accounting date.

Pension increases are based on CPI. Due to available data the actuary makes an assumption on RPI using a Single Equivalent Inflation Rate linked to the Bank of England implied inflation curve, and then adjusts to CPI. The actuary has made a further assumption about CPI which is that it will be 1% below RPI for each year to 2030 and then in line with RPI thereafter

Salary increases are then assumed to increase at 1.0% per annum above CPI

#### Sensitivity Analysis on Actuarial assumptions:

The actuary has provided a sensitivity analysis of a 0.1% change and a 0.55% change in the key actuarial assumptions showing the impact on the net liability and the Service Cost. Extract of the 0.1% is shown.

	£m	£m	£m
<b>Adjustment to Discount Rate</b>	+0.1%	0%	(0.1%)
Present Value of obligation	477.2	486.3	495.7
Projected Service Cost	14.1	14.7	15.2
<b>Adjustment to Long Term Salary increase</b>	+0.1%	0%	(0.1%)
Present Value of obligation	486.9	486.3	485.7
Projected Service Cost	14.7	14.7	14.7
<b>Adjustment to Pension increases and deferred revaluation</b>	+0.1%	0%	(0.1%)
Present Value of obligation	495.0	486.3	477.8
Projected Service Cost	15.2	14.7	14.2
<b>Adjustment to Life Expectancy Rating Assumption</b>	+1 year	None	(1 year)
Present Value of obligation	511.3	486.3	462.6
Projected Service Cost	15.3	14.7	14.1

## 42. Summary of Significant Accounting Policies

The Accounts and Audit (England) Regulations 2015 require the Council to prepare a Statement of Accounts for each financial year in accordance with proper accounting practices. The Accounts and Audit (Amendment) Regulations 2022 have amended the 2015 Regulations for 2021/22, deferring publication dates and making other consequential changes.

For 2021/22, these proper accounting practices principally comprise:

- the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code)
- the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (SI 2003 No 3146, as amended) (the 2003 Regs)

These accounts are prepared on a going concern basis, i.e. the accounts are prepared on the assumption that the Council (as a legal entity created by statute) will continue in operational existence for the foreseeable future. This means that the income and expenditure accounts and balance sheet assume no intention to significantly curtail the scale of operation.

#### 42.1 Accounting Policies

Accounting policies are the principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are reflected in the financial statements. These include estimation techniques that have been used in applying the policies.

The accounting policies that have a significant effect on the amounts recognised in the Council's accounts are listed below. Within these policies the abbreviation "CIES" has been used for "Comprehensive Income and Expenditure Statement".

The Statement of Accounts will only be adjusted to reflect events after 31 March 2022 and before the date the Statement was authorised for issue by the of 9 September 2022 only where the events provide evidence of conditions that existed at 31 March.

#### 42.2 Accruals of Income and Expenditure

The Statement of Accounts has been prepared using the accruals basis. Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. Where the exact amount of the sum is unknown an estimate will be made based on historical knowledge of the type of transaction and the value of similar payments. An exception is where there are regular bills, such as utilities and staff travel payments where, if not material, no accruals have been made as over a period the number of payments per year will even out. In addition, where the exact value of a transaction or several transactions is not yet known estimates of the amounts due/owed have been made. In particular:

- The Council recognises revenue from contracts with service recipients when it satisfies a performance obligation by transferring promised goods or services to a recipient, measured as the amount of the overall transaction price allocated to that obligation.
- Revenue from the sale of goods is recognised when the Council 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 Council.
- Revenue relating to council tax, NNDR etc shall be measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.
- Supplies are recorded as expenditure when they are consumed. Where appropriate there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings, where material is accounted for respectively as income and expenditure based on the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.



### 42.3 Measurement of Assets & Liabilities

The historical cost convention has been applied, modified by the current valuation of the following material categories of non-current assets and financial instruments:

Class of Assets	Measurement Basis
Property, Plant and Equipment: Other Land and Buildings	Current Value, comprising existing use value  Where prices for comparable properties are available in an active market, properties are valued at market value taking into account the existing use. Where no market exists or the property is specialised, current value is measured at depreciated replacement cost.
Infrastructure Assets	Modified historical cost. (Opening balances for infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994 which was deemed to be the historical cost). Subsequent expenditure on the assets is capitalised on an accruals basis.
Property, Plant and Equipment: Other Land and Buildings – Surplus Assets	Fair value *
Heritage Assets	Heritage assets (other than operational heritage assets) are measured at valuation in accordance with FRS 30 i.e. valuations may be made by any method that is appropriate and relevant such as insurance valuations.
Investment Properties	Fair value *
Financial Instruments – Fair Value through Profit or Loss	Fair value *
Pensions Assets	Fair values based on the following:  quoted securities – current bid price unquoted securities – professional estimate unitised securities – current bid price property – market value.

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.

For valuations at Fair Value the Council uses the IFRS13 “three levels” to assess the fair value.

<b>Level 1</b>	Quoted prices in active markets for identical assets/liabilities that the authority can access at the measurement date
<b>Level 2</b>	Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly (e.g., quoted prices for similar assets, interest rates and yield curves)
<b>Level 3</b>	Unobservable inputs for the asset or liability (e.g., projected cash flows)

#### 42.4 Adjustments Between Accounting Basis and Funding Basis

The resources available to the Council in any financial year and the expenses that are charged against those resources are specified by statute (the Local Government Act 2003 and the 2003 Regulations). Where the statutory provisions differ from the accruals basis used in the CIES, adjustments to the accounting treatment are made in the Movement in Reserves Statement so that usable reserves reflect the funding available at the year-end. Unusable reserves are created to manage the timing differences between the accounting and funding bases. The material adjustments are:

Expense	Accounting Basis in CIES	Funding Basis in MiRS	Adjustment Account
Property, Plant and Equipment	Depreciation and revaluation/impairment losses	Revenue provision to cover historical cost determined in accordance with the 2003 Regs	Capital Adjustment Account
Infrastructure Assets	Depreciation/impairment losses	Revenue provision to cover historical cost determined in accordance with the 2003 Regs	Capital Adjustment Account
Intangible Assets	Amortisation and impairment	Revenue provision to cover historical cost determined in accordance with the 2003 Regs	Capital Adjustment Account
Heritage Assets	Impairment	Revenue provision to cover historical cost determined in accordance with the 2003 Regs	Capital Adjustment Account
Investment Properties	Movements in fair value	Revenue provision to cover historical cost determined in accordance with the 2003 Regs	Capital Adjustment Account
Revenue Expenditure Funded from Capital under Statute	Expenditure incurred in year	Revenue provision to cover historical cost determined in accordance with the 2003 Regs	Capital Adjustment Account
Deferred Income on PFI contract	Third party Income in Energy From Waste Plant	Non cash transaction	Capital Adjustment Account
Capital Grants and Contributions	Grants that became unconditional in year or were received in year without conditions	No credit	Capital Grants Unapplied Reserve (amounts unapplied at 31 March) Capital Adjustment Account (other amounts)

Expense	Accounting Basis in CIES	Funding Basis in MiRS	Adjustment Account
Non-Current Asset Disposals	Gain or loss based on sale proceeds less carrying amount of asset (net of costs of disposal)	No charge or credit	Capital Adjustment Account (carrying amount) Capital Receipts Reserve (sale proceeds and costs of disposal) Deferred Capital Receipts Reserve (where sale proceeds have yet to be received)
Financial Instruments	Movements in the fair value of CCLA investment.	Gains/losses for CCLA Investment.	Pooled Investment Fund Adjustment Account
Pensions Costs	Movements in pensions assets and liabilities.	Employer's pensions contributions payable and direct payments made by the Council to pension funds for year	Pensions Reserve
Council Tax	Accrued income from in year bills	Demand on the Collection Fund for the year plus recovery of estimated deficit/share for prior year	Collection Fund Adjustment Account
Business Rates	Accrued income from in year bills	Budgeted income receivable from the Collection Fund for the year plus recovery of estimated deficit/share for prior year	Collection Fund Adjustment Account
Untaken Leave entitlements	Projected cost of untaken leave entitlements at 31 March.	No charge	Accumulated Absences Adjustment Account
Dedicated Schools Grant	Movement between earmarked reserve to unusable reserve	Transfer accumulated deficit from earmarked reserve to unusable reserve	Dedicated Schools Grant Adjustment Account

#### 42.5 Prior period Adjustments and Changes in Accounting Policies and Estimates

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 Council's financial position or financial performance. Where a change is material, 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.

#### 42.6 Post-Employment Benefits

Employees of the Council are members of three separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The NHS Pension Scheme, administered by NHS Pensions.
- The Local Government Pensions Scheme, administered by Devon County Council.

All schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Teacher's and NHS Scheme provides defined benefits to members, however, the arrangements for the teachers' scheme and NHS pensions mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it was a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The relevant lines in the Comprehensive Income and Expenditure account are charged with the employer's contributions in year.

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

- the liabilities of the Devon County Council Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method- i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to-date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bond.
- the assets of Devon County Council Pension Fund attributable to the Council are included in the Balance Sheet at their fair value

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

- Service cost comprising:

Current service cost – allocated in the CIES to the services for which the employees worked

Past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. Includes gains or losses on settlements and curtailments - the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees such as the transfer of staff to an alternative supplier: Debited/Credited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non-Distributed Costs.

Net Interest on the net pension liability - the expected net increase in the present value of liabilities during the year as they move one year closer to being paid offset by the expected return on assets - the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return - debited to the Financing and Investment Income and Expenditure line in the CIES.

Administration Costs – debited to the Provision of Services in the CIES as part of Corporate Costs.

- **Remeasurements** comprising:

Return on Plan Assets – these exclude amounts included in net interest on the net defined benefit liability. Any movement in year is an adjustment 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 – any movement in year is an adjustment to the Pensions Reserve as Other Comprehensive Income and Expenditure.

#### **Payments to Fund:**

Contributions paid to the Devon County Council Local Government Pension Scheme - cash paid as employer's contributions to the pension fund in settlement of liabilities are not accounted for as an expense in the CIES. In 2020/21 the Council made a cash payment to the Pension Scheme equal to three years of secondary rate contributions in consideration for a discount. The recognition of the annual costs remain in line with the actuarial valuation certificate therefore the balance has been accounted for as a payment in advance.

#### **Termination Benefits**

Termination benefits are charged on an accruals basis or as a provision to the appropriate service (or to the Non Distributed Costs line in the CIES where they relate to pensions enhancements) 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.

#### **Local Government Reorganisation**

Torbay Council in 1998 agreed to fund a tax base share of Devon County's enhanced pension payments (unfunded benefits). A liability, based on IAS19 actuarial information provided to Devon County Council has been recognised with the corresponding balance held in the Pension Reserve. The movement in the IAS19 liability each year is recognised in Cost of Services and reversed in the Movement in Reserves statement. The payments in year to Devon County Council are recognised in the Cost of Services.

### **42.7 Financial Instruments**

Financial instruments are recognised on the Balance Sheet when the Council becomes a party to their contractual provisions. They are initially measured at fair value.

Financial liabilities are 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 accrued interest). 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 are subsequently measured in one of two ways:

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

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

Allowances for impairment losses have been calculated for amortised cost assets, applying the expected credit losses model. Changes in loss allowances (including balances outstanding at the date of derecognition of an asset) are debited/credited to the Financing and Investment Income and Expenditure line in the CIES. Changes in the value of assets carried at fair value (described as Fair Value through Profit or Loss) are debited/credited to the Financing and Investment Income and Expenditure line in the CIES as they arise.

Where the Council provides a loan for a capital purpose it is treated as capital expenditure for capital financing with the balance of the loan held as a debtor with repayments of the loan treated as a capital receipt.

#### **Assets carried at Fair Value through Profit and Loss**

The Council's holding with its sterling liquidity fund has been designated as a Financial Asset at Fair Value through Profit and Loss. The definition is met as the Council's holding is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit making as the fund's manager is a set a benchmark target to achieve for each year.

Any changes in the fair value of the asset are reflected in the carrying value of the asset and the changes in year credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

The Council has invested in a property fund (CCLA) where under regulation the investment does not need to be accounted as capital expenditure. The Council has classified this investment at Fair Value through profit or loss with any changes in value recognised in the Comprehensive Income and Expenditure Statement with the application of a statutory override (SI 2018/1207) to reverse any impact on the general fund through the MIRS to the Pooled Investment Fund Adjustment Account. Any dividends in year is recognised as part of its investment income.

#### **42.8 Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grants and third-party contributions such as developers' contributions under section 106 agreements or Community Infrastructure Levy (CIL), and donations (if any) are recognised as due to the Council when there is reasonable assurance that:

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

Amounts recognised as due to the Council are not credited to the CIES until the Council has satisfied any conditions attached to the grant or contribution that would require repayment if not met.

The grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income and Expenditure (non-ringfenced revenue grants and all capital grants) in the CIES. The recognition of grants and contributions is on an accruals basis. Developer contributions under S106 or CIL agreements are presumed to have conditions unless clear evidence to the contrary that would require repayment if not met and are recognised as a receipt in advance.

#### **42.9 Heritage Assets**

Subject to a de minimis of £50,000, expenditure on, or the value of donated heritage assets, are capitalised where the Council has information on the cost or value of the heritage asset. Within one location several articles have been grouped into a single collection which is accounted for as an individual heritage asset.

#### **42.10 Interests in Companies and other Entities**

The Council has material interests in companies and other entities that have the nature of subsidiaries and associates. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost or fair value:-

The Council under IFRS9 has designated its holding in its subsidiaries, TEDC and SWISCo, as an "investment in an equity instrument designated at fair value through other comprehensive income". Where the purpose of the subsidiary is primarily to provide services on behalf of the council including strategic economic development purposes, the initial and subsequent recognition of the Council's investment in its subsidiaries is at the nominal value of the shares held. Where a subsidiary company has its own subsidiary companies, the investment will

continue to be at the nominal value of the shares held. The Council recognises the value of its other interests in companies, such as associates, at cost.

#### Other Entities

##### Torbay and South Devon Health and Care NHS Foundation Trust

The Council has an agreement with the Trust and Devon Clinical Commissioning Group where the Council's makes a fixed annual payment for the provision of Adult Social Care. The Trust are accounting for the partnership on the basis that the Council is funding the Trust to undertake delegated activities. The Trust will account for income and expenditure on the Adult Social Care functions in the appropriate service category and will account for the funding received for the Council as "providing" income. The Council will show the funding paid to the Trust for providing the delegated functions within its Income and Expenditure Account.

##### Better Care Fund

From April 2015 Torbay Council with the Torbay and South Devon Clinical Commissioning Group (CCG) jointly received funding as part of the Better Care Fund initiative. The majority of the Better Care Fund is managed by a s75 pooled budget with the CCG as host – capital funding is excluded. The control of the expenditure in the pooled budget is jointly controlled between the two bodies. Expenditure and income associated with the pooled budget are accounted for in line with contributions from the two partners in year which are assumed to be the relevant "share".

The Council receives funding for adult social care from the Improved Better Care Fund. Although the funding is reported and monitored as part of the Better Care Fund with the CCG, the IBCF funding is excluded from the s75 pooled budget.

#### 42.11 Investment Properties

Investment properties are those that are held solely to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost and subsequently on an annual at fair value.

Investment properties are not depreciated. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the CIES. The same treatment is applied to gains and losses on disposal. Any net increase in value prior to the asset being classified as an investment property is held and 'frozen' in the Revaluation Reserve until the asset is disposed or reclassified.

#### 42.12 Leases

The Council's leases relate mainly to property where the Council both leases in and leases out property. The Council has considered all its leases for possible classification as finance or operating leases. The Council presumes a lease to be an operating lease unless there is evidence to the contrary and it is material to the accounts that a lease is classified as a finance lease.

Leases are classified as finance leases, subject to a de minimis value of £50,000, 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. The land element is now assessed by reference to the prevailing land value in the locality of the asset. Over the five-year rolling programme of valuations all land will be valued on this basis. Previously the land value was assumed to be 30% of the total value of the asset unless there was evidence to the contrary.

**As Lessee:** Rentals paid by the Council under operating leases are charged to the CIES as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made, if material, on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal, with the gain/loss attributable to the difference between the carrying amount of the asset and the Council's net investment in the lease being credited/debited to the Other

Operating Expenditure line in the CIES. The net investment in the lease is recognised as a lease asset in the Balance Sheet, net of any premium paid. Lease rentals receivable are apportioned between:

- a credit for the disposal of the interest in the property – applied to write down the lease asset
- finance income (credited to the Financing and Investment Income and Expenditure line in the CIES).

**As Lessor:** Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the CIES. Credits are made, if material, on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.

#### 42.13 Property, Plant and Equipment

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

A general de-minimis limit of £25,000 is applied to recognition of expenditure on Property, Plant and Equipment. Exceptions to the de-minimis limit are made for projects or individual purchases under £25,000 where there are specific service requirements to do so e.g. school minor improvement works which are funded under Special Government Initiatives and fleet vehicle purchases.

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

Capital expenditure is not recognised until 31<sup>st</sup> March therefore no depreciation is charged in year of acquisition or enhancement. Where capital expenditure has occurred the expenditure in year is deemed to have increased the current value of the asset by a "pound for pound" amount.

Where, if capital expenditure is assessed as not adding value to the asset, the corresponding value will be written off as impairment.

Certain categories of Property, Plant and Equipment are measured subsequently at current value – see policy 1 for details.

Where prices for comparable properties are available in an active market, properties are valued at market value taking into account the existing use. Where no market exists or the property is specialised, current value is measured at depreciated replacement cost.

Certain categories of PPE are measured subsequently at current value (such as surplus assets). Assets included in the 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 as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

In general, within the rolling programme where an asset's gross value is a value under £25,000 this asset value will be recorded at nil. All asset valuations are carried out in accordance with the Statements of Asset Valuation Practices and Guidance notes published by RICS and CIPFA. The management of property valuations is undertaken by Jonathan Veale M.R.I.C.S. who is an employee of TEDC. All planned revaluations in a financial year will be as at 1<sup>st</sup> April of that year which results in depreciation for a year being calculated on the revalued amount. The only exception would be if the total depreciation charge for the year would be materially incorrect. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.



Exceptionally, gains might be credited to the CIES where they arise from the reversal of a loss previously charged to a service.

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

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

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.

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

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives as estimated by the Council's valuer, making an allowance for any residual value. Annual depreciation is calculated based upon the Balance Sheet value for each asset as at 1<sup>st</sup> April for that year which will include any revaluations in year.

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).

The valuation of land is determined by one of the following: -

- where the asset being valued includes a building, the land value is assumed to be 30% of the value of the asset, or a percentage as adjusted by the Valuer if they feel a different percentage is appropriate.
- where there is no building, the prevailing land value in the locality of the asset considering its use, is used.

Over the five-year rolling programme of valuations all land will be valued on the above basis.

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.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CIES against any receipts arising from the disposal as a gain or loss on disposal.

Where an asset is treated as a disposal due to the length of the lease and there is an ongoing annual rent, the asset is initially derecognised then the value of the future lease payments treated as long term debtor with the balance shown as a deferred capital receipt. Lease payments in future years therefore reduce both the value of the long-term debtor and the deferred capital receipts reserve.

### Schools Recognition

The Council's recognition (or otherwise) of the different types of school assets are as follows:

Schools Type	Land	Buildings	Test
Community	On balance sheet	On balance sheet	Council Control

Academy	Off balance sheet	Off balance sheet	Academy freehold of long lease
Foundation	On balance sheet	On balance sheet	IFRS10 – subsidiary
Voluntary Aided	Off balance sheet	On balance sheet	Substance of arrangement
Voluntary Controlled (none as at 31/3/21)	Off balance sheet	On balance sheet	Substance of arrangement
Playing Fields	On balance sheet	n/a	Council Control

### Voluntary Aided Schools

The land and buildings are owned by dioceses. Under IFRS10 maintained schools, including Voluntary Aided, meet the definition of entities controlled by the Council. Therefore, all assets and liabilities of the school are recognised on the Council's balance sheet. In the absence of any lease arrangements between the diocese and governing body and based on the substance of the arrangement the assets have been recognised on the Council's balance sheet. The substance of the arrangement is that the asset has been used for school purposes for several years and at year end there is no expectation that the diocese will exercise its rights to take back the assets. In addition, the Council is funding the school and the governing body are controlling the use of the asset as a school and are maintaining and insuring the assets.

Land owned by a diocese and used for school purposes, in the absence of lease arrangement or statutory transfer, has not been recognised as a Council asset due to the infinite life of land.

### 42.14 Infrastructure Assets

Infrastructure Assets include highways assets such as carriageways, footways, street lighting, street furniture and traffic management systems and land which together form a single integrated network.

Recognition: expenditure on the acquisition or replacement of components of these assets is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the council and the cost of the item can be measured reliably.

Measurement: infrastructure assets are generally measured at depreciated historic cost. However, this is a modified form of historic cost – opening balances for infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994 which was deemed at the time to be historical cost. Where impairment losses are identified they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

Depreciation: This is provided on the parts of infrastructure assets that are subject to deterioration and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight-line basis on an annual basis. Useful lives of assets are assessed by the appropriate Council engineer for that type of asset.

Disposals and derecognition: When a component of the asset is disposed of or de commissioned, the carrying amount of the component in the balance sheet is written off to the "other operating expenditure" line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts, if any, are credited to the same line as disposed or decommissioned assets. The written off amounts are not a charge to Council tax as the cost of non-current assets is fully provided for under separate arrangement for capital financing. These are reflected in the capital adjustment account from the general fund balance in the movement in reserves statement. The council has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting)(England)(Amendment) Regulations 2022 that the carrying amounts are to be derecognised for infrastructure assets, when there is replacement expenditure, is nil.

#### 42.15 Private Finance Initiative (PFI)

As the Council is deemed to control the services that are provided under its PFI contracts, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge; the assets used are recognised on the Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at current value was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

The amounts payable to the PFI operators each year are analysed into three elements:

- fair value of the services received during the year - debited to the relevant service in the CIES.
- finance cost - an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the CIES.
- payment towards liability - applied to write down the Balance Sheet liability towards the PFI operator. In addition, the Council makes an annual revenue provision to the Capital Adjustment Account that is equal to the annual reduction in the liability to the contractor and correspondingly reduces the Council's Capital Financing Requirement.

For the Energy From waste scheme there are two additional elements.

- deferred credit from the write down of the long term liability for the expected third party income received during the year - credited to the relevant service in the CIES, with a reversal in the MIRS to the Capital Adjustment Account.
- contingent rent - a reduction to the finance costs in year due to the impact of third-party income on the total costs to the Council.

Any lifecycle costs incurred by the contractor are assumed to be revenue in nature in maintaining the existing value of the asset.

Any variations of a capital nature requested and funded by the school are treated as capital expenditure and capital resources outside the PFI contract.

#### 42.16 Provisions

Provisions are charged as an expense to the appropriate service line in the CIES where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions are charged as the best estimate at the balance sheet date of the expenditure required to settle the obligation, considering relevant risks and uncertainties.

The Council is required to provide for the cost of any backdated NNDR refunds arising from appeals submitted to the Valuation Office that are successful. The Council's balance sheet only reflects the Council's 49% share of the provision.

The Council has estimated the impact of appeals submitted by 31<sup>st</sup> March 2017 using historic information; however, for appeals that could be submitted after 31<sup>st</sup> March 2017 (after the national 2017 Revaluation) there is not enough information from the Valuation Office to enable a reliable estimate to be made therefore an estimate has been made based on an appeals percentage provided by DLUCH on the NNDR returns.

#### 42.17 Overheads and Support Services

The Council's CIES is presented on a segmental basis in line with the Council's internal reporting. On this basis the costs of cross Council overheads and support services are accounted for within the relevant management segment and are not allocated to services. The exceptions to this are where the service is accounted for on a "ring fenced" basis such as public health, schools and harbours where the costs of support services are allocated in line

with the CIPFA Service Reporting Code of Practice. The costs of a service's own management and administration are accounted for within the service segment.

Torbay Council  
2021/22 Statement of Accounts for the year ended 31<sup>st</sup> March 2022 – Supplementary Financial  
Statement (Collection Fund)

COLLECTION FUND SUMMARY ACCOUNT 2021/22

This account reflects the statutory requirements for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to non-domestic rates and the council tax, and the way in which these have been distributed to preceptors.

Council tax £m	NNDR £m	Total £m		Council tax £m	NNDR £m	Total £m	
			2020/21				2021/22
(113.6)	-	-	Gross Council Tax Payable for Year	(119.7)	-	-	
24.7	-	-	Reduced Assessments	25.7	-	-	
(88.9)	(9.5)	(98.4)	<b>Council Tax &amp; NNDR Receivable</b>	<b>(94.0)</b>	<b>(21.7)</b>	<b>(115.7)</b>	
			<b>Expenditure:</b>				
			<b>Precepts and Demands</b>				
10.3	-	10.3	Police and Crime Commissioner for Devon and Cornwall	10.8	-	10.8	
4.0	0.3	4.3	Devon & Somerset Fire & Rescue Authority	4.0	0.3	4.3	
0	15.3	15.3	DCLG, (Central Government)	0	15.7	15.7	
72.7	15.0	87.7	Torbay Council's Own Demand (Including Brixham Town Council)	75.0	15.4	90.4	
87.0	30.6	117.6	<b>Total Precepts and Demands</b>	<b>89.8</b>	<b>31.4</b>	<b>121.2</b>	
-	0.2	0.2	<b>Cost of Collection Allowance</b>	-	<b>0.2</b>	<b>0.2</b>	
			<b>Distribution of Previous Years Estimated Surplus/(Deficit);</b>				
0.3	-	0.3	Police and Crime Commissioner for Devon and Cornwall	(0.3)	-	(0.3)	
0.1	-	0.1	Devon & Somerset Fire & Rescue Authority	(0.1)	(0.2)	(0.3)	
-	-	-	DCLG, (Central Government)	-	(11.8)	(11.8)	
2.2	(0.5)	1.7	Torbay Council	(1.7)	(11.5)	(13.2)	
2.6	(0.5)	2.1	<b>Total Distribution of previous year's Surplus/(Deficit)</b>	<b>(2.1)</b>	<b>(23.5)</b>	<b>(25.6)</b>	
			<b>Bad and Doubtful Debts/Appeals</b>				
0.2	-	0.2	Write Offs	0.4	0.2	0.6	
3.7	0.3	4.0	Impairment for Uncollectable debt	2.2	0.2	2.4	
-	1.4	1.4	Provision for Appeals	-	1.0	1.0	
3.9	1.7	5.6	<b>Total Bad &amp; Doubtful Debt and Appeals</b>	<b>2.6</b>	<b>1.4</b>	<b>4.0</b>	
			<b>Total Expenditure</b>				
4.6	22.5	27.1	<b>(Surplus)/Deficit for Year</b>	<b>(3.7)</b>	<b>(12.2)</b>	<b>(15.9)</b>	
			<b>Movement of Collection Fund Balance</b>				
(1.7)	0.8	(0.9)	Balance brought forward as at 1st April	2.9	23.5	26.4	
4.6	22.5	27.1	(Surplus)/Deficit for Year	(3.7)	(12.2)	(15.9)	
2.9	23.3	26.2	<b>Balance carried forward as at 31st March</b>	<b>(0.8)</b>	<b>11.3</b>	<b>10.5</b>	
			<b>Balance Attributable to major precepting bodies</b>				
0.4	-	0.4	Police and Crime Commissioner for Devon and Cornwall	(0.1)	-	(0.1)	
0.1	0.2	0.3	Devon & Somerset Fire & Rescue Authority	0	0.1	0.1	
-	11.8	11.8	Central Government	-	5.6	5.6	
2.4	11.3	13.7	Torbay Council	(0.7)	5.6	4.9	
2.9	23.3	26.2	<b>Balance carried forward at 31st March</b>	<b>(0.8)</b>	<b>11.3</b>	<b>10.5</b>	

## NOTES TO THE COLLECTION FUND SUMMARY ACCOUNT

These notes represent the statutory requirement for a billing Council to maintain a separate Collection Fund. The accounts are consolidated with the Council's main accounts. In its Balance Sheet the Council includes the disaggregated amounts for the Major Precepting Bodies within its current assets and liabilities. The surplus attributable to Torbay Council has been treated as a credit on the Collection Fund Adjustment Account.

In addition to the statutory Collection Fund Statement, the Council in its Income & Expenditure account reflects, as income in year, its share, based on precepting values, of the year end Collection Fund position. The Council on its balance sheet reflects its share of year end assets (arrears and impairment) and liabilities (prepayments) attributable to the Collection Fund. The balance is shown in the accounts of the individual precepting bodies.

Brixham Town Council, a local precepting authority, 'precepts' on Torbay Council as a billing authority to fund its activities, the precept for 2021/22 was £0.355m (£0.355m in 2020/21) and is received from council taxpayers in the town council's area. This precept is included in Torbay Council's demand on the collection fund.

The Collection Fund in 2021/22 was again impacted by the COVID pandemic in the following ways:

- DLUCH provided a NNDR relief scheme for some retail, leisure, and hospitality premises. This resulted in approx. £12m of additional reliefs in 2021/22. As a result, the NNDR receivable was significantly reduced.
- Primarily due to the reliefs awarded the deficit on the Collection Fund for NNDR was increased of which 49% is the Council's share. This loss will be offset by additional grant paid by DLUCH during 2021/22 that will be carried forward in an earmarked reserve to be applied to meet the deficit in 2022/23.

### A) Council Tax Base 2021/22

The number of dwellings Band D equivalent for 2021/22 is required for the setting of the Council Tax. It is calculated prior to the start of the financial year by using the number of dwellings on the valuation list adjusted to set the number of chargeable dwellings per band. This is then adjusted for an appropriate level of reduced assessments (discounts) prior to the number of dwellings in each band being put in a ratio compared to Band D. For further details on this please see "Council Tax Base 2021/22" report from the Council meeting in December 2020.

For Council tax purposes the number of domestic properties in each band converted to a Band D equivalent for 2021/22 was as follows:

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Valuation Band	Ratio to Band D	Amount payable by all council tax payers			Additional amount payable by council tax payers resident in the Brixham Town Council area		
		No Dwellings in valuation list	No of Dwellings Band D Equivalent	Average Council Tax Per Dwelling £	No Dwellings in valuation list	No of Dwellings Band D Equivalent	Average Council Tax Per Dwelling £
A	6/9	13,691	<b>5,390.1</b>	1,311.71	1,384	<b>557.3</b>	38.73
B	7/9	17,732	<b>10,108.8</b>	1,530.32	2,237	<b>1,273.4</b>	45.18
C	8/9	16,859	<b>12,117.9</b>	1,748.94	2,483	<b>1,786.6</b>	51.64
D	1	10,540	<b>9,131.9</b>	1,967.56	1,604	<b>1,417.3</b>	58.09
E	11/9	5,274	<b>5,846.7</b>	2,404.8	716	<b>794.0</b>	71.00
F	13/9	2,378	<b>3,146.3</b>	2,842.0	343	<b>447.5</b>	83.91
G	15/9	1,249	<b>1,905.2</b>	3,279.27	97	<b>155.8</b>	96.82
H	2	134	<b>210.5</b>	3,935.12	6	<b>5.0</b>	116.18
TOTAL		67,857	<b>47,857.4</b>		8,870	<b>6,436.9</b>	
Less Allowance for Non Collection @ 5.0% (4.0% 20/21)			<b>(2,392.87)</b>			<b>(321.84)</b>	
<b>TAX BASE 2021/22</b>			<b>45,464.53</b>	(46,274.88 20/21)		<b>6,115.06</b>	(6,261.12 20/21)
Band D Council Tax (excluding Brixham Town Council precept)				1,967.56 (1,872.89 20/21)	Band D Council Tax (including Brixham Town Council precept)		2,025.65 (1,929.59 20/21)

## B) Income from Business Rates

Under the arrangements for uniform business rates, the Council collects non-domestic rates for its area, which are based on local rateable values multiplied by a uniform rate. The total rateable value as at 31st March 2022 was £95.2m (2020/21: £94.5m).

In line with the Local Government Act 2003, from 1st April 2005, there are two multipliers, the small business non-domestic rating multiplier, which is applicable to those that qualify for the small business relief; and the non-domestic rating multiplier, which includes the supplement to pay for small business relief. The small business non-domestic rating multiplier for 2021/22 was 49.9 pence per pound of rateable value and the non-domestic rating multiplier was 51.2 pence per pound.

In April 2013 the NNDR retention scheme was introduced with Councils now responsible for a percentage share of all transactions in relation to NNDR income in their area. This to include movement up and down in NNDR income, (up to a safety net), which includes the payment of any outstanding NNDR appeals as at 31st March 2021 that have not yet been determined by the valuation office. Torbay Council as a unitary authority is responsible for 49% of the NNDR income, Department for Levelling Up, Housing and Communities 50%, and Devon and Somerset Fire authority 1%.

## Group Accounts

These group accounts which consist of four primary statements are provided in addition to the notes to the accounting statements in the “single entity” Statement of Accounts

Notes have been omitted as there are no material differences to the disclosures already made apart from a note for group property, plant, and equipment and for the net pension liabilities of the group is £68m (£232m 20/21). This significant reduction is due to the completion of the Triennial valuation figures that have been provided within the Council accounts. As all three entities are part of the Devon County Pension Fund the changes in asset values in the fund and changes in actuarial assumptions would be common to the note in the Council’s single entity accounts so have not been reproduced again.

Generally, the accounting policies for the Group accounts are the same as those applied to the single entity financial statements, except for the following policies which are specific to the Group accounts. The critical judgements, estimation uncertainty points made in the single entity accounts (note 3) applies to the group accounts as well.

A subsidiary is an entity which the Council controls through the power to govern their financial and operating policies to obtain benefits from the entities’ activities. Control is usually presumed where the Council owns more than half the voting power of an entity (either directly or through other subsidiaries). However, this is not a defining criterion; the Council can have more than half the voting power but exceptionally not be in control and powers other than voting rights may grant control where the Council has less than half the voting power.

An associate is an entity for which the Council is an investor that has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee (stopping short of control or joint control). It is presumed that holding 20% of the voting power of an investee (either directly or indirectly) brings significant influence but this presumption can be rebutted. It is possible for significant influence to be exerted where an investor has less than 20% of the voting power or where another party has majority ownership.

In accordance with the above policy, group relationships have been determined as follows:

Entity	Torbay Ownership	Company Type
TOR2	19.99%	Associate (ceased trading July 20)
CSW Group	25%	Joint Venture
Oldway Mansion Management Company	100%	Subsidiary (not trading)
Torbay Education Limited	100%	Subsidiary
SWISCo Limited	100%	Subsidiary
Riviera International Conference Centre	100%	Subsidiary (by control, not trading)
English Riviera Tourism Company	100%	Subsidiary (by control) (not trading)
<b>Torbay Housing Company Group of Companies:</b> (not trading in 2021/22)		
Torbay Housing Company	100%	Subsidiary, Parent of Group
Torbay Housing Development Company	100%	Subsidiary of Torbay Housing Co.
Torbay Housing Rental Company	100%	Subsidiary of Torbay Housing Co.



**TDA Group of Companies:**

Torbay Economic Development Company (TEDC)

(Trading as TDA) 100% Subsidiary, Parent of Group

TEDC Subsidiary Companies: -

Complete Facilities Management Services Ltd 100% Subsidiary of TEDC Ltd

KAH Holding Company 100% Subsidiary of TEDC Ltd

Enterprise South West Ltd 100% Subsidiary of TEDC Ltd (not trading)

C&A Consultants (Torquay) Limited 100% Subsidiary of TEDC Ltd

TorVista Homes Ltd 100% Subsidiary of TEDC Ltd

TEDC Developments Limited 100% Subsidiary of TEDC Ltd

The grounds for exclusion from consolidation of certain entities (individually and in aggregate) are not material to the true and fair view of the financial statements or to the understanding of users.

The Group accounts have been prepared using the Group accounts requirements of the 2021/22 Code. Companies or other reporting entities that are under the ultimate control of the Council have been included in the Council's Group accounts, to the extent that they are material to the users of the financial statements in relation to their ability to see the complete economic activities of the Council and its exposure to risk through interests in other entities and participation in their activities.

All subsidiaries have been consolidated by adding like items of assets, liabilities, reserves, income and expenses together on a line-by-line basis eliminating intra-group balances and transactions in full.

Associates and Joint Ventures have been consolidated using the equity method. Where an Associate or Joint Ventures has negative net equity these are recorded as nil value in the Group Accounts.

## Group Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Group, analysed into “usable reserves” and other reserves.

2020/21	General Fund Balance	Earmarked General Fund Reserves	Sub Total Revenue Reserves	Capital Receipts Reserves	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Council Reserves	Council share of Group	Total Group Reserves
	£m	£m Note 10	£m	£m Note 9	£m Note 9	£m Note 25	£m Note 26	£m	£m	£m
<b>Balance at 31st March 2020 brought forward</b>	<b>4.6</b>	<b>34.3</b>	<b>38.9</b>	<b>0.4</b>	<b>9.8</b>	<b>49.1</b>	<b>(12.5)</b>	<b>36.6</b>	<b>7.0</b>	<b>43.6</b>
<b>Movement in Reserves during 2020/21</b>										
Surplus or (deficit) on provision of services (accounting basis)	2.3	0	2.3	0	0	2.3	0	2.3	(28.5)	(26.2)
Other Comprehensive Expenditure and Income (see C I&E Statement)	0	0	0	0	0	0	(23.1)	(23.1)	(4.8)	(27.9)
Adjustments between Group and Torbay	(14.6)	0	(14.6)	0	0	(14.6)	(2.9)	(17.5)	17.5	0
<b>Total Comprehensive Expenditure and Income</b>	<b>(12.3)</b>	<b>0</b>	<b>(12.3)</b>	<b>0</b>	<b>0</b>	<b>(12.3)</b>	<b>(26.0)</b>	<b>(38.3)</b>	<b>(15.8)</b>	<b>(54.1)</b>
Adjustments between accounting basis & funding basis under regulations	36.8	0	36.8	1.4	2.4	40.6	(40.6)	0	0	0
Adjustments between Group Accounts and Torbay accounts	0	0	0	0	0	0	0	0	2.6	2.6
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>24.5</b>	<b>0</b>	<b>24.5</b>	<b>1.4</b>	<b>2.4</b>	<b>28.3</b>	<b>(66.6)</b>	<b>(38.3)</b>	<b>(13.2)</b>	<b>(51.5)</b>
Transfers (to)from Earmarked Reserves	(23.4)	23.4	0	0	0	0	0	0	0	0
<b>Increase/(Decrease) in Year</b>	<b>1.1</b>	<b>23.4</b>	<b>24.5</b>	<b>1.4</b>	<b>2.4</b>	<b>28.3</b>	<b>(66.6)</b>	<b>(38.3)</b>	<b>(13.2)</b>	<b>(51.5)</b>
<b>Balance at 31st March 2021 carried forward</b>	<b>5.7</b>	<b>57.7</b>	<b>63.4</b>	<b>1.8</b>	<b>12.2</b>	<b>77.4</b>	<b>(79.1)</b>	<b>(1.7)</b>	<b>(6.2)</b>	<b>(7.9)</b>

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2021/22	General Fund Balance	Earmarked General Fund Reserves	Sub Total Revenue Reserves	Capital Receipts Reserves	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Council Reserves	Council share of Group	Total Group Reserves
	£m	£m Note 10	£m	£m Note 9	£m Note 9	£m Note 25	£m Note 26	£m	£m	£m
<b>Balance at 31st March 2021 brought forward</b>	<b>5.7</b>	<b>57.7</b>	<b>63.4</b>	<b>1.8</b>	<b>8.6</b>	<b>73.8</b>	<b>(79.5)</b>	<b>(5.7)</b>	<b>(6.5)</b>	<b>(12.2)</b>
<b>Movement in Reserves during 2021/22</b>										
Surplus or (deficit) on provision of services (accounting basis)	39.5	0	39.5	0	0	39.5	0	39.5	(18.5)	21.0
Other Comprehensive Expenditure and Income (see C I&E Statement)	0	0	0	0	0	0	118.3	118.3	7.8	126.1
I&E Adjustments between Group and Torbay	(17.8)	0	(17.8)	0	0	(17.8)	1.3	(16.5)	16.5	0
<b>Total Comprehensive Expenditure and Income</b>	<b>21.7</b>	<b>0</b>	<b>21.7</b>	<b>0</b>	<b>0</b>	<b>21.7</b>	<b>119.6</b>	<b>141.3</b>	<b>5.8</b>	<b>147.1</b>
Adjustments between accounting basis & funding basis under regulations	(12.3)	0	(12.3)	(0.6)	13.8	0.9	(0.9)	0	0	0
Adjustments between Group Accounts and Torbay accounts	0	0	0	0	0	0	0	0	(1.9)	(1.9)
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>9.4</b>	<b>0</b>	<b>9.4</b>	<b>(0.6)</b>	<b>13.8</b>	<b>22.6</b>	<b>118.7</b>	<b>141.3</b>	<b>3.9</b>	<b>145.2</b>
Transfers (to)/from Earmarked Reserves	(9.4)	9.4	0	0	0	0	0	0	0	0
<b>Increase/(Decrease) in Year</b>	<b>0</b>	<b>9.4</b>	<b>9.4</b>	<b>(0.6)</b>	<b>13.8</b>	<b>22.6</b>	<b>118.7</b>	<b>141.3</b>	<b>3.9</b>	<b>145.2</b>
<b>Balance at 31st March 2022 carried forward</b>	<b>5.7</b>	<b>67.1</b>	<b>72.8</b>	<b>1.2</b>	<b>22.4</b>	<b>96.4</b>	<b>39.2</b>	<b>135.6</b>	<b>(2.6)</b>	<b>133.0</b>

## Group Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing the Group's services in accordance with generally accepted accounting practices.

2020/21								2021/22		
Gross Exp	Gross Income	Net Exp	Services	Note	Gross Exp	Gross Income	Net Exp			
£m	£m	£m			£m	£m	£m			
108.1	(69.5)	38.6	Adult's Services		106.7	(73.8)	32.9			
101.1	(53.7)	47.4	Children's Services		108.0	(64.1)	43.9			
10.9	(2.0)	8.9	Corporate Services		16.1	(5.0)	11.1			
32.2	(35.5)	(3.3)	Finance		31.6	(31.9)	(0.3)			
33.9	(19.0)	14.9	Place		31.9	(24.2)	7.7			
34.0	(6.2)	27.8	Place – Subsidiary Companies		27.7	(9.5)	18.2			
8.4	0	8.4	Public Health		8.7	(0.8)	7.9			
328.6	(185.9)	142.7	<b>Cost Of Services</b>		<b>330.7</b>	<b>(209.3)</b>	<b>121.4</b>			
6.8	(2.8)	4.0	Other Operating Income & Expenditure		4.6	(0.2)	4.4			
38.5	(29.3)	9.2	Financing and Investment Income and Expenditure		21.7	(28.0)	(6.3)			
0	(130.2)	(130.2)	Taxation and Non-Specific Grant Income and expenditure		0	(140.7)	(140.7)			
373.9	(348.2)	25.7	<b>(Surplus)/Deficit on Provision of Services</b>		<b>357.0</b>	<b>(378.2)</b>	<b>(21.2)</b>			
0.4	0	0.4	Share of (surplus) or deficit on the provision of serves by joint ventures and associates		0.2	0.0	0.2			
0.1	0	0.1	Tax Expenses of Group Companies				0			
374.4	(348.2)	26.2	<b>Group (Surplus)/Deficit</b>		<b>357.2</b>	<b>(378.2)</b>	<b>(21.0)</b>			
		(8.5)	(Surplus)/Deficit on revaluation on Non Current Assets (PPE)				(29.9)			
		3.6	Impairment losses on non current assets charged to the revaluation reserve				1.2			
		30.2	Remeasurement of net defined pension liabilities				(95.4)			
		2.6	Council share of OCIE of Joint Venture and Associates				(2.0)			
		27.9	<b>Other Comprehensive Income and Expenditure</b>				<b>(126.1)</b>			
		54.1	<b>Total (Surplus)/Deficit in Comprehensive Income and Expenditure</b>				<b>(147.1)</b>			

## Group Balance Sheet

The Balance Sheet shows the value of the assets and liabilities recognised by the Group at 31 March 2022. The net assets of the Group are matched by Group reserves.

31st March 2021		31 <sup>st</sup> March 2022	
£m		Note	£m
253.4	Property, Plant & Equipment	G1	277.9
101.4	Infrastructure Assets (formerly in with PPE)		100.2
34.3	Heritage Assets		40.3
203.1	Investment Property		211.0
1.2	Intangible Assets		1.0
0.2	Goodwill (Subsidiaries)		0.2
4.7	Long Term Investments		5.5
19.5	Long Term Debtors		19.7
617.8	<b>Long Term (Non Current) Assets</b>		<b>656</b>
74.0	Short Term Investments		107.2
0.6	Assets Held for Sale		0.5
0.7	Inventories		2.3
40.1	Short Term Debtors		37.2
4.7	Cash and Cash Equivalents		8.9
120.1	<b>Current Assets</b>		<b>156.1</b>
(4.5)	Short Term Borrowing		(5.3)
(2.3)	Other Short-Term Liabilities		(2.4)
(67.3)	Short Term Creditors (inc Receipts in Advance)		(78.0)
(0.4)	Capital Grants/Contributions: Receipts in Advance		(5.6)
(4.6)	Provisions		(5.3)
(2.6)	Cash and Cash Equivalents		(2.0)
(81.7)	<b>Current Liabilities</b>		<b>(98.6)</b>

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31st March 2021			31st March 2022
£m			£m
(4.0)	Long Term Creditors		(3.5)
0	Provisions		(0.1)
(389.2)	Long Term Borrowing		(387.6)
(35.7)	Other Long-Term Liabilities		(32.8)
(232.2)	Pension Liability	G2	(152.6)
(3.0)	Receipts in Advance		(3.8)
(664.1)	<b>Long Term Liabilities</b>		<b>(580.4)</b>
(7.9)	<b>Net Assets/Liabilities</b>		<b>133.1</b>
84.2	Usable reserves		<b>105.3</b>
(92.1)	Unusable Reserves		<b>27.8</b>
(7.9)	<b>Total Reserves</b>		<b>133.1</b>
<p>Malcolm Coe Chief Finance Officer 24 July 2024</p>			

## Group Cash Flow Statement

The cash flow statement shows the changes to cash and cash equivalents of the Group during the reporting period. The statement shows how the Group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

2020/21				2021/22	
£m	£m		note	£m	£m
	(25.7)	Net surplus or (deficit) on the provision of services,			<b>21.2</b>
72.8		Adjustments to net surplus or deficit on the provision of services for non-cash movements		44.1	
(12.8)		Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities including proceeds of investments and disposal of assets		(12.7)	
(0.1)		Taxation		(0.1)	
	34.2	<b>Net cash inflows/(Outflow) from Operating Activities</b>			<b>52.5</b>
	(27.9)	<b>Investing Activities:</b>			<b>(44.5)</b>
	(11.4)	<b>Financing Activities</b>			<b>(3.2)</b>
	(5.1)	<b>Net increase or (decrease) in cash and cash equivalents</b>			<b>4.8</b>
2020/21				2021/22	
£m		Cash and Cash Equivalents	Notes		£m
7.2		Cash and cash equivalents * at the beginning of the reporting period			2.1
2.1		Cash and cash equivalents at the end of the reporting period			6.9
(5.1)		<b>Net increase or (decrease) in cash and cash equivalents</b>			<b>4.8</b>

### Note G1 – Property, Plant and Equipment

TDA Group property consists mainly of property held for regeneration purposes including Cockington Court and Craft Studios. Lymington Road Innovation Centre, Bishop’s Place, Vaughan Parade, Kings Ash House, Rea Barn, several industrial units and affordable homes. SWISCo property is primarily vehicles and equipment.

2020/21				2021/22				
Torbay Council	TDA Group	SWISCO	Total Group		Torbay Council	TDA Group	SWISCO	Total Group
£m	£m	£m	£m		£m	£m	£m	£m
				<b>Cost or Valuation</b>				
260.7	12.9	0	273.6	As at 1 <sup>st</sup> April	<b>265.0</b>	<b>15.9</b>	<b>0.9</b>	<b>281.8</b>
15.9	2.9	1.0	19.8	Additions	16.2	1.3	0.2	17.7
1.1	0.1	0	1.2	Revaluation increases/ (decreases) recognised in the Revaluation Reserve	19.5	2.0	0	21.5
(5.9)	0	0	(5.9)	Revaluation Increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(5.8)	0	0	(5.8)
(6.3)	0	(0.1)	(6.4)	Derecognition – Disposals	(12.8)	0	(0.1)	(12.9)
(0.5)	0	0	(0.5)	Assets reclassified (to)/from Held for Sale	0	0	0	0
0	0	0	0	Other movements in Cost or Valuation	0	0	(0.1)	(0.1)
265.0	15.9	0.9	281.8	As at 31 <sup>st</sup> March	<b>282.1</b>	<b>19.2</b>	<b>0.9</b>	<b>302.2</b>
				<b>Accumulated Depreciation and Impairment</b>				
(25.6)	(0.4)	0	(26)	As at 1st April	<b>(27.8)</b>	<b>(0.5)</b>	<b>(0.1)</b>	<b>(28.4)</b>
(5.6)	(0.1)	(0.1)	(5.8)	Depreciation charge	(6.6)	(0.1)	(0.2)	(6.9)
3.0	0	0	3.0	Depreciation written out to the Revaluation Reserve	1.2	0	0	1.2
0.4	0	0	0.4	Revaluation Increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	1.1	0	0	1.1
0	0	0	0	Derecognition – Disposals	8.7	0	0	8.7
0	0	0	0	Other movements in Depreciation and Impairment	0	0	0	0
(27.8)	(0.5)	(0.1)	(28.4)	As at 31 <sup>st</sup> March	<b>(23.4)</b>	<b>(0.6)</b>	<b>(0.3)</b>	<b>(24.3)</b>
				<b>Net Book Value: -</b>				
235.1	12.5	0	247.6	As at 31 <sup>st</sup> March (prior year)	<b>237.2</b>	<b>15.4</b>	<b>0.8</b>	<b>253.4</b>
237.2	15.4	0.8	253.4	As at 31 <sup>st</sup> March (end of year)	<b>258.7</b>	<b>18.6</b>	<b>0.6</b>	<b>227.9</b>

### Note G2 - Defined Benefit Pension Schemes



**Local Government Pension Scheme**

TEDC, Council and SWISCo are all separate admitted bodies to the Devon County Pension Scheme. For details of the Scheme please see note 40 of the council's single entity accounts. The note to the Group accounts only includes financial information where there is a material difference to the single entity accounts.

**Net Pension Liability**

	Council	Subsid- iaries	31/3/21 £m	Council	Subsid- iaries	31/3/22 £m
Present value of Funded Obligation	(534.4)	(46.1)	(580.5)	<b>(479.4)</b>	<b>(45.7)</b>	<b>(525.1)</b>
Fair Value of Fund Assets (Bid Value)	331.5	25.3	356.8	<b>351.7</b>	<b>27.7</b>	<b>379.4</b>
<b>Net Liability</b>	<b>(202.9)</b>	<b>(20.8)</b>	<b>(223.7)</b>	<b>(127.7)</b>	<b>(18.0)</b>	<b>(145.7)</b>
Present value of Unfunded Obligation	(8.5)	0	(8.5)	<b>(6.9)</b>	<b>0</b>	<b>(6.9)</b>
<b>Net Liability in Balance Sheet</b>	<b>(211.4)</b>	<b>(20.8)</b>	<b>(232.2)</b>	<b>(134.6)</b>	<b>(18.0)</b>	<b>(152.6)</b>

**Reconciliation of fair value of the scheme (plan) assets:**

<b>Assets: Local Government Pension Scheme</b>				
2020/21 £m Council	2020/21 £m Subsid-iaries		2021/22 £m Council	2021/22 £m Subsid-iaries
260.9	8.0	Opening balance at 1 April	<b>331.5</b>	<b>25.3</b>
4.6	0.3	Interest on Assets	<b>6.3</b>	<b>0.5</b>
63.2	2.9	Return on Assets less Interest	<b>19.3</b>	<b>1.5</b>
0	0	Other Actuarial gains/(losses)	<b>1.1</b>	<b>0</b>
(0.2)	0	Administration Expenses	<b>(0.2)</b>	<b>0</b>
1.9	0.2	Contributions by scheme participants	<b>2.1</b>	<b>0.2</b>
6.7	0.7	Employer contributions	<b>6.0</b>	<b>0.8</b>
(13.1)	(0.2)	Benefits paid	<b>(14.4)</b>	<b>(0.7)</b>
7.5	13.4	Settlement process received/(paid)	<b>(0.1)</b>	<b>0.1</b>
331.5	25.3	Closing balance at 31 March	<b>351.6</b>	<b>27.7</b>

**Reconciliation of present value of the scheme liabilities (defined benefit obligation):**

**Liabilities: Local Government Pension Scheme**

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2020/21 £m	2020/21 £m Subsidiaries		2021/22 £m	2021/22 £m Subsidiaries
(429.1)	(12.9)	<b>Opening balance at 1 April</b>	<b>(542.9)</b>	<b>(46.1)</b>
(14.7)	(1.2)	Current service cost	<b>(17.7)</b>	<b>(1.8)</b>
(1.9)	(0.2)	Contributions by scheme participants	<b>(2.1)</b>	<b>(0.2)</b>
(8.8)	(0.5)	Interest cost	<b>(10.6)</b>	<b>(1.0)</b>
(103.5)	(5.4)	Change in Financial Assumptions	<b>20.8</b>	<b>2.8</b>
4.9	0.1	Change in Demographic Assumptions	<b>29.1</b>	<b>0</b>
6.1	0.1	Experience (loss)/gain on defined benefit obligation	<b>22.6</b>	<b>0</b>
12.5	0.2	Benefits paid	<b>13.8</b>	<b>0.7</b>
0	0	Past service costs, including Curtailments	<b>(0.1)</b>	<b>0</b>
(9.0)	(26.3)	Liabilities (assumed)/extinguished on Settlements	<b>0.2</b>	<b>(0.1)</b>
0.6	0	Unfunded Pension payments	<b>0.6</b>	<b>0</b>
(542.9)	(46.1)	<b>Closing balance at 31 March</b>	<b>(486.3)</b>	<b>(45.7)</b>
(8.5)	0	Present Value of Unfunded Obligation included in above	<b>(6.9)</b>	<b>0</b>

The estimated asset allocation for Torbay Council and its subsidiaries as at 31 March 2022 is as follows:

2020/21 £m Council	2020/21 £m Subsidiaries		2021/22 £m Council	2021/22 £m Subsidiaries
11	1	Gilts	<b>47</b>	<b>3</b>
37	3	UK Equities	<b>32</b>	<b>2</b>
172	13	Overseas Equities	<b>178</b>	<b>15</b>
27	2	Property	<b>29</b>	<b>3</b>
13	0	Infrastructure	<b>21</b>	<b>2</b>
31	2	Target Return Portfolio	<b>33</b>	<b>3</b>
3	0	Cash	<b>5</b>	<b>0</b>
15	2	Other Bonds	<b>7</b>	<b>0</b>
23	2	Alternative Assets	<b>0</b>	<b>0</b>
332	25		<b>352</b>	<b>28</b>

Sensitivity Analysis on Actuarial assumptions:

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The actuary has provided a sensitivity analysis of a 0.1% change in the key actuarial assumptions showing the impact on the net liability and the Service Cost.

	£m	£m	£m
<b>Council:</b>			
<b>Adjustment to Discount Rate</b>	+0.1%	0%	(0.1%)
Present Value of obligation	477.2	486.3	495.7
Projected Service Cost	14.1	14.7	15.2
<b>Adjustment to Long Term Salary increase</b>	+0.1%	0%	(0.1%)
Present Value of obligation	486.9	486.3	485.7
Projected Service Cost	14.7	14.7	14.7
<b>Adjustment to Pension increases and deferred revaluation</b>	+0.1%	0%	(0.1%)
Present Value of obligation	495.0	486.3	477.8
Projected Service Cost	15.2	14.7	14.2
<b>Adjustment to Life Expectancy Rating Assumption</b>	+1 year	None	(1 year)
Present Value of obligation	511.3	486.3	462.6
Projected Service Cost	15.3	14.7	14.1
	£m	£m	£m
<b>Subsidiaries:</b>			
<b>Adjustment to Discount Rate</b>	+0.1%	0%	(0.1%)
Present Value of obligation	44.7	45.8	47.1
Projected Service Cost	1.6	1.6	1.7
<b>Adjustment to Long Term Salary increase</b>	+0.1%	0%	(0.1%)
Present Value of obligation	46.1	45.8	45.7
Projected Service Cost	1.6	1.6	1.6
<b>Adjustment to Pension increases and deferred revaluation</b>	+0.1%	0%	(0.1%)
Present Value of obligation	46.8	45.8	45.0
Projected Service Cost	1.6	1.6	1.6
<b>Adjustment to Life Expectancy Rating Assumption</b>	+1 year	None	(1 year)
Present Value of obligation	47.8	45.8	44.2
Projected Service Cost	1.7	1.6	1.6

## ANNUAL GOVERNANCE STATEMENT 2021/22

## ANNUAL GOVERNANCE STATEMENT FOR THE FINANCIAL YEAR 2021/2022

### Scope of responsibility

Torbay Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. Torbay Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Torbay Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. The code is included in the Council's Constitution which is available on the Council's website at

<http://www.torbay.gov.uk/DemocraticServices/ieListMeetings.aspx?Cid=458&info=1>

This statement explains how Torbay Council has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2015 in relation to the publication of a statement on internal control.

#### The purpose of the governance framework

The governance framework comprises the systems, processes, culture and values, by which the authority is directed and controlled, and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Torbay Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

#### The Governance Framework

#### The Constitution

The Constitution sets out the main elements of the governance framework of Torbay Council, in particular how decisions are made and the procedures which are followed, to ensure that these are efficient and transparent and that decision makers are accountable to local people.

Torbay Council operates a Leader and Cabinet model of governance. The Leader of the Council and the Cabinet are responsible for major decisions including key policy matters within the framework set by the Council. These are referred to as "Executive Functions". When major decisions are to be discussed or made, these are published in the Forward Plan in so far as they can be anticipated. The Cabinet collectively takes decisions at meetings of the Cabinet and these meetings will generally be open for the public to attend except where exempt or confidential matters are being discussed.

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The Constitution includes Standing Orders, Financial Regulations and the Scheme of Delegated Powers and is available on the Council's website. It is underpinned by Codes of Conduct for Members and Employees and a range of local protocols. The Constitution includes the Council's Code of Corporate Governance.

As the local elections in May 2019 left no party with overall control of the Council, the Liberal Democrat Group and Independent Group have signed a partnership agreement and have joined together to form the administration of the Council.

The Cabinet must make decisions which are in line with the policies and budget set by Council. If they wish to make a decision which is outside the budget or policy framework, this must be referred to the Council as a whole to decide. The Council has an overview and scrutiny process which provides a 'critical friend' challenge to cabinet policy makers and decision making.

The Overview and Scrutiny Board (and its sub-committee the Children and Young People's Overview and Scrutiny Board) is responsible for the overview and scrutiny function of the Council. In accordance with their work programme, it assists in the development of policy and holds decision makers to account. As per the constitution, any five members of the Council can "call-in" executive decisions to the Overview and Scrutiny Board for further debate.

The Audit Committee is responsible for all internal and external audit matters, treasury management as well as monitoring the effective development and operation of performance and risk management and corporate governance in the Council. It meets a minimum of five times per municipal year.

The Standards Committee's remit includes the conduct of members and investigating complaints in respect of individual members. The Standards Committee promotes and embeds ethical standards for members.

Some regulatory functions remain the responsibility of the Council rather than the Cabinet and most of these are delegated to a small number of committees appointed annually by the Council.

All members are inducted into the importance and processes of good governance and have informal and, if required, formal ways of raising governance issues with the Chief Executive, Monitoring Officer, Chief Finance Officer and the Senior Leadership Team.

From the beginning of May 2020, all the council's meetings were held virtually because of the Covid-19 pandemic and social distancing measures. From 12 July 2021 all decision-making meetings reverted to being held in person with social distancing and other protective measures in place.

#### The Corporate Plan and Decision-making

The Council's Community and Corporate Plan is the main strategic document under which the rest of our Policy Framework sits. Following the local elections in May 2019, a Community and Corporate Plan "One Torbay: Working for all Torbay" was prepared by the Cabinet, and adopted by the Council, which sets out the ambitions and visions of the Council over four years and the principles within which the Council will operate.

The Council Business Plan 2021-22 sets out the delivery of the Community and Corporate Plan and details the priorities for the organisation into 2023. A quarterly performance report which includes both projects and performance indicators is used to track the delivery of the priorities. In addition to the performance report, a separate strategic risk report is updated and reviewed by senior management and Audit Committee quarterly.

The Council has a Medium Term Resource Plan which is reviewed on an on-going basis to consider new information and changed circumstances. Both documents provide a framework for planning and monitoring resource requirements.

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The Council's Senior Leadership Team oversee the delivery of the Community and Corporate Plan, ensuring that it is delivered, whilst seeking to maximise efficiencies, income and savings (in accordance with the requirements of the Medium Term Resource Plan) and create service resilience.

The Cabinet receive reports containing recommendations for decisions made at meetings of the Cabinet. All reports to members include sections on the financial and legal implications and the risks of the proposed decision. Prior to publication, these reports are cleared by the Chief Executive, Chief Finance Officer and the Monitoring Officer or one of their senior staff.

All meetings of the Council and its committees are open to the public but a small number of matters are considered in private when the press and public are formally excluded from meetings. It is the Council's objective to keep these private matters to a minimum with only those elements of reports that are considered exempt from publication being included within appendices. This aims to ensure open and transparent decision making is undertaken at all times. From May 2022, meetings of the Council, Cabinet and Planning Committee have been livestreamed so as to further enable open and transparent decision making.

The Member Development Programme provides a structured approach to member development and support them in their roles. In addition to the Personal Development Plans, Members have the opportunity to have a one to one Councillor Development discussion with their Group Leader. The purpose of these reviews is to discuss each member's progress and how they can contribute to meeting the Council's priorities.

#### Community and Service User Engagement

The partnership administration is clear in their vision for strong community engagement and empowerment and work is continuing to ensure that the Council can build on the existing arrangements across Torbay.

The Community Engagement and Empowerment Strategy outlines how the Council intends to meet its mission to be a Council that works in partnership with its residents, communities and partnerships.

The Strategy is split into 6 key domains that outline how we propose to improve our community engagement and how we want to work alongside and empower the community in Torbay. The domains are:

- Working differently
- Keep you informed
- Ask what you think
- Decide together
- Act together
- Support independent community initiatives

The first domain outlines what our offers are to the community to facilitate this approach and what we ask of the community to support. It provides a narrative to explain the Council's new approach and proposals about how a partnership framework would look in Torbay.

The subsequent domains make clear statements about what our commitments are and what our planned actions are to meet these. Many of these commitments and planned actions were identified at the Community Conference in September 2019.

There are a number of Community Partnerships across Torbay which provide an opportunity for people who live or work in those parts of Torbay to discuss issues of common concern, influence the way in which services are provided and improve their local area.

In developing proposals for service change, consultation with service users and the public is undertaken. In particular, the impact on vulnerable groups and those with characteristics protected

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under the Equality Act 2012 is assessed and documented in Equality Impact Assessments which are considered by decision-makers prior to decisions being made.

Partnership Working

The Council retains legal responsibilities for the provision of Adult Social Care in accordance with the Care Act 2014, the Mental Capacity Act 2005 and the Mental Health Act 1983, but these are delegated to Torbay and South Devon NHS Foundation Trust, an integrated organisation responsible for providing acute health care services from Torbay Hospital, community health services and adult social care for the people of Torbay and South Devon.

The Torbay Adult Social Care Risk Share (Financial) Agreement 2020 to 2023 under the powers outlined in S.75 NHS Act 2006, was agreed in March 2020, and extended in March 2022 to end in 2025. This agreement continues to integrate the arrangements for Adult Social Care in Torbay with Devon Integrated Care System and Torbay and South Devon NHS Foundation Trust.

The Adult Care Strategic Agreement (ACSA) between Torbay Council, Torbay and South Devon NHS Foundation Trust and Devon Clinical Commissioning Group was agreed at a meeting of the Council in September 2020. The ASCA replaced the Annual Strategic agreement and sets out the way in which Torbay Council and Devon Clinical Commissioning Group (CCG) commission adult social care services from the Torbay and South Devon NHS Foundation Trust until 2023.

Torbay Council is one of the organisations involved in the Integrated Care System (ICS) for Devon, a partnership of health and social care organisations working together with local communities across Devon, Plymouth and Torbay to improve people's health, wellbeing and care so there are equal chances for everyone in Devon to lead long, happy and healthy lives. Partners include local NHS trusts and clinical commissioning groups, other local authorities, GPs and primary care colleagues, voluntary and independent sector partners.

As part of the ICS, the council is a part of the South Local Care Partnership (LCP) which brings together health and social care services with partner organisations to help people live better lives. The partners, including Devon County, South Hams District and Teignbridge Councils as well as local NHS trusts, Healthwatch Devon and Torbay Community Development Trust, work together across organisational boundaries to address health inequalities whilst recognising the unique challenges and differing demographics of each community.

The Torbay Safeguarding Children Strategic Partnership works together to identify and respond to the needs of children. It is jointly led by the three local safeguarding partners: Torbay Council, Devon and Cornwall Constabulary, and NHS Devon CCG. The safeguarding partners and all relevant agencies that work with children and families are committed to ensuring that safeguarding arrangements are of the highest quality, that they consistently promote the welfare of children and effectively safeguard them whatever their circumstances. The Safeguarding Children Partnership operates in line with the requirements of the statutory guidance Working Together to Safeguard Children 2018 and is independently scrutinised.

The Children's Partnership Early Help Model and Early Help Implementation Board has made strong strategic links made with the 0-19 Partnership to avoid duplication and is aligned with the Council's Sufficiency Board to ensure accountability. The model itself is predicated on partnership locality teams / networks with key links to the voices, needs and desires of the local communities. The networks / teams will be focussed on maximising resources in the three localities of Torquay, Brixham and Paignton, and across Torbay itself, as well as identifying local needs or gaps and suggesting how community strengths may address them. Our principles for Early Help are based on the principles of the legislation as described in Working Together to Safeguard Children, 2018.



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The Health and Wellbeing Board and the Community Safety Partnership known as Safer Communities Torbay, provide forums where multi-agency issues which impact on the Torbay population can be debated.

The Torbay Voluntary Sector Network has been working closely with Torbay Council and includes Citizens Advice Bureau, Healthwatch, faith groups, Age UK and Torbay Community Development Trust (TCDT). This group works with Torbay Council in its overall approach to working with the community and voluntary sector by forging new partnerships; whilst finding creative and innovative ways for delivering services that will sustain a thriving voluntary and community sector in Torbay. The development of the community and voluntary sector in Torbay is key to the strategic plans of Torbay Council, Devon CCG and Torbay & South Devon NHS Foundation Trust.

The Torbay Strategic Partnership (known as Torbay Together), which consists of public, private and voluntary sector organisations, continued to meet regularly throughout the year and worked together to address issues that impact across Torbay. In January 2022 the partnership launched the Torbay Story, a vision for Torbay now and into the future. It also established a Torbay Place Leadership Board to replace the Torbay Together monthly meetings. The first meeting of this new board took place in February 2022. The partnership has also established a Torbay Champions Programme which launched in March 2022. The next challenge for the partnership is establishing Town Boards for the three towns.

The Council owns (either in its own right or with partners) a number of companies, namely the Torbay Economic Development Company (which has a trading name of TDA), Torbay Education Limited, Careers South West and SWISCo. The Council has representatives on the Boards of these companies together with a number of reserved matters which are set out in the Articles of Association and Memorandum of Understanding.

Performance and monitoring arrangements are in place in respect of service specific partnerships such as the Torbay and South Devon NHS Foundation Trust and the Torbay Coast and Countryside Trust.

The Council is a member of the Heart of the South West Joint Committee (a partnership across all of the local authorities in Devon and Somerset plus the national park authorities, the Local Enterprise Partnership and the Clinical Commissioning Groups) which will be delivering the Productivity Strategy for the region and maximising the opportunities for Government funding in Devon and Somerset.

The Council, with Devon County Council and Plymouth City Council submitted a request to Government for a County Deal. On 2 February 2022 the Secretary of State announced that Devon, Plymouth and Torbay were in the initial wave of places to be offered the opportunity to enter into a County Deal to receive devolved powers. The Councils are working together and with Government to explore what the Deal could contain. If a Deal is ultimately taken forward, then appropriate governance arrangements will be put in place.

#### Performance and Risk Management

A performance and risk strategy and framework for the organisation was agreed by the Cabinet at its meeting in December 2020. The action plan for this document is updated and monitored through the Our Organisation Board.

During 2021/22, the council has revised its performance reports, improved the timeliness of its performance reporting timetable and enhanced the engagement with both cabinet and audit committee elected members. An updated approach to service planning has been devised which drives the golden thread of performance management from the corporate plan through to service delivery outcomes. In addition to this, the service planning process has developed an opportunity to hold a performance and finance challenge process, known as Star Chambers. The outcomes of the challenge feed directly into the council's annual budget setting and medium term financial plan. The Senior Leadership Team are responsible for the monitoring the delivery of the service plans and any

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improvement plans that the council has in place. Included within the service plans are each service's risks.

The council's approach to risk management is currently being reviewed and updated. A strategic risk report is updated by the Senior Leadership Team on a quarterly basis and discussed collaboratively at their SLT meetings. These reports are discussed and monitored at Informal Cabinet and Audit Committee. Service risks are managed through the council's Service Performance and Risk database (Spar.NET).

#### Senior Management

The Head of the Paid Service is the Chief Executive who is responsible and accountable to the Council for all aspects of operational management.

The Director of Finance is the Chief Financial Officer. He has direct access to all members, the Chief Executive and senior officers of the Council. He works with Directors and Divisional Directors to identify any financial issues which may require management action. Regular discussions are held with the Leader of the Council and the Deputy Leader of the Council who is the Cabinet Member with responsibility for finance. The Chief Financial Officer has responsibility for ensuring the Council operates secure and reliable financial and accounting systems.

Members are briefed on key financial issues with revenue and capital budget monitoring reports being considered by the Overview and Scrutiny Board and the Cabinet on a regular basis. The Council agrees the Treasury Management Strategy on an annual basis on the recommendation of the Audit Committee.

The Head of Legal Services is the Monitoring Officer. She is responsible to the Council for ensuring that agreed procedures and protocols are followed and that all applicable Statutes and Regulations are complied with.

Officers in politically restricted posts and those responsible for negotiating contracts are required to register their personal interests.

#### Training and Information

Corporate training needs are identified through the Senior Leadership Team. The Council has strongly supported staff development, particularly through programmes such as the Institute of Leadership and Management to develop Team Leaders and Managers.

The Corporate Induction module on i-Learn signposts and informs new employees about the range of policies and procedures they need to be aware of, including the Code of Conduct, Information Governance, Acceptable Behaviour, Driver's Policy and Handbook and Whistleblowing Policies. Managers are responsible for local induction arrangements with corporate induction courses being run on a regular basis.

i-Learn also houses learning modules which are mandatory for all staff including Equality in the Workplace, Fire safety, First Aid at Work and Display Screen Safety. In addition, there are several Wellbeing modules.

The Council's intranet contains a range of policies, procedures and guidance for all staff including Information Governance Policies, Code of Conduct, Freedom of Information guidance, Data Protection Policy and the Corporate Plan and Constitution. Human Resources (HR) Policies are available to all staff via the MyView web platform.

The Council has a Counter Fraud and Corruption Policy which is reviewed regularly, has been communicated to all staff and is available on the Council's website.

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The Managers Forum meets on a quarterly basis and Senior Managers Forum meets once each month (excepting the months when a Managers Forum is held). These meetings enable all managers to be briefed on current issues, reflect on achievements and engage in the development of action plans, ensuring that best practice across the Authority is shared and that plans for the future are collectively owned. This information is then passed on to staff through team meetings.

A focussed forum for Managers called the Extended Leadership Team (ELT) was established to provide for even greater communication and opportunities for empowerment throughout the organisation.

The All Colleagues Briefing happens four times a year. It provides an opportunity for all staff to come together to learn about key issues at the organisation. The 30-minute briefings are open to everyone and attendance is encouraged. These briefings are led by the Chief Executive, supported by a relevant member of the Senior Leadership Team and cover key issues for staff.

Ask Us Anything on-line meetings are held in the months where we do not have an All Colleagues Briefing. There are two sessions each month, covering the same topic and 30 members of staff can register their attendance and ask questions of the Senior Leadership Team, on a much more personal level.

Internal communication approaches are in place to ensure all staff are aware of issues and new policies and practices. Weekly staff update emails are sent to advise of relevant information, achievements, HR policy, legislation changes and the learning and development courses on offer.

Updates regarding organisational working practices and service changes during the COVID-19 pandemic were communicated to staff via all staff emails and team meetings. The Chief Executive continued to give regular updates via video and newsletter. During 2021/22 staff were supported through weekly wellbeing emails and signposted to dedicated web pages covering a range of issues affecting staff in and outside of work.

There is a positive working relationship with Trades Unions through quarterly formal meetings, and informal meetings with the Head of Paid Service and Head of Human Resources conducting consultation where appropriate.

#### Customer Feedback, Whistleblowing and Prevention of Fraud

The Council has a customer feedback recording, tracking and reporting system to which all staff have access via the Intranet. The system captures compliments, complaints, queries, enquiries and Local Government Ombudsman complaints. Letters from Members of Parliament as well as enquiries made through local councillors are also recorded through this system.

The system enables all complaints to be recorded and tracked with root causes identified providing the Council with a useful analysis of why issues are being received. It also enables the tracking of the implementation of recommendations and actions.

The Information Governance Team operates a one stage complaints process which facilitates timeliness of responses, consistency of responses and improved timescales for escalation to the Local Government and Social Care Ombudsman. Reports regarding complaints are provided to the Senior Leadership Team on a regular basis, these reports include the type of complaint, service area, outcomes and any learning points. This results in further actions being identified and implemented.

The Council's Whistleblowing Policy is available on the Council's website and intranet site. The Council has an established phone line for any whistleblowing calls, which goes directly to Internal Audit which has responsibility for dealing with these issues in the first instance.

The Monitoring Officer, Chief Finance Officer and the Head of Devon Audit Partnership (or their representative) meet on a regular basis to consider and recommend action in connection with current

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governance issues and other matters of concern regarding ethics and probity. The Chief Executive (as Head of Paid Service) is kept informed of matters.

The Council has a Fraud and Counter Corruption Officer who is accountable to the Head of Finance. The Council's website enables members of the public to report any suspicions of anyone committing fraud or corruption.

#### Information Management

The Council holds and processes a significant amount of information. It is critical that the information held is of good-quality, accurate and kept up to date to inform decision making. Equally important is the requirement to process personal and sensitive information in accordance with the data protection legislation. To support this, there is an Information Governance Steering Group, which consists of the Head of Information Governance (who is also the Council's Data Protection Officer), the Senior Information Risk Owner (SIRO) and the Council's Caldicott Guardian. This Group reviews the Council's approach to information management, information security and sharing. This group also oversees the Information Governance action plan and related performance as well as approving related policies.

There is an Information Governance Framework in place under which there are several operational policies and procedures including a suite of information security policies. These policies are subject to regular review and updates are communicated to all staff.

The Council's Information Governance Team are responsible for monitoring and reviewing compliance to data protection legislation across the Council. Part of this work is reviewing the Information Asset Register which specifies the information assets held across all Council departments and allows the Council to understand the risks associated with different information assets.

Learning modules on the Council's I-Learn training system are mandatory for all staff to complete to make sure everyone has a good basic understanding of their role in relation to Data Protection and information Governance. These modules were updated in 2022.

Following a full audit from the Information Commissioner's Office (ICO) in 2020, a follow up audit assessment was conducted by the ICO in November 2021. The follow up assessment acknowledged the significant progress the Council was making towards the completion of the recommendations and that the ongoing work should serve to improve Torbay Council's compliance with the UK GDPR.

#### Internal Audit

The internal audit service is provided by Devon Audit Partnership (DAP). This is a shared service arrangement originally formed by Torbay, Devon County and Plymouth City Councils but has been subsequently expanded to include several district councils. It is constituted under section 20 of the Local Government Act 2000. Devon Audit Partnership undertakes the role of auditing the Council's systems to give assurance to the organisation.

The Council's Internal Audit Plan, which is risk based, is agreed annually by the Director of Finance, Senior Leadership Team and the Council's Audit Committee. This provides the basis for the review of internal control and governance within the Council and includes the following:

- Annual reviews of the Council's key financial systems by Internal Audit against known and evolving risks.
- Reviews of internal controls in operation within each service area against known and evolving risks based on a detailed risk assessment. These reviews consider the strategic and operational risks identified in the Corporate Risk Register, as well as materiality, sensitivity and previous audit and inspection findings.

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- Work in relation to the investigation of any potential irregularities identified either from audit work or through the Council’s whistle-blowing policy.
- Advice and support to ensure future safeguards when implementing new systems.
- Value for money work in relation to assessing the efficiency, economy and effectiveness of the Council’s operations and recommending improvements as necessary.

Internal Audit is governed by Public Sector Internal Audit Standards. In April 2020 the Chartered Institute for Public Finance and Accountancy (CIPFA) Special Interest Group (SIG) for Internal Audit, considered and proposed a common practice of using four standard internal audit assurance opinions, which DAP has adopted. These are:

- Substantial Assurance
- Reasonable Assurance
- Limited Assurance
- No Assurance

This replaces the previous High Standard, Good Standard, Improvements Required and Fundamental Weaknesses ratings used on each audit assignment in previous years.

The Council also receives assurance from the NHS Internal Audit Consortium (ASW Assurance) over the controls in operation at Torbay and South Devon NHS Foundation Trust which covers the provision of adult social care services.

Achievement against the Audit Plan is reported to the Audit Committee on a twice yearly basis. This report also includes an opinion and assurance about the system of internal control throughout the Council.

Regular meetings are held between the Chief Finance Officer and a representative of the Devon Audit Partnership to discuss specific issues that have arisen.

#### Review of Effectiveness

Torbay Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Head of the Devon Audit Partnership’s annual report and by comments made by the External Auditors and other review agencies and inspectorates. This review is demonstrated through the Annual Governance Statement.

As in previous years, Devon Audit Partnership undertook certain assurance work on behalf of the Council and to give assurance to the external auditors as part their audit opinion.

The effectiveness of the governance framework has been evaluated over the course of the year against the seven core principles within Torbay Council’s Code of Corporate Governance. Details of the evaluation is included in the sections which follow. Whilst some governance issues have been identified (and are detailed below), the Council believes that its arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

#### Focusing on the purpose of the authority and on outcomes for the local community and creating and implementing a vision for the local area

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The Council's Community and Corporate Plan "One Torbay: Working for all Torbay" was adopted in February 2020. The associated Council Business Plan 2021-22 acts as a delivery plan and sets out in much more detail what we have achieved, together, over the past year and the priorities that we want to deliver over the next year, into 2023. Progress against the plan is monitored in quarterly Performance and Risk reports which include updates on each action and work continues to embed the values and principles within the Community and Corporate Plan across the organisation.

Members and officers working together to achieve a common purpose with clearly defined functions and roles

The Council's Constitution has been continually reviewed throughout the year by the Monitoring Officer, Chief Financial Officer and Head of Governance Support in consultation with the Leader of the Council and Group Leaders whereby improvements and changes to the constitution were made and agreed.

A full Member Induction Programme was put in place immediately post the Local Elections in May 2019. Over the course of the third year of their term of office, the Member Development Programme continued to build members' focus on reinforcing good governance, getting the right skills for the job and strengthening leadership and risk awareness.

Further training in relation to the functions of the Audit Committee particularly around financial literacy and the Planning Committee, was included within the Member Development Programme for 2021/2022.

Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

During 2021/2022 the Monitoring Officer has held monthly 'open sessions' with Members whereby any concerns could be raised and member behaviour generally discussed. In addition, the Monitoring Officer continues to meet as needed with the Independent Person (appointed to assist the Standards Committee in the Member Complaint Process) to hear their views and opinions on any relevant matters relating to Members' conduct. The Council operated with two Independent Persons, during 2021/2022. One Independent Person tendered their resignation and a recruitment process was undertaken by the Monitoring Officer. Approval of the successful candidate was sought from Council in May 2022.

The Monitoring Officer had received complaints which were dealt with in accordance with the Assessment and Determination of Allegations of Breaches of the Member's Code of Conduct complaints against two Members were referred for investigation during 2021/2022 and were determined by a Standards Hearing Sub-Committee during the first part of 2022/2023.

The Council's Code of Conduct, Whistleblowing and Acceptable Behaviour policies are available for all staff on MyView. They are also referred to within employees' terms and conditions of employment and are binding upon employees during their employment with the Council. Reminders are sent out to staff via newsletters and internal communications. The Council's induction programme also signposts new employees to the above policies.

Customer Service Standards were developed in 2020 and came into effect from April 2021. These standards have been put in place to ensure that our employees have clear guidelines in terms of what is expected of them when working with our customers.

Business ethics, values and culture are an important part of improving an organisation's governance process and we continue to place great importance on this.

Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

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Meetings of the Cabinet are well-established, enabling reports to be presented and considered ahead of decisions being made collectively in the public domain.

At the start of the Covid-19 pandemic, the Cabinet Office issued guidance in relation to procurement which the Council adopted. At the same time the Scheme of Delegation was amended to ensure that decisions relating to the Council's response to the pandemic could be made as efficiently as possible. Whilst this could have opened the Council to an increased level of risk, the prevailing corporate governance mechanisms ensured that these were mitigated as far as possible.

The level of delegation to officers in relation to planning decisions was also increased at the start of the pandemic and later, as the Planning Committee began meeting virtually, no committee site visits could be undertaken in person. A virtual approach was adopted as soon as possible with the Planning Officer showing details of the site and meeting with the members of the Planning Committee virtually via Zoom. Meetings returned to being held in person from May 2021 with hybrid arrangements whereby decision-makers attended in person and others attending remotely via Zoom. Meetings in person resumed from August 2021 as restrictions were relaxed but site visits continued to be held virtually whilst Covid-19 numbers remained high in Torbay and social distancing measures remained in place for Council buildings and operations.

The Overview and Scrutiny Board has undertaken a range of work from reviewing draft Policy Framework documents to matters relating to health and wellbeing. Over the course of the municipal year 2021/22 the Board have not considered any call-ins. A sub-committee of the Overview and Scrutiny Board was established this year to provide dedicated focus upon Children's Services to assist the Council in its improvement journey. A task and finish group was established and made recommendations to the Cabinet on Torbay's Housing Crisis.

The Audit Committee has received the Internal Audit Plan together with updates on the progress against the Plan. The Committee has received the Council's Statement of Accounts and Treasury Management Strategy.

The performance and risk reports are reviewed and scrutinised by the Audit Committee on a quarterly basis. A pre-meet is held to discuss any points that members would like to debate or challenge as part of the main meeting agenda. The committee's role is to understand the constraints where performance has slipped and work with directors to support improvement.

The Council's Information Asset Register is subject to regular review as part of the Council's GDPR project plan, this allows the Council to understand the information being processed across all departments, the lawful basis for processing and the security measures associated with the information asset.

Decisions made by the Cabinet in relation to the Council's Investment and Regeneration Portfolio are in accordance with the Investment and Regeneration Fund Strategy. This Strategy sets out how the Council aims to improve its financial resilience through the purchase of a balance portfolio of investments which appropriately spreads the Council's risk, as well as supporting the Economic Strategy by delivering economic growth, tackling inequality and creating change in the area that benefits everyone. The Strategy also sets the framework to ensure that appropriate due diligence is undertaken during the decision-making process in relation to the Council's investments.

Developing the capacity and capability of members and officers to be effective

The Senior Leadership Team has kept the operation of its meetings under review over the course of the year in order to increase their capacity to focus on those issues of strategic importance.

The Members' Development Programme continues to be delivered. Communication with councillors was supplemented by Councillor Conversations which take place to provide an informal opportunity to discuss forthcoming issues. Councillors learning and development is also supported with external



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training opportunities available from the Local Government Association and peers from other authorities.

Key messages and information are communicated from the Senior Leadership Team directly to all managers at monthly Senior Managers Forums and quarterly Managers Forums. This is then fed back in team meetings with an emphasis on the cascade of information to front line staff.

A number of staff volunteers from different areas across the Council have been recruited to become Wellbeing Supporters. They are a confidential point of contact for employees experiencing emotional distress or a mental health issue. This interaction could range from having an initial conversation to supporting and signposting the person to get appropriate help. Volunteers attended 'Connect 5' training to provide them with the right tools and knowledge to carry out their roles.

Induction events are periodically held for all new starters. These events form part of the formal induction programme and aim to; welcome new employees to the council, give new employees important information, enable a networking opportunity and enable new employees to meet the Chief Executive and/or member of the Senior Leadership Team and ask questions.

Engaging with local people and other stakeholders to ensure robust public accountability

Consultation and service user engagement have continued to take place. This work has included consultation on the proposals for budget savings and income generation and to seek local people's views on service change and projects across Torbay.

There continues to be good engagement from partners within the Torbay Together Partnership. An independent Chairman continues to lead the partnership, now renamed as Torbay Place Leadership Board. The partnership launched a Torbay Champions Programme in March 2022 which gives an opportunity to anyone who wants to learn more about what the Bay has to offer, to attend the champions meetings and then help to promote Torbay. The partnership is also in the process of setting up town boards in the three towns to ensure that each has direct involvement in the wider Torbay Story.

The third Torbay Community Conference had the theme of Climate Change. The Torbay Climate Conversation, which thanks to funding from South West Energy Hub was a COP26 South West Region Event, took place in November 2021 at South Devon College. It was attended by residents, local community groups and organisations, Councillors and Officers who have an interest in how we can continue our conversation around climate change. Those that attended also discussed how we can continue to boost our priority of making Torbay Zero Emissions by 2030.

Torbay Council continues to be committed to developing a more engaged relationship with individuals and communities across the Bay. The report from the first Community Conference included recommendations for cultural and organisational changes which contributed to the current Council Redesign programme.

A Community Engagement and Empowerment Strategy was developed following feedback from the first Community Conference and to deliver the Council's determination to engage with communities more effectively. The Strategy sets out the plan to address some of the key themes emerging from the Conference and clear statements about the Council's offers, commitments and actions, working with the community to build more positive and trusted relationships. It also outlined how the Council intended to meet its mission to be a Council that works in partnership with its residents, communities and partnerships based around six key elements. This strategy was approved at a council meeting in February 2021.

The Annual Report of the Overview and Scrutiny Board has been published and considered by the Council at its annual meeting.



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The Statement of Accounts provides a Narrative Report which explains the Council's achievements against the Corporate Plan over the past year alongside the Council's financial Performance.

During 2021/22 a series of Facebook Live and Ask us events were held on social media. Members of the public could hear from a panel of leading Members and senior officers and ask them questions. Each event was focussed on a subject such as the budget or COVID-19.

Securing continuous improvement in service delivery and ensuring that its agreed policies, priorities and decisions are implemented on time, in a manner consistent with the needs of its user and in the most effective way

Corporate performance and risk reports are reviewed quarterly by the Senior Leadership Team, Informal Cabinet and Audit Committee. This enables any areas of concern to be highlighted, followed up and where necessary improvement plans put in place.

Last year the regular review of performance identified the timeliness of responses to Freedom of Information enquiries and Subject Access Requests as a matter of concern and work continues to improve this as although volume performance has improved, percentage stats have yet to see a significant change. Additionally, the committee raised its concerns regarding planning performance. A selection of new indicators were included in the performance report that highlighted the issues. The Chief Executive requested the planning advisory service's support and established an improvement project to implement their recommendations, as well as, support the service in other areas also needing improvement.

In November 2021, Ofsted and the Care Quality Commission conducted a joint inspection of the local area of Torbay to judge the effectiveness of the area in implementing the special educational needs and/or disabilities (SEND) reforms as set out in the Children and Families Act 2014. As a result of the findings of this inspection, Her Majesty's Chief Inspector determined that a Written Statement of Action was required because of significant areas of weakness in the area's practice.

The Written Statement of Action has now been prepared and approved by Ofsted and work in progressing to implement it. The SEND Strategic Board, co-chaired by the Director of Children's Services (Torbay Council) and the Chief Nursing Officer (NHS Devon CCG), meets on a monthly basis to monitor progress, hold officers to account and take decisions which will lead to improved services.

An Ofsted inspection of Children's Services in Torbay took place between 21 March and 1 April 2022. They subsequently reported that they had judged the Council as 'Good' in all areas of inspection. The report acknowledges the "remarkable transformation" attributed to a clear and ambitious improvement plan, based on evidence of the causes of long-standing, inadequate practice, together with a strong political and corporate commitment to the improvement agenda.

In May 2022, notification was received that the revised Statutory Direction issued by the Government in May 2021 is to be lifted. The lifting of the revised Statutory Direction is based on the landmark improvements shown in the latest Ofsted's inspection report of Torbay Children's Services.

We will continue to build on these successful foundations to make further improvements across all our services, such as driving up the quality of services for children and young people with special educational needs and/or disabilities (SEND).

Work continues to ensure the IT processes that support key financial systems are well operated and managed despite resource issues stemming from significant ICT project work and the ongoing impact of Covid-19. Significant risks in relation to malicious cyber attacks are faced by all Local Authorities. Risks are mitigated as far as possible and recommendations made by Internal Audit are being actioned.

Based on work performed during 2021/22, Internal Audit's experience from previous years, and the outcome of the Annual Follow Up exercise as separately reported, the Draft Annual Audit Report for

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2021/2022 set out that the Head of Internal Audit's Opinion is one of "Reasonable Assurance" on the adequacy and effectiveness of much of the Authority's internal control framework. The exception was Children's Services, where their opinion remained as 'Limited Assurance'. The Opinion considers the limited audit work in some directorates due to the ongoing impact of the pandemic on Council service areas, and the need to adjust the plan to review new risks and challenges arising from responding to Covid.

The Authority's internal audit plan for 2021/22 included specific assurance, risk, governance and value-added reviews which, together with prior years audit work, provide a framework and background within which Internal Audit can assess the Authority's control environment. The audit plan has been significantly changed with the agreement of the S151 Officer due to insufficient capacity in the Council's departments as a result of the continued impact of Covid 19.

The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

Significant governance issues

In their Draft Annual Report, Internal Audit identified that the Council's overall internal control framework is considered to have operated effectively during the year. Where internal audit work has highlighted instances of non or part compliance, none are understood to have had a material impact on the Authority's affairs. However, the opinion provided must be considered in light of Covid-19 and the ongoing impact of this on the Council. Audit's opinion is based on internal audit work undertaken during 2021-22, as part of a revised plan. Covid-19 measures have resulted in a significant level of challenge to the Council and put pressure on the expected control environment; the need for prompt and urgent action by officers has required changes to some procedures and control arrangements. In respect of this report, it has not been possible to fully quantify the additional risk that may have arisen from such emergency and associated measures or fully determine the overall impact on the framework of governance, risk management and control.

The ongoing financial impact of COVID-19 will have a significant impact on the 2022/23 budget. The impact on the Council's income, expenditure and funding is outlined in the Medium Term Resource Plan and the 2022/23 budget proposals. The financial impact on 2022/23 and future years can only be an estimate which officers will continue to update and aim to mitigate impacts as far as possible.

Audit's November 2019 report found that Tor Bay Harbour Authority was compliant with the requirements of the Port Marine Safety Code (PMSC) however there were concerns in relation to land-based Health and Safety (H&S). These concerns were referenced again in Audit's follow up report in November 2020 and again in their 2021 follow up report. Recommendations were made that land-based H&S be formally reviewed by an appropriate body and an action plan drawn up. These actions have been undertaken and the Council continues to ensure a significant focus on health and safety in the harbours as our area of biggest risk. A dedicated Harbour H&S Officer has been appointed within the Harbours team.

In the January 2022 report by Audit on Cyber Governance, they recommended that there was a need to fully integrate IT and Cyber risks into the organisation's performance and risk framework and for the Council to obtain assurance regarding cyber defences within any wholly owned companies and their subsidiaries. Work is under way to incorporate Cyber security risks as part of the existing Performance and Risk Management framework reporting. Where the IT provision of wholly owned companies and their subsidiaries is outside of the control of Torbay IT, issues have been identified and are being addressed.

In addition to the above, there were a number of reviews undertaken by internal audit during the course of the year which found that improvements were required. In most cases management actions plans have been put in place and these will be monitored on a regular basis through the Performance and Risk Framework.

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Conclusion

Overall, during the course of the year we have ensured that we are delivering against our agreed action plans in order to maintain our robust corporate governance arrangements. Our decision making processes are understood by members and officers and the mechanisms which support those processes operate effectively.

We have recognised where there are areas for further improvement as outlined within this Statement. We propose, over the coming year, to take the steps detailed in the action plan below to address these areas to further enhance our governance arrangements. We are satisfied that these steps will address the issues identified and we will monitor their implementation and operation as part of our next annual review.

Anne-Marie Bond  
Chief Executive

Councillor David Thomas  
Leader of the Council

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Action	Responsible Officer	Deadline
Continue to deliver the Children’s Services Continuous Improvement Plan.	Director of Children’s Services	31 March 2023
Implement the SEND Written Statement of Action.	Director of Children’s Services	31 March 2023
Deliver against the Council’s Business Plan.	Senior Leadership Team	31 March 2023
Incorporate IT Cyber security risks as part of the existing Performance and Risk Management framework reporting.	Divisional Director for Corporate Services	31 March 2023
Tor Bay Harbour Authority to continue to ensure a significant focus on land-based Health and Safety.	Director of Place	31 March 2023

## GLOSSARY

### A

**Academy Schools** – These are independent schools funded from the Department of Education.

**Accumulating Compensated Absences Adjustment Account** - The Accumulating Compensated Absences Adjustment 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 the Account.

**Actuarial Remeasurements** – For a defined pension scheme, the changes in actuarial deficits or surpluses that arise because events have not matched previous assumptions and/or actuarial assumptions have changed.

**Agency** – Under an agency arrangement the Council acts on behalf of other bodies, so in effect any monies that flow through the Council's accounts under that arrangement are not the Council's asset or liability.

**Amortisation** - a term used to refer to the charging of the value of a transaction or asset (usually related to intangible assets or deferred charges) to the Income and Expenditure Account over a period of time, reflecting the value to the Council (similar to the depreciation charge for tangible fixed assets).

**Amortised Cost** – the fair value of a financial instrument valued using the effective interest rate inherent in the contract.

#### Asset categories & their definitions:

Property, Plant & Equipment category on the balance sheet is comprised of a number of subcategories:

Vehicles, Plant & Equipment – Assets used for operational purposes.

Community Assets - assets which the Council intends to hold in perpetuity, which may have an indeterminate life and may have restrictions on disposal.

Surplus Assets – assets which are surplus to service needs but do not meet the criteria to be classified as Assets Held for Sale.

Infrastructure Assets – assets which form the underlying framework of the physical environment and by their nature cannot be sold. They include coastal defence and drainage systems and transport infrastructure assets. Transport infrastructure assets form the underlying transport framework of the physical environment and by their nature cannot be sold. They include highways, footways, and associated assets.

Assets under construction (Work in Progress) - where capital projects are incomplete and the assets under construction are not yet operational at the year end.

Other Land and Buildings – Assets used for operational purposes, including any operational heritage assets.

**Assets Held For Sale** – a category of property where the property is expected to be sold and is to be actively marketed so is classified as a current asset rather than a non-current asset.

**Assets Under Construction** – expenditure incurred to date on an asset that is being constructed and at balance sheet date is not operational.

**Authorised for Issue Date** – The date up to which the Council will have included latest information of financial transactions that would have a significant impact on both the Accounts for the year or on the readers understanding of the Council's financial position.

**Available-for-sale assets** - (i.e., investments and cash equivalents) - assets that have a quoted market price and/or do not have fixed or determinable payments.

## **B**

**BEIS** – Department for Business, Energy, and Industrial Strategy. The central government department that funded the COVID Business Grant schemes.

**Borrowing** - Councils borrow to fund Capital expenditure or for temporary cash flow requirements. Most of the Council borrowing will be from Central Government by means of the Public Works Loans Board. Councils are free to use other borrowing options provided they are within the Council's treasury management arrangements.

## **C**

**Capital Expenditure** - payments made for the acquisition, provision or improvement of assets, which will be of a long-term value to the Council, e.g., land and buildings.

**Capital Adjustment Account** - The Capital Adjustment Account represents the capital funding used to finance capital investment immediately from capital receipts and directly from revenue. It also contains amounts which in the past were required by statute to be set aside from capital receipts for the repayment of external loans. The Account is also used to compensate the General Fund Revenue Account for any excess of charges paid in respect of depreciation of assets over the statutory Minimum Revenue Provision that Council Taxpayers are required to bear. The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and accumulated losses on Assets held for Sale that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on non-current assets before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

**Capital Financing Requirement** - The Capital Financing Requirement shows the underlying need to borrow because of capital investment offset by any resources set aside in the year. The CFR was introduced from 1 April 2004 by the Prudential Code for Capital Finance and reflects the movement in the Balance Sheet Accounts for Fixed Assets, Capital Financing Account, Government Grants Deferred and the Fixed Asset Restatement Account.

**Capital Grants and Contributions Unapplied Reserve** - This reserve holds the balance of any capital grants and contributions at the end of each financial year that have been received and recognised as income in the Comprehensive Income and Expenditure Account but not yet applied to finance capital expenditure.

**Capital Receipts** - money received from the sale of assets or the repayment of grants and loans which is available for financing future capital expenditure.

**Capital Receipts Reserve** - This reserve holds the balance of any capital receipts at the end of each financial year that have been received and recognised as income in the Comprehensive Income and Expenditure Account but not yet applied to finance capital expenditure.

**Cash & Cash Equivalents** – cash, bank balances and short-term investments that are held for the primary purpose of short-term cash flow purposes and not for investment purposes.

**CCG** - The NHS Torbay and South Devon Clinical Commissioning Group. The NHS body responsible for the commissioning of health services in Torbay. From 1 July 2022 the CCG is part of NHS Devon.

**CIPFA** – The Chartered Institute of Public Finance and Accountancy – the accounting institute that helps regulate and support accountants in the public sector.

**CCLA** – Churches, Charities and Local Authorities. A property fund used for some of the Council’s cash investments.

**Code** – The CIPFA Accounting Code of Practice – the guidance for Council’s in producing their IFRS compliant accounts.

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

**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 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.

**Corporate and Democratic Core** – All activities which the Council engage in specifically because they are elected, multi-purpose authorities.

**Current** – a term applied to different categories of assets and liabilities to reflect that the asset or liability will be used or incurred within twelve months.

**Current Service Costs (pension)** – The increase in the present value of a defined benefit pension scheme’s costs due to the employee service in the current period.

**Current Value** – The value that the majority of fixed assets are held at in the Council’s balance sheet. This value reflects the most recent valuation of that asset or pending a valuation the current value is increased by capital expenditure on that asset.

**Curtailment** – For a defined benefit pension scheme, an event that reduces the expected years of future service of employees.

**Creditors** - amounts owed by the Council for work done, goods received or services rendered but for which payment had not been made by the end of the year.

## D

**DfE** – the Department of Education, the central government department responsible for a number of services including schools.

**Debtors** - sums of money due to the Council but unpaid at the end of the year.

**Dedicated Schools Grant Adjustment Account** – a unusable reserve for the accumulated deficits within the ring-fenced Dedicated Schools Grant primarily from overspends in the Higher Needs Block of the grant that is used to support the education of pupils with Education, Health and Care Plans.

**Deferred Capital Receipts Reserve** – reserve to reflect the value of future capital receipts for assets treated as disposal but with an ongoing rental stream from a long-term lease.

**Defined contribution / defined benefit schemes (Pension costs)** – There is an important distinction between defined contribution and defined benefit schemes in terms of pension accounting.

**Defined contribution:**

- employer pays fixed amounts into the scheme and has no obligation to pay further amounts if the scheme does not have sufficient assets to pay employee benefits
- accounted for by charging employer contributions to revenue as they become payable

**Defined benefit:**

- retirement benefits are determined independently of the investments of the scheme and employers have obligations to make contributions where assets are insufficient to meet employee benefits
- accounted for by recognising liabilities as benefits are earned (i.e. employees work qualifying years of service), matching them with the organisations attributable share of the scheme's investments

**Depreciation** - Amounts set aside from the revenue account which represents the wearing out, consumption of loss of value of a fixed asset spread over the useful life of the asset.

**Discount Rate** – A high quality corporate bond rate (usually AA) that the pension actuary uses to estimate the value of the pension liability.

**DLUCH** – the Department of Levelling Up, Communities and Housing, the central government department responsible for local government.

**DWP** – the Department of Work and Pensions – a central government department that deals primarily with welfare benefits.

## **E**

**ESFA** - Education and Schools Funding Authority – a central government body that is responsible for the majority of schools funding.

**EFW** – Energy From Waste facility, opened in April 2015 in Plymouth that disposes of Torbay's domestic waste.

**EMMF** – Enhanced Money Market Fund, a pooled fund used for Council cash investments where the net asset value can vary.

**Exceptional Items** – Events or transactions that fall within the ordinary activities of the Council and need to be disclosed separately due to their size to give fair presentation of the accounts.

**Expected Losses** – a model for assessing the value of the impairment of assets using a forward look rather than relying on evidence that impairment has taken place.

**Expected Rate of Return on Pension Assets** – The average rate of return, including income but net of scheme expenses, expected over the remaining life of the pension.

**Extraordinary Items** – Abnormal material items are those which fall outside the ordinary activities of the Council



and which are not expected to recur.

## E

**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.

**Fair Value through Profit and Loss** – A classification of a type of financial asset. The Council's fund manager holding has been designated into this category as this holding meets the definition of this type of financial instrument – i.e., the holding is part of a portfolio of investments managed as a whole.

**Financial Guarantee** – a liability recognised to reflect any legal agreements with a third party that may incur a cost to the council if the future if that third party is unable to meet a specified future cost if it occurs.

**Finance Lease** – A finance lease is a lease that transfers substantially all the risks and rewards of ownership of an asset to the lessee. Accounting guidance requires that it should be presumed that such a transfer of risks and rewards occurs if at the inception of a lease the present value of the minimum lease payments including any initial payment, amounts to substantially all (normally ninety per cent or more) of the fair value of the leased asset. The present value is calculated by using the interest rate implicit in the lease.

**Financial Instrument** – a general term relating to several contractual arrangements, such as investments, borrowing, debtors and creditors, that a Council may incur. Based on this classification there are several additional accounting requirements relating to the fair value of an arrangement which may be different to the contractual amount due to an assessment of risk or value.

**Financial Instruments Adjustment Account** - The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments such as the CCLA Property Fund per statutory provisions. Also known as the pooled investment fund adjustment reserve.

**Funded Pension Liabilities** – These are liabilities relating to pensions due in the future to members of a pension fund based on the "standard" entitlements within the scheme.

## G

**Grants – Receipts in Advance** – a grant from central government or other body that has conditions that will require repayment of the grant if not complied with. These grants are not recognised as income until the conditions are met.

## H

**Heritage Assets** - Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. Heritage assets include historical buildings, archaeological sites, civic regalia, museum and gallery collections and works of art.

**Historical Cost** – the historical or original cost of a fixed asset can be increased by further capital expenditure on that asset.

## I

**ICO - Integrated Care organisation** - The "descriptive" name for the Torbay and South Devon NHS Foundation Trust as the provider of health and adult social care service to both Torbay Council and the Clinical Commissioning Group.

**Impairment** – A reduction in the value of a fixed asset, below its balance sheet value.

**Insurance Contracts** – a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. The Council’s pension guarantees are within this classification.

**Intangible Assets** – (notably software) are recognised on the Balance Sheet at their cost of acquisition or development but only revalued in restricted circumstances.

**Interest Costs for Pensions (net)** – The expected increase in value for a defined benefit scheme, as it draws closer to settlement.

**Investment Properties** – land and buildings held only for the income stream or for capital appreciation.

**IFRS** – International Financial Reporting Standards. These are the financial “rules” that Council accounts will have to comply with. These rules should be consistently applied throughout all bodies throughout the world.

## J

**Joint Committee** – a formal committee of local authorities established under the provisions of Local Government Act 1972 usually for the management of a shared service.

**Joint Operation** - An arrangement under which participants engage in joint activities with joint control but do not create a legal entity.

**Joint Venture** - An arrangement under which the participants engage in joint activities with joint control by means of a separate vehicle/entity.

## L

**LEP** – Heart of the South West Local Enterprise Partnership. A regional body covering the geographical area of Devon and Cornwall focussing on business and transport activity.

**Liquid Resources** – Current asset investments that are readily disposable by the Council without disrupting its business.

**Loans and receivables** (i.e., investments and loans) - assets that have fixed or determinable payments but are not quoted in an active market.

**LOBO** – A “Lender Option, Borrowing Option” loan. Such a loan has a set rate for a defined period, after which point, the lender has the option of changing the rate. If that option is actioned the borrower then has the option to either accept the new rate or repay the loan.

## M

**MRP - Minimum Revenue Provision** - The minimum amount which must be charged to a Council’s revenue account each year and set aside as provision for repayment of debt, as required by the Local Government Act 2003. For assets funded from unsupported borrowing this must be a “prudent” amount.

**Modified form of historical cost** – opening balances for infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April [1994 England and Scotland] [1996 Wales], which was deemed at that time to be historical cost.

## N

**Net Book Value** – The amount at which fixed assets are included in the balance sheet.

**Net Debt** – The Council’s borrowings less cash investments.

**New Homes Bonus Grant** – A general grant that is linked to the growth in the number of properties available for occupation either from a new home or an empty home brought back into use.

**NNDR** – National Non-Domestic Rates, a national tax collected on a local level formally known as business rates.

**NNDR Retention Scheme** - This method of funding Council’s moves Councils away from central government funding based on a service “needs” basis to one linked more to economic growth.

**Non-Current Assets** – assets, primarily land and buildings that have an asset life of over one year and are not used for trading purposes.

**Non-Distributed Cost** – a category within the Council’s cost of services that represents past service costs (see below) and other costs that have not been attributed to specific services.

## O

**Operating Lease** – An operating lease is a lease other than a finance lease (please see above). The future obligations relating to operating leases are disclosed to provide the reader with an estimate of the outstanding undischarged obligations in relation to such leases.

## P

**Past Service Cost** – The increase in the present value of a defined benefit pension scheme, as a result of improvements to, retirement benefits.

**Pensions Reserve - (Funded and Unfunded Liabilities)** - 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 Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer’s contributions to pension funds or pay 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 Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside, (usually by means of adjusting contribution rates); by the time the benefits come to be paid.

**PFI - Private Finance Initiative** – A method of using private investment to fund public sector schemes often supported by central government. The private sector typically builds an asset such as a school and then charges the Council over a period of typically 25 years to use and pay for the asset.

**Pooled Investment Fund Adjustment Account** - absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments such as the CCLA Property Fund per statutory provisions. Also known as the Financial Instrument Adjustment Account.

**Post Balance Sheet Events** – Those events, both favourable and unfavourable, which occur between the balance

sheet date and the date on which the Statement of Accounts is signed.

**Prior Period Adjustments** – Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements.

**Precept** - A levy made by one statutory body on another to meet the net cost of its services.

**Precepting Body** – the statutory body that makes a “precept” on a Council that is responsible for collecting Council Tax in an area. Town and parish Councils are classified as a Minor Precepting body which means they precept their tax requirement on the Council who then include that amount in their precept.

**Projected unit method (Pensions costs)** – an accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases, and
- the accrued benefits for members in service on the valuation date. The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not.

**Property, Plant & Equipment** – a category of non current assets that show the carrying value of the Council’s operational assets.

**Provisions** - amounts set aside for the purposes of providing for any liability or loss which is likely or certain to be incurred but is uncertain as to the amount or the date on which it will arise, e.g., bad debts.

**Prudential Code** – The CIPFA Prudential Code for Capital Finance in Local Authorities which is the guidance applicable from April 2004 for the greater freedom for Councils to borrow to fund capital investment (under the Local Government Act 2003). This Code requires the Council to set and monitor a suite of Prudential Indicators, including its Affordable Borrowing Limit, and establish its policy for using the new freedoms.

**Prudential Borrowing** – see Unsupported Borrowing

**PWLB** – see Borrowing

## R

**Related Party Transaction** – Is the transfer of assets or liabilities, or the provision of services to or for a related party, irrespective of whether a charge is made.

**REFCUS – Revenue Expenditure Funded from Capital Under Statute.** This represents expenditure that qualifies as capital for the purposes of government controls, but does not result in the acquisition, creation or enhancement of a tangible fixed asset. As a result the expenditure in this category and related grants or contributions are reported as revenue income and expenditure.

**Retirement Benefits** – All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

**Reserves** – are available for meeting general and future expenditure, for example, capital expenditure on new projects or unforeseen occurrences. Reserves may also be used to smooth the cost of certain activities over several years, e.g., crematoria replacement.

**Revaluation Reserve** – The Revaluation Reserve contains the net gains made by the Council arising from increases in the value of its Property, Plant and Equipment, Intangible Assets and the “frozen” revaluation gains

in assets now classified as Investment Properties or as Assets Held for Sale. The balance is reduced when assets with accumulated gains are:

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

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

**Revenue Contribution to Capital Outlay** - the financing of capital expenditure, directly funded from revenue or reserves, rather than from borrowing or other sources.

**Revenue Expenditure** - expenditure on day-to-day expenses consisting mainly of employee costs, the running expenses of buildings and equipment and capital financing costs.

**Revenue Support Grant** – a General Government Grant funded from national taxation to support the Council’s net expenditure.

**RICC** – Riviera International Conference Centre, a facility owned by the Council.

## S

**S31 Grant** – a grant awarded by central government to councils where the legal basis for the grant is section 31 of the Local Government Act 2003.

**Scheme Liabilities** – Money due on a defined benefit scheme due after the valuation date.

**Supported Borrowing** – the amount of historic Council borrowing towards which the Government provided financial support through the annual Revenue Support Grant although this now significantly reduced by the ongoing austerity funding reductions

**SWISCo** – South West Integrated Services Company. A subsidiary of Torbay Council.

## T

**Torbay Economic Development Company Ltd** - a 100% owned subsidiary of the Council.

**TDA** – The trading name for the Torbay Economic Development Company Ltd, a 100% owned subsidiary of the Council.

**TDA Group** – The trading name for the Torbay Economic Development Company Ltd group of companies including Torvista Homes.

**Total Cost** – the actual cost of services reflects all of the direct, indirect and overhead costs that have been incurred in providing the service, even where the expenditure is not under the control of the service’s chief officer.

## U

**Unfunded Pension Liabilities** – these are pension costs arising from additional service awarded by a Council on a discretionary basis.

**Unsupported (or Prudential) Borrowing** – any borrowing the Council undertakes that is above and beyond the level of Supported Borrowing which the Government helps to fund and which therefore the Council has to fund completely from its own resources.

**Usable Reserves** – a heading that reflects the Council’s reserves that can be used for supporting service delivery, including capital expenditure, in the future.

**Unusable Reserves** – a heading that reflects the Council’s reserves that cannot be used for supporting services. These tend to be the result of notional accounting entries such as those that reflect previous capital financing, asset revaluations and the pension reserve.

## V

**VRP – Voluntary Revenue Provision** – An additional sum that a Council can make to be set aside as provision for the future repayment of debt.

# Torbay Council Indicative audit plan

Year ending 31 March 2024

May 2024

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



# Key matters

## National context

The national economic context continues to present challenges to the local government sector. There are increasing cost pressures nationally, such as a growing population and increasing demand for local government services, especially in adult and children's social care. Combined with inflationary pressures, pay demands and energy price rises, the environment in which local authorities operate is highly challenging. Local Government funding continues to be stretched and there have been considerable reductions in the grants received by local authorities from government.

Recently, we have seen the additional strain on some councils from equal pay claims, and there has been a concerning rise in the number of councils issuing s.114 notices. These are issued when a council's Chief Financial Officer does not believe the council can meet its expenditure commitments from its income. Additionally, the levels of indebtedness at many councils is now highly concerning, and we have seen commissioners being sent in to oversee reforms at a number of entities.

Our recent value for money work has highlighted a growing number of governance and financial stability issues at a national level, which is a further indication of the mounting pressure on audited bodies to keep delivering services, whilst also managing transformation and making savings at the same time.

In planning our audit, we have taken account of this national context in designing a local audit programme which is tailored to your risks and circumstances.

## Audit Reporting Delays

Against a backdrop of ongoing audit reporting delays, in October 2023 PSAA found that only five local government accounts had been signed by the September deadline. In June 2023 the Public Accounts Committee (PAC) also produced a report setting out their concerns over these audit reporting delays. We issued our report [About time?](#) In March 2023 which explored the reasons for delayed publication of audited local authority accounts.

In our view, to enable a timely sign off of the financial statements, it is critical that draft local authority accounts are prepared to a high standard and are supported by strong working papers. At Torbay, the opinion on the most recent set of accounts is for 2021/22 and we anticipate that this will be signed in June 2024. The 2022/23 accounts are expected to have a disclaimed opinion under the local government backstop arrangements. It is therefore highly important that the 2023/24 audit work can be completed in a timely manner so as to get the accounts process at the Council back on track. Further details on the local audit backlog consultation can be found on page 28.

# Key matters - continued

## Our Responses

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out in this Audit Plan has been agreed with the Director of Finance.
- To ensure close work with our local audited bodies and an efficient audit process, our preference as a firm is work on site with you and your officers. Please confirm in writing if this is acceptable to you, and that your officers will make themselves available to our audit team. This is also in compliance with PSAA contract guidance which requires us to commit to onsite working.
- We would like to offer a formal meeting with the Chief Executive twice a year, and with the Director of Finance Quarterly as part of our commitment to keep you fully informed on the progress of the audit.

At an appropriate point within the audit, we would also like to meet informally with the Chair of your Audit Committee, to brief them on the status and progress of the audit work to date.

We will consider your arrangements for managing and reporting your financial resources as part of our audit in completing our Value for Money work.

- Our Value for Money work will also consider your arrangements relating to governance and improving economy, efficiency and effectiveness.
- Our work on the 2021-22 financial statements is nearing completion and the Audit Findings Report will be considered by the Council's Audit Committee at its meeting in May 2024. Where any actions have been agreed in respect of matters identified through our audit work, these will be followed up as part of our 2023-24 audit procedures.
- We will continue to provide you and your Audit Committee with sector updates providing our insight on issues from a range of sources and other sector commentators via our Audit Committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretations, to discuss issues with our experts and to facilitate networking links with other audited bodies to support consistent and accurate financial reporting across the sector.

# Key matters - continued



## Our Responses (continued)

- With the ongoing financial pressures being faced by local authorities, in planning this audit we have considered the financial viability of the Council. We are satisfied that the going concern basis remains the correct basis behind the preparation of the accounts. We will keep this under review throughout the duration of our appointment as auditors of the Council.
- There is an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to ongoing financial pressures. We are required to identify a significant risk with regard to management override of controls.
- There is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue- refer to page 8.

## Prior year disclaimer

If a disclaimer of opinion was issued in the prior year as a result of managing the backlog, there may need to be an amendment to this plan. We will issue any such update once the government response to the consultation has been concluded and appropriate guidance issued.

# Introduction and headlines

## Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Torbay Council ('the Council') for those charged with governance.

## Respective responsibilities

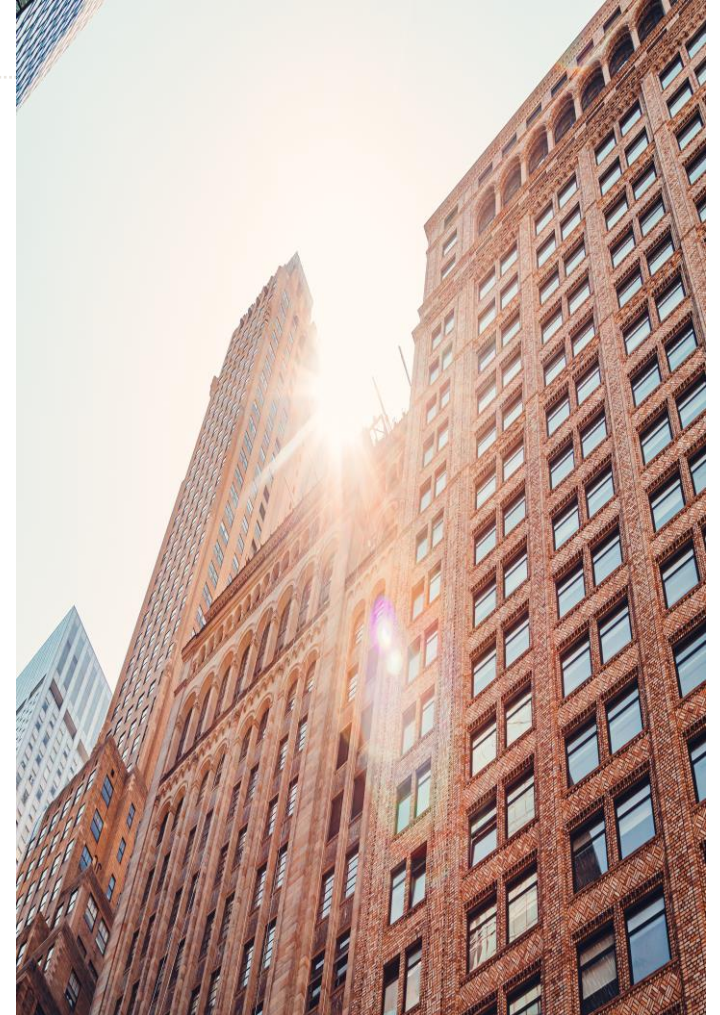
The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Torbay Council. We draw your attention to these documents.

## Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council and group's financial statements that have been prepared by management with the oversight of those charged with governance the Audit committee; and we consider whether there are sufficient arrangements in place at the Council and group for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Audit Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.



# Introduction and headlines

## Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management Override of Control (journals)
- Valuation of Land and Buildings
- Valuation of Investment Properties
- Valuation of Pension Liability

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

## Materiality

We have determined planning materiality to be £7.142m (PY £6.572m) for the group and £6.856m (PY £6.194m) for the Council, which equates to approximately 2% of your prior year gross operating costs. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £342.8k (PY £310k).

## Group Audit

The Council is required to prepare group financial statements that consolidate the financial information of its subsidiary undertakings, as identified on page 12.

## Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has not identified any risks of significant weakness. We will continue to update our risk assessment until we issue our Auditor's Annual Report.

## Audit logistics

Our planning visit took place in March and April 2024 and our final visit will take place in September to December 2024. Our key deliverables are this Audit Plan, our Audit Findings Report and our Auditor's Annual Report.

Our preference is for all our work to take place on site alongside your officers.

Our proposed fee for the audit will be £321,483 for the Council, subject to the Council delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

# Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent revenue transactions (ISA240)	Group and Council	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council and the group, we have determined that the risk of material fraud arising from revenue recognition can be rebutted because:</p> <ul style="list-style-type: none"> <li>• There is little incentive to manipulate revenue recognition</li> <li>• There are adequate controls in place to deter and identify material fraud</li> <li>• The culture and ethical frameworks of local authorities, including Torbay Council, mean that all forms of fraud are seen as unacceptable.</li> </ul>	We do not consider this to be a significant risk for the Council or the group (noting that any fraud in the subsidiaries could not be material to the group)
Risk of fraud related to expenditure recognition PAF Practice Note 10	Group and Council	<p>In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period).</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to expenditure recognition.</p> <p>we have determined that the risk of material fraud arising from revenue recognition can be rebutted because, per Practice note 10, misstatements may arise where the audited body is under pressure to meet externally set targets. This environment does not exist at the Council or group.</p>	We do not consider this to be a significant risk for the Council or the group (noting that any fraud in the subsidiaries could not be material to the group)

‘Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.’ (ISA (UK) 315)



# Significant risks identified - continued

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and building assets (other land and buildings)	Group and Council	<p>The Council revalues its land and buildings on a rolling basis of not less than every five years to ensure that the carrying value is not materially different from the current value (fair value for surplus assets) at the financial statements date. This valuation represents a significant financial statements estimate by management due to the size of the balances involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>Management have engaged the services of a valuer to estimate the current (fair) value as at 31 March 2024.</p> <p>We have therefore identified the valuation of the closing balance of land and buildings as a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;</li> <li>• evaluate the competence, capabilities and objectivity of the valuation expert;</li> <li>• write to the valuer to confirm the basis on which the valuation was carried out;</li> <li>• challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the valuer's report and the assumptions that underpin the valuation;</li> <li>• test revaluations made during the year to see if they had been input correctly into your asset register; and</li> <li>• evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.</li> </ul>
Valuation of investment property assets	Group and Council	<p>The Council revalues its investment properties on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date. This valuation represents a significant financial statements estimate by management due to the size of the balances involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>Management have engaged the services of a valuer to estimate the fair value as at 31 March 2024.</p> <p>We have therefore identified the valuation of the closing balance of investment properties as a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;</li> <li>• evaluate the competence, capabilities and objectivity of the valuation expert;</li> <li>• write to the valuer to confirm the basis on which the valuation was carried out;</li> <li>• challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the valuer's report and the assumptions that underpin the valuation;</li> <li>• test revaluations made during the year to see if they had been input correctly into your asset register; and</li> <li>• evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.</li> </ul>

# Significant risks identified - continued

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	Group and Council	<p>The pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• update our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls;</li> <li>• evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;</li> <li>• assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation;</li> <li>• assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability;</li> <li>• test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;</li> <li>• undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and</li> <li>• obtain assurances from the auditor of Devon Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.</li> </ul>

'In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them.' (ISA (UK) 315)



# Group audit scope and risk assessment

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

## Key changes within the group

The Council are in the process of restructuring the group, including dissolving two of the wholly owned companies (Torbay Economic Development Company and TorVista Homes). These changes will not take effect until after the end of the financial year ending 31 March 2024, and therefore we will need to continue to perform group audit procedures over the consolidated financial statements.



# Group audit scope and risk assessment

Component	Individually Significant?	Level of response required under ISA (UK) 600	Risks identified	Planned audit approach
Torbay Council	Yes		<ul style="list-style-type: none"> <li>See pages 8-10</li> </ul>	Full scope audit performed by Grant Thornton UK LLP
Torbay Economic Development Company (TEDC) and subsidiaries (TDA group)	Yes		<ul style="list-style-type: none"> <li>TEDC is owned wholly by Torbay Council and has a material PPE balance within their financial statement.</li> </ul>	The nature, time and extent of our involvement in the work over the PPE balance will begin with a discussion on risks, guidance on designing procedures, and participation in meetings, followed by the review of relevant aspects of the valuer's report and meeting with appropriate members of management.
CSW Group	No		None	Analytical review performed by Grant Thornton UK LLP.
Swisco Limited	No		None	Analytical review performed by Grant Thornton UK LLP.

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## Audit scope

- Audit of the financial information of the component using component materiality
- Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements
- Review of component's financial information
- Specified audit procedures relating to significant risks of material misstatement of the group financial statements
- Analytical procedures at group level

# Other matters

## Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.

We consider our other duties under legislation and the Code, as and when required, including:

- giving electors the opportunity to raise questions about your financial statements, consider and decide upon any objections received in relation to the financial statements;
  - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act);
  - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act;
  - issuing an advisory notice under section 29 of the Act.
- We certify completion of our audit.

## Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

# Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Matter	Description	Planned audit procedures
1	<p><b>Determination</b></p> <p>We have determined planning materiality to be £7.142m (PY £6.572m) for the group and £6.856m (PY £6.194m) for the Council, which equates to approximately 2% of your prior year gross operating costs for the year. We are obliged to report uncorrected omissions or misstatements other than those which are ‘clearly trivial’ to those charged with governance. Clearly trivial has been set at £342.8k (PY £310k).</p>	<p>We determine planning materiality in order to:</p> <ul style="list-style-type: none"> <li>– establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements;</li> <li>– assist in establishing the scope of our audit engagement and audit tests;</li> <li>– determine sample sizes and</li> <li>– assist in evaluating the effect of known and likely misstatements in the financial statements.</li> </ul>
2	<p><b>Other factors</b></p> <p>An item does not necessarily have to be large to be considered to have a material effect on the financial statements.</p>	<p>An item may be considered to be material by nature where it may affect instances when greater precision is required. We have not set any such materiality at Torbay Council in 2023/24.</p>

# Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Matter	Description	Planned audit procedures
3	<p><b>Reassessment of materiality</b></p> <p>Our assessment of materiality is kept under review throughout the audit process.</p>	<p>We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.</p>
4	<p><b>Other communications relating to materiality we will report to the Audit Committee</b></p> <p>Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p>	<p>We report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.</p> <p>In the context of the Group and Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £342.8k (PY £310k). If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.</p>

# Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

	Amount (£)	Qualitative factors considered
Materiality for the entity financial statements	£6.856m	<ul style="list-style-type: none"> <li>The latest audit of the Council's financial statements did not identify any significant errors in the accounts</li> <li>The latest audit of the Council's financial statements did not identify any significant deficiencies in the control environment.</li> <li>Senior management and key reporting personnel in the finance function has remained stable from the prior year audits. We are not aware of any key personnel leaving Torbay Council.</li> <li>There is not a significantly increased number of accounting issues that require significant judgement compared to prior year. The impact of changes in accounting standards is expected to be limited</li> <li>We have also considered that Torbay Council operate in a low-risk industry and no going concern risk has been identified in prior year audits</li> </ul>
Group materiality	£7.142m	<ul style="list-style-type: none"> <li>The latest audit of the Council's financial statements did not identify any significant errors in the accounts</li> <li>The latest audit of the Council's financial statements did not identify any significant deficiencies in the control environment.</li> <li>Senior management and key reporting personnel in the finance function has remained stable from the prior year audits. We are not aware of any key personnel leaving Torbay Council.</li> <li>There is not a significantly increased number of accounting issues that require significant judgement compared to prior year. The impact of changes in accounting standards is expected to be limited</li> <li>We have also considered that Torbay Council operate in a low-risk industry and no going concern risk has been identified in prior year audits.</li> </ul>





# IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
FIMS	Financial reporting	<ul style="list-style-type: none"> <li>Streamlined ITGC design assessment</li> <li>Understanding of link to feeder systems</li> </ul>
OpenRevenue from Civica	Council Tax, Housing Benefits	<ul style="list-style-type: none"> <li>Streamlined ITGC design assessment</li> </ul>
ResourceLink from Zellis	Payroll	<ul style="list-style-type: none"> <li>Streamlined ITGC design assessment</li> </ul>
Adelante	Income Feeds	<ul style="list-style-type: none"> <li>Streamlined ITGC design assessment</li> </ul>

# Value for Money arrangements

## Approach to Value for Money work for the period ended 31 March 2024

The National Audit Office issued its latest Value for Money guidance to auditors in January 2023. The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:



### Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.



### Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.



### Governance

How the body ensures that it makes informed decisions and properly manages its risks.

We have not identified any risks of significant weaknesses from our initial planning work. We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's annual report.



# Audit logistics and team



## Lordina Owusu-Donkor, Audit In-charge

Key audit contact responsible for the day-to-day management and delivery of the audit work

## Liam Royle, Audit Manager

Plans and manages the delivery of the audit including regular contact with senior officers.

## Julie Masci, Key Audit Partner

Provides oversight of the delivery of the audit including regular engagement with Governance Committees and senior officers

## Audited Entity responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audited bodies. Where the elapsed time to complete an audit exceeds that agreed due to an entity not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to an entity not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

## Our requirements

To minimise the risk of a delayed audit, you need to :

- ensure that you produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you.
- ensure that the agreed data reports are cleansed, are made available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit (as per our responses to key matters set out on slide 4).
- respond promptly and adequately to audit queries.

# Audit fees and updated Auditing Standards

Audit fees are set by PSAA as part of their national procurement exercise. In 2017, PSAA awarded a contract of audit for Torbay Council- This contract was re-tendered in 2023 and Grant Thornton have been re-appointed as your auditors. The scale fee set out in the PSAA contract for the 2023/24 audit is £308,933.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

- Production of the final auditor’s annual report for the previous Audit Year (exception for new clients in 2023/24 only)
- Production of the draft audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed

## Assumptions

In setting these fees, we have assumed that the Council will:

prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit

- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.

## Updated Auditing Standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

# Audit fees

	Proposed fee 2023/24
Torbay Council Audit Scale fee	£308,933
ISA 315	£12,550
Potential impact of delayed 2022/23 audit opinion	TBC
IFRS 16	TBC
Total audit fees (excluding VAT)	£321,483

## Previous year

In 2022/23, the scale fee set by PSAA was £87,331.

As the opinion on the 2022/23 audit is disclaimed due to the imposition of a backstop date, we will need to undertake further audit work in respect of opening balances. We will discuss the practical implications of this with you should this circumstance arise.

## Relevant professional standards

In preparing our fees, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

# IFRS 16 ‘Leases’ and related disclosures

IFRS 16 will need to be implemented by local authorities from 1 April 2024. IFRS 16 is a standard which sets out the principles for the recognition, measurement, presentation and disclosure of leases, and it replaces IAS17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. As this is the year before the implementation of IFRS 16, we will need to consider the work being undertaken by the Council to ensure a smooth adoption of the new standard.

## Introduction

IFRS 16 updates the definition of a lease to:

“a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.”  
In the public sector the definition of a lease is expanded to include arrangements with nil consideration.

IFRS 16 requires all leases to be accounted for 'on balance sheet' by the lessee (subject to the exemptions below), a major departure from the requirements of IAS 17 in respect of operating leases.

IFRS 16 requires a lessee to recognise assets and liabilities for leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. There is a single accounting model for all leases (similar to that of finance leases under IAS 17), with the following exceptions:

- leases of low value assets
- short-term leases (less than 12 months).

The requirements of IFRS 16 are set out in the CIPFA publication IFRS 16 Leases - A n early guide for local authority practitioners and councils will need to aide by the requirements set out in the CIPFA Code of Practice on Local Authority Accounting.<sup>4</sup>

## Council’s systems and processes

This is the year when councils will need to consider the impact the adoption of IFRS 16 will have on their 2024/25 accounts. This will cover the following areas:

- accounting policies and disclosures
- application of judgment and estimation

The Council will need to identify which systems capture and maintain new lease data and ongoing maintenance requirements. We will need to consider the work being undertaken by the council in updating relevant internal controls to reflect these changes in accounting policies and processes.

## Planning enquiries

As part of our planning risk assessment procedures we will =make further enquiries with officers on their progress in identifying its leases information and any necessary adjustments required.

# Independence and non-audit services

## Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

# Independence and non-audit services

## Other services

The following other services provided by Grant Thornton were identified.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors.

Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
Audit related			
Certification of Housing Benefit subsidy	35,640	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £35,640 in comparison to the total fee for the audit of £321,483 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Teachers' Pension Scheme certification	12,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £12,500 in comparison to the total fee for the audit of £321,483 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Harbour audit	1,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £1,500 in comparison to the total fee for the audit of £321,483 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

# Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•	
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	•	•
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		n/a

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

# Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud ( deliberate manipulation) involving management and/or which results in material misstatement of the financial statements ( not typically council tax fraud)		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

## Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.



# Escalation policy

The Department for Levelling Up, Housing and Communities are proposing to introduce an audit backstop date on a rolling basis to encourage timelier completion of local government audits in the future.

As your statutory auditor, we understand the importance of appropriately resourcing audits with qualified staff to ensure high quality standards that meet regulatory expectations and national deadlines. It is the Authority's responsibility to produce true and fair accounts in accordance with the CIPFA Code by the 31 May 2024 and respond to audit information requests and queries in a timely manner.

To help ensure that accounts audits can be completed on time in the future, we have introduced an escalation policy. This policy outlines the steps we will take to address any delays in draft accounts or responding to queries and information requests. If there are any delays, the following steps should be followed:

## Step 1 - Initial Communication with Finance Director (within one working day of statutory deadline for draft accounts or agreed deadline for working papers)

We will have a conversation with the Finance Director(s) to identify reasons for the delay and review the Authority's plans to address it. We will set clear expectations for improvement.

## Step 2 - Further Reminder (within two weeks of deadline)

If the initial conversation does not lead to improvement, we will send a reminder explaining outstanding queries and information requests, the deadline for responding, and the consequences of not responding by the deadline.

## Step 3 - Escalation to Chief Executive (within one month of deadline)

If the delay persists, we will escalate the issue to the Chief Executive, including a detailed summary of the situation, steps taken to address the delay, and agreed deadline for responding..

## Step 4 - Escalation to the Audit Committee (at next available Audit Committee meeting or in writing to Audit Committee Chair within 6 weeks of deadline)

If senior management is unable to resolve the delay, we will escalate the issue to the audit committee, including a detailed summary of the situation, steps taken to address the delay, and recommendations for next steps.

## Step 5 – Consider use of wider powers (within two months of deadline)

If the delay persists despite all efforts, we will consider using wider powers, e.g. issuing a statutory recommendation. This decision will be made only after all other options have been exhausted. We will consult with an internal risk panel to ensure appropriateness.

By following these steps, we aim to ensure that delays in responding to queries and information requests are addressed in a timely and effective manner, and that we are able to provide timely assurance to key stakeholders including the public on the Authority's financial statements.

# Addressing the local audit backlog - consultation

## Consultation

The Department for Levelling Up, Housing and Communities (DLUHC), working with the FRC, as incoming shadow system leader, and other system partners, has put forward proposals to address the delay in local audit. The proposals consist of three phases:

**Phase 1: Reset** involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 30 September 2024.

**Phase 2: Recovery** from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.

**Phase 3: Reform** involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.

The consultation ran until 7 March 2024. Full details of the consultation can be seen on the following pages:

- FRC landing page - [Consultations on measures to address local audit delays \[frc.org.uk\]](https://www.frc.org.uk/consultations)
- DLUHC landing page - [Addressing the local audit backlog in England: Consultation - GOV.UK \[www.gov.uk\]](https://www.gov.uk/government/consultations/addressing-the-local-audit-backlog-in-england)
- NAO landing page - [Code of Audit Practice Consultation - National Audit Office \[NAO\]](https://www.nao.org.uk/consultations/code-of-audit-practice)

## Our response to the consultation

Grant Thornton responded to the consultation on 5 March 2024. In summary, we recognise the need for change, and support the proposals for the introduction of a backstop date of 30 September 2024. The proposals are necessarily complex and involved. We believe that all stakeholders would benefit from guidance from system leaders in respect of:

- the appropriate form of reporting for a backstopped opinion
- the level of audit work required to support a disclaimer of opinion
- how to rebuild assurance in terms of opening balances when previous years have been disclaimed.

We believe that both auditor and local authority efforts will be best served by focusing on rebuilding assurance from 2023/24 onwards. This means looking forwards as far as possible, and not spending 2023/24 undertaking audit work which was not carried out in previous years. We look for guidance from systems leaders to this effect.



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