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Date: Tuesday, 26 November 2024

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Town Hall  
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Dear Member

## **AUDIT COMMITTEE - WEDNESDAY, 27 NOVEMBER 2024**

I am now able to enclose, for consideration at the Wednesday, 27 November 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>2022/23 Torbay Council Audit Findings Report and Progress Report (Grant Thornton)</b>	(Pages 3 - 32)
7.	<b>2022/23 Statement of Accounts including Annual Governance Statement</b>	(Pages 33 - 194)

Yours sincerely

Lisa Antrobus  
Clerk

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## Independent auditor's report to the members of Torbay Council

### Report on the audit of the financial statements

#### Disclaimer of opinion

We were engaged to audit the financial statements of Torbay Council (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2023, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Summary Account, the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet and the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

We do not express an opinion on the accompanying financial statements of the Authority or the group. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

#### Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2023 by 13 December 2024 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements.

Management have alerted us to multiple misstatements in the financial statements and that they have been unable to identify and quantify the full extent of those misstatements prior to the backstop date. We were therefore unable to undertake audit procedures to confirm the nature of any adjustments required to the financial statements. We have concluded that the possible effects of the misstatements, whether identified or unidentified, could be both material and pervasive to the financial statements.

In addition, we have not been able to obtain sufficient appropriate audit evidence by the backstop date to conclude that the Authority's or group's financial statements for the year ended 31 March 2023 as a whole are free from material misstatement. We have therefore issued a disclaimer of opinion on the financial statements. This enables the Authority to comply with the requirement in the Regulations that they publish audited financial statements for the year ended 31 March 2023 by the backstop date. We have concluded that the possible effects on the financial statements of undetected misstatements arising from this matter could be both material and pervasive.

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

Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

#### Opinion on other matters required by the Code of Audit Practice

The Director of Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Authority's and group's financial statements and our auditor's report thereon. Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, whether the other information published

together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

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

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

### **Responsibilities of the Authority and the Director of Finance (the Chief Finance Officer)**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance (the Chief Finance Officer). The Director of Finance (the Chief Finance Officer) is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance (the Chief Finance Officer) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance (the Chief Finance Officer) is responsible for assessing the Authority's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority and the group without the transfer of its services to another public sector entity.

### **Auditor's responsibilities for the audit of the financial statements**

Our responsibility is to conduct an audit of the Authority's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matters described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on those financial statements.

We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations.

The audit was defective in its ability to detect irregularities, including fraud, on the basis that we were unable to obtain sufficient appropriate audit evidence due to the matters described in the basis for disclaimer of opinion section of our report.

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

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

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We have nothing to report in respect of the above matter.

### **Responsibilities of the Authority**

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

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

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024. This guidance sets out the arrangements that fall within the scope of ‘proper arrangements’. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

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

## **Report on other legal and regulatory requirements – Audit certificate**

We certify that we have completed the audit of Torbay Council for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

### **Use of our report**

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority’s members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature:

Paul Dossett, Key Audit Partner

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

London

Date:

27 November 2024

To Audit Committee Chair  
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Dear Martin,

## **Torbay Council: Conclusion of the audit for 2022/23 – letter to those charged with governance on the application of the local authority backstop**

As you will be aware, on 5 September 2024 the government published draft the Accounts and Audit (Amendment) Regulations 2024. These Regulations, which were approved on 30 September 2024, set a publication date for financial statements up to and including 2022/23 of 13 December 2024. The new National Audit Office Code, which is expected to be approved by 14 November, also requires that auditors should issue their audit report in time for the relevant authority to publish its accounts by the specified date in those Regulations. Where audit work is not concluded, this will result in either a qualification or disclaimer of opinion.

As discussed with your Director of Finance/Section 151 Officer, and for reasons which I set out in more detail below, it will not be possible for us to complete our audits for 2022/23 by the statutory backstop date. We therefore propose to issue a disclaimer of our audit opinion. I attach a draft copy of this disclaimer for the attention of the Audit Committee.

We are required under Auditing Standards to report certain matters to the Audit Committee, including our responsibilities as auditor, the scope of the audit, independence, audit fees and any matters arising from the audit. I set out more details on the audit below. Information regarding our responsibilities, the scope of the audit and fees are included in the Appendix.

### **Outcome of our audit for 2022/23 – Disclaimer of the opinion on the financial statements**

For reasons set out below, it will not be possible for us to undertake sufficient work to support an audit opinion by the statutory deadline of 13 December 2024. This means that the limitations of scope imposed by the backstop are pervasive and therefore we have been unable to form an opinion on the financial statements by the due date. We therefore plan to issue a disclaimer of the audit opinion. We have attached the draft wording of our Audit Report for your information.

The main reason for the application of the backstop is that the completion of the 2021/22 audit was delayed and only signed on 2 September 2024. We had agreed with the Council that the audit of the financial statements for the year ended 31 March 2023 would not commence until the previous audit was concluded. This meant there was no realistic prospect of the audit of Council's financial statements for 2022/23 being completed in advance of the December 2024 backstop. In addition, as noted in our Audit Report, management have alerted us to various misstatements in the draft Statement of Accounts, which are likely to be material individually and/or collectively. Management are unable to identify the full extent of these misstatements and quantify their impact prior to the backstop date. The effects of those errors, identified or unidentified, could also therefore be both material and pervasive.

**Outcome of this year's audit - Value for Money work and other work under the National Audit Office Code of Audit Practice**

We undertook our Value for Money work for the year ended 31 March 2023 and reported the outcome in a combined interim Annual Audit Report and presented to the Audit Committee on 26 July 2023.

We are also required to report by exception if we have applied any of our statutory powers or duties.

We have nothing to report in respect of the above.

**Independence**

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. 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 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.

**Management letter of representation**

We have asked management to provide a letter of representation in respect of the financial statements for 2022/23. This will be tabled as a separate agenda item.

**Looking ahead**

The circumstances resulting in the application of the local authority backstop are clearly extremely unusual. The government has signalled its intent that where backstops have been applied, local authorities and their auditors work together to recover the position over subsequent years. We will follow relevant guidance including from the NAO and the FRC to work with you over the coming year, as we seek to rebuild audit assurance.

Yours sincerely

*Paul Dossett*

For Grant Thornton UK LLP

cc Director of Finance (Chief Finance Officer/s151 Officer)

Attachments: Draft Disclaimer of Opinion 2022/23

# Appendix

## **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 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 both of 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'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 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 its responsibilities. It is the responsibility of the authority 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 authority is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the authority's business and is risk based.

## **Audit Plan**

Due to delays in the completion of prior year audits, we were unable to issue an audit plan in respect of this audit year.

## **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.

Due to delays in the completion of prior year audits, we were unable to determine a materiality level for the audit of the year ended 31 March 2023.

## **Key financial reporting and audit issues identified during the audit**

As we have not undertaken any detailed work in respect of this year's financial statements audit, there are no issues we need to draw to your attention, except the possibility of material misstatements identified by management subsequent to the publication of the draft statements as identified on page 1.

## **Going Concern**

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).

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 sets out the following key principles for the consideration of going concern for public sector entities:

- 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
- 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.

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 a local authority meets this criteria, and so where undertaking work on your audit, we would normally expect to apply the continued provision of service approach. In doing so, we would consider and evaluate:

- the nature of the authority and the environment in which it operates
- the authority's financial reporting framework
- the authority's system of internal control for identifying events or conditions relevant to going concern
- management's going concern assessment.

As we have been unable to form an opinion on the financial statements, we are unable to draw a conclusion in this area.

#### **Design effectiveness of internal controls**

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to management.

We have nothing to report in respect of the above.

#### **Other matters which we are required to report on to those charged with governance**

We are required to confirm the following:

- We have not been made aware of any incidents of fraud in the period and no issues have been identified during the course of our audit procedures.
- We are not aware of any related party transactions which have not been disclosed.
- We are not aware of any significant incidences of non-compliance with applicable laws and regulations.

### Audit fees and non-audit fees

PSAA set a scale fee for this the year ended 31 March 2023 of £87,331. Given the unusual circumstances of the backstop, we are awaiting a determination from PSAA as to the appropriate fee to be charged for this audit year.

We have also undertaken the following non-audit work in respect of the year.

<b>Audit Service</b>	<b>Proposed Fee</b>	<b>Final Fee</b>
Audit of Teachers' Pension Scheme return year ending 31 March 2021	5,000	5,000
Audit of Teachers' Pension Scheme return year ending 31 March 2022	7,500	7,500
Audit of Teachers' Pension Scheme return year ending 31 March 2023	10,000	10,000
Audit of housing benefits grant return year ending 31 March 2021	20,250	20,250
Audit of housing benefits grant return year ending 31 March 2022	20,250	21,060
Audit of housing benefits grant return year ending 31 March 2023	26,400	26,400

The fees do not reconcile to the financial statements, so we have provided a reconciliation:

	<b>31 March 2023</b>
Audit fees per financial statements	£126,000
Consisting of:	
Accrual for 2020-21 fee variations	£23,205
Accrual for expected 2021-22 fee variations	£41,350
Accrual for then-unbilled 2022-23 audit scale fee	£61,932
Total audit fees	£126,487
Certification of grants per financial statements	£105,000
Accrual over or (under)estimated	£14,790
Total grant fees per above	£90,210

The level of these recurring fees taken on their own is not considered a significant threat to independence in comparison to the total fee for the audit of £87,331 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, there is no contingent element to it. These factors all mitigate any perceived self-interest threat to an acceptable level.

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# Torbay Council

Audit progress report and sector updates

November 2024



# Contents

Section	Page
Introduction	03
Progress at November 2024	04
Audit deliverables	06
Ending the local audit backlog	08
Lessons from recent Auditors' Annual Reports	09
Lessons from the new unitary councils	10
Code of practice on good governance	11
Internal Audit - supporting a healthy service	12
Annual review of local government complaints	13
Homelessness and housing targets	14
New approaches needed to key educational issues	15
Demand management for social care	16
The social landlord role - what can Councils do better?	17
Devolution	18
Resources	19

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and, in particular, we cannot be held responsible to you for reporting all 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.

# Introduction

## Your key Grant Thornton team members are:

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This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes a series of sector updates in respect of these emerging issues which the Committee may wish to consider.

Members of the Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications:

<https://www.grantthornton.co.uk/industries/public-sector/local-government/>

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

# Progress at November 2024

## Financial Statements Audit

### 2021-22

Our audit findings for the 2021-22 financial statements were reported to Audit Committee on 24 July 2024. We completed our audit finalisation procedures and final review of the financial statements after that date and our final audit opinion was signed and issued on 2 September 2024.

### 2022-23

On 30 July 2024, the Minister of State for Local Government and English Devolution, Jim McMahon, confirmed the government's intention to introduce a backstop date for English local authority audits up to 2022/23 of 13 December 2024. A backstop date for 2023/24 is also proposed of 28 February 2025.

As highlighted in our update to the Audit Committee at its July meeting, we consider that there will not be sufficient time to conclude our financial statements work for 2022-23 in advance of the 13 December 2024 backstop deadline, given that that audit of the 2021-22 accounts has only recently concluded. Following our separate reporting to this meeting of the Audit Committee, we will therefore backstop the opinion for 2022-23. Given that a number of key audit areas remain outstanding for 2022-23, then our audit report will be issued as a disclaimer of opinion. Effectively this means that we will have been unable to gain the assurance necessary to give an audit opinion by the statutory backstop date.

In plain terms, a disclaimer means that we have been unable to form an opinion. In this instance, the reason for this will be a limitation of scope imposed by statute (not by the local authority). A disclaimer due to the backstop does not of itself indicate a local authority failing. Where however we consider that there have been weaknesses in local authority arrangements for accounts closedown, we will report these in the Audit Findings Report which we produce at the conclusion of the audit. Our opinion will also include a statement to the effect that as of 19 November 2024 officers have indicated that there are material uncorrected errors in the draft accounts, which will also be reflected in our Audit Findings Report. These documents are also presented at this meeting of the Audit Committee.

### 2023-24

The government has set out its intention that from 2023/24, auditors should work with local authorities to begin the process of recovery.

A backstop date for 2023/24 has been proposed of 28 February 2025, and a date for 2024/25 audits of 27 February 2026. As part of our commitment to supporting the recovery period, we agreed with Council finance officers that we would commence work on your financial statements audit for 2023/24 at the earliest opportunity. We separately wrote to the Chair of the Audit Committee on 17 September 2024 setting out further details of the arrangements for the 2022-23 backstop and our plans for the 2023-24 audit, to support the Council through the recovery period.

We commenced our financial statements audit in September 2024, following late receipt of the Council's draft accounts on 2 August 2024, some 9 weeks after the required publication deadline. Local authorities are required to publish their draft financial statements by the statutory deadline of 31 May 2024. Only 41% of local authorities achieved this statutory deadline in 2023-24.

We agreed with finance officers to undertake our audit in a hybrid manner, with our audit team working two days per week at the Council offices in Torbay and remotely for the remainder of each week.

Our work to date has identified some key challenges which has hindered our progress with the audit to date. As highlighted through our 2021-22 audit, the importance of preparing timely and comprehensive supporting working papers for the audit is a crucial first step to ensuring that audit work progresses efficiently and effectively from the outset.

We raised our initial request for audit working papers on 19 August 2024 and these had not been fully responded to by the time our audit work began. Over the initial weeks of our audit, there are already a significant number of audit queries on our tracker which have remained outstanding for more than two weeks. Our initial work also identified a number of reconciliation differences between the Council's accounting records, the final accounts trial balance and the draft financial statements, affecting both the 2023-24 reported results and also the opening balances relating to the 2022-23 comparative period.

In order to address these issues, the Council have brought in additional resource. This has been an important step in resolving problems in a timely manner and reflects the need for additional resilience in the finance team on an ongoing basis. We were required to pause work on the audit for two weeks in order to allow the new version of the draft statements to be produced, but our team re-commenced work on 11 November 2024 with the intention of completing the audit ahead of the 28 February 2025 backstop date, allowing the Council to return to a regular audit cycle as planned.

# Progress at November 2024 (cont.)

## Value for Money

Our Value for Money work began later in September 2024 and meetings have been arranged with Council officers in October 2024. We expect to present our Auditor's Annual Report on 29 January 2025 alongside our Audit Findings Report.

## Other areas

### Certification of claims and returns

Due to continued capacity constraints within our specialist grants certification team, completion of both the 2021/22 and 2022/23 housing benefit returns has encountered significant delays over the last few months. These challenges have been experienced by a number of HBAP audit suppliers, due to the specialist nature of the work involved.

Whilst additional capacity has been brought into this team to address and clear the national backlog of reviews, there is expectedly some lead in time required to onboard and mobilise the required resource to address this backlog.

The 2021-22 Housing Benefits review has now reached its conclusion and a draft assurance report was issued to the Council on 19 November 2024 and currently working through final officer clearance. The 2022-23 Housing Benefits work is well progressed and work will continue on this to ensure completion of the final report by the end of Quarter 1, 2025.

### Meetings

We have continued to meet regularly with the Chief Executive and Director of Finance throughout the year, with the most recent liaison meeting taking place on 16 October 2024.

## Audit Fees

PSAA have published their scale fees for 2023/24 [2023/24 auditor appointments and audit fee scale – PSAA](#).

As reported in our Audit Plan, the fee for Torbay Council in 2023-24 is £321,483. These fees are derived from the procurement exercise carried out by PSAA in 2022. They reflect both the increased work auditors must now undertake as well as the scarcity of audit firms willing to do this work.

# Audit Deliverables

Below are some of the audit deliverables planned for 2023/24.

2023/24 Deliverables	Planned Date*	Status
<p><b>Audit Plan</b></p> <p>We are required to issue a detailed audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2023/24 financial statements.</p>	July 2024	Complete
<p><b>Audit Findings Report</b></p> <p>The Audit Findings Report will be reported to the Audit Committee.</p>	January 2025	Not yet due
<p><b>Auditors Report</b></p> <p>This includes the opinion on your financial statements.</p>	January 2025	Not yet due
<p><b>Auditor's Annual Report</b></p> <p>This report communicates the key outputs of the audit, including our commentary on the Council's value for money arrangements.</p>	January 2025	Not yet due

\*The planned dates are subject to national timetables, agreement with officers and unforeseen technical issues that may arise during the audit period.

# Audit Deliverables

Below are some of the audit related deliverables planned relating to certification work.

Other Audit related deliverables	Planned date*	Status
<p><b>Housing Benefit Subsidy – certification (2021/22)</b> This is the report we submit to Department of Work and Pensions based upon the mandated agreed upon procedures we are required to perform.</p>	April 2024	Draft report provided on 19 November 2024
<p><b>Housing Benefit Subsidy – certification (2022/23)</b> This is the report we submit to Department of Work and Pensions based upon the mandated agreed upon procedures we are required to perform.</p>	March 2025	Overdue, due to capacity constraints (see page 5).

\*The planned dates are subject to national timetables, agreement with officers and unforeseen technical issues that may arise during the audit period.

# Ending the local audit backlog

A plan for restoring timely assurance to the Local Government audit system was announced by the Minister of State for Local Government and English Devolution on 30th July 2024.

When parliamentary time permits, secondary legislation is going to be used to amend the Accounts and Audit Regulations (2015) and to introduce five new backstop dates:



1. Financial years up-to-and-including 2022/23: 13 December 2024;
2. Financial year 2023/24: 28 February 2025;
3. Financial year 2024/25: 27 February 2026;
4. Financial year 2025/26: 31 January 2027;
5. Financial year 2026/27: 30 November 2027; and
6. Financial year 2027/28: 30 November 2028.

Paul Dossett, Grant Thornton Partner and Head of Local Government, has had an article published in The MJ, where he reviews the reasons for the delays in audited accounts and considers what is required for a long-term solution:

<https://www.themj.co.uk/beyond-the-local-audit-backstop>

Key messages from the Minister are that:

For financial years up to and including 2022/23, if financial audits are not complete by 13 December 2024, disclaimed or modified opinions will be required. The Minister recognises that in most cases these may remain in place for up to two years.

The Minister's statement is, however, "crystal clear" that where there are modified opinions for financial accounts, auditors' other statutory duties – including to report on Value for Money (VfM) arrangements, to make statutory recommendations, and to issue Public Interest Reports, will still be a high priority.

There will be some limited grounds for exemption to meeting the audited accounts backstop dates: Where auditors are considering a material objection; where recourse to the court could be required; or from 2023/24, where the auditor is not yet satisfied with the body's Value for Money arrangements. Nevertheless, Councils need to be aware that the Government intends to publish a list of bodies and auditors that do not have an exemption and yet still do not meet the proposed new dates.

To help Councils comply with these arrangements, for financial years 2024/25 to 2027/28, the Minister states that the deadline for filing Category 1 'draft' (unaudited) accounts will be extended from 31 May to 30 June (allowing higher quality draft accounts); and there will be no routine inspections of local audits (by the Financial Reporting Council or by the Institute of Chartered Accountants in England and Wales) for financial years up to and including 2022/23, unless there is a clear case in the public interest to do so.

Once implemented, the hope is that the new arrangements will help to restore the robust assurance needed to underpin good governance and accountability.

**For the full statement, see [Written statements - Written questions, answers and statements - UK Parliament](#).**

# Lessons from recent Auditors' Annual Reports

In July 2024, Grant Thornton shared findings from a review of just under 100 recent Auditors' Annual Reports (AARs), covering around 30% of all Councils in England. With around 730 different areas for improvement identified, the AARs highlighted five key areas where local government is facing increased challenge:



Page 21

1. Transformation and saving plans;
2. The Dedicated Schools Grant;
3. Financial governance and internal control;
4. Performance management and procurement; and
5. The Housing Revenue Account.



To help Councils with their challenge, Grant Thornton's Lessons report summarised suggestions for improvement into a single checklist for success.

## Key questions for Audit Committees from the checklist for success:

- External audit recommendations – are we up to date with monitoring progress and implementation and prior year recommendations?
- Savings and reserves – is our medium-term financial plan up to date?
- Special educational needs and disability – are we on track with arrangements to close any deficit?
- Workforce – do we have an up-to-date strategy?
- The Housing Revenue Account – when did we last review the strategy and arrangements for governance and internal control?

Even before the July 2024 general election, local authorities were key to delivering nationally important policies. Under the new government, the sector looks likely to play an even more pivotal role as, for example, proposed reforms to planning and housebuilding get underway. Audit Committees can use the Grant Thornton checklist for success to assess how ready their organisation is to take advantage of the new opportunities likely to open-up and to step into the new, higher profile role they are likely to be invited to play.

For a full copy of the report, see [Lessons from recent auditor's annual reports \[grantthornton.co.uk\]](https://www.grantthornton.co.uk)

# Learning from the new unitary councils

In September 2024, Grant Thornton published findings from Auditors' Annual Reports for eight unitary councils created since 2019 (or, where relevant, from Auditors' Annual Reports for their predecessor councils).

Grant Thornton's report includes a series of key messages for Councils who may be facing local government re-organisation in the future, including:

## During the transition period

- Appoint shadow authority roles as soon as possible;
- Allocate adequate resources to planning and transformation;
- Consider how to reduce legacy staff capacity.

## Financial sustainability

- Have a finance team in place at the start;
- Understand the legacy reserves position early.

## Governance

- Prioritise the production of legacy accounts;
- Don't underestimate the complexity of internal audit.

## Effectiveness, economy, efficiency

- Develop a performance management framework early; and
- Put in place clear strategies.

For a full copy of the report and the key messages within it, see [local government reorganisation lessons from new unitaries](#).

“Local government re-organisation is here to stay....(but) ..... One size does not fit all, and local government is no exception”.



# Code of practice on good governance

In June 2024, SOLACE, CIPFA and Lawyers in Local Government (LLG) jointly published a new code of practice on good governance. The code provides advice and sets expectations for the three highest profile statutory roles in local government – the Head of Paid Service, the Chief Finance Officer, and the Monitoring Officer. The aim of the code is to enable these three high profile officers to effectively work together in a ‘Golden Triangle’ - to best advise members, implement decisions, and help achieve good outcomes.

This is a powerful publication because it is the first in which SOLACE, CIPFA and LLG have spoken as one voice. Whilst the Seven Principles of Public Life, or Nolan principles, apply to all public office holders (and indeed all those in other sectors delivering public services), expectations of the three most senior statutory officers in Councils go further. The fact that this guide is targeted specifically at their three roles is therefore more than welcome.

The new code of practice sets out seven standards the “Golden Triangle” officers should comply with, alongside a series of more direct requirements they should adhere to. The code provides guidance to the three officers concerned; can be used to explain their roles more clearly to others; and provides context for conversations about the roles, the requirements, and actions to be undertaken.

Questions Audit Committees can use the code to ask themselves surround: Do we understand what our most senior officers do? And do they understand the standards they are bound by?

**For a full copy of the Code of Practice, see [Code of Practice on Good Governance for Statutory Officers June 2024.pdf \(solace.org.uk\)](#)**

## The seven standards of the Golden Triangle are:



### Understand Governance

Roles and responsibilities



### Act Wisely

A duty of enquiry & the exercise of statutory functions



### Lead Ethically

The Seven Principles of Public Life



### Act Effectively

Robustness in working arrangements



### Resource the Roles

Get the tools to do the job



### Build Resilience

Deputies and development



### Deliver sound decision making

The outcome of good governance

# Internal Audit - supporting a healthy service

The Chartered Institute of Internal Auditors (CIIA) published an assessment of the health and status of internal audit within local government in July 2024, using research based on survey findings from 44% of all councils in the United Kingdom and Northern Ireland. The findings were stark and could make worrying reading for any Audit Committee, as survey responses unveiled:

- Fear of speaking out about key findings, including around financial sustainability;
- Difficulty in discussing financial assurance matters with Audit Committee members in public meetings;
- Lack of member understanding of the work of internal audit; and
- Insufficient staffing and inability to recruit to vacant posts, affecting completion of the Internal Audit plan.

New Global Internal Audit Standards (GIAS) are due to come into effect in January 2025 and can be adopted now if entities wish. They include considerations specifically for the public sector.

Respective responsibilities for members and management around supporting, overseeing, and resourcing the internal audit function can be found in the CIIA report.

Audit committees and senior management in local government should consider whether any of the findings are relevant to their organisation and, if so, consider using the transition to the new GIAS as an opportunity to challenge and revisit their practices.

**For a full copy of the Institute's findings, see [An evaluation of the health of internal audit in local authorities.pdf](#) ([iia.org.uk](http://iia.org.uk))**

## Summary of respective responsibilities to provide:

### Support:

#### Audit committee

Champion the internal audit function.

#### Senior management

Support recognition of the function throughout the organisation.

### Oversight:

#### Audit committee

Gain an understanding of Internal Audit findings.

Discuss any disagreements with the Chief Executive and senior management.

#### Senior management

Assist members in understanding the effectiveness of the organisation's governance, risk management and control processes and escalate to members any matters of importance.

### Resources:

#### Audit committee

Discuss the sufficiency of resources, both in numbers and capabilities, at least annually.

#### Senior Management

Engage with members to provide sufficient resources and resolve any issues around resourcing.

# Annual review of local government complaints

The Local Government and Social Care Ombudsman's latest Annual Review of Local Government Complaints was published in July 2024.

The review shows that nationally, there has been an increase in the number of complaints received, an increase in the number of complaints upheld, and ongoing issues within special educational needs; housing; and adult social care services.

The review argues that complaints can be seen as a valuable source of information, and it encourages councils to use complaints information to identify early warning signs of service failure. It includes best practice resources to help councils take valuable learning from complaints, including a performance map and data tables.

Readers are advised by the review to consider, using the interactive data for those councils they are interested in:

- Uphold rates;
- Suitable remedy rates;
- Compliance rates; and
- The nature of service improvement recommendations made.

Councils should bear in mind that since April 2024 [new overview and scrutiny: statutory guidance for councils, combined authorities and combined county authorities](#) recommends that scrutiny committee work programmes are informed by the reports and recommendations issued by the Ombudsman.

For a full copy of the Ombudsman's Annual Review, see [Annual Review of Local Government Complaints](#).



# Homelessness and housing targets

The National Audit Office (NAO) published a report in July 2024 on the effectiveness of government in tackling homelessness.

The report noted that homelessness is now at the highest level since comparable data collection began in the early 2000s, despite local government spending on homelessness services having more than doubled since 2010/11. The report also noted that a co-ordinated government response is difficult because there was, at the time of writing the report, no strategy or published target for statutory homelessness; and, again at the time of writing the report, the Department for Levelling Up, Housing and Communities had limited power to influence other government departments' decisions on cross-cutting matters that can affect homelessness services.

The National Audit Office argued that homelessness funding is fragmented and generally short-term, inhibiting homelessness prevention work and limiting investment in good-quality temporary accommodation or other forms of housing.

New housebuilding targets announced by the new government on 30<sup>th</sup> July may help, but consistent funding and a move away from short termism and a clear strategy are also going to be essential levers that national and local government are now going to have to develop.

**For a copy of the National Audit Office report, see [the effectiveness of government in tackling homelessness \(nao.org.uk\)](https://nao.org.uk).**

**For the government's new housebuilding targets, see [Housing targets increased to get Britain building again - GOV.UK \(www.gov.uk\)](https://www.gov.uk)**

## £2.44bn

Spent by local government in 2022/23 on homelessness services

## 60%

Proportion of local government 2022/23 total gross expenditure on housing services (excluding that relating to their own housing) that was used to deal with homelessness, up from 25% in 2010/11

## 15

Cross-government boards that have a remit relevant to homelessness



National Audit Office



# New approaches needed to key educational issues

Two recent reports highlighted weaknesses in the educational system that councils have to work with. Both include recommendations for the new government, intended to give disadvantaged children and children with special educational needs and disabilities better outcomes for the money spent.

On 23<sup>rd</sup> July 2024, the National Audit Office (NAO) published its report on [Improving educational outcomes for disadvantaged children \(nao.org.uk\)](https://www.nao.org.uk/publications/2024/july/improving-educational-outcomes-for-disadvantaged-children/), noting that disadvantaged children include those who are currently, or have previously been, looked after by the council.

The report highlighted that the government spends an estimated £9.2 billion on supporting disadvantaged children and narrowing the attainment gap between them and their peers, but that disadvantaged children still perform less well than their peers across all areas and across all school phases.

Two days later, on 25<sup>th</sup> July, the ISOS Partnership published an [independent report commissioned by the County Councils network and the Local Government Association](#) showing that educational attainment amongst children with special educational needs and disabilities (SEND) has not improved since 2014, despite councils being projected to spend £12 billion on these services by 2026 (compared to £4 billion a decade ago).

Going forward for SEND, local government could play a pivotal role in delivering any changes of policy. It is important for members to be aware of the changes that could happen in future. The ISOS partnership recommends that the new government:

- Invests in building capacity in mainstream schools to meet children's needs, such as therapists, educational psychologists, and wider inclusion support, helping to reduce the reliance on specialist school places;
- Resets the vision and guiding principles of the SEND system towards inclusion, prevention and earlier support which would cater for young people who do not have a statutory plan, with such plans reserved for the most complex cases;
- Provides a new 'national framework' for SEND;
- Establishes 'Local Inclusion Partnerships' to enable more effective assessments, commissioning and collaboration between councils, schools and health; and
- Creates a National Institute for Inclusive Education as an independent arbiter around inclusive education and support for children and young people with additional needs.



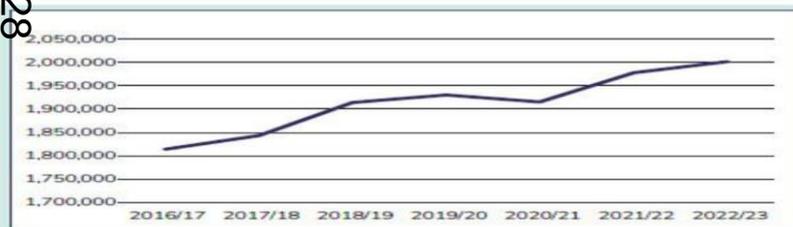
# Demand management for social care

In July 2024 CIPFA published a guide to managing rising demand in adult and children's social care, drawing on lessons from nineteen different English councils.

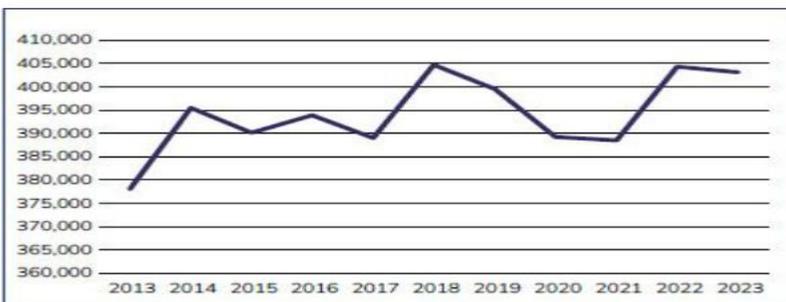
Having highlighted that requests for adult social care and the number of children in need are both rising, CIPFA shared examples of good practice around:

- Adult Social Care – Market management; transitions; transformation and innovation; and
- Childrens' Social Care - Market management; transitions; transformation and innovation.

## Rise in the demand for adult social care support for new clients:



## Rise in the number of children in need:



The report shows the importance of strong corporate and leadership buy-in; utilising funding and resources from diverse sources; focusing on improving outcomes; making use of monitoring, forecasting and benchmarking tools; and investing in preventative action. However, CIPFA also highlighted the specific contributions that innovative finance professionals can make:

- Financial oversight, analysis and management;
- Grant and resource management;
- Compliance, reporting and risk management;
- Evidence-based decision making and communication;
- Monitoring, forecasting and benchmarking;
- Strategic thinking;
- Funding maximisation;
- Business case and scenario planning;
- Sustainable commissioning; and
- Data utilisation, monitoring and evaluation.

The examples of proactive work by professionals from across the nineteen councils show how co-operation can make a real difference. For more details on the report, see [Managing rising demand in adult and childrens social care \[cipfa.org\]](https://cipfa.org).

# The social landlord role – what can councils do better?

The Housing Ombudsman published its latest Insight Report in July 2024: [Insight report - Issue 17 \(housing-ombudsman.org.uk\)](https://www.housing-ombudsman.org.uk/insight-report-issue-17)

The report focused on London – noting that 47% of the cases determined by the Ombudsman in 2023/24 were from residents living in a London postcode, despite the fact that just under one in six homes in the Ombudsman’s membership is located within Greater London.

No other region of England has such a wide gap between the proportion of social housing and complaints, but the Ombudsman noted that outside Greater London, other councils and landlords should also take note of the recommendations and learning points, especially in other urban areas, as they provide vital indicators of where things go wrong and how to stop that from happening.



The report recommends that landlords:

- Foster a positive complaints culture - leadership and governance should be seen to support the complaints’ function, including promoting internal cooperation and engagement with the complaints process;
- Don’t lose sight of the person at the centre of a complaints issue – try to ameliorate the impact of issues outside the landlord’s full control and avoid blame. Be clear about landlord responsibilities where resolution involves dealing with third parties;
- Show that the resident’s experience is important – ensure that details are taken and recorded appropriately so that residents feel listened to; the right solution is found to resolve the issue swiftly; and the communication to the resident is courteous and accurate;
- Remember that complaint handling is a landlord’s opportunity to regain a resident’s trust after they have had a bad experience; and
- Use insight and intelligence from complaints strategically. This ranges from effective root cause analysis of casework through to identifying risks and horizon scanning.

The report makes good reading for members looking to better understand how they can help to stop things going wrong in the council’s relationship with residents.



# Devolution

On 16<sup>th</sup> July 2024, the new Deputy Prime Minister wrote a [Letter to Local Leaders](#) setting out the new government's ambition to:

- Devolve new powers over transport, skills, housing, planning and employment support;
- Provide more regions with integrated settlement and with access to financial flexibility;
- Move away from a deal-based approach, “setting out clear conditions and a clear offer in return for places seeking devolution agreement”; and

Enshrine a presumption towards devolution, so that places can take on new powers automatically if they meet certain conditions.

In the English Devolution Bill one day later, the government started arrangements to legalise a new devolution framework; address within it growth drivers such as employment and planning; and make devolution the “default setting”.

How and when the details of the new devolution revolution will work remains to be seen, but the Deputy Prime Minister has made it clear that new arrangements will be tailored to sensible economic geographies so that local leaders can act at the scale needed to effectively deploy their powers. In most cases that will require councils to come together in new combined authorities. Councils are now encouraged to begin discussions with their neighbouring authorities on this basis.

Members will need to start asking themselves both how ready their organisation is, and how ready their neighbours are.



## Ministry of Housing, Communities & Local Government



# Audit Committee resources

## The Audit Committee and organisational effectiveness in local authorities (CIPFA):

<https://www.cipfa.org/services/support-for-audit-committees/local-authority-audit-committees>

## LGA Regional Audit Forums for Audit Committee Chairs

These are convened at least three times a year and are supported by the LGA. The forums provide an opportunity to share good practice, discuss common issues and offer training on key topics. Forums are organised by a lead authority in each region. Please email [ami.beeton@local.gov.uk](mailto:ami.beeton@local.gov.uk) LGA Senior Adviser, for more information.

## Public Sector Internal Audit Standards

<https://www.gov.uk/government/publications/public-sector-internal-audit-standards>

## Code of Audit Practice for local auditors (NAO):

<https://www.nao.org.uk/code-audit-practice/>

## Governance risk and resilience framework: material for those with a leadership responsibility on good governance (CfGS):

<https://www.cfgs.org.uk/material-for-those-with-a-leadership-responsibility-on-good-governance/>

## The Three Lines of Defence Model (IAA)

<https://www.theiia.org/globalassets/documents/resources/the-iias-three-lines-model-an-update-of-the-three-lines-of-defense-july-2020/three-lines-model-updated-english.pdf>

## Risk Management Guidance / The Orange Book (UK Government):

<https://www.gov.uk/government/publications/orange-book>

## CIPFA Guidance and Codes

The following all have a charge, so do make enquiries to determine if copies are available within your organisation.

### Audit Committees: Practical Guidance For Local Authorities And Police

<https://www.cipfa.org/policy-and-guidance/publications/a/audit-committees-practical-guidance-for-local-authorities-and-police-2022-edition>

### Delivering Good Governance in Local Government

<https://www.cipfa.org/policy-and-guidance/publications/d/delivering-good-governance-in-local-government-framework-2016-edition>

### Financial Management Code

<https://www.cipfa.org/fmcode>

### Prudential Code

<https://www.cipfa.org/policy-and-guidance/publications/t/the-prudential-code-for-capital-finance-in-local-authorities-2021-edition>

### Treasury Management Code

<https://www.cipfa.org/policy-and-guidance/publications/t/treasury-management-in-the-public-services-code-of-practice-and-crosssectoral-guidance-notes-2021-edition>



**Meeting:** Audit Committee

**Date:** 27<sup>th</sup> November 2024

**Wards affected:** All Wards in Torbay

**Report Title:** 2022/23 Statement of Accounts and Annual Governance Statement

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## 1. Purpose of Report

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1.1 The purpose of the report is to present the 2022/23 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 2022/23 Statement of Accounts are issued by 30 June 2023 and the Audit Committee are required to approve the accounts by 13 December 2024 in line with the backstop legislation that was recently passed. The draft statement of accounts were published in July 2023.

2.2 Due to the ongoing audit of the Council's 2021/22 accounts, which were approved by audit committee in July 2024, the decision was taken to use the 'backstop' for the 2022/23 Statement of Accounts. Using the backstop meant that a full audit of the 2022/23 accounts was not undertaken and a 'disclaimer opinion' was issued by Grant Thornton as discussed in the previous agenda item.

## 3. Recommendation(s) / Proposed Decision

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**The Audit Committee are asked to:**

- i) Approve the 2022/23 Statement of Accounts and the Annual Governance Statement; and
- ii) Approve the letter of representation.

## **Appendices**

Appendix 1: 2022/23 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 2023 and the income and expenditure for the financial year 2022/23.
- 1.3 As per point 2.2, the Council used the available backstop option for the 2022/23 Statement of Accounts. This course of action was taken due to the delay in the audit of the 2021/22 Statement of Accounts and meant a full audit of the 2022/23 accounts was not undertaken.
- 1.4 The Audit Findings Report in respect of the 2022/23 Statement of Accounts provides details of the outcome of the audit for 2022/23 and the 'disclaimer opinion' that has been issued by Grant Thornton.

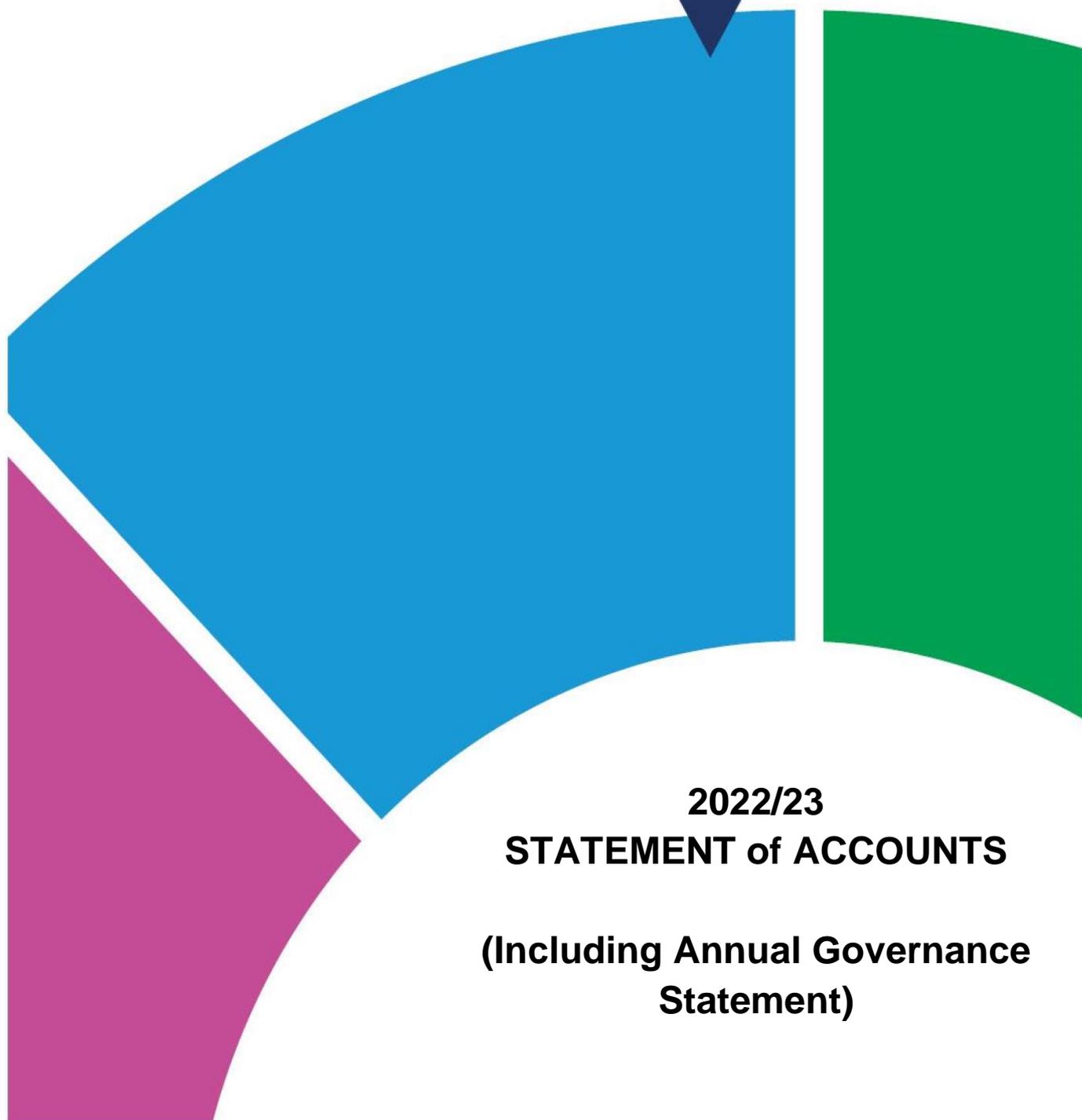
### 2. Letter of Representation

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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 is a formal Management Representation letter to Grant Thornton, see appendix 2.

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2022 - 23



**2022/23**  
**STATEMENT of ACCOUNTS**  
**(Including Annual Governance**  
**Statement)**

# Contents

	<b>Page</b>
<b>Introduction</b>	2
<b>Director of Finance's Narrative Statement</b>	4
<b>Statement of Accounts 2022/23</b>	19
Financial Certificates	20
Independent Auditor's Report (to follow)	22
Core Financial Statements	26
Notes to the Core Financial Statements	33
Summary of Significant Accounting Policies	99
Collection Fund Summary Account	113
Group Accounts	116
<b>Annual Governance Statement 2022/23</b>	129
<b>Glossary</b>	144

# Torbay Council

## Statement of Accounts • 2022/2023

### **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 2023. It gives information as to the Council's assets and liabilities at a point in time (31st March 2023) and detail on the Council's financial performance during 2022/23. 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 2022/23, comprising Balance Sheet, Income and Expenditure Account, Cashflow and Movement in Reserves.
  - Notes to the Core Financial Statements, providing further detail to the Core Statements
  - Accounting Policies. The 'framework' adopted in preparing the accounts.
  - The Collection Fund Summary Account (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 lengthy and complicated. 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 a part ownership in, with notes if material. The financial position of its subsidiary and other 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 2022/23 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 31st May of the following financial year. 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 both these deadlines will not be met in 2023, owing to delays in the external audit process.

# Director of Finance's Narrative Statement

## **Our Place**

Torbay offers an unrivalled quality of life for individuals and families. It has a range of opportunities to offer as a place to invest, live, visit and have fun in. Whilst a magnet for visitors, the beautiful Tor Bay and its stunning natural environment also hosts hi-tech businesses and a vibrant arts and cultural scene.

Torbay comprises the three coastal towns of Torquay, Paignton and Brixham with a population of 139,300, of which 79,844 are between the ages of 16 and 64.

However, like other coastal communities, Torbay has its challenges, and we are committed to reducing the associated poverty, deprivation and inequalities that exist in the Bay, and providing more 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. Since May 2019, Torbay Council has operated with the Leader and Cabinet model of governance, having previously had an Elected Mayor for 12 years. A total of 36 Councillors represent Torbay's 16 wards.

As the previous local elections in May 2019 left no party with overall control of the Council, the Liberal Democrat Group and Independent Group signed a partnership agreement and joined together to form the administration of the Council between May 2019 and May 2023.

Ahead of the local elections in May 2023, the political balance of the Council was 14 Conservatives, 12 Liberal Democrats and 10 independents. The Liberal Democrat Leader of the Council was supported by 6 cabinet members including an Independent Deputy Leader of the Council.

Following the local elections, the Conservative Group gained most seats, resulting in a change in the control of the Council and a new Leader of the Council and Cabinet. The political make-up of the Council is now 19 Conservatives, 15 Liberal Democrats and two Independents.

Further details of the Council's governance and its risk management arrangements are set out in the Annual Governance Statement, which is included as an appendix 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 1,027 (as at end of March 2023) people 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 several 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, 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 to thrive, and to create a Council fit for the future.

## **Our Achievements**

### Thriving people

We have made significant improvements to our Children's Services and Ofsted have now recognised the service as "Good". To achieve this, we have had a clear and ambitious improvement plan. It means we are making a positive difference in the lives of our young people.

We are taking the same rigorous approach to improving the services and support we provide (alongside our partners in the local area) to children and young people with Special Educational Needs and/or Disabilities.

Our new Joint Health and Wellbeing Strategy has been adopted. We want to improve mental health, make sure children have a good start to life, and that we are all healthy as we age. It also focuses on people with complex needs and those who are digitally excluded.

We are still providing proactive and reactive support to schools, care homes and businesses to prevent and manage any outbreaks of Covid-19. Our network of Covid Champions continue to work in local communities to support preventative actions and promote vaccine uptake.

In partnership with Active Devon, we are working with the community to implement Torbay on the Move, which aims to increase physical activity for everyone.

Torbay Community Helpline has seen a significant increase in people asking for help. We have used additional funding from the Council Tax Precept to expand the Helpline to meet this demand and integrate it with Adult Social Care; this allows people to access support in their communities sooner.

We have also invested in voluntary sector organisations, enabling them to help more people with issues such as debt, benefits, domestic abuse, and housing. Precept funding has also been used to repair and improve some of our community centres and to develop community hubs in Paignton and Torquay town centres, where people can get face to face support.

### Thriving economy

Torbay's Place Leadership Board has brought together partners from all sectors of the Bay to develop opportunities for local people and attract new inward investment. Through sharing the 'Torbay Story' we can show others what makes Torbay special and why Torbay is such a good place to live, work and visit.

We have been engaging with businesses and residents as we improve and shape our town centres. The Town Deal funding for Torquay supported the Bay of Lights Illumination Trail and the acquisition of the Union Square shopping centre. In Paignton, we have supported, with partners, the renovation of Paignton Picture House through the Future High Streets Fund and the Culture Development Fund.

Our share of the UK Shared Prosperity Fund is being used to tackle some of Torbay challenges. This includes the launch of "Multiply", a scheme to improve adult numeracy and increase employability.

We are creating new employment space with contractors on site at Edginswell and Lymington Road. We've supported individuals and businesses with self-employment advice and programmes including Ready to Work, Build Torbay and Torbay Skills Renewal. The Electronics and Photonics Innovation Centre (EPIC) at Paignton has been recognised for its international reputation and the site is growing in its success.

The Torbay Jobs Fair returned in October 2022 as well as the Torbay Apprenticeships Fair in February 2023.

Our Community Wealth Building initiative has provided five Social Enterprise Grants and supported Local Spark's Local Entrepreneurs Forum in December 2022. Working with Diversity Business Incubator, we have engaged with Torbay's ethnic minority owned businesses.

Working with Torbay Culture and others, we have supported events such as the English Riviera Airshow, Electric Bay, the Seafood Feast and the Agatha Christie Festival alongside a celebration for Her Majesty's Platinum Jubilee.

### Tackling climate change

We adopted a new Carbon Neutral Council Action Plan in March 2022 which sets out how we will reduce our carbon dioxide emissions across our estate, fleet and other operations. In partnership with Leisure Energy and Parkwood Leisure, this work has started with the installation of low carbon heat pumps and solar panels at Torbay Leisure Centre. This project won Energy Efficient Partnership of the Year award at the Energy Awards 2022.

Torbay's carbon dioxide emissions are falling annually. To create a carbon neutral Torbay by 2030, the Torbay Climate Partnership held a series of public climate conversations in the summer. The results have been developed into a draft Torbay Climate Emergency Action Plan (2023-2025) which has been consulted upon.

With Exeter Community Energy, we've provided one-to-one energy saving advice to 353 homes and visited 90 homes. This has helped them to save energy by making their homes more energy efficient. 119 homes received new energy and carbon saving measures through Heat Devon.

To help people walk and cycle more, and feel safe, we have improved sections of Marine Drive this year. We have entered into a contract to install electric vehicle charging points in public car parks across Torbay in 2023.

Waste and recycling rates are improving. To help residents recycle and reduce waste, we launched our 'Right Stuff, Right Box' campaign. We've introduced a new blue bag for recycling paper as well as new and improved recycling box stickers. The new garden waste kerbside collection service was launched in October, which complements a wider range of investment into new assets to make the service as efficient and effective as possible.

We've invested just under £200,000 in flood alleviation projects helping to protect more homes and businesses from flooding. Following extensive engagement, we recently approved the Paignton and Preston Masterplan which includes the sea defences that are needed to protect these areas from rising sea levels.

### A Council fit for the future

We have made good progress on our council-wide improvement programme, striving to deliver the best possible services, and learning from national best practice to deliver for our residents.

Our engagement teams have been changing how we communicate and engage, with two-way conversations through our social media posts and our new engagement website now being our standard approach.

We are working across the Council to prepare for the roll out of improved digital services and we have begun redesigning whole services to improve outcomes and identify any further efficiencies. Through organisational development and better use of technology we have halved the average response time across service requests, enquiries, and complaints.

Our refreshed approach to continuous improvement has delivered greater assurance of our performance and risks. Highlighting areas on which we need to focus resource, our performance culture has delivered improvements across the Council and good data is driving further advances in service delivery.

Streamlining our internal operations to deliver value for money is a constant focus, this year we have changed our model for printing correspondence and all other print media to reduce the service cost whilst improving workflow, making our printed communications cheaper, faster, and greener.

Our staff remain our greatest asset in delivering quality outcomes for residents and communities. Locally and nationally recruitment is challenging, therefore we have been improving recruitment and retention tools to ensure the Council is an employer of choice with the agility to meet the dynamic requirements of the Bay.

## **Our Performance**

### Thriving people

The annualised rate per 10,000 children of referrals to Children's Services increased slightly from 818 at the end of 2021/22, to 822 at the end of 2022/23.

The percentage of referrals in the period that were previously open to Children's Services within the last 12 months was 22% at the end of 2022/23. This is a decrease of 5% from the figure at the end of March 2021/22.

The percentage of adults with a learning disability in paid employment was 7.8% for the end of March 2023. This is an increase of 0.7% for the same period of the previous year and above the target of 7.2%.

The percentage of total homelessness cases that were taken at prevention stage increased from 21% at the end of 2021/22, to 29% at the end of 2022/23.

### Thriving economy

Average earnings for Torbay are increasing but are still a way below the target figures (the Great Britain average). For 2022 gross weekly earnings by residence for full time workers was £559.50 against the target of £642.20. The 2022 figure is an increase on 2021 earnings which was at £542.30.

The percentage of people in Torbay who are economically active (aged 16 to 64) increased from 76.9% in 2021 to 78.0% in 2022, against the target of 78.5% (the Great Britain average).

The percentage of out-of-work benefits claimants at the end of 2022/23 was 3.3%, a decrease on the March 2021/22 figure which was 4.1% and less than the target figure of 3.8% (Great Britain's monthly average). The highest this performance indicator rose to over the year was 3.7% in April 2022.

### Tackling climate change

Residual household waste for quarter 4 2022/23 was at 122kg per household. This is a decrease on the same period of the previous year's figure, which was 131kg. The total for the year was 498kg.

Household waste sent for reuse, recycling and composting increased to 38.20% for quarter 4 of 2022/23 compared to 34.60% at the end of 2021/22 but is below the target of 45.00%.

The percentage of commercial waste recycled averaged over 2022/23 was 21.90%. This is below the target of 30.00% and a decrease on the previous year's average figure of 29.63%.

### A Council fit for the future

The number of corporate complaints logged by the Information Compliance Team in 2022/23 was 402. This equates to complaints from 2.88 people per 1,000 residents in Torbay. This is fewer than in the previous year when 443 complaints were logged.

The percentage of Freedom of Information requests and Environmental Information Requests that were dealt with on time by the Information Compliance Team was 92% for 2022/23. This is an increase on the previous year which was 87%.

Averaged over the year, the percentage of births registered within 42 days increased to 97.0% by the end of 2022/23. The average for 2021/22 was 95.0%. The target for this performance indicator is set at 98.0% by the General Registrar's Office.

### Coronavirus (COVID19)

During 2022/23 the legacy impact of the pandemic was greatly reduced from the previous two years. The Council saw only a small effect on the costs of service provision, and on income from fees and charges, due to any "tail-end" consequences of the pandemic, and by and large levels of service provision returned to "normal" levels. There were still a few areas where the residual effects of the pandemic were felt:

### Council Workforce

For workers who were office-based, the pattern of hybrid working (part remotely and part in the office) became the normal pattern; as the Council had invested in IT that supports flexible working this shift has not had any fundamental impact on the work of the Council.

### Supply Chains

The effect of the collapse of the primary regional construction company (Midas) in February 2022 continued to have a significant impact on some of the Council's capital projects, which had to be re-procured, and led to delays and additional construction costs.

### The Cost of Living Crisis

During 2022/23, any residual economic impact on the people and the business sectors in Torbay of the pandemic were subsumed into the national (and indeed international) effects of what has become known as the "cost of living crisis" affecting the economy and people's lives.

Individuals have seen the costs of everyday living (especially energy and food prices) soar, exacerbated by international factors, as inflation reached double figures and interest rates rose sharply; businesses were similarly under pressure from rising energy and food prices.

The effects on the Council are similar - higher energy costs have increased the costs of providing a range of services; for example, the waste collection service carried out by SWISCO Limited (wholly-owned Council company) saw energy and fuel costs increase markedly. And as a major employer, the Council has paid market-driven pay increases which were higher than expected or budgeted at the time.

Whilst the economic environment is uncertain, and the duration of high inflation and higher interest rates is unknown, the Council is confident that it has made adequate provision in its budgets and forecasts to enable it to manage the effects of the crisis. Its income continues to be bolstered by c.£4.5m per annum net surplus from its investment portfolio.

## Our Financial Performance

### Financial Context

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

### The Council:

- Collected £98.2m of Council Tax which is an in-year collection rate of 95.4% (95.3% 21/22) and £37m of National Non-Domestic Rates (Business Rates) which is an in-year collection rate of 95.0% (90.5% 21/22).
- Held over £650m of non-current assets including £288m of operational assets for delivering services, £40m of heritage assets, and £182m of investment properties which generated a gross rent of £13m in the year.
- In 2022/23 spent £33m on capital projects (and loans for a capital purpose) funded from capital receipts, grants, contributions and borrowing.
- In 2022/23 spent over £390m on its revenue budget (its day to day spend) on a wide range of services.
- Generated £43m of fees, charges, rental, and other income used to fund the delivery of its services.

On a national level, changes 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 funding will be in future years. Despite the three-year Spending Review, for 2022/23 there was a further one-year settlement. The Council has subsequently been allocated a 2-year settlement which covers 2023/24 and 2024/25. DLUHC still 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, DLUHC intends to introduce a revised NNDR retention system in which Local Authorities 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 been delayed to 2025/26 at the earliest.

### Revenue Budget 2022/23

The Council’s Net Revenue Budget requirement for 2022/23 was £122m. The Council had already started the process of managing the financial challenges ahead, through identifying and implementing service changes and income generation opportunities, and, in some cases, service reductions.

The Council raised its level of Council Tax by 4.98% which included a “precept” for adult social care. This resulted in the Council setting its share of the Council Tax for a Band D property at £1,690. (£1,641 in 21/22).

The table below shows how the Council’s revenue budget was funded in 2022/23.

	2022/23
	£ m
Net Budget Requirement	122
New Homes Bonus and other general grants	(1)
NNDR Rate Retention	(37)
Revenue Support Grant	(7)
Council Tax	(78)
Collection Fund (surplus)/deficit	1

### Council Spending in 2022/23

The table below provides a summary of the budget and actual expenditure by service in 2022/23, together with the variances against each budget for the year. The budget variances for 2022/23 will be reported to Council in July 2023.

<b>Torbay Council Revenue</b>	<b>Budget</b>	<b>Outturn</b>	<b>Variance</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>1. Adult Social Care</b>	43.4	43.2	0.2
<b>2. Community and Customer Services</b>	2.2	3.2	(1.0)
<b>3. Public Health</b>	10.1	10.1	0
<b>4. Children's Services</b>	45.9	47.8	(1.9)
<b>5. Corporate Services</b>	7.2	7.9	(0.7)
<b>6. Executive</b>	3.3	3.6	(0.3)
<b>7. Finance</b>	(8.3)	(12.3)	4.0
<b>9. Place: Investment Portfolio</b>	(4.6)	(4.6)	0
<b>10. Place - Operations</b>	16.4	18.2	(1.8)
<b>11. Place - Planning and Transport</b>	5.2	4.3	0.9
<b>Sub Total – Place (9 – 11)</b>	17.0	17.9	(0.9)
<b>Revenue sub total</b>	<b>120.8</b>	<b>121.4</b>	<b>(0.6)</b>
<b>Sources of Finance</b>	<b>(120.8)</b>	<b>(121.8)</b>	<b>1.0</b>
<b>Revenue total</b>	<b>0</b>	<b>(0.4)</b>	<b>0.4</b>
<b>Additional Items</b>			<b>£m</b>
<b>12 Transfers to earmarked reserves</b>			0.4
<b>Net Overspend / (underspend)</b>			<b>0</b>

At this summary level the outturn for the council in 2022/23 was broadly in line with the in-year monitoring, and variances across services were small, though increasing pressures on Temporary Accommodation affected Adult Services. The slightly improved position is primarily down to an increase in Sources of Funding, and to the levels of income received on cash balances being greater than forecast, owing to interest rate increases. The Council recognises that this has offset several overspends during the year, which are being managed to ensure a balanced budget and outturn position in 2023/24.

The costs of service delivery have continued to increase, and, like most Councils, Torbay has seen significant price increases in services from third parties, such as Children’s and Adult placements, transport, housing etc.

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 2022/23 there was an overspend of £2.4m. The DSG reserve is a £6.6m deficit at the end of 2022/23, following a £5m contribution from DfE, who have agreed to provide additional funding over the next 4 years (to extinguish the deficit) subject to the Council delivering against a set of operational targets. This reserve is reported as an unusable reserve.

Overall, the Council’s financial performance in 2022/23 was an underspend of £0.4m that has been transferred to earmarked reserves.

### Capital Plan

The Council spent £33m on capital expenditure in 2022/23 (£27m 21/22). This spend was funded as shown in the table below.

	<b>Budget</b>	<b>Outturn</b>	<b>Variation</b>
	£ m	£ m	£ m
<b>Unsupported (Prudential) Borrowing</b>	18	0	<b>(18)</b>
<b>Grants</b>	20	18	<b>(2)</b>
<b>Other Contributions</b>	2	1	<b>(1)</b>
<b>Revenue and Reserves</b>	1	13	<b>12</b>
<b>Capital Receipts</b>	2	1	<b>(1)</b>
<b>Total Funding</b>	<b>43</b>	<b>33</b>	<b>(10)</b>

Of the £33m, £28m 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 2022/23 is shown below.

<b>Corporate Plan Theme</b>	<b>Examples of 2022/23 Schemes</b>	<b>Spend £m</b>
<b>Thriving People and Community</b>	School expansions and developments, Temporary Accommodation, disabled facilities grant	<b>10.7</b>
<b>Thriving Economy</b>	Harbour View hotel, highways improvements, Town Deal and Future High Street Fund projects, Edginswell retail site	<b>21.0</b>
<b>Tackling Climate Change</b>	Green Waste service	<b>0.6</b>
<b>Council Fit for the Future</b>	Essential Repairs	<b>0.7</b>
<b>Total</b>		<b>33</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 the companies’ financial performance in the year, based on draft 2022/23 accounts. 2022/23 was the first full year of operation for Torbay Education Limited.

Entity	Assessed Relationship	Council Shareholding/Control	Turnover £m	Surplus/ (Deficit) for year £m	Property, Plant & Equipm't £m	Net Equity £m
<b>TDA Group: Torbay Economic Development Company Ltd, trading as TDA. Includes:</b>  <b>TDA, Kings Ash Holdings,</b>  <b>Complete Facilities Management Services, C &amp; A Consultancy, Business Centres South West, TEDC Developments and Torvista Homes.</b>	Subsidiary  (Consolidated for the TDA Group)	100%	11.2	0.2	18.1	8.1
<b>SWISCO Limited (South West Integrated Services Company)</b>	Subsidiary	100%	21.5	(0.8)	4.6	(11.5)
<b>CSW Group Ltd</b>	Associate	25%	7.5	0	0	(12.5)
<b>Torbay Education Limited</b>	Subsidiary	100%	0.9	0	0	0

The Council has also produced group accounts. For the year 2022/23 the values of the Council's subsidiaries' non-current assets in relation to the Council's own balance sheet were not significant.

## Schools

The Council, as at 31 March 2023, had 7 schools (8 in 22/23) that are reflected in the Council's accounts, both within its Income and Expenditure Statement and its Balance Sheet. These are 4 primary schools, 2 secondary schools and 1 special school. The 7 schools by "ownership" are four community schools, one voluntary-aided and two foundation schools. These schools are funded by the Dedicated Schools Grant which for 2022/23 was £47m compared with £44m in 2021/22. The level of earmarked school reserves as at 31 March 2023 is £3.0m (£2.3m in 2021/22). Further details on school asset recognition and the use of Dedicated School Grant in 2022/23 are included in the notes to the accounts.

In previous years, Council schools converted to Academy status and are now fully independent of the Council. In Torbay, at 31st March 2023, a total of 33 schools had converted.

## 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 including a value for money conclusion
- Review of risk management
- Review of Council performance based on a basket of indicators.

Audit Committee agendas 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. Details of the Council's pay policy can also be found on the Council's website.

## Overview of Financial Performance in 2022/23.

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. The agreement with the ICO, under which the Council pays a fixed amount per annum, thereby providing all partners with financial certainty, ends in March 2025. The extent of this cost, currently over £45m per annum, means that the re-negotiation of the agreement with the ICO is a significant risk factor in future years' financing arrangements.

The Council's **gross** expenditure in the year was approximately £390m for revenue (day to day) spend and £33m 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 took place as at 31st March 2022, resulting in a re-measurement of the value of the Council's liabilities, a reduction in liabilities of c£50m.

The actuarial review for 22/23 year-end has resulted in an increase to the Council's employer contribution rate from April 2023. The Council's net pension liability as at 31st March 2023, as calculated under IFRS19 which is a different basis to the triennial review, is assessed at £8m, which is a £126m decrease in net liability over the previous year (after taking into account the remeasurement under the triennial review). This is primarily due to the updated financial assumptions in the actuarial review.

For 2022/23 there were no changes in IFRS that impacted on the accounting policies relevant to Torbay's accounts. The introduction of a new standard for leases (IFRS16) has 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 Council's 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 sectors' accounts. The total for the Provision of Services for 2022/23 is a deficit of £30m (£22m surplus in 2021/22).

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 2022/23. 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 small surplus, which matches the Council's management financial reporting position. This statement shows that the Council's useable reserves had a net decrease of £8m.

On the Balance Sheet there were some significant changes in year. There was a net increase of £25m in the value of the Council's non-current assets and a £41m decrease in the value of the Council's current assets. There was a £176m decrease in the Council's net pension liability, mainly as a result of the re-measurement of the prior year's balance from the Triennial Review as detailed above.

The Council's General Fund Reserve was £6.1m at 31<sup>st</sup> March 2023, which is equivalent to 5.0% of the Council's 2022/23 net revenue budget.

Overall, the Council's net assets were higher than the previous year by £191m resulting in a net worth of £266m.

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. The Pensions Liability of £8m does not represent an immediate call on the Authority's reserves and is a snapshot 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 the Authority's budget processes, will provide sufficient resources to finance all future liabilities as they fall due.

## Forward Financial look

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

The economic impact of the COVID pandemic has now been overtaken to a large extent by the “cost of living crisis” linked to high inflation, including fuel and utility costs.

The Chancellor had previously announced a three-year Spending Review in October 2021, which set out three-year allocations from government departments. For local government, this demonstrated an increase in 2022/23, but then “flat cash” for the following two years. In addition, DLUHC have also delayed the introduction of a new funding formula to allocate the total funding between councils. 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 (March 2023 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 the impact of a new NNDR retention structure, other significant financial planning risks that may affect the projections are likely to be:

- The rate of inflation runs at higher levels than currently forecast
- Borrowing costs are higher than anticipated in business cases for capital expenditure
- Income projections built into budgets 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 for Childrens and Adults
- Financial Performance of the Integrated Care Organisation with contract renewal in 2025 will impact on the Council’s Adult Social Care costs
- Any ongoing impact of the “Cost of Living” crisis 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.
- Potential revenue costs associated with the delivery of major capital schemes
- Achievement of cost savings built in to 2023/24 and future budgets
- Future year increases to the Living Wage
- Collection fund balances – collection rates for NNDR and Council Tax
- Risk of exposure of any major legal claims against the Council
- Impact of Devon-wide NHS changes on Torbay
- Impact of major regeneration schemes in a difficult economic environment, especially for town centres
- Levels of Reserves need to be resilient to meet potential 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 2024/25 to 2027/28 is approx. £13m.

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

	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Net Income Increase per annum</b>	-6,250	-2,800	-2,800	<b>-2,800</b>
<b>Net Spend Increase per annum</b>	6,700	9,800	5,400	<b>5,900</b>
<b>Net (Surplus)/ Deficit per annum</b>	450	7,000	2,600	<b>3,100</b>
<b>Cumulative Surplus/ Deficit</b>	<b>450</b>	<b>7,450</b>	<b>10,050</b>	<b>13,150</b>

To help meet this ongoing challenge the Council has established a 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 Redesign 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 2023/24 capital spend (as approved by Council in March 2023) shows the planned capital spend for 2023/24 as £90m and that for 2024/25 as £170m. The overall 4-year expenditure in the Capital Plan totals £305m.

### Borrowing and Investments

The Council undertakes borrowing to support its capital expenditure. As at 31 March 2023 the Council had £383m of borrowing, primarily from the Public Works Loans Board, a decrease of £6m 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 £11m in relation to the Council's share of the Energy from Waste Facility in Plymouth. The Council had £91m (£116m in 2021/22) of cash investments at year end with a net debt position (including PFI liabilities) of £309m (compared with £289m in 2021/22).

The cash levels were higher in the year primarily because of the timing of the receipt and spend of 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 additional in-year borrowing.

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 2022 £m	31 March 2023 £m
<b>Balance Sheet Values: (principal)</b>		
<b>External Borrowing *</b>	389	<b>383</b>
<b>Long Term Liabilities (PFI)</b>	16	<b>15</b>
<b>External Investments *</b>	(116)	<b>(91)</b>
<b>Net Debt</b>	289	<b>309</b>
<b>Treasury Management Limits:</b>		
<b>Capital Financing Requirement</b>	422	<b>428</b>
<b>Authorised Limit</b>	720	<b>640</b>
<b>Operational Limit</b>	610	<b>550</b>
<b>Revenue Income &amp; Expenditure:</b>	2021/22	<b>2022/23</b>
<b>Interest Receivable (from treasury management)</b>	(0.3)	<b>(2.2)</b>
<b>Interest Payable</b>	11.7	<b>11.5</b>
<b>MRP Repayment (including PFI)</b>	7.6	<b>7.8</b>
<b>Ratio of net financing costs to net revenue (excluding revenue contributions to capital).</b>	16%	<b>15%</b>

\* These values are per the 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 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 £3.1m (£5.4m in 2021/22). These are primarily in relation to insurance claims (submitted to the Council but currently being investigated) and in relation to the Council's share of NNDR appeals.

The Council has given several pension 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:

Date: 27 November 2024

Malcolm Coe

Director of Finance

Torbay Council

## STATEMENT OF ACCOUNTS 2022/23

## **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 (Director of Finance)
- 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 2022/23

I confirm that the Council completed its approval process of the Statement of Accounts 2022/2023 on the 27 November 2024 at a meeting of the Council's Audit Committee.

Councillor Martin R Brook

Chair of Audit Committee

27 November 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 23 to page 124 and has been prepared in accordance with the accounting policies which are set out, if significant, on pages 96 to 109.

In my opinion it is a true and fair view of the financial position of the Council as at 31st March 2023, and its income and expenditure for the year ended 31st March 2023.

Malcolm Coe

Director of Finance

27 November 2024

# Independent auditor's report to the members of Torbay Council

## Report on the audit of the financial statements

### Disclaimer of opinion

We were engaged to audit the financial statements of Torbay Council (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2023, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Summary Account, the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet and the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

We do not express an opinion on the accompanying financial statements of the Authority or the group. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

### Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2023 by 13 December 2024 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements.

Management have alerted us to multiple misstatements in the financial statements and that they have been unable to identify and quantify the full extent of those misstatements prior to the backstop date. We were therefore unable to undertake audit procedures to confirm the nature of any adjustments required to the financial statements. We have concluded that the possible effects of the misstatements, whether identified or unidentified, could be both material and pervasive to the financial statements.

In addition, we have not been able to obtain sufficient appropriate audit evidence by the backstop date to conclude that the Authority's or group's financial statements for the year ended 31 March 2023 as a whole are free from material misstatement. We have therefore issued a disclaimer of opinion on the financial statements. This enables the Authority to comply with the requirement in the Regulations that they publish audited financial statements for the year ended 31 March 2023 by the backstop date. We have concluded that the possible effects on the financial statements of undetected misstatements arising from this matter could be both material and pervasive.

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

Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

### Opinion on other matters required by the Code of Audit Practice

The Director of Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Authority's and group's financial statements and our auditor's report thereon. Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy,

efficiency and effectiveness in its use of resources, whether the other information published Grant Thornton UK LLP.

together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

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

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

### **Responsibilities of the Authority and the Director of Finance (the Chief Finance Officer)**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance (the Chief Finance Officer). The Director of Finance (the Chief Finance Officer) is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance (the Chief Finance Officer) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance (the Chief Finance Officer) is responsible for assessing the Authority's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority and the group without the transfer of its services to another public sector entity.

### **Auditor's responsibilities for the audit of the financial statements**

Our responsibility is to conduct an audit of the Authority's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matters described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on those financial statements.

We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

## **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations.

The audit was defective in its ability to detect irregularities, including fraud, on the basis that we were unable to obtain sufficient appropriate audit evidence due to the matters described in the basis for disclaimer of opinion section of our report. Grant Thornton UK LLP.

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

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

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We have nothing to report in respect of the above matter.

### **Responsibilities of the Authority**

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

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

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024. This guidance sets out the arrangements that fall within the scope of ‘proper arrangements’. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

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

## **Report on other legal and regulatory requirements – Audit certificate**

We certify that we have completed the audit of Torbay Council for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

### **Use of our report**

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed. Grant Thornton UK LLP.

Signature:

Paul Dossett, Key Audit Partner

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

London

Date: 27 November 2024

# 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.

		2021/22			2022/23		
Gross	Gross	Net	Services	Note	Gross	Gross	Net
Exp	Income	Exp		Ref	Exp	Income	Exp
£m	£m	£m			£m	£m	£m
106.7	(73.8)	32.9	Adults' Services		110.8	(60.3)	50.5
108.4	(64.1)	44.3	Childrens' Services		115.2	(75.6)	39.6
16.1	(5.0)	11.1	Corporate Services		17.0	(5.8)	11.2
31.6	(31.9)	(0.3)	Finance		35.4	(25.7)	9.7
51.3	(25.9)	25.4	Place		55.1	(32.9)	22.2
8.7	(0.9)	7.8	Public Health		9.3	(0.6)	8.7
<b>322.8</b>	<b>(201.6)</b>	<b>121.2</b>	<b>Cost of Services</b>		<b>342.8</b>	<b>(200.9)</b>	<b>141.9</b>
4.6	(0.2)	4.4	Other Operating Income & Expenditure		9.3	(4.9)	4.4
21.6	(28.2)	(6.6)	Financing and Investment Income and Expenditure	11	46.8	(22.5)	24.3
0	(140.7)	(140.7)	Taxation and Non-Specific Grant Income and expenditure	12	0	(140.5)	(140.5)
<b>349.0</b>	<b>(370.7)</b>	<b>(21.7)</b>	<b>(Surplus)/Deficit on Provision of Services</b>		<b>398.9</b>	<b>(368.8)</b>	<b>30.1</b>
		(27.9)	(Surplus)/Deficit on revaluation on Non-Current Assets (PPE)	27.1			(37.8)
		1.2	Impairment losses on non-current assets charged to the revaluation reserve	27.1			4.9
		(92.9)	Remeasurement of net defined pension liabilities				(38.0)
		<b>(119.6)</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>(70.9)</b>
		<b>(141.3)</b>	<b>Total (Surplus)/Deficit in Comprehensive Income and Expenditure</b>				<b>(40.8)</b>

## 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.

<b>2021/22</b>	<b>General Fund Balance</b>	<b>Earmarked General Fund Reserves Restated</b>	<b>Sub Total Revenue Reserves</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Unapplied Account</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Council Reserves</b>
	£m	£m	£m	£m	£m	£m	£m	£m
		Note10		Note 9	Note 9	Note 25	Note 26	
<b>Balance as at 31st March 2021 brought forward</b>	5.7	57.7	63.4	1.8	12.2	77.4	(79.1)	(1.7)
Restatement to opening balances (Reclassifications in 21/22)	0	0	0	0	(3.6)	(3.6)	(0.4)	(4.0)
<b>Restated Balance as at 31<sup>st</sup> March 2021</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>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	<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>
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
Increase/(Decrease) in Year	<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>Balance as 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>

Movement in Reserves Statement

<b>2022/23</b>	<b>General Fund Balance</b>	<b>Earmarked General Fund Reserves Restated</b>	<b>Sub Total Revenue Reserves</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Unapplied Account</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Council Reserves</b>
	£m	£m	£m	£m	£m	£m	£m	£m
		Note 10		Note 9	Note 9	Note 26	Note 27	
Balance as at 31st March 2022 brought forward	5.7	67.1	72.8	1.2	22.4	96.4	(21.5)	74.9
Restatement to opening balances							90.4	90.4
Movement in Reserves during 2022/23								
Surplus or (deficit) on provision of services (accounting basis)	30.1	0	30.1	0	0	30.1	0	30.1
Other Comprehensive Expenditure and Income (see C I&E Statement)	0	0	0	0	0	0	70.9	70.9
<b>Total Comprehensive Expenditure and Income</b>	<b>30.1</b>	<b>0</b>	<b>30.1</b>	<b>0</b>	<b>0</b>	<b>30.1</b>	<b>70.9</b>	<b>101.0</b>
Adjustments between accounting basis & funding basis under regulations (Note 9)	(25.9)	(13.6)	(39.5)	0.2	0.9	(38.4)	38.4	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	4.2	(13.6)	(9.4)	0.2	0.9	(8.3)	109.3	101.0
Transfers (to)/from Earmarked Reserves (Note 10)	(3.8)	3.7	0	0	0	0	0	0
Increase/(Decrease) in Year	0.4	(9.9)	(9.5)	0.2	0.9	(8.4)	199.7	191.3
Balance as at 31st March 2023 carried forward	6.1	57.2	63.3	1.4	23.3	88.0	178.2	266.2

## 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 2022			31 <sup>st</sup> March 2023
£m		Note	£m
258.7	Property, Plant & Equipment	13	288.8
40.3	Heritage Assets	15	40.2
211.0	Investment Property	16	182.1
1.0	Intangible Assets		0.8
100.2	Infrastructure Assets	14	97.6
5.5	Long Term Investments	19	14.6
28.8	Long Term Debtors	20	36.2
<b>645.7</b>	<b>Long Term (Non-Current) Assets</b>		<b>660.3</b>
107.2	Short Term Investments	19	76.8
0.5	Assets Held for Sale		0.0
0.1	Inventories		0.1
36.2	Short Term Debtors	20	28.8
6.3	Cash and Cash Equivalents	21	2.8
<b>150.3</b>	<b>Current Assets</b>		<b>108.5</b>
(5.3)	Short Term Borrowing	24	(2.6)
(2.4)	Other Short-Term Liabilities	25	(2.3)
(74.3)	Short Term Creditors (inc Receipts in Advance)	22	(48.1)
(5.6)	Capital Grants/Contributions: Receipts in Advance		(7.0)
(5.3)	Provisions	23	(3.0)
(2.0)	Cash and Cash Equivalents	21	(3.9)
<b>(94.9)</b>	<b>Current Liabilities</b>		<b>(66.9)</b>

<b>31st March 2022</b>		<b>Notes</b>	<b>31st March 2023</b>
<b>£m</b>			<b>£m</b>
(3.1)	Long Term Creditors	22	(2.7)
(0.1)	Provisions	23	(0.1)
(385.3)	Long Term Borrowing	24	(382.6)
(41.3)	Other Long-Term Liabilities	25	(39.7)
(134.6)	Pension Liability	41	(8.6)
(1.0)	Capital Grants/Contributions: Receipts in Advance		(2.0)
<b>(565.4)</b>	<b>Long Term Liabilities</b>		<b>(435.7)</b>
<b>135.7</b>	<b>Net Assets/Liabilities</b>		<b>266.2</b>
<b>96.4</b>	Usable reserves	26	<b>88.0</b>
<b>(39.3)</b>	Unusable Reserves	27	<b>178.2</b>
<b>(135.7)</b>	<b>Total Reserves</b>		<b>266.2</b>
<p><b>M Coe</b>  <b>Chief Finance Officer</b>  <b>27 November 2024</b></p>			

## 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.

2021/22				2022/23	
£m	£m		note	£m	£m
	<b>21.7</b>	Net surplus or (deficit) on the provision of services,			<b>30.1</b>
<b>34.8</b>		Adjustments to net surplus or deficit on the provision of services for non-cash movements	See note below	35.8	
<b>(13.0)</b>		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)	
	<b>21.8</b>	<b>Net cash inflows/(outflow) from Operating Activities</b>			<b>22.8</b>
		<b>Investing Activities:</b>			
<b>(20.6)</b>		Purchase of property, plant and equipment, investment property, heritage, and intangible assets		(23.8)	
<b>0.2</b>		Proceeds from the sale of property, plant and equipment, investment property and intangible assets		0.2	
<b>(22.4)</b>	<b>(42.8)</b>	Changes in short-term and long-term investments	19	(30.8)	<b>(54.4)</b>
		<b>Financing Activities</b>			
<b>(1.5)</b>		Cash payments for the reduction of the outstanding liabilities relating to transferred debt and on-balance sheet PFI contracts	25	(2.4)	
<b>7.8</b>		Council Tax and NNDR adjustments		2.1	
<b>(2.6)</b>	<b>3.7</b>	Net change in borrowing in year	24	(3.6)	<b>(3.9)</b>
	<b>4.4</b>	<b>Net increase or (decrease) in cash and cash equivalents</b>			<b>(5.4)</b>

2021/22		2022/23	
£m	Cash and Cash Equivalents	Notes	£m
<b>(0.5)</b>	Cash and cash equivalents * at the beginning of the reporting period	21	4.3
<b>4.3</b>	Cash and cash equivalents at the end of the reporting period	21	(1.1)
<b>4.8</b>	<b>Net increase or (decrease) in cash and cash equivalents</b>		<b>(5.4)</b>
*Cash equivalents are short term cash investments that are held for the purpose of meeting short term cash commitments rather than for investment purposes.			
Note: Adjustments to net surplus or deficit on the provision of services for non-cash movements			
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			
<b>17.5</b>	Depreciation, Impairment & downward valuations		13.8
<b>(7.8)</b>	Change in value of Investment Properties		28.9
<b>0.2</b>	Amortisation of Intangible Assets		0.1
<b>11.1</b>	Increase/(Decrease) in Creditors		(26.6)
<b>3.9</b>	(Increase)/Decrease in Debtors including impairment for bad debts		0
<b>15.9</b>	Movement in LGPS pensions from IAS19		38.0
<b>4.2</b>	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised		0
<b>(10.2)</b>	Other non-cash items charged to the net surplus or deficit on the provision of services including Council Tax and NNDR financing adjustments.		(18.4)
<b>34.8</b>	<b>Total</b>		<b>35.8</b>

## Notes to the Statement of Accounts

<b>General Notes:</b>		Note 20 Debtors	60
Note 1 Changes in Accounting Policy	31	Note 21 Cash and Cash Equivalents	62
Note 2 Accounting Standards Issued, Not Adopted	31	Note 22 Creditors	62
Note 3 Critical Judgements in Applying Accounting Policies	31	Note 23 Provisions	63
Note 4 Assumptions made about the future and other major sources of estimation uncertainty	32	Note 24 Borrowing	64
Note 5 Events After the Reporting Period	33	Note 25 Liabilities	65
Note 6 Expenditure and Funding Analysis	34	Note 26 Usable Reserves	68
Note 7 Note to the Expenditure and Income Analysis	35	Note 27 Unusable Reserves	69
Note 8 Expenditure and Income Analysed by Nature and Income analysed by Segment	36	Note 28 Pooled Budgets	70
<b>Notes re Movement in Reserves Statement:</b>		Note 29 Members' Allowances	70
Note 9 Adjustments between Accounting Basis and Funding Basis under Regulations	37	Note 30 Officers' Remuneration	71
Note 10 Transfers to/from Earmarked Reserves	44	Note 31 External Audit Costs	73
Notes re Comprehensive Income & Expenditure Statement:		Note 32 Dedicated Schools Grant	73
Note 11 Financing and Investment Income and Expenditure	44	Note 33 Grant Income	74
Note 12 Taxation and Non-Specific Grant Income	45	Note 34 Related Parties	75
<b>Notes re Balance Sheet:</b>		Note 35 Impairment Losses	86
Property, Plant and Equipment	45	Note 36 Contingent Liabilities	86
Note 14 Infrastructure Assets	49	Note 37 Termination Benefits & Exit Packages	86
Note 15 Heritage Assets	50	Note 38 Capital Expenditure and Capital Financing	87
Note 16 Investment Properties	51	Note 39 Leases	87
Note 17 Financial Instruments	52	Note 40 Pension Schemes Accounted for as Defined Contribution Schemes	89
Note 18 Nature and Extent of Risks Arising from Financial Instruments	55	Note 41 Defined Benefit Pension Schemes	90
Note 19 Investments	59	Note 42 Summary of Significant Accounting Policies	96

### **1. Changes in Accounting Policy**

For 2022/23 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 2022/23 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:

In assessing its existing leases under IFRS guidance the Council has only considered leases where either the value of rent or the value of the asset was material. In addition, a ratio of 75% of lease term to asset life has been used as a guide to recognise leases as finance leases.

The Council has recognised a long-term liability for the annual local government reorganisation discretionary pension payment to Devon County Council. This payment is invoiced for in the year that the County Council makes payments to its pensioners.

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.

There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired because of a need to close facilities and reduce levels of service provision. The Council can only be dissolved by a statutory prescription.

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 2023 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 TEDC Ltd. in relation to pension liabilities. The value has been assessed as 100% of the TEDC's 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 TEDC, as a Teckal-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 TEDC who would otherwise have been employees of the Council.

#### 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. There were no changes in accounting estimates in 2022/23 or expected in future years.

The only items in the Council's Balance Sheet at 31<sup>st</sup> March 2023 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</b>	
<p>The Council's liability as at 31<sup>st</sup> March 2023 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.</p> <p>A table on sensitivity of assumptions is included in the Pensions Note.</p>

<b>Economic Conditions</b>	
<p>The impact of the global pandemic significantly reduced during 2022/23.</p> <p>The Ukraine war started in February 2022 but has had minimal impact on the Council’s balance sheet.</p> <p>The most significant economic impact in 2022/23 has, and going forward, will, come from the “cost-of-living crisis”. Citizens have seen the costs of everyday living (especially energy and food prices) soar as inflation reached double figures and interest rates rose sharply; businesses were similarly under pressure from rising energy and food prices. The effects on the Council are similar - higher energy costs have increased the costs of providing a range of services; and as a major employer, the Council has made market-driven pay increases which were higher than expected or budgeted at the time.</p>	<p>Although there is ongoing uncertainty in the longer-term impact on some balance sheet values primarily on non-current assets, the Council’s appointed valuer has provided an updated valuation certificate including on the Council’s investment portfolio.</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 March 2023.</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 2023.</p> <p>The Council, on a “case by case basis”, has adjusted impairment for increased uncertainty of collectability of income due from several debtors.</p>

**5. Events after the Reporting Period**

Events taking place after the 31<sup>st</sup> July 2023 are not reflected in the financial statements. There are no significant events to report up to that date.

There is ongoing uncertainty around economic conditions and higher inflation rates which the Council will continue to monitor.

## 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.

2021/22				2022/23		
Net Expend Chargeable to the General Fund	Adjustments between the Funding and Accounting restated	Net Expenditure in the Comprehensive Income and Expenditure Statement restated	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
44.3	(11.4)	32.9	Adult's Services	46.4	4.1	50.5
45.9	(1.6)	44.3	Children's Services	47.8	(8.2)	39.6
9.9	1.2	11.1	Corporate Services	11.5	(0.3)	11.2
(10.9)	10.6	(0.3)	Finance	(12.3)	22.0	9.7
17.7	7.7	25.4	Place	22.5	(0.3)	22.2
9.8	(2.0)	7.8	Public Health	10.1	(1.4)	8.7
<b>116.7</b>	<b>4.5</b>	<b>121.2</b>	<b>Cost of Services</b>	<b>126.0</b>	<b>15.9</b>	<b>141.9</b>
<b>(126.1)</b>	<b>(16.8)</b>	<b>(142.9)</b>	Other Income & Expenditure	(126.4)	14.6	(111.8)
<b>(9.4)</b>	<b>(12.3)</b>	<b>(21.7)</b>	<b>(Surplus)/Deficit on Provision of Services</b>	<b>(0.4)</b>	<b>30.5</b>	<b>30.1</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.

2021/22				2022/23				
Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total adjustments	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total adjustments	
£m	£m	£m	£m	£m	£m	£m	£m	
1.3	0	(12.7)	(11.4)	Adult Social Care	0.3	0	3.8	4.1
(4.9)	0	3.3	(1.6)	Children's Services	(4.2)	0	(4.0)	(8.2)
0.6	0	0.6	1.2	Corporate Services	0.6	0	(0.9)	(0.3)
(6.3)	10.9	6.0	10.6	Finance	(2.1)	12.4	11.7	22
12.3	0	(4.6)	7.7	Place	11.2	0	(11.5)	(0.3)
0	0	(2.0)	(2.0)	Public Health	0	0	(1.4)	(1.4)
3.0	10.9	(9.4)	4.5	<b>Net Cost of Services</b>	5.8	12.4	(2.3)	15.9
(14.9)	4.7	(6.6)	(16.8)	Other income and expenditure from Expenditure and Funding Analysis	(9.9)	0.2	24.3	14.6
(11.9)	15.6	(16.0)	(12.3)	<b>Difference between General Fund (surplus)/deficit and Comprehensive Income and Expenditure Statement (surplus)/deficit on the Provision of Services</b>	<b>(4.1)</b>	<b>12.6</b>	<b>22.0</b>	<b>30.5</b>

## 8. Expenditure and Income Analysed by Nature

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

2021/22		2022/23
£m		£m
	<b>Expenditure</b>	
81.3	Employee benefits expenses	111.9
223.8	Other services expenses	139.5
21.7	Depreciation, amortisation, impairment and change in Fair Value (net)	13.9
17.3	Interest payments	13.1
0.5	Precepts and levies	0.6
4.3	Written out of accounts on the disposal of assets	0.0
348.9	<b>Total Expenditure</b>	<b>398.9</b>
	<b>Income</b>	
(49.5)	Fees, charges, and other service income	(43.0)
(28.5)	Financing & Investment Income and Other Operating Income	(27.4)
(86.2)	Council tax and non-domestic rates (net)	(96.8)
(206.4)	Government grants and contributions	(201.6)
(370.6)	<b>Total Income</b>	<b>(368.8)</b>
(21.7)	<b>(Surplus) or Deficit on the Provision of Service</b>	<b>30.1</b>

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

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

2021/22 £m		2022/23 £m
(19.3)	Adult's Services	(8.1)
(3.9)	Children's Services	(5.0)
(1.8)	Corporate Services	(2.5)
(0.6)	Finance	(2.6)
(23.8)	Place	(24.6)
(0.1)	Public Health	(0.2)
(49.5)	<b>Total income analysed on a segmental basis</b>	<b>(43.0)</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.

2021/22								2022/23							
Usable Reserves				Unusable Reserves				Usable Reserves				Unusable Reserves			
General Fund £m	Capital Receipts £m	Capital Grants Unapplied £m	Deferred Capital Receipts £m	CAA £m	Pension £m	Other £m		General Fund £m	Capital Receipts £m	Capital Grants Unapplied £m	Deferred Capital Receipts £m	CAA £m	Pension £m	Other £m	
								Adjustments involving the Capital Adjustment Account:							
								Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:							
								<b><u>Items relating to capital expenditure</u></b>							
(17.5)	0	0	0	17.5	0	0	<b>Charges for depreciation and impairment of non-current assets</b>	(13.8)	0	0	0	13.8	0	0	
(0.2)	0	0	0	0.2	0	0	<b>Amortisation of intangible assets</b>	(0.2)	0	0	0	0.2	0	0	
(2.6)	0	0	0	2.6	0	0	<b>Revenue expenditure funded from capital under statute</b>	(3.6)	0	0	0	3.6	0	0	
(4.2)	0	0	0	3.9	0	0.3*	<b>Amounts of non-current assets written off on disposal/sale as part of the gain/loss on disposal to the CI&amp;E statement. *Revaluation Reserve</b>	(9.9)	0	0	0	4.4	0	5.5*	
0.1	0	0	0	(0.1)	0	0	<b>Notional Rent Credit</b>	0.1	0	0	0	(0.1)	0	0	
(24.4)	0	0	0	24.1	0	0.3	<b>c/f</b>	(27.4)	0	0	0	21.9	0	5.5	

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	
(24.4)	0	0	0	24.1	0	0.3	<b>b/f</b>	<b>(27.4)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>21.9</b>	<b>0</b>	<b>5.5</b>	
0.8	0	0	0	(0.8)	0	0	<b>Deferred Credit re Energy from Waste</b>	0.8	0	0	0	(0.8)	0	0	
							<u><b>Other</b></u>								
7.9	0	0	0	(7.9)	0	0	<b>Movement in the fair value of Investment Properties and AHFS</b>	(28.9)	0	0	0	28.9	0	0	
							<u><b>Items relating to capital financing applied in the year</b></u>								
1.5	0	0	0	(1.5)	0	0	<b>Capital Grants and Contributions Applied</b>	1.5	0	0	0	(1.5)	0	0	
							Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement								
							<u><b>Items relating to capital financing applied in the year</b></u>								
7.6	0	0	0	(7.6)	0	0	<b>Provision for the financing of capital investment</b>	7.8	0	0	0	(7.8)	0	0	
1.5	0	0	0	(1.5)	0	0	<b>Capital expenditure charged against the General Fund</b>	0.7	0	0	0	(0.7)	0	0	
<b>(5.1)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4.8</b>	<b>0</b>	<b>0.3</b>	<b>c/f</b>	<b>(45.5)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>40</b>	<b>0</b>	<b>5.5</b>	

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	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	£m	£m	£m	£m	£m	£m	£m	£m							
(5.1)	0	0	0	4.8	0	0.3	b/f	(45.5)	0	0	0	40	0	5.5															
Adjustments involving Capital Grant Unapplied Account																													
26.3	0	(18.9)	0	(7.4)	0	0	Capital Grants & Contributions unapplied credited to the CI&E Statement	10.8	0	(7.6)	0	(3.2)	0	0															
0	0	5.1	0	(5.1)	0	0	Application of (prior year) Grants to capital financing applied in the year transferred to the Capital Adjustment Account	0	0	6.7	0	(6.7)	0	0															
Adjustments involving the Capital Receipts Reserve:																													
0.2	(0.2)	0	0	0	0	0	Transfer of sale proceeds credited as part of the gain/loss on disposal to the CI&E Statement	0	0	0	0	0	0	0															
0	0.8	0	0	(0.8)	0	0	Use of the Capital Receipts Reserve to finance new capital expenditure applied in the year	0	(0.2)	0	0	0.2	0	0															
Adjustments involving the Pensions Reserve:																													
21.4	0.6	(13.8)	0	(8.5)	0	0.3	c/f	(34.7)	(0.2)	(0.9)	0	30.3	0	5.5															

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	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	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
21.4	0.6	(13.8)	0	(8.5)	0	0.3	<b>b/f</b>	(34.7)	(0.2)	(0.9)	0	30.3	0	5.5														
(22.2)	0	0	0	0	22.2	0	<b>Reversal of items relating to retirement benefits debited or credited to the CI&amp;E Statement (see Note 40)</b>	(11.5)	0	0	0	0	11.5	0														
6.7	0	0	0	0	(6.7)	0	<b>Employer's pensions contributions and direct payments to pensioners payable in the year</b>	6	0	0	0	0	(6)	0														
							Adjustments involving the Collection Fund Adjustment Account:																					
9.1	0	0	0	0	0	(9.1)	<b>Amount by which collection fund income credited to the CI&amp;E Statement is different from collection fund income calculated for the year in accordance with statutory requirements</b>	0.1	0	0	0	0	0	(0.1)														
							Adjustment involving the Accumulated Absences Account																					
15.0	0.6	(13.8)	0	(8.5)	15.5	(8.8)	<b>c/f</b>	(40.1)	(0.2)	(0.9)	0	30.3	5.5	5.4														

Usable Reserves restated			Unusable Reserves restated				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			
15.0	0.6	(13.8)	0	(8.5)	15.5	(8.8)	<i>b/f</i>	(40.1)	(0.2)	(0.9)	0	30.3	5.5	5.4			
(0.3)	0	0	0	0	0	0.3	<b>Amount by which officer remuneration charged to the CI&amp;E Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements</b>	0.2	0	0	0	0	0	(0.2)			
							Adjustment involving the Pooled Fund Adjustments Account										
0.8	0	0	0	0	0	(0.8)	<b>Amount by which financial instruments charged to the CI&amp;E Statement are different from amounts chargeable in the year in accordance with statutory requirements</b>	(0.9)	0	0	0	0	0	0.9			
							Adjustment involving the Dedicated Schools Grant Adjustments Account										
(3.2)	0	0	0	0	0	3.2	<b>Deficit on Dedicated Schools Grant</b>	2.4	0	0	0	0	0	(2.4)			
12.3	0.6	(13.8)	0	(8.5)	15.5	(6.1)	<i>c/f</i>	(38.4)	(0.2)	(0.9)	0	30.3	5.5	3.7			

Usable Reserves restated							Unusable Reserves restated							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	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	£m	£m	£m	£m	£m	£m	£m						
12.3	0.6	(13.8)	0	(8.5)	15.5	(6.1)	<b>b/f</b>	(38.4)	(0.2)	(0.9)	0	30.3	5.5	3.7													
<b>Total Adjustments per MIRS</b>																											
<i>Memo items: -</i>																											
(22.1)	0	0	0	0	0	0	<b>Surplus/(Deficit) on Provision of Services</b>	(30.1)	0	0	0	0	0	0													
9.4	0	0	0	0	0	0	<b>Movement in earmarked reserves</b>	(3.8)	0	0	0	0	0	0													
0	0	3.6	0	10.9	0	0	<b>Restatement</b>	0	0	0	0	0	(90.4)	0													
0	0	0	0	0	(92.9)	0	<b>Other Comprehensive Income and Expenditure: Remeasurement of net defined pension liability</b>	0	0	0	0	0	(38.0)	0													
0	0	0	0	(12.3)	0	1.8	<b>Other movements on the Capital Adjustment Account including - Adjusting amounts written out of the revaluation reserve to the Capital Adjustment Account</b>	0	0	0	(4.5)	(10.3)	0	10.3													
0	0.6	(10.2)	0	(9.9)	(77.4)	(4.3)	<b>Total Movement in year</b>	(72.3)	(0.2)	(0.9)	(4.5)	20.0	(122.9)	14.0													

## 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 2022/23. The note has been restated in the comparator primarily to identify the grant related reserves separately and to ensure consistency of presentation between the two years.

	Balance at 31 March 2021	Transfer Out 21/22	Transfer In 2021/22	Balance at 31 March 2022	Transfer Out 2022/23	Transfer In 2022/23	Balance at 31 March 2023
	£m	£m	£m	£m	£m	£m	£m
<b>Earmarked for General Expenditure</b>	2.4	0	0.6	<b>3.0</b>	(4.6)	0.8	<b>(0.8)</b>
<b>Earmarked for specific issues</b>	17.4	(8.6)	10.5	<b>19.3</b>	(6.5)	10.8	<b>23.7</b>
<b>Collection Fund Reserve</b>	17.0	(12.0)	5.3	<b>10.3</b>	(7.1)	0.7	<b>3.8</b>
<b>Grants received but not spent.</b>	10.3	(6.5)	5.0	<b>8.8</b>	(5.3)	5.5	<b>9.1</b>
<b>To support Capital expenditure</b>	2.9	(1.0)	1.1	<b>3.0</b>	(0.7)	3.9	<b>6.2</b>
<b>School Related Reserves</b>	0.1	(0.3)	0.3	<b>0.1</b>	(0.6)	1.3	<b>0.9</b>
<b>Schools' Balances (held under a delegation scheme)</b>	1.4	(1.6)	2.5	<b>2.3</b>	(2.7)	3.5	<b>3.2</b>
<b>Ring Fenced</b>	6.2	(2.6)	16.7	<b>20.3</b>	(6.2)	3.2	<b>17.2</b>
<b>Total</b>	57.7	(32.6)	42.0	<b>67.1</b>	(33.6)	29.9	<b>63.3</b>

## 11. Financing and Investment Income and Expenditure

2021/22		2022/23
£m		£m
13.0	<b>Interest payable and similar charges</b>	12.8
4.3	<b>Net interest on net defined pension liability</b>	0.2
(2.3)	<b>Interest receivable and similar income</b>	(4.5)
(20.7)	<b>Income and expenditure in relation to investment properties and changes in their fair value</b>	17.0
(0.9)	<b>Gain from Devon wide NNDR Pool</b>	(1.2)
(6.6)	<b>Total</b>	24.3

## 12. Taxation and Non-Specific Grant Income

2021/22		2022/23
£m		£m
(75.0)	<b>Council tax Income</b>	<b>(78.2)</b>
(39.7)	<b>Retained income from NNDR retention scheme</b>	<b>(36.7)</b>
13.2	<b>Collection Fund – NNDR &amp; Council Tax</b>	<b>5.8</b>
(9.1)	<b>Collection Fund Adjustment Account</b>	<b>(10.0)</b>
(9.6)	<b>Non ring-fenced government grants</b>	<b>(7.1)</b>
(20.5)	<b>Capital grants and contributions</b>	<b>(14.3)</b>
(140.7)	Total	<b>(140.5)</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 (PP&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 all asset types apart from land which is not depreciated due to its nature.

### 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 2022/23, and the prior year 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 PP&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	16.2	0
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	19.5	0	-0.1	0.1	0	19.5	-0.1
Revaluation Increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	-5.8	0	0	0	0	-5.8	0
Derecognition – Disposals	-0.5	-12.1	0	-0.2	0	-12.8	0
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0
Other movements in Cost or Valuation	8.5	0	0	0	-8.5	0	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>
Accumulated Depreciation and Impairment							
<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	-6.6	-1.6
Depreciation written out to the Revaluation Reserve	1.1	0	0.1	0	0	1.2	0.1
Revaluation Increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	1.1	0	0	0	0	1.1	0
Derecognition – Disposals	0.1	8.6	0	0	0	8.7	0
Other movements in Depreciation and Impairment	0	0	0	0	0	0	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>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>
<b>As at 31<sup>st</sup> March 2021</b>	<b>207.6</b>	<b>7.2</b>	<b>8.6</b>	<b>1.2</b>	<b>12.6</b>	<b>237.2</b>	<b>44.6</b>

2022/23	Other Land and Buildings	Vehicles, Plant & Equipment	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PP & E	PFI Assets in
	£m	£m	£m	£m	£m	£m	£m	
<b>Cost or Valuation</b>								
<b>As at 1<sup>st</sup> April 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>Additions</b>	12.8	0.4	0	0	10.6	23.8	0.2	
<b>Revaluation increases/ (decreases) recognised in the Revaluation Reserve</b>	25.9	0	0.2	(0.3)	0	25.8	8.6	
<b>Revaluation Increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services</b>	0.2	0	0	(0.3)	0	(0.1)	0.5	
<b>Derecognition – Disposals</b>	(9.2)	0	0	0	0	(9.2)	0	
<b>Assets reclassified (to)/from Held for Sale</b>	(0.7)	0	0	0	0	(0.7)	0	
<b>Other movements in Cost or Valuation</b>	0	0	0	0	0	0	0	
<b>As at 31<sup>st</sup> March 2023</b>	<b>269.6</b>	<b>11.8</b>	<b>9.8</b>	<b>0.5</b>	<b>19.5</b>	<b>311.2</b>	<b>55.1</b>	
<b>Accumulated Depreciation and Impairment</b>								
<b>As at 1st April 2022</b>	<b>(14.0)</b>	<b>(8.3)</b>	<b>(1.1)</b>	<b>0</b>	<b>0</b>	<b>(23.4)</b>	<b>(2.8)</b>	
<b>Depreciation charge</b>	(6.5)	(0.5)	(0.1)	0	0	(7.1)	(1.8)	
<b>Depreciation written out to the Revaluation Reserve</b>	7.4	0	0	0	0	7.4	3.8	
<b>Revaluation Increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services</b>	0.5	0	0	0	0	0.5	0.3	
<b>Derecognition – Disposals</b>	0.2	0	0	0	0	0.2	0	
<b><u>Other movements in Depreciation and Impairment</u></b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
<b>As at 31<sup>st</sup> March 2023</b>	<b>(12.4)</b>	<b>(8.8)</b>	<b>(1.2)</b>	<b>0</b>	<b>0</b>	<b>(22.4)</b>	<b>(0.5)</b>	
<b>Net Book Value: -</b>								
<b>As at 31<sup>st</sup> March 2023</b>	<b>257.2</b>	<b>3</b>	<b>8.6</b>	<b>0.5</b>	<b>19.5</b>	<b>288.8</b>	<b>54.6</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>	

## Contractual Commitments for the acquisition of Property, Plant and Equipment as at 31<sup>st</sup> March 2023

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 £10.7m.

Contract	Purpose	Total Commitments	2023/24	2024/25
		£m	£m	£m
	<b>Expenditure on Council Assets:</b>			
<b><u>Adults</u></b>				
<b>Crossways</b>	Regeneration and extra care housing	1.0	1.0	0.0
<b><u>Transport</u></b>				
<b>Structural Maintenance</b>	Maintenance of road network	0.5	0.5	0.0
<b><u>Regeneration</u></b>				
<b>Harbour View Hotel</b>	Town Centre regeneration / employment scheme	7.6	7.6	0.0
<b>Lymington road Business Park</b>	Additional start-up workshop units	0.5	0.5	0.0
<b>Edginswell Business Park</b>	Development & construction of Unit 1	2.0	2.0	0.0
	<b>Total Significant Commitments</b>	<b>11.6</b>	<b>11.6</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 valuers - 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
31 March 2023	134.7
31 March 2022	90.4
31 March 2021	21.0
31 March 2020	18.6
31 March 2019	54.6
Total Cost or Valuation of Other Land & Buildings	319.3

## 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.

31st March 2022		31st March 2023
£m	Net book value: modified historical cost	£m
101.4	<b>Net Book Value – opening value</b>	<b>100.2</b>
5.1	Additions	<b>4.1</b>
(6.3)	Depreciation in year	<b>(6.7)</b>
0	Movements in value in year	<b>0</b>
100.2	<b>Net Book Value – closing value</b>	<b>97.6</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 a long 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
<b>31<sup>st</sup> March 2021</b>	<b>8.0</b>	<b>0.2</b>	<b>26.1</b>	<b>34.3</b>
Restatement of opening balance	(0.2)	0	0.2	0
Revised opening balance	7.8	0.2	26.3	34.3
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	0	6.0	6.0
<b>31<sup>st</sup> March 2022</b>	<b>7.8</b>	<b>0.2</b>	<b>32.3</b>	<b>40.3</b>
Additions	0	0	0.1	0.1
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	0	(0.2)	(0.2)
<b>31<sup>st</sup> March 2023</b>	<b>7.8</b>	<b>0.2</b>	<b>32.2</b>	<b>40.2</b>

### Fine Arts Collection

Includes exhibits held at Torre Abbey. The valuation was undertaken by external valuers, Bearnese Hampton and Littlewood, in 2010 but the exhibits held at Torre Abbey were valued by Bearnese 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 owing 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 2022/23 was £14m, (£13m 2021/22) with operating costs of £0.6m (£0.4m 2021/22).

<b>31st March 2022</b>		<b>31st March 2023</b>
<b>£m</b>		<b>£m</b>
203.1	Opening Balance	<b>211.0</b>
(0)	Purchases in year	<b>(0)</b>
7.9	Movements in value in year	<b>(28.9)</b>
211.0	<b>Total</b>	<b>182.1</b>

## 17. Financial Instruments

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

31 <sup>st</sup> March 2022			31 <sup>st</sup> March 2023	
Non Current	Current		Non Current	Current
£m	£m		£m	£m
		<b>Investments</b>		
0	102.7	Loans and receivables (at amortised cost)	10.0	72.2
5.5	4.5	Financial assets at fair value through profit and loss	4.6	4.7
<b>5.5</b>	<b>107.2</b>	<b>Total investments</b>	<b>14.6</b>	<b>76.9</b>
		<b>Cash &amp; Cash Equivalents</b>		
0	0.1	Cash in hand and Bank (net)	0.0	-2.0
0	4.2	Loans and receivables (at amortised cost)	0.0	0.8
<b>0</b>	<b>4.3</b>	<b>Total Cash &amp; Cash Equivalents</b>	<b>0.0</b>	<b>-1.2</b>
		<b>Debtors</b>		
28.8	20.8	Financial assets carried (at amortised cost)	36.2	26.4
<b>28.8</b>	<b>20.8</b>	<b>Total Debtors</b>	<b>36.2</b>	<b>26.4</b>
		<b>Borrowings/Liabilities</b>	0.0	0.0
(385.3)	(5.3)	Financial liabilities (at amortised cost)	-382.6	-4.3
<b>(385.3)</b>	<b>(5.3)</b>	<b>Total borrowings</b>	<b>-382.6</b>	<b>-4.3</b>
		<b>Other Long-Term Liabilities</b>		
(15.1)	(0.9)	PFI liability (at amortised cost)	-14.1	-1.0
(6.5)	0	Financial Guarantee	-6.5	0.0
<b>(21.6)</b>	<b>(0.9)</b>	<b>Total Other Long-Term liabilities</b>	<b>-20.6</b>	<b>-1.0</b>
		<b>Creditors</b>		
(0.9)	(41.4)	Financial liabilities (at amortised cost)	-0.6	-33.6
<b>(0.9)</b>	<b>(41.4)</b>	<b>Total Creditors</b>	<b>-0.6</b>	<b>-33.6</b>
<b>(373.5)</b>	<b>84.7</b>	<b>Total All Financial Instruments</b>	<b>-352.9</b>	<b>63.2</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
<b>Investments – fixed rate</b>	Carrying value adjusted for interest owed at year end	<b>Investments have both fixed term and fixed interest rates</b>
<b>Investments – Money Market Funds</b>	Increase in carrying value recognised in Income & Expenditure Account	<b>Interest rate determinable on 1<sup>st</sup> April.</b>
<b>Investments – Enhanced Money Market Fund</b>	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.	<b>Carrying value of the fund at 31<sup>st</sup> March is the fair value of the Fund.</b>
<b>Investments – CCLA Property Fund</b>	Treated as a Financial Instrument at Fair Value through Profit and Loss.	<b>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.</b>
<b>Investments – Other</b>	Held at carrying value on basis of materiality	
<b>Contractual Debt/payables</b>	Held at invoiced or billed amount less an estimate of impairment for the non-collectability of that debt.	<b>Excludes non contractual debt such as Council tax and NNDR</b>
<b>PWLB and fixed rate Market Debt</b>	Carrying value adjusted for interest due at year end	<b>Borrowing is both fixed term and fixed interest rates</b>
<b>LOBO Debt</b>	Balance measured using the effective interest rate within the contract for the maximum life of the deal	<b>Rate calculated over full term assuming the options within the contract are not exercised.</b>
<b>Financial Instruments under adverse economic conditions</b>	All financial instruments assessed for impairment from economic conditions	<b>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.</b>
<b>Financial Guarantee</b>	IAS19 valuation of pension liability	
<b>Council Companies</b>	<b>Held at initial investment (i.e., value of shares)</b>	

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 is 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 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.

## Income, Expense, Gains and Losses

	2021/22				2022/23			
	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	10.0	0	0	<b>10.0</b>	9.8	0	0	<b>9.8</b>
Reductions in fair value re interest due	1.7	0	0	<b>1.7</b>	1.6	0	0	<b>1.6</b>
Total expense in Surplus or Deficit on the Provision of Services	11.7	0	0	<b>11.7</b>	11.4	0	0	<b>11.4</b>
Interest income	0	(0.1)	(0.2)	<b>(0.3)</b>	0	(1.9)	(0.3)	<b>(2.2)</b>
(Gain) /Loss in fair value	0	0	(0.8)	<b>(0.8)</b>	0	0	0.9	<b>0.9</b>
Total income in Surplus or Deficit on the Provision of Services	0	(0.1)	(1.0)	(1.1)	0	(1.9)	0.6	(1.3)
Net gain/(loss) for the year	<b>11.7</b>	<b>(0.1)</b>	<b>(1.0)</b>	<b>10.6</b>	<b>11.4</b>	<b>(1.9)</b>	<b>0.6</b>	<b>10.1</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 2023 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 £375.2m (£378.9m 21/22), the fair value of £272.7m (£384.0m 21/22) has been assessed by using observed market rates as at 31 March 2023 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 21/22), the fair value of £11.5m (£17.2m 21/22) has been assessed by using discount rates of similar length and structure with a comparable lender as at 31 March 2023. 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 lower than the carrying amount because the Council's portfolio of loans includes several fixed rates where the interest rate payable is lower than the rates available for similar loans at the balance sheet date for the term remaining. The commitment to pay interest below current market rates discounts 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 2023 of £330.9m (£478.9m 21/22). This is higher than the fair value PWLB amount of £272.7m (£384.0m 21/22) 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 4.5 years on its 25-year School PFI contract for the construction element. The fair value of the liability as at 31 March 2023 of £3.6m (21/22: £4.7m) 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 16.5 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 2023 of £31.4m (£35.5m 22/22) 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 March 2023. 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 interest 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 Councils treasury management advisers.

Asset Type	Credit Risk Management	Estimation of Impairment Loss
<b>Loans to other authorities</b>	Guaranteed by statute	No allowance required
<b>Banks and financial institutions</b>	Deposits are restricted in line with Council's approved Treasury Management Strategy.	No historic or forecast losses.
<b>Loans</b>	All loans subject to internal risk appraisal, where appropriate guarantees and/or security is obtained in event of default.	No historic or forecast losses
<b>Other Debtors</b>	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 collectability, adjusted to reflect current market conditions.

<b>2022/23</b>	Value as at 31st March 2023	Fitch rating	Fitch rating	Fitch rating	Historical experience of default	Historical experience adjusted for market conditions as at 31st March 2023	Estimated maximum exposure to default and collectability at 31st March 2023
	£m	A	A+	AAA	%	%	£m
<b>Deposits with banks and other financial institutions</b>	14.4	0.8	5.1	8.5	0	0	0
<b>Deposits held in Enhanced Money Market Fund</b>	4.7	0	0	4.7	0	0	0
<b>Deposits held with other public sector bodies</b>	68.6	n/a as public sector			0	0	0
<b>Units purchased in CCLA Property Fund</b>	4.6	0	0	4.6	0	0	0
<b>Trade and other Receivables, excluding loans (Sundry, Beach Huts &amp; Harbour Debt)</b>	14.8	Not applicable			0.5%	2.5%	0.4

Within the Council's sundry debt total of £14.8m (£8m 21/22), £9.8m (£2.0m 21/22) is over three months due for payment. The due amounts can be analysed by age as follows:

31 <sup>st</sup> March 2022		31 <sup>st</sup> March 2023
£m		£m
6.0	Less than 3 months	5.0
0.7	Three months to one year	1.9
1.3	More than one year	7.9
8.0	<b>Total</b>	<b>14.8</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 2022		31 <sup>st</sup> March 2023
£m		£m
3.6	Less than one year	2.6
2.6	Between one and two years	8.6
16.5	Between two and five years	11.5
43.3	Between five and ten years	45.2
59.3	Between ten and twenty years	57.8
73.0	Between twenty and thirty years	70.9
190.6	Above thirty years	188.6
388.9	<b>Total</b>	<b>385.2</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 2023 the Council didn't have any PWLB borrowing at variable interest rates, however, the Council does have a £5m 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 2023 the interest rates were 1% higher than the actual interest rates the financial impact would be:

#### a) Borrowing:

The Council had no variable rate borrowing as at 31<sup>st</sup> March 2023 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 2023 for a full financial year, this would generate an additional £0.2m 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 has 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.

2021/22			2022/23		
Cash Investment	Property fund		Cash Investment	Property Fund	Total
£m	£m		£m	£m	£m
0.0	4.7	Balance at start of year:	0.0	5.5	5.5
0.0	0.8	Change in Investment	10.0	(0.9)	9.1
0.0	5.5	<b>Fair Value as at 31<sup>st</sup> March 2023</b>	<b>10.0</b>	<b>4.6</b>	<b>14.6</b>

### 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		Total Invested	
31st March 2022		31st March 2023	
£ m		£ m	
	Short Term Investments (less than 1 year)		
83.0	Deposits: fixed term & structured	<b>63.0</b>	
19.6	Notice\Call Accounts\MMF's	<b>8.5</b>	
4.0	Enhanced Money Market Fund *	<b>4.0</b>	
106.6	<b>Total Short-Term Investments</b>	<b>75.5</b>	
107.2	<i>Fair Value as at 31<sup>st</sup> March 2023 - including interest due</i>	76.8	

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 2022		31 March 2023
£m		£m
19.4	Loans	<b>20.9</b>
1.6	Social Services – Client Debt	<b>1.6</b>
0	Impairment re Client Debt	<b>0</b>
0	Pension Related	<b>0</b>
7.8	Asset Related (capital accounting)	<b>13.7</b>
28.8	<b>Total</b>	<b>36.2</b>

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

31 <sup>st</sup> March 2022		31 <sup>st</sup> March 2023
£m		£m
10.8	Central government bodies (WGA)	2.1
5.4	Other local authorities and public bodies	7.2
3.6	NHS bodies	0.3
12.9	Council Tax (including liability orders)	15.6
2.4	NNDR (including liability orders)	2.7
3.3	Housing Benefit Overpayments	3.3
16.3	Other entities and individuals	17.5
54.7	<b>Sub Total</b>	<b>48.7</b>
(18.5)	Impairment (collectability of debt)	(19.9)
36.2	<b>Total</b>	<b>28.8</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 2021/22		Council Tax	NNDR	Total 2022/23
£m	£m	£m		£m	£m	£m
4.8	0.9	5.7	Up to 1 year	5.4	1.5	6.6
4.7	1.0	5.7	1 to 3 years	5.9	1.1	7.0
3.2	0.6	3.8	Over 3 years	4.1	1.2	5.3
<b>12.7</b>	<b>2.5</b>	<b>15.2</b>	<b>Total</b>	<b>15.4</b>	<b>3.8</b>	<b>19.2</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 the balance sheet (and notes to) as at 31 March 2023.

Value of loan -31 <sup>st</sup> March 2022	Organisation	Value of loan -31 <sup>st</sup> March 2023	Due within one year	Due in excess of one year
£m		£m	£m	£m
2.7	TEDC	2.6	0.1	2.5
2.9	Tor Vista Homes	3.2	0	3.2
3.2	South Devon College	2.9	0.2	2.7
0.4	SWISCo Ltd	1.4	0.2	1.2
9.3	THAT Group	9.3	0	9.3
0.5	Effect Photonics Ltd	0.5	0.1	0.4
0.5	Torbay Coast & Countryside Trust	0.5	0.02	0.498
0.1	Nanusens Ltd	0.2	0.2	0
<b>19.6</b>	<b>Total</b>	<b>20.6</b>	<b>0.82</b>	<b>19.798</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 2022		31 March 2023
£m		£m
0.1	Bank current accounts	(1.9)
4.2	Short-term deposits with Liquidity Accounts	0.8
<b>4.3</b>	<b>Total Cash and Cash Equivalents</b>	<b>(1.1)</b>
6.3	<i>Current Assets</i>	2.8
(2.0)	<i>Current Liabilities</i>	(3.9)
<b>4.3</b>	<b>Total Cash and Cash Equivalents</b>	<b>(1.1)</b>

## 22. Creditors

Represents monies owed by the Council.

Long Term Creditors (due over one year)

31 March 2022		31 March 2023
£m		£m
2.2	Section 106 agreements	2.1
0.1	Salix Finance	0.1
0.5	PFI Sinking Fund - Contractor	0.3
0.3	Other	0.2
3.1	<b>Total</b>	<b>2.7</b>

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

31 March 2022		31 March 2023
£m		£m
41.0 *	Central government bodies (WGA)	11.4
4.4	Other local authorities and public bodies	4.8
1.8	NHS bodies	3.2
27.1	Other entities and individuals	28.7
74.3	<b>Total</b>	<b>48.1</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 2022</b>	<b>0.3</b>	<b>5.0</b>	<b>0.1</b>	<b>5.4</b>
Provisions made in year	0.1	5.2	0	5.3
Provisions reversed in year	0	0	0	0
Amounts used in year	(0.1)	(7.5)	0	(7.6)
<b>Balance at 31 March 2023</b>	<b>0.3</b>	<b>2.7</b>	<b>0.1</b>	<b>3.1</b>
<i>Short term</i>	<i>0.2</i>	<i>2.7</i>	<i>0.1</i>	<i>3.0</i>
<i>Long term</i>	<i>0.1</i>	<i>0</i>	<i>0</i>	<i>0.1</i>
<i>Balance at 31 March 2023</i>	<i>0.3</i>	<i>2.7</i>	<i>0.1</i>	<i>3.1</i>

\*An analysis of NNDR movements in year not separately identifiable as appeals are reflected within an 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 2023, 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 2022		31 <sup>st</sup> March 2023
Principal	Borrowing Repayable	Principal
£ m		£ m
	Amounts falling due within one year:	
3.6	Public Works Loans Board loans	2.6
	Amounts falling due more than one year:	
10.0	Money Market loans	10.0
375.3	Public Works Loans Board loans	372.6
<b>388.9</b>	<b>Total</b>	<b>385.2</b>
390.6	<i>Carrying Amount as at 31<sup>st</sup> March 2023 including interest due</i>	386.9

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 2022			31 <sup>st</sup> March 2023
£ m			£ m
3.6	Within 1 year - (short term)	3.81%	2.6
2.6	1 up to 2 years	2.59%	8.6
8.6	2 up to 3 years	4.07%	5.6
5.7	3 up to 4 years	3.94%	2.2
2.2	4 up to 5 years	4.14%	3.7
43.3	5 up to 10 years	2.57%	45.2
29.4	10 up to 15 years	4.04%	29.7
29.9	15 up to 20 years	3.31%	28.1
28.1	20 up to 25 years	3.07%	37.4
235.5	Over 25 years	2.81%	222.1
388.9	Total	<b>2.98%</b>	<b>385.2</b>
390.6	<i>Carrying amount as at 31<sup>st</sup> March - including interest due.</i>		386.9
401.2	<i>Fair value (as IFRS 13 see Note 16 Fair Value of Assets and Liabilities)</i>		284.2

### 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 have confirmed 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 2022		31 <sup>st</sup> March 2023
£m		£m
	<b>Liabilities due within 1 year</b>	
0.7	PFI Liability - Schools	0.7
0.2	PFI Liability – EFW	0.2
0.8	PFI Liability – EFW – Deferred Income	0.8
0.7	DCC Pre LGR Liability	0.6
<b>2.4</b>	<b>Total due within 1 year</b>	<b>2.3</b>
	<b>Liabilities due over 1 year</b>	
3.7	PFI Liability – Schools	2.8
11.4	PFI Liability – EFW	11.2
14.2	PFI Liability – EFW – Deferred Income	13.4
5.5	DCC Pre LGR Liability	5.8
6.5	TEDC – LGPS Pension liability	6.5
<b>41.3</b>	<b>Total due over 1 year</b>	<b>39.7</b>
<b>43.7</b>	<b>Total Liabilities</b>	<b>42.0</b>

### The Spires and Homelands Schools PFI Scheme

A Project Agreement was signed on 31st 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 2023 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	<b>Payment for Services *</b>	<b>Reimbursement of Capital Expenditure</b>	<b>Interest</b>	<b>Total</b>
	£m	£m	£m	£m
Payable in 2023/24	2.2	0.7	0.2	3.1
Payable within 2 to 5 years	6.5	2.5	0.3	9.3
Payable over 5 years	0	0	0	0
<b>Total</b>	<b>8.7</b>	<b>3.2</b>	<b>0.5</b>	<b>12.4</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:

2021/22		2022/23
£m		£m
5.0	Balance outstanding at start of year	4.4
(0.6)	Payments during the year	(0.6)
<b>4.4</b>	<b>Balance outstanding at year-end</b>	<b>3.8</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 31st 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 2023 (excluding any estimation of inflation) is as follows:

	<b>Payment for Services *</b>	<b>Reimbursement of Capital Expenditure</b>	<b>Interest</b>	<b>Total</b>
	£m	£m	£m	£m
Payable in 2023/24	2.9	0.2	1.0	4.1
Payable within 2 to 5 years	12.5	1.0	3.4	16.9
Payable within 6 to 10 years	16.0	2.9	3.1	22.0
Payable within 11 to 15 years	17.4	4.9	0.6	22.9
Payable within 16 to 17 years	5.8	2.3	(0.6)	7.5
<b>Total</b>	<b>54.6</b>	<b>11.3</b>	<b>7.5</b>	<b>73.4</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:

2022/23	Torbay Share	Deferred Income
Liability outstanding at start of year	11.6	15.0
Payments during the year	(0.2)	(0.8)
<b>Liability outstanding at year-end</b>	<b>11.4</b>	<b>14.2</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 2022/23 was £0.6m (£0.6m 2021/22). The estimate of the remaining liability of £7.1m (£6.2m 21/22) is based on Devon County's IAS19 disclosures.

2021/22		2022/23
5.3	Liability outstanding at start of year	6.2
1.5	IAS19 Actuarial remeasurements	1.5
(0.6)	Payments during the year to Devon County	(0.6)
6.2	<b>Liability outstanding at year-end</b>	<b>7.1</b>

#### TEDC Pension Liability Pass Through

In 2019/20 the Council recognised a financial guarantee for the pension liability for the TDA (a subsidiary company) that would require the Council to pay the TDA employer pension payments to the Devon County Pension Fund if the TDA defaulted on the payments. The TDA remains an admitted body to the pension scheme and will make higher employer contributions to mitigate any financial risk to the Council. The TDA will continue to recognise a pension liability under IAS19 and recognises an asset to the value of that IAS19 Liability. The value of the Council's liability is a judgement under IFRS9 derivative liabilities and has been assessed as 100% of the value of the TDA IAS19 pension liability. Value of the liability as at 31 March 2023 is nil (£6.5m at 31<sup>st</sup> March 2022).

## 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 2022		For in year movements see Note: -	2022/23 movement £m	31 <sup>st</sup> March 2023
£m				£m
5.7	General Fund Reserve	9	0.4	6.1
67.1	Earmarked Reserves	10	-9.9	57.2
1.2	Usable Capital Receipts Reserve	9	0.2	1.4
22.4	Capital Grants & Contributions Unapplied	9	0.9	23.3
96.4	<b>Total Usable Reserves</b>		-8.4	<b>88.0</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 2022		For in year movements see Note:-	2022/23 movement	31 <sup>st</sup> March 2023
£m			£m	£m
114.9	<b>Revaluation Reserve</b>	27.1	24.8	<b>129.2</b>
82.4	<b>Capital Adjustment Account</b>	9	(20.0)	<b>62.4</b>
4.7	<b>Deferred Capital Receipts</b>	9	4.5	<b>9.2</b>
0.5	<b>Pooled Investment Fund Adjustment AC</b>	9	(0.9)	<b>(0.4)</b>
(147.1)	<b>Pensions Reserve (Funded and Unfunded)</b>	9	188.8	<b>(8.6)</b>
(4.9)	<b>Collection Fund Adjustment Account</b>	9	(0.1)	<b>(5.0)</b>
(9.0)	<b>Dedicated Schools Grant Deficit Account</b>	9	2.4	<b>(6.6)</b>
(2.2)	<b>Accumulating Compensated Absences Adjustment Account</b>	9	0.2	<b>(2.0)</b>
39.3	<b>Total Unusable Reserves</b>		199.7	<b>178.2</b>

### 27.1 Revaluation Reserve

2021/22		2022/23		
£m		£m		
90.2	<b>Balance at 1 April 2022</b>	Note		<b>104.4</b>
	<b>Revaluation of assets</b>		37.8	
26.7	<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of</b>		(4.9)	<b>32.9</b>
	<b>Difference between fair value depreciation and historical cost depreciation</b>		(2.6)	
	<b>Accumulated gains on assets sold or scrapped</b>		(5.5)	
(2.0)	<b>Total amount written off to the Capital Adjustment Account</b>	9		<b>(8.1)</b>
114.9	<b>Balance at 31 March 2023</b>			<b>129.2</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. Any overspend on the agreed budget is paid by Torbay and South Devon Foundation Trust (ICO).

### Better Care Fund

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. The total revenue expenditure on the pooled budget for 2022/23 was £13.1m (£12.4m 21/22), of which £3.5m (£3.3m 20/21) was paid to the Council to commission adult social care services and £9.4m (£8.9m 21/22) was used by the CCG to commission health related services.

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.

### Improved Better Care Fund

The Council received £8.8m of Improved Better Care Fund in 2022/23 (£8.6m 21/22) which is reported as part of the Better Care Fund but is managed by the Council separate from the pooled budget.

## **29. Members' Allowances**

Under the Council's Members Allowances scheme £493,000 (£456,000 2021/22) was paid to Members of the Council during the year. In addition, £1,473 of approved expenses was paid (£1,801 2021/22). 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	<b>2022/23</b>	<b>149</b>	<b>1</b>	<b>0</b>	<b>25</b>	<b>175</b>
	2021/22	147	0	0	25	172
Director of Adult Services and Community Services	<b>2022/23</b>	<b>143</b>	<b>0</b>	<b>0</b>	<b>24</b>	<b>167</b>
	2021/22	125	0	0	21	146
Director of Children's Services	<b>2022/23</b>	<b>183</b>	<b>0</b>	<b>0</b>	<b>27</b>	<b>210</b>
	2021/22	156	0	0	26	182
Director of Place (Finished 15/01/2023)	<b>2022/23</b>	<b>102</b>	<b>0</b>	<b>0</b>	<b>17</b>	<b>119</b>
	2021/22	125	0	0	21	146
Director of Place (Start Date 16/01/2023)	<b>2022/23</b>	<b>26</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>30</b>
	2021/22	0	0	0	0	0
Director of Strategic Projects (Started 16/01/2023)	<b>2022/23</b>	<b>27</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>32</b>
	2021/22	0	0	0	0	0
Director of Finance (s151 officer) (Finished 15th May 2023)	<b>2022/23</b>	<b>117</b>	<b>0</b>	<b>0</b>	<b>19</b>	<b>136</b>
	2021/22	109	0	0	18	127
Director of Finance (s151 officer) (Started 20/02/2023)	<b>2022/23</b>	<b>12</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>14</b>
	2021/22	0	0	0	0	0
Director of Public Health	<b>2022/23</b>	<b>130</b>	<b>0</b>	<b>0</b>	<b>19</b>	<b>149</b>
	2021/22	126	0	0	18	144
Head of Legal Services and Monitoring Officer	<b>2022/23</b>	<b>71</b>	<b>0</b>	<b>0</b>	<b>12</b>	<b>83</b>
	2021/22	64	0	0	11	75
Divisional Director of Corporate Services (Commenced 20 <sup>th</sup> September 2021)	<b>2022/23</b>	<b>113</b>	<b>0</b>	<b>0</b>	<b>19</b>	<b>132</b>
	2021/22	51	0	0	8	59

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 2022/23 which impacted the bands below.

Number of Employees by Employer			Remuneration Band	Number of Employees by Employer		
Council	Schools -	Schools -		Council	Schools -	Schools -
23	4	6	£50,000 to £54,999	29	3	22
13	2	2	£55,000 to £59,999	26	2	4
11	0	4	£60,000 to £64,999	8	2	1
2	4	2	£65,000 to £69,999	0	1	6
0	0	3	£70,000 to £74,999	2	2	1
0	2	0	£75,000 to £79,999	3	0	0
0	1	0	£80,000 to £84,999	2	0	0
1	0	2	£85,000 to £89,999	0	1	0
4	0	0	£90,000 to £94,999	1	0	2
2	0	0	£95,000 to £99,999	3	0	0
1	0	0	£100,000 to £104,999	1	0	0
2	0	0	£105,000 to £109,999	0	0	0
0	0	0	£110,000 to £114,999	3	0	0
0	0	1	£115,000 to £119,999	1	0	0
0	0	0	£120,000 to £124,999	1	0	1
3	0	0	£125,000 to £129,999	1	0	0
0	0	0	£130,000 to £134,999	1	0	0
0	0	0	£135,000 to £139,999	0	0	0
0	0	0	£140,000 to £144,999	1	0	0
1	0	0	£145,000 to £149,999	1	0	0
0	0	0	£150,000 to £154,999	0	0	0
1	0	0	£155,000 to £159,999	0	0	0
0	0	0	£160,000 to £164,999	0	0	0
0	0	0	£165,000 to £169,999	0	0	0
0	0	0	£170,000 to £174,999	0	0	0
0	0	0	£175,000 to £179,999	0	0	0
0	0	0	£180,000 to £184,999	0	0	0
<b>64</b>	<b>13</b>	<b>20</b>	Total	<b>84</b>	<b>11</b>	<b>37</b>

### 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.

2021/22		2022/23
£000		£000
136	Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year	126
30	Fees payable to Grant Thornton for the certification of grant claims and returns for the year	27
34	Fees payable to Grant Thornton for the certification of grant claims and returns for prior years	78
<b>200</b>	<b>Total</b>	<b>231</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 2022/23 are as follows:

Schools Budget Funded by Dedicated Schools Grant 2022/23			
	Central Expenditure	Individual Schools Budget	Total
	£m	£m	£m
Final DSG for 2022/23 before academy and high needs recoupment			124.7
Less academy and high needs figure recouped for 2022/23			-77.4
<b>Total DSG after academy and high needs Recoupment for 2022/23 *</b>			<b>47.3</b>
Agreed initial budgeted distribution in 2022/23	23.7	23.6	47.3
In year Adjustments	-5.0	0	-5.0
Final budget distribution in 2022/23	28.9	23.6	52.5
Less: Actual Central Expenditure	-26.5	0	-26.5
Less: Actual ISB deployed to schools	0	-23.6	-23.6
In year carry forward to 2023/24– surplus/(deficit)	0	0	0
DSG unusable reserve at the end of 2021/22			-9
Addition to DSG unusable reserve at the end of 2022/23			0
<b>Total of DSG unusable reserve at the end of 2022/23</b>			<b>-9</b>
<b>Net DSG position at the end of 2022/23</b>			<b>-9</b>

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

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 2022/23 there was an overspend of £2.4m. The DSG reserve is a £6.6m deficit at the end of 2022/23, following a £5m contribution from DfE, who have agreed to provide additional funding over the next 4 years (to extinguish the deficit) subject to the Council delivering against a set of operational targets. This reserve is reported as an unusable reserve. C

**33. Grant Income**

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

2021/22		2022/23
£m		£m
	<b>Credited to Taxation and Non-Specific Grant Income, Finance &amp; Investment</b>	
6.6	Revenue Support Grant	6.8
0.3	Other General Grants	25.3
1.8	COVID-19 Un-ringfenced Grants	0.0
0.1	New Homes Bonus Grant	0.1
25.2	NNDR Top Up, S31 and Transitional Relief	24.7
20.5	Capital Grants & Contributions	14.3
54.5	Sub Total	71.2
	<b>Credited to Cost of Services</b>	
44.1	Dedicated Schools Grant (Dept of Education)	47.1
41.4	Benefit Subsidy & Admin Grant (DWP)	37.9
2.1	Pupil Premium	2.2
1.3	Post 16 Funding (Learning & Skills Council)	1.2
9.8	Public Health Grant	10.1
8.6	Improved Better Care Fund	8.8
18.6	COVID 19 funding – Service Specific Grants	0.0
6.5	Social Care Grant	8.9
11.8	Other Central Government Grants – Revenue	9.4
7.7	Other Central Government Grants – REFCUS *	4.7
151.9	Sub Total	130.3
206.4	Total	201.5

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.

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, Torbay Education Limited and SWISCO Limited.

All the companies within the group that traded in 2022/23 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.

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 31/3/23
<b>Torbay Economic Development Company Ltd</b>  <b>07604855</b>  <b>Trading as TDA</b>	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	<b>Shareholding /Control: 100%</b>  <b>Members and Officers of Torbay Council that were Directors of this Company are as follows:-</b>  <b>CLlr James O'Dwyer</b>  <b>CLlr Cordelia Law</b>  <b>CLlr Swithin Long</b>  <b>K Mowat (Officer Torbay Council)</b>  <b>L M Montgomery (TEDC employee who is member of Council's senior leadership team) appointed June 2022.</b>  <b>A full list of directors is available on the TDA Group website.</b>
<b>Complete Facilities Management Services Limited</b>  <b>10608599</b>	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	<b>Shareholding /Control: 100% (via Torbay Economic Development Company Ltd)</b>  <b>Officers of Torbay Council that were Directors of this Company are as follows:-</b>  <b>L M Montgomery (TEDC employee who is member of Council's senior leadership team).</b>
<b>C &amp; A Consultants (Torbay) Limited</b>  <b>02773632</b>	Private Limited Company – 100% owned by Torbay Economic Development Company Ltd	April 2019	Construction of civil engineering projects and other engineering activities	Subsidiary	<b>Shareholding /Control: 100% (via Torbay Economic Development Company Ltd)</b>  <b>Officers of Torbay Council that were Directors of this Company are as follows:-</b>  <b>L M Montgomery (TEDC employee who is member of Council's senior leadership team) appointed June 2022.</b>

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 31/3/23
<b>KAH Holdings Limited</b> 11088019	Private Limited Company – 100% owned by Torbay Economic Development Company Ltd	1 June 2019	To manage property owned by Torbay Economic Development Company Ltd	Subsidiary	<b>Shareholding /Control: 100% (via Torbay Economic Development Company Ltd)</b>  <b>Officers of Torbay Council that were Directors of this Company are as follows:-</b>  <b>L M Montgomery (TEDC employee who is member of Council's senior leadership team).</b>
<b>Enterprise South West Limited</b> 10829733  Page 117	Private Limited Company – 100% owned by Torbay Economic Development Company Ltd	Not trading in 2021/22	To manage innovation centres across the South West of England	Subsidiary	<b>Shareholding /Control: 100% (via Torbay Economic Development Company Ltd)</b>  <b>Officers of Torbay Council that were Directors of this Company are as follows:-</b>  <b>L M Montgomery (TEDC employee who is member of Council's senior leadership team) appointed June 2022.</b>
<b>TEDC Developments Ltd</b> 12015583	Private Limited Company – 100% owned by Torbay Economic Development Company Ltd	Incorporated 24 May 2019	Development of building projects	Subsidiary	<b>Shareholding /Control: 100% (via Torbay Economic Development Company Ltd)</b>  <b>Officers of Torbay Council that were Directors of is Company are as follows:-</b>  <b>L M Montgomery (TEDC employee who is member of Council's senior leadership team)</b>
<b>Torvista Homes Ltd</b> 12044007	Private Limited Company – 100% owned by Torbay Economic Development Company Ltd	Incorporated 11 June 2019	Buying and selling of own real estate and Renting and operating of Housing Association real estate.	Subsidiary	<b>Shareholding /Control: 100% (via Torbay Economic Development Company Ltd)</b>  <b>Officers of Torbay Council that were Directors of is Company are as follows:-</b>

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 31/3/23
					<p>L M Montgomery (TEDC employee who is member of Council's senior leadership team)</p> <p>Matthew Fairclough-Kay (Officer, Torbay Council)</p> <p>M Phillips (Officer Torbay Council resigned Dec 2022)</p>
<p><b>Oldway Mansion Management Company Ltd</b></p> <p>08219420</p>	Company limited by share	Dormant	To manage the Oldway Estate on behalf of Torbay Council and tenants	Subsidiary	<p><b>Shareholding /Control: 100%</b></p> <p><b>Directors:</b></p> <p>K Mowat (Officer Torbay Council)</p> <p>N Coish (Employee SWISCo)</p> <p>M Irving (Officer Torbay Council)</p>
<p><b>Torbay Ltd</b></p> <p>07204696</p>	Company limited by share	<p>19<sup>th</sup> July 2010</p> <p>Ceased trading 30 June 2020</p>	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	<p><b>Shareholding /Control: 19.99%</b></p> <p><b>Members of Torbay Council that were Directors of this Company are as follows:-</b></p> <p>Cllr Mike Morey</p>
<p><b>CSW Group Ltd</b></p> <p>3029947</p>	Local Authority Controlled Company Limited by Guarantee and not having a share capital	<p>1<sup>st</sup> April 2008</p> <p>formerly Connexions Cornwall &amp; Devon Ltd</p>	<p>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.</p> <p>In 22/23 the Council paid £0.2m (£0.3m 20/21) for services</p>	Associate	<p><b>Shareholding /Control: 25%</b></p> <p><b>A list of directors is available on the CSW group website.</b></p> <p><b>Officers of Torbay Council that were Directors of is Company are as follows:-</b></p> <p>M Fairclough-Kay (Officer Torbay Council)</p>
<p><b>Torbay Housing Company Limited</b></p> <p>10960992</p>	Company limited by share	Not trading in 2022/23	To support the implementation of the Council's Housing Strategy	Subsidiary	<p><b>Shareholding /Control: 100%</b></p>

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 31/3/23
					<b>Directors:</b> <b>A-M Bond (Officer Torbay Council)</b> <b>M Phillips (Officer Torbay Council)</b>
<b>Torbay Housing Development Company</b>  11214978	Company limited by share 100% owned by Torbay Housing Company Limited	Not trading in 2022/23	To support the implementation of the Council's Housing Strategy	Subsidiary	<b>Shareholding /Control: 100% (via Torbay Housing Company Limited)</b>  <b>Directors:</b> <b>A-M Bond (Officer Torbay Council)</b> <b>M Phillips (Officer Torbay Council)</b>
<b>Torbay Housing Rental Company</b>  11214868	Company limited by share 100% owned by Torbay Housing Company Limited	Not trading in 2022/23	To support the implementation of the Council's Housing Strategy	Subsidiary	<b>Shareholding /Control: 100% (via Torbay Housing Company Limited)</b>  <b>Directors:</b> <b>A-M Bond (Officer Torbay Council)</b> <b>M Phillips (Officer Torbay Council)</b>
<b>London Medway Commercial Park Management Company Ltd</b>  09487105	Due to a purchase of a Unit at Medway, Torbay Council now has twelve Ordinary B Shares	March 2015	Management of London Medway Commercial Park		<b>By virtue of the rights attached to B Ordinary shares, the company is controlled by Goodman Real Estate (UK) Limited</b>
<b>Torbay Education Ltd</b>  12153652	Company limited by share	Incorporated 13/08/2019	Primary, General secondary, post-secondary non-tertiary education and other education	Subsidiary	<b>Shareholding /Control: 100%</b>

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 31/3/23
		Started trading November 2021	In 21/22 Council paid £0.4m (nil 20/21) for services		<b>Directors:</b> <b>A-M Bond (Officer Torbay Council)</b> <b>M Phillips (Officer Torbay Council)</b>
<b>SWISCO Limited</b> <b>12213029</b>	Company limited by share	Incorporated 18/09/2019 Started trading July 2020	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 22/23 Council paid £18m (£16m 20/21) for services	Subsidiary	<b>Shareholding /Control: 100%</b>  <b>Directors:</b> <b>K Mowat (Officer Torbay Council)</b> <b>A-M Bond (Officer Torbay Council)</b> <b>M Phillips (Officer Torbay Council)</b> <b>M Fairclough-Kay (Officer Torbay Council)</b>
<b>Riviera International Conference Centre (RICC)</b> <b>04390746</b>	Company Limited by Guarantee	Not trading in 2022/23	Operation of the Riviera International Conference Centre		<b>Control: 100%</b>  <b>Members and Officers of Torbay Council that were Directors of this Company are as follows:-</b>  <b>K P Mowat (Officer Torbay Council)</b>  <b>P Black (Officer Torbay Council)</b>
<b>English Riviera Tourism Company</b> <b>07223987</b>	Company Limited by Guarantee	Dormant	To provide a tourism marketing function for Torbay		<b>Control: 100%</b>  <b>Members and Officers of Torbay Council that were Directors of this Company are as follows:-</b>

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 31/3/23
					Cllr N Amil  Mr K P Mowat (Officer Torbay Council)

Summary financial information of Subsidiary Companies

This table lists summary information about the companies which are wholly-owned by the Council and where the Council has an active trading relationship:

	TDA Group		SWISCO Limited		Torbay Education Ltd.	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
	£m	£m	£m	£m	£m	£m
<b>Income</b>	(10.2)	(11.2)	(18.7)	(21.5)	(0.4)	<b>(0.4)</b>
<b>Expenditure</b>	10.0	11.0	19.4	21.9	0.4	<b>0.4</b>
<b>Operating (Profit) or loss</b>	(0.2)	(0.2)	0.7	0.4	0	<b>0</b>
<b>Other Comprehensive Income and Expenditure</b>	0	0	0	0.2	0	<b>0</b>
<b>Actuarial (gains)/Losses recognised in the pension scheme</b>	0	0	(2.5)	0.2	0	<b>0</b>
<b>Taxation (including deferred)</b>	0	0	0	<b>0</b>	0	<b>0</b>
<b>Total (Profit) or loss</b>	(0.2)	(0.2)	(1.8)	0.8	0	<b>0</b>
<b>Assets</b>	32.0	32.3	6.4	7.5	0	<b>0</b>
<b>Liabilities</b>	(22.5)	(23.0)	(17.9)	(6.9)	0	<b>0</b>
<b>Total Net Assets</b>	<b>9.5</b>	<b>9.3</b>	<b>(11.5)</b>	<b>0.5</b>	<b>0</b>	<b>0</b>

This table lists summary information about the Council's interest in associate companies:

	TOR2 Ltd		CSW Group Ltd	
	Total	Torbay Council's Share (19.99%)	Total	Torbay Council's Share (25%)
	£m	£m	£m	£m
<b>2021/22</b>				
Income	0	0	(6.3)	<b>(1.6)</b>
Expenditure	0	0	6.9	<b>1.7</b>
Operating (Profit) or Loss	<b>0</b>	<b>0</b>	<b>0.6</b>	<b>0.1</b>
Other comprehensive income and expenditure	0	0	0	<b>0</b>
Actuarial (Gains)/Losses recognised in the pension scheme	0	0	(7.9)	<b>(1.9)</b>
Taxation	0	0	0	<b>0</b>
Total (Profit) or loss	<b>0</b>	<b>0</b>	<b>(7.3)</b>	<b>(1.8)</b>
Fixed Assets & Net Current Assets	0	0	1.8	<b>0.5</b>
Long Term Liabilities	0	0	(14.3)	<b>(3.6)</b>
Total Capital & Reserves	0	0	(12.5)	<b>(3.1)</b>
<b>2022/23</b>				
Income	0	0	(7.5)	<b>(1.9)</b>
Expenditure	0	0	7.2	<b>1.8</b>
Operating (Profit) or Loss	<b>0</b>	<b>0</b>	<b>0.3</b>	<b>0.1</b>
Other comprehensive income and expenditure	0	0	0	<b>0</b>
Actuarial (Gains)/Losses recognised in the pension scheme	0	0	(0.5)	<b>(0.1)</b>
Taxation	0	0	0	<b>0</b>
Total (Profit) or loss	<b>0</b>	<b>0</b>	<b>(0.2)</b>	<b>(0.1)</b>
Fixed Assets & Net Current Assets	0	0	1.8	<b>0.5</b>
Long Term Liabilities	0	0	(4.6)	<b>(1.2)</b>
Total Capital & Reserves	<b>0</b>	<b>0</b>	<b>(6.5)</b>	<b>(1.6)</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 9th 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. The value of levy collected in 2022/23 was £0.6m, (£0.6m 2021/22).

**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 31st March 2023 was £23,000 (£25,000 2021/22). Of this balance £19,000 is held within the Council's bank account, with the balance of £4,000 (£5,000 21/22) 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 2022/23 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 2022/23 the payment to the Trust in the year for funding adult social care was the annual agreement fee of c.£47m.

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 28.

### 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 2022/23 was £0.2m (2021/22 £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 £1.4m (£1.3m 21/22) of which Torbay's share was £0.2m (£0.2m 21/22). 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 1st 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 consistent value for money service.

### 35. Impairment Losses

Impairment losses and impairment reversals are charged to the Surplus or Deficit on the Provision of Services. During 2022/23 the Council has recognised net impairment losses of £0.1m (£5.8m 21/22) in total on its property, plant and equipment charged to the Income and Expenditure account. Impairment losses in 2022/23 related primarily to the revaluation of newly acquired temporary accommodation properties. In addition, the Council’s investment properties are revalued each year. In 2022/23 this resulted in a net decrease in fair value of £28.8m (£7.9m increase in 21/22). Further to this, an asset held for sale was disposed of to a wholly owned company at nil consideration, resulting in an impairment of £1.2m.

### 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 2022/23, incurring liabilities of £0.2m. The table below shows the number of exit packages and the total cost per band. This amount payable includes 5 officers following change in Printing services and 7 from Schools, including 1 teacher. 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				Value of Exit Package £		Number of Exit packages by band 2022/23			
2021/22						Compulsory Redundancy		Other Departures	
No. In Band	Total Cost	No. In Band	Total Cost			No. In Band	Total Cost	No. In Band	Total Cost
						£000’s		£000’s	
5	20	1	1	0	to 20,000	6	59	7	35
1	35	0	0	20,001	to 40,000	2	96	0	0
0	0	0	0	80,001	to 100,000	0	0	0	0
6	55	1	1	Total		8	155	7	35

### 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.

2021/22 £m	Capital Financing Requirement	2022/23 £m
<b>419.5</b>	<b>Opening Capital Financing Requirement</b>	<b>421.6</b>
	Capital investment	
21.8	Property, Plant and Equipment	28.0
0.1	Intangible Assets	0
0	Investment Property	0
3.1	Revenue Expenditure Funded from Capital under Statute	3.3
1.8	Loans for a Capital Purpose	1.7
	<b>Sources of finance</b>	
(1.0)	Capital receipts including capital loan repayments	(0.6)
(14.6)	Government grants and other contributions	(17.0)
	<b>Sums set aside from revenue:</b>	
(1.5)	Direct revenue contributions	(0.7)
(7.6)	MRP	(7.8)
<b>421.6</b>	<b>Closing Capital Financing Requirement</b>	<b>428.5</b>
	<b>Explanation of movements in year</b>	
9.9	Increase in underlying need to borrowing (unsupported by government financial assistance)	15.2
(7.6)	Provision for repayment of borrowing (MRP)	(7.8)
(0.2)	Loans for a Capital Purpose - repayments	(0.5)
<b>2.1</b>	<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>6.9</b>

### 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 2022/23 totalled £0.1m (£0.1m 2021/22). The future minimum lease payments due under property leases in future years is £0.1m (£1.0m 2021/22).

#### 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 2022/23, including turnover rents, totalled £19.0m (£17.5m 2021/22).

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

31 March 2022	Total payments due classified by year of expiry of lease term	31 March 2023
£m		£m
18.0	Not later than one year	17.0
60.1	Later than one year and not later than five years	14.1
132.7	Later than five years	96.6
<b>210.8</b>	<b>Total</b>	<b>127.7</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 2022			31 March 2023	
£m			£m	
		Finance Lease debtor (Net present value of minimum lease payments)		
		Non-Current:		
0.1		Later than one year and not later than 5 years	0.1	
4.9	5.0	Later than 5 years	4.9	5.0
	22.4	Unearned finance Income		2.3
	<b>27.4</b>	<b>Gross Investment in the leases</b>		<b>7.3</b>
Minimum Lease payments are: £0.4m per annum				

The minimum lease payments do not include rents that are contingent on events taking place.

#### **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 2022/23 and has been since September 2019 (16.48% to Aug 19). Contributions of £2.8m were paid in 2022/23 (£2.8m in 2021/22).

In the latest available accounts for the scheme (2021/22), recorded liabilities are £532bn. [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 was one of 173 local authorities participating in the Scheme, amongst a total of 12,209 employers.

##### 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 2021/2 (14.38% 2020/21). Contributions of £0.044m 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 latest actuarial valuation of the Fund was carried out as at 31 March 2023 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 previous actuarial valuation was prepared as at 31 March 2019. 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 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 at 31 March 2019 was an average age of 46 years for active members and 47 years for deferred pensioners, 71 years for pensioners and 78 years for unfunded pensioners.

In 2022/23 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 Furzeham Primary and Nursery

To assess the value of the Employer's liabilities at 31 March 2023, the actuary has used a number of information sources including:

- The results of the valuation as at 31 March 2022 which was carried out for funding purposes and the results of the 31<sup>st</sup> March 2022 IAS19 report which was prepared for accounting purposes.
- Whole fund asset statement for the period to 31 March 2023
- Whole fund income and expenditure for the period to 31<sup>st</sup> March 2023
- Employer income and expenditure for the period to 31 March 2023
- Details of any new early retirement payments for the period to 31 March 2023
- Details of any settlements for the period to 31 March 2023

The service cost for the year ending 31 March 2023 is calculated using an estimate of the total pensionable payroll in year of £36m.

## 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 2022/23. 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

	31/3/21	31/3/22	31/3/23
	£m	£m	£m
<b>Present value of Funded Obligation</b>	(534.4)	(527.2)	(344.1)
Fair Value of Fund Assets (Bid Value)	331.5	350.4	341.3

<b>Net Liability</b>	(202.9)	(176.8)	(2.7)
Present value of Unfunded Obligation	(8.5)	(7.9)	(5.8)
<b>Net Liability in Balance Sheet</b>	<b>(211.4)</b>	<b>(184.7)</b>	<b>(8.6)</b>

### Comprehensive Income and Expenditure Statement

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

<b>Post Employment Benefits</b>		
<b>2021/22</b>	<b>Comprehensive Income &amp; Expenditure Statement</b>	<b>2022/23</b>
£m		£m
	<b>Cost of Services:</b>	
17.7	Current service cost	11.1
0	Past service costs including curtailments	0
0.1	Settlements	0
0.2	Administration Expenses	0.2
	<b>Financing and Investment Income and Expenditure</b>	
4.2	Net Interest on the defined benefit liability	1.9
22.2	<b>Total Charged to the Surplus or Deficit on the Provision of Services</b>	11.5
	<b>Other Comprehensive Income and Expenditure</b>	
(1.1)	Other Actuarial (gains)/losses on assets	0
(20.8)	Change in Financial Assumptions	(189.9)
(29.1)	Change in Demographic Assumptions	0
(22.6)	Experience (gain)/loss on defined benefit obligation	40.9
(19.3)	Return on plan assets in excess of interest	(18.1)
(92.9)	<b>Sub Total Other Comprehensive Income and Expenditure</b>	(167.1)
(70.7)	<b>Total Post Employment Benefit Charged/(Credited) to the Comprehensive Income and Expenditure Statement</b>	(155.6)
	<b>Movement in Reserves Statement</b>	
(22.2)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(11.5)
	<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>	
5.5	Employers' contributions payable to scheme	6.1
0.6	Unfunded pension payments	0.6

For the year to 31 March 2024 the actuary has forecast a service cost of £6.9m, net interest of £0.2m and administration expenses of £0.2m with employer contributions of £7m.

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

2021/22		2022/23
£m		£m
331.5	<b>Opening balance at 1 April 2022</b>	<b>351.6</b>
6.3	Interest on Assets	<b>13.2</b>
19.3	Return on Assets less Interest	<b>(18.1)</b>
1.1	Other Actuarial gains/(losses)	<b>0</b>
(0.2)	Administration Expenses	<b>(0.2)</b>
2.1	Contributions by scheme participants	<b>2.4</b>
6.0	Employer contributions	<b>6.7</b>
(14.4)	Benefits paid	<b>(14.0)</b>
(0.1)	Settlement process received/(paid)	<b>(0.3)</b>
351.6	<b>Closing balance at 31 March 2023</b>	<b>341.3</b>

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

Liabilities: Local Government Pension Scheme		
2021/22		2022/23
£m		£m
<b>(542.9)</b>	<b>Opening balance at 1 April 2022</b>	<b>(486.3)</b>
(17.7)	Current service cost	(11.0)
(2.1)	Contributions by scheme participants	(2.4)
(10.6)	Interest cost	(13.4)
20.8	Change in Financial Assumptions	189.8
29.1	Change in Demographic Assumptions	0
22.6	Experience (loss)/gain on defined benefit obligation	40.1
13.8	Benefits paid	13.4
(0.1)	Past service costs, including Curtailments	0.1
0.2	Liabilities (assumed)/extinguished on Settlements	0.4
0.6	Unfunded Pension payments	0.5
<b>(486.3)</b>	<b>Closing balance at 31 March 2023</b>	<b>(349.9)</b>
(6.9)	Present Value of Unfunded Obligation included in above	<b>(5.8)</b>

**41.3 Fund Assets**

The return on the fund (on a bid value to bid value basis) for the year to 31 March 2023 is estimated to be a decrease of 1%. The actual return on Fund assets over the year may be different.

The estimated asset allocation for Torbay Council as at 31 March 2023 (6.5% of total fund) is as follows:

31st March 2022			31st March 2023	
£m	%		£m	%
47	14	Gilts	0	0
32	9	UK Equities	27	8
178	51	Overseas Equities	153	45
29	8	Property	30	9
21	6	Infrastructure	31	9
33	9	Target Return portfolio	24	7
5	1	Cash	4	1
7	2	Other Bonds	73	21
0	0	Alternative Assets	0.1	0
<b>352</b>	<b>100</b>		<b>341</b>	<b>100</b>

Of the total asset values as at 31 March 2023, 77% 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

To assess the value of the employer's liabilities as at 31 March 2023, the actuary rolled forward the value of the employer's liabilities calculated for the funding valuation as at 31<sup>st</sup> March 2022, using financial assumptions that comply with IAS19. The full actuarial valuation involved projecting future cash flows to be paid from the fund and placing a value on them.

The actuary is satisfied that the approach to rolling forward the previous valuation data to 31<sup>st</sup> March 2023 should not introduce any material distortion in the results provided that the actual experience of the employer and the fund has been broadly in line with the underlying assumptions and the structure of the liabilities is substantially the same as the latest formal valuation.

To calculate the asset the actuary has rolled forward the assets allocated to the employer as at 31 March 2022 allowing for investment returns, contributions paid into, and estimated benefits paid from, the fund by and in respect of the employer and its employees.

The actuary has allowed for actual pension increases experience for the period 2022 to 2023. 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 2023, like 31 March 2022, includes an allowance for the Court of Appeal judgement for the McCloud and Sargeant cases pending remedial regulations being introduced in 2023/24.

### Demographic and Statistical Assumptions

The post retirement mortality tables adopted are the S3PA tables with a multiplier 95% for males and 110% for females. These base tables are then projected using the Continuous Mortality Investigation (CMI) 2020 Model which was released in March 2021, allowing for a long-term rate of improvement of 1.25% per annum and a weighting to the 2020 model of 25%.

The assumed life expectations from age 65 are:

<b>Mortality assumptions:</b>	2019/20	2020/21	2021/22	<b>2022/23</b>
Longevity from age 65: retiring today				
Men	22.9 yrs	22.6 yrs	21.7 yrs	<b>21.8 yrs</b>
Women	24.1 yrs	23.9 yrs	22.9 yrs	<b>22.9 yrs</b>
Longevity from age 65: retiring in 20 years				
Men	24.3 yrs	24.0 yrs	23.0 yrs	<b>23.1 yrs</b>
Women	25.5 yrs	25.4 yrs	24.3 yrs	<b>24.4 yrs</b>

### Financial Assumptions

	<b>31st March 2020</b>	<b>31st March 2021</b>	<b>31st March 2022</b>	<b>31st March 2023</b>
	% p.a	% p.a	% p.a	% p.a
<b>Salary Increases</b>	2.9	3.8	4.2	<b>4.8</b>
<b>Pension Increases (CPI)</b>	1.9	2.8	3.2	<b>2.9</b>
<b>Discount Rate</b>	2.4	2.0	2.6	<b>4.8</b>

These assumptions are set with reference to market conditions at 31 March 2023.

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 in the key actuarial assumptions showing the impact on the net liability and the Service Cost.

	£m	£m	£m
<b>Adjustment to Discount Rate</b>	+0.1%	0%	(0.1%)
<b>Present Value of obligation</b>	344.7	349.9	355.2
<b>Projected Service Cost</b>	6.7	6.9	7.2
<b>Adjustment to Long Term Salary increase</b>	+0.1%	0%	(0.1%)
<b>Present Value of obligation</b>	350.2	349.9	349.5
<b>Projected Service Cost</b>	6.9	6.9	6.9
<b>Adjustment to Pension increases and deferred revaluation</b>	+0.1%	0%	(0.1%)
<b>Present Value of obligation</b>	354.9	349.9	344.9
<b>Projected Service Cost</b>	7.2	6.9	6.7
<b>Adjustment to Life Expectancy Rating Assumption</b>	+1 year	None	(1 year)
<b>Present Value of obligation</b>	364.3	349.9	336.1
<b>Projected Service Cost</b>	7.1	6.9	6.7

## **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 2022/23, these proper accounting practices principally comprise:

- the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (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 2023 and before 31<sup>st</sup> July 2023, and only where the events provide evidence of conditions that existed at 31 March 2023.

## 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:

<b>Expense</b>	<b>Accounting Basis in CIES</b>	<b>Funding Basis in MiRS</b>	<b>Adjustment Account</b>
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)

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 comprise 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.

#### TEDC – Pension Liability Pass through

In 2019/20 the Council recognised a financial guarantee for the LGPS pension liability for the TDA (a subsidiary company) that would require the Council to pay the TDA employer pension payments to the Devon County Pension Fund if the TDA defaulted on the payments. The TDA remains an admitted body to the pension scheme and will make higher employer contributions to mitigate any financial risk to the Council. The TDA will continue to recognise a pension liability under IAS19 and recognises an asset to the value of that IAS19 Liability. The value of the Council's liability is a judgement under IFRS9 derivative liabilities and has been assessed as 100% of the value of the TDA IAS19 pension liability. The movement in a year on the assessed value of the liability is recognised through Other Operating Income and Expenditure offset by the application of the pension statutory override.

### **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:

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

Amounts recognised as due to the Council are not credited to the 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 is 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, TEL 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 basis 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:

<b>Schools Type</b>	<b>Land</b>	<b>Buildings</b>	<b>Test</b>
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 DLUHC 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.

## COLLECTION FUND SUMMARY ACCOUNT 2022/23

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	NNDR	Total		Council tax	NND R	Total
<b>2021/22</b>				<b>2022/23</b>		
<b>(119.7)</b>	-	-	Gross Council Tax Payable for Year	(123.8)	-	-
<b>25.7</b>	-	-	Reduced Assessments	25.7	-	-
<b>(94.0)</b>	<b>(27.7)</b>	<b>(115.7)</b>	<b>Council Tax &amp; NNDR Receivable</b>	<b>(98.2)</b>	<b>(21.7)</b>	<b>(125.9)</b>
<b>Expenditure:</b>						
<b>Precepts and Demands</b>						
<b>10.8</b>	-	10.8	Police and Crime Commissioner for Devon and	11.4	-	11.4
<b>4.0</b>		4.0	Devon & Somerset Fire & Rescue Authority	4.2	-	4.2
-	0.3	0.3	Devon & Somerset Fire & Rescue Authority Share	-	0.3	0.3
<b>0</b>	15.7	15.7	DCLG, (Central Government)	0	12.3	12.3
<b>75.0</b>	15.4	90.4	Torbay Council's Own Demand (Including Brixham	78.5	12.0	90.5
<b>89.8</b>	<b>31.4</b>	<b>121.2</b>	<b>Total Precepts and Demands</b>	<b>94.1</b>	<b>24.6</b>	<b>118.7</b>
-	<b>0.2</b>	<b>0.2</b>	<b>Cost of Collection Allowance</b>	-	<b>0.2</b>	<b>0.2</b>
<b>Distribution of Previous Years Estimated Surplus/(Deficit);</b>						
<b>(0.3)</b>	-	(0.3)	Police and Crime Commissioner for Devon and	(0.1)	-	(0.1)
<b>(0.1)</b>	(0.2)	(0.3)	Devon & Somerset Fire & Rescue Authority	-	(0.1)	(0.1)
-	(11.8)	(11.8)	DCLG, (Central Government)	-	(5.9)	(5.9)
<b>(1.7)</b>	(11.5)	(13.2)	Torbay Council	(0.1)	(5.8)	(5.9)
<b>(2.1)</b>	<b>(23.5)</b>	<b>(25.6)</b>	<b>Total Distribution of previous year's</b>	<b>(0.2)</b>		<b>(12.0)</b>
<b>Bad and Doubtful Debts/Appeals</b>						
<b>0.4</b>	0.2	0.6	Write Offs	1.1	0.2	1.3
<b>2.2</b>	0.2	2.4	Impairment for Uncollectable debt	2.3	0.7	3.0
-	1.0	1.0	Provision for Appeals	-	(4.6)	(4.6)
<b>2.6</b>	<b>1.4</b>	<b>4.0</b>	<b>Total Bad &amp; Doubtful Debt and Appeals</b>	<b>3.4</b>	<b>(3.7)</b>	<b>(0.3)</b>
<b>Total Expenditure</b>						
<b>(3.7)</b>	<b>(12.2)</b>	<b>(15.9)</b>	<b>(Surplus)/Deficit for Year</b>	<b>(0.9)</b>	<b>(18.4)</b>	<b>(19.3)</b>
<b>Movement of Collection Fund Balance</b>						
<b>2.9</b>	23.5	26.4	Balance brought forward as at 1st April	(0.7)	11.3	10.6
<b>(3.7)</b>	(12.2)	(15.9)	(Surplus)/Deficit for Year	(0.9)	(18.4)	(19.3)
<b>(0.8)</b>	<b>11.3</b>	<b>10.5</b>	<b>Balance carried forward as at 31st March</b>	<b>(1.6)</b>	<b>(7.1)</b>	<b>(8.7)</b>
<b>Balance Attributable to major precepting bodies</b>						
<b>(0.1)</b>	-	(0.1)	Police and Crime Commissioner for Devon and	(0.1)	-	(0.1)
<b>0</b>	0.1	0.1	Devon & Somerset Fire & Rescue Authority	-	(0.1)	(0.1)
-	5.6	5.6	Central Government	-	(3.6)	(3.6)
<b>(0.7)</b>	5.6	4.9	Torbay Council	(1.5)	(3.4)	(4.9)
<b>(0.8)</b>	<b>11.3</b>	<b>10.5</b>	<b>Balance carried forward at 31st March</b>	<b>(1.6)</b>	<b>(7.1)</b>	<b>(8.70)</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 2022/23 was £0.379m (£0.355m in 2021/22) 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 2022/23 saw a much-reduced impact from the COVID pandemic. The balance on the Council Tax Fund was a surplus of £1.6m., and the balance on the NNDR Fund shifted to a surplus of £7.1m from a previous year deficit of £11.3m.

### A) Council Tax Base 2022/23

The number of dwellings Band D equivalent for 2022/23 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 2022/23" report from the Council meeting in March 2023.

For Council tax purposes the number of domestic properties in each band converted to a Band D equivalent for 2022/23 was as follows:

Valuation Band	Ratio to Band D	Amount payable by all council tax payers			Additional amount payable by council tax		
		No Dwellings in valuation	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>5,416.30</b>	1,352.27	1,373	<b>552.4</b>	40.91
B	7/9	17,724	<b>10,126.50</b>	1,577.65	2,211	<b>1,257.80</b>	47.73
C	8/9	16,903	<b>12,186.00</b>	1,803.03	2,475	<b>1,794.60</b>	54.55
D	1	10,574	<b>9,212.20</b>	2,028.41	1,619	<b>1,440.50</b>	61.37
E	11/9	5,302	<b>5,874.60</b>	2,479.17	715	<b>787.4</b>	75.01
F	13/9	2,375	<b>3,166.60</b>	2,929.93	343	<b>453.3</b>	88.65
G	15/9	1,263	<b>1,934.90</b>	3,380.68	97	<b>151.3</b>	102.28
H	2	133	<b>202.5</b>	4,056.82	6	<b>6</b>	122.74
TOTAL		67,965	<b>48,119.60</b>		8,839	<b>6,443.30</b>	
Less Allowance for Non-Collection			<b>-1,924.78</b>			<b>-257.73</b>	
<b>TAX BASE 2022/23</b>			<b>46,194.82</b>	(45,464.53 21/22)		<b>6,185.57</b>	(6,115.06 21/22)
Band D Council Tax (excluding Brixham Town Council precept)				2,028.41 (1,967.56 21/22)	Band D Council Tax (including Brixham Town		2,089.78 (2,025.65 21/22)

## **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 2023 remained at £95.2m (2021/22: £95.2m).

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 2022/23 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 2023 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. 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:

<b>Entity</b>	<b>Torbay Ownership</b>	<b>Company Type</b>
TOR2	19.99%	Associate (ceased trading July 20)
CSW Group	25%	Joint Venture
Oldway Mansion Management Company Dissolved June 2023.	100%	Subsidiary (not trading)
Torbay Education Limited	100%	Subsidiary
SWISCO Limited	100%	Subsidiary
Riviera International Conference Centre Dissolved – December 2022	100%	Subsidiary (by control, not trading)
English Riviera Tourism Company	100%	Subsidiary (by control) (not trading)

**Torbay Housing Company Group of Companies:** (not trading in 2022/23)

Torbay Housing Company	100%	Subsidiary, Parent of Group
Torbay Housing Development Company Dissolved May 23	100%	Subsidiary of Torbay Housing Co
Torbay Housing Rental Company Dissolved May 2023	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 2022/23 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.

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.

2022/23	General Fund Balance	Earmarked General Fund Reserves	Sub Total Revenue Reserves	Capital Receipts Reserves	Capital Grants Unapplied Account restated	Total Usable Reserves restated	Unusable Reserves restated	Total Council Reserves restated	Council share of Group restated	Total Group Reserves restated
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
		Note 10		Note 9	Note 9	Note 25	Note 26			
Balance at 31st March 2022 brought forward	5.7	67.1	72.8	1.2	22.4	96.4	39.2	135.6	(2.6)	133.0
Movement in Reserves during 2022/23										
Surplus or (deficit) on provision of services (acc basis)	30.1	0	30.1	0	0	30.1	0	30.1	0	30.1
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	70.9	70.9	-0.2	70.7
I&E Adjustments between Group and Torbay	(18.7)	0	(18.7)	0	0	(18.7)	0	(18.7)	18.7	0
Total Comprehensive Expenditure and Income	11.4	0	11.4	0	0	11.4	70.9	82.3	18.5	100.8
Adjustments between accounting basis & funding basis	(25.9)	(13.6)	(39.5)	0.2	0.9	(38.4)	38.4	0	0	0
Adjustments between Group Accounts and Torbay	0	0	0	0	0	0	0	0	0	0
Net Increase/Decrease before Transfers to Earmarked	(14.5)	(13.6)	(28.1)	0.2	0.9	(27.0)	109.3	82.3	18.5	100.8
Transfers (to)/from Earmarked Reserves	(3.8)	3.8	0	0	0	0	0	0	0	0
Increase/(Decrease) in Year	(18.3)	(9.8)	(28.1)	0.2	0.9	(27.0)	109.3	82.3	18.5	100.8
Balance at 31st March 2023 carried forward	(12.6)	57.2	(44.6)	1.4	23.2	69.2	88.0	157.2	15.9	173.1

## 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.

		2021/22			2022/23		
Gross	Gross	Net	Services	Note	Gross	Gross	Net
Exp	Income	Exp			Exp	Income	Exp
£m	£m	£m			£m	£m	£m
106.7	(73.8)	32.9	Adult's Services		110.8	(60.3)	50.5
108.0	(64.1)	43.9	Children's Services		115.2	(75.6)	39.6
16.1	(5.0)	11.1	Corporate Services		17.0	(5.8)	11.2
31.6	(31.9)	(0.3)	Finance		35.4	(25.7)	9.7
31.9	(24.2)	7.7	Place		36.4	(32.9)	3.5
27.7	(9.5)	18.2	Place – Subsidiary Companies		33.0	(13.8)	19.2
8.7	(0.8)	7.9	Public Health		9.3	(0.6)	8.7
<b>330.7</b>	<b>(209.3)</b>	<b>121.4</b>	<b>Cost Of Services</b>		<b>357.1</b>	<b>(214.7)</b>	<b>142.4</b>
4.6	(0.2)	4.4	Other Operating Income & Expenditure		9.3	(4.9)	4.4
21.7	(28.0)	(6.3)	Financing and Investment Income and Expenditure		47.1	(22.5)	24.6
0	(140.7)	(140.7)	Taxation and Non-Specific Grant Income and expenditure			(140.5)	(140.5)
<b>357.0</b>	<b>(378.2)</b>	<b>(21.2)</b>	<b>(Surplus)/Deficit on Provision of Services</b>		<b>413.5</b>	<b>(382.6)</b>	<b>30.9</b>
0.2	0.0	0.2	Share of (surplus) or deficit on the provision of serves by joint ventures and associates				0
		0	Tax Expenses of Group Companies				0
<b>357.2</b>	<b>(378.2)</b>	<b>(21.0)</b>	Group (Surplus)/Deficit				<b>30.9</b>
		(29.9)	(Surplus)/Deficit on revaluation on Non Current Assets (PPE)				(37.8)
		1.2	Impairment losses on non current assets charged to the				5.1
		(95.4)	Remeasurement of net defined pension liabilities				(38.0)
		(2.0)	Council share of OCIE of Joint Venture and Associates				0
		<b>(126.1)</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>(70.7)</b>
		<b>(147.1)</b>	<b>Total (Surplus)/Deficit in Comprehensive Income and Expenditure</b>				<b>(39.8)</b>

## Group Balance Sheet

The Balance Sheet shows the value of the assets and liabilities recognised by the Group at 31 March 2023. The net assets of the Group are matched by Group reserves.

31 <sup>st</sup> March 2022 £m		Note	31 <sup>st</sup> March 2023 £m
277.9	Property, Plant & Equipment	G1	312.7
100.2	Infrastructure Assets		97.6
40.3	Heritage Assets		40.2
211.0	Investment Property		182.1
1.0	Intangible Assets		0.8
0.2	Goodwill (Subsidiaries)		0.1
5.5	Long Term Investments		14.6
19.7	Long Term Debtors		24.5
<b>656</b>	<b>Long Term (Non-Current) Assets</b>		<b>672.6</b>
107.2			
0.5	Short Term Investments		76.8
2.3	Assets Held for Sale		0
37.2	Inventories		2.3
8.9	Short Term Debtors		32.2
156.1	Cash and Cash Equivalents		5.0
<b>(5.3)</b>	<b>Current Assets</b>		<b>116.3</b>
(2.4)			
(78.0)	Short Term Borrowing		(2.6)
(5.6)	Other Short-Term Liabilities		(2.9)
(5.3)	Short Term Creditors (inc Receipts in Advance)		(53.0)
(2.0)	Capital Grants/Contributions: Receipts in Advance		(7.0)
(98.6)	Provisions		(3.0)
277.9	Cash and Cash Equivalents		(3.9)
<b>100.2</b>	<b>Current Liabilities</b>		<b>(72.4)</b>
(3.5)	Long Term Creditors		(2.7)
(0.1)	Provisions		(0.1)
(387.6)	Long Term Borrowing		(382.7)
(32.8)	Other Long-Term Liabilities		(40.3)
(152.6)	Pension Liability	G2	(9.5)
(3.8)	Receipts in Advance		(4.0)

<b>(580.4)</b>	<b>Long Term Liabilities</b>		<b>(439.3)</b>
<b>133.1</b>	<b>Net Assets/Liabilities</b>		<b>277.2</b>
105.3	Usable reserves		<b>89.1</b>
(27.8)	Unusable Reserves		<b>188.1</b>
<b>133.1</b>	<b>Total Reserves</b>		<b>277.2</b>

## 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.

2021/22			2022/23		
£m	£m		note	£m	£m
	21.2	Net surplus or (deficit) on the provision of services,			31.9
37.8		Adjustments to net surplus or deficit on the provision of services for non-cash movements		35.8	
(12.7)		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)	
(0.1)		Taxation		(1.9)	
	46.6	<b>Net cash inflows/(Outflow) from Operating Activities</b>			52.8
	(44.5)	<b>Investing Activities:</b>			(54.4)
	2.7	<b>Financing Activities</b>			(4.2)
	4.8	<b>Net increase or (decrease) in cash and cash equivalents</b>			(5.8)
2021/22			2022/23		
£m	Cash and Cash Equivalents		Notes	£m	
2.1		Cash and cash equivalents * at the beginning of the reporting period		5.5	
6.9		Cash and cash equivalents at the end of the reporting period		(0.3)	
4.8		<b>Net increase or (decrease) in cash and cash equivalents</b>		(5.8)	

## Notes to the Group Accounts Core Statements

### 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 Ltd. property is primarily vehicles and equipment.

2021/22					2022/23			
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>				
<b>265.0</b>	<b>15.9</b>	<b>0.9</b>	<b>281.8</b>	As at 1 <sup>st</sup> April 2022	<b>271.6</b>	<b>18.7</b>	<b>0.9</b>	<b>291.2</b>
<b>16.2</b>	1.3	0.2	17.7	Additions	23.8	1.6	1.4	26.8
<b>19.5</b>	2.0	0	21.5	Revaluation increases/ (decreases) recognised in the Revaluation Reserve	25.8	(0.2)	0	25.6
<b>(5.8)</b>	0	0	(5.8)	Revaluation Increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(0.1)	0	0	(0.1)
<b>(12.8)</b>	0	(0.1)	(12.9)	Derecognition – Disposals	(9.2)	0	0	(9.2)
<b>0</b>	0	0	0	Assets reclassified (to)/from Held for Sale	(0.7)	0	0	(0.7)
<b>0</b>	0	(0.1)	(0.1)	Other movements in Cost or Valuation	3.0	0	0	3.0
<b>282.1</b>	<b>19.2</b>	<b>0.9</b>	<b>302.2</b>	As at 31 <sup>st</sup> March 2023	<b>314.2</b>	<b>20.1</b>	<b>2.3</b>	<b>336.6</b>
				<b>Accumulated Depreciation and Impairment</b>				
<b>(27.8)</b>	<b>(0.5)</b>	<b>(0.1)</b>	<b>(28.4)</b>	As at 1 <sup>st</sup> April 2022	<b>(23.4)</b>	<b>(0.6)</b>	<b>(0.3)</b>	<b>(24.3)</b>
(6.6)	(0.1)	(0.2)	(6.9)	Depreciation charge	(7.1)	(0.1)	(0.3)	(7.5)
1.2	0	0	1.2	Depreciation written out to the Revaluation Reserve	7.4	0	0	7.4
1.1	0	0	1.1	Revaluation Increases/ (decreases) recognised in the Surplus/Deficit on the	0.5	0	0	0.5
8.7	0	0	8.7	Derecognition – Disposals	0.2	0.1	0	0.3
0	0	0	0	Other movements in Depreciation and Impairment	0	0	0	0
<b>(23.4)</b>	<b>(0.6)</b>	<b>(0.3)</b>	<b>(24.3)</b>	As at 31 <sup>st</sup> March 2023	<b>(22.4)</b>	<b>(0.6)</b>	<b>(0.6)</b>	<b>(23.6)</b>
				<b>Net Book Value: -</b>				
<b>237.2</b>	<b>15.4</b>	<b>0.8</b>	<b>253.4</b>	As at 31 <sup>st</sup> March 2022	<b>248.2</b>	<b>18.6</b>	<b>0.6</b>	<b>267.4</b>
<b>258.7</b>	<b>18.6</b>	<b>0.6</b>	<b>227.9</b>	As at 31 <sup>st</sup> March 2023	<b>291.8</b>	<b>19.5</b>	<b>1.7</b>	<b>313.0</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 41 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	Subsidiaries	31/3/22 £m	Council	Subsidiaries	31/3/23 £m
<b>Present value of Funded Obligation</b>	<b>(527.2)</b>	<b>(45.7)</b>	<b>(572.9)</b>	<b>(344.1)</b>	<b>(26.0)</b>	<b>(370.1)</b>
Fair Value of Fund Assets (Bid Value)	350.4	27.7	378.1	341.3	27.0	368.3
<b>Net Liability</b>	<b>(176.8)</b>	<b>(18.0)</b>	<b>(194.8)</b>	<b>(2.8)</b>	<b>0.9</b>	<b>(1.8)</b>
Present value of Unfunded Obligation	(7.9)	0	(7.9)	(5.8)	0	(5.8)
<b>Net Liability in Balance Sheet</b>	<b>(184.7)</b>	<b>(18.0)</b>	<b>(202.7)</b>	<b>(8.6)</b>	<b>0.9</b>	<b>(7.7)</b>

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

<b>Assets: Local Government Pension Scheme</b>				
2021/22	2021/22		2022/23	2022/23
£m	£m		£m	£m
331.5	25.3	Opening balance at 1 April 2022	351.6	27.8
6.3	0.5	Interest on Assets	13.2	0.7
19.3	1.5	Return on Assets less Interest	(18.1)	(1.1)
1.1	0	Other Actuarial gains/(losses)	0	(1.0)
(0.2)	0	Administration Expenses	(0.2)	0
2.1	0.2	Contributions by scheme participants	2.4	0.9
6.0	0.8	Employer contributions	6.7	0.3
(14.4)	(0.7)	Benefits paid	(14.0)	(0.5)
(0.1)	0.1	Settlement process received/(paid)	(0.3)	0
<b>351.6</b>	<b>27.7</b>	<b>Closing balance at 31 March 2023</b>	<b>341.3</b>	<b>27.1</b>

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

£m		Liabilities: Local Government Pension Scheme		
2021/22	2021/22 Subsidiaries		2022/23	2022/23 Subsidiaries
(542.9)	(46.1)	Opening balance at 1 April	(486.3)	(45.8)
(17.7)	(1.8)	Current service cost	(11.0)	(1.6)
(2.1)	(0.2)	Interest cost	(13.4)	(1.2)
(10.6)	(1.0)	Change in Financial Assumptions	189.8	18.5
20.8	2.8	Change in Demographic Assumptions	-	2.4
29.1	0	Experience (loss)/gain on defined benefit obligation	(40.9)	1.5
22.6	0	Liabilities (assumed)/extinguished on Settlements	0.4	-
13.8	0.7	Benefits paid	13.4	0.5
(0.1)	0	Past service costs, including Curtailments	(0.1)	-
0.2	(0.1)	Contributions by scheme participants	(2.4)	(0.3)
0.6	0	Unfunded Pension payments	0.5	-
(486.3)	(45.7)	Closing balance at 31 March	(349.9)	(26.0)
(6.9)	0	Present Value of Unfunded Obligation included in above	-	-

The estimated asset allocation for Torbay Council and its subsidiaries as at 31 March 2023 is as follows:

£m				
2021/22 Council	2021/22 Subsidiaries		2022/23 Council	2022/23 Subsidiaries
47	3	Gilts	0	0
32	2	UK Equities	27	2
178	15	Overseas Equities	153	12
29	3	Property	30	2
21	2	Infrastructure	31	2
33	3	Target Return Portfolio	24	2
5	0	Cash	4	0
7	0	Other Bonds	73	6
0	0	Alternative Assets	0	0
352	28	Private Equity	0	0
47	3		341	27

Sensitivity Analysis on Actuarial assumptions:

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>	<b>+0.1%</b>	<b>0%</b>	<b>(0.1%)</b>
Present Value of obligation	344.7	349.9	355.2
Projected Service Cost	6.7	7.0	7.2
<b>Adjustment to Long Term Salary increase</b>	<b>+0.1%</b>	<b>0%</b>	<b>(0.1%)</b>
Present Value of obligation	350.3	349.9	349.6
Projected Service Cost	7.0	7.0	6.9
<b>Adjustment to Pension increases and deferred revaluation</b>	<b>+0.1%</b>	<b>0%</b>	<b>(0.1%)</b>
Present Value of obligation	354.9	349.9	345.0
Projected Service Cost	7.2	7.0	6.7
<b>Adjustment to Life Expectancy Rating Assumption</b>	<b>+1 year</b>	<b>None</b>	<b>(1 year)</b>
Present Value of obligation	364.4	349.9	336.1
Projected Service Cost	7.2	7.0	6.7
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Subsidiaries:</b>			
<b>Adjustment to Discount Rate</b>	<b>+0.1%</b>	<b>0%</b>	<b>(0.1%)</b>
Present Value of obligation	25.6	26.0	26.5
Projected Service Cost	0.7	0.8	0.8
<b>Adjustment to Long Term Salary increase</b>	<b>+0.1%</b>	<b>0%</b>	<b>(0.1%)</b>
Present Value of obligation	26.1	26.0	26.0
Projected Service Cost	0.8	0.8	0.8
<b>Adjustment to Pension increases and deferred revaluation</b>	<b>+0.1%</b>	<b>0%</b>	<b>(0.1%)</b>
Present Value of obligation	26.5	26.0	25.6
Projected Service Cost	1.0	0.8	0.7
<b>Adjustment to Life Expectancy Rating Assumption</b>	<b>+1 year</b>	<b>None</b>	<b>(1 year)</b>
Present Value of obligation	26.8	26.0	25.3
Projected Service Cost	0.8	0.8	0.7

# ANNUAL GOVERNANCE STATEMENT 2022/23

# ANNUAL GOVERNANCE STATEMENT FOR THE FINANCIAL YEAR 2022/2023

## **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.

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 previous local elections in May 2019 left no party with overall control of the Council, the Liberal Democrat Group and Independent Group signed a partnership agreement and joined together to form the administration of the Council between May 2019 and May 2023.

At the election in May 2023, the Conservative Group gained the majority of seats, resulting in a change in the control of the Council and a new Leader of the Council and Cabinet.

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 function which provides a ‘critical friend’ challenge to cabinet policy makers and decision making.

The Overview and Scrutiny Board (together with its sub-committees) 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 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.

#### 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 that term of office.

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.

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 reviewed 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. The Council has continued to livestream meetings of the Council, Cabinet and Planning Committee to 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

During the 2022/2023 Municipal Year, the administration was 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 six 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 in 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 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 Financial Agreement under the powers outlined in S.75 NHS Act 2006, was extended, 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) (as was) commission adult social care services from the Torbay and South Devon NHS Foundation Trust.

Torbay Council is one of the organisations within 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 Council, South Hams District and Teignbridge District 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 the Integrated Care System. 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 safeguards 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.

Torbay is one of the 75 local authorities to be chosen to receive funding to establish family hubs. Alongside this Torbay has also been chosen as one of the 14 trailblazers for family hubs. This builds on the early help work that was overseen by the Early Help Implementation Board. A newly formed Family Hub Board continues the partnership links and networks and will be focussed on maximising resources in the three localities of Torquay, Brixham and Paignton, and across Torbay. The board will also identify local needs or gaps and suggest how community strengths may address them. Three newly established parent carer forums in each area will support our desire to co-produce our family hubs, putting the voice of children, young people and families at the heart.

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 and addressed.

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, NHS Devon and Torbay and 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 re-constituted itself as the Torbay Place Leadership Board, alongside steps to set up Town Boards and a Torbay Champions Programme.

The Council owns (either in its own right or with partners) four 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, 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

As part of the Council Redesign Programme, the Our Organisation Project Board encapsulates the improvements the Council is making to its performance and risk management processes.

In 2022/23 the performance and risk reports were presented and reviewed by the Senior Leadership Team, Informal Cabinet and Audit Committee on a quarterly basis. These reports captured the Council's progress against the delivery of its Community and Corporate Plan 2019/23. At the beginning of the financial year, previous performance data was used to set robust targets for 2022/23.

#### 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 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's Counter Fraud and Corruption Policy was updated and published on the council's website in March 2023.

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.

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 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 is one session each month which 30 members of staff can register to attend 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.

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 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 oversee 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.

### 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.
- 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. The Head of Devon Audit Partnership also attends meetings of our Senior Leadership team to discuss the outcomes of their work.

## **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.

In 2022-23 Devon Audit Partnership developed an Assurance Map for Torbay Council to aid in monitoring and decision making and providing a source of reference for

management at all levels on the overall health of the organisations control environment and in support of the Annual Governance Statement.

An effective service planning process took place during summer 2022, involving Directors, Service Managers and key corporate officers. The critical friend approach highlighted in year financial savings and discussions that could provide improved value for money.

Several actions contained in the council's risk management improvement plan were achieved throughout 2022/23. Members of Cabinet and Audit Committee, the Senior Leadership Team and 70+ Managers received training on the council's newly adopted risk management framework, policy and SPAR.net (the council's risk management software). A risk management workshop specifically for the Senior Leadership Team took place in November where they identified the risks that would form the council's strategic and corporate risk registers. These risks are now reviewed and updated on SPAR.net and will form the basis of all future risk reporting from 1<sup>st</sup> April 2023.

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

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, and the priorities that we want to deliver 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.

Following the Local Elections in May 2023, work is now underway to develop a new Community and Corporate Plan together with the associated Council Business Plan.

#### 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.

During 2022/2023, the Member Development Programme continued to build members' focus on reinforcing good governance, getting the right skills for the job and strengthening leadership, risk awareness, understanding communities – equality, diversity and inclusion and personal safety. In particular, training in relation to the functions of the Planning Committee was included within the Member Development Programme for 2022/2023.

Ahead of the Local Elections in May 2023, a Member Welcome and Induction Programme was developed with the purpose of nurturing new councillors through targeted induction and development. The initial focus of the programme is to ensure a base knowledge with shorter refresher/check-in sessions in the first weeks. For members of the Cabinet, a separate induction programme is framed around the opportunities and issues facing the

Council and discussions which will lead to the development of the new Community and Corporate Plan.

Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

During 2022/2023 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 Persons (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 Monitoring Officer has 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. During 2022/2023 two complaints against Members were referred for investigation and subsequently were determined by a Standards Hearing Sub-Committee. The resulting recommendations of the Standards Hearing Sub-Committee have been actioned.

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

Meetings of the Cabinet are well-established, enabling reports to be presented and considered ahead of decisions being made collectively in the public domain.

The Overview and Scrutiny Board has undertaken a range of work from reviewing draft Policy Framework documents to matters relating to health and wellbeing and budget monitoring. Over the course of the municipal year 2022/23 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 Adult Services and Health to mirror the arrangements for Children and Young People and provide greater capacity and focus on adult services and health. Task and finish groups were established and made recommendations to the Cabinet on highways issues and 2022/23 budget pressures.

The Audit Committee receives the Internal Audit Plan together with updates on the progress against the Plan. The Committee receives 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.

#### 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.

Ahead of the local elections, the Chief Executive and Directors reviewed the informal governance arrangements of the Council in order to make recommendations to the incoming administration.

The Members' Development Programme continued to be delivered during 2022/2023 with a new programme developed for the induction of councillors post the May 2023 local elections. Communication with councillors was supplemented by All Member Briefings which take place to provide an informal opportunity to discuss forthcoming issues. Councillors learning and development is also supported with external 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. Following the results of the Staff Wellbeing Check-in, the Directors have made commitments to improving internal communications within their Directorates and steps are now being made to implement these commitments.

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.

The Council has reviewed how it inducts new staff into the organisation. Each new member of staff has the opportunity to meet with the Chief Executive within the first few weeks of their employment. A consistent approach across Directorates is also being introduced so that all members of staff are aware of how their role fits within their Directorate and the Council as a whole.

#### 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 who form the Torbay Place Leadership Board which continues to be led by an independent Chairman. The Torbay Champions Programme 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. As of April 2023, the number of Torbay Champions is 1,531 and is growing. The partnership has now established a town board for Brixham with the support of Brixham Town Council and is in the process of establishing town boards in Torquay and Paignton. An external review was undertaken of the first 12 months of the new partnership, which was complimentary about the progress made to date but did identify some key areas to focus on in the months ahead.

The fourth Torbay Community Conference had the theme of celebrating Torbay, providing an overview of our achievements and practical examples of where the community have been involved. The event was attended by residents, local community groups and organisations, Councillors and Officers. Topics discussed include Torbay Story and how everyone has a role to play, feedback about positive changes people may have seen in the last three years and a round table discussion around current challenges. Audience members were able to ask questions of a panel including councillors and officers, as well as spending time with officers and partners who were exhibiting stands throughout the hall. Over 120 people attended the event in October 2022.

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.

During 2022/23 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 2023-24 Budget and the Paignton and Preston Masterplan.

In the last year the Engagement Team has increased the number of face to face events held, to gather feedback from members of the public on a range of projects such as the Paignton and Preston Masterplan and town centre regeneration.

The Annual Report of the Overview and Scrutiny Board has been published and considered by the Council at its annual meeting.

The Statement of Accounts provides a Narrative Report which explains the Council's achievements against the Community and Corporate Plan over the past year alongside the Council's financial Performance.

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.

In 2022/23 the Head of Paid Service requested a review of the Planning Services. A business improvement programme has been established to deliver improvements to the efficiency and quality of these services.

During autumn of 2022 the council introduced a garden waste service and launched a "Right Stuff Right Box" marketing campaign to improve its recycling rates the result of which was evidenced in the quarter 4 performance reports.

Significant improvements to our Adult Social Care performance data were established with our partners at South Devon and Torbay NHS Foundation Trust. This along with our own benchmarking information will be used to help inform future decision making.

The council saw a reduction to the number of complaints it received compared to the previous year. These, along with the freedom of information requests were also dealt with in an improved timely manner.

In May 2022 Ofsted identified the services being delivered to children in Torbay as good. This is a significant milestone in the council's improvement journey. We are not complacent as there is still much to do to ensure we meet the needs of our communities. Children, young people and their families rightly expect high quality services, particularly in times of need. Our ambition for children and their families to benefit from good or better services in which they have 'a voice' and become fully involved remains strong and central to all that we do. We continue to understand the task ahead, and we are determined to build on what Ofsted has judged to be good progress across the services for children.

Our Children's Continuous Improvement Plan comprises improvement priorities that are essential for the success of our transformation. It is complimented by the Councils Transformation Programme and our Sufficiency Strategy which quite properly focusses its attention on the resources required for a successful children's service modelled in line with the detail of our vision for a child friendly Torbay. We want to ensure we meet the needs of all our children and have priorities focused upon the needs of older young people in the process of transitioning to adult services, those at risk of youth homelessness and those vulnerable to exploitation and, potentially, offending behaviour. In addition, we are concerned to support young people with their health and, importantly we are seeking through this plan to stimulate the development of a revitalised and retargeted child and adolescent mental health service.

Over the next two years we will be continuing to develop the Family Hubs and supporting our children and young people with special educational needs and/or disabilities at the earliest opportunity. The investment and roll out of Liquid Logic and Power BI has brought improved data quality and put performance information at the heart of all decision making.

Torbay Council was formally invited to take part in the 'safety valve' intervention programme with the Department for Education (DfE), with the aim of agreeing a package of reform to bring our dedicated schools grant (DSG) deficit under control.

Torbay Council was invited to participate in this programme as it was identified as one of a number of authorities with the highest proportional DSG deficit. The programme requires Torbay Council to develop substantial plans for reform our high needs systems, with support and challenge from the DfE, to rapidly place us on a sustainable footing.

Torbay Councils plans (known as 'Management Plans') will need to demonstrate sufficiently that they create lasting sustainability and that they are effective for children and young people, including reaching an in-year balance as quickly as possible, if the plans are approved then the DfE will enter into an agreement with us, subject to Ministerial approval.

The Safety Valve agreement was submitted to DfE and subsequently approved and was published on 17th March 2023. The agreement sets out the key deliverables that we will be measured on during the course of the safety valve programme which will finish at the end of the 26/27 financial year.

A cyber security risk has been incorporated into the Council's corporate risk register with a very high unmitigated score. This risk will be reviewed and updated monthly and reported to the Senior Leadership Team, and Audit Committee.

Based on work performed during 2022/23, Internal Audit's experience from previous years, the outcome of the Annual Follow Up exercise and the findings of the first phase of the Assurance Mapping exercise, the Draft Annual Audit Report for 2022/2023 sets out that the Head of Internal Audit's Opinion is one of "Reasonable Assurance" on the adequacy and effectiveness of the Authority's internal control framework.

The Authority's internal audit plan for 2022/23 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 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. They noted that in some areas they are still seeing the ongoing impact of Covid-19 measures that 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.

Their July 2022 report on Torbay's Household Support Fund (HSF) Audit identified the need for robust control frameworks to be implemented and maintained in relation to the processing and payment of grant monies to ensure compliance with grant conditions and minimise the risk of fraud and errors. In response a simplified eligibility and payment process has been implemented and policies are updated as soon as possible on receipt of the guidance and data for successive HSF schemes. Discussions with Audit have taken place for the current scheme to reduce fraud and errors. Applications are checked to ensure that the total award value and number of awards does not exceed the policy. A percentage of applications are now quality checked to identify any errors. Applications for larger payments have additional financial checks to ensure they satisfy the guidance and to verify bank accounts.

Audit also identified the need for formal agreements with third parties that are subject to robust monitoring. This has been addressed and the HSF4 funds allocated are now part of a wider grant award framework which includes service level agreements and contracts. Third parties are also required to submit quarterly returns to Torbay Council as part of the overall Management Information return to the Department for Work and Pensions.

Torbay Council has been formally invited to take part in the 'safety valve' intervention programme with the Department for Education (DfE), with the aim of agreeing a package of reform to bring our dedicated schools grant (DSG) deficit under control. Torbay Council has been invited to participate in this programme as it has been identified as one of a number of authorities with the highest DSG deficit. The programme requires us to develop substantial plans to reform our high needs systems, with support and challenge from the DfE, to rapidly place us on a sustainable footing.

Torbay Councils plans (known as 'Management Plans') will need to demonstrate sufficiently that they create lasting sustainability and that they are effective for children and young people, including reaching an in-year balance as quickly as possible, if the plans are approved then the DfE will enter into an agreement with us, subject to Ministerial approval.

The Safety Valve agreement was submitted to DfE and subsequently approved and was published on 17<sup>th</sup> March 2023. The agreement sets out the key deliverables that we will be measured on during the course of the safety valve programme which will finish at the end of the 2026/27 financial year.

In their March 2023 report on Asset Management Strategy and Use of Tech Forge, Audit identified that the significant level of delayed remedial works and the risk of asset deterioration including non-coastal assets should be considered as an area for inclusion and related management within the risk management framework. Issues with the backlog of maintenance priorities are flagged to Torbay Council regularly and consideration is being given to the inclusion of this risk in the council's risk registers.

Audit's March 2023 report on the Adult Social Care Monitoring of Commissioned Client Debt Function identified that there was no evidenced inclusion of Trust client debt management service provision and arrangements within the defined agreement and no evidenced reporting of client debt position to the Council by the Trust and associated monitoring by the Council to allow effective related risk management. This issue has been included on the council's corporate risk register and will be reviewed on a quarterly basis by the Director of Adult and Community Services and reported to SLT and Audit Committee. A formal review of the debt recovery process is planned, to identify the actions to mitigate this risk.

There is also an upcoming internal audit report on ASC Precepts.

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.

## **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

<b>Action</b>	<b>Responsible Officer</b>	<b>Deadline</b>
Continue to deliver the Children's Services Continuous Improvement Plan.	Director of Children's Services	31 March 2024
Implement the SEND Written Statement of Action.	Director of Children's Services	31 March 2024
Deliver the Safety Valve Action Plan	Director of Children's Services	31 March 2024
Development and agree the emerging Community and Corporate Plan and the associated Council Business Plan	Senior Leadership Team	31 December 2023
Determine whether the backlog of maintenance priorities is included appropriately within the council's risk registers.	Director of Corporate Services	31 August 2023
Undertake a formal review of the Council's debt recovery process, including Torbay Council client debt managed by Torbay and South Devon NHS Foundation Trust	Director of Finance	31 March 2024

# 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 tax payers 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.

**Curtailement** – 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 service 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 or 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

**DLUHC** – the Department of Levelling Up, Housing and Communities, 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 in 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 Limited, a 100% owned subsidiary of the Council.

## **T**

**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.

**TEL – Torbay Education Limited** - a 100% owned subsidiary of the Council.

**Torbay Economic Development Company Ltd** - a 100% owned subsidiary of the Council.

**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.

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