Statement of Accounts and Annual Governance Statement 2020/21

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Report of the Director of Finance and Chief Executive

Introduction

Welcome to the 2020/21 financial statements for Devon County Council.

This report includes a brief overview of the County Council, its objectives, performance and service provision for 2020/21. It also provides a summary of the financial performance of the Council as detailed later in the Statement of Accounts.

The Covid-19 pandemic is an unprecedented situation which continues to have significant impacts on Devon's residents, communities and businesses. Outlined later in this report are the major challenges it presents for the County Council, including considerable effects on services, urgent action taken, substantial additional expenditure and changes to priorities, procedures and decision-making arrangements.

In 2019/20 as a one off because of Covid-19, Parliament extended the deadline for the publication of the 2019/20 annual accounts from 31st May to no later than 31st August.

Parliament has applied an extension for a further two years for 2020/21 and 2021/22. The Statement of Accounts is to be published on the website no later than 31st July. Audited accounts should be published by 30th September.

The financial statements have been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting (the Code) which is based on International Financial Reporting Standards (IFRS).

The Devon Pension Fund accounts, although included in this publication, are separate from the accounts of the Council and are subject to a separate audit opinion.

The Annual Governance Statement is included within this publication but does not form part of Devon County Council's accounts or those of the Pension Fund. The Annual Governance Statement explains the Council's Governance Framework and the roles of Cabinet and the Scrutiny function and significant governance issues and the challenges faced by the County Council.

This report constitutes the Authority's "Narrative Statement" as required by Section 8 of the Accounts and Audit Regulations 2015 (the Regulations).

Accounting Policies

The accounting policies (Note 2, page 35) establish the principles on which the figures in the financial statements are based. This year there have not been any significant changes to the Code.

Summary of Financial statements

The financial statements and their purpose are summarised as follows:

Comprehensive Income and Expenditure Statement (page 30)
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. Councils 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.

The Comprehensive Income and Expenditure Account shows a surplus of just under £16.5 million in 2020/21 compared with a deficit of £56.8 million in 2019/20. The improvement in the deficit / surplus of just over £73 million is mainly due to the following:

- At the end of 2020/21 a new Integrated Care Agreement was setup, accounting for £15 million plus an increase of just over £5 million on carry forward balance on better care fund income.
- unspent COVID grants have increased by £3.5 million from £21.7 million in 2019/20 to £25.2 million in 2020/21. This balance has been carried forward to meet expenditure in 2021/22.
- There are additional business rates grants of just over £12 million to cover reduced local business rates contributions in 2021/22 and £3 million for tax income guarantee (to cover 2020/21 losses in council tax and business rates affecting the 2021/22 budget)
- These increases in income are offset by the increase in overspend in the High Needs Block of the Dedicated Schools Grant (DSG) from just under £20 million in 2019/20 to £29 million in 2020/21. This has been carried forward as a negative balance in the Dedicated Schools Grant Adjustment Account, which is an unusable reserve on the balance sheet - Note 9, page 62.
- Technical adjustments which can be found in Note 8, pages 60 and 61, which have reduced from £65.7 million to just over £20 million, a net change of £45.7 million. This is mainly because of technical costs relating to capital grants and contributions of just over £47 million. There are other compensating movements such as reductions in derecognition costs of asset disposals of just under £18 million and reductions in past service pension costs of £11 million offset by reduced income from business rates and council tax of £10 million and £4 million respectively as well as increases in depreciation of just over £9 million. There are other movements which are shown in Note 8.

Movement in Reserves Statement (page 31)
This statement shows the movement in year for the reserves held by the Authority analysed into usable reserves (i.e. those that can be applied to either 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 services, more detail of which is shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance. The Net Increase/Decrease line shows the statutory General Fund Balance before any discretionary transfers to and from earmarked reserves undertaken by the Authority as shown in Note 9, page 62.

The Revenue and Capital Outturn 2020/21 was presented to Cabinet on 14th July and detailed the budget variances and movements to general balances and earmarked reserves.

The debit balance on Unusable Reserves increased by just under £289 million (Note 23) because the Pension Reserve (deficit) has increased by £284 million. The Collection Fund Adjustment Account has moved from a credit balance of £8 million at 31 March 2020 to a deficit of £9 million. This indicates that losses incurred in 2020/21 on business rates and council tax will be realised in 2021/22 and future years. The 2021/22 budget had already anticipated much of this loss - a £12 million deficit in business rates and the distribution of council tax losses. The £12 million business rates grant and tax income guarantee grant of £3 million accrued in 2020/21 and due to be received in 2021/22 will meet the significant majority of this lost tax income.

The Dedicated Schools Grant deficit of just under £44 million has been transferred to "unusable" reserves.

The increases in these debit balances are offset by an increase (credit) in the Capital Adjustment Account of just under £59 million.

Usable reserves have increased by just over £92 million, consisting of three elements

- Capital Grants Unapplied have increased by just over £16 million;
- Capital Receipts reserve has reduced by just over £4 million; and
- General Fund, Schools and Earmarked Reserves have increased by just over £80 million (Note 9) consisting of
    - £17.5 million increase in earmarked reserves outlined later in this report.
    - £37.8 million increase in carry forwards (mainly joint working with NHS and business rates and council tax grants to offset COVID losses)
    - £19.8 million transfer of last year's SEND deficit to a new statutory ringfenced adjustment account; and
    - £5 million increase in schools' balances.

Balance Sheet (page 32)
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 reserves held by the Council. Reserves are reported in two categories. The first category of reserves is usable reserves, those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitation on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves 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 hold timing differences shown in the Movement in Reserves Statement line ‘Adjustments between accounting basis and funding basis under regulations’.

The Authority has a negative Balance Sheet as at 31st March 2021 which means that the Authority's liabilities are just under £234 million greater than its assets (£37 million at 31st March 2020). Although it may appear that this is a concern it is not, as the Pension Liability of just over £1,304 million (Note 24, Page 92) does not represent an immediate call on the Authority's reserves and is a snap-shot valuation in time based on assumptions. The true value of the deficit is assessed on a triennial basis with contribution rates set to recover the balance over the longer-term. More information on Pensions is provided within Note 37 on page 120.

Cash Flow Statement (page 33)
The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key

indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash flows have been made for resources which are intended to contribute to the Council’s future service delivery.

Economic Context

In the eleven years up to and including 2021/22 the authority's core funding from Government has reduced in cash terms by just over £180 million or 72% in real terms and over the same period the Council has had to make savings and income initiatives of just under £284 million.

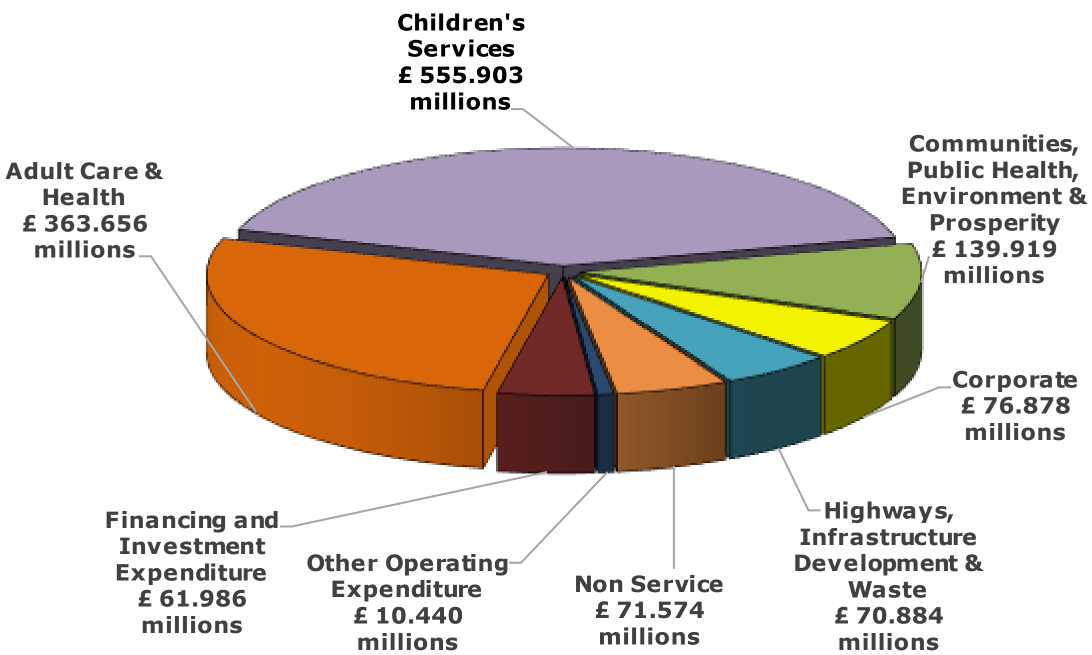
This level of cut on top of those already experienced was, and continues to be, a significant challenge for the Authority.

In 2020/21 the Authority's Core Funding has increased by 1.63%, this is a welcome change from the 11% average annual reduction since austerity began in 2010. There are significant ongoing pressures in both adult and children's services with the greatest area of concern being the funding shortfall on the Dedicated School's Grant High Needs Block. For the three years 2020/21 to 2022/23 the DSG Deficit is transferred from the Authority's usable reserves to a ring fenced "unusable" adjustment account. These regulations do not set out what will happen after March 2023.

Financial performance

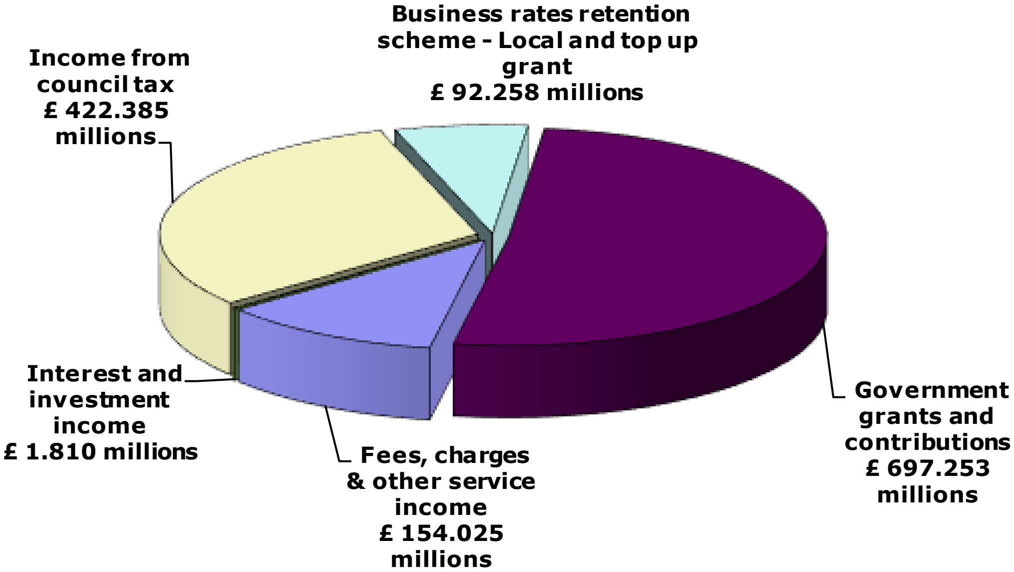
The Code requires that the Comprehensive Income and Expenditure Statement takes the format of how the Authority reports its own financial performance through budget monitoring during the year against the budget that was approved by Council in February 2020. Gross expenditure totalled just over £1,351 million and Chart 1 highlights spending by type.

Chart 1: Gross Expenditure



Expenditure is funded from a number of sources, some within Devon and some from Central Government. Chart 2, that follows, highlights sources of revenue income for the Authority during the year. Total gross income of just under £1,368 million was received during the year. Chart 2 shows how this is derived.

Chart 2: Gross Income



Revenue Spending

Revenue expenditure provides the day-to-day services of the Council. Income arises from charges for such services where appropriate and contributions towards their costs.

The budget is set and monitored on a management accounting basis and does not include the statutory accounting entries that are included elsewhere within these accounts.

Members have received regular budget monitoring reports throughout 2020/21 in which budget pressures and risks have been identified. The most significant of these have related to front line services ability to respond to demands they have faced during the Pandemic while maintaining business as usual services to the people of Devon.

The final outturn is better than anticipated and it has been possible to make an additional £4.8 million contribution to the Budget Management Reserve, a £1 million contribution to the Bellwin Scheme related Emergency reserve, £1.5 million has been transferred to the Climate Change Emergency reserve as well as the usual contribution to the Business Rates Risk Reserve of the Business Rates Pooling gain of just over £2.3 million.

When the Council approved the 2021/22 budget in February 2021, it agreed to use £5.3 million (£3 million in 2021/22 and a further £2.3 million in 2022/23) from the Business Rates Risk Management Reserve for Economic Recovery. This is now shown in a new Regeneration and Recovery Reserve.

The Dedicated Schools Grant continues to be under significant pressure due to Government underfunding of the Special Educational Needs and Disabilities (SEND) Service. As reported in year a Statutory Instrument has been issued that states all DSG deficits carried over from 2019-20 into 2020-21, and any subsequent deficit positions for the term of the override, are to be moved to an unusable reserve through a statutory accounting adjustment until April 2023.

The Dedicated Schools Grant year-end position is a shortfall of £29.2 million. When combined with £19.8 million deficit carried forward from 2019/20 the cumulative deficit is just under £49 million This is now being held in a new Dedicated Schools Grant Adjustment Account.

The financial year has now ended and the overall authority position, excluding the SEND underfunding and after transfers to and from Reserves, is a small underspending of £35,000.

Adult Care and Health

The outturn for Adult Care and Health Services shows an overall net underspend of £602,000 after carry forward requests.

Adult Care Operations and Health is showing an underspend of approximately £1.2 million. There have been pressures on Disability service budgets due to increased volumes and unit costs, but this has been offset by lower average volumes of Older People placements during the year and underspends on staffing budgets.

Adult Commissioning and Health is showing an overspend of £556,000 due to an overspend on Mental Health placements, which is partially offset by underspends on staffing and central contracts.

Children's Services

The outturn position for Children’s Services, excluding the Dedicated Schools Grant is an overspend of £1.8 million.

For Children’s Social Care the overspend is £1.2 million. The Public Health Nursing Service underspent by just over £1 million, leaving a net position of £169,000 overspent.

Included in this is £1.4 million Cabinet approved spending on additional leadership and front-line capacity to address the Ofsted Improvement Plan. Increases in demand for Early Help Services such as the Emergency Duty Teams and Multi-Agency Safeguarding Hub along with an increase in the number of children in care resulted in a pressure of £501,000.

The increase in the number of children in care was variously attributable to the impact of the pandemic, including cessation of court proceedings and children staying in care longer than they might otherwise have done, as well as changes in social work practice in response to the Ofsted judgement. Increased legal costs associated with higher volumes of cases led to an overspend of £570,000. The number of Special Guardianship Orders awarded continues to increase, resulting in a pressure of £498,000.

The response to the pandemic required a focus on delivering front line services and business continuity which led to a pause in aspects of the Social Work academy training and development programme and an underspend of £221,000. Other minor variations amounted to a net underspend of £55,000.

The pandemic had a significant impact in the way disabled children and their families were able to access services and changes in spend patterns led to a net underspend of £1.5 million across the Disabled Children’s Service.

The Public Health Nursing Service underspent by a little over £1 million, mostly due to recruitment slippage and vacancies, as well as reduced accommodation and running costs.

For Education and Learning General Fund the final position is an overspend of £1.6million. The most significant overspend is within Schools Transport. The personalised transport budget has seen increased costs and higher numbers of young people with Special Educational Needs requiring personalised transport arrangements.

Education and Learning spending on schools is funded from the Dedicated Schools Grant (DSG) which is overspent by £22.5 million. This is made up of individual school balances totalling £21.1 million, ringfenced balances of £5.4 million and the cumulative DSG deficit of just under £49 million.

There continues to be increased demand on high needs. In particular, the growing demand on SEN placements within the independent sector which is driving the pressure and is being reflected nationally in relation to High Needs education placements.

There is a new government requirement to show DSG surplus and deficit balances (excluding individual schools balances) as a DSG Adjustment Account.

Communities, Public Health, Environment and Prosperity

The outturn for Communities, Public Health, Environment and Prosperity shows an overall underspend of just over £1.8 million after taking into account grants and contributions carry forward, and other carry forward request.

Communities and other services are underspent by £1.1 million (before carry-forward requests). The impact of the pandemic on this team was that staff were redeployed to deliver emergency services, particularly to support vulnerable citizens. This resulted in budgeted grant schemes being delayed: this being the largest portion of the underspend.

Economy Enterprise and Skills is underspent by £529,000. This is mainly a result of slippage on major development projects, underspends on staffing and increased income which more than offset additional spending in supporting economic recovery.

Planning, Transportation and Environment is showing an underspend of £2.6 million. This relates mainly to reduced National Travel Scheme journey numbers, reduction in fleet usage during pandemic, a mixture of attracting external income and slippage on community flood schemes, and slippage on various project spend.

Public Health underspent by £5.3 million against the Public Health Grant. The pandemic refocused service delivery and this was funded by Central Government COVID grants. Existing services delivered through pharmacies, doctors and other providers was significantly impacted by the lockdowns leading to delays in expenditure. As a ring-fenced grant this amount has been added to the statutory public health reserve.

Corporate Services

The outturn for Corporate Services shows an overall underspend of £401,000 after taking into account grants and contributions carry forward, and any other carry forward requests.

Chief Executive, HR, Legal and Communications are £578,000 overspent. There continues to be increased staffing pressures within Legal Services driven by increased demand from Children's Services. Alongside this is the under achievement of savings plans in respect of the HR Management System and additional expenditure incurred by the Coroners Service. This has been partially offset by underspends from vacancies and reduced expenditure within Democratic and Members services as a direct result of the Pandemic.

Digital Transformation and Business Support are showing an underspend of just under £1.6 million. Whilst slippage in projects and delays to recruitment relating to the ICT road map were the largest single factor in the underspend; home working during the Pandemic meant that significant savings were also realised within Facilities Management budgets. Scomis Group contributed £424,000 of the underspend, generated by a combination of project slippage and vacancies.

The County Treasurer is underspent by £348,000 linked mainly to vacancies and increased income generation which more than offset pressures in audit fees and financial systems contracts. Delivery of Cross Council Savings strategies built into the budget were not required resulting in an overspend of £250,000.

Highways, Infrastructure Development and Waste

The Highways and Traffic Management service has achieved a break-even position, after carry-forwards. Additional expenditure totalling £2.5 million has been incurred from ash dieback tree felling and general safety works. This has been offset by savings resulting from the relatively mild winter period and street lighting energy and maintenance savings.

Savings totalling £300,000 have been achieved within Infrastructure Development, due to a reduction in operating costs and the delay of some school survey works resulting from COVID-19.

The Waste service has delivered a net underspend of £1.3 million, largely due to a reduction in disposal tonnages from budget levels and the impact of contractual reconciliation payments for energy from waste plants.

Expenditure of £7.0 million has been charged to the On-street parking account during the year, this includes items such as operating costs for on-street parking and enforcement activities, public transport support and highways cyclic maintenance works. Income totalling £6.9 million has been generated, leaving a shortfall against expenditure of £0.1 million. The balance of the reserve has reduced from £2.5 million to £2.4 million at 31st March 2021.

Other Items

The budgets for the Apprenticeship Levy has overspent by £81,000 and the Pension Contribution Shortfall has underspent by £1.4 million. The nationally negotiated staff pay award for 2020/21 was 2.75% which was 0.75% more than was included within the service budgets set in February 2020. To enable services to cover this extra cost additional budget of just over £1 million was given to services in-year with the cost being met from Outturn. A recent valuation of the Insurance Provision has indicated that the budgeted contribution to the Provision of £700,000 is not required and has resulted therefore in an underspend of this amount. These items have improved the underspending on services to a total of just under £3.7 million.

The authority works very closely with Health and towards the end of the financial year a new Integrated Care Agreement was setup. Health has contributed £15 million to the agreement that will be carried forward and used to support the wider health and social care system in the new year.

The Better Care Fund has underspent this year and just over £6 million of the Improved Better Care Fund Grant is being carried forward into 2020/21.

Capital Financing Charges are £475,000 less than budgeted due to the underspending on the Capital Programme. Interest Receivable is £260,000 more than budgeted due to having a higher level of cash to invest than anticipated.

The Council Tax Support Partnership budget is underspent by £300,000 and is carried forward to the new year to help fund our work with Team Devon on supporting low income households at this difficult time. The World War two bomb incident in Exeter cost the authority £75,000 and has been charged against the Bellwin Emergencies Budget. The remainder of this budget remains unspent and £1 million is transferred to the Emergencies Reserve; there is no budget for Bellwin Emergencies within the 2021/22 budget and it is unlikely that it will be affordable to have one in coming years - it is therefore prudent to bolster the Emergencies Reserve to cover any future incidents.

The infrastructure development budget underspend of £208,000 is the remainder of a sum that has been carried forward for many years. It is proposed that this budget is no longer carried forward and that any future capital costs are funded from the normal capital resources.

When the budget for 2020/21 was set it included provision for a contribution of £4.5 million to the Budget Management Reserve. The Outturn has allowed for a further £4.5 million to be added along with £1.5 million to the Climate Change Emergency Reserve to support the authority's climate change pledge.

In December 2020, as part of COVID funding for local government, a local tax income guarantee was announced. The Government would compensate local authorities for 75% of irrecoverable losses in council tax and business rates income in respect of 2020/21. The estimate from the eight district councils in Devon is a compensating grant of £2.6 million for council tax and just over £400,000 for business rates income, a combined grant of just over £3 million. Although this grant is being received in 2021/22, the accounting rules require the Authority to accrue for this grant in 2020/21 and carry forward into 2021/22 to cover the losses on the collection fund.

The Authority's budget for 2021/22 had assumed a grant of £5 million based on estimates of Quarter 3 collection rates from billing authorities. However, council tax collection rates have held up better than initially forecast. It is now estimated that the Government grant of just over £3 million will be lower than the budget estimate but the improved collection fund balances of billing authorities will result in lower deficits or even surpluses to be distributed from 2022/23.

The Devon Business Rates Pool (consisting of the County Council, 8 Districts, Plymouth and Torbay) is administered by Plymouth which calculates the pooling gain after all billing authorities have completed their NNDR3 returns to MHCLG. The latest forecasts suggest a share of the gain of just over £2.3 million for Devon County Council. As in previous years this gain is transferred to the Business Rates Risk Management Reserve.

Additional Grants for Independent Living Fund, Retained Duties, Local Service Support Grant, Schools Improvement, and other small grant variations have been used to balance the overall outturn position.

In response to the COVID-19 outbreak Central government has put in place a number of grant funding streams to help support Local Authorities in responding to the pandemic. Devon County Council has directly received £99.4 million of additional funding, of which £74.2 million has been spent and £25.2 million carried forward into 2021/22 in line with specific grant terms and conditions.

Better Care Fund

The Better Care Fund (BCF) for 2020/21 totals £100.5 million which is reporting an underspend of £7.3 million (7.2%); £6.1 million grant and £1.2 million revenue. This total will be carried forward in full by the Council to 2021/22 to continue with spending plans within the terms of the BCF framework agreement. The underspending is attributable to the non-utilisation of a previous carry-forward, some reduced spending for the community equipment store due to the effects of the pandemic, some planned under-spending within grant funding and increased (once-off) income from the NHS Devon CCG. The BCF governing body, the Better Care Fund Leadership Group, have agreed that the use of all surplus funds carried forward in to the 2021-22 financial year will be decided by them, within the guidelines of the Section 75 BCF framework agreement. For more information on the Better Care Fund, please see the table in Note 34.5.

General Balances

The working balance at 31st March 2020 was £14.8 million. The review of the financial risk assessment prepared when the 2020/21 Budget was set indicates that the Council should hold a working balance of about £14 million. The outturn has enabled £35,000 to be added to the working balance.

Statement of Summarised Costs 2020/21	Final Adjusted Budget £'000	Unadjusted Spending £'000	Carry forwards to 2021/22 £'000	Transfer to DSG Adj A/c	Transfers to reserves £'000	Outturn (Under) Over £'000
Adult Care and Health	256,380	254,616	1,162			(602)
Children's Social Care & Education General Fund	149,796	148,967	2,615			1,786
Education & Learning - Dedicated Schools Grant	(12)	22,453	21,091	(43,556)		0
Communities, Economy, Planning, Transportation	47,893	35,955	10,083			(1,855)
Public Health	59	(5,275)			5,334	0
Corporate	37,991	36,795	795			(401)
Highways, Infrastructure, Development and Waste	58,802	56,375	778			(1,649)
COVID-19	99,848	74,642	25,206			0
Non Service Grants excluding COVID-19	(148,463)	(167,243)	15,603		2,353	(824)
Other Non service income and expenditure	63,633	40,719	21,118		5,306	3,510
Budget Carry forwards from 2019/20	(35,873)		(35,873)			0
Total Net Revenue Budget / Spending	**530,054**	**498,004**	**62,578**	**(43,556)**	**12,993**	**(35)**

Earmarked Reserves

At the beginning of the financial year, earmarked reserves (excluding schools and non-schools carry forwards) stood at £120.0 million. During the year earmarked reserves have increased by a net £17.5 million to just under £137.5 million. The reason for this movement is explained below:

	£000	£000
Budgeted contribution		4,500
Underspend on Public Health Ring-fenced Grant	5,334	
Transfer to Budget Management Reserve - Hardship Support	300	
Transfer to Budget Management Reserve	4,500	
Transfer to Climate Change Emergency Reserve	1,500	
Business Rates Risk Reserve - Pooling Gain	2,353	
Bellwin Scheme Related Emergencies	1,000	
		14,987
Spend on Transformation	(722)	
Spend from On Street Parking Reserve	(114)	
Spend from Climate Change Emergency Reserve	(101)	
Spend from Business Rates Pilot Reserve	(994)	
Spend from Budget Management Reserve	(63)	
		(1,994)
		17,493

At the end of 2019/20 a negative reserve was created to hold the cumulative overspend of the DSG SEND High Needs Block. This negative balance was brought forward into 2020/21, however, as outlined above, Government now require this balance to be held as a DSG Adjustment Account and not netted off from our Reserves. This statutory requirement is in place for three years; what will happen to the balance after that time is unclear. The table below sets out the balances on this new account.

Dedicated Schools Grant Adjustment Account

	1 April 2020	31 March 2021
	£000	£000
High Needs Block - SEND	(19,772)	(48,998)
De-delegated, Central and Early Years Block	3,627	5,442
Total (Deficit)	**(16,145)**	**(43,556)**

Details of earmarked reserves are contained in Note 9.

Capital Spending

The approved Capital Programme for 2020/21 totalled £200.6 million. This figure includes £27.4 million carry forward from 2019/20 and £58.7 million of other additions approved during 2020/21.

Spend for the year totals £133.8 million resulting in an outturn variance of £66.8 million (actual spend in 2019/20 was £115.1 million with a variance of £37.3 million). £45.0 million are carried forward into the 2021/22 Capital Programme and £22.1 million into 2022/23 and beyond.

The following table summarises the 2020/21 Capital Programme expenditure and its financing:

Capital Expenditure	**Budget**	**Actual Spend**	**Variation**
	£'000	**£'000**	**£'000**
Adult Care and Health	11,232	8,388	2,844
Children's Services	5,112	2,168	2,944
Communities, Public Health, Environment and Prosperity	94,803	45,269	49,534
Corporate Services	9,947	4,449	5,498
Highways, Infrastructure Development & Waste	79,520	73,525	5,995
Total	**200,614**	**133,799**	**66,815**

Capital Financing	**Budget**	**Actual Spend**	**Variation**
	£'000	**£'000**	**£'000**
Capital Receipts	20,528	9,715	10,813
Internal Borrowing	26,260	11,791	14,469
External Grants and Contributions	152,463	111,371	41,092
Revenue Budgets	1,363	922	441
Total	**200,614**	**133,799**	**66,815**

Adult Care and Health

£1 million of slippage is due to the North Devon Community Facility. This project is being re-scoped and is expected to recommence in 2021/22.

£1.4 million of slippage is due to the deferral of the Integrated Adult Care & Finance System implementation. This project was paused in 2020/21 as the team prioritised its response to the pandemic.

Children's Services

£1.2 million of slippage is due to a lower call on the Devolved Formula Capital grant, mainly due to works being paused or reprioritised. There was also a reduced call on the Vehicle and Equipment Loans (VELP) fund and slippage against a number of smaller school's projects.

Communities, Public Health, Environment and Prosperity

North Devon Link Road - £10.3 million - Full scheme approval was not received from the DfT until November 2020. The original 2020/21 budget for this scheme was based on early estimates provided in December 2019 resulting in a year end variance. The scheme has now started on site.

South Devon Highway - £4.4 million - revised traffic counts were not undertaken until the autumn due to the abnormally low traffic flows caused by the pandemic. Agreement then needs to be reached with a large number of landowners with regards to noise insulation and part one land claims. Whilst this is progressing well, only a small number were agreed and paid in 2020/21.

South West Exeter Housing Infrastructure Fund - £5.5 million – the project comprises 15 elements, which have all been costed and profiled across five financial years, totalling £55.14 million. Good progress is being made on design and works but there has been a variation in programmed spend as some anticipated risks did not materialise. Final delivery and milestone deadlines are still expected to be achieved.

Local Transport Plan (LTP) Integrated Transport Block - £3.1 million - Two schemes related to the A382 have slipped due to pandemic as well as land acquisition delays. There were also variances across works on the Slapton Line and Ivybridge projects, and some other smaller schemes, due to planning and land acquisitions not being resolved in 2020/21.

The progress of various projects across the Economy and Skills service area have been slow this year, mainly due to the pandemic. These include Strategic Land transactions of £6.6 million, slippage of works at our Business Parks totalling £2.6 million as well as the Broadband and Library schemes of £2.6 million.

Delivery of the Strategic Schools Programme has also slipped by £9.4 million mainly due to the pandemic.

Corporate Services

Whilst some progress has been made, much of the work expected to take place under the Strategic Centres Accommodation Improvement Programme has been paused, resulting in slippage of £2.4 million. This project includes work to reconfigure and enhance existing office accommodation, including the electrics and lighting.

The ICT programme has also experienced slippage of £1.8 million whilst projects were paused or deferred during the year

The County Farms programme over delivered in 2020/21 with £0.6 million being accelerated from the 2021/22 budget. The work carried out in 2020/21 related to a programme of works to upgrade the Councils existing farms dwellings to the Decent Homes Standards and the installation of a new slurry store. Despite delays in materials and access issues to tenant dwellings the final outturn position was £0.9 million against a budget of £1.169 million. The Decent Homes work will continue in 2021/22.

Within the Estates budget, infrastructure for the Access Control System which relates to the upgrade of the Councils car parking access and security systems, was completed this year. A programme of work was carried out on the estates buildings this year including capital works relating to fire safety measures to ensure that the Councils fire doors, across the estate, comply with accredited standards.

Highways, Infrastructure Development and Waste

The Local Transport Plan (LTP) maintenance, Pothole and Challenge Fund budget - £3.2 million. The funding supported over 750 highway and bridges schemes however there were difficulties in progressing schemes, particularly in the early part of the year, due to lockdown restrictions.

Street Lighting - £1.8 million – a new term maintenance contract was effective from October 2020 which resulted in a slower delivery progress than originally expected during the mobilisation and commissioning of new systems.

Delivery of the Schools Maintenance Programme has also slipped by £2.2 million mainly due to the pandemic.

Pensions Liability

The Authority's pension fund deficit is subject to two different actuarial valuations; the Triennial Valuation and the IAS 19 annual accounting valuation. The Triennial Valuation is used to set the employer contribution rates for the following three years and is based on assumptions that are specific to the Authority's part of the Devon Pension Fund. The annual IAS 19 valuation, that the authority is required to use in these accounts uses standardised assumptions and is designed to provide comparability between employers.

The liability of just over £1,304 million (Note 24 page 92) on the County Council's Balance Sheet includes the early payment by the Authority of the pension fund deficit contributions (£22 million at 31 March 2021) and this liability is offset by pension costs to be reimbursed as they fall due from Plymouth City Council and Torbay Council of just under £16 million (Note 17 page 71) leaving a deficit (Pensions Reserve) of just under £1,310 million (Note 23 page 88). The liability is the annual accounting valuation and is an assessment of the level of corporate bonds a corporate body would need to issue in order to cover the cost of the deficit over an assessed period. This approach was designed with the private sector in mind but has also been adopted by the public sector although of course in local government the true pension fund deficit is assessed through the Triennial Valuation and the deficit made good over the working life of the employees rather than by issuing Corporate Bonds.

The accounting valuation is based on the corporate bond yield as at 31st March 2021. The liability at 31st March 2021 has changed by just under £254 million since 31st March 2020. There are two key movements that broadly offset each other:

- Increase in the present value of the defined benefit obligation by just under £573 million - what is estimated to be paid to current and future pensioners. Although this is the net overall movement, the largest single factor is the change in the financial assumptions of the actuary, particularly assumptions about future increases in salaries and pensions along with a reduction in discount rate.
- The increase in the defined benefit obligation is offset by an increase in the Authority's share of Pension Fund Assets by just under £319 million

It is arguable whether the annual calculation of the pension fund deficit can accurately reflect the long run position.

Note 37 on page 120 provides further information.

Performance Management

About Devon
Devon has:

- An outstanding natural environment and a strong sense of community.
- An ageing population and high inward migration of older people. In 2020 there were an estimated 28,971 people aged 85 and over, projected to rise to 52,099 by 2040.
- A growing number of working age adults with increasingly complex care needs.
- 8,000 miles of roads, 3,100 miles of Public Rights of Way, two National Parks and five Areas of Outstanding Natural Beauty.
- A £17 billion economy, underpinned by a skilled workforce but with low earnings and significant economic diversity between Devon’s Districts.
- Low crime overall, but increased risks from drugs, child sexual exploitation, domestic abuse, race hate crime / extremism and modern slavery.
- Average house prices ranging from 9 times to 11 times average annual earnings.
- Large rural areas impacting on the cost of delivering statutory duties, such as meeting eligible care needs

About Devon County Council
Devon County Council is one of 26 County Councils in England. We represent a population of around 780,000 and administer an area of 6,564 km2, geographically the third largest in England. Devon is a three-tiered local authority area and we work in partnership with eight District Councils and over 300 Town and Parish Councils.

The most recent County Council elections took place in May 2021 with the Conservative group, led by Councillor John Hart, remaining in control of the Council with 39 of the 60 seats.

Our services
Our main service groups are:

- Adult Care and Health: including services for older people and for people with physical or learning disabilities.
- Children's Services: including education and learning, services for vulnerable children and families, safeguarding, looked after children and care leavers.
- Communities, Public Health, Environment and Prosperity: including planning, transportation and environment, economy enterprise and skills, trading standards, libraries, community safety and emergency planning.
- Highways, Infrastructure, Development and Waste.
- Corporate Services:
  - Legal, Human Resources, Democratic Support and Communications, including registration of births, deaths and marriages and the Coroner service.
  - Digital Transformation and Business Support.
  - County Treasurer.

Risks and challenges
The impact of the COVID-19 pandemic on our services and resources is described in the following section. Some of our other main risks include:

- The impacts of climate change on Devon's people, environment and economy.
- Supporting the ongoing health and resilience of our communities and economy.
- Persisting social care workforce sufficiency challenges and increasing costs of care.
- Increasing numbers of working age people seeking care, often with complex needs.
- Responding to highways safety issues and to extreme weather events, including flooding, obstruction and structural damage to transport infrastructure.
- Growing evidence of inequality in a range of communities across Devon.

The impacts of COVID-19 on Devon County Council.

Devon saw some of the earliest cases of COVID-19 in England, in February 2020. However, since then case rates have generally lagged behind the national average. Weekly rates peaked at 189 per 100,000 population in mid-January but by April 2021 these rates had fallen to around 7 per 100,000. At 23rd May 2021 the cumulative total confirmed cases of COVID19 in Devon stood at 20,471. There had been 689 deaths, representing just under 85 deaths per 100,000, much lower than the rate for England which stood at 199 per 100,000.

However, the impact of COVID-19 on Devon's businesses and residents has been disproportionately high. Around 60% of all Devon business were closed during lockdown and almost 40% of all those in work (both employed and self-employed) were furloughed or seeking self-employment support due to not being able to work. Unemployment increased by 180% in the three months to June 2020, with sharp increases in youth unemployment. There were strong indications that the following 36 months would be amongst the most challenging economically in living memory for many areas of the

County. However, by September 2021 unemployment in Devon stood at 13,960, considerably below the September 2020 peak of 21,310 although still at almost twice the September 2019 level. The County Council was continuing to deliver an economic recovery package of support, working alongside Team Devon, businesses, and public sector partners

Social impacts included significant increases in domestic violence and in mental health problems for young people and adults. Across Devon, service providers reported increases in demand for mental health, domestic violence, and drug and alcohol support services.

Overall, there have been reductions in recorded crime, but more cases of anti-social behaviour, fraud and scams. Police locally also report increased targeting of local people by organised crime groups and a move to online exploitation. Alongside this, the pandemic has contributed to rising community tensions and an increase in hate-related crime.

During the year the vaccination roll out proceeded quickly and by late October 2021 87% of people aged 12 and over in the UK had been vaccinated. However, the previous trend of low infection rates in Devon had reversed. In the week to Sunday 24 October COVID figures in Devon had risen for the fifth week in a row; 6,154 new infections were recorded across the county in that week, seven per cent more than the previous week. At that time the infection rate was 507 per 100,000 of the population, higher than the UK average of 466.

The County Council commissioned a 2021 report to establish the level of food insecurity in Devon. Results showed that levels of household food insecurity are at high levels across the county. Overall, 17% of Devon households were shown to experiencing food insecurity, with one in ten Devon households (10%) experiencing substantial disruptions to their eating patterns, a substantial increase over pre-pandemic levels.

Responding to the Outbreak

The Council worked with partners to ensure a rapid and effective response to the pandemic. This included establishment of Team Devon, a new partnership with District Councils that developed an infrastructure of support for the most vulnerable across the county and sought to coordinate the County's response to the economic shock and subsequent recovery.

The County Council responded quickly to a rapidly developing crisis to ensure people received vital care and support. For Adult Care and Health this included stabilising the adult care sector through sustainability funding and meeting extra costs. Practical support involved personal protective equipment (PPE), testing, infection control, and recruitment. It also included the provision of agency staff to ensure care homes remained open when high numbers of staff were off sick or were isolating due to COVID-19.

Temporary accommodation was arranged as part of a joined up public service response for hospital step down facilities to relieve pressures on the health system, and to enable care workers to stay sheltered.

An additional £250,000 of funding was provided from the COVID-19 emergency funding received from Government to address an increase in domestic violence and handle a 60% increase in calls to Splitz Support Service, the commissioned provider.

COVID-19 resulted in a significant impact of the number of families eligible for free school meals. The table shows the increase in claims. At the October 2020 school census, 14,730 children were entitled to Free School Meals.

		2020/21 Autumn Term	2019/20 Spring Term
Devon	Headcount (all pupils)	99,616	100,279
	Number of pupils eligible for FSM	14,730	12,643
	Percentage of pupils eligible for FSM	14.8%	12.6%
England	Headcount (all pupils)	8,299,034	8,313,488
	Number of pupils eligible for FSM	1,633,698	1,440,788
	Percentage of pupils eligible for FSM	19.7%	17.3%

For Winter 2020/21 Government made a grant available to provide additional support for 17,000 vulnerable children over the school holidays. The Council organised a supermarket voucher scheme to ensure that parents of all children eligible for free school meals could obtain food. Early Help, Children's Centres, Citizens Advice and colleges were also able to provide families in need with a grant of up to £100 per family to buy food and pay utility bills over the winter. Families could also access general hardship support via District Councils.

This Government funding was extended up to the end of September 2021. During each of the subsequent school holidays families were given vouchers to cover free school meals alongside the funding of a range of innovation to support families in need. These projects included the Goodie Box and Get a Healthy Start projects, where recipe kits for families with young children experiencing financial difficulty were delivered during school holidays.

In September 2021 the government announced a new Household Support Fund. Devon's allocation is just over £5 million. The fund is designed to support households in most need with food, energy and water bills, and other associated essential costs.

In addition, the Council helped to establish 6 food networks bringing together community organisations to support emergency responses to those in need which was facilitated by £300,000 of grants for food and vital supplies. Food box schemes for schools and around healthy meals and menus were also significantly funded.

More children and young people experienced mental health problems during the pandemic. Crisis support for Children and Adolescent Mental Health Service was delivered 24/7 and waiting times for urgent referrals remained on target.

Children's Services continued to support vulnerable children and their families. This, in collaboration with schools, included the completion of a risk assessment in relation to COVID-19 for every vulnerable child. In most instances that resulted in increasing the number of contacts made with vulnerable children and their families.

Children's Social Care saw a sustained increase in the number of children in care, building on increases in 2019/20. There were three main reasons for the increase:

- Improvement work had driven a firmer and more timely practice response.
- COVID lockdown increased pressure on families and reduced their resilience particularly where adult mental health was a factor.
- Courts during COVID had delayed hearings, including final hearings, leading to a delay in those children exiting care through Adoption, Special Guardianship or other family-based outcomes.

The OFSTED inspection of Local Authority Children's' Services undertaken in January 2020 judged the Council to be inadequate. Phase 1 of the improvement programme took place from April to July 2020 and focused on addressing the context of the pandemic, ensuring vulnerable children, young people and their families were safe and supported appropriately and addressing the priority areas for improvement.

Public Health Devon's services responded quickly and innovatively, enabling services to use digital and telephone services where safe to do so and to develop innovative approaches to meet the needs of the most vulnerable. Examples include the substance misuse service which rapidly organised virtual contact with clients for support and welfare checks as well as continuing to deliver face-to-face interventions for the most complex clients.

The Council was designated as one of England's 11 Beacon Councils by Government to lead the implementation of new Local Outbreak Management Plans, including the identification and management of COVID-19 outbreaks. This required a board led by the Leader of the Council and other key stakeholders, to provide political ownership and public-facing engagement and communication for both prevention and outbreak responses. The Board communicated key messages to Devon's residents, communities and businesses, based upon science, evidence and data.

The Devon County Council Community Testing Service provided free, rapid lateral flow tests to any adult over the age of sixteen at a range of locations across Devon, including the County Hall site.

In addition to managing the health crisis, the Council moved quickly to coordinate and focus economic assistance to those areas of the economy most badly impacted by the emerging crisis. Devon recognised at an early stage that community recovery without an effective and coordinated economic recovery was unlikely to be successful. Support for Devon's economy included:

- creation of the Devon Economic Recovery Group, working as Team Devon,
- securing over £10 million of additional local support for people, businesses and individual places, aligning and complementing over £100 million of national grant support put forward to assist the wider economy.
- an Employment Support programme, working with Job Centre Plus, created to provide advice and support for finding new employment.
- establishment of Youth Hubs in Exeter and Northern Devon, providing centres for advice and guidance for young people displaced by the economic crisis.

- a rapid shift to online delivery of our core adult and community learning offer at Learn Devon, supporting our most vulnerable individuals to train and prepare for reopening in a virtual environment.
- Piloting of specific online support for the hospitality industry, initially in North Devon, seeking to support individual businesses and workers to upskill and reskill whilst awaiting the end of the lockdown.
- Rent relief / delays for those based within our work hubs and industrial estates.
- The provision of free regulatory support and advice for businesses seeking to reopen safely, adopt new models of working, and deal with the changes created through EU-Transit.
- the purchase of the former Flybe Training Academy, working in conjunction with Exeter College, to deliver a Future Skills Academy.
- £1 million funding secured to deliver a Mobile Boost voucher programme to improve mobile phone connectivity.

Other Team Devon responses included:

- Establishment of a £1.7 million fund to support people experiencing hardship due to COVID19. The fund is administered by District Councils and comprises £1 million from the County Council and £757,000 from a DEFRA grant.
- Support for over 50,000 people in Devon identified by the NHS as extremely clinically vulnerable who were advised to shield themselves during periods of lockdown. The County Council worked with Devon's eight District Councils and community/voluntary groups to address impacts on the most vulnerable families, children and young people who may have been struggling with food supplies, loneliness or financial hardship.
- A contribution of £100,000 to the Devon Community Foundation's "Devon Coronavirus Response and Recovery Fund" to help local charities and community organisations support vulnerable people affected by the outbreak.

The Council was able to rapidly scale up digital services, enabling services to vulnerable individuals to be maintained, remote individual and team working and movement of key democratic meetings to remote operation. Over 75% of our workforce were moved to working remotely/from home very early into the Pandemic and without any negative impact on service delivery.

During the year the Council continued to focus on delivering the Council's economic recovery package of support, working with Team Devon, businesses, and public sector partners. Projects included a Made in Devon programme to support and promote local goods and services; a youth hub to promote apprenticeships and develop work experience and careers advice, supporting over 300 people by October 202; a Green Innovation Fund to encourage and support low carbon opportunities; and a Young People's Entrepreneurship project to extend entrepreneurship education and work with 250 aspiring young entrepreneurs to create and launch their business ideas.

Performance and Achievements 2019/20

Due to COVID19, Early Years Foundation Stage and Key Stage 2 assessments and tests were cancelled. GCSE outcomes went ahead but due to changes in the way qualifications were awarded, performance against the previous year cannot be made. Along with GCSE outcomes, a selection of other performance indicators is presented in the following table:

	Example Performance Indicators 2019/20 (latest comparative performance data available)				
	2021 update (where available)	2020	2019	South West (2020)	England (2020)
People with Learning Disabilities: % in paid employment	7.2%	7.1%	8.9%	5.3% (2021	5.1% (2021)
People with Mental Health conditions: % in paid employment	8.0%	5.0%	7.0%	11.0% (2021)	9.0% (2021)
People aged 65+ still at home 91 days after discharge from hospital	67.0%	85.8%	80.1%	78.2% (2021)	79.1% (2021)
Age 18-64 in residential/nursing care (per 100,000 popln)	14.1	12.0	16.0	13.4 (2021)	13.3 (2021)
Age 65+ in residential/nursing care (per 100,000 popln)	500.9	538.7	558.2	455.3 (2021)	498.2 (2021)
Overall satisfaction with adult social care services		67.5%	70.7%	66.9%	64.2%
Social care users who have as much social contact as they would like		45.8%	44.7%	46.4%	45.9%
Take up of funding for two-year olds	82%	85%	88%	69% (2021)	62% (2021)
GCSEs grades 9 to 5 in English & Maths – all pupils		48.7%	n/a	49.9%	46.3%
Attainment 8 – all pupils		50.2	n/a	50.4	48
GCSEs grades 9 to 5 in English & Maths – disadvantaged pupils		27.2%	n/a	27.4%	30.4%
Attainment 8 – disadvantaged pupils		39.3	n/a	38.6	40.2
GCSEs grades 9 to 5 in English & Maths – SEN pupils with EHC plan		7.8%	n/a	6.8%	6.5%
Attainment 8 – SEN pupils with EHCP		18.3	n/a	15.8	15.2
GCSEs grades 9 to 4 in English & Maths – Children in Care in Devon for 12 months		37.5	n/a	24.2	24.4

Attainment 8 - Children in Care in Devon for 12 months		23.6	n/a	20.1	21.4

Highlights of achievements and performance:

- People with Learning Disabilities in Devon are more likely to be employed and to live independently than is typical elsewhere. But we need to continue to promote the employability of all people with disabilities.
- For several years Devon has placed a lower proportion of its older people into care homes than comparators, supporting them at home in the community instead. We also meet the care needs of more working age adults in the community than our statistical neighbours and with higher average cost of care.
- Progress was made on some areas of Children's' services identified for improvement, including improved legal decision making, improved evidence gathering in legal proceedings, better recording of permanence plans for some children in care and earlier permanence planning, particularly for younger children. In addition, progress was made on outcomes for care leavers and senior management oversight of this.
- Take up of funding for two-year olds is again significantly better than national and regional rates.
- 2020 GCSE outcomes indicate that overall, Devon's children performed better than nationally in the GCSE English and Maths and Attainment 8 measures, although were below the South West average.
- Outcomes for Devon's disadvantaged children in GCSE English and Maths have improved on last year but remain slightly below the national average and in line with regional average. Devon's Attainment 8 figures are better than regionally and close to nationally.
- Outcomes for Devon's children with an Education, Health and Care plan are well above the national and regional averages in the Key Stage 4 GCSE measures, with Devon children performing significantly better than national at GCSE English and Maths grades 9 to 4.
- Children in Care in Devon performed significantly better than nationally in English and Maths, with 37.5% of children achieving grades 9 to 4 compared to 24.4% nationally. Devon's performance ranked 12th highest in England.
- In the year after completing Key Stage 4, 94.1% of pupils in Devon were in sustained education, employment or apprenticeships. This is slightly better than the national picture (93.8%). For disadvantaged pupils the rate is lower at 87%, reflecting the national trend (88%).

Looking forwards

COVID19 recovery

COVID 19 has had the most significant impact on Devon's economy since the end of the Second World War, as well as deep impacts on our communities and residents. In 2020 alone, Devon's economy shrank by a value equal to all of the growth achieved in the previous decade combined. Ensuring that the County is able to effectively recover from this shock is to be a key focus over the next few years, seeking to rebuild our economic resilience, support communities to unlock and rebalance, and working with individuals whose own wellbeing and prosperity has been compromised by the pandemic renew.

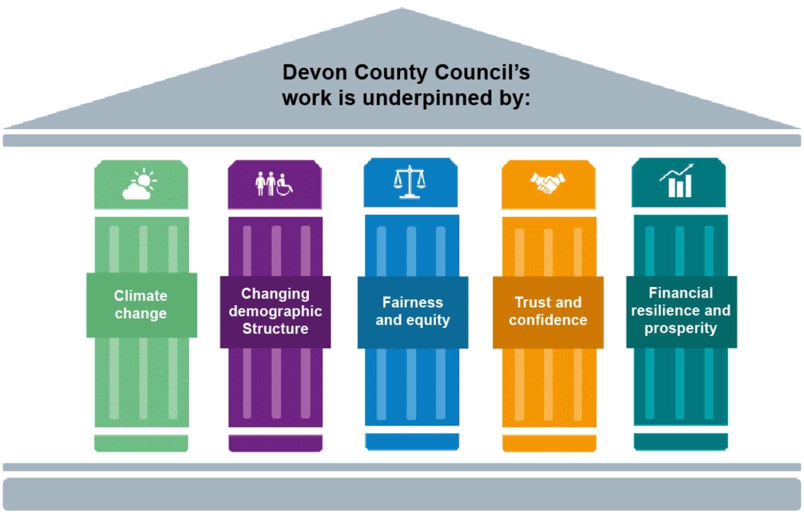
As we look towards recovery from COVID, we also don't want to lose what we have learnt, or the best practices that existed before the pandemic. We are taking the opportunity to reflect, reimagine and redesign the way the organisation works by:

- evaluating and understanding the impact of what we do for the people of Devon.
- further increasing the discipline and rigour around clear, robust and dynamic decision making and recording.
- enabling financial resilience and medium – longer-term financial planning by integrating our organisational transformation approach with our medium-term financial strategy.
- enabling and embedding sustainable learning practices based on evidence of what works, what doesn't and why.
- embedding core principles and behaviours in and across everything we do.

We see partnerships, strengthened by our Team Devon response to COVID, (a forum for Devon's councils, public sector and voluntary and community sector to work together) as vital to tackling the key strategic issues facing Devon – climate change, economic recovery, our demographic challenge, stark gaps in wealth, opportunity, social mobility and wider inequality, and trust and confidence in public services.

2020/21 Priorities

Our 2020-21 priority areas are climate change, changing demographic structure, fairness and equity, trust and confidence and financial resilience and prosperity.



With our partners, Devon County Council will:

- care about jobs and economic prosperity by seeking to enable a rapid recovery from the disruption caused by COVID and unlocking potential to help grow one of the strongest, greenest, and smartest regional economies in the UK as part of the wider economic region.

- care for the environment and help tackle the climate change emergency by becoming carbon neutral with sustainable growth that both protects and makes the most sustainable use of natural resources.
- care about fairness with more people having the opportunity to get the skills they need to share in the benefits of future prosperity, have a good wage and an affordable home, and for our young people to have a future here.
- care about local communities as the building blocks of Devon; strong, resilient, and thriving places where people can live well.
- care about people and families with all children having a good start in life and everyone, especially the most vulnerable, feeling safe, well supported, and able to lead the best lives they can and to grow old well.
- care about, understand and have organisational focus on the many challenges facing children and young people.
- care about the most vulnerable by improving health and wellbeing outcomes through a sustainable health and care system.
- care about there being equal chances for everyone in Devon to lead long, happy and healthy lives.
- care about connections with decision-making underpinned by good quality information and intelligence, together with investment in and transformation of digital services.
- care about reducing inequalities (advancing equality) and tackling discrimination, prejudice and harassment.

Devon County Council is committed to being a flexible, resilient, learning organisation. We are growing our capacity and capability, strengthening relationships with colleagues, partners and communities, and helping create a Devon where everyone can live their life well.

Angie Sinclair

Director of Finance

14th February 2022

Phil Norrey

Chief Executive

14th February 2022

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its Officers has the responsibility for the administration of those affairs. In this Authority, that Officer is the Director of Finance;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

Responsibilities of the Director of Finance

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

In preparing this Statement of Accounts, the Director of Finance 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 Director of Finance has also:

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

Certificate of the Director of Finance

I hereby certify that this Statement of Accounts for the year ended 31st March 2021 has been prepared in accordance with the Accounts and Audit (England) Regulations 2015 and that it gives a true and fair view of the financial position of the Authority as at 31st March 2021 and its income and expenditure for the year ended 31st March 2021.

Angie Sinclair

Director of Finance
14th February 2022

Approval of the Statement of Accounts

I confirm that these accounts were approved by the Audit Committee at its meeting on 24th February 2022.

Chair of the Audit Committee
24th February 2022

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 regulation this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2019/20 Gross Expenditure	2019/20 Gross Income	2019/20 Net Expenditure		Notes	2020/21 Gross Expenditure	2020/21 Gross Income	2020/21 Net Expenditure
£000	£000	£000			£000	£000	£000
			General Fund continuing operations				
338,107	(77,086)	261,021	Adult Care & Health		363,656	(105,269)	258,387
529,423	(325,644)	203,779	Children's Services		555,903	(327,992)	227,911
128,868	(49,330)	79,538	Communities, Public Health, Environment & Prosperity		139,919	(54,014)	85,905
68,115	(28,195)	39,920	Corporate		76,878	(26,569)	50,309
70,167	(15,084)	55,083	Highways, Infrastructure Development & Waste		70,884	(12,741)	58,143
12,090	(1,941)	10,149	Non Service		71,574	(48,108)	23,466
1,146,770	**(497,280)**	**649,490**	**Cost of Services**	1,14	**1,278,814**	**(574,693)**	**704,121**
30,372	0	30,372	Other Operating Expenditure	6,11	10,440	0	10,440
63,355	(2,522)	60,833	Financing and Investment Income and Expenditure	12	61,986	(1,810)	60,176
0	(683,866)	(683,866)	Taxation and Non-specific Grant Income	13	0	(791,228)	(791,228)
1,240,497	**(1,183,668)**	**56,829**	**(Surplus) or Deficit on Provision of Services**		**1,351,240**	**(1,367,731)**	**(16,491)**
		(53,119)	(Surplus) or deficit on revaluation of Property, Plant and Equipment	23			(24,403)
		352	(Surplus) or deficit from investments in equity instruments designated at fair value through other comprehensive income	18.2			1,226
		(51,338)	Remeasurements of the net defined benefit liability	37			236,133
		(104,105)	**Other Comprehensive Income & Expenditure**				**212,956**
		(47,276)	**Total Comprehensive Income & Expenditure**				**196,465**

Movement in Reserves Statement

This statement shows the movement from the start of the year to the end on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Movement in Reserves Statement shows how the movements in year of the Authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the movements of the statutory General Fund Balance (including earmarked reserves) in the year following those adjustments. The 'Net (increase)/decrease shows the movement on the statutory General Fund Balance including earmarked reserves. The statutory General Fund Balance also includes reserves held by schools (School carry forwards); details are included within Note 9.

	General Fund and Earmarked General Fund Balance £000	Capital Grants Unapplied £000	Capital Receipts Reserve £000	**Total Usable Reserves £000**	**Unusable Reserves £000**	**Total Authority Reserves £000**
Balance at 1st April 2019	**(161,762)**	**(42,942)**	**(12,621)**	**(217,325)**	**301,661**	**84,336**
Movement in reserves during 2019/20						
Total Comprehensive Income & Expenditure	56,829			**56,829**	**(104,105)**	**(47,276)**
Adjustments between accounting basis & funding basis under regulations (Note 8)	(65,691)	15,280	704	**(49,707)**	49,707	**0**
Net (Increase)/Decrease in 2019/20	**(8,862)**	**15,280**	**704**	**7,122**	**(54,398)**	**(47,276)**
Balance at 31st March 2020 Carried Forward	**(170,624)**	**(27,662)**	**(11,917)**	**(210,203)**	**247,263**	**37,060**
Transfer DSG Deficit Balance at 1 April 2020 to new Adjustment Account	(16,145)			**(16,145)**	16,145	**0**
Balance at 1 April 2020	**(186,769)**	**(27,662)**	**(11,917)**	**(226,348)**	**263,408**	**37,060**
Movement in reserves during 2020/21						
Total Comprehensive Income & Expenditure	**(16,491)**			**(16,491)**	**212,956**	**196,465**
Transfer in year DSG Deficit from General Fund to Adjustment Account	(27,411)			**(27,411)**	27,411	**0**
Adjustments between accounting basis & funding basis under regulations (Note 8)	(20,059)	(16,316)	4,136	**(32,239)**	32,239	**0**
Net (Increase)/Decrease in 2020/21	**(63,961)**	**(16,316)**	**4,136**	**(76,141)**	**272,606**	**196,465**
Balance at 31st March 2021 Carried Forward	**(250,730)**	**(43,978)**	**(7,781)**	**(302,489)**	**536,014**	**233,525**

Balance Sheet

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

31st March 2020		Notes	31st March 2021	
£000			**£000**	**£000**
1,505,237	Property, Plant & Equipment	16	1,566,236	
4,033	Intangible Assets		3,935	
2,505	Heritage Assets		2,505	
29,501	Long Term Investments	18	27,433	
2,128	Investments in Associates & Joint Ventures	18	970	
26,287	Long Term Debtors	17	17,366	
1,569,691	**Long Term Assets**			1,618,445
105,842	Short Term Investments	18	100,752	
1,263	Inventories		1,364	
103,072	Short Term Debtors	19.2	153,081	
71,088	Cash and Cash Equivalents	21	66,417	
21,941	Assets held for sale	22	14,065	
303,206	**Current Assets**			335,679
(6,518)	Provisions	20	(5,165)	
(290)	Short Term Borrowing	18	(290)	
(8,838)	Revenue Grants Receipts in Advance	32	(1,603)	
(115,425)	Short Term Creditors	19.1	(139,388)	
(131,071)	**Current Liabilities**			(146,446)
(15,813)	Provisions	20	(15,675)	
(511,092)	Long Term Borrowing	18	(511,009)	
(1,202,433)	Other Long Term Liabilities	24	(1,449,515)	
(6,482)	Revenue Grants Receipts in Advance	32	(6,603)	
(43,066)	Capital Grants Receipts in Advance	32	(58,401)	
(1,778,886)	**Long Term Liabilities**			(2,041,203)
(37,060)	**Net Assets/(Liabilities)**			**(233,525)**
(210,203)	Usable Reserves			(302,489)
247,263	Unusable Reserves	23		536,014
37,060	**Total Reserves**			**233,525**

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

2019/20 £000		Note	2020/21 £000	2020/21 £000
56,829	**(Surplus) or Deficit on the Provision of Services**			**(16,491)**
(130,502)	Adjustment to surplus or deficit on the provision of services for non cash movements	25	(68,471)	
94,999	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	25	133,277	
(35,503)				64,806
21,326	**Net cash flows from operating activities**			**48,315**
(50,484)	Investing activities	26		**(32,970)**
(9,065)	Financing activities	27		**(10,674)**
(38,223)	**Net (increase)/decrease in cash and cash equivalents**			**4,671**
32,865	Cash and cash equivalents opening balance			71,088
71,088	**Cash and cash equivalents at year end**			**66,417**

Notes to the Accounts

1. Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the Authority (i.e. government grants, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's service segments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement. Details of the adjustments column are included within Note 10.

2020/21	Net Expenditure Chargeable to the General Fund (Outturn)	Adjustments between the funding and accounting basis	Internal Transfers	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000	£000	£000	£000
Adult Care & Health	254,616	3,770	1	258,387
Children's Services	171,421	55,451	1,039	227,911
Communities, Public Health, Environment & Prosperity	30,680	54,948	277	85,905
Corporate	36,796	13,007	506	50,309
Highways, Infrastructure Development & Waste	56,374	1,656	113	58,143
Non Service	42,772	(17,369)	(1,937)	23,466
Net cost of services	**592,659**	**111,463**	**(1)**	**704,121**
Other Income and Expenditure	(629,209)	(91,404)	1	(720,612)
(Surplus) or Deficit	**(36,550)**	**20,059**	**0**	**(16,491)**
Opening General Fund Balance, schools and earmarked reserves at 1 April	**(186,769)**			
Add (Surplus)/Deficit on General Fund, Schools and Earmarked Reserves	(36,550)			
Transfer in year DSG Deficit from General Fund to Adjustment Account	(27,411)			
Closing General Fund Balance, schools and earmarked reserves at 31 March	**(250,730)**			

Internal Transfers

Some service expenditure has been financed through reserves, through a credit to the service account and a corresponding debit to the non-service account to arrive at the outturn position. Accounting rules require that these transactions between the service accounts and non-service budget are reversed out from the Consolidated Income and Expenditure Account. There is no net effect on the overall outturn position.

2019/20	Net Expenditure Chargeable to the General Fund (Outturn)	Adjustments between the funding and accounting basis	Internal Transfers	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000	**£000**	**£000**	**£000**
Adult Care & Health	248,778	12,143	100	261,021
Children's Services	155,529	47,259	991	203,779
Communities, Public Health, Environment & Prosperity	35,348	43,943	247	79,538
Corporate	33,998	5,279	643	39,920
Highways, Infrastructure Development & Waste	52,821	1,477	785	55,083
Non Service	19,781	(6,866)	(2,766)	10,149
Net cost of services	**546,255**	**103,235**	**0**	**649,490**
Other Income and Expenditure	(555,117)	(37,544)	0	(592,661)
(Surplus) or Deficit	**(8,862)**	**65,691**	**0**	**56,829**
Opening General Fund Balance, schools and earmarked reserves at 1 April	**(161,762)**			
Add (Surplus)/Deficit on General Fund, Schools and Earmarked Reserves	(8,862)			
Closing General Fund Balance, schools and earmarked reserves at 31 March	**(170,624)**			

2. Statement of Accounting Policies

General Principles

The Statement of Accounts summarises the Authority’s transactions for the 2020/21 financial year and its position at the year-end of 31st March 2021. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, as amended by Accounts and Audit (Amendment) Regulations 2021, which those regulations require to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Local Government Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Local Government Act.

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

Policies

Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract;
- The full cost of employees is charged to the accounts for the period within which the employees worked. Accruals are made for salaries and wages, holiday pay, flexi leave and time off in lieu earned but unpaid at the year-end;
- Supplies and services are recorded as expenditure when they are consumed or received. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the balance sheet;
- Interest receivable on investments and payable on borrowings and is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by contract; and
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Accounting for Schools

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements. Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the Authority as if they were the transactions, cash flows and balances of the Authority.

Properties used by schools are recognised in accordance with the indicators of control identified under the requirements of the Code's adoption of IFRS 10, Consolidated Financial Statements. Where assets are owned by Devon County Council and used by community schools, voluntary aided and voluntary controlled schools then they are recognised in the Authority's balance sheet.

Where the title of ownership of voluntary aided and voluntary controlled school assets rests with Trustees of the religious bodies, the Authority does not recognise these assets in its balance sheet.

In the case of foundation schools where assets have been transferred to the schools' governing bodies then the restrictions on the use of those assets in the legal transfer documents are such that the land and buildings are included in the Authority's balance sheet.

The Authority does not recognise the land or buildings used by Academy Schools in its balance sheet. The Authority still owns the assets but has transferred the rights over the assets to the academies through leases of 125 years.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in 90 days or less from date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the cash flow statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

Charges to Revenue for Non-Current Assets

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

- Depreciation attributable to the assets used by the relevant service;
- Revaluation and Impairment losses on assets used by a service where there are no accumulated gains in the revaluation reserve against which the losses can be written-off; and
- Amortisation of intangible assets attributable to the service.

The Authority is not required to raise council tax to fund depreciation, revaluation, impairment losses or amortisation. It is, however, required to make an annual contribution from revenue towards the reduction in the overall borrowing requirement (equal to either an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance). Depreciation, revaluation, impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision) by way of an adjusting transaction with the Capital Adjustment Account in the movement in reserves statement for the difference between the two.

Contingent Liabilities

Contingent liabilities are disclosed by way of note when there is a possible obligation which may require a payment or a transfer of economic benefits. The timing of the economic transfer and the level of uncertainty attaching to the event are such that it would be inappropriate to make a provision.

Council Tax and Non Domestic Rates

The council tax and non-domestic rate income included in the Comprehensive Income and Expenditure Statement is the Authority’s share of accrued income for the year, collected by the District Councils (billing authorities). However, regulations determine the amount of council tax and NDR that must be included in the authority’s General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Authority’s share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Employee Benefits

Benefits payable during employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu) earned by employees but not taken before year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the surplus or deficit on the provision of services, but then reversed out through the movement in reserves statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before normal retirement date (or an officer's decision to accept voluntary redundancy) and are charged on an accruals basis to the appropriate service or where applicable Non distributable cost line in the comprehensive income and expenditure statement, at the earlier of when the Authority can no longer withdraw an offer of those benefits or when the Authority recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the general fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in year, not the amount calculated according to the relevant accounting standards. In the movement in reserves statement, appropriations are required to and from the pensions reserves to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the end of the year.

Post-Employment Benefits

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

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

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

The arrangements for the teachers' and NHS schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The schemes are therefore accounted for as if they were a defined contribution scheme and no liability for future payments of benefits is recognised in the balance sheet. Children's and Public Health services in the Comprehensive Income and Expenditure Statement are charged with the employer's contributions payable to teachers' and NHS pensions in the year.

The Local Government Pension Scheme

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

The liabilities of the Devon pension scheme attributable to the Authority are included in the balance sheet on an actuarial basis using the projected unit method. This is an assessment of the future payments that will be made in relation to retirement benefits earned to date by the employees, based on assumptions about mortality rates, employee turnover rates and projections of earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate based on the iBoxx AA rated corporate bond index.

The assets of the Devon pension fund attributable to the Authority are included in the balance sheet at fair value:

- quoted securities - current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value

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

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

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary benefits

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

Events after the Reporting Period

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

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

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

Financial instruments

Financial liabilities

Financial liabilities are recognised on the balance sheet when the Authority becomes a party to the contractual provisions of a financial instrument. They are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective interest rate for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the balance sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Where, in previous periods, premiums and discounts have been charged to the comprehensive income and expenditure statement, regulations allow the impact on the general fund balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term remaining on the loan against which the premium was payable or the discount receivable when it was repaid. The reconciliation of amounts charged to the comprehensive income and expenditure statement to the net charge required against the general fund balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

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

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

Financial Assets Measured at Amortised Cost

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

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

Expected Credit Loss Model

The following table classifies the Authority's financial assets and how the expected credit loss model is applied:

Financial Asset Classification	Expected Credit Loss Allowance
Investments - loans to local authorities	Nil - investments are guaranteed by statute. Code does not allow for credit losses.
Investments - deposits with banks and building societies (> 90 days) Bank deposits (cash and cash equivalents)	Expected credit loss percentage is too small to be material. There is no reduction in the carrying value of the investments
Money Market investments	These investments are held at Fair Value through Profit and Loss (FVPL). Although the investments are immediately available and included as cash equivalents it is possible (if unlikely) that the carrying value could vary from the amount invested.
Trade receivables and leases (debtors)	Historic data for defaults, adjusted for future economic conditions - lifetime losses
Loans to voluntary groups	Nil - Small in number and value - loss allowance is not material
Shares in Exeter Science Park Limited and Skypark	The investments are not material and credit losses are not appropriate for these equity instruments. The Authority has invested in these for economic development and has designated these investments as Fair Value through Other Comprehensive Income (FVOCI).
CCLA investment - pooled property fund	The Authority has designated this investment as FVOCI: the investment is carried at fair value based on bid price provided by CCLA - no loss adjustment is required.

Financial Assets Measured at Fair Value through Profit of Loss (FVPL)

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

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

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

Designation of investments in equity instruments to Fair Value through Other Comprehensive Income (FVOCI)

An equity instrument is an investment where the Authority holds an interest in the net assets of the fund (e.g. remaining assets after deducting all liabilities) and does not have the contractual right to receive cash or another financial asset in return for its investment.

The Authority considers the investments in Exeter Science Park Limited, Skypark and CCLA to be such equity instruments and the default classification for these investments would be Fair Value through Profit and Loss (FVPL).

The Authority elects to designate its equity instruments that would otherwise be measured at FVPL to FVOCI.

There is no impact on the valuation of the investments in the balance sheet but fluctuations in value are treated differently.

Changes in value of FVOCI investments, are recognised in the unusable reserve, Financial Instruments Revaluation Reserve whereas fluctuations in FVPL investments would have been recognised in outturn, the General Fund and usable reserves.

Government grants and contributions

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

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

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

Monies advanced as grants and contributions when conditions have not been satisfied are carried in the balance sheet as liabilities. When conditions are satisfied, the grant or contribution is credited to the relevant service line ('Attributable revenue grants and contributions') or taxation and non-specific grant income ('Non ring-fenced revenue grants and all capital grants') in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the general fund balance in the Movement of Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the capital grants unapplied reserve. Where it has been applied it is posted to the Capital Adjustment Account. Amounts in the capital grants unapplied reserve are transferred to the capital adjustment account once they have been applied to fund capital expenditure.

Heritage Assets

Heritage assets are assets that are held by the Authority principally for their contribution to knowledge or culture. Heritage Assets are recognised and measured in accordance with the Authority's accounting policies on property, plant and equipment with only assets above a £12,000 de-minimis limit recognised. The Authority's collections of heritage assets are accounted for as follows:

- **Artefacts held at the Devon Records Office**: The Authority's Record Office holds a number of artefacts with a large proportion falling below the de-minimis threshold. There is no insurance held for the archive collection which is standard practice for this type of service. The more significant collections have been subject to an external valuation and are reported in the balance sheet at market value;
- **Artefacts held by Devon Libraries:** The Devon Library Service securely holds a number of heritage assets in the 'Stack' at Exeter Central Library and are accessible by the public upon request. These items are reported in the balance sheet at insurance valuation. These insurance valuations are updated on an annual basis.
- **Art Collection:** The Art Collection includes paintings (both oil and watercolour) and is reported in the balance sheet at market value.

The Authority's heritage asset collection is relatively static and acquisitions or donations are rare. When they do occur, acquisitions are initially recognised at cost and donations are recognised at valuation, with valuations provided by an external valuer.

For assets recently purchased or where insurance valuations are available it is the Authority's policy to recognise the assets using these bases; obtaining an external valuation would involve a disproportionate cost in relation to the benefits to users of the financial statements.

The carrying amounts of heritage assets are reviewed annually where there is evidence of impairment. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment. It is the Authority's policy not to dispose of assets under its ownership, as many of these assets have grant conditions attached to their funding which prohibit sale.

The Authority’s heritage assets are deemed to have indeterminate lives and therefore the Authority does not consider it appropriate to charge depreciation.

Intangible Assets

Expenditure on non-monetary assets that do not have a physical substance but are controlled by the Authority as a result of past events is capitalised when it is expected that future economic benefits or service potential will flow from the intangible assets to the Authority for more than one financial year. Control of an intangible asset will be secured by legal rights which grant access to benefits for a fixed period. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the asset held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion and are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired. Any losses recognised are posted to the relevant service line in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset appears as 'Other operating expenditure' in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the general fund balance. The gains and losses are therefore reversed out of the general fund balance in the movement of reserves statement and posted to the Capital Adjustment Account and (for any sales proceeds greater than £10,000) the Capital Receipts Reserve.

Inventories

Inventories are included in the balance sheet at the lower of cost and net realisable value with the exception of trading account stock which is valued at current cost and stock of road salt which is valued at cost. The cost of inventories is assigned using the First In First Out costing formula.

Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Authority as a joint operator recognises:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly

- its revenue from the sale of its share of the output arising from the joint operation
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly.

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification purposes.

Leases that do not meet the definition of Finance Leases are accounted for as Operating Leases. Rentals payable are charged to the comprehensive income and expenditure statement on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

Where the Authority is the lessor, income is credited to cost of services in the comprehensive income and expenditure statement on a straight-line basis over the term of the lease, generally meaning that rentals are credited when they are due.

Finance leases (Authority as Lessor)

The Authority does not include a lease debtor within the balance sheet as the sum is not material. The annual lease income is accounted for within the comprehensive income and expenditure statement as it falls due.

Finance leases (Authority as Lessee)

The Authority does not include a lease liability within the balance sheet as the sum is not material. The annual lease payments are accounted for within the comprehensive income and expenditure statement as they fall due.

Overheads and Support Services

The costs of some support services are recharged to service segments in accordance with the Authority's arrangements for accountability and financial performance. There is no apportionment of overheads in the budget monitoring and reporting of service segments, which is consistent with the reporting of income and expenditure in the Comprehensive Income and Expenditure Statement.

Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment (PPE) needed to provide the services passes to the PFI contractor. As the Authority is deemed to control the services that are provided under its PFI schemes, and as ownership of the PPE will pass to the Authority at the end of the contracts for no additional charge, the Authority carries the assets used under the contracts on its balance sheet as part of PPE.

The original recognition of these assets at fair value (based on the cost to purchase the PPE) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets recognised on the balance sheet are revalued and depreciated in the same way as PPE owned by the Authority.

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

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement;
- Finance cost – an interest charge on the outstanding balance sheet liability, debited to the financing and investment income and expenditure line in the comprehensive Income and Expenditure Statement;
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement;
- Payment towards liability – applied to write down the balance sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease); and
- Lifecycle replacement costs – a proportion of the amounts payable is posted to the balance sheet as a prepayment and then recognised as additions to PPE when the relevant works are actually carried out.

Prior Period Adjustments, Changes to Accounting Policies and Estimates and Errors

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

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

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

Property, Plant and Equipment

Property, plant and equipment (PPE) are assets that have physical substance and are held for the provision of services or for administrative purposes for more than one financial year.

Recognition

Expenditure on the acquisition, creation or enhancement of PPE is capitalised on an accruals basis, provided that it is probable that future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential is charged as an expense when it is incurred.

Expenditure below £50,000 for property and £12,000 for plant, vehicles and equipment is treated as revenue (de minimis) expenditure. Subsequent expenditure below these initial recognition amounts may be capitalised once the asset has been recorded on the fixed asset register. In the context of schools' plant, vehicle and equipment assets, a de-minimis test is not applied.

Componentisation

The requirement for componentisation for depreciation purposes is applicable to enhancement and acquisition expenditure incurred, and to revaluations carried out, from 1 April 2010.

The Authority has voluntarily applied component accounting to all relevant assets from 1 April 2010. It is the Authority's current policy to apply component accounting to its schools asset base as it is only here that componentisation has a material impact on the amount of depreciation charged.

The Valuer has assigned to each school a group of significant common components based upon indices collected by the Royal Institution of Chartered Surveyors (RICS). Each component represents a percentage of the overall asset value and a specific useful economic life. The following standard components and asset lives have been determined:

Component category	Percentage (%)	Asset Life (Years)
Primary Schools		
Sub & Super Structure	54.0	60.0
Services	31.0	20.0
Fittings	5.0	10.0
Finishes	10.0	10.0
Secondary Schools		
Sub & Super Structure	55.0	60.0
Services	30.0	20.0
Fittings	5.0	10.0
Finishes	10.0	10.0
Special Schools		
Sub & Super Structure	52.5	60.0
Services	33.0	20.0
Fittings	4.5	10.0
Finishes	10.0	10.0

Where a component is replaced or restored, the carrying amount of, the old component is derecognised and the new component reflected in the assets carrying amount, subject to the recognition principles of capitalising expenditure.

Measurement after recognition

Assets are initially measured at cost, including any costs that are directly attributable to bringing the asset into working condition for its intended use.

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be their fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

- Infrastructure, community assets and assets-under-construction are measured at depreciated historical cost;
- Council offices and other assets - current value, determined as the amount that would be paid for the assets in their existing use (EUV - existing use value). Where there is no market-based evidence of current value because of the specialist nature of the asset and the asset is rarely sold, (such as schools) current value is estimated by using a Depreciated Replacement Cost (DRC) approach.
- School buildings are measured at current value but because of their specialist nature, are measured at depreciated replacement cost
- Surplus assets - the current value measurement base is fair value, estimated at the highest and best use from a market participant's perspective.
- Where non-property assets have short useful life or low value (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the balance sheet at current value should be revalued sufficiently regularly (as a minimum every five years) to ensure that their carrying amount is not materially different from their current value at the year end.

Increases in valuations are matched by credits to the revaluation reserve to recognise unrealised gains. To the extent that revaluation gains reverse a loss previously charged to a service, that service is credited in the Surplus or Deficit on the Provision of Services.

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

Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);

Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement

The revaluation reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the capital adjustment account.

Surplus Assets at Fair Value

All the Council’s material surplus properties have been value assessed as Level 2 on the fair value hierarchy for valuation.

Fair Value Hierarchy

Fair value is based on 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.

Valuations are to presume highest and best use. This is the use that brings maximum value that is physically possible, legally permissible and financially feasible.

To increase consistency and comparability the Council categorises its Surplus Asset valuations using a fair value hierarchy for the inputs to valuation techniques. Where inputs from different levels are used, the measurement is categorised at the lowest of the levels that contains a significant input.

Level 1	Quoted prices for identical assets
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly (e.g. quoted prices or market evidence for similar assets)
Level 3	Unobservable inputs for the asset (e.g. internal information used to form assumptions about the assumptions that market participants would use)

The presumption that an orderly transaction takes place requires the Council to consider which markets it has access to at the valuation date and determine the principal market (that with greatest volume and level of activity). If there is no principal market, the most advantageous is identified.

In measuring fair values, the valuation techniques must be appropriate for the circumstances and for which sufficient data is available. The use of relevant observable data (inputs) should be maximised and unobservable inputs (estimates) used only where there are no alternatives. Inputs for valuation techniques are selected consistently with the characteristics that the market participants would take into account.

Valuation Techniques Used to Determine Level 2 Fair Values for Surplus Assets

The fair value of the Council's surplus properties has been measured using a market-based approach, which takes into account market data, such as publicly available information about actual events for completed property transactions for similar assets in principal and active markets. These inputs reflect the assumptions that market participants would use when pricing the asset. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs is significant. The Council has recent and continuing experience arising from its Property Rationalisation Programme from which comparable and observable inputs are taken.

Unobservable inputs

Level 3 unobservable inputs are confined to non-operational surplus properties where significant physical, legal and financial constraints restrict the market for direct or indirectly comparable transactions. The economic benefits that may be generated from highest and best use (or the next best alternatives) are limited and market participants are not readily identifiable. Asset pricing assumptions assume de-minimis market values or unsaleable.

Highest and best use (HBU)

The HBU for Level 2 properties groups is assessed as residential or commercial redevelopment and private dwellings.

Impairment

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

When impairment losses are identified, they are accounted for in the following way:

- 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 in the Comprehensive Income and Expenditure Statement;

Where an impairment loss is reversed, the reversal is credited to the relevant service line in the comprehensive income and expenditure statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

When a school becomes an academy trust the Authority is obliged to grant a 125 year lease for the school land and buildings. The land and buildings are removed from the Authority's balance sheet in line with proper accounting practices, as the beneficial rights associated with ownership have been transferred to the academy.

Non-current assets-held-for-sale

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

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

Disposals

Assets that are to be abandoned or scrapped are not reclassified as "assets-held-for-sale." When an asset is disposed of, decommissioned or transferred to a third party, the carrying amount of the asset in the balance sheet is written-off to the 'Other Operating Expenditure' line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the Comprehensive Income and expenditure Statement as part of the gain or loss on disposal. Any revaluation gains in the revaluation reserve are transferred to the Capital Adjustment Account.

Amounts in excess of £10,000 are categorised as capital receipts. The balance of receipts is required to be credited to the usable capital receipts reserve and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow. Receipts are appropriated to the reserve from the General Fund balance in the Movement in Reserves Statement.

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

Plant, vehicles, furniture and equipment assets are decommissioned at the point the useful economic life expires, with the following modifications:

- The existence of individual items with a purchase cost exceeding £50,000 is verified and retained on the balance sheet where they remain in-use;
- The existence of fleet items (vehicles) is verified and retained on the balance sheet where they remain in use.

Depreciation

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (e.g. freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction). Depreciation is not charged in the year of acquisition and is charged up to the point of disposal.

Depreciation is calculated on the following bases:

- Buildings – straight-line allocation over the useful life of the property as estimated by a suitably qualified officer
- Vehicles, plant, furniture and equipment – straight line over the life of the asset
- Infrastructure – straight-line allocation over the useful life of the asset as estimated by a suitably qualified officer

Where an item of property, plant and equipment asset has significant components with different estimated lives, these are depreciated separately.

Revaluation gains are depreciated with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the revaluation reserve to the capital adjustment account.

The following useful lives have been used in the calculation of depreciation:

Asset Type	Estimated Useful Life
Care Homes	50 to 60 Years
Education – Non Schools	30 to 60 Years
Education – Schools	10 to 60 Years
Energy from Waste facilities	25 to 30 Years
Farm Buildings	50 to 60 Years
Farm Land	Indefinite
Heritage Assets	Indefinite
Highways Depots	50 Years
Infrastructure	10 to 120 Years
Intangible Assets	3 to 5 Years
Libraries	30 to 60 Years
Offices	50 to 60 Years
Social Services	50 to 60 Years
Vehicles, Plant, Furniture	3 to 15 Years
Waste Disposal sites	50 Years

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation.

Provisions are charged to the appropriate service line in the Comprehensive Income and Expenditure statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision set up in the balance sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will be required or a lower settlement than anticipated is made, the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party, this is recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

Reserves

Usable Reserves

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

Unusable Reserves

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits that do not represent usable resources for the Authority. These reserves are explained in the relevant note.

Revenue Expenditure Funded from Capital under Statute (REFCUS)

Some expenditure can be classified as capital for funding purposes when it does not result in expenditure being carried on the balance sheet as a non-current asset. This is to avoid a charge on the general fund and impact on the year's council tax. Such expenditure is charged to the Comprehensive Income and Expenditure Statement. Any statutory provision that allows capital resources to meet the expenditure is accounted for by debiting the Capital Adjustment Account and crediting the General Fund balance and showing this as a reconciling item in the movement in reserves statement. Where under the general provisions of the Code the statutory capital receipt is accounted for within the balance sheet, the statutory requirement is effected by crediting capital receipts reserve and debiting the Capital Adjustment Account.

Revenue Recognition

Council tax and Non Domestic rates

Revenue is recognised when the following conditions have been satisfied:

- the amount of revenue can be measured reliably and
- it is probable that the economic benefits or service potential associated with the transaction will flow to the Authority

There is no difference between the delivery and payment dates for non-contractual, non-exchange transactions, i.e. revenue relating to council tax and general rates, and therefore these transactions shall be measured at their full amount receivable.

The Collection Fund Adjustment Account records the differences arising from the recognition of council tax 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 Funds administered by the Billing Authorities.

Value Added Tax (VAT)

Income and expenditure exclude any amounts relating to VAT except to the extent that it is irrecoverable.

3. Accounting Standards that have been issued but have not yet been adopted

The Council is required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted.

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

CIPFA/LASAAC deferred the implementation of IFRS 16 Leases and will apply from 1 April 2022. For lessees this will remove the differentiation between finance leases (asset and liability on balance sheet) and operating leases (not on balance sheet and accounted for as an annual cost). Lessees will have to recognise assets subject to leases as right-of-use assets on their balance sheet, along with corresponding lease liabilities (there are exceptions for low-value and short-term leases).

This accounting change is likely to have a significant impact on the Authority's balance sheet but this is not yet known and the implementation is subject to any adaptations by the Code for 2022/23. Early adoption of IFRS 16 Leases by local authorities is not permitted by the 2020/21 Code.

4. Critical judgements in applying Accounting Policies

In applying the accounting policies set out in Note 2 the authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are as follows:

- In 2015/16 a Better Care Fund was established between Devon County Council, North, East West Devon CCG and South Devon and Torbay CCG, funded and controlled jointly by the three partners. The County Council administers the scheme in that it makes most of the payments on behalf of the Fund. The arrangement has been accounted for as a joint operation - where each partner shows in its accounts its share of the expenditure, assets and liabilities of the Better Care Fund. Further details are disclosed in Note 34, Partnerships and Related Party Transactions. If the Authority had accounted for all the transactions of the Better Care Fund that it had processed (on behalf of all partners) then income and expenditure would have been inflated by £26.4 million (£25 million 2019/20).
- Devon County Council, Plymouth City Council and Torbay Council form the South West Devon Waste Partnership. The partner authorities have a PFI contract for the construction and operation of an energy from waste facility in Plymouth and each partner recognises its share of the asset and liabilities in proportion to gate fees paid by each local authority. Although most of the operator's income is not derived from the three partner local authorities, the partnership exercises sufficient joint control over the arrangement to warrant recognising the facility's assets and liabilities. Note 35 page 111 provides further detail.

5. Assumptions made about the future and other major sources of estimation uncertainty

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

The items in the Authority's Balance Sheet at 31st March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Barnett Waddingham LLP, a firm of consulting Actuaries is engaged to provide the authority with expert advice about the assumptions to be applied.	The present value of the total defined benefit obligation is £2,840 million and the actuary has provided sensitivity analysis: a 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of £54.6 million and a reduction in life expectancy assumptions of 1 year reduces the pension liability by £128.2 million. Adjustments to salary and pension increases of 0.1% increase the pension liability of £4.4 million and £49.7 million respectively.
	Amounts charged to and income credited to the Comprehensive Income and Expenditure Statement and the valuation of the pension reserve in the Balance Sheet in respect of employee pension benefits are heavily influenced by the estimated future inflation and earnings on investments. The assumptions made in making these estimates are set out in Note 37. The value of pension assets is estimated based upon information available at the Balance Sheet date, but these valuations may be earlier than the Balance Sheet date. The actual valuations at the Balance Sheet date, which may not be available until some time later, may give a different value of pension assets, but this difference is not considered to be material.	The impact is not expected to be material.

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	In 2020/21 the total PPE depreciation charge was £82.9 million, comprising Buidlings £35.7 million, PVFE £3.8 million and Infrastructure £43.4 million. If the useful life of assets is increased, depreciation charges reduce and the carrying amount of the assets increase. It is estimated that the annual depreciation charges for buildings, equipment and infrastructure would reduce by £3.8 million, £1.2 million and £5.5 million respectively for every year that useful lives
	The Council operates a rolling programme of valuation reviews which ensures all assets are revalued at intervals no greater than five years. Specialised property assets are valued on the basis of Depreciated Replacement Cost (DRC) using indices and parameters, including the most recent regional construction cost information published by the RICS Building Cost Information Service (BCIS). The Valuer applies professional judgement to published indices, which can vary quarterly and an assessment of age and obsolescence affecting individual assets.	Of the £742 million of PPE assets measured using a current value basis, £628 million (85%) were subject to a revaluation at 31 December 2020 in 2020/21. The current market uncertainties raised by RICS might mean there are uncertainties over PPE assets revalued before 2020/21 which total £114 million or 15% of the PPE asset base measured at current value. A 1% change in the valuation of those assets revalued in 2020/21 would result in a change in carrying amount of £6 million. A 1% change in the valuation of those assets not revalued in 2020/21 would result in a change in
	The Valuer has declared a 'material valuation uncertainty' in the valuation report, highlighting the uncertain impact of COVID-19 on the existence and degree of reliability of market evidence. Of the £742 million net book value of land and buildings subject to valuation, £662 million (89%) relates to specialised assets valued on a DRC basis, £80 million (11%) of non-specialised operational assets. The Council also has assets qualifying as Assets Held For Sale held at the lower of its carrying value and fair value less costs to sell in accordance with IFRS 5. The current market uncertainties raised by RICS might mean there are uncertainties over these valuations. Assets Held For Sale have a carrying value of £14 million and all have 2020/21 valuations.	Only £27 million of property valuations are valued at fair value. A 10% variation in market value leads to an uncertainty of £2.7 million. PPE valued at DRC and EUV account for such a high percentage of balance sheet valuations and are therefore influenced more by rebuild costs than market values.

6. Material items of Income and Expenditure

During 2020/21 a material item was included in the Comprehensive Income and Expenditure Statement relating to derecognition of property, plant and equipment assets attributable to schools transferring to academy trust status. These assets were derecognised in accordance with proper accounting practices with nil sale proceeds, resulting in a loss on disposal of £4.478 million (£26.085 million in 2019/20), recognised within 'Other Operating Expenditure'.

In 2020/21 the Authority received just under £78.2 million of COVID grants (£22.516 million in 2019/20) and spent £74.643 million (£843,000 in 2019/20). During 2020/21 all COVID grants and associated expenditure have been recorded in non-service section of budget management reports.

Where the grant is not-ringfenced and there are no conditions attached then the grant is included in taxation and non-specific grant income of the CIES (Note 13) and any unspent balance is carried forward in reserves to fund expenditure in 2021/22.

Where a grant has conditions attached (i.e. ring-fenced) then the income and expenditure are recorded in non-service element of net cost of services. Any unspent balance at 31 March 2021 is treated as grants received in advance in the balance sheet and not recognised as income in CIES.

COVID grants and expenditure in 2020/21	**Non-ringfenced**	**Ringfenced**	**TOTAL**
	£000	**£000**	**£000**
Balance brought forward 1 April 2020	(21,673)		**(21,673)**
COVID grants recognised in year	(47,532)	(30,644)	**(78,176)**
COVID grant funding available in year	(69,205)	(30,644)	**(99,849)**
less			
Expenditure	43,999	30,644	**74,643**
Carry Forwards 31 March 2021	**(25,206)**	**0**	**(25,206)**

Further details of grants received are shown in Note 32, Grant Income.

7. Events after the Reporting Period

The following events are non-adjusting events.

Academy Schools

Between 1st April 2021 and 14th February 2022, the following schools became Academies:

- Orchard Manor
- Dartington Church of England Primary
- Morchard Bishop Primary School
- Ermington Primary School
- Manor Primary School
- Ugborough Primary School

As of 31 March 2021, a further 2 schools have made applications to convert to academy status, both of which have had their applications approved. However, the transfer dates have not been confirmed.

Academies are independent bodies and Devon County Council will cease to be the maintaining authority from the transfer date. All running costs and income relating to these schools will no longer be part of the Council’s accounts. It is estimated that the Council's Gross Expenditure and Income will reduce by £5.525 million per annum.

Devon County will grant a 125-year lease to the Academies to occupy the site where the Authority owns the freehold. The building element of the lease will meet the definition of a finance lease and will no longer be included within the Council’s Balance Sheet. The net book value at 31st March 2021 of land and buildings for schools becoming new academies after this reporting period is £17.911 million.

8. Adjustments between accounting basis and funding basis under regulations

The total comprehensive income and expenditure recognised by the authority in the year is in accordance with proper accounting practice. This note details the adjustments to comprehensive income and expenditure that are required by Statute.

2020/21	General Fund	Capital grants Unapplied	Capital Receipts Reserve	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non current assets	(82,984)			82,984
Revaluation Gains / (Losses) on Property Plant & Equipment	(1,276)			1,276
Amortisation of intangible assets	(1,249)			1,249
Release of deferred income from Energy from Waste contract	1,844			(1,844)
Capital grants and contributions	138,191	(138,191)		0
Revenue expenditure funded from capital under statute	(13,590)			13,590
Recognition of loan to academy on transfer	0			0
Amounts of non current assets written off on disposal or sale, as part of the gain/loss on disposal	(15,065)			15,065
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	14,257			(14,257)
Capital Expenditure charged to the General Fund Balance	922			(922)
Adjustments involving the Capital Receipts Reserve:				
Transfer of sale proceeds credited as part of the gain/loss on disposal	5,589		(5,589)	0
Use of the Capital Receipts Reserve to finance new capital expenditure			9,725	(9,725)
Adjustments involving the Capital Grants Unapplied Reserve:				
Use of the Capital Grants Unapplied Reserve to finance capital expenditure		121,875		(121,875)
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 37)	(93,874)			93,874
Employer's pensions contributions and direct payments to pensioners payable in the year	45,941			(45,941)
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(4,778)			4,778
Amount by which business rate retention scheme income credited to the Comprehensive Income and Expenditure Statement is different from business rate retention scheme income calculated for the year in accordance with statutory requirements	(12,615)			12,615
Adjustments involving the Financial Instruments Adjustment Account:				
Difference between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statutory provisions relating to soft loans, stepped interest rate borrowing and premiums on the early repayment of debt.	732			(732)
Adjustment involving the Accumulating Compensated Absences Adjustment Account:				
Amount by which officer remuneration charged to the Comprehensive Expenditure and Income Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(2,104)			2,104
Total Adjustments	**(20,059)**	**(16,316)**	**4,136**	**32,239**

2019/20

	General Fund £000	Capital grants Unapplied £000	Capital Receipts Reserve £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non current assets	(73,730)			73,730
Revaluation Gains / (Losses) on Property Plant & Equipment	2,394			(2,394)
Amortisation of intangible assets	(800)			800
Release of deferred income from Energy from Waste contract	1,844			(1,844)
Capital grants and contributions	90,863	(90,863)		0
Revenue expenditure funded from capital under statute	(14,674)			14,674
Amounts of Long Term Debtors derecognised, as repaid in prior years	1			(1)
Amounts of non current assets written off on disposal or sale, as part of the gain/loss on disposal	(32,693)			32,693
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	14,432			(14,432)
Capital Expenditure charged to the General Fund Balance	807			(807)
Adjustments involving the Capital Receipts Reserve:				
Transfer of sale proceeds credited as part of the gain/loss on disposal	3,266		(6,016)	2,750
Use of the Capital Receipts Reserve to finance new capital expenditure			6,720	(6,720)
Adjustments involving the Capital Grants Unapplied Reserve:				
Use of the Capital Grants Unapplied Reserve to finance capital expenditure		106,143		(106,143)
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 37)	(100,063)			100,063
Employer's pensions contributions and direct payments to pensioners payable in the year	45,499			(45,499)
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(810)			810
Amount by which business rate retention scheme income credited to the Comprehensive Income and Expenditure Statement is different from business rate retention scheme income calculated for the year in accordance with statutory requirements	(2,424)			2,424
Adjustments involving the Financial Instruments Adjustment Account:				
Difference between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statutory provisions relating to soft loans, stepped interest rate borrowing and premiums on the early repayment of debt.	727			(727)
Adjustment involving the Accumulating Compensated Absences Adjustment Account:				
Amount by which officer remuneration charged to the Comprehensive Expenditure and Income Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(330)			330
Total Adjustments	**(65,691)**	**15,280**	**704**	**49,707**

9. General Fund Balance, Schools and Earmarked Reserves

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet expenditure in year. The note shows the movement on all revenue balances and reserves in the year.

	Balance at 31st March 2019 £000	Transfers out 2019/20 £000	Transfers in/within 2019/20 £000	**Balance at 31st March 2020 £000**	Transfers out 2020/21 £000	Transfers in 2020/21 £000	**Balance at 31st March 2021 £000**
Affordable Housing	**(182)**			**(182)**			**(182)**
Budget Management	**(53,530)**	20	(6,500)	**(60,010)**	63	(9,300)	**(69,247)**
Business Rates Pilot	**(11,505)**	503		**(11,002)**	994		**(10,008)**
Business Rate Risk Management	**(12,747)**		(2,441)	**(15,188)**	5,300	(2,353)	**(12,241)**
Climate Change Emergency	**(250)**	54		**(196)**	101	(1,500)	**(1,595)**
Emergency	**(18,089)**			**(18,089)**		(1,000)	**(19,089)**
On Street Parking	**(3,276)**	786		**(2,490)**	114		**(2,376)**
Public Health	**(612)**		(1,686)	**(2,298)**		(5,334)	**(7,632)**
Regeneration & Recovery						(5,300)	**(5,300)**
Service Transformation	**(10,981)**	1,475	(1,000)	**(10,506)**	722		**(9,784)**
Total before Carry Forwards	**(111,172)**	**2,838**	**(11,627)**	**(119,961)**	**7,294**	**(24,787)**	**(137,454)**
Non Schools Budget Carry Forwards	**(19,630)**	19,630	(39,512)	**(39,512)**	39,512	(77,360)	**(77,360)**
School Carry Forwards	**(16,203)**	16,203	(16,133)	**(16,133)**	16,133	(21,091)	**(21,091)**
DSG High Needs / SEND		19,772		**19,772**	(19,772)		
Total Earmarked including schools	**(147,005)**	58,443	(67,272)	**(155,834)**	43,167	(123,238)	**(235,905)**
General Fund (not earmarked)	**(14,757)**		(33)	**(14,790)**		(35)	**(14,825)**
Total General Fund, Schools and Earmarked Reserves	**(161,762)**	58,443	(67,305)	**(170,624)**	43,167	(123,273)	**(250,730)**

10. Notes to the Expenditure and Funding Analysis

This note explains the adjustments in the Expenditure and Funding Analysis and detailed in Note 8 to move from outturn in the General Fund to the figures in the Comprehensive Income and Expenditure Statement (using generally accepted accounting practice).

2020/21

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement accounts	**Adjustments for Capital Purposes £000**	**Net Change for Pensions Adjustments £000**	**Other Adjustments £000**	**Total Adjustments £000**
Adult Care & Health	(1,068)	4,601	237	3,770
Children's Services	42,142	11,829	1,480	55,451
Communities, Public Health, Environment & Prosperity	54,450	404	94	54,948
Corporate	6,293	6,498	216	13,007
Highways, Infrastructure Development & Waste	118	1,461	77	1,656
Non Service	(16,100)	(1,269)	0	(17,369)
Net Cost of Services	85,835	23,524	2,104	111,463
Other income and expenditure from the Expenditure and Funding Analysis	(132,474)	24,409	16,661	(91,404)
Difference between General Fund surplus or deficit and CIES surplus or deficit on the Provision of Services - Note 8	**(46,639)**	**47,933**	**18,765**	**20,059**

2019/20

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement accounts	Adjustments for Capital Purposes £000	Net Change for Pensions Adjustments £000	Other Adjustments £000	Total Adjustments £000
Adult Care & Health	7,121	4,959	63	12,143
Children's Services	35,264	11,909	86	47,259
Communities, Public Health, Environment & Prosperity	43,697	634	(388)	43,943
Corporate	4,077	1,140	62	5,279
Highways, Infrastructure Development & Waste	132	1,653	(308)	1,477
Non Service	(16,276)	8,756	654	(6,866)
Net Cost of Services	74,015	29,051	169	103,235
Other income and expenditure from the Expenditure and Funding Analysis	(65,725)	25,513	2,668	(37,544)
Difference between General Fund surplus or deficit and CIES surplus or deficit on the Provision of Services - Note 8	**8,290**	**54,564**	**2,837**	**65,691**

Adjustments for Capital Purposes

The adjustments include depreciation, impairment and revaluation gains and losses in the services line, and for other income and expenditure:

- adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- deducts the statutory charges for capital financing i.e. Minimum Revenue Provision
- adjusts for capital grants, where income is not recognised under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments

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

For Other Income and Expenditure (Financing and investment income and expenditure), the net interest on the defined benefit liability is charged to the CIES.

Other Adjustments

There are other adjustments between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- the General Fund is adjusted for the timing differences for premiums and discounts as disclosed in the Financial Instruments Adjustment Account (Note 23)
- adjusts for what is chargeable under statutory regulations for council tax and business rates (amounts that were projected to be received at the start of the year) and the income recognised under generally accepted accounting practices in the Code (what was actually received). This is a timing difference as any difference will be brought forward in future surpluses or deficits on the Collection Fund.

The following table shows the revenue transactions (external and internal) for each reporting segment. It does not include grant income. The Comprehensive Income and Expenditure Statement only includes income and expenditure with external organisations in accordance with proper accounting practice. Internal recharges between segments (other services) are excluded from the CIES.

2019/20 Revenue from External Customers £000	2019/20 Revenue from Transactions with Other Services £000		2020/21 Revenue from External Customers £000	2020/21 Revenue from Transactions with Other Services £000
(53,911)	(116)	Adult Care & Health	(52,826)	(7,602)
(18,170)	(15,280)	Children's Services	(9,687)	(17,847)
(10,031)	(2,873)	Communities, Public Health, Environment & Prosperity	(11,556)	(3,433)
(19,341)	(26,928)	Corporate	(17,827)	(16,160)
(14,623)	(2,955)	Highways, Infrastructure Development & Waste	(12,374)	(6,052)
(116,076)	**(48,152)**		**(104,270)**	**(51,094)**

11. Other Operating Expenditure

2019/20 £000		2020/21 £000
29,427	(Gains)/losses on the disposal of non current assets	9,476
945	Levies	964
30,372		**10,440**

12. Financing and Investment Income and Expenditure

2019/20 £000		2020/21 £000
37,842	Interest payable and similar charges	37,577
25,513	Pensions interest cost and expected return on pensions	24,409
(2,522)	Interest receivable and similar income	(1,810)
60,833		**60,176**

13. Taxation and Non Specific Grant Income

2019/20 £000		2020/21 £000
(405,512)	Council tax income	(422,385)
(79,360)	Business Rates Retention Scheme (Top-up)/Tariff	(80,654)
(23,746)	Business Rates Retention Scheme Local Element	(11,604)
(84,385)	Non-ringfenced government grants	(138,394)
(90,863)	Capital grants and contributions	(138,191)
(683,866)		**(791,228)**

14. Expenditure and Income Analysed by Nature

2019/20 £000	Expenditure	2020/21 £000
387,963	Employee expenses	394,839
686,671	Other service expenses	798,467
945	Precepts & levies	964
72,136	Depreciation, amortisation and impairment	85,509
26,043	Interest payable	26,021
25,513	Pensions Financing and Investment Income and Expenditure	24,409
11,799	PFI financing charges	11,556
29,427	(Gain) or Loss on Disposal of Non Current Assets	9,475
1,240,497	**Total Expenditure**	1,351,240
	Income	
(137,548)	Fees, charges & other service income	(154,025)
(2,522)	Interest and investment income	(1,810)
(405,512)	Income from council tax	(422,385)
(103,106)	Business rates retention scheme - Local and top up grant	(92,258)
(534,980)	Government grants and contributions	(697,253)
(1,183,668)	**Total Income**	(1,367,731)
56,829	**(Surplus) or deficit on the provision of services**	**(16,491)**

15. Revenue from Contracts with Service Recipients

Amounts included in the Comprehensive Income and Expenditure Statement for contracts with service recipients are set out in the following table. Revenue for Adult Care and Health is recognised at the end of the period the service has been provided.

2019/20 Revenue from Contracts with Service Recipients £000	2019/20 Other Revenue (outside of scope of IFRS15) £000	2019/20 Total Revenue from External Customers £000		2020/21 Revenue from Contracts with Service Recipients £000	2020/21 Other Revenue (outside of scope of IFRS15) £000	2020/21 Total Revenue from External Customers £000
(33,991)	0	(33,991)	Adult Care and Health (Residential)	(34,926)	0	(34,926)
(19,265)	(655)	(19,920)	Adult Care and Health (other)	(17,652)	(248)	(17,900)
(12,866)	(45)	(12,911)	Education and Learning (schools)	(6,447)	(2)	(6,449)
(5,481)	0	(5,481)	Transport (including NHS)	(4,966)	0	(4,966)
(6,127)	0	(6,127)	Business Support	(5,977)	0	(5,977)
(5,941)	0	(5,941)	Parking, Permit Charges & Trade Waste	(5,548)	0	(5,548)
(3,103)	0	(3,103)	Children's Social Care (Residential)	(2,346)	0	(2,346)
(13,460)	(15,142)	(28,602)	Other	(12,653)	(13,505)	(26,158)
(100,234)	**(15,842)**	**(116,076)**	**Total**	**(90,515)**	**(13,755)**	**(104,270)**

16. Property Plant and Equipment (PPE)

Movements in 2020/21:	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation							
At 1st April 2020	735,036	33,159	1,239,147	2,954	9,675	21,167	**2,041,138**
Additions	14,113	3,184	90,225	0	74	11,463	**119,059**
Donations	8,985						**8,985**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(8,101)				(69)		**(8,170)**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the provision of Services	(1,377)				(402)		**(1,779)**
Derecognition - Disposals	(9,308)	(10,847)			(1,146)	(23)	**(21,324)**
Assets reclassified (to)/from Held for Sale	(2,220)				4,680		**2,460**
Other movements in cost or valuation	5,240		6,173			(11,413)	**0**
At 31st March 2021	**742,368**	**25,496**	**1,335,545**	**2,954**	**12,812**	**21,194**	**2,140,369**
Accumulated Depreciation and Impairment							
1st April 2020	(12,483)	(20,017)	(503,401)				**(535,901)**
Depreciation Charge	(35,690)	(3,852)	(43,442)				**(82,984)**
Depreciation written out to the Revaluation Reserve	32,573						**32,573**
Depreciation written out to the Surplus/Deficit on the provision of services	1,687						**1,687**
Derecognition - Disposals	441	10,051					**10,492**
At 31st March 2021	**(13,472)**	**(13,818)**	**(546,843)**	**0**	**0**	**0**	**(574,133)**
Net Book Value							
At 31st March 2021	**728,896**	**11,678**	**788,702**	**2,954**	**12,812**	**21,194**	**1,566,236**
At 1st April 2020	**722,553**	**13,142**	**735,746**	**2,954**	**9,675**	**21,167**	**1,505,237**

Movements in 2019/20:	**Other Land and Buildings £000**	**Vehicles, Plant, Furniture & Equipment £000**	**Infrastructure Assets £000**	**Community Assets £000**	**Surplus Assets £000**	**Assets Under Construction £000**	**Total Property, Plant and Equipment £000**
Cost or Valuation							
At 1st April 2019	729,475	31,980	1,169,892	2,945	13,203	20,518	**1,968,013**
Additions	9,759	4,528	69,002	9	2,237	13,450	**98,985**
Donations							**0**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	11,643				15,633		**27,276**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the provision of Services	33				(124)		**(91)**
Derecognition - Disposals	(17,240)	(3,349)			(3,810)	(10,279)	**(34,678)**
Assets reclassified (to)/from Held for Sale	(750)				(16,766)		**(17,516)**
Other movements in cost or valuation	2,116		253		(698)	(2,522)	**(851)**
At 31st March 2020	**735,036**	**33,159**	**1,239,147**	**2,954**	**9,675**	**21,167**	**2,041,138**
Accumulated Depreciation and Impairment							
1st April 2019	(11,005)	(19,330)	(464,467)		(68)		**(494,870)**
Depreciation Charge	(30,955)	(3,841)	(38,934)				**(73,730)**
Depreciation written out to the Revaluation Reserve	25,843						**25,843**
Depreciation written out to the Surplus/Deficit on the provision of services	2,745						**2,745**
Derecognition - Disposals	889	3,154			68		**4,111**
At 31st March 2020	**(12,483)**	**(20,017)**	**(503,401)**	**0**	**0**	**0**	**(535,901)**
Net Book Value							
At 31st March 2020	**722,553**	**13,142**	**735,746**	**2,954**	**9,675**	**21,167**	**1,505,237**
At 1st April 2019	**718,470**	**12,650**	**705,425**	**2,945**	**13,135**	**20,518**	**1,473,143**

Revaluations

The Authority maintains a rolling programme of revaluations that ensures all PPE required to be measured at fair value is revalued at least every five years. All valuations are carried out by our qualified external valuer, John Penaligon FRICS, NPS South West Ltd. All valuations were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS). The current value of PPE at 31 March 2021 is £1,566 million.

The effective date for all valuations is 31 December 2020 for the financial year 2020/21 and the basis of valuation is explained in the Statement of Accounting Policies.

	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under construction £000	Total £000
Valued at Historical Cost:	0	25,496	1,335,545	2,954	0	21,194	1,385,189
Valued at Current Value in:							
2020/21	628,444	0	0	0	12,800	0	641,244
2019/20	34,232	0	0	0	12	0	34,244
2018/19	35,146	0	0	0	0	0	35,146
2017/18	32,214	0	0	0	0	0	32,214
2016/17	12,332	0	0	0	0	0	12,332
Total	**742,368**	**25,496**	**1,335,545**	**2,954**	**12,812**	**21,194**	**2,140,369**

Removal, dismantling and restoration costs

An initial estimate of the costs of landfill decommissioning and aftercare are recognised within the measurement of landfill assets in accordance with the CIPFA Code.

Unavoidable statutory obligations to prevent redundant landfill sites damaging the environment will exist for a further forty years. The costs have been provided for in these accounts and first recognised in 2013/14. That element falling due within one year is included as a provision in current liabilities while the remainder is similarly included in long term liabilities.

Derecognitions and disposals

The Authority derecognised in 2020/21 property, plant and equipment assets with a carrying value of £10.8 million, which are analysed as follows:

Derecognition category	Carrying value £000	Proportion %
Transfers to academy and other school movements	6,356	58.7%
Other disposals	4,476	41.3%
Total	**10,832**	**100%**

Capital Commitments

This statement contains details of major capital contracts with significant commitment costs flowing into future financial years.

Contract Name	Project Purpose	2021/22 £000	2022/23 £000	Total Commitment 2021/22 Onwards £000
A361 North Devon Link Road	Junction improvements and carriageway widening on the A361	16,707	16,657	33,364
Marsh Barton Station	Construction of railway station	7,227	1,530	8,757
Surface dressing	Highway resurfacing scheme	6,740		6,740
A382-A383 Houghton Barton Link Road	Construction of a new highway between A382 and Howton Road	4,325		4,325
Micro Asphalt	Highway resurfacing scheme	1,260		1,260
A381 Totnes Western Bypass	Highway resurfacing scheme	1,101		1,101
A3072 - four sites	Highway resurfacing scheme	1,023		1,023
A379 school access junction	Construct new access road along A379	755		755
A39 Westleigh Junction	The remodelling of the existing junction to incorporate west bound lane and resurfacing	570		570
A361 Deans Cross to South Dean Farm, West Down	Highway resurfacing scheme	552		552
A379 Eastern Junction	Create a new junction on the A379	542		542
Total		**40,802**	**18,187**	**58,989**

Total capital commitments at 31 March 2020 amounted to just over £22.8 million.

17. Long Term Debtors

31st March 2020 £000		31st March 2021 £000
55	Academy Schools	0
1,401	Skypark LLP	1,401
20	Magistrates	16
24,736	Unfunded pensions	15,874
75	Devon Disability Collective	75
26,287		**17,366**

18. Financial Instruments

The designation of investments as Fair Value, Other Comprehensive Income (FVOCI) requires any future fluctuations in fair value to be recognised in an unusable reserve called the, Financial Instruments Revaluation Reserve (FIRR). Any gain or loss will be recognised in usable balances (and outturn) only when the investment is sold.

The Authority holds the CCLA investment for the long term and not for short term selling or short term unrealised gains based on the annual fluctuations of fair value. The fair value is based on a notional bid price guide provided by the issuer each year. It does not reflect the price at which the issuer is obliged to buy back the investment. The investments in NPS and Exeter Science Park have been revalued for 2020/21 as shown in Note 18.2 (the previous valuation was in 2010/11). The cumulative balance in the balance sheet is shown in the following table.

Equity Instrument	**Purchase Cost**	**Fair Value 31 March 2021**	**FIRR 31 March 2021**
	£000	**£000**	**£000**
CCLA Local Authorities Property Fund	10,000	9,433	567
Exeter Science Park Limited	1,965	885	1,080
Norse Property Services (NPS)	0	85	(85)
Total equity instruments held at FVOCI	**11,965**	**10,403**	**1,562**

18.1 Financial instrument balances

The financial assets and liabilities disclosed in the Balance Sheet are made up of the following categories of financial instruments:

31 March 2020 Long-Term	**31 March 2020 Current**	**Financial Assets**	**31 March 2021 Long-Term**	**31 March 2021 Current**
£000	**£000**		**£000**	**£000**
		Investments		
20,000	105,735	Amortised cost	18,000	100,644
11,629	107	Fair Value through other comprehensive income - designated equity instruments	10,403	108
31,629	**105,842**	**Total Investments**	**28,403**	**100,752**
		Cash		
	68,010	Cash flow investments (cash equivalents) - Money Market Funds - Fair Value through Profit and Loss		20,459
	12,500	Cash flow investments (cash equivalents) - Fixed interest / notice - amortised cost		50,000
	(9,422)	Cash (overdraft at bank)		(4,042)
0	**71,088**	**Total Cash**	**0**	**66,417**
		Debtors		
1,531	**63,830**	**Amortised cost**	**1,475**	**90,659**
24,756	39,242	Debtors that are not financial instruments	15,891	62,422
26,287	103,072	Total Debtors	17,366	153,081
33,160	**240,760**	**Total Financial Assets**	**29,878**	**257,828**

The Authority's lending to other local authorities, banks and other financial institutions is invested solely for interest and the return of principal. These investments are measured at amortised cost at 31st March 2021. The Authority has not applied any loss adjustment for credit risk for this lending.

31 March 2020		Financial Liabilities	31 March 2021	
Long-Term	**Current**		**Long-Term**	**Current**
£000	**£000**		**£000**	**£000**
		Borrowings - Amortised Cost		
(436,349)		Financial liabilities at amortised cost - PWLB	(436,349)	
(25,315)		Financial liabilities at amortised cost - previous LOBO* converted to fixed interest	(25,311)	
(49,428)	(290)	Financial liabilities at amortised cost - LOBOs*	(49,349)	(290)
(511,092)	**(290)**	**Total Borrowings**	**(511,009)**	**(290)**
		Other Long Term Liabilities - Amortised Cost		
(114,647)	0	PFI Liability	(110,009)	
(1,831)		Financial Guarantee Liability	(1,831)	
(116,478)	**0**	Total carried at amortised cost included in Other Long Term Liabilities	**(111,840)**	**0**
(1,085,955)		Other Long Term Liabilities that are not financial instruments	(1,337,675)	
(1,202,433)	0	**Total Other Long Term Liabilities**	(1,449,515)	0
		Creditors (payable within 12 months)		
	(86,875)	Financial liabilities at amortised cost		(91,061)
	(4,771)	PFI Liability		(4,638)
	(91,646)	Total included in Creditors		**(95,699)**
	(23,779)	Creditors that are not financial instruments		(43,689)
0	(115,425)	Total Creditors	0	(139,388)
(627,570)	**(91,936)**	**Total Financial Liabilities**	**(622,849)**	**(95,989)**

* Lender's Option Borrower's Option

PWLB loans are at a fixed rate of interest for the duration of the loan. No additional loans have been taken out during the year. Interest accrued but unpaid at 31 March is added to the borrowings as current or short term - payable within 12 months

Note 38, Contingent Liabilities discloses the financial impact of guarantees that the Authority has entered into, including the one in relation to Exeter Science Park.

18.2 Financial instruments gains and losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

2019/20 (Surplus) or Deficit on the Provision of Services £000	2019/20 Other Comprehensive Income and Expenditure £000		2020/21 (Surplus) or Deficit on the Provision of Services £000	2020/21 Other Comprehensive Income and Expenditure £000
		Interest Payable and similar charges		
37,842		Interest Expense - Financial Liabilities measured at amortised cost	37,577	
1,088		Impairment - Financial Assets measured at amortised cost		
38,930	**0**	**Interest Payable and similar charges**	**37,577**	**0**
		Interest income		
(1,814)		Financial assets measured at amortised cost	(1,377)	
(282)		Financial assets measured at Fair Value through Profit and Loss (Money Market)	(31)	
(426)		Investments in equity instruments designated at fair value through other comprehensive income (CCLA)	(402)	
(2,522)	**0**	**Total interest income and similar revenue**	**(1,810)**	**0**
		Reversal of impairment losses	(608)	
(2,522)	**0**	**Total interest income and similar revenue**	**(2,418)**	**0**
		Net (gains)/losses on Investments in equity instruments designated at fair value through other comprehensive income		
	352	CCLA		68
		NPS		162
		Science Park		996
0	**352**	**Total net (gains)/losses**	**0**	**1,226**

Impairment relates to movement in the bad debt provision.

18.3 Fair value assets and liabilities

Fair Value Hierarchy
The valuation of financial instruments has been classified in three levels, according to the quality and reliability of information used to determine fair values.

Level 1

Quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date. Only the Authority's cash is classified as level 1.

Level 2

Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3

Unobservable inputs for the asset or liability.

Fair value of assets and liabilities held at amortised cost

Short term investments, debtors, total borrowing and long-term creditors are carried in the Balance Sheet at amortised cost. The fair value is assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- The fair values for Public Works Loans Board (PWLB), LOBO's, Market Rate and PFI have been calculated by reference to the new borrowing rate at 31st March 2020 and 2021 (Level 2). For PFI and similar contracts, there are unobservable inputs regarding the accounting estimate of the element of the unitary charge that relates to the liability (Level 3).
- No early repayment is recognised.
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value.
- All financial liabilities are held at amortised cost. The fair values of financial liabilities excluding creditors payable within one year and the financial guarantee are as follows:

31st March 2020			31st March 2021	
Carrying amount	**Fair value**	**Financial Liabilities held at amortised cost**	**Carrying amount**	**Fair value**
£000	**£000**		**£000**	**£000**
		Level 2		
(436,349)	(628,784)	PWLB	(436,349)	(667,329)
(49,718)	(73,192)	LOBO's	(49,639)	(75,462)
(25,315)	(44,704)	Market Debt, Fixed Rate	(25,311)	(45,266)
(511,382)	**(746,680)**		**(511,299)**	**(788,057)**
		Level 3		
(119,418)	(214,682)	PFI and similar contracts	(114,647)	(211,500)
(630,800)	**(961,362)**		**(625,946)**	**(999,557)**

The fair values of the loans are higher than the carrying amounts. This is due to current loan rates being lower than those available at the time the loans were taken out. This commitment to pay interest above current market rates increases the amount that the Authority would have to pay compared with a loan taken out at today's rates. The fair value of the PFI liability is higher than the amount that is carried in the balance sheet. This is due to current loan rates being lower than the interest rate implied within the PFI contracts.

The following table analyses the financial assets held at fair value into hierarchies:

31st March 2020			Financial Assets at Fair Value	31st March 2021		
Level 1	**Level 2**	**Level 3**		**Level 1**	**Level 2**	**Level 3**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
			Investments			
	9,608	2,128	Fair Value through other comprehensive income - designated equity instruments		9,541	970
0	**9,608**	**2,128**	**Investments held at fair value**	**0**	**9,541**	**970**
			Cash			
68,010			Cash flow investments (cash equivalents) - FVPL	20,459		
(9,422)			Cash (overdraft at bank)	(4,042)		
58,588	**0**	**0**	**Total Cash at fair value**	**16,417**	**0**	**0**
58,588	**9,608**	**2,128**	**Financial Assets at Fair Value**	**16,417**	**9,541**	**970**

18.4 Disclosure of nature and extent of risks arising from financial instruments

Risk management is carried out by a central treasury team under policies approved 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 County Council has adopted the CIPFA Code of Practice for Treasury Management in Public Services. The current Treasury Management Policy Statement together with the Statement of Treasury Management Practices (TMPs) was formally adopted by the County Council on 15th February 2018. TMPs set out the manner in which the Authority will seek to achieve its treasury management policies and objectives and how it will manage and control those activities. The County Council will receive reports on its treasury management policies, practices and activities including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in the TMPs.

A variety of investment instruments are available to the Local Authority market. In addition to the notice accounts and fixed term deposits available from UK and overseas banks, it is also possible for the Council to invest, for example, in UK Government Gilts, bond funds and property funds. These alternative instruments would either require the Council to tie up its cash for significantly longer periods, thus reducing liquidity, or would carry a risk of loss of capital if markets go down. During 2015/16 the Council reviewed these alternatives and concluded that investment in a commercial property fund would be a prudent way to diversify risk and achieve a higher yield.

The overall aims of the Authority's Annual Investment strategy continue to be to:

- Limit the risk to the loss of capital (credit and counterparty risk)
- Ensure that funds are always available to meet cash flow requirements; (liquidity risk)
- Maximise investment returns, consistent with the first two aims; (interest, inflation, exchange rate risks) and
- Review new investment instruments as they come to the Local Authority market, and to assess whether they could be a useful part of our investment process.

The annual Treasury Management Strategy and Prudential Indicators were approved by the Authority on 20th February 2020. The operational boundary and authorised limit for external debt for 2020/21 were initially set at just under £756 million and £781 million respectively for borrowing and other long-term liabilities. Actual external debt for 2020/21 was £622.5 million. The operational boundary and authorised limit for external debt were not breached.

Credit and Counterparty Risk

The Authority regards a prime objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it ensures that its counterparty lists and limits reflect a prudent attitude towards organisations with which funds may be deposited, and limits its investment activities to the instruments, methods and techniques referred to in TMP4 'Approved Instruments, Methods and Techniques'. It also recognises the need to have, and maintain, a formal counterparty policy in respect of those organisations with whom it may enter into financing arrangements.

The County Council's arrangements are formulated to restrict the exposure to risk by taking account of the credit standing of counterparties and setting limits to different types of borrowers.

The credit ratings of all three major rating agencies (Fitch, Moody's and Standard & Poor's) will be used to ensure that commercial institutions satisfy the requirements of the current policy. In essence the Authority looks for the highest rating from banks and sets lending limits against each one. Banks and UK Building Societies that do not attract these ratings are not considered at all. The actual ratings sought by the Authority may be varied as part of the regular review of lending policy and counterparties.

Security is achieved by the creation of an 'Approved List of Counterparties'. These are the banks, building societies, money market funds and other public bodies with which the Authority is prepared to deposit funds. In preparing the list, a number of criteria is used not only to determine who is on the list, but also to set limits as to how much money can be placed with them, and how long that money can be placed for.

The following table summarises the current 'Approved List' criteria.

Counterparty Type	Fitch	Moody's	Standard & Poor's	Credit Limit
UK Banks				
not below	AA- & F1+	Aa3 & P-1	AA- & A-1+	£50 million
not below	A- & F1	A3 & P-1	A- & A-1	£30 million
UK Building Societies				
not below	AA- & F1+	Aa3 & P-1	AA- & A-1+	£50 million
not below	A- & F1	A3 & P-1	A- & A-1	£30 million
Overseas Banks				
Sovereign Rating of	AAA	Aaa	AAA	
and not below	AA- & F1+	Aa3 & P-1	AA- & A-1+	£50 million
and not below	A- & F1	A3 & P-1	A- & A-1	£30 million
UK Public Bodies				
Central Government				
– Debt Management Office				Unlimited
Local Government				
– County Councils				£10 million
– Metropolitan Authorities				£10 million
– London Boroughs				£10 million
– English Unitaries				£10 million
– Scottish Authorities				£10 million
– English Districts				£5 million
– Welsh Authorities				£5 million
Fire & Police Authorities				£5 million
Money Market Funds	AAA	Aaa	AAA	£30 million
CCLA Property Fund				£30 million
Short-dated bond funds				£20 million
Multi-asset income funds				£20 million
Bank and Building Society Deposits				£30 million

The List of Approved Counterparties is kept under close review and is subject to amendment in the light of changes to credit ratings, takeovers and mergers, or changes to the type of institution.

The financial press and other sources are monitored with a view to discovering cases where an institution on the List is in any difficulty, financial or otherwise. If appropriate, any organisation will be immediately suspended from the list until such time that they demonstrate their creditworthiness. The decision to suspend a counterparty is made by the Investment Manager, and notified to other officers by the issue of a revised Approved List.

Funds available to the County for investment are substantial, and the current lending policies ensure a balance of there being no difficulty placing funds, whilst at the same time minimising the credit risk.

The Authority does not generally allow credit to customers, the amount owed to the Authority can be analysed by age as follows:

	Amount at 31 March 2021	Historic experience of default	Historic experience adjusted for market conditions at 31 March	Estimated exposure to default and uncollectability
	£000	**%**	**%**	**£000**
Deposits with banks and financial institutions	91,103	0.00%	0.01%	9
Deposits with local authorities	98,000	0.00%	0.00%	0
Debtors at amortised cost	93,248	0.31%	2.78%	2,589
				2,598

The investment with CCLA of £10 million is not assessed for exposure to default and uncollectability but is subject to price risk which is explained later in this note.

Debtors measured at amortised cost	**31 March 2020**	**31 March 2021**
	£000	£000
Less than three months	44,698	68,674
Three to six months	8,330	4,819
Six months to one year	5,242	7,719
More than one year	8,757	12,036
	67,027	93,248
Provision for bad debts - Impairment	(3,197)	(2,589)
Long Term Debtors not yet due	1,531	1,475
	65,361	92,134

The most significant element of longer term debt is residential debt consisting of a number of deferred purchase agreements which allow care home costs to be secured against the borrower's property. The following tables show the level of this collateral.

Debt 31 March 2020	**Non Residential**	**Residential**	**Secured**	**Unsecured**
	£000	**£000**	**£000**	**£000**
less than 3 months	38,635	6,063	2,641	42,057
more than 3 months	9,009	13,320	9,524	12,805
Total	**47,644**	**19,383**	**12,165**	**54,862**

Debt 31 March 2021	**Non Residential**	**Residential**	**Secured**	**Unsecured**
	£000	**£000**	**£000**	**£000**
less than 3 months	64,425	4,249	2,152	66,522
more than 3 months	7,509	17,065	11,952	12,622
Total	**71,934**	**21,314**	**14,104**	**79,144**

Liquidity Risk

The Authority will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available which are necessary for the achievement of its business and service objectives.

The daily cash flow is managed by officers in order to ‘smooth’ the flow of funds into and out of the Authority, ensuring best returns on surplus funds, whilst minimising borrowing costs on days where there is a shortage. Borrowing and lending is generally undertaken in periods of under one month to ensure as far as is possible that on no one day should there be a requirement to have to fund shortages in excess of £1 million. Days when it is known that large outflows of money will take place e.g. payroll dates, are obvious dates to ensure there is sufficient liquidity.

Funds may be earmarked for specific purposes or may be general balances, and this will be a consideration in determining the period over which the investment will be made.

The Authority has a self-imposed limit of ensuring that at least 15% of deposits will be realisable within one month.

A requirement of the Prudential Code is to establish an indicator of the total principal sum invested for a period longer than 364 days, and to state the basis used in determining the amount. The purpose of this indicator is to help the Authority to contain its exposure to the possibility of loss that might arise as a result of having to seek early repayment or redemption of principal sums invested.

The limit on "non specified" investments will be set at no more than 25% of the total investments outstanding at any time or £40 million whichever is the lower. Non specified investments include CCLA property fund, short dated bond funds, multi-asset income funds and bank and building society deposits over 1 year.

The maturity analysis of borrowing is as follows:

31st March 2020 £000		**31st March 2021 £000**
(290)	Less than one year	(290)
	Between one and two years	
	Between two and five years	
(39,610)	Between five and ten years	(39,610)
(44,571)	Between ten and fifteen years	(56,144)
(68,013)	Between fifteen and twenty years	(92,940)
(50,403)	Between twenty and twenty-five years	(13,903)
(8,903)	Between twenty-five and thirty years	(17,805)
(153,687)	Between thirty and thirty-five years	(180,395)
(142,664)	Between thirty-five and forty years	(107,054)
(508,141)		**(508,141)**

Short term creditors of £139.388 million (£115.425 million at 31 March 2020) are due to be paid in less than one year.

Interest Rate Risk

Borrowing at fixed rates of interest for long periods can give the opportunity to lock into low rates and provide stability but means that there is a risk of missing possible opportunities to borrow at even lower rates in the medium term.

Variable rate borrowing can be advantageous when rates are falling but also means that there is a risk of volatility and a vulnerability to unexpected rate rises.

Borrowing for short periods or having large amounts of debt maturing (and having to be re-borrowed) in one year increases the risk of being forced to borrow when rates are high.

The Authority’s policy has been to borrow at fixed rates of interest when rates are considered attractive, mainly from the Public Works Loan Board (PWLB) or the Money Market. This policy is reassessed annually as part of the adoption of the Treasury Policy Statement.

The Prudential Indicators for 2020/21 and beyond are set out in the following table:

	Upper Limit %	Lower Limit %
Limits on borrowing at fixed interest rates	100	70
Limits on borrowing at variable interest rates	30	0
Percentage of Fixed Rate Debt maturing in:		
Under 12 months	20	0
12 Months to within 24 months	25	0
24 Months to within 5 Years	30	0
5 years and within 10 Years	35	0
10 years and within 20 years	45	0
20 years and within 35 years	60	0
35 years and within 50 years	75	20

Market Loans, usually in the form of Lender's Option Borrower's Option (LOBOs), offer an alternative to borrowing from the PWLB. Here money is borrowed for an initial period against the issue of a Bond and gives the Lender the Option of varying the rate at the end of the period. One of the lenders has waived its right to this option. If this Option is taken, the Authority as Borrower can in turn agree to the new rate or repay the loan without penalty. The flexibility offered by such loans can be a great help in managing the risk of fluctuations in interest rates. The lender, who has the choice to (or not to) exercise the first option, has to be seen as having the greater control of the arrangement. However, as the average rate of interest of 5.95% for LOBOs is above the current Bank of England base rate then it is highly unlikely in the near to medium term that the lender will exercise this option.

On the investment side, the use of Call Accounts, Notice Money, Money Market Funds, and Callable Deposits all introduce a degree of flexibility not offered by fixed term investments.

Movement in interest rates have a complex impact on the Authority. For instance, a rise in interest rates would have the following effects:

- Borrowing at fixed rate – the fair value of the borrowings will fall
- Investments at variable rate – the interest income credited to the income and expenditure statement will rise
- Investments at fixed rates – the fair value of the assets will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the income and expenditure statement. However, changes in interest receivable on variable rate investments will be posted to the income and expenditure statement and affect the general fund balance.

The PFI Liability and most of the Authority’s loans and investments are fixed rate. Consequently, the impact of say a 1% increase in interest rates would have an impact only on variable rate investments by increasing interest receivable by £605,000 if the investments were held for a year.

The formula grant received from central government contains an element for funding debt charges but as the formula is now fixed for at least one year ahead any changes in interest rate would have no effect in the short term.

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

Exchange Rate Risk

The Authority manages its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.

It achieves this objective by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of exchange rates.

The risk from fluctuating exchange rates is not usually material as far as the Authority is concerned, as there is currently very little of either income or expenditure transacted in currencies other than Sterling.

Inflation Risk

The effects of varying levels of inflation is considered by the Authority as an integral part of its strategy for managing its overall exposure to risk.

During the current period of low and stable inflation, there is little requirement for active consideration of its impact. The key objectives are that investments reap the highest real rate of return, with debt costing the lowest real cost. Should this change, projections of inflation will become part of the debt and investment decision-making criteria, both strategic and operational.

Market Risk

The Authority seeks to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

The majority of lending is in the form of cash deposits. However, a proportion of the Council's funds may be invested in alternative forms of investment where the capital value may fluctuate. These are managed in such a way as to minimise the risk of financial loss. The potential list of alternative forms of investment includes UK Government Gilts, bond funds and property funds, but only those specified within the annual Treasury Management Strategy are permitted.

Price Risk

The Authority does not generally invest in equity shares but does have two £1 shares in NPS (SW) Ltd, valued at £85,000 (£247,000 31 March 2020) and has an equity investment in Exeter Science Park Ltd to £885,000 (£1.881 million at 31 March 2020). These shares are recognised in the balance sheet at £970,000 (£2.128 million 31 March 2020).

In 2015/16, the Authority invested £10 million in the Local Authorities' Property Fund (CCLA). Changes in market value are recognised in the Financial Instruments Revaluation Reserve and do not affect the General Fund. Only when the investment is disposed of, is any revaluation balance recognised in the General Fund.

Variations in price are not a significant risk for the Authority.

19. Creditors and Debtors

19.1 Creditors

These represent sums of money owed by the County Council for goods and services received during the year and not paid for by 31 March, or where money has been received by the County Council in advance.

31st March 2020 £000		31st March 2021 £000
(19,082)	Central Government	(11,654)
(9,550)	Other Local Authorities	(1,580)
(7,063)	NHS Bodies	(1,085)
(79,730)	Other Entities & Individuals	(125,069)
(115,425)		**(139,388)**

19.2 Debtors

These represent sums of money owed to the County Council for goods and services supplied during the year and not paid for by 31 March, or for payments in advance by the County Council.

31st March 2020 £000		31st March 2021 £000
4,754	Central Government	32,335
13,872	Other Local Authorities	13,213
4,563	NHS Bodies	29,498
7	Public Corporations & Trading Funds	91
79,876	Other Entities & Individuals	77,944
103,072		**153,081**

19.3 Debtors for Local Taxation

Included in "other entities and individuals" (Debtors) are the debtors (net of any provision for bad debts) for council tax and business rates. The past due but not impaired amount for local taxation (council tax and non-domestic rates) is analysed by age as follows:

31st March 2020			Council Tax	31st March 2021		
Gross Arrears	Provision for bad debts	Net debtor		Gross Arrears	Provision for bad debts	Net debtor
£000	£000	£000		£000	£000	£000
9,036	(2,191)	6,845	Less than one year	11,390	(2,787)	8,603
7,215	(3,898)	3,317	Between one year and three years	9,613	(4,536)	5,077
4,933	(3,715)	1,218	More than three years	6,242	(4,764)	1,478
21,184	**(9,804)**	**11,380**		**27,245**	**(12,087)**	**15,158**

31st March 2020			Business Rates	31st March 2021		
Gross Arrears	Provision for bad debts	Net debtor		Gross Arrears	Provision for bad debts	Net debtor
£000	£000	£000		£000	£000	£000
414	(122)	292	Less than one year	628	(314)	314
312	(171)	141	Between one year and three years	459	(291)	168
123	(103)	20	More than three years	158	(140)	18
849	**(396)**	**453**		**1,245**	**(745)**	**500**

20. Provisions

Provisions are set up to meet known liabilities where the exact amount is not known when the accounts are prepared. They represent amounts already charged in the respective year in which the chargeable event took place.

Short Term Liabilities

Provisions estimated to be utilised within one year	31st March 2019 £000	Amounts released £000	Amounts utilised £000	Provided in year £000	31st March 2020 £000	Amounts released £000	Amounts utilised £000	Provided in year £000	31st March 2021 £000
Insurance Fund	(2,958)	0	2,345	(3,050)	**(3,663)**	156	2,655	(1,277)	**(2,129)**
Landfill aftercare	(245)	0	317	(310)	**(238)**	0	302	(295)	**(231)**
Out of date cheques	(86)	18	6	(23)	**(85)**	55	35	(5)	**0**
Corporate Restructure	(9)	0	9	0	**0**	0	0	0	**0**
Social Care & Community	(54)	0	49	(428)	**(433)**	153	237	(559)	**(602)**
Business Rates Retention Scheme Appeals	(11,849)	9,850	0	0	**(1,999)**	0	0	(104)	**(2,103)**
Green Waste	(100)	0	0	0	**(100)**	0	0	0	**(100)**
Total	**(15,301)**	**9,868**	**2,726**	**(3,811)**	**(6,518)**	**364**	**3,229**	**(2,240)**	**(5,165)**

Insurance provision

The Council's Insurance provision enables it to carry some of its insurable risks in-house, achieving significant savings in external premiums. It covers Public Liability, Professional Indemnity, Employers Liability and vehicles, but excludes theft and accidental damage. The above amount shown above represents payments estimated to be made within twelve months.

Landfill aftercare

The Council is responsible for ensuring that landfill sites do not pose a risk to the environment. During the final, aftercare phase, regular monitoring for leachate and gas emissions must be carried out and appropriate remedial action taken where necessary. The above amount shown above represents payments estimated to be made within twelve months.

Out of Date Cheques

Cheques unpresented after six months have been provided for previously while enquiries proceed and resolution reached. Provision now closed after implementation of earlier warning system for aged unpresented cheques.

Social Care & Community

Claims for backdated payments for care provided in a residential home setting where provisions are considered appropriate.

Business Rates Retention Scheme Appeals

Businesses can make appeals on the rateable value of their properties. Each of the eight Devon districts assesses a provision for these appeals and they are aggregated for this note.

Green Waste

A claim from the authority's green waste contractor is provided for on the basis of a change in regulatory requirements.

Long Term Liabilities

Provisions estimated to be utilised after more than one year	31st March 2019 £000	Amounts released £000	Provided in year £000	31st March 2020 £000	Amounts released £000	Amounts utilised £000	Provided in year £000	31st March 2021 £000
Insurance Fund	(11,021)	0	0	**(11,021)**	0	0	(157)	(11,178)
Landfill aftercare	(5,102)	310	0	**(4,792)**	295	0	0	(4,497)
Total	**(16,123)**	**310**	**0**	**(15,813)**	**295**	**0**	**(157)**	**(15,675)**

For insurance and landfill, that element falling due within one year is included as a provision in short term current liabilities while the remainder is included in long term liabilities.

Insurance provision

The Council's Insurance provision enables it to carry some of its insurable risks in-house, achieving significant savings in external premiums. It covers Public Liability, Professional Indemnity, Employers Liability and vehicles, but excludes theft and accidental damage. The value of the provision has not been discounted because the significant majority of payments are expected to be made in the next 5 years. The provision is reviewed annually and is assessed on a triennial basis. The balance at 31 March 2021 is considered sufficient to meet claims registered on that date. An estimate of the payment profile has been applied to the Authority's insurance provision at 31 March 2021:

Payable within	£000
1 to 2 years	4,125
3 to 5 years	5,190
6 to 9 years	1,863
Total	**11,178**

Landfill aftercare

The Council is responsible for ensuring that landfill sites do not pose a risk to the environment. During the final, aftercare phase, regular monitoring for leachate and gas emissions must be carried out and appropriate remedial action taken where necessary. A programme of estimated expenditure extending over forty years has been provided for in these accounts and the estimate of timing of payments is shown below.

Payable within	£000
1 to 2 years	223
3 to 5 years	826
6 to 10 years	901
more than 10 years	2,547
Total	**4,497**

21. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

31st March 2020 £000		31st March 2021 £000
(9,422)	Bank Current Accounts	(4,042)
80,510	Investments less than 90 days	70,459
71,088		**66,417**

22. Assets Held for Sale

The movement on Assets Held for Sale balances during the year is as follows:

2019/20 £000		2020/21 £000
6,806	**Balance at 1st April**	21,941
	Assets newly classified as held for sale:	
18,866	Property, Plant and Equipment	40
(260)	Revaluation losses	(1,185)
	Assets declassified as held for sale:	
(1,350)	property, plant and equipment	(2,500)
(2,121)	Assets sold	(4,231)
21,941	**Balance at 31st March**	**14,065**

23. Unusable Reserves

31st March 2020 £000		31st March 2021 £000
(259,549)	Revaluation Reserve	(259,879)
0	Dedicated Schools Grant (DSG) Adjustment Account	43,556
(533,474)	Capital Adjustment Account	(592,006)
15,662	Financial Instruments Adj Account	14,930
1,025,712	Pensions Reserve	1,309,778
(8,012)	Collection Fund Adjustment Account	9,381
7,059	Accumulated Absences Account	9,163
336	Financial Instruments Revaluation Reserve	1,562
(471)	Deferred Capital Receipts Reserve	(471)
247,263		**536,014**

Revaluation Reserve

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

- Revalued downwards or impaired and the gains are lost;
- Used in the provision of services and the gains are consumed through depreciation; or
- Disposed of and the gains are realised.

2019/20 £000		2020/21 £000
(228,756)	**Balance at 1st April**	**(259,549)**
(57,090)	Upward revaluation of assets	(28,962)
3,971	Downward Revaluation of assets not charged to the Surplus/Deficit on the provision of services	4,559
(281,875)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(283,952)
13,799	Difference between fair value depreciation and historical cost depreciation	17,445
8,527	Accumulated gains on assets sold or scrapped	6,628
22,326	Amount written off to the Capital Adjustment Account	24,073
(259,549)	**Balance at 31st March**	**(259,879)**

Dedicated Schools Grant (DSG) Adjustment Account

The Council is required to ring-fence any deficits arising from expenditure on the Schools Budget exceeding the Dedicated Schools Grant paid by the Government for the financial year. From 1st April 2020 deficits are posted to the DSG Adjustment Account by a transfer from the General Fund Balance in the Movement in Reserves Statement.

2019/20 £000		2020/21 £000
	DSG deficit balance transferred at 1st April	
0	High Needs Block - SEND	19,772
0	De-delegated, Central and Early Years Block	(3,627)
0		**16,145**
0	High Needs Block - SEND - deficit during the year	29,226
0	Movement on De-delegated, Central and Early Years Block	(1,815)
0	**Balance at 31st March**	**43,556**

Capital Adjustment Account

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

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1st April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 8 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2019/20 £000		2020/21 £000
(500,704)	**Balance 1st April**	**(533,474)**
73,730	Charges for depreciation and impairment of non-current assets	82,984
(2,394)	Revaluation (gain)/loss on Property Plant and Equipment	1,276
800	Amortisation	1,249
(1,844)	Release of deferred income from Energy from Waste	(1,844)
14,674	Revenue expenditure funded from capital under statute	13,590
32,693	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	15,065
117,659		112,320
(22,326)	Adjusting amounts written out of the Revaluation Reserve	(24,073)
95,333	Net written out amount of the cost of non-current assets consumed in the year	88,247
0	Amounts of Long Term Debtors derecognised, repaid in prior	0
(1)	Recognition of loan to Academy schools on transfer	0
(1)		0
	Capital financing applied in the year:	
(6,720)	Use of the Capital Receipts Reserve to finance new capital expenditure	(9,725)
(106,143)	Application of grants to capital financing from the Capital Grants Unapplied Account	(121,875)
(14,432)	Statutory provision for the financing of capital investment charged against the General Fund	(14,257)
(807)	Capital expenditure charged against the General Fund	(922)
(128,102)		(146,779)
(533,474)	**Balance 31st March**	**(592,006)**

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 and for bearing losses or benefiting from gains in accordance with statutory provisions. The Authority uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax.

2019/20 £000		2020/21 £000
16,389	**Balance 1st April**	**15,662**
(648)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(648)
(79)	Adjusting for effective interest rates	(84)
(727)	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements.	(732)
15,662	**Balance 31st March**	**14,930**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for past employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by the employees accruing years of services, 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 are financed as the Authority makes employer’s contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a shortfall in the resources the Authority has set aside to meet future pension benefits, earned by past and current employees. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2019/20 £000		2020/21 £000
1,022,486	**Balance 1st April**	**1,025,712**
(51,338)	Actuarial gains or (losses) on pensions assets and liabilities	236,133
100,063	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	93,874
(45,499)	Employer's Pensions contributions and direct payments to pensioners payable in the year	(45,941)
1,025,712	**Balance 31st March**	**1,309,778**

24. Other Long Term Liabilities

31st March 2020 £000		31st March 2021 £000
(1,050,447)	Pensions Liability	(1,304,011)
(47,996)	Private Finance Initiative Liability - schools	(44,009)
(42,107)	Liability Exeter Energy from Waste	(41,634)
(24,544)	Private Finance Initiative Liability - Plymouth Energy from Waste	(24,366)
(2,482)	Deferred income - Exeter Energy from Waste	(2,376)
(33,026)	Deferred income - Plymouth Energy from Waste	(31,288)
(1,831)	Financial Guarantee	(1,831)
(1,202,433)		**(1,449,515)**

25. Cash Flow – Operating Activities

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

2019/20 £000		2020/21 £000
(73,730)	Depreciation	(82,984)
2,394	Revaluation gains/(losses)	(1,276)
(800)	Amortisation	(1,248)
1,844	Release of deferred income	1,844
378	(Increase)/Decrease in creditors	(3,239)
17,105	Increase/(Decrease) in debtors	49,127
390	Increase/(Decrease) in inventories	100
(54,564)	Movement in pension liability	(26,292)
9,092	(Increase)/Decrease in provisions	(1,492)
(32,693)	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(15,065)
82	Other non-cash items charged to the net surplus or deficit on the provision of services	12,054
(130,502)		**(68,471)**

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

2019/20 £000		2020/21 £000
6,016	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	5,589
88,983	Any other items for which the cash effects are investing or financing cash flows	127,688
94,999		**133,277**

26. Cash Flow - Investing Activities

2019/20 £000		2020/21 £000
100,861	Purchase of property, plant and equipment, investment property and intangible assets	122,612
10,000	Purchase of long term investments	13,000
140,180	Purchase of short-term and long-term investments	299,406
(5,777)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(5,728)
(195,000)	Proceeds from short-term and long-term investments	(319,349)
(100,748)	Receipts of Capital Grants	(142,911)
(50,484)	**Net cash flows from investing activities**	**(32,970)**

27. Cash Flow - Financing Activities

2019/20 £000		2020/21 £000
4,020	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance-sheet PFI contracts	6,614
(13,085)	Other payments for financing activities	(17,288)
(9,065)	**Net cash flows from financing activities**	**(10,674)**

28. Cash Flow - Reconciliation of liabilities arising from financing activities

	1st April 2020	**Financing cash flows**	**Non-cash changes Acquisitions**	**Other non-cash changes**	**31 March 2021**
	£000	**£000**	**£000**	**£000**	**£000**
Long-term borrowings	(511,092)	0	0	83	(511,009)
Short-term borrowings	(290)	1	0	0	(289)
On balance sheet PFI liabilities - Short Term	(4,770)	4,770	0	(4,638)	(4,638)
On balance sheet PFI liabilities - Long Term	(114,648)	0	0	4,638	(110,010)
Total liabilities from financing activities	**(630,800)**	**4,771**	**0**	**83**	**(625,946)**

29. Members' Allowances

The authority pays its elected members basic allowances, special responsibility allowances and travel and subsistence. During 2020/21 £1.087 million was paid (£1.125 million in 2019/20).

30. Audit Fees

In 2020/21 the County Council incurred the following fees relating to the external audit:

2019/20 £000		2020/21 £000
87	Fees as appointed auditor	114
4	Other services	4
91		**118**

Included in the 2020/21 fee as appointed auditor is just under £33,000 for fee variations from the audit of 2019/20 accounts (£6,000 for the 2018/19 audit).

The external auditors have proposed another fee variation of £33,000 within the audit plan for 2020/21 which is subject to approval by Public Sector Audit Appointments Ltd. This would be accrued in the Statement of Accounts 2021/22 to match the year in which the work is undertaken and approved.

31. Officers' Remuneration

31.1 Senior Officers Remuneration

The County Council is required to:

Name all officers that earn over £150,000 per annum for all or part of a year.

List all post holders who earn between £50,000 and £150,000 for all or part of a year and who also fit the following criteria:

- They report directly to the Chief Executive, or;
- They are part of the Council's Senior Management Team, or;
- They hold posts required by statute (the Chief Finance Officer and the Monitoring Officer)
- The remuneration paid to the Authority's senior employees is as follows:

	Note		Salary, Fees and Allowances	Expenses Allowances	Pension contributions	**Total**
			£	£	£	**£**
Phil Norrey, Chief Executive		2020/21	160,346		27,259	**187,605**
		2019/20	156,055		23,564	**179,619**
Chief Officer for Adult Care and Health		2020/21	142,142		24,164	**166,306**
		2019/20	137,582		20,775	**158,357**
County Solicitor		2020/21	114,502		19,465	**133,967**
	1	2019/20	112,445		16,827	**129,272**
County Treasurer		2020/21	114,502		19,465	**133,967**
		2019/20	111,437		16,827	**128,264**
Chief Officer for Communities, Public Health, Environment and Prosperity	2	2020/21	134,621	29	27,732	**162,382**
		2019/20	175,590	353	36,172	**212,115**
Director of Public Health	3	2020/21	40,152		8,271	**48,423**
Chief Officer for Highways, Infrastructure Development and Waste		2020/21	105,669		17,964	**123,633**
		2019/20	102,841		15,529	**118,370**
Head of Digital Transformation and Business Support		2020/21	105,669		17,964	**123,633**
	4	2019/20	107,263		16,197	**123,460**
Chief Officer for Childrens Services	5	2020/21	107,844		18,333	**126,177**
		2019/20	137,965		20,833	**158,798**
Chief Officer for Childrens Services	5	2020/21	23,627		4,017	**27,644**
Head of Organisational Change		2020/21	65,736		11,175	**76,911**
		2019/20	54,919		8,293	**63,212**
Head of Policy		2020/21	50,576		8,598	**59,174**
		2019/20	49,222		7,433	**56,655**
Head of Communities	6	2020/21	17,433		2,964	**20,397**
Head of Service for Economy, Enterprise and Skills	6	2020/21	26,417		4,491	**30,908**
Head of Service for Planning, Transportation and Environment	6	2020/21	16,065		2,731	**18,796**

From 1 April 2020 LGPS employer pensions contributions increased from 15.10% to 17.00%, an increase of 1.9%. This affects all Senior Officers, except the Chief Officer for Communities, Public Health, Environment and Prosperity and Director of Public Health who are under the NHS Pension Scheme.

1. The remuneration of the County Solicitor in 2019/2020 includes a payment for election duties.

2. The Chief Officer for Communities, Public Health, Environment and Prosperity retired on 31/12/2020 and was succeeded by the Director of public Health

3. The post of Director of Public Health began on 01/12/2020

4. The 2019/2020 salary of the Head of Digital Transformation and Business Support includes back pay from 2018/19

5. Chief Officer for Childrens Services, existing post holder left 04/01/2021 and new post holder started with the authority 01/02/2021.

6. Due to a restructure of the leadership team, these officers are reporting directly to the Chief Executive from 01/01/2021

31.2 Officers Remuneration

The Authority's employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) is set out in the following table. This table does not include those Officers disclosed in note 31.1

2019/20				Emoluments	2020/21			
Schools Staff	Other Staff	Total	Left in Year	£	Schools Staff	Other Staff	Total	Left in Year
86	26	**112**	**2**	**50,000 - 54,999**	89	70	**159**	**2**
44	46	**90**	**1**	**55,000 - 59,999**	46	58	**104**	**1**
41	16	**57**		**60,000 - 64,999**	42	23	**65**	
23	19	**42**	**3**	**65,000 - 69,999**	33	11	**44**	
14	9	**23**		**70,000 - 74,999**	18	10	**28**	
6	3	**9**		**75,000 - 79,999**	8	5	**13**	
3	6	**9**	**1**	**80,000 - 84,999**	3	6	**9**	
3	2	**5**	**1**	**85,000 - 89,999**	1	3	**4**	
2	2	**4**		**90,000 - 94,999**	2	2	**4**	
4		**4**		**95,000 - 99,999**	1		**1**	
	5	**5**		**100,000 - 104,999**	2		**2**	
1		**1**		**105,000 - 109,999**	1	3	**4**	
2		**2**	**1**	**110,000 - 114,999**	1		**1**	
				115,000 - 119,999	1		**1**	
	1	**1**		**120,000 - 124,999**				
	1	**1**		**125,000 - 129,999**				
				130,000 - 134,999		1	**1**	
				135,000 - 139,999				
				140,000 - 144,999				
				145,000 - 149,999				
				150,000 - 154,999				
				155,000 - 159,999				
				160,000 - 164,999	1		**1**	**1**
				165,000 - 169,999				
				170,000 -174,999		1	**1**	**1**
229	**136**	**365**	**9**	**Total number above £50,000**	**249**	**193**	**442**	**5**

31.3 Exit Packages

The following table shows the number and value of exit packages included within the Comprehensive Income & Expenditure Statement.

In 2020/21 45 of the 54 exit packages related to schools and colleges and accounted for £290,000 of the total cost of £499,000. In 2019/20 77 of the 92 exit packages related to schools and colleges and accounted for £806,000 of the total cost of £983,000.

Bands for exit packages	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
	No.	No.	No.	No.	No.	No.	£000	£000
£0 - £20,000	33	30	45	18	78	48	510	207
£20,001 - £40,000	3	2	8	2	11	4	322	127
£40,001 - £60,000	1		1		2		88	
£60,001 - £80,000			1	1	1	1	63	60
£80,001 - £100,000								
£100,001 - £150,000				1		1		105
	37	**32**	**55**	**22**	**92**	**54**	**983**	**499**

32. Grant Income

Since March 2020 the Authority has received a number of grants to support the additional expenditure and loss of income because of COVID 19.

Where the grant is not-ringfenced and there are no conditions attached then the grant is included in taxation and non-specific grant income of the Comprehensive Income and Expenditure Statement (Note 13) and any unspent balance is carried forward in reserves to fund expenditure in 2021/22.

Where a grant has conditions attached (i.e. ring-fenced) then the income and expenditure are recorded in non-service element of net cost of services. Any unspent balance at 31 March 2021 is treated as grants received in advance in the balance sheet and not recognised as income in CIES.

The Authority has recognised the following COVID-19 grants in the Comprehensive Income and Expenditure Statement

2019/20 £000		2020/21 £000
	UK Government Revenue COVID 19 Grants:	
(22,516)	COVID-19 Local Authority Support Grant	(21,017)
0	COVID-19 Outbreak Management Grant	(18,512)
0	COVID-19 Sales Fees Charges Compensation	(3,333)
0	COVID-19 Test and Trace Grant	(2,618)
0	COVID-19 Clinically Extremely Vulnerable Support	(932)
0	COVID-19 Emergency Hardship Grant	(757)
0	COVID-19 Community Testing Grant	(235)
0	COVID-19 Wellbeing for Education Return	(128)
(22,516)	**Non ringfenced Government Grants**	**(47,532)**
0	COVID-19 Infection Control Grant	(19,713)
0	COVID-19 Rapid Testing Grant	(2,526)
0	COVID-19 Home to School Travel	(2,263)
0	COVID-19 Winter Grant Scheme	(1,894)
0	COVID-19 Bus Services Support Grant	(1,782)
0	COVID-19 Social Care Workforce Capacity Grant	(1,776)
0	COVID-19 Emergency Active Travel Fund	(424)
0	COVID-19 Adoption Support Grant	(198)
0	COVID-19 Travel Demand Management Grant	(68)
0	**Ringfenced Government Grants**	**(30,644)**
(22,516)		**(78,176)**

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

Credited to Taxation and Non Specific Grant Income

2019/20 £000		2020/21 £000
	UK Government Revenue Grants:	
(22,516)	COVID-19 Grants	(47,532)
(24,695)	Improved Better Care Fund	(28,271)
(6,108)	Adult Social Care Support Grant	(20,160)
(7,019)	Business Rates Reliefs and Multiplier Cap	(20,054)
(7,455)	Rural Service Delivery Grant	(7,455)
0	Council Tax Irrecoverable Loss Compensation Grant	(3,063)
(4,288)	Private Finance Initiative - Interest	(3,758)
(3,659)	New Homes Bonus	(3,526)
(2,622)	Independent Living Fund	(2,623)
(715)	School Improvement Grant	(690)
(533)	Local Service Support Grant	(676)
(537)	Revenue Support Grant	(546)
(3,576)	Adult Social Care Winter Pressures	0
(344)	BRRS Levy Account Surplus Grant	0
(175)	Brexit Contingency Planning Grant	0
(95)	Lead Local Authority Flood Relief	0
(48)	Other Government Grants below £50,000	(40)
(84,385)	**Non ringfenced Government Grants**	**(138,394)**
	Capital Grants and Contributions:	
(44,733)	Department for Transport - Local Transport Plan	(85,645)
0	Priority Schools Building Programme	(8,985)
(7,267)	Better Care Fund	(8,245)
(4,665)	Schools Capital Maintenance - DfE grant	(6,664)
0	MHCLG - Housing Infrastructure Fund (HIF)	(3,843)
(1,127)	Department for Transport - North Devon Link Road	(3,755)
(3,295)	Growth Deal One Grant - MHCLG / HotSW LEP grant	(2,991)
(5,573)	National Productivity Investment Fund (NPIF)	(1,524)
(1,839)	Department for Tranpsort - Slapton	(868)
(8,003)	Schools Basic Needs - DfE grant	(400)
(1,940)	Devolved Formula Capital - DfE grant	(324)
(12,421)	Other	(14,947)
(90,863)	**Capital Grants and Contributions**	**(138,191)**

Grant Income - Credited to Net Cost of Services

2019/20 £000		2020/21 £000
0	COVID-19 Grants	(30,644)
(865)	Active Devon	(1,074)
(3,349)	Adult and Community Learning	(3,319)
(356)	Areas of outstanding Natural Beauty	(366)
(1,098)	Asylum Seekers (HO)	(1,136)
(1,146)	Bus Services Operators Grant	(2,132)
0	Community Discharge Grant (DOH)	(250)
0	Coronavirus catch up premium	(1,934)
(268,587)	Dedicated Schools Grant	(272,268)
0	Furlough Claims (HMRC)	(407)
(512)	Local Reform Community Voices	(512)
(500)	Local Sustainable Transport Fund	(500)
(913)	Music Education Grant	(919)
(364)	Other Economy Government Grants	(456)
(3,187)	PE and Sports Grant (DfE)	(3,011)
(170)	Post-Adoption Support Fund (DfE)	(254)
(2,649)	Private Finance Initiative	(3,180)
(313)	Provision of Social Care in Prisons	(302)
(26,786)	Public Health	(28,631)
(11,751)	Pupil Premium	(11,168)
0	Schools Covid income loss recompense (DfE)	(749)
(502)	Secure Stairs (NHS England)	(399)
(688)	Syrian Refugees (home office)	(611)
(2,086)	Teachers Pay Grant	(2,286)
(4,132)	Teacher Pensions Grant	(6,858)
(2,277)	Troubled Families Programme	(3,401)
(5,383)	Universal Infant Free School Meals (DfE)	(5,370)
(455)	War Pensions Scheme Grant (DoH)	(429)
0	What Works 4 Children (DfE)	(280)
(1,759)	YPLA Post 16 Funding	(1,279)
(1,852)	Government Grants below £200,000	(1,734)
(341,680)	**Total UK Government Grants**	**(385,859)**
(775)	**Total EU Grants**	**(1,447)**
(1,918)	Exeter Diocesan Board PFI contribution	(1,931)
(3,426)	Contributions from other local authorities	(4,541)
(17,470)	Better Care Fund	(18,547)
0	Integrated Care Agreement	(15,000)
(3,724)	Other contributions to services	(4,198)
(26,538)	**Total Contributions from Other Sources**	**(44,217)**
(368,993)	**Total Grant Income Credited to Services**	**(431,523)**

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income within the Comprehensive Income and Expenditure Statement as they have conditions attached to them that may require the monies to be returned to the giver if the conditions are not met. In March 2020, the Government made early payments to the Authority for 2020/21 business rate relief and multiplier cap compensation of £7.9 million, which explains the higher balance at 31 March 2020 for revenue grants in advance. The balances at the year end are:

31 March 2020 £000		31 March 2021 £000
	Revenue Grants (Included within Revenue Grants Receipts in Advance - Long Term Liabilities):	
(6,482)	S106 Developer Contributions	**(6,603)**
	Revenue Grants (Included within Revenue Grants Receipts in Advance - Current Liabilities)	
(8,838)		**(1,603)**
	Capital Grants (Included within Capital Grants Receipts in Advance - Long Term Liabilities):	
(33,685)	S106 Developer Contributions	(36,386)
0	Department for Business, Energy and Industrial Strategy	(5,708)
(232)	Department for Transport - North Devon Link Road	(4,374)
(1,506)	Department for Transport	(4,118)
(1,404)	Schools Devolved Formula Capital	(2,109)
(1,977)	Special Provision Fund (SEN)	(1,777)
(218)	Growth Deal One Grant (MHCLG / HotSW LEP)	(1,545)
(4,044)	Other	(2,384)
(43,066)		**(58,401)**

32.1 Details of the deployment of DSG receivable

The Authority'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 ringfenced 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 2017. The Schools Budget includes elements for a range of educational services provided on an authority-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 2019/20 are as follows:

2019/20 Central Expenditure £000	2019/20 ISB £000	2019/20 Total £000		2020/21 Central Expenditure £000	2020/21 ISB £000	2020/21 Total £000
		511,684	Final DSG before Academy recoupment			539,888
		(243,167)	Academy figure recouped			(267,611)
		268,517	Total DSG after Academy recoupment			272,277
		341	Brought forward from previous year			(16,145)
90,913	177,945	268,858	Agreed initial budgeted distribution	65,239	190,893	256,132
(40,521)	40,591	70	In year adjustments	14,525	(14,534)	(9)
50,392	218,536	268,928	Final budgeted distribution	79,764	176,359	256,123
(66,537)		(66,537)	Less Actual central expenditure	(123,320)		(123,320)
	(218,536)	(218,536)	Less Actual ISB deployed to schools		(176,359)	(176,359)
(16,145)	**0**	**(16,145)**	**Carry forward agreed in advance**	**(43,556)**	**0**	**(43,556)**

33. Capital Expenditure and Capital Financing

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

Summary of Capital Expenditure and Sources of Finance

2019/20 £000		2020/21 £000
714,217	**Opening Capital Financing Requirement**	701,391
714,217		701,391
	Capital Investment	
98,985	Property, Plant and Equipment	119,059
0	Heritage Assets	0
1,470	Intangible Assets	1,151
14,674	Revenue Expenditure Funded from Capital under Statute	13,589
	Sources of Finance	
(6,720)	Capital Receipts	(9,725)
(106,143)	Government Grants and other contributions	(112,891)
	Sums set aside from revenue:	
(807)	Direct revenue contributions	(922)
(97)	External contribution - debt repayments	(69)
(14,432)	Statutory provision for the financing of capital investment	(14,257)
	Capital provision	
5,247	Creation of Long Term Provision	5,003
(5,003)	Provision remaining at year end	(4,766)
701,391	**Closing Capital Financing Requirement**	**697,563**
	Explanation of Movements in Year	
3,338	Increase in underlying need to Borrow (unsupported by government financial assistance)	11,781
244	Decrease in Capital Provision	237
(2,048)	(Reduction)/ Increase in PFI liability	(2,244)
(14,359)	Increase in the provision for repayment of debt	(13,602)
(12,825)	**Increase/(decrease) in Capital Financing Requirement**	**(3,828)**

34. Partnerships and Related Party Transactions

The Council is required to disclose material transactions with related parties, bodies and 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.

Central Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework, within which the Council operates, provides a significant proportion of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties. Details of transactions with government departments are set out in Note 32.

Members of the Council have direct control over the Council's financial and operating policies. The Council's constitution requires members to declare their interests in related parties in a register of interests. In addition, members are asked to declare separately any transactions with the Authority. Transactions which require disclosure are in respect of the following.

In 2019/20 the Council lent £1.1 million to the Exeter Royal Academy for Deaf Education of which £800,000 was repaid on 29th May 2020 and the remaining £300,000 was repaid on 30th September 2020. A member of the Council is also a trustee of the Academy.

A member is a director of Visit Devon, which received grants of £34,000 from the Authority; a director of Topsham Community Association which received just over £1,000 funding from the locality budget. This member is also a director of the Estuary Community Hub Community Interest Company and linked to this organisation is the Estuary League of Friends of which this member is vice-chair. Estuary League of friends received just under £7,000 in grants and £15,000 in payment for services.

A member's partner is a foster carer and has received payments of £41,000 in 2020/21 (2019/20 £61,000).

A member is a trustee of the Devon Disability Collective and further details are explained in the section under Assisted Organisations.

A member was a non-executive director of Red One (the commercial trading arm of Devon and Somerset Fire and Rescue Service), which has received payments of just under £7,000 from the Council. The member has not received any direct payment from Red One.

A member belongs to the Newtown Community Association which received just under £4,000 from the County Council, of which just under £1,000 came from the locality budget (2019/20 £5,000 of which £3,000 came from the locality budget) and Exeter St James Forum and Community Trust which received just under £2,000 from the member's locality budget.

A member is the Chair of the Totnes Rural Area Youth Engagement Project which received just over £4,000 which included £2,000 from the member's locality budget in 2020/21.

These transactions were entered into in full compliance with the County Council's Financial Regulations and Code of Business Conduct.

Officers are bound by the Council's Code of Business Conduct which seeks to prevent related parties exerting undue influence over the Authority. Directors / Chief Officers are required to declare any transactions with the Authority. In 2020/21 there are no transactions that require disclosure.

34.1 Local Levies

The following levies were paid during the year:

2019/20 £000		2020/21 £000
604	Environment Agency	616
341	DSIFCA	348

All levies were due and paid during the year.

The Council's County Treasurer acts as the Chief Finance Officer for the Devon and Severn Inshore Fisheries and Conservation Authority (DSIFCA). The DSIFCA owed the Authority £55,000 at 31 March 2021 (£48,000 at 31 March 2020). The Council received payments of £19,000 (2019/20 £17,000).

34.2 Other public sector bodies

Devon County Council received income from the NHS Commissioning Board and NHS Devon CCG, of £123.352 million in 2020/21 (2019/20 £92.109 million) of which £70.931 million (2019/20 £19.627 million) is included in the Comprehensive Income and Expenditure Account. The income is primarily for funded nursing care payments, which are administered by the County Council on behalf of the combined organisations and therefore not included within the Comprehensive Income and Expenditure Statement, and other healthcare partnership agreements. The Authority made payments of £2.185 million (2019/20 £3.832 million) during the year to the CCG. At the year end the Authority was due £32.745 million (2019/20 £8.615 million) from the organisations combined and owed it £0.291 million (2019/20 £3.311 million).

The Council provides legal services and the Monitoring Officer function for Exmoor National Park Authority. A county council member of the Cabinet is also the Deputy Chairman of Exmoor National Park Authority.

The Council received payments from these bodies for finance and legal services provided as follows:

2019/20 £000		2020/21 £000
88	Dartmoor National Park	97
62	Exmoor National Park	66

The Council gave grants to Dartmoor National Park Authority of £69,000 (2019/20 £47,000) principally for the maintenance of footpaths, bridleways and footbridges and received grants of £5,000 (2019/20 £5,000) mainly for the support of public rights of way.

The Council also made payments to Exmoor of £60,000 (2019/20 £23,000) mainly for public rights of way.

34.3 Transaction with the Pension Fund

The Council charged the Fund £3.001 million (2019/20 £3.027 million) for expenses incurred in administering the fund, of which £2.786 million was due to the Council at 31 March 2021 (31 March 2020 £2.819 million).
Devon County Council is one of ten administering authorities which each owns 10% of Brunel Pension Partnership Limited (Company Number 10429110). The investments in this company are made from the Devon Pension Fund. The County Council has not transacted with Brunel.

34.4 Assisted Organisations

The Council has provided significant contributions to the following bodies:

- District Councils in Devon have received a total of £64,000 (2019/20 £143,000) conditional on long term agreements for the daytime use of pools and dual use sports halls by schools, without charge.
- Citizens Advice Bureaux in Devon have received £670,000 (2019/20 £617,000) and the Council for Voluntary Services £29,000 (2019/20 - £42,000) from the Council conditional on long term agreements for the provision of services.
- The Community Council of Devon has received grants of £311,000 (2019/20 £99,000) and Healthwatch £6,000 (2019/20 - £371,000), conditional on long term agreements for the provision of services.
- Local Council Tax Schemes have received assistance valued at £49,000 (2019/20 £71,000).
- Devon Disability Collective – is a Social Enterprise that provides quality employment and training to people with disabilities and those furthest from the labour market. In 2020/21 Devon Disability Collective received £4,000 from the County Council (2019/20 £9,000). The Devon Disability Collective has a loan with the County Council. At 31 March 2021 the outstanding balance is £87,000, of which £75,000 is due after 12 months.

Devon County Council has the following transactions with these organisations:

		2019/20 £000	2020/21 £000
The South West Heritage Trust – an independent charitable trust - took over management of Devon Heritage Services on 1 November, 2014. Though the Heritage Trust operates as an independent organisation, it receives support from Somerset and Devon County Councils.	Receipts	(1)	0
	Payments	413	452
	Debtors	0	0
	Creditors	0	0

		2019/20 £000	2020/21 £000
Libraries Unlimited – an independent charitable trust - took over management of Devon Library Services on 1 April 2016. Though Libraries Unlimited operates as an independent organisation, it has a contract with Devon County Council who also provides a pensions guarantee.	Receipts	(506)	(185)
	Payments	7,324	7,303
	Debtors	46	3
	Creditors	(217)	(1)

		2019/20 £000	2020/21 £000
DYS Space Ltd – was established from 1 February 2017 to manage youth services in Devon. The existing staff team from Devon Youth Services set up a Public Sector Mutual organisation, and secured a contract from Devon County Council which has been extended until March 2025.	Receipts	(69)	(52)
	Payments	1,938	2,119
	Debtors	12	14
	Creditors	(48)	(551)

34.5 Partnerships

There are a number of partnerships in which the County Council participates. The most significant of these is the Better Care Fund, which began in 2015/16. Devon County Council has joined with its NHS partner, NHS Devon Clinical Commissioning Group (CCG) in the provision of services to support reduced hospital admissions and length of stay. NHS Devon CCG was formed on 1st April 2019 from the merger of the two previous CCGs - North, East West (NEW) Devon and South Devon and Torbay. Joint arrangements of this type are permitted under section 75 of the National Health Service Act 2006.

The aims and benefits of the Partners in entering into this Agreement are to:

- improve the quality and efficiency of the Services;
- meet the National Conditions and Local Objectives;
- make more effective use of resources through the establishment and maintenance of a pooled fund for expenditure on the Services;
- ensure that people in Devon will be independent, resilient and self-caring so fewer people reach crisis point; and
- for those that need it, to develop an integrated health and care system that enables people to proactively manage their own care with the support of their family, community and the right professionals at the right time in a properly joined up system.

In a crisis, people in Devon will know exactly what to do, who to contact, receive a rapid response and have their needs met in a completely organised, systematic and careful way.

The following table shows the contributions of Devon County Council and its NHS partner and the key areas of expenditure.

Better Care Fund 2020/21	NHS Devon CCG 2020/21	Devon County Council Revenue 2020/21	Devon County Council Capital 2020/21	TOTAL 2020/21
Income	£000	£000	£000	£000
Contributions	(58,091)	(32,425)	(8,245)	(98,761)
add prior year carry forwards	0	(1,740)	0	(1,740)
less carry forwards / refunds due		7,279		7,279
Income	**(58,091)**	**(26,886)**	**(8,245)**	**(93,222)**
Expenditure	£000	£000	£000	£000
Disabled Facilities Grants			8,245	8,245
Improved Better Care Fund Grant		23,163		23,163
Enabling Schemes	2,580	27		2,607
Enhanced Support for Carers / Care Act Duties	2,778	1,752		4,530
Enhanced Community Equipment Service	5,037	1,854		6,891
Frailty and Community Care Services, Support to Social Care, Social Care Reablement	39,274	(67)		39,207
Rapid Response Services	3,008	295		3,303
Step Up Step Down Care Services	3,588	(181)		3,407
Hospital discharge services	967	40		1,007
Dementia Diagnosis	445	(7)		438
Single Point Co-ordination	414	10		424
Total Expenditure	**58,091**	**26,886**	**8,245**	**93,222**

Better Care Fund 2019/20	NHS Devon CCG 2019/20	Devon County Council Revenue 2019/20	Devon County Council Capital 2019/20	TOTAL 2019/20
Income	£000	£000	£000	£000
Contributions	(55,233)	(32,424)	(7,267)	(94,924)
add prior year carry forwards	0	(6,968)	(82)	(7,050)
less carry forwards / refunds due		1,740		1,740
Income	**(55,233)**	**(37,652)**	**(7,349)**	**(100,234)**
Expenditure	£000	£000	£000	£000
Disabled Facilities Grants			7,349	7,349
Improved Better Care Fund Grant		33,522		33,522
Enabling Schemes	2,580	281		2,861
Enhanced Carers Offer/ Care Implementation Act	2,774	1,639		4,413
Enhanced Community Equipment Service	5,037	2,143		7,180
Frailty and Community Care Services, Support to Social Services	35,816	(231)		35,585
Rapid Response Services	3,008	295		3,303
Step Up Step Down Care Services	3,588	(64)		3,524
Hospital discharge services	967	99		1,066
Other	1,463	(32)		1,431
Total Expenditure	**55,233**	**37,652**	**7,349**	**100,234**

At 31 March 2021 the value of community equipment held as stock amounts to £1.495 million (£1.31 million 31 March 2020) of which the County Council's share included in the balance sheet is £748,000. (£655,000 at 31 March 2020).

Reference - see below		2019/20 Contribution - other partners £000	2019/20 Council's Contribution £000	2019/20 Total Expenditure £000	2020/21 Contribution - other partners £000	2020/21 Council's Contribution £000	2020/21 Total Expenditure £000
	Health - Section 75 partnerships						
a	Integrated Health and Social Care	(898)	(1,190)	2,088	(918)	(1,125)	2,043
b	Mental Health Services - Devon Partnership NHS Trust	0	(1,379)	1,379	0	(1,432)	1,432
c	NHS Devon CCG - Children's Services	(10,241)	(3,350)	13,591	(9,826)	(3,840)	13,666
	Other partnerships						
d	Devon Audit Partnership	(1,365)	(347)	1,712	(1,336)	(389)	1,725
e	South West Devon Waste Partnership - all transactions	(11,585)	(5,214)	16,799	(12,458)	(5,803)	18,261
f	Youth Offending Team	(995)	(299)	1,294	(991)	(299)	1,290
g	Devon Children and Families Partnership (DCFP)	(230)	(132)	362	(212)	(119)	331
h	Adopt South West	(2,976)	(1,751)	4,727	(3,023)	(1,778)	4,801

a) The integrated health and social care management structure is a joint arrangement under the terms of section 75 of the Health Act 2006, but is not a pooled budget. Staff are employed either by Devon County Council, NHS Devon CCG, NHS Torbay & South Devon Foundation Trust, North Devon Healthcare Trust, the RD&E NHS Foundation Trust, and Livewell CIC. Agreed proportions of the cost of these staff are shared with other partners to the arrangements.

b) Devon Partnership NHS Trust manages the provision of services for people with mental health needs on behalf of the County Council and NHS Devon Clinical Commissioning Group.

c) The Children's S75 Partnership agreement with NHS Devon CCG relates to the commissioning of Community Health and Care services for children in Devon. This is a pooled arrangement with the CCG which commenced 1st April 2019 and it covers the services of Occupational Therapy and Child and Adolescent Mental Health Services (CAMHS), Short Breaks and Family Based Carer's Breaks.

d) Devon Audit Partnership is a Joint Committee formed by Devon County Council, Plymouth City Council and Torbay Council. The partnership provides an Internal Audit service to the three Councils and other local government clients across Devon.

e) The South West Devon Waste Partnership is an equal partnership between Devon County Council, Plymouth City Council and Torbay Council which has established arrangements to convert waste into energy. The disclosure now includes all transactions even if they are recorded in the ledgers of the partner authorities. Previously the note had included only the transactions recorded in County Council's ledger and the 2019/20 figures have been restated.

f) The Youth Offending Team is a statutory partnership funded by contributions from the County Council, Devon & Cornwall Police & Crime Commissioner, NHS Devon CCG, NHS Torbay & South Devon Foundation Trust, and the National Probation Service, as well as a combination of government grants. The initiative provides programmes to reduce youth re offending and youth crime prevention programmes to reduce first time offending.

g) The Devon Children and Families Partnership constitute Devon's local arrangements for the safeguarding and promoting the welfare of children. The overall aim of the partnership is to improve outcomes for children and their families by co-ordinating and scrutinising the effectiveness of services being delivered to children and young people across Devon. This partnership is funded by contributions from the County Council, Devon & Cornwall Police & Crime Commissioner, National Probation Service, NHS Devon CCG, NHS Torbay & South Devon Foundation Trust, NHS Acute Healthcare Trusts, Devon Partnership Trust and Careers South West Ltd.

h) Adopt South West (a Regional Adoption 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 value for money service and deliver it consistently.

34.6 Associated Companies and Joint Ventures

Devon County Council has the following transactions with these organisations:

		2019/20	2020/21
Skypark Development Partnership LLP The Council has a 50% interest in this limited liability partnership to develop a business park which will offer high quality employment opportunities. St. Modwen Developments Ltd holds the other 50% interest.		**£000**	**£000**
	Receipts	0	0
	Payments	0	0
	Debtor Loans	1,401	1,401
	Creditors	0	0

		2019/20	2020/21
Exeter Science Park. The Council holds a 46.02% interest in this company which was set up on 24th February 2009. The Science Park Company operates under 'de minimis' State Aid regulations with the intention of promoting Exeter Science Park. The other partners are East Devon District Council, Exeter City Council and the University of Exeter.		**£000**	**£000**
	Receipts	(906)	(606)
	Payments	554	474
	Debtors	0	67
	Creditors	0	0

		2019/20	2020/21
CSW Ltd (formerly **Careers South West)** - a local authority controlled company which manages Devon Education Business Partnership. The members of the Company, are Devon County Council, Cornwall Council, Torbay Council and Plymouth City Council. Devon County Council has guaranteed 45% of any pension liability in the event that the company is wound up.		**£000**	**£000**
	Receipts	(5)	(1)
	Payments	1,735	1,622
	Debtors	0	32
	Creditors	0	(113)

Associated Companies and Joint Ventures (continued)

NPS South West - The Council holds 20% equity and appoints two of the six members of the Board. The Council's 50% share of profits is used to discount the payments it makes to the company for property management services provided to it. The ultimate parent is Norse Group Limited which is 100% owned by Norfolk County Council.

	2019/20	2020/21
	£000	£000
Receipts	(70)	(1)
Payments	4,823	4,492
Debtors	125	208
Creditors	(437)	(307)

Devon Norse. The Council holds equity of 20%. The company was set up on 7th March 2011 to provide cleaning and catering services, and was expanded on 1 April 2014 to include facilities management for all corporate premises. The ultimate parent is Norse Group Limited which is 100% owned by Norfolk County Council.

	2019/20	2020/21
	£000	£000
Receipts	(266)	(234)
Payments	7,095	6,217
Debtors	230	318
Creditors	(254)	(112)

Babcock LDP LLP is a joint venture between Devon County Council and Babcock Training Ltd. Devon CC holds 19.9%. Education and inclusion services previously delivered by the Learning Development Partnership as a Council service have been transferred to Babcock LDP LLP.

	2019/20	2020/21
	£000	£000
Receipts	(281)	(303)
Payments	13,359	12,132
Debtors	294	23
Creditors	(202)	(552)

South West Grid for Learning Trust. The County Council is one of 15 member authorities based in the South West. The principal activity of the Company is to provide education information technology support services. A guarantee for pension liabilities is disclosed at Note 38.

	2019/20	2020/21
	£000	£000
Receipts	(1)	0
Payments	451	372
Debtors	0	0
Creditors	0	0

Exeter Skypark - dormant and has never been used.

35. Private Finance Initiative and Similar Contracts

Exeter Schools - PFI Scheme

2020/21 was the sixteenth year of a 28 year PFI contract for the construction, maintenance and operation of 5 secondary and 1 primary schools in the city of Exeter. The contract confers rights to the Governing Bodies of the schools for 195 School Days from 8am to 5.30pm. During these hours and on these days the schools should be fully functional. In addition, staff should be able to gain access to all areas of the school from 7.30am to 6.00 pm.

Additionally, each school is entitled to additional school periods defined within the Project Agreement which were agreed prior to commencement. These vary between individual schools.

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 to 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 Authority in a condition complying with the Residual Life Requirements, for nil consideration. The Authority only has rights to terminate the contract if it compensates the contractor in full for the Senior Debt, subordinate debt and any other costs incurred.

Value of Assets held under PFI contracts

2019/20 £000		2020/21 £000
	Property Plant & Equipment	
6,215	Opening Net Book Value	6,423
34	Additions	
(439)	Depreciation	(510)
613	Revaluations	524
	Disposals	
6,423	**Closing Net Book Value**	**6,437**

The PFI liability is carried on the Balance Sheet at amortised cost. The fair value is assessed by calculating the present value of the cash flows over the remaining term of the agreement. This has been calculated based on the Public Works Loan Board (PWLB) new borrowing rate in force on 31st March 2020 and 31st March 2021.

The fair value of the liability is higher than the amount that is carried in the balance sheet. This is due to current loan rates being lower than the interest rate implied within the PFI contract.

5 of the 6 Schools have transferred to Academy status since commencement of the contract, therefore the asset value for those Schools have been removed from the balance sheet as required under accounting standards. The liability for the PFI contract remains with the County, however there is no additional financial burden for the County.

Value of Liabilities held under PFI contracts

2019/20 £000		2020/21 £000
(55,301)	Opening Liability	(51,926)
3,375	Repayment of Liability	3,929
(51,926)	**Closing Liability**	**(47,997)**
(75,886)	**Fair Value**	**(71,273)**

Payments due to be made under the PFI Contract for Liabilities held on Balance Sheet include a service element for the school's premises running costs and capital financing payments that relate to the reduction of liability and an amount for interest. Other cash charges include the ongoing costs of maintaining the assets and contingent rents. The figures shown in the table below do not include any adjustments for inflation.

Payments to be made under the PFI Contract for Liabilities held on Balance Sheet

	Repayments of Liability	Interest Charges	Service Charges	Other Cash Charges	Total Payments
	£000	£000	£000	£000	£000
Within 1 year	3,987	3,951	3,255	1,597	**12,790**
Within 2 - 5 years	15,637	12,375	13,978	8,152	**50,142**
Within 6 - 10 years	16,729	8,687	19,861	15,266	**60,543**
Within 11 - 15 years	11,643	2,043	13,325	7,445	**34,456**
	47,996	**27,056**	**50,419**	**32,460**	**157,931**

Payments under the contract commenced in 2005/06. For both the on balance sheet schools and the off balance sheet schools, the total payment under the contract amounts to £349 million. Set against this is a grant of £248 million that will be received from central government. Of the balance, £78 million will be met from delegated school budgets and the remainder (£23 million) will be financed by the County Council. In 2020/21, Devon County Council's contribution was £1.2 million.

The un-discharged net asset to Devon County Council under the contract is £1.6 million of which the maximum liability in any year is £0.9 million. This is based upon an assumed inflation rate of 2.5%. If inflation is 1% greater than this then Devon County Council's un-discharged net asset will decrease by £1.4 million to £175,000.

Exeter Energy from Waste

The Authority entered into an agreement in October 2011 with an operator to finance, design, construct and operate an Energy from waste (EFW) plant to treat and render inert waste that would otherwise be disposed of in landfill sites. Construction of the EFW plant was completed in July 2014.

The operator receives payments from the Authority via a 'gate fee' per tonne of waste treated at the EFW plant and fixed at an assumed capacity of 60,000 tonnes of waste per annum. The Authority may make deductions from the EFW gate fee if the operator fails to accept waste for treatment or fails to perform services to the required standards. The entire EFW gate fee is indexed according to changes in the Retail Prices Index.

Accounting Standards for this service concession require the Authority to record the EFW's costs of construction as property, plant and equipment.

Value of Assets held under Service Concession contracts

2019/20 £000		2020/21 £000
	Property Plant & Equipment	
48,952	Opening Net Book Value	50,443
	Initial recognition	
	Additions	
(1,182)	Depreciation	(2,008)
2,673	Revaluations	(943)
	Disposals	
50,443	**Closing Net Book Value**	**47,492**

In addition to recognising the asset, the Authority also recognises the liability for funding. The liability consists of a gate fee element from which the Authority funds 93% from the revenue budget, with 7% assumed to be funded from external third party revenues. The latter is shown in the Authority's accounts as a deferred credit.

Value of Liabilities held under Service Concession contracts

2019/20 £000		2020/21 £000
(43,135)	Opening liability	(42,678)
	Initial recognition of EEFW liability	
457	Repayment of Liability	570
(42,678)	**Closing Liability**	**(42,108)**
(89,306)	**Fair Value**	**(90,535)**

Value of Deferred Credit held under Service Concession contracts

2019/20 £000		2020/21 £000
(2,692)	Opening deferred credit	(2,586)
106	Release of deferred income	106
(2,586)	**Closing Liability**	**(2,480)**

The Service Concession liability is carried on the Balance Sheet at amortised cost. The fair value is assessed by calculating the present value of the cash flows over the remaining term of the agreement. This has been calculated based on the Public Works Loan Board (PWLB) new borrowing rate in force on 31st March 2021.

The fair value of the liability is higher than the amount that is carried in the balance sheet. This is due to current loan rates being lower than the interest rate implied within the contract.
Payments due to be made under the Service Concession Contract for Liabilities held on Balance Sheet include a number of different elements within the gate fee. The Repayment of Liability covers the initial cost of developing the plant. The Interest Charge includes an assumed cost of capital and the element of the charge that is dependent on future cost of living increases to capital financing. Lastly, the Service charge covers the cost of servicing and maintaining the plant. The figures shown in the following table assume an annual inflation rate of 1.5%.

Payments to be made under the Service Concession Contract for Liabilities held on Balance Sheet

	Repayments of Liability	Interest Charges	Service Charges	Total Payments
	£000	**£000**	**£000**	**£000**
Within 1 year	473	4,942	3,829	**9,244**
Within 2 - 5 years	2,535	20,646	16,167	**39,348**
Within 6 - 10 years	4,714	27,407	22,857	**54,978**
Within 11 - 15 years	7,945	28,790	25,467	**62,202**
Within 16 - 20 years	13,392	28,915	28,069	**70,376**
Within 21 - 25 years	13,049	17,674	20,069	**50,792**
	42,108	**128,374**	**116,458**	**286,940**

Payments under the contract commenced in 2014/15. Based upon an assumed inflation rate of 1.5% the total payments under the contract will amount to £343 million. This is the total amount that will be met by the Authority via a 'gate-fee' over the life of the agreement.

The un-discharged liability to the Authority under the contract is just under £286.9 million of which the maximum in any year is £16 million although that is not until 2043/44. In 2020/21, the Authority paid £9.0 million under the contract.

If inflation is greater than 2.5% then the un-discharged liability and maximum payment in any year will increase. If inflation is 1% greater than this then the undischarged liability will increase by £40.0 million to £326.9 million.

Plymouth Energy from Waste

The Authority entered into a Waste Partnership with Plymouth City Council & Torbay Council in 2008 - South West Devon Waste Partnership. The outcome of the project is a waste disposal solution for South West Devon. The three Council's jointly signed a 25 year contract for waste disposal with German Company MVV Umwelt in March 2011.

MVV has built an energy from waste facility on leased Ministry of Defence land at Camels Head North Yard in Devonport Dockyard, Plymouth. The Plant was fully operational in September 2015 when the plant received waste from the three authorities in return for contract payments linked to tonnages of waste delivered.

The Authority is taking approximately 60,000 tonnes of waste per year to the facility with the facility designed to process approximately 250,000 tonnes of residual waste per year. It uses this waste to produce approximately 22.5 MegaWatts of electricity and 23.3 MegaWatts of heat, which will be primarily used by the adjacent Naval Dockyard, with the remainder being exported to the national grid.

Accounting Standards for this PFI require the Authority to record the Authority's share of EFW’s costs of construction as property, plant and equipment.

Value of Assets held under PFI contract

2019/20 £000		2020/21 £000
	Property Plant & Equipment	
69,282	Initial recognition	68,767
	Additions	
(3,388)	Depreciation	(3,497)
2,873	Revaluations	(508)
	Disposals	
68,767	**Closing Net Book Value**	**64,762**

In addition to recognising the asset, the Authority also recognises the liability for funding. The liability consists of a gate fee element, which the Authority funds partly from the revenue budget, and partly from revenues from third parties (including the sale of heat and electricity). The latter is shown in the Authority's accounts as a deferred credit.

Value of Deferred Credit held under PFI

2019/20 £000		2020/21 £000
(36,503)	Opening deferred credit	(34,765)
1,738	Release of deferred income	1,738
(34,765)	**Closing Liability**	**(33,027)**

The PFI liability is carried on the balance sheet at amortised cost. The fair value is assessed by calculating the present value of the cash flows over the remaining term of the agreement. This has been calculated based on the Public Works Loan Board (PWLB) new borrowing rate in force on 31st March 2021.

Value of Liabilities held under PFI contract

2019/20 £000		2020/21 £000
(25,002)	Initial recognition	(24,814)
188	Repayment of Liability	271
(24,814)	**Closing Liability**	**(24,543)**
(49,490)	**Fair Value**	**(49,691)**

The fair value of the liability is higher than the amount that is carried in the balance sheet. This is due to current loan rates being lower than the interest rate implied within the contract.

Payments due to be made under the PFI Contract for Liabilities held on balance sheet include a number of different elements within the gate fee. The Repayment of Liability covers the initial cost of developing the plant.

The Interest Charge includes an assumed cost of capital and the element of the charge that is dependent on future cost of living increases to capital financing. Lastly, the Service charge covers the cost of servicing and maintaining the plant.

The figures shown in the table below assume an annual inflation rate of 2.5%.

Payments to be made under the Service Concession Contract for Liabilities held on Balance Sheet

	Repayments of Liability	Net Interest Charges / Contingent Rental	Service Charges	Total Payments
	£000	£000	£000	£000
Within 1 year	178	2,306	3,219	**5,703**
Within 2 - 5 years	2,202	8,506	12,634	**23,342**
Within 6 - 10 years	3,986	8,030	18,292	**30,308**
Within 11 - 15 years	7,898	3,648	20,624	**32,170**
Within 16 - 20 years	10,280	(1,300)	16,158	**25,138**
	24,544	**21,190**	**70,927**	**116,661**

Payments under the contract commenced in 2015/16. Based upon an assumed inflation rate of 2.5% the total payments under the contract will amount to £148 million. This is the total amount that will be met by the Authority via a 'gate-fee' over the life of the agreement.

The un-discharged liability to the Authority under the contract is £116.6 million of which the maximum in any year is £6.9 million although that is not until 2038/39. In 2020/21, the Authority paid £5.6 million under the contract.

If inflation is greater than 2.5% then the un-discharged liability and maximum payment in any year will increase. If inflation is 1% greater than this then the undischarged liability will increase by £12.3 million to £128.9 million.

36. Leases and Contract Hire

Finance leases (Council as Lessor)

Land and buildings: The Council has 93 assets that are leased to tenants that meet the definition of a finance lease. The present value at 31 March 2021 of the rental payments due to the Council is £3.143 million. The lease debtor is not included within the balance sheet as the sum is not material. The annual lease income is accounted for within the comprehensive income and expenditure statement as it falls due.

Finance leases (Council as Lessee)

Land and buildings: The Council has 22 assets that are held on finance leases. The Council's interest in the assets is included within non-current assets on the balance sheet. The present value of lease payments to be made over the term is estimated to be £1.622 million. The lease liability is not included within the balance sheet as the sum is not material. The annual lease payments are accounted for within the comprehensive income and expenditure statement as they fall due.

Operating leases (Council as Lessee)

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

2019/20	Property £000	Equipment £000	Contract Hire £000	**Total £000**
Not later than 1 year	1,580	373	4	**1,957**
Later than 1 year but not later than 5 years	4,433	507	0	**4,940**
Later than 5 years	3,604	1	0	**3,605**
	9,617	**881**	**4**	**10,502**

2020/21	Property £000	Equipment £000	Contract Hire £000	**Total £000**
Not later than 1 year	1,606	408	0	**2,014**
Later than 1 year but not later than 5 years	3,984	580	0	**4,564**
Later than 5 years	4,992	1	0	**4,993**
	10,582	**989**	**0**	**11,571**

The expenditure charged to cost of services in the comprehensive income and expenditure statement was:

2019/20	Property £000	Equipment £000	Contract Hire £000	**Total £000**
Minimum lease payments	1,580	396	28	**2,004**
	1,580	**396**	**28**	**2,004**

2020/21	Property £000	Equipment £000	Contract Hire £000	**Total £000**
Minimum lease payments	1,606	323	0	**1,929**
	1,606	**323**	**0**	**1,929**

Operating leases (Council as Lessor)

The rental received for operating property leased to third parties for the year is £1.658 million of which £1.046 million relates to smallholdings. The gross value of smallholdings at 31 March 2021 is £15.140 million. Property leases are often for parts of assets for which individual valuations are not maintained and therefore an exact valuation is not provided.

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

2019/20 £000		**2020/21** £000
2,279	Not later than 1 year	2,349
5,987	Later than 1 year but not later than 5 years	5,987
3,368	Later than 5 years	3,476
11,634		**11,812**

The income receivable in Cost of Services in the Comprehensive Income and Expenditure Statement was:

2019/20 £000		**2020/21** £000
2,279	Minimum lease payments	2,349
2,279		**2,349**

37. Pensions

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

The County Council participates in three different pension schemes:

- The Local Government Pension Scheme;
- The Teachers Pension Scheme; and
- The NHS Pensions scheme

Unfunded Benefits

Unfunded Benefits are a defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities and cash has to be generated to meet actual pension payments as they eventually fall due.

37.1 Defined Benefit Pensions Schemes

The Local Government Pension Scheme (LGPS), administered locally by Devon County Council, is a funded defined benefit final salary scheme with its benefits defined and set in law, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

The LGPS is contracted out of the State Second Pension Scheme (S2P) and must, in general, provide benefits at least as good as most members would have received had they remained in S2P. The Pensions Act 2014 introduces a new State Pension for people reaching State Pension age on or after 6 April 2017. The new scheme will replace the existing basic and additional State Pension and end contracting-out and the National Insurance rebate.

The LGPS provides significant retirement and death benefits to its members which include the following:

- A guaranteed pension calculated as 1/60th of the member's final salary multiplied by the amount of service between April 2008 and March 2014
- A guaranteed pension calculated as 1/80th of the member's final salary multiplied by the amount of service up to April 2008
- A Tax free lump sum upon retirement calculated using the formula 3/80ths of the member's final salary multiplied by the amount of service up to April 2008. Options are available to increase the lump sum
- Ability to increase benefits by paying additional voluntary contributions
- An Ill health pension payable from any age
- Immediate unreduced pension on redundancy after the age of 55
- Death in Service lump sum of salary multiplied by 3

- Widow’s/widower’s/civil partner’s/co habiting partner pension payable for life
- Children’s pension
- Benefits rise in line with inflation

The Local Government Pension Regulations 2013 commenced on 1 April 2014 for all future LGPS membership.

Some of the main provisions of LGPS 2014 are as follows:

- A Career Average Revalued Earnings (CARE) Scheme revalued in line with CPI
- The Accrual rate will be 1/49th
- Retirement age linked to State Pension Age
- A 50/50 option where members can elect to pay half the contributions for half the pension.
- Benefits for service prior to 1st April 2014 are protected and keep the final salary link.

The Pension Liability does not represent an immediate call on the Authority's reserves and is a snap-shot valuation in time based on assumptions. The true value of the deficit is assessed on a triennial basis with contribution rates set to recover the balance over the longer-term.

Page 143 Pension Fund Accounts provides more information on the regulatory framework of the LGPS and the Authority’s role as an Administrating Authority.

Transactions relating to Retirement Benefits

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

Local Government Pension Scheme and Unfunded Benefit Arrangements - Liabilities

Comprehensive Income and Expenditure Statement	2019/20 £000	2020/21 £000
Cost of Services:		
Service cost comprising:		
Current service cost	64,804	64,470
Past service costs, including curtailments	14,010	61
(Gain)/loss from settlements	(4,333)	(1,733)
Pre 01/04/98 unfunded benefits actuarial (gains)/losses	69	6,667
Financing and Investment Income and Expenditure:		
Net interest expense	24,552	23,478
Administration expense	961	931
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	**100,063**	**93,874**
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement:		
Remeasurement of the net defined benefit liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	135,821	(284,489)
Actuarial (gain) and loss arising on changes in demographic assumptions	(36,631)	(25,658)
Actuarial (gain) and loss arising on changes in financial assumptions	(213,888)	571,301
Experience loss/(gain) on defined benefit obligation	69,138	(25,021)
Other actuarial (gain)/loss	(5,778)	0
Remeasurement of the net defined benefit liability	**(51,338)**	**236,133**
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	**48,725**	**330,007**
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code (Note 8)	**100,063**	**93,874**

	Funded Liabilities		Unfunded Liabilities		Total Liabilities	
	2019/20	**2020/21**	**2019/20**	**2020/21**	**2019/20**	**2020/21**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Actual amount charged against the General Fund Balance for pensions in the year:						
Employers contributions payable to scheme	39,960	40,529	0	0	39,960	40,529
Retirement benefits payable to pensioners	0	0	7,786	7,605	7,786	7,605
Contribution to pre 01/04/98 unfunded benefits	0	0	(2,247)	(2,193)	(2,247)	(2,193)
	39,960	**40,529**	**5,539**	**5,412**	**45,499**	**45,941**

The estimated duration of the liabilities is 19 years.

The capitalised cost of curtailments arising as a result of the payment of unreduced pensions to former employees on early retirement to the Authority is £0.061 million (£0.119 million 2019/20).

As a result of some members transferring to/from another employer over the year liabilities have been settled at a cost different to the IAS19 reserve. The capitalised gain of this settlement is £1.733 million (£4.333 million gain 2019/20).

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plans is as follows:

	Local Government Pension Scheme		Unfunded Liabilities		Total	
	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000
Present value of the defined benefit obligation	(2,166,179)	(2,731,473)	(101,719)	(108,700)	(2,267,898)	(2,840,173)
Fair value of plan assets	1,217,451	1,536,162			1,217,451	1,536,162
Net liability arising from defined benefit obligation	**(948,728)**	**(1,195,311)**	**(101,719)**	**(108,700)**	**(1,050,447)**	**(1,304,011)**

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

Local Government Pension Scheme and Unfunded Benefit Arrangements	2019/20 £000	2020/21 £000
Opening fair value of scheme assets	1,331,667	1,217,451
Interest income	31,779	29,012
Administration Expenses	(961)	(931)
Remeasurement gain/(loss):		
The return on plan assets, excluding the amount included in the net interest expense	(135,821)	284,489
Other Actuarial gains/(losses)	5,778	0
Employer contributions	47,746	69,776
Contributions by scheme participants	12,443	12,635
Settlement prices received/paid	(2,581)	(902)
Benefits paid	(72,599)	(75,368)
Total Assets	**1,217,451**	**1,536,162**

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

Local Government Pension Scheme and Unfunded Benefits - Liabilities	2019/20 £000	2020/21 £000
Opening balance	(2,381,204)	(2,267,898)
Current Service Cost	(64,804)	(64,470)
Interest Cost	(56,331)	(52,490)
Contributions from scheme participants	(12,443)	(12,635)
Remeasurement gains/(losses):		
Actuarial gains and losses arising on changes in demographic assumptions	36,631	25,658
Actuarial gains and losses arising on changes in financial assumptions	213,888	(571,300)
Experience (loss)/gains on defined benefit obligation	(69,138)	25,021
Past service costs, including curtailments	(14,010)	(61)
Liabilities assumed/(extinguished) on settlements	6,914	2,635
Benefits paid	72,599	75,368
Total (Liability)	**(2,267,898)**	**(2,840,172)**

Local Government Pension Scheme assets comprised:

Fair Value of Scheme Assets	31 March 2020 £000	%	31 March 2021 £000	%
Gilts	51,933	4%	52,246	3%
UK Equities	162,005	14%	170,132	12%
Overseas Equities	523,572	43%	793,321	52%
Property	114,688	9%	123,382	8%
Infrastructure	52,455	4%	62,244	4%
Target Return Portfolio	159,858	13%	144,616	9%
Cash	14,178	2%	15,842	1%
Other Bonds	63,787	5%	68,877	4%
Alternative assets	74,975	6%	105,502	7%
Net Asset / (Liability)	**1,217,451**	**100%**	**1,536,162**	**100%**

Fair Value of Scheme Assets

	31 March 2021			
	£000	**% Quoted**	**£000**	**% Unquoted**
Fixed interest government securities				
UK	1,536	0.1%	0	0.0%
Overseas	50,693	3.3%	0	0.0%
Corporate bonds				
UK	1,536	0.1%	0	0.0%
Overseas	35,332	2.3%	0	0.0%
Equities				
UK	170,515	11.1%	0	0.0%
Overseas	792,660	51.6%	0	0.0%
Property				
All	0	0.0%	122,893	8.0%
Others				
Absolute return portfolio	144,399	9.4%	0	0.0%
Private Equity	0	0.0%	0	0.0%
Infrastructure	0	0.0%	62,983	4.1%
Derivatives	1,536	0.1%	0	0.0%
Multi sector credit fund	104,459	6.8%	0	0.0%
Private Debt	0	0.0%	32,259	2.1%
Cash/Temporary investments	0	0.0%	15,363	1.0%
Net current assets				
Debtors	0	0.0%	1,536	0.1%
Creditors	0	0.0%	(1,536)	(0.1%)
	1,302,666	**84.8%**	**233,498**	**15.2%**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

Both the Local Government Pension Scheme and discretionary benefits liabilities have been estimated by Barnett Waddingham LLP, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31st March 2019.

The significant assumptions used by the actuary have been:

	Funded		Unfunded	
	2019/20	2020/21	2019/20	2020/21
Long-term expected rate of return on assets in the scheme:				
Discount rate	2.35%	2.00%		
Mortality Assumptions:				
Life Expectancy from age 65 (years) - Retiring today:				
Men	22.9	22.6	22.9	22.6
Women	24.1	23.9	24.1	23.9
Life Expectancy from age 65 (years) - Retiring in 20 years:				
Men	24.3	24.0	24.3	24.0
Women	25.5	25.4	25.5	25.4
Rate of Inflation RPI	2.70%	3.20%		
CPI	1.90%	2.80%		
Rate of increase in salaries	2.90%	3.80%		
Rate of increase in pensions	1.90%	2.80%		
Rate of discounting scheme liabilities	2.35%	2.00%		

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the previous table. The following sensitivity analyses have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. In practice changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e., on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	31 March 2021		
Sensitivity Analysis	**£000**	**£000**	**£000**
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	2,786,637	2,840,172	2,894,789
Projected service cost	97,382	100,704	104,130
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	2,844,548	2,840,172	2,835,830
Projected service cost	100,758	100,704	100,650
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	2,889,930	2,840,172	2,791,340
Projected service cost	104,095	100,704	97,412
Adjustment to mortality age rating assumption	+ 1 Year	0.0%	- 1 Year
Present value of total obligation	2,974,682	2,840,172	2,711,956
Projected service cost	105,109	100,704	96,465

Impact on the Authority’s Cash Flows

The most recent triennial valuation at 31st March 2019 set the authority's contributions for the subsequent 3 years beginning 2020/21. The objectives of the scheme are to keep employers’ contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% in no more than 19 years to March 2040. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed as at 31 March 2022.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The contributions due to be paid in the next financial year are estimated to be £30.588 million (£38.547 million paid in 2020/21).

37.2 Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers' Pensions Scheme

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE). The scheme provides teachers with specified benefits upon their retirement, and the Authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is a multi-employer defined benefit scheme. The scheme is unfunded, and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. Valuations of the notional fund are undertaken every four years.

The scheme has in excess of 3,700 participating employers and consequently the Authority is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2020/21, the authority paid £17.904 million (£18.307 million in 2019/20) to Teachers' Pensions in respect of teachers' retirement benefits, representing 23.68% of pensionable pay. There were no contributions remaining payable at the year-end. The contributions due to be paid in the next financial year are estimated to be £17.932 million.

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis.

The Authority is not liable to the scheme for any other entities' obligations under the plan.

NHS Pensions Scheme

Members of staff previously employed by the NHS, who transferred to the authority as part of public health services and activities, remained members of the NHS Pension Scheme, administered by the NHS Business Services Authority. The scheme provides members with specified benefits upon their retirement, and the Authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is an unfunded multi-employer defined benefit scheme and has in excess of 9,000 participating employers and consequently the Authority is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

From the 1st April 2019 NHS Pensions employer contribution rate increased from 14.3% (2018/19) to 20.6%, an increase of 6.3%, of which 2.5% is paid by the Authority and 3.8% is paid directly by the Department of Health and Social Care. The Authority paid £879,000 in 2020/21 (£1.11 million in 2019/20). Contributions of £66,000 are estimated to remain payable at 31 March (£79,000 in 2019/20). The employers' contributions for 2021/22 are estimated to be £883,000.

The Authority is not responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the NHS Pensions Scheme.

The Authority is not liable to the scheme for any other entities' obligations under the plan.

From 1 April 2015 there is a new NHS Pension Scheme, the 2015 Scheme. This scheme has different features to the existing 1995/2008 Scheme

Some of the main provisions of the 2015 Scheme are as follows:

A Career Average Revalued Earnings (CARE) Scheme revalued in line with CPI +1.5%;

Normal Pension Age (NPA) at which benefits can be claimed, without reduction for early payment, will be linked to the same age as a member is entitled to claim their state pension:

- No limit on the number of years pension that can build up; and
- Final pension calculated by adding together all of the revalued pension earned in each year of membership.

It was identified during the transfer process that 10 transferring staff were contributing members of a life assurance scheme provided by private life by Canada Life, an historic arrangement to offer contributing members an enhanced death in service cover to extend their NHS cover from a payment of two years' salary to an employee's surviving relative, to three years' salary. This was provided at a cost of £1 per contributing member supplemented by contributions by the NHS.

Devon County Council has kept the arrangement for existing members by underwriting the value of the benefit and funding the payment of the same terms of death in service benefit in the event of the death of one of the existing staff members who are part of the Canada Life Scheme. The liability would only be in respect of 7 members of Public Health staff as the others have ceases being an employee either leaving employment with the Authority or retiring.

37.3 Legal Judgement in respect of changes to Public Sector Pensions

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

The Supreme Court has refused the Government's application to appeal the judgement. On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPC benefits in response the McCloud / Sargeant case. The consultation closed on 8 October 2020 and the final remedy will only be known after the consultation responses have been reviewed and a final set of remedial Regulations are published. Until these are published the extent to which additional costs would fall on the Authority is uncertain, but the Actuary does not believe there are any material differences between the approach underlying their estimated allowance and the proposed remedy.

The presumed remedy is for the Authority to incur costs in extending protections to all members who were active at 31 March 2012 until their retirement.

This estimate from the Pension Fund's Actuary of the potential impact of the McCloud/Sargeant judgement, which is included in the net liability as a past service cost, is based on the disclosure paper from the Government Actuary's Department (GAD) and the assumption that salaries are assumed to increase at 1.5% each year above CPI in addition to a promotional scale. However, the actuary has allowed for adjustment to remove members unlikely to be affected by the outcome of the judgement.

The High Court recently ruled on the equalisation of GMPs (Guaranteed Minimum Pensions) between genders, the actuary has assumed for GMP that the Fund will pay limited increases for members that have reached SPA (State Pension Age) by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, the actuary has assumed that the Fund will be required to pay the entire inflationary increase. Therefore, the actuary has not made any adjustments to the value placed on the liabilities as a result of the equalisation of GMPs.

38. Contingent Liabilities

Babcock LDP LLP

From 1 April 2012 a joint venture called Babcock LDP LLP between Devon County Council and Babcock International took effect. In order to limit risks to the joint venture, cost sharing arrangements are in place for pension costs should certain trigger points be reached. Pension costs are subject to a cap and collar arrangement where, should the employer's contribution rate move upwards or downwards by more than 4%, a financial adjustment will be made. The expectation is that the Authority would either incur additional cost if the rate increases or benefit if it decreases around the 4% threshold. Babcock's contribution changed from 16.1% in March 2020, to 17.1% from April 2020. There is no additional liability to the Authority as the rate moved within the 4% threshold set. This will next be reviewed and changed from April 2023.

Guarantees

The Authority has provided a number of guarantees. These are detailed as follows:

- In 2013/14, the Authority guaranteed 50% of a loan of £5.304 million made to Exeter Science Park Ltd from the Local Enterprise Partnership. The Authority has provided for a liability of £1.831 million at 31 March 2021 (£1.831 million at 31 March 2020). The Authority's Cabinet agreed a further guarantee on 11th December 2019. The risk of the guarantee being called upon is assessed as low. Consequently, there is no liability recognised in the Authority's balance sheet.
- A guarantee has been provided to NPS (SW) Ltd. to meet obligations in relation to rent of premises. Should the company fail to meet its obligations under the terms of the lease it will be assigned to the County Council. The premises will be available for sub-letting.
- The Authority together with 14 other authorities in the South West has given a guarantee to the Avon Pension Fund in respect of employer liabilities of South West Grid for Learning Trust.
- CSW Group Ltd (formerly Careers South West Ltd and Connexions Devon and Cornwall Ltd) became a public sector controlled company at 1 April 2008. Details of the pension guarantee are provided in Note 34.6.
- The Authority has given guarantees to foster carers and children's placement providers for uninsurable losses in relation to fire damage to their properties. The guarantees extend to three properties with an estimated value of £1.9 million (£1.9 million in 2019/20).
  The Authority guarantees care leaver's tenancy agreements in the event of non-payment of rent. The guarantees extend to 19 care leavers with an estimated maximum liability of £114,000 in any one year.
- The Authority remains responsible for the historic pension liabilities of former staff who transferred to Libraries Unlimited on 1 April 2016. These liabilities are not separately identified by the actuary but are included in the Authority's overall pension fund balance in Note 37. Libraries Unlimited is responsible for meeting the current employers' contributions as determined by the actuary to the Devon Pension Fund.

South Devon Link Road

The Authority has received claims from residents, living near to the South Devon Link Road regarding noise levels. The potential costs of these claims are included in the Authority's future capital programme for retention costs.

Glossary of Terms

ACCOUNTING POLICIES

Accounting policies determine the basis on which income and expenditure, assets and liabilities, transactions and adjusting events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised, how it is to be measured and where in the comprehensive income and expenditure statement or balance sheet it is to be presented.

ACCRUALS

Except for the cash flow statement, the statement of accounts is prepared using the accruals basis of accounting. This requires the non-cash effects of transactions to be reflected in the accounting period during which those effects are experienced and not in that during which any cash is paid or received. On this basis, income and expenditure is reported when the related activity or benefit actually occurs.

ACTUARY

An actuary is an expert on pension scheme assets and liabilities. Actuaries compute the actuarial charges falling due in each year in accounting for retirement benefits. Actuaries also make recommendations every three years regarding the rate of employer contributions due to the local government pension scheme.

AMORTISATION

Amortisation represents the use of economic benefits derived from intangible assets and is charged on a straight-line basis over their useful lives. These are reviewed annually. Amortisation is charged with but is distinct from impairment charges.

APPROPRIATION

Certain charges and credits which are made to the comprehensive income and expenditure account do not affect the authority's funding requirements and so are not chargeable to the general fund. In such cases appropriation of the amount concerned is made from the general fund to the relevant unusable reserve. The authority may also set sums aside for planned future expenditure by appropriation of the funding to earmarked reserves. All appropriations are included in the movement in reserves statement.

ASSOCIATE

An associate is an entity over which the authority has significant influence. This means that investment by the authority is such that it has power to participate in the operating and financial policy decisions of the entity (though not to the extent of control, which would create a subsidiary). Investment takes account of contractual connections, participation in governance and executive interchange as well as the level of financial investment.

BALANCE SHEET

The balance sheet is one of the primary financial statements and presents the authority's recognised assets, liabilities and reserves as at the end of each financial year. It shows the distribution of assets in relation to short and long term liabilities and the extent to which the authority's net worth is available in usable and unusable reserves. Each balance sheet element is recognised and valued in accordance with the Code of Practice on Local Authority Accounting (the Code) as set out in supporting notes.

BUDGET

A budget is approved annually by the authority and sets out the council tax requirement for the next financial year. This council tax precept funds the planned spending programme which is presented net of income from grants, fees and charges and other sources. The budget does not include any of the adjustments needed to comply with financial reporting standards and, as such, is not truly comparable with the results as shown in the statement of accounts for the same period.

CAPITAL ADJUSTMENT ACCOUNT

The capital adjustment account records the funding from internal resources of capital expenditure and the financing (under statute) of certain revenue expenditure. It also includes (for existing property, plant and equipment) the revaluation gains accumulated prior to 1 April 2007 (the date on which a separate revaluation reserve was established). It is an unusable reserve and relevant adjustments are summarised in the movement in reserves statement. Categorised as timing adjustments, these typically comprise period depreciation, amortisation and impairment debits, charges for financing of certain revenue expenditure under statute or for repayment of financial assistance for capital purposes, revaluation deficit adjustments, credits for financing charges to revenue (including MRP) and for unconditional grants applied to capital expenditure. Finally, there are adjustments in respect of assets reclassified (as investments or assets held for sale) or de-recognised on disposal.

CAPITAL CHARGES

Depreciation, amortisation and downward revaluations (subject to restriction) are charges made to the comprehensive income and expenditure account for the use, depletion or impairment of non current assets during each financial period. These charges do not affect the funding position of the authority and are accordingly appropriated from the general fund to capital adjustment account. Capital charges reduce the carrying value of property, plant and equipment and of intangible assets and correspondingly reduce the capital adjustment account and (again, subject to restriction) the revaluation reserve.

CAPITAL EXPENDITURE

Capital expenditure is expenditure on the construction, acquisition, development or improvement of property, plant and equipment and of intangible assets (principally, software licenses). Under legislation it may be financed from capital sources or from funds set aside from revenue. It is to be distinguished, however, from revenue expenditure funded from capital under statute (REFCUS) which is charged as revenue expenditure in the comprehensive income and expenditure account and only matched with its capital funding by transfer in the movement in reserves statement.

CAPITAL RECEIPTS

Capital receipts are income received from the sale of property, plant and equipment or intangible assets. They are available only to finance new capital expenditure or to repay debt. Until this occurs they are held on the capital receipts reserve.

CASH FLOW STATEMENT

The cash flow statement summarises the inflows and outflows of cash and cash equivalents resulting from operations, and from investing and financing activities. It also shows, by way of note, how the net cash flow from operations is related to the net surplus or deficit on the provision of services.

CIPFA

CIPFA (The Chartered Institute of Public Finance and Accountancy) is the lead body for setting standards in public sector accounting practice.

COMPONENTISATION

Assets may be analysed into various components that have significantly different estimated lives and differentially depreciated accordingly. The authority’s policy on componentisation is described under the accounting policies in Note 2.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The comprehensive income and expenditure account shows the net cost in the year of providing services in accordance with generally accepted accounting practices (rather than the amount to be funded from taxation). It discloses the gross income and expenditure of continuing operations analysed by service, any exceptional items, other operating expenditure, financing and investment income and expenditure, and taxation and non-specific grant income. These items together comprise the surplus or deficit on the provision of services. Below this line, valuation and actuarial gains and losses are included in order to arrive at the total comprehensive income and expenditure. Those elements which, under statutory regulations, are not to be accounted for in the general fund are transferred to unusable reserves as shown in the movement in reserves statement.

CONTINGENT LIABILITIES

Contingent liabilities arise where, firstly, past events precipitate a present obligation which is either unlikely to result in a transfer of economic benefit or cannot be measured with sufficient reliability. Secondly, past events may give rise to a possible obligation whose existence can only be confirmed by some future occurrence not wholly under the authority’s control. A contingent liability is not provided for, therefore, either because of the improbability of outflow or the inability to measure it. Contingent liabilities are disclosed by way of note.

CONTRIBUTIONS

Contributions are receivable from health authorities, other local authorities and other non-governmental bodies in respect of the authority's functions carried out independently. They are distinguishable from fees and charges income, which is received under a contract of supply. The same distinction applies to contributions paid by the authority. Contributions receivable are distinguished from grant income only in that grants are received from UK or EU governments (or their agencies).

CREDIT LOSS

Credit loss is the difference between all contractual cash flows that are due to the Authority and all the expected cash flows (i.e. cash shortfalls) discounted at the effective rate of interest.

CREDITORS

Creditors are amounts due to third parties as at the balance sheet date arising from goods or services that have been received but for which payment has not been made, from income received in advance of supply, or from unspent grant monies covered by a repayment clause. Creditors also include provisions and amounts held on account for payment.

CURRENT ASSETS/LIABILITIES

Current assets are amounts owed to the authority and due for payment within twelve months or items, such as stocks, that can be readily converted to cash. Current liabilities are amounts that the authority owes to other bodies, and due for payment within twelve months of the balance sheet date.

CURRENT VALUE

The Code has introduced the concept and definition of current value to the measurement of property, plant and equipment. Current value measurements reflect the economic environment prevailing for the service or function the asset is supporting at the reporting date.

For non-specialised assets, current value should be interpreted as existing use value. In the RICS Valuation – Professional Standards, this is market value based on the assumption that property is sold as part of the continuing enterprise.

For specialised assets where no market exists, current value should be interpreted as the present value of the assets' remaining service potential, which can be assumed to be at least equal to the cost of replacing that service potential. Under these circumstances, property, plant and equipment is measured at Depreciated Replacement Cost.

DEBT

External debt consists of borrowing and other long-term liabilities (such as Private Finance Initiatives and other similar contracts). The **Authorised Limit** to debt represents the level at which the Council is able to borrow and enter into other long-term liabilities. Additional borrowing beyond this level is prohibited unless the limit is revised by the Council.

The **Operational Boundary** is based on the anticipated level of external debt needed during the year. Variations in cash flow may lead to occasional short term breaches of the Operational Boundary that are acceptable.

DEBTORS

Debtors are amounts owed to the authority at the balance sheet date where services have been delivered but payment has not been received. An unexpired period in a period-based charge is also included under debtors as expenditure in advance.

DEDICATED SCHOOLS GRANT (DSG) ADJUSTMENT ACCOUNT

This is a new unusable reserve which holds negative (deficit) balances from the expenditure against the Dedicated Schools Grant. It has been established as a result of new statutory regulations which came into force from November 2020, whereby a local authority must not charge any deficit in respect of its schools' budget to its revenue account. Instead any such deficit should be charged to a separate account - the DSG Adjustment Account - in effect removing it from the General Fund and earmarked reserves. These regulations are in force for three years 2020/21, 2021/22 and 2022/23 and do not set out what will happen after March 2023.

DEPRECIATION

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life. As charged in the comprehensive income and expenditure account it represents the measure of the cost or re-valued amount consumed during the period. Depreciation is distinct from impairment.

DERECOGNITION

Derecognition is the removal of an asset or liability from the balance sheet. When an asset is sold or disposed of - it is derecognised.

EFFECTIVE INTEREST RATE (EIR)

The EIR is the rate that exactly discounts future cash payments or receipts to the gross carrying value of a financial asset or amortised cost of a liability. Where contractual interest rates may vary over the lifetime of a financial asset / liability the EIR is the rate when applied to future cash flows will discount to the original amount.

ENTITY

An entity is a body corporate, partnership or unincorporated association which has an autonomous financial structure, and which is legally capable of contracting and making binding decisions under its own name.

EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (fees and charges, government grants, council tax and business rates) as reported in the budget book and outturn report - used for decision making. It compares with those resources consumed or earned in accordance with generally accepted accounting practices (i.e. the Comprehensive Income and Expenditure Statement).

EQUITY INSTRUMENT

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. There cannot be any contractual requirement for the issuer to deliver cash or another financial asset to the Authority on redemption.

FAIR VALUE

Fair value is 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.

FINANCIAL GUARANTEES

A financial guarantee is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

The financial instruments adjustment account is an unusable reserve which holds cumulative timing differences arising from valuation adjustments to loans and receivables accounted for as financial instruments. Annual charges and credits included in the comprehensive income and expenditure account are transferred to the reserve as shown in the movement in reserves statement.

FINANCIAL INSTRUMENTS REVALUATION RESERVE

The Council holds financial assets measured at fair value through other comprehensive income (CCLA, NPS and Science Park) Where the fair value of these assets differs from the purchase price (initial recognition / cost) then the revaluation amount is held in this reserve.

GENERAL FUND

The general fund is the usable revenue reserve which finances the authority's working capital. It represents the cumulative net budget surplus after appropriations to or from earmarked reserves and consists of two elements: the county fund and reserves held by schools under delegated management. The county fund balance is evaluated under the authority's risk management strategy as the amount required to fund operations without borrowing before the first precept payments are received.

GOVERNMENT GRANTS

These are sums of money paid UK or EU governments, or their agencies, in order to fund the activities of the authority. Grants in support of local government services may be for general application or, where restricted to specified services, ring-fenced. The amount of grant income credited to the comprehensive income and expenditure account for the year represents the value received (or due to be received) in the year less any such amounts which are repayable by virtue of a condition which has not been satisfied. Outstanding conditions are normally satisfied in the following year in which case the liability is transferred to income at that stage.

The following bodies (shown together with their common abbreviations) award grants to the authority and are the sources of income in the analysis of government grants:

CSPN	= County Sports Partnership Network
CWDC	= Children's Workforce Development Council
DBERR	= Department for Business, Enterprise and Regulatory Reform
DCMS	= Department for Culture, Media & Sport
DEFRA	= Department for Environment, Food & Rural Affairs
DfE	= Department for Education
DfT	= Department for Transport
DHSC	= Department of Health and Social Care, formerly DH - Department of Health, now with Social Care responsibilities
DIUS	= Department for Innovation, Universities and Skills
DTI	= Department of Trade & Industry
DWP	= Department for Work & Pensions
ESFA	= Education and Skills Funding Agency - combination of EFA - Education Funding Agency and SFA Skills Funding Agency
EU	= European Union
HEFCE	= Higher Education Funding Council for England
HLF	= Heritage Lottery Fund
HO	= Home Office
MHCLG	= Ministry of Housing, Communities and Local Government, replaced DCLG from January 2018
MoD	= Ministry of Defence

NE	= Natural England
P4S	= Partnership for Schools
PSA	= Public Service Agreement
SCITT	= School Centred Initial Teacher Training
SDF	= Sustainable Development Fund
TDA	= Training and Development Agency
YJB	= Youth Justice Board

HERITAGE ASSETS

Heritage assets are assets that are held by the authority principally for their contribution to knowledge or culture. They are reported under a separate heading in the balance sheet (or notes thereto) and are included at fair value.

IMPAIRMENT

Impairment is the charge made in order to reduce the carrying amount of property, plant and equipment or intangible assets to the recoverable amount. An impairment loss is recognised when a specific asset's remaining service potential has been detrimentally affected by, for example, obsolescence, damage, or the adverse effects of reorganisation or regulatory changes. It is distinct from revaluation losses which, being price based, are non-specific in nature. Impairment also applies separately to financial instruments and to council tax collection.

INFRASTRUCTURE ASSETS

Infrastructure assets are part of property, plant and equipment (principally highways and footpaths) that are regarded as inalienable from the fabric of the Authority's responsibilities. As such, these assets have no resale value and are included in the balance sheet, subject to any impairment, at depreciated historical cost.

INTANGIBLE ASSETS

Intangible assets have no physical substance but have a value in use of more than one year. These assets are not considered as marketable and are included in the balance sheet, subject to any impairment, at amortised historical cost. All intangible assets currently owned by the authority are software licences.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

These standards are issued by the International Accounting Standards Board. They are adapted under the auspices of CIPFA so as to apply to local authorities and consolidated in the Code of Practice on Local Authority Accounting (The Code).

JOINT OPERATION

A joint operation is a binding collaborative arrangement which requires the unanimous consent of the authority and at least one other party (together exercising joint control) and in which the rights and obligations of each party are identified in relation to the income and expenditure, and assets and liabilities arising under the arrangement.

JOINT VENTURE

A joint venture is a binding collaborative arrangement which requires the unanimous consent of the authority and at least one other party (together exercising joint control) and which is carried on through a separate vehicle where the rights of each party are identified in relation to the net assets of an autonomous financial structure.

LEASES

Two types of leases are accounted for. Finance leases transfer substantially all the risks and rewards of ownership of the assets concerned to the authority as lessee; operating leases do not. The type of lease concerned in a particular case will be determined using a list of prescribed criteria which include, for example, the length of the contract (in relation to the life of the asset), the nature of the asset (whether for specialist or general use) and the allocation of responsibility for maintenance and insurance. Operating leases are included simply as expenditure in the comprehensive income and expenditure account. Finance leases are capitalised as corresponding assets (within property, plant and equipment) and liabilities (discounted to net present value). The lease payments are similarly disaggregated as repayment of principal and interest while depreciation is charged annually to the service for which it is used.

LENDER OPTION BORROWER OPTION LOAN (LOBO)

Included in the Authority’s borrowings are loans structured as LOBOs. These are fixed term loans with one or more options exercisable at specified dates, which allow the lender to charge a higher interest rate. If such an option is exercised, the borrower may then opt to repay the principal outstanding immediately. LOBOs are accounted for under reporting standards applying to Financial Instruments.

MINIMUM REVENUE PROVISION (MRP)

MRP represents the minimum amount that, under government regulations, must be appropriated from the general fund each year in order to fund the repayment of existing debt.

MOVEMENT IN RESERVES STATEMENT

The movement in reserves statement sets out transfers between reserves which are made in arriving at their balance sheet values. The surplus or deficit on the provision of services is carried to the general fund. Appropriations are then made (to exclude non-monetary charges and credits) to unusable reserves except for asset disposal sales proceeds and unapplied capital grants, which are usable reserves. Other discretionary appropriations are made to earmarked reserves for projected future spending. Appropriations are also made between the capital adjustment account and either the capital receipts reserve or capital grants unapplied reserve in order to reflect the application of capital grants and disposal receipts already credited to the comprehensive income and expenditure account. Adjustments to revaluation surpluses similarly involve capital adjustment account and the revaluation reserve.

NET BOOK VALUE/NET CARRYING AMOUNT

Net book value is the carrying amount at which assets and liabilities are included in the balance sheet under the Code. In the case of financial instruments, it is stated after including any timing adjustments and, in the case of property, plant and equipment and intangible assets, any revaluation, depreciation or amortisation. In all cases it is stated after any recognised impairment.

OUTTURN

Outturn represents the annual results of the revenue and capital programmes which the authority reports in order to account for its use of public funds under government legislation. It is reported in the same terms as the budget under which council tax funding was originally raised. The outturn report is not subject to external audit and does not apply the Code, nor does it include a balance sheet. As such it is not truly comparable with the statement of accounts.

PRECEPTS & LEVIES

A levy is a charge made by one statutory body on another in order to meet the net cost of its services. A precept is a charge made by a statutory body upon the council tax collection fund of a billing authority.

PRIVATE FINANCE INITIATIVE (PFI)

PFI contracts, and also public-private partnerships (PPP), typically involve a private sector operator constructing or enhancing assets used in the provision of a public service, and operating and maintaining those assets for a specified period of time on behalf of the authority after which the assets pass to the authority for little or no incremental consideration. Under the Code, contractual charges made by the operator on the authority fall under two headings, finance lease (to finance construction or enhancement) and service provision (to finance operation and maintenance), and each heading is accounted for accordingly over the period of each contract. In cases where no asset is to pass to the Balance Sheet, all charges are made annually to the comprehensive income and expenditure account. Under the finance lease model, the liability remains with the Authority even where assets subsequently vest in schools on a change of status.

PRIOR PERIOD ADJUSTMENTS

Prior period adjustments are adjustments, applicable to prior years, arising from changes in accounting policies or from the correction of material errors. They do not include corrections of recurring items or adjustments of accounting estimates made in prior years.

PROPERTY, PLANT AND EQUIPMENT

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are included in the balance sheet under the heading of property, plant and equipment. Such assets are carried at current value and are regularly revalued in order to ensure that this remains the value at which they are reported annually. Where there is no market-based evidence of current value (because of the specialist nature of an asset), depreciated replacement cost is used as an estimate of current value. Depreciation is charged annually by reference to the remaining useful life of an asset or of each class of component making up that asset.

Surplus assets are valued at fair value.

PROVISIONS

A provision is a liability of uncertain timing or amount. It is recognised when there is a present obligation (whether legal or constructive) as a result of a past event where a transfer of economic benefit is likely to result and a reliable estimate of this transfer can be made.

PUBLIC WORKS LOAN BOARD

The Public Works and Loans Board is a government agency which provides long term loans to local authorities.

RELATED PARTIES

Parties are considered to be related if one party has the ability either to control the other party or to exercise significant influence over it in making financial or operating decisions. Parties are also related if they are subject to common control. Related parties include subsidiaries, associates, joint ventures, and possibly other entities or individuals. Central government is a related party by this definition. Related parties attract additional disclosure requirements in order to identify the extent to which the authority may exercise or be subject to influence or control. The statement of accounts includes the following in this respect:

- Details of significant government grants and the awarding bodies;
- Transactions with subsidiary and associated companies;
- Transactions with the pension fund.
- Transactions with related individuals not applicable to other members of the community (for example, members and chief officers)

REVALUATION RESERVE

The revaluation reserve is an unusable reserve holding revaluation gains on property, plant and equipment and intangible assets. Each revaluation is asset specific, allowing no offset, and restricted to operational assets, thus excluding investment properties and surplus assets. Accounting for changes in valuation is closely prescribed and distinct from the treatment of impairment. Revaluations cannot be grouped or offset, and a revaluation deficit is appropriated to capital adjustment account.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

REFCUS is revenue expenditure that is funded from capital either because it is capital in nature (but does not result in an asset) or because capital financing has been allowed by specific regulation. REFCUS is included accordingly in the comprehensive income and expenditure account and appropriated from general fund to capital adjustment account in the movement in reserves statement.

SECTION 151 OFFICER

The section 151 officer is the council officer designated under that section of the Local Government Act 1972 to take overall control of the financial affairs of the authority and to take personal responsibility for its financial administration. At Devon County Council the Section 151 Officer is the County Treasurer.

SUBSIDIARY

A subsidiary is an entity which is under the control of the authority. This means that investment by the authority is such that it has decisive power over the entity, has the ability to direct all its substantial activities and enjoys rights (or suffers exposure) to variable returns. Investment takes account of contractual connections, participation in governance and executive interchange as well as the level of financial investment.

UNUSABLE RESERVES

Unusable reserves are reserves that the authority is not able to utilise to provide services. These reserves fall into two categories, namely: revaluation balances and adjustment accounts. Revaluation gains held under the first category only become available for use when the assets to which they relate are disposed of and the gain realised as a capital receipt. In the second category, each reserve is named after the adjustment variously required to report the comprehensive income and expenditure account under the accounting basis. These adjustments are realised only by reversal and thus constitute timing differences. By these adjustments, the general fund continues to be stated under the funding basis required by regulation.

USABLE RESERVES

Usable reserves are reserves available to the authority for the provision of services although there may be statutory limitations on the type of use in each case. Reserves usable for capital expenditure consist of the capital receipts reserve (which may also be applied in the repayment of borrowings) and capital grants unapplied. Usable revenue reserves consist of the general fund together with any earmarked reserves set aside from general fund for specified future expenditure.

VALUATION

Assets and liabilities are included in the balance sheet at their carrying amounts, which are valuations determined in accordance with the Code. These are set out in the note on accounting policies.

Pension Fund Statement of Accounts 2020/21

Report of the Director of Finance

Over the course of the 2020/21 year, the value of the Devon Pension Fund increased from £4.011 billion (as at 31 March 2020) to £5.035 billion as at 31 March 2021, an increase of over £1 billion. Markets rebounded from the significant losses of March 2020 resulting from the coronavirus Covid-19 pandemic, despite the restrictions that continued for much of the year. As a result, the Devon Pension Fund's investment return for the year, net of fees, was +25.6%. This was ahead of the Fund's strategic benchmark of +24.3%, and also ahead of the LGPS universe average of +22.7%. This was a very good result for the fund after the performance of the previous year.

Along with nine other Local Government Pension Scheme (LGPS) funds, the Devon Pension Fund is a shareholder in the Brunel Pension Partnership Ltd, a company set up to pool investment assets in order to reduce investment costs and improve risk management. Since the company was set up three years ago the Devon Fund has been gradually transitioning its investment assets. During the Summer and Autumn of 2020, the Fund redeemed its investments in the Baillie Gifford and Barings diversified growth funds and these were transitioned to Brunel's Diversifying Returns Fund. The Fund's investment in five specialist equity funds was redeemed and transitioned to the Brunel Global Smaller Companies Equity Fund. At the same time an initial investment was made in Brunel's Sustainable Equites Fund, which launched in October 2020. By 31 March 2021, around 80% of the Devon Fund's investment assets were under Brunel's management. The Devon Pension Fund will continue to be responsible for deciding the strategic allocation between different asset classes to meet local investment objectives, but the Brunel Pension Partnership will be responsible for selection and monitoring of the external investment managers who will manage the investments.

Peninsula Pensions continues to deliver strong performance in pensions administration. Staff have successfully adapted to the new ways of working, following the restructure in 2018/19, and have embraced the continuous improvement approach to processes which has been implemented. The team is well-positioned to manage and respond to the ever-increasing workloads and demands caused by a growth in the number of members and employers joining the fund, increases in requests for information and to ensure continued compliance with future regulations changes. The situation with Covid-19 presented a significant challenge to the team; however, early action was taken to identify and mitigate potential risks from an operational perspective. Adopting a proactive approach to working processes and making greater use of technology and electronic communication, including 'Member Self-Service' (our online communication portal), have enabled the team to continue to conduct business as usual with no impact on service provision.

Summary of Financial Statements

The financial statements and their purpose are summarised as follows:

- Fund Account – The Fund Account sets out the Pension Fund's income and expenditure for the year to 31 March 2021. The first section sets out the income received in contributions from employers and employees, and the expenditure on pension benefit payments. The second section of the Fund Account shows the income received from the Fund's investments and the cost of managing those investments. Investment income from listed equities and bonds is retained by the external investment managers for re-investment, but income from property, infrastructure and private debt is returned as cash and can be used to offset any shortfall between contributions and benefit payments. The Fund Account also shows that there has been an increase in the capital values of the Fund's investment assets of £1.024 billion over the last year.

- Net Asset Statement – The Net Asset Statement sets out the net assets of the Fund, in line with the IFRS based Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and the latest Statement of Recommended Practice (SORP). Pooled investments include pooled Equity, Fixed Interest, Property, Infrastructure and Private Debt Funds and they are incorporated into those categories in reviewing the Asset Allocation of the Fund in a later section of my report.

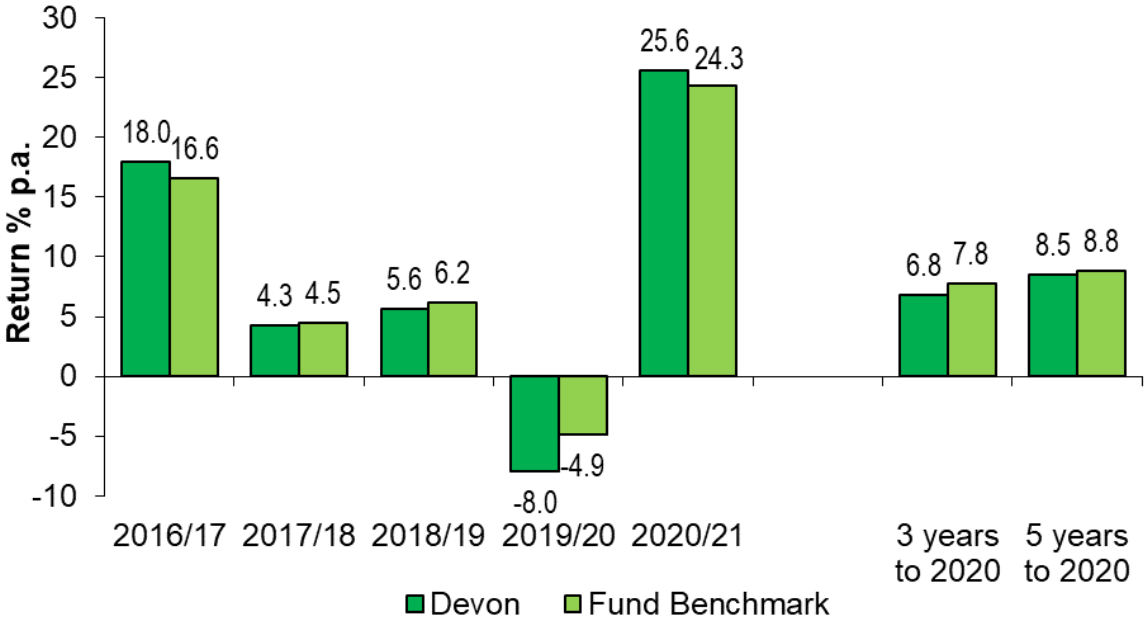
Investment Performance

As indicated above, the asset value of the Fund at the end of the 2020/21 financial year was £5.035 billion. This represents an investment return of +25.6% net of fees, compared with the Fund's internally set strategic benchmark target of +24.3%.

The Fund's strategic benchmark is set as an average of the benchmarks for each of the investment portfolios, weighted according to the Fund's strategic asset allocation targets. Equity markets recovered dramatically from the falls in March 2020, and the passive equity allocation returned +37.5% over the year. Returns were helped by the Fund's currency hedging strategy during a period when the value of the pound rose against other major currencies. The active Brunel Global High Alpha and Emerging Markets funds did even better, returning +50.0% and +46.1% respectively, both well ahead of the benchmark. Low Volatility Equities did less well against the wider market, in a period when low volatility stocks were generally out of favour. Global bonds delivered a small negative return, having delivered good positive returns in March 2020 when the rest of the market collapsed. The Wellington Multi-Sector Credit fund delivered a +24.8% return well ahead of benchmark.

Pension fund investment management has to consider the long term, and the Investment and Pension Fund Committee's principal aim for the Fund is therefore to maintain high performance over the longer term. Performance over the last year has boosted the longer-term returns, but they remain below benchmark over the three and five year periods. The following chart presents the investment returns achieved by the Devon Fund compared to the Fund's benchmark over each of the last five years, plus the total annualised return over the last three years and the last five years. Performance Figures are shown net of fees.

Investment Performance Summary



A more detailed analysis of the Fund's investment returns over the last year, 3 years and 5 years, broken down by asset class, is provided in the following table.

Investment Performance by Asset Class

One Year Performance	Opening Value		Closing Value		Performance		
	£'000	%	£'000	%	Gross	Net	Benchmark
Brunel Asset Pool Managed Investments							
Passive Equities	1,505,380	37.5	1,800,418	35.6	+37.5	+37.5	+37.8
Active Global High Alpha Equities	241,385	6.0	314,878	6.2	+50.0	+50.0	+39.1
Active Global Small Cap Equities[1]	0	0.0	238,078	4.7	+22.5	+22.5	+25.5
Active Emerging Market Equities	179,009	4.5	281,725	5.6	+46.1	+46.1	+42.8
Active Sustainable Equities[2]	0	0.0	153,375	3.0	+9.5	+9.5	+12.6
Active Low Volatility Equities	186,409	4.6	336,892	6.7	+20.2	+20.2	+39.6
UK Property	328,388	8.2	354,291	7.0	+2.3	+2.3	+2.5
International Property	51,321	1.3	54,788	1.1	+10.8	+10.8	-2.8
Infrastructure	25,117	0.6	65,840	1.3	+0.7	+0.7	+3.3
Private Equity	0	0.0	1,333	0.0	+73.5	+52.0	+3.5
Diversifying Returns Fund[3]	0	0.0	476,194	9.4	+0.6	+0.6	+2.8
Non-Asset Pool Managed Investments							
Active Specialist Equity Funds[1]	143,940	3.6	46,769	0.9	+49.4	+49.4	+31.8
Global Bonds	279,109	7.0	300,013	5.9	-1.0	-1.2	-2.4
Multi-Sector Credit	246,737	6.2	344,738	6.8	+24.8	+24.4	+18.4
Infrastructure	146,207	3.6	137,785	2.7	+5.3	+4.7	+5.0
Private Debt	107,367	2.7	107,613	2.1	+1.4	+0.9	+5.0
Diversified Growth Funds[3]	526,061	13.1	0	0.0	+15.1	+14.9	+4.1
Cash	44,685	1.1	41,654	0.8	-0.4	-0.5	-0.1

Three Year Performance[4]	Value 1 April 2018		Closing Value		Performance		
	£'000	%	£'000	%	Gross	Net	Benchmark
Passive Equities	1,780,200	43.7	1,800,418	35.6	+9.3	+9.3	+9.3
Active Global Equities	430,953	10.6	314,878	6.2	+10.5	+10.4	+13.3
Active Global Small Cap Equities	0	0.0	284,847	5.6	-	-	-
Active Emerging Market Equities	185,688	4.6	281,725	5.6	+8.7	+8.4	+7.5
Active Sustainable Equities	0	0.0	153,375	3.0	-	-	-
Active Low Volatility Equities	0	0.0	336,892	6.7	-	-	-
Global Bonds	220,072	5.4	300,013	5.9	+3.8	+3.5	+3.3
Multi-Sector Credit	221,425	5.4	344,738	6.8	+6.0	+5.6	+2.9
Property	389,164	9.6	409,079	8.1	+3.9	+3.8	+2.1
Infrastructure	147,504	3.6	203,625	4.0	+6.1	+5.7	+5.4
Private Equity	0	0.0	1,333	0.0	-	-	-
Private Debt	27,138	0.7	107,613	2.1	+8.8	+7.4	+5.4
Diversified Growth Funds	608,752	14.9	476,194	9.4	+1.5	+1.1	+4.4
Cash	61,192	1.5	41,654	0.8	+1.2	+1.1	+0.3

Five Year Performance[4]	Value 1 April 2016		Closing Value		Performance		
	£'000	%	£'000	%	Gross	Net	Benchmark
Passive Equities	1,425,527	42.9	1,800,418	35.6	+10.9	+10.9	+11.0
Active Global Equities	342,069	10.3	314,878	6.2	+13.3	+13.2	+14.8
Active Global Small Cap Equities	0	0.0	284,847	5.6	-	-	-
Active Emerging Market Equities	136,970	4.1	281,725	5.6	+11.8	+11.5	+13.2
Active Sustainable Equities	0	0.0	153,375	3.0	-	-	-
Active Low Volatility Equities	0	0.0	336,892	6.7	-	-	-
Global Bonds	282,544	8.5	300,013	5.9	+3.2	+3.1	+3.0
Multi-Sector Credit	119,694	3.6	344,738	6.8	+6.6	+6.4	+4.6
Property	366,555	11.1	409,079	8.1	+5.3	+5.2	+3.9
Infrastructure	139,748	4.2	203,625	4.0	+7.3	+7.0	+4.3
Private Equity	0	0.0	1,333	0.0	-	-	-
Private Debt	0	0.0	107,613	2.1	-	-	-
Diversified Growth Funds	486,079	14.6	476,194	9.4	+3.8	+3.6	+4.3
Cash	23,266	0.7	41,654	0.8	+0.8	+0.8	+0.3

Notes:

1) The Specialist Equity Funds transitioned to the Brunel Global Small Cap Equities Fund in October 2020, with the exception of the RWC European Focus Fund. Brunel performance is shown from the transition date and non-asset pool managed investments shows the collective performance of the Specialist Equity Funds up to the transition date, and of the RWC European Focus Fund thereafter.
2) The Brunel Sustainable Equities portfolio launched in October 2020. The reported performance therefore represents a part year from October 2020 to March 2021.
3) The Diversified Growth Funds (DGFs) transitioned from Baillie Gifford and Barings to the Brunel Diversifying Returns Fund during August and September 2020. Brunel performance is shown from the fund launch date in August and non-asset pool managed investments shows the performance up to the date the previous DGF investments were fully redeemed.
4) Three year and five-year performance numbers combine periods of management by the pool and outside the pool where relevant, given that none of the assets have been managed by the pool for a full three years.

Fund Solvency

The Fund is required to have an actuarial valuation conducted every three years. The most recent triennial valuation, as at 31 March 2019, was carried out by the Fund Actuary, Barnett Waddingham. The valuation determined that the Devon Pension Fund’s funding level had improved from 84% to 91%, compared with the previous 2016 valuation.

The Fund Actuary has reassessed the position as at 31 March 2021, using the approach of rolling forward the data from the 2019 valuation, and updating it for subsequent investment returns, pension and salary increases and revised financial assumptions. While it is not possible to assess the accuracy of the estimated liability as at 31 March 2021 without completing a full valuation, the results will be indicative of the underlying position. The funding position was damaged by the negative returns in 2019/20, but the significant recovery of markets and the 25.6% return in 2020/21 means that since the 2019 triennial valuation the total return on the Fund assets has been ahead of the Actuary’s expectations.

The Actuary’s revised financial assumptions include a reduction in the assumed dividend yield going forward, which has reduced the discount rate applied and therefore increased the projected pension liabilities. This has offset the positive performance on the Fund’s assets resulting in an estimated funding level as at 31 March 2021 of 90%, broadly similar to the position at the 2019 triennial valuation.

Asset Allocation

The Investment and Pension Fund Committee is charged with the responsibility for governance and stewardship of the Fund and making decisions about strategic asset allocation policy.

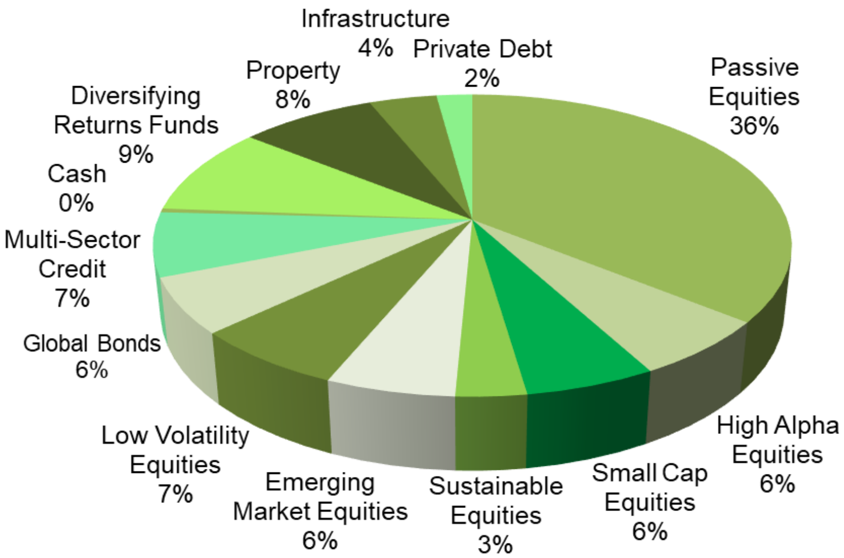
The last major review undertaken by Mercer investment consultants in February 2019 recommended a direction of travel towards a long-term target to be achieved by a phased implementation over a five year period, which would also tie in with the launch of new investment portfolios by the Brunel Pension Partnership.

In line with that strategy, the Committee agreed the following changes to asset allocation targets during 2020/21:

- The allocation to global bonds and multi-sector credit was increased, funded by a reduction in the target allocation to Diversified Growth/Diversifying Returns funds.
- The active equity allocation that comprised the investment in specialist funds was transitioned to the Brunel Smaller Companies portfolio.
- The Fund's allocation to passive equities was reduced to fund an initial 3% allocation to Sustainable Equities and to increase the target allocation to Low Volatility Equities from 5% to 7%.
- Further commitments have been made to private markets, including infrastructure, private equity and private debt. The aim is to build these up to 15% of the total fund, but it is recognised that this will take some time to achieve, as it can take a long time for commitments made to be drawn down. This will be funded by a gradual reduction in the allocation to the Brunel Diversifying Returns fund.

The Fund's actual asset allocation as at 31 March 2021 is shown in the following chart:

Actual Asset Allocation as at 31 March 2021



A comparison of the actual allocation as at 31 March 2021 with the Fund's target allocation for 2020/21 is shown in the following table:

Actual Asset Allocation Compared to Target

	as at 31 March 2020		as at 31 March 2021		
	Target allocation %	Actual allocation %	Target allocation %	Actual allocation %	Variation from Target %
Global Bonds	6.0	7.0	7.0	6.0	
Multi-Sector Credit	6.0	6.2	7.0	6.8	
Cash	1.0	1.0	1.0	0.4	
Total Fixed Interest	**13.0**	**14.2**	**15.0**	**13.2**	**-1.8**
Passive Equities	38.0	37.5	33.0	35.8	
Active Global Equities	10.0	9.6	5.0	6.3	
Active Small Cap Equities	-	-	5.0	5.7	
Active Sustainable Equities	-	-	3.0	3.0	
Active Emerging Markets Equities	5.0	4.5	5.0	5.6	
Active Low Volatility Equities	5.0	4.6	7.0	6.7	
Total Equities	**58.0**	**56.2**	**58.0**	**63.1**	**+5.1**
Diversified Growth Funds	11.0	13.1	8.0	9.5	
Property	10.0	9.5	10.0	8.1	
Infrastructure	6.0	4.3	6.0	4.0	
Private Debt	2.0	2.7	3.0	2.1	
Total Alternatives/Other	**29.0**	**29.6**	**27.0**	**23.7**	**-3.3**

Conclusion

The priority of any pension fund is to make sure that it meets its liabilities to pay pensions both now and in the future. The COVID pandemic has provided challenges to both Peninsula Pensions and the Investments Team in continuing to provide the required level of service while most staff have been working at home. The commitment of staff has ensured that these challenges have been met.

Markets bounced back surprisingly quickly from the losses of March 2020, and the Fund’s investment return of 25.6% is a very positive result for the 2020/21 year. However, it remains a very challenging environment for the global economy and there may still be choppy waters ahead. We will need to ensure that the Fund strategy is well positioned to manage the short and medium-term risks and will look to review the investment strategy over the next 12 months. We will continue to strengthen the Fund’s approach to climate change and responsible investment. The next triennial actuarial valuation is due as at 31 March 2022, and we will want to see continued progress to achieving full funding.

As at the 31st March 2021 80% of the Fund’s assets were managed by the Brunel Pension Partnership, with the transition of the fixed interest allocation due to take place during the Spring. This will take us up to nearly 95% of the assets being managed by Brunel. Following the County council elections there will be several new members of the Investment and Pension Fund Committee that is responsible for the management of the Fund. The Committee will continue to be focused on the Fund’s strategic asset allocation to ensure we can achieve our funding targets and continue to meet our liabilities to pay pensions over the medium to longer term.

The Fund remains committed to ensuring that it provides an excellent service to pension fund members and value for money for both pension fund members and local taxpayers.

Angie Sinclair

Director of Finance

14th February 2022

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its Officers has the responsibility for the administration of those affairs. In this Authority, that Officer is the Director of Finance;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

Responsibilities of the Director of Finance

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

In preparing this Statement of Accounts, the Director of Finance 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 Director of Finance has also:

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

Certificate of the Director of Finance

I hereby certify that this Statement of Accounts for the year ended 31st March 2021 has been prepared in accordance with the Accounts and Audit Regulations 2015 and that it presents a true and fair view of the financial position of the Pension Fund as at 31st March 2021 and its income and expenditure for the year ended 31st March 2021.

Angie Sinclair

Director of Finance

14th February 2022

Approval of the Statement of Accounts

I confirm that these accounts were approved by the Audit Committee at its meeting on 24th February 2022.

Chair of the Audit Committee
24th February 2022

Summary of the Scheme and its Management

The Local Government Pension Scheme (LGPS) is one of the oldest public sector schemes in operation, having been established as a national scheme in 1922. The LGPS is managed by administering authorities in accordance with regulations approved by Parliament. In the county area of Devon, Devon County Council is the administering authority of the Fund. Each administering authority is responsible for its own Fund, into which all contributions are paid. Rules by which the administering authorities must operate - the LGPS Regulations - are determined by the Government after consultation with representatives for both employees (trade unions) and employers (Local Government Association, Local Government Pensions Committee).

The scheme is governed by the Public Service Pensions Act 2013. The fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

Each LGPS administering authority pays its benefits from a dedicated pension fund. Both the scheme member and their employer pay into this fund in order to provide retirement benefits for the member once they reach retirement age (or earlier if the situation demands). Before this time arrives however, the contributions paid into the scheme are invested in a variety of suitable investments. By investing the contributions in this way the fund can build up enough assets to cover any payments it may be expected to make regarding its scheme members' retirement benefits. Please visit the website http://www.devonpensionfund.org.uk/ for further information.

As at 31st March 2021, the net assets of the Devon Pension Fund were valued at £5,035 million. The fund currently has 39,462 actively contributing members, employed by 212 employers of various descriptions (Unitary, District, Town & Parish Councils, Education Establishments and Admitted Bodies). Different rules apply in relation to membership of the fund for the different categories of employer, as set out in the following table:

Scheduled Body - An employer explicitly defined in the Regulations. As listed on page 198.	Admitted Body - As listed on page 199.
No employing body discretion on membership.	Employing body discretion on membership
No employer discretion on who can join.	Employer discretion on who can join
Restricted to geographical area of fund.	May operate outside geographical area of fund, and potentially participate in more than one fund (separate admission agreement required).
No parent guarantee or bond.	May require an indemnity or bond

Pensions are paid to 36,995 pensioners (and/or dependants) every month. There are currently 53,524 members with rights to deferred benefits, frozen memberships pending refunds and those undecided pending resolution.

Further contributions are made by Fund employers, which are set based on triennial actuarial funding valuations. The contributions for 2020/21 were set by the valuation as at 31 March 2019. Employer contributions comprise a primary rate, which represents the employers' share of the cost of future benefits, and a secondary rate to meet any shortfall on past service liabilities. Currently, employer future service rates range from 0.0% to 37.1% of pensionable pay. The deficit contribution is expressed as a cash sum, and ranges from £0 to £11.5 million.

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Prices Index. There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits. The benefits payable are summarised in the following table:

	Service before 1 April 2008	**Service 1 April 2008 to 31 March 2014**	**Service from 1 April 2014**
Pension	Each year worked is worth 1/80 x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.	Each year worked is worth 1/49 x **career average** salary.
Lump sum	Each year worked is worth 3/80 x final pensionable salary. In addition, part of the annual pension can be exchanged for a oneoff tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

Management Structure

Administering Authority	Devon County Council County Hall Exeter EX2 4QD	
Investment and Pension Fund Committee (at 31 March 2021)		
Representing Devon County Council	Councillor Ray Bloxham Councillor Yvonne Atkinson Councillor Alan Connett Councillor Richard Edgell Councillor Richard Hosking Councillor Andrew Saywell	(Chairman)
Representing Devon Unitary & District Councils	Councillor Judy Pearce Councillor Lorraine Parker Delaz Ajete Councillor James O'Dwyer	(Devon District Councils) (Plymouth) (Torbay)
Representing Other Employers	Donna Healy	(Dartmoor National Park Authority)
Representing the Contributors	Stephanie Teague * Jo Cook *	
Representing the Beneficiaries	Roberto Franceschini *	
* The Fund Member representatives have one joint vote between them		
Adviser	Anthony Fletcher	(MJ Hudson Allenbridge)
Devon Pension Board (at 31 March 2021)		
Representing Fund Employers	Councillor Colin Slade Councillor Sara Randall Johnson Carl Hearn Carrie Piper	(Devon County Council) (Chairman) (Devon County Council) (Tavistock Town Council) (South Devon College)
Representing Fund Members	Julie Bailey Andrew Bowman Paul Phillips Colin Shipp	
Independent Member	William Nicholls	
County Council Officers	Phil Norrey Mary Davis Angie Sinclair Mark Gayler Martin Oram Daniel Harris	Chief Executive County Treasurer Deputy County Treasurer Assistant County Treasurer Assistant County Treasurer Head of Peninsula Pensions

Asset Pool	Brunel Pension Partnership 101 Victoria Street Bristol. BS1 6PU
Other Investment Managers	Devon County Council Investment Team Lazard Asset Management LLC Wellington Management International Ltd
Fund Actuary	Barnett Waddingham LLP 163 West George Street Glasgow. G2 2JJ
Fund Custodian	State Street Bank and Trust Company Quartermile 3 10 Nightingale Way Edinburgh. EH3 9EG
Bankers to the Fund	Barclays Bank plc 3 Bedford St Exeter. EX1 1LX
AVC Providers	Prudential Assurance Company Ltd Lancing BN15 8GB
External Auditors	Grant Thornton UK LLP 2 Glass Wharf Bristol. BS2 0EL

For More Information

Copies of the full Annual Report, Statutory Published Statements and abridged Members Leaflet can be found on-line at:

www.peninsulapensions.org.uk

Requests for information about the accounts or investments should be made in writing to Mark Gayler, Assistant County Treasurer - Investments and Treasury Management, Devon County Council, Room G99, County Hall, Exeter, EX2 4QD.

Financial Statements

Background

The Devon Pension Fund provides defined pension benefits to members earned as employees. As well as the County Council, the Fund also extends to cover employees of unitary, district and parish councils, civilian employees of the Devon and Cornwall Police Authority and Devon and Somerset Fire and Rescue Authority, and employees of academy schools and a number of other admitted member bodies.

The accounts of the Fund are set out in line with the IFRS Based CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

The accounts reflect the assets that are available to the Fund, and the current liabilities. Future contributions are matched to future liabilities through an actuarial valuation.

All employers' contribution rates are decided by the Fund's Actuary every three years after an actuarial valuation of the fund. The statutory triennial actuarial valuation of the fund was undertaken in 2019 and was signed by the Actuary on 31 March 2020.

The Accounts are set out in the following order:

- Fund Account - discloses the income to and expenditure from the Fund relating to scheme members and to the investment and administration of the Fund. The account also reconciles the Fund's net assets at the start of the year to the net assets at the year end.
- Net Asset Statement - discloses the type and value of all net assets at the year end.
- Notes to the Accounts - provides supporting details and analysis of the figures in the Fund Account and Net Asset Statement.

Fund Account

2019/20 £'000		Notes	2020/21 £'000
	Dealings with members, employers and others directly involved in the fund		
	Contributions		
(207,397)	Employers	5	(171,456)
(40,758)	Members	5	(42,805)
	Transfers in from other pension funds:		
(17,279)	Individual Transfers		(12,970)
(265,434)			(227,231)
	Benefits		
157,626	Pensions	6	163,522
27,170	Commutation and lump sum retirement benefits	6	24,617
3,674	Lump sum death benefits	6	4,300
	Payments to and on account of leavers		
505	Refunds to members leaving service		610
(519)	Guaranteed Minimum Pension refund from HMRC		0
(8)	Payments for members joining state scheme		(24)
12,778	Individual Transfers		7,851
201,226			200,876
(64,208)	**Net (additions)/withdrawals from dealings with members**		**(26,355)**
19,732	Management expenses	8 & 9	20,791
(44,476)	**Net (additions)/withdrawals including fund management expenses**		**(5,564)**
	Returns on investments		
	Investment Income:		
	Income from Bonds		
(399)	U.K. Public Sector Bonds		(282)
(4,941)	Overseas Government Bonds		(4,878)
(11)	UK Corporate Bonds		(38)
(2,477)	Overseas Corporate Bonds		(3,094)
	Income from Equities (Listed)		
(725)	U.K.		0
(5,212)	Overseas		107
(29,379)	Pooled Investments - Other		(13,435)
(15,957)	Pooled Property Investments		(12,995)
(690)	Interest on Cash and Short Term Deposits		(88)
	Taxes on income:		
4	Withholding Tax - Fixed Interest securities		11
436	Withholding Tax - Equities		(328)
	Profit and losses on disposal of investments and changes in market value of investments:		
(261,840)	Realised (profit)/loss		(240,731)
656,834	Unrealised (profit)/loss		(774,500)
335,643	**Net Returns on Investments**		**(1,050,251)**
291,167	Net (increase)/decrease in the net assets available for benefits during the year		(1,055,815)
(4,302,282)	Opening Net Assets of the Scheme		(4,011,115)
(4,011,115)	**Net Assets of the Scheme**		**(5,066,930)**

Net Asset Statement

31 March 2020 £'000		Notes	31 March 2021 £'000
	INVESTMENTS AT MARKET VALUE	14-16	
427	Long Term Investments		768
	Investment Assets		
	Bonds		
13,721	U.K. Public Sector Bonds		11,144
153,358	Overseas Government Bonds		160,893
1,326	UK Corporate Bonds		4,048
105,037	Overseas Corporate Bonds		115,139
3,307,127	Pooled Funds	14	4,296,164
372,962	Pooled Property Investments	14	404,962
	Derivative Assets	18	
7,199	Forward Currency Contracts		8,193
	Cash deposits		
8,511	Foreign Currency		11,509
27,243	Short Term Deposits		19,011
12,043	Cash & Bank Deposits		27,220
3,759	Investment income due		3,191
	Investment Liabilities		
	Derivatives	18	
(10,300)	Forward Currency Contracts		(3,233)
(1,136)	Amounts payable for purchases		(2,714)
4,001,277	**Total Net Investments**		5,056,295
	Non Current Assets and Liabilities		
1,504	Non Current Assets		0
(1,504)	Non Current Liabilities		0
	Current Assets and Liabilities	19	
33,080	Current Assets		18,063
(23,242)	Current Liabilities		(7,428)
4,011,115	**Net assets of the fund available to fund benefits at 31 March**		**5,066,930**

Notes to the Net Asset Statement

The financial statements summarise the transactions and net assets of the Fund but they do not take account of liabilities to pay pensions and other benefits which fall due after the end of the Fund’s accounting year. These obligations are summarised in Note 21 on page 176.

Notes to the Accounts

1. Accounting Policies

The Statement of Accounts summarises the fund's transactions for the 2020/21 financial year and its position at year-end as at 31st March 2021. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21(the Code), which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis.

The Code requires disclosure of any accounting standards issued but not yet adopted. IFRS16, introduced on 1st January 2019, is due to be adopted by the Code for accounting periods commencing on or after 1st April 2022. This new accounting standard largely removes the distinction between operating and finance leases by introducing an accounting model that requires lessees to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Implementation of IFRS 16 is not expected to have a material impact on the pension fund because it does not hold any assets as a lessee.

The accounts summarise the transactions of the fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year.

The Devon Pension Scheme is a defined benefit scheme which provides pensions for County, Unitary and District Council staff not in other schemes, together with staff at certain other admitted bodies.

Devon County Council is the designated Administering Authority. The Investment and Pension Fund Committee comprising of County Councillors together with representatives of the Unitary and District Councils and other employers (with observers representing the staff and retired members) control the investments with advice from specialists. Employing body details are shown on pages 198 to 199.

Fund account – revenue recognition

Contribution income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate prescribed by the LGPS regulations for members and at the percentage rate recommended by the fund actuary for employers in the payroll period to which they relate.

Employer deficit funding contributions are accounted for on the basis advised by the fund actuary in the rates and adjustment certificate issued to the relevant employing body.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the fund during the financial year and are calculated in accordance with The Local Government Pension Scheme Regulations.

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In.

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

Investment income

- Interest income is recognised in the fund account as it accrues
- Dividend income is recognised on the date the shares are quoted ex-dividend.
- Distributions from pooled funds are recognised at the date of issue.

Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund account – expense items

Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

Taxation

The fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

Management expenses

The fund discloses its pension fund management expenses in accordance with the CIPFA guidance on Accounting for Local Government Pension Scheme Management expenses (2016). These are shown under notes 8 and 9.

Management Expenses recharged from Devon County Council to the Pension Fund are accounted for in accordance with Devon County Council’s accounting policies. In particular the full cost of employees is charged to the accounts for the period within which the employees worked.

Administrative expenses; oversight and governance costs; and investment management expenses are charged directly to the fund.

Net assets statement

Financial assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of asset are recognised in the fund account.

The values of investments as shown in the net assets statement have been determined as follows:

- Market-quoted investments. The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.
- Fixed interest securities are recorded at net market value based on their current yields.
- Unquoted investments. The fair value of investments for which market quotations are not readily available is determined as follows:
    - Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the fund manager.
    - Investments in private equity funds and unquoted limited partnerships are valued based on the fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with International Private Equity and Venture Capital Valuation Guidelines 2018 and the IPEV Board's Special Valuation Guidance (March 2020).
    - Limited partnerships. Fair value is based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.
    - Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income, which is reinvested in the fund, net of applicable withholding tax.

Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

Derivatives

The fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The fund does not hold derivatives for speculative purposes.

Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Changes in the fair value of derivative contracts are included in change in market value.

The future value of forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite contract.

Cash and cash equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the fund's external managers.

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 90 days or less from date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Hedge Accounts

Where the fund has assets denominated in currencies other than sterling, the value of those assets will be affected by movements in the exchange rate. The fund may use forward currency contracts to hedge exchange rate risks in relation to specific assets held by the fund. The fair value of the forward currency contracts will be calculated as set out under derivatives. Where material gains and losses on forward currency contracts used to hedge against the exchange rate risks associated with specific assets will be set out in the notes to the accounts.

Financial liabilities

The fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the fund.

Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards.

As permitted under the Code, the fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (Note 21).

Stock lending

The Fund has a programme of stock lending operated by its custodian. The programme lends directly held global equities and bonds to approved borrowers against a collateral of cash or fixed interest securities of developed countries, which is marked to market on a daily basis. Securities on loan are included at market value in the net assets on the basis that they will be returned to the Fund at the end of the loan term. Net income from securities lending received from the custodian is shown as income from investments in the Fund Account.

The custodian is authorised to invest and reinvest all or substantially all cash collateral. It is not the policy of custodian or the Devon Pension Fund to sell or repledge collateral held in the form of securities. In the event of default by the borrower, the custodian will liquidate non-cash collateral and will repurchase the original lent securities. If this is not possible (due to liquidity issues), the custodian would arrange an acceptable solution with the Devon Pension Fund.

Events after the Reporting Date

Events after the reporting date have been considered up to the time the Pension Fund Accounts were authorised for issue on 14th February 2022.

Where an event after the reporting date occurs which provides evidence of conditions that existed at the reporting date the Statement of Accounts is adjusted. Where an event occurs after the reporting date which is indicative of conditions that have arisen after the reporting date, adjustments are not made.

Financial Instruments

The Financial Instruments of the Pension Fund are classified into the following categories:

Financial assets and liabilities at fair value through profit or loss:

- The Pension Fund classifies financial instruments that are 'held for trading' as at fair value through profit or loss when the financial instrument is:
    - Acquired or incurred principally for the purpose of selling or repurchasing it in the near term, or
    - 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, or
    - A derivative.
- Financial assets and liabilities at fair value through profit or loss are initially recognised at fair value excluding transaction costs and carried at fair value without any deduction for transaction costs that would be incurred on sale or disposal.

Financial Assets measured at Amortised Cost:

- These assets are all short term.

Financial liabilities:

- The liabilities of the Pension Fund consist of creditors and derivative liabilities. Derivative liabilities are classified as financial liabilities at fair value through profit or loss and carried at fair value.

Value Added Tax (VAT)

Income and expenditure excludes any amounts relating to VAT except to the extent that it is irrecoverable.

2. Critical judgements in applying Accounting Policies

In applying the accounting policies set out in Note 1 it has not been necessary to make any critical judgements about complex transactions or those involving uncertainty about future events.

3. Assumptions made about the future and other major sources of estimation uncertainty

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

Item	**Uncertainties**	**Effect if actual results differ from assumptions**
Market Value of investments	The Fund's investments are revalued on a monthly basis. Investments are valued using quoted prices in active markets or by reference to markets which are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs. While market values are not estimates, the method of valuation does mean that future values may fluctuate (see note 4).	For every 1% increase in Market Value the value of the Fund will increase by £50.563 millions with a decrease having the opposite effect.
Unlisted assets, specifically level 3 private infrastructure and debt funds (valued at £303.895m)	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows and interest rates that are inputs to the valuation models, such as the discounted cash flow models used in the valuation of unlisted investments	If valuations of the underlying property and infrastructure and private debt assets turn out to be lower than expected, then the value of the Fund's investments will have been overstated. A 5% fall in the valuations included in the accounts for these portfolios would result in a reduction of £15.195m in total Fund assets.
Actuarial present value of promised retirement benefits (Note 21)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Barnett Waddingham, a firm of consulting actuaries, is engaged to provide the authority with expert advice about the assumptions to be applied.	The effects on the actuarial present value of promised retirement benefits (the Funded Obligation) of changes in individual assumptions can be measured. For instance: • a 0.1% increase in the discount rate assumption would result in a decrease in the Funded Obligation of £184.591 millions • a 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £17.341 millions • a one-year increase in assumed life expectancy would increase the liability by approximately £405.850 millions

4. Estimates

The Devon Pension Fund is a limited partner in a number of partnerships. Within the partnership the fund managers provide the Pension Fund with quarterly financial statements indicating the value of these investments. These statements are audited annually. The subjectivity of the inputs used in making an assessment of fair value is explained in Note 25. For all other investments market values are available from an active market and as such no assumptions have been made in their valuation.

Where actual costs were not known or could not be calculated, year-end debtors and creditors are based on the last received payment or invoice.

5. Contributions receivable

Contributions income for schedule bodies in 2020/21 was lower than the previous year. This was due to a significant payment from one employer to pay off their pension deficit in the prior year.

By authority

2019/20 £'000		2020/21 £'000
(50,578)	Administering Authority	(73,431)
(185,928)	Scheduled bodies	(129,262)
(1,872)	Admitted bodies	(2,219)
(2,736)	Community admission body	(3,554)
(5,805)	Transferee admission body	(4,501)
(1,236)	Resolution body	(1,294)
(248,155)		**(214,261)**

By type

2019/20 £'000		2020/21 £'000
(40,758)	Employees’ normal contributions	(42,805)
(102,736)	Employers’ normal contributions	(117,648)
(104,661)	Employers’ deficit recovery contributions	(53,808)
(248,155)		**(214,261)**

6. Benefits Payable

By authority

2019/20 £'000		2020/21 £'000
65,810	Administering Authority	66,677
112,876	Scheduled bodies	114,989
700	Admitted bodies	1,010
4,126	Community admission body	4,741
4,464	Transferee admission body	4,385
494	Resolution body	637
188,470		**192,439**

7. Contribution Rates

Scheme members (employees) paid variable percentages of their total pensionable pay into the fund as set out below.

Whole Time Pay Rate 2019/20	Member contribution rate	Whole Time Pay Rate 2020/21	Member contribution rate
£0 to £14,400	5.5%	£0 to £14,600	5.5%
£14,401 to £22,500	5.8%	£14,601 to £22,800	5.8%
£22,501 to £36,500	6.5%	£22,801 to £37,100	6.5%
£36,501 to £46,200	6.8%	£37,101 to £46,900	6.8%
£46,201 to £64,600	8.5%	£46,901 to £65,600	8.5%
£64,601 to £91,500	9.9%	£65,601 to £93,000	9.9%
£91,501 to £107,700	10.5%	£93,001 to £109,500	10.5%
£107,701 to £161,500	11.4%	£109,501 to £165,200	11.4%
More than £161,501	12.5%	More than £164,201	12.5%

8. Management Expenses

2019/20		2020/21
£'000		£'000
2,329	**Administrative costs**	2,304
2,329		**2,304**
	Investment management expenses	
13,188	Management fees (a)	16,672
2,145	Performance fees (a)	565
59	Custody fees	82
1,153	Transaction costs (b)	400
(36)	Stock Lending Income & Commission Recapture	(23)
(17)	Other Investment management expenses	20
16,492		**17,716**
	Oversight and governance costs	
24	Audit Fees (c)	26
887	Other Oversight and governance costs	745
911		**771**
19,732		**20,791**

a) The majority of current managers' fees are on a fixed fee basis, calculated using the market value of the portfolio. The cost of external fund management varies with the value of investments under management. A small proportion of the current managers' fees is based on performance and will be paid where the manager outperforms an agreed target level of return.

b) In addition to these costs, indirect costs are incurred through the bid-offer spread on investments sales and purchases. These are reflected in the cost of investment acquisitions and in the proceeds from the sales of investments (see Note 17).

c) Audit fees include an amount of £25,693 (£24,105 in 2019/20) in relation to Grant Thornton UK LLP, the auditors appointed by the Public Sector Audit Appointments Ltd for external audit services.

There are £12,000 for fee variations from the audit of 2019/20 accounts which will be recognised in the 2021/22 accounts.

The external auditors have proposed another fee variation of just under £12,000 within the audit plan for 2020/21 which is subject to approval by PSAA Ltd.

In addition, the external auditors of the other local authorities who are admitted bodies of the pension scheme have requested letters of assurance from the Pension Fund auditors. The fee for this audit work is £10,000 to be recharged by the Pension Fund to those admitted local authority members.

9. Investment Management Fees

2020/21

	Total	Management fees	Performance related fees	Transaction Costs
	£'000	**£'000**	**£'000**	**£'000**
Bonds	673	673	0	0
Equities	0	0	0	0
Pooled Investments *	14,085	13,226	565	294
Pooled Property Investments	2,807	2,701	0	106
Cash and FX Contracts	72	72	0	0
	17,637	**16,672**	**565**	**400**
Custody Fees	82			
Stock Lending Income and Commission Recapture	(23)			
Other Investment Management Expenses	20			
	17,716			

* Included £1.469 million charged to the Fund by the Brunel Pension Partnership.

2019/20

	Total	Management fees	Performance related fees	Transaction Costs
	£'000	**£'000**	**£'000**	**£'000**
Bonds	594	594	0	0
Equities	1,646	1,383	0	263
Pooled Investments *	13,730	10,738	2,145	847
Pooled Property Investments	440	397	0	43
Cash and FX Contracts	76	76	0	0
	16,486	**13,188**	**2,145**	**1,153**
Custody Fees	59			
Stock Lending Income and Commission Recapture	(36)			
Other Investment Management Expenses	(17)			
	16,492			

* Included £1.192 million charged to the Fund by the Brunel Pension Partnership.

10. Agency Services

The Pension Fund pays discretionary awards to the former employees of other bodies. The amounts paid are not included within the Fund Account but are provided as a service and fully reclaimed from the employer bodies. The sums are disclosed in the following table.

31 March 2020		31 March 2021
£'000	**Payments on behalf of:**	**£'000**
7,501	Devon County Council	7,459
936	Plymouth City Council	951
529	Torbay Council	523
353	Teignbridge District Council	380
306	University Of Plymouth	321
238	Exeter City Council	245
235	North Devon District Council	225
187	South Hams District Council	191
166	Dorset, Devon and Cornwall Rehabilitation Service	159
83	Torridge District Council	87
357	Payments of less than £100,000 on behalf of other bodies	434
10,891		**10,975**

11. Related Party Transactions

The Devon Pension Fund is administered by Devon County Council. During the reporting period, the council incurred costs of £3.001 million (2019/20: £3.027 million) in relation to the administration of the fund and was subsequently reimbursed by the fund for these expenses. Devon County Council and its employees contributed £51.771 million to the fund in 2020/21 (2019/20: £50.546 million). In 2020/21 £3.541 million was owed to the fund (2019/20: £4.360 million) and £2.786 million was due from the fund (2019/20: £2.819 million).

The Investment and Pension Fund Committee is the decision-making body for the fund and Devon County Council nominates 6 of the 10 voting committee members.

Each member of the pension fund committee is required to declare their interests at each meeting.

In accordance with IAS 24 ‘Related Party Disclosures’ material transactions with related parties not disclosed elsewhere are detailed below:

No members of the Investment & Pension Fund Committee receive pension benefits from the Fund.

No senior officers responsible for the administration of the Fund have entered into any contract, other than their contract of employment with the Council, for the supply of goods or services to the Fund.

The Pension Fund has transactions with the following organisation:

Brunel Pension Partnership Ltd (Company number 10429110)

Brunel Pensions Partnership Ltd (BPP Ltd) was formed on the 14th October 2016 and oversees the investment of pension fund assets for Avon, Buckinghamshire. Cornwall, Devon, Dorset, Environment Agency, Gloucestershire, Oxfordshire, Somerset, and Wiltshire Funds.

Each of the 10 administering authorities, including Devon County Council own 10% of BPP Ltd. Pension Fund transactions with BPP Ltd are as follows:

	2019/20	2020/21
	£'000	£'000
Income	0	0
Expenditure	1,192	1,469
Debtors	317	361
Creditors	0	0

12. Key Management personnel

The Key Management Personnel of the Fund are those persons having the authority and responsibility for planning, directing and controlling the activities of the fund, including the oversight of these activities. The Key Management Personnel of the Fund are the County Council Treasurer, the Deputy County Treasurer, the Assistant County Treasurers and the Head of Pension Services. A percentage of the Key Management Personnel total remuneration payable is set out below:

		Salary, Fees and Allowances	Expenses Allowances	Pension contributions	**Total**
		£'000	£'000	£'000	**£'000**
Remuneration	2020/21	216	7	43	**266**
	2019/20	212	6	42	**260**

13. Contractual Commitments

As at 31 March 2021 the Fund had outstanding capital commitments of £624.661 million (31 March 2020 - £198.236 million). These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the infrastructure, private debt and private equity fund elements of the investment portfolio. The amounts “called” by these funds are irregular in terms of both size and timing from the date of the original commitment due to the nature of the investments.

31 March 2020			31 March 2021	
Total Commitment £'000	Remaining Commitment £'000		Total Commitment £'000	Remaining Commitment £'000
		Infrastucture		
164,570	7,259	Pre-Brunel Investments	158,833	2,725
175,078	151,859	Brunel Infrastructure Portfolio	424,160	363,982
		Private Debt		
150,486	39,118	Pre-Brunel Investments	144,360	33,781
-	-	Brunel Private Debt Portfolio (Cycle 2)	100,000	100,000
		Private Equity		
-	-	Brunel Private Equity Portfolio (Cycle 2)	125,000	124,173
490,134	**198,236**		**952,353**	**624,661**

14. Stock Lending

The Devon pension Fund permits holdings in its segregated portfolios to be lent out to market participants. State Street Bank and Trust Company has acted as custodian for the Fund since 1 April 2018 and are authorised to lend both UK and Overseas stocks. A summary of the stock on loan as at 31st March 2021 is shown below.

31 March 2020 £'000	% of Fund %		31 March 2021 £'000	% of Fund %
8,462	0.2	**Stock on Loan**	**6,048**	0.1
		Collateral		
0		Cash	0	
9,305		Securities	6,869	
9,305			**6,869**	

15. Investments

2019/20 £'000		2020/21 £'000
	Investment Assets	
273,442	**Bonds**	**291,224**
	Pooled Funds	
246,728	Fixed Interest Funds	344,730
2,257,563	Global Equity	3,171,345
169,408	Infrastructure Funds	194,950
107,367	Private Debt Funds	107,612
0	Private Equity Funds	1,333
526,061	Diversified Growth Funds	476,194
3,307,127		**4,296,164**
	Other Investments	
372,962	Pooled Property Investments	404,962
	Derivatives:	
7,199	- Forward Foreign Exchange	8,193
380,161		**413,155**
47,797	Cash Deposits	57,740
3,759	Investment Income Due	3,191
51,556		**60,931**
4,012,286	**Total Investment Assets**	**5,061,474**
	Long-term Investments	
427	Shares in Brunel Pool	**768**
	Investment Liabilities	
	Derivatives:	
(10,300)	- Forward Foreign Exchange	(3,233)
(1,136)	Amounts Receivable For Sales	(2,714)
(11,436)	**Total Investment Liabilities**	**(5,947)**
4,001,277	**Total Investments**	**5,056,295**

16. Investment Management Arrangements

The Pension Fund is currently managed by the Brunel Pension Partnership Ltd. and four other external managers and the in-house Investment Team in the following proportions:

31 March 2020 £'000	%	Manager	Mandate	31 March 2021 £'000	%
		Investments managed by the Brunel Pension Partnership Asset Pool:			
1,505,380	37.6	Brunel Pension Partnership Ltd	Passive Equities	1,800,418	35.6
241,385	6.0	Brunel Pension Partnership Ltd	Global High Alpha Equities	314,878	6.2
0	0.0	Brunel Pension Partnership Ltd	Global Small Cap Equities	238,078	4.7
179,009	4.5	Brunel Pension Partnership Ltd	Emerging Market Equities	281,725	5.6
0	0.0	Brunel Pension Partnership Ltd	Sustainable Equities	153,375	3.0
186,409	4.7	Brunel Pension Partnership Ltd	Low Volatility Equities	336,892	6.7
0	0.0	Brunel Pension Partnership Ltd	Diversifying Returns Fund	476,194	9.4
379,709	9.5	Brunel Pension Partnership Ltd	Property	409,079	8.1
25,117	0.6	Brunel Pension Partnership Ltd	Infrastructure	65,840	1.3
0	0.0	Brunel Pension Partnership Ltd	Private Equity	1,333	0.0
2,517,009	**62.9**			**4,077,812**	**80.6**
		Investments managed outside the Brunel Pension Partnership Asset			
279,109	7.0	Lazard Asset Management LLC	Global Fixed Interest	300,013	6.0
246,737	6.2	Wellington Management International Ltd	Global Fixed Interest	344,738	6.8
274,513	6.8	Baillie Gifford & Co	Diversified Growth Fund	0	0.0
251,548	6.3	Baring Asset Management Ltd	Diversified Growth Fund	0	0.0
432,361	10.8	DCC Investment Team	Specialist Funds	333,732	6.6
1,484,268	**37.1**			**978,483**	**19.4**
4,001,277	**100.0**			**5,056,295**	**100.0**

17. Investment Movements and Transactions

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

	Value at 31 March 2020	Reclassification *	Purchases at cost & Derivative Payments	Sale proceeds & Derivative Receipts	Change in Market Value	Value at 31 March 2021
	£'000	£'000	£'000	£'000	£'000	£'000
Investment Assets						
Bonds						
U.K. Public Sector Bonds	13,721	0	5,826	(7,411)	(992)	11,144
Overseas Government Bonds	153,358	3,819	101,563	(88,186)	(9,661)	160,893
UK Corporate Bonds	1,326	0	3,019	0	(297)	4,048
Overseas Corporate Bonds	105,037	(3,819)	74,503	(54,289)	(6,293)	115,139
Pooled investments	3,307,127	0	1,427,485	(1,462,972)	1,024,524	4,296,164
Pooled property investments	372,962	0	98,910	(66,428)	(482)	404,962
Derivative contracts						
Forward currency contracts	(3,102)	0	27,744	(27,962)	8,280	4,960
Foreign Currency	8,512	0	67,211	(64,025)	(189)	11,509
Amounts payable for purchases of investments	(1,136)	0	(1,578)	0	0	(2,714)
	3,957,805	**0**	**1,804,683**	**(1,771,273)**	**1,014,890**	**5,006,105**
Other Investment Balances						
Short Term Deposits	27,243					19,011
Cash & Bank Deposits	12,043					27,220
Long Term Investments	427				341	768
Investment income due	3,759					3,191
Net investment assets	**4,001,277**				**1,015,231**	**5,056,295**

* Assets were reclassified by the Fund Custodian State Street. These assets initially reported as Corporate Bonds are owned by overseas government and are now classified as Government Bonds.

	Value at 31 March 2019	Reclassification	Purchases at cost & Derivative Payments	Sale proceeds & Derivative Receipts	Change in Market Value	Value at 31 March 2020
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Investment Assets						
Bonds						
U.K. Public Sector Bonds	11,770	0	637	0	1,314	13,721
Overseas Government Bonds	135,440	0	112,318	(100,006)	5,606	153,358
UK Corporate Bonds	0	0	1,253	0	73	1,326
Overseas Corporate Bonds	75,489	0	52,959	(25,570)	2,159	105,037
Equities (Listed)						
U.K.	39,901	0	7,697	(47,875)	277	0
Overseas	348,734	0	154,486	(522,276)	19,056	0
Pooled investments	3,224,966	0	2,216,307	(1,720,343)	(413,803)	3,307,127
Pooled property investments	378,934	0	424,811	(422,065)	(8,718)	372,962
Derivative contracts						
Forward currency contracts	5,146	0	26,535	(34,715)	(68)	(3,102)
Foreign Currency	5,447	0	4,231	(244)	(922)	8,512
Amount receivable for sales of	879		0	(879)	0	0
Amounts payable for purchases of investments	(193)		(943)		0	(1,136)
	4,226,513	**0**	**3,000,291**	**(2,873,973)**	**(395,026)**	**3,957,805**
Other Investment Balances						
Short Term Deposits	22,581					27,243
Cash & Bank Deposits	37,875					12,043
Long Term Investments	395				32	427
Investment income due	4,792					3,759
Net investment assets	**4,292,156**				**(394,994)**	**4,001,277**

18. Fund Investments over 5% of total fund value

	Value at 31 March 2021 £'000	% of Total Fund Value %
LGIM UK Equity Index Fund	560,214	11.1%
Brunel Diversifying Returns Fund	476,194	9.5%
LGIM Scientific Beta Multi-Factor Developed Equity Index Fund	433,713	8.6%
LGIM World Developed Equity Index Fund	404,566	8.0%
LGIM World Developed Equity Index (Currency Hedged) Fund	401,883	8.0%
Wellington Multi Sector Credit Fund	344,730	6.8%
Brunel Active Global Low Volatility Equity Fund	336,892	6.7%
Brunel Active Global High Alpha Equity Fund	314,878	6.3%
Brunel Active Emerging Markets Equity Fund	281,725	5.6%

	Value at 31 March 2020 £'000	% of Total Fund Value %
LGIM World Developed Equity Index (Currency Hedged) Fund	641,717	16.0%
LGIM UK Equity Index Fund	506,394	12.6%
LGIM Scientific Beta Multi-Factor Developed Equity Index Fund	357,238	8.9%
Baillie Gifford Diversified Growth Fund	274,513	6.9%
Barings Dynamic Asset Allocation Fund	251,548	6.3%
Wellington Multi Sector Credit Fund	246,728	6.2%
Brunel Active Global High Alpha Equity Fund	241,385	6.0%

19. Derivative Contracts

Derivative receipts and payments represent the realised gains and losses on futures contracts. The scheme's objective is to decrease the risk in the portfolio by entering into future positions to match current assets that are already held in the portfolio without disturbing the underlying assets.

20. Current Assets and Liabilities

The Analysis of Current Assets and Liabilities does not include purchases and sales of investments not yet due for settlement or investment income due. They are included within net investment assets and liabilities. Current assets and liabilities are valued at the fair value approximation of historical cost. Current assets and liabilities are all short term and there is no active market in which they are traded.

31 March 2020 £'000		31 March 2021 £'000
	Current Assets	
	Debtors and Prepayments	
	Contributions Receivable	
10,298	Employers	9,326
	Current portion of non current assets	
1,504	(Employers contributions)	1,504
3,175	Employees	3,402
18,103	Other debtors	3,831
33,080		**18,063**
	Current Liabilities	
	Creditors and Receipts in Advance	
(2,825)	Devon County Council	(2,799)
(20,417)	Other creditors	(4,629)
(23,242)		**(7,428)**

21. Funded Obligation

The actuarial present value of promised retirement benefits (the Funded Obligation) amounts to £9,085 million as at 31 March 2021 (£6,924 million as at 31 March 2020). The Funded Obligation consists of £8,919 million (£6,804 million as at 31 March 2020) in respect of Vested Obligation and £166 million (£120 million as at 31 March 2020), of Non-Vested Obligation. The Pension Fund holds assets, as disclosed in the Net Asset Statement, which offset these projected total liabilities.

These figures have been prepared by the Fund Actuary (Barnett Waddingham LLP) in accordance with their understanding of IAS 26. In calculating the disclosed numbers the Actuary has adopted methods and assumptions that are consistent with IAS 19.

Actuarial Methods and Assumptions

Valuation Approach

To assess the value of the Fund’s liabilities at 31 March 2021, the actuary has rolled forward the value of Fund’s liabilities calculated for the funding valuation as at 31 March 2019, using financial assumptions that comply with IAS19.

The full actuarial valuation involved projecting future cashflows to be paid from the Fund and placing a value on them. These cashflows include pensions currently being paid to members of the Fund as well as pensions (and lump sums) that may be payable in future to members of the Fund or their dependants. These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member’s death.

It is not possible to assess the accuracy of the estimated liability as at 31 March 2021 without completing a full valuation. However, we are satisfied that the approach of rolling forward the previous valuation data to 31 March 2021 should not introduce any material distortions in the results provided that the actual experience of the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information we have received there appears to be no evidence that this approach is inappropriate.

Experience items allowed for since the previous accounting date

Experience items arise due to differences between the assumptions made as part of the roll forward approach and actual experience. This includes (but is not limited to) assumptions made in respect of salary increases, pension increases, mortality, and member transfers. The Actuary has allowed for actual pension increase experience for the period from 2019-2021. This assumes that pension increases are in line with the annual pension increases set by HM Treasury Revaluation Order.

As a result of allowing for actual experience, an experience item is observed in the reconciliation to 31 March 2021 to be a gain £91.807 million (31 March 2020 a loss of £21.820 million)

Guaranteed Minimum Pension (GMP) Equalisation

As a result of the High Court’s recent Lloyds ruling on the equalisation of GMPs between genders, a number of pension schemes have made adjustments to accounting disclosures to reflect the effect this ruling has on the value of pension liabilities. It is the Actuaries' understanding that HM Treasury have confirmed that the judgement “does not impact on the current method used to achieve equalisation and indexation in public service pension schemes”. More information on the current method of equalisation of public service pension schemes can be found on the www.gov.uk website.

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

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

Demographic/Statistical Assumptions

The Actuary has adopted a set of demographic assumptions that are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2019, except for the CMI projection model. The post retirement mortality tables adopted are the S3PA tables with a multiplier of 95% for males and 110% for females. These base tables are then projected using the CMI_2020 Model, allowing for a long-term rate of improvement of 1.25% p.a., smoothing parameter of 7.5, an initial addition parameter of 0.5% p.a. and a 2020 weighting of 25%.

Although the post retirement mortality tables adopted are consistent with the previous accounting date, the mortality improvement projection has been updated to use the latest version of the Continuous Mortality Investigation's model, CMI_2020, which was released in March 2021. This update has been made in light of the coronavirus pandemic and reflects the latest information available from the CMI. The new CMI_2020 Model introduces a "2020 weight parameter" for the mortality data in 2020 so that the exceptional mortality experienced due to the coronavirus pandemic can be incorporated without having a disproportionate impact on results. Our view is that placing too much weight on the 2020 mortality experience would not be appropriate given the abnormality of the 2020 data, however, the overall outlook for best-estimate future mortality improvements looks less positive as a result of the pandemic. Therefore the Actuary has updated to use the CMI_2020 Model with a 2020 weight parameter of 25%. At the last accounting date, the CMI_2018 Model was adopted. The effect on the Fund's liabilities of updating to the most recent model is reflected in the Change in demographic assumptions figure £ 75,560 million for 20/21 (£116,022 million for 19/20), and the effect on the assumed life expectancies is demonstrated in the table below.

The assumed life expectations from age 65 are:

Life Expectancy from 65 (years)	**31 March 2020**	**31 March 2021** before CMI 2020 update	**31 March 2021** after CMI 2020 update
Retiring Today			
Males	22.9	23.0	22.6
Females	24.1	24.1	23.9
Retiring in 20 years			
Males	24.3	24.4	24.0
Females	25.5	25.6	25.4

The Actuary has also assumed that:

- Members will exchange pension to get 50% of the maximum available cash on retirement. For every £1 of pension that members commute, they will receive a cash payment of £12 as set out in the Regulations;

- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age; and
- The proportion of the membership that had taken up the 50:50 option at the previous valuation date will remain the same.

Financial Assumptions

The financial assumptions used for the purposes of the calculations are as follows:

Assumptions as at	31 March 2021	31 March 2020	31 March 2019
	% p.a	% p.a	% p.a
Discount rate	2.0%	2.4%	2.4%
Pension Increases	2.9%	1.9%	2.4%
Salary Increases	3.9%	2.9%	3.9%

These assumptions are set with reference to market conditions at 31 March 2021.

The Actuary's estimate of the duration of the Fund's liabilities is 21 years.

An estimate of the Fund's future cashflows is made using notional cashflows based on the estimated duration above. The estimated cashflows are then used to derive a Single Equivalent Discount Rate (SEDR). The discount rate derived is such that the net present value of the notional cashflows, discounted at this single rate, equates to the net present value of the cashflows, discounted using the annualised 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 previous accounting date.

Similar to the approach used to derive the discount rate, the Retail Prices Index (RPI) increase assumption is set using a Single Equivalent Inflation Rate (SEIR) approach, using the notional cashflows as described above. The single inflation rate derived is that which gives the same net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve, as applying the Bank of England (BoE) implied inflation curve. As above, the Merrill Lynch AA rated corporate bond yield spot curve is assumed to be flat beyond the 30 year point and the BoE implied inflation spot curve is assumed to be flat beyond the 40 year point. This is consistent with the approach used at the previous accounting date.

The BoE implied inflation curve may suggest a higher rate of inflation, over longer terms, than actually expected by market participants due to a willingness to accept a lower return on investments to ensure inflation linked returns. To reflect this, we include an Inflation Risk Premium (IRP) adjustment such that our assumed level of future annual RPI increase is 0.25% p.a. lower than the SEIR calculated using the BoE inflation curve alone. This differs from the previous accounting date. The impact of this change in derivation on the liability value resulted in a loss of £350,365,000 on the defined benefit obligation; comprising a gain of £417,672,000 from the change in assumed IRP and a loss of £768,037,000 from the change in the assumed gap between RPI and CPI inflation.

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, we have made a further assumption about CPI which is that it will be 0.35% p.a. below RPI i.e. 2.85% p.a. We believe that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods, recent independent forecasts and the duration of the Fund's liabilities. The difference between RPI and CPI is less than assumed at the previous accounting date. This reflects the movement in market implied RPI inflation that occurred following the UK Statistics Authority's proposal to change how RPI is calculated and subsequent announcements from the Chancellor on the issue. The impact of this change in derivation on the liability value as mentioned above.

Salaries are assumed to increase at 1.0% p.a. above CPI. This is consistent with the approach at the previous accounting date.

22. Taxation

Value Added Tax The Fund is reimbursed by H.M.Revenue & Customs, and the accounts are shown exclusive of this tax.

Income Tax The Pension Fund is an exempt fund, and where permitted U.K tax on interest and dividends is recovered from H.M.Revenue & Customs. The Pension Fund cannot reclaim the 10% tax credit attached to U.K. company dividends which are included net of the tax credit.

Withholding Tax This is payable on income from overseas investments. This tax is recovered wherever local tax law permits.

23. Financial Instrument Disclosures

The Net Assets of the Fund disclosed in the Net Asset Statement are made up of the following categories of financial instruments:

Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost		Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost
	2019/20				2020/21	
£'000	£'000	£'000		£'000	£'000	£'000
			Financial assets			
273,442	0	0	Bonds	291,224	0	0
3,307,127	0	0	Pooled investments	4,296,164	0	0
372,962	0	0	Pooled property investments	404,962	0	0
7,199	0	0	Derivative contracts	8,193	0	0
0	47,797	0	Cash	0	57,740	0
427	0	0	Long Term investments	768	0	0
3,759	0	0	Other investment balances	3,191	0	0
0	34,584	0	Debtors	0	18,063	0
3,964,916	**82,381**	**0**		**5,004,502**	**75,803**	**0**
			Financial Liabilities			
(10,300)	0	0	Derivative contracts	(3,233)	0	0
0	0	(1,136)	Other investment balances	0	0	(2,714)
0	0	(24,746)	Creditors	0	0	(7,428)
(10,300)	**0**	**(25,882)**		**(3,233)**	**0**	**(10,142)**
3,954,616	**82,381**	**(25,882)**		**5,001,269**	**75,803**	**(10,142)**

As all investments are disclosed at fair value, carrying value and fair value are therefore the same.

The gains and losses recognised in the Fund Account in relation to financial instruments are made up as follows:

31 March 2020		31 March 2021
£'000		£'000
	Financial assets	
(328,326)	Fair value through profit and loss	1,044,866
(439)	Amortised Cost	(101)
(328,765)		**1,044,765**
	Financial liabilities	
(6,878)	Fair value through profit and loss	5,486
0	Amortised Cost	0
(6,878)		**5,486**

The total changes in fair value represent unrealised profit or loss. The difference in unrealised profit/(loss) figures between 2019/20 and 2020/21 reflects the prevailing economic conditions during each of the two years and the impact on the specific assets held by the Fund.

24. Hedge Accounting

Hedging is the process of entering into a derivative contract with the objective of reducing or eliminating exposure to a risk. This is achieved because expected changes in the value or cash flows of the hedging of the hedged item move in the opposite direction to expected changes in the value or cash flow of other investment holdings.

The Pension Fund enters hedging in order to manage risk and not for speculation purposes.

2020/21

	Nominal Value	Inception Date	Carrying Value at 31 March 2021	Changes in Fair Value 2020/21	Changes in Fair Value since inception	Hedge Effective-ness 2020/21	Hedge Effective-ness since inception
	£'000		£'000	£'000	£'000	%	%
Pooled Investments - Overseas Unit Trusts							
Forward Currency Contracts	(26,250)	08/01/2021	(24,705)	1,546	1,546	(5.9)	(5.9)
Pooled Investments - Global Equity							
Forward Currency Contracts	(12,672)	08/01/2021	(11,926)	746	746	(5.9)	(5.9)
Pooled Investments - Overseas Other Managed Funds							
Forward Currency Contracts	(49,877)	15/01/2021	(48,442)	1,434	1,434	(2.9)	(2.9)

2019/20

	Nominal Value	Inception Date	Carrying Value at 31 March 2020	Changes in Fair Value 2019/20	Changes in Fair Value since inception	Hedge Ineffective-ness 2019/20	Hedge Ineffective-ness since inception
	£'000		£'000	£'000	£'000	%	%
Pooled Investments - Overseas Unit Trusts							
Forward Currency Contracts	(16,964)	08/01/2020	(17,700)	(736)	(736)	4.3	4.3
Pooled Investments - Overseas Other Managed Funds							
Forward Currency Contracts	(33,929)	08/01/2020	(35,400)	(1,471)	(1,471)	4.3	4.3

The pooled investments effectiveness has been recognised as part of change in the market value of the investment.

25. Fair Value – Basis of Valuation

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Description of Asset	**Fair Value Hierarchy**	**Basis of Valuation**	**Observable and unobservable inputs**	**Key sensitivities affecting the valuations provided**
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Pooled investments – Quoted UK and overseas unit trusts	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Pooled investments - UK and overseas property funds, unitised insurance policies and other managed funds	Level 2	* Closing bid price where bid and offer prices are published * Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not required
Forward Currency Contracts	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not required
UK and Overseas Unit Trusts (Venture Capital and Partnerships)	Level 3	Based on cash flow analysis and comparable transaction multiples in accordance with the International Private Equity and Venture Capital Valuation Guidelines	* Market conditions * Company business plans * Financial projections * Economic outlook * Performance of the investments * Business analysis	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows and interest rates that are inputs to the valuation models, such as the discounted cash flow models used in the valuation of unlisted investments.

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31st March.

As at 31 March 2021

	Assessed valuation range (+/-)	Value at 31 March 2021	Value on increase	Value on decrease
	%	£'000	£'000	£'000
Investment Assets				
Pooled Property Investments	5.36%	50	53	47
Pooled Investments				
Unlisted Infrastructure	4.85%	194,950	204,405	185,495
Private Equity	4.85%	1,332	1,397	1,267
Private Debt	4.85%	107,613	112,832	102,394
Long Term Investments	14.85%	768	882	654
		304,713	**319,569**	**289,857**

All movements in the assessed valuation range of the above investments derive from changes in the underlying profitability of component companies, the range in the potential movement quoted is caused by how this profitability is measured since different methods (listed in Note 25) produce different price results.

As at 31 March 2020

	Assessed valuation range (+/-) %	Value at 31 March 2020 £'000	Value on increase £'000	Value on decrease £'000
Investment Assets				
Pooled Investments				
Unlisted Infrastructure	5.36%	107,658	113,428	101,887
Private Debt	5.36%	107,367	113,122	101,612
Long Term Investments	12.95%	427	482	372
		215,452	**227,033**	**203,870**

Fair Value Hierarchy

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

Level 1

Assets and liabilities at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed interest securities, quoted index linked securities and unit trusts.

Level 2

Assets and liabilities at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value.

Level 3

Assets and liabilities at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

The unlisted infrastructure, private equity and private debt funds listed in the table below have been classified as level 3 financial instruments.

The values of the investments in infrastructure funds are based on valuations provided by the fund managers. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP.

The total gain/(loss) in fair value is calculated based on valuations that are recognised in the Fund Account are detailed below:

	2019/20 £'000	2020/21 £'000
Unlisted Infrastructure		
Archmore (UBS) International Infrastructure Fund LLP	(295)	(5,353)
Aviva Ground Rents Fund	-	(279)
Aviva Infrastructure Income Fund	(2,803)	71
Capital Dynamics Clean Energy Fund VII A	(29)	226
Capital Dynamics Clean Energy Fund VIII	(149)	747
First Sentier Infrastructure Fund	-	10,818
Hermes GPE Infrastructure Fund LLP	3,154	(956)
NTR Renewable Energy Fund II	(18)	(536)
Stepstone Brunel I Infrastructure Fund	-	603
Stepstone Brunel II Renewables Infra Fund	-	331
Vauban Core Infrastructure Fund II	1,116	797
Private Equity		
Crown Global Secondaries V PE Fund	-	564
Private Debt		
Arcmont Senior Loan fund I	(1,753)	1,761
Golub Capital Partners International Fund 11	5,653	(847)
Long Term Investments		
Brunel Pension Partnership	32	341
	4,908	**8,288**

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

At 31 March 2021

	Quoted market price	Using observable inputs	With Significant unobservable inputs	
	Level 1 £'000	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Long Term Investments	-	-	768	768
Investment Assets				
Fixed Interest				
U.K. Public Sector Bonds	11,144	-	-	11,144
Overseas Government Bonds	160,893	-	-	160,893
UK Corporate Bonds	4,048	-	-	4,048
Overseas Corporate Bonds	115,139	-	-	115,139
Pooled investments	46,021	3,946,248	303,895	4,296,164
Pooled property investments	-	404,912	50	404,962
Derivative Assets				
Forward Currency Contracts	-	8,193	-	8,193
Cash Deposits				
Foreign Currency	11,509	-	-	11,509
Short Term Deposits	19,011	-	-	19,011
Cash & Bank Deposits	27,220	-	-	27,220
Investment income due	3,191	-	-	3,191
Investment Liabilities				
Derivatives				
Forward Currency Contracts	-	(3,233)	-	(3,233)
Amounts payable for purchases	(2,714)	-	-	(2,714)
Assets and Liabilities				
Current Assets	-	18,063	-	18,063
Current Liabilities	-	(7,428)	-	(7,428)
Net Assets of the Fund at 31 March 2021	**395,462**	**4,366,755**	**304,713**	**5,066,930**

At 31 March 2020

	Quoted market price - Restated	Using observable inputs - Restated	With Significant unobservable inputs	
	Level 1 £'000	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Long Term Investments	-	-	427	427
Investment Assets				
Fixed Interest				
U.K. Public Sector Bonds	13,721	-	-	13,721
Overseas Government Bonds	153,358	-	-	153,358
UK Corporate Bonds	1,326	-	-	1,326
Overseas Corporate Bonds	105,037	-	-	105,037
Pooled investments	598,393	2,493,709	215,025	3,307,127
Pooled property investments	-	372,962	-	372,962
Derivative Assets				
Forward Currency Contracts	-	7,199	-	7,199
Cash Deposits				
Foreign Currency	8,511	-	-	8,511
Short Term Deposits	27,243	-	-	27,243
Cash & Bank Deposits	12,043	-	-	12,043
Investment income due	3,759	-	-	3,759
Investment Liabilities				
Derivatives				
Forward Currency Contracts	-	(10,300)	-	(10,300)
Amounts payable for purchases	(1,136)	-	-	(1,136)
Assets and Liabilities				
Non current Assets	-	1,504	-	1,504
Non current Liabilities	-	(1,504)	-	(1,504)
Current Assets	-	33,080	-	33,080
Current Liabilities	-	(23,242)	-	(23,242)
Net Assets of the Fund at 31 March 2020	**922,255**	**2,873,408**	**215,452**	**4,011,115**

Reconciliation of Fair Value Measurements within Level 3

	Value at 31 March 2020 £'000	Transfers into Level 3 £'000	Purchases during the year and derivative payments £'000	Sales during the year and derivative receipts £'000	Unrealised gains / (losses) £'000	Realised gains / (losses) £'000	Value at 31 March 2021 £'000
Investment Assets							
Pooled Property Investments	0	0	50	0	0	0	50
Pooled Investments							
Unlisted Infrastructure	107,658	61,750	71,149	(52,076)	(6,566)	13,035	194,950
Private Equity	0	0	828	(60)	564	0	1,332
Private Debt	107,367	0	4,571	(5,239)	914	0	107,613
Long Term Investments	427	0	0	0	341	0	768
	215,452	**61,750**	**76,598**	**(57,375)**	**(4,747)**	**13,035**	**304,663**

	Value at 31 March 2019 £'000	Transfers into Level 3 £'000	Purchases during the year and derivative payments £'000	Sales during the year and derivative receipts £'000	Unrealised gains / (losses) £'000	Realised gains / (losses) £'000	Value at 31 March 2020 £'000
Investment Assets							
Pooled Investments							
Unlisted Infrastructure	87,833	0	28,717	(9,868)	947	29	107,658
Private Debt	70,271	0	50,840	(17,644)	242	3,658	107,367
Long Term Investments	395	0	0	0	32	0	427
	158,499	**0**	**79,557**	**(27,512)**	**1,221**	**3,687**	**215,452**

Unrealised and realised gains and losses are recognised in the profit and losses on disposal and changes in the market value of investments line of the fund account.

26. Additional Financial Risk Management Disclosures

The activities of the Pension Fund are exposed to a variety of financial risks; market risk (price risk, currency risk and interest rate risk), credit risk and liquidity risk.

The Fund's investments are managed on behalf of scheme members by the Investment Managers. As a result of the investment pooling agenda, the majority of the fund's assets are now pooled with those of other LGPS Funds and managed by the Brunel Pension Partnership. Each investment manager, including Brunel, is required to invest the assets managed by them in accordance with the terms of a written investment mandate or duly authorised prospectus.

The Investment and Pension Fund Committee has determined that appointment of these managers is appropriate for the Fund and is in accordance with its investment strategy.

The Investment and Pension Fund Committee obtains regular reports from each investment manager on the nature of the investments made and associated risks.

The Fund is exposed to interest rate risk, currency risk and other price risk due to its underlying assets and liabilities. The analysis below is provided to meet the disclosure requirements of IFRS 9 Financial Instruments disclosures and should not be used for any other purpose. The analysis is not intended to constitute advice and is not guaranteed.

Market Risk

Market risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Fund is exposed, particularly through its equity portfolio, to market risk influencing investment valuations. In addition to the effects of movements in interest rates, the Fund is exposed to currency risk and other price risk. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of exposure to different markets through different Investment Managers. Risk of exposure to specific markets is limited by applying strategic targets to asset allocation, which are monitored by the Investment and Pension Fund Committee.

Other Price Risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments in the market.

The Fund is exposed to price risk which arises from investments for which the prices in the future are uncertain. All securities investments present a risk of loss of capital, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The investment managers mitigate this risk through diversification in line with their own investment strategies.

Other Price Risk - Sensitivity Analysis

Following analysis of data by PIRC (Pensions and Investment Research Consultants Ltd.), it has been determined that the following movements in market price risk were reasonably possible for the reporting period:

Asset Class	Percentage Change 2019/20	Percentage Change 2020/21
Equities	12.95%	14.85%
Bonds	5.17%	5.91%
Cash	0.50%	2.10%
Pooled Property Investments	2.52%	2.63%
Infrastructure	5.36%	4.85%
Pooled Multi Asset	9.11%	9.92%

A price change disclosed above is broadly consistent with a one-standard deviation movement in the value of the assets based on movements over the previous 3 years. This analysis assumes that all other variables, in particular foreign currency exchange rates, and interest rates remain constant.

An increase or decrease in the market price of the investments of the Fund by the percentages given at 31st March would have increased or decreased the net assets available to pay benefits by the amount shown below:

As at 31 March 2021

Asset Class	Value £'000	Percentage Change	Increase £'000	Decrease £'000
Equities	3,172,113	14.85%	471,127	(471,127)
Bonds	635,954	5.91%	37,586	(37,586)
Cash	63,177	2.10%	1,328	(1,328)
Pooled Property Investments	404,962	2.63%	10,669	(10,669)
Infrastructure	303,895	4.85%	14,734	(14,734)
Pooled Multi Asset	476,194	9.92%	47,245	(47,245)
Total	**5,056,295**		**582,689**	**(582,689)**

As at 31 March 2020

Asset Class	Value £'000	Percentage Change	Increase £'000	Decrease £'000
Equities	2,257,990	12.95%	292,366	(292,366)
Bonds	520,170	5.17%	26,868	(26,868)
Cash	50,420	0.50%	252	(252)
Pooled Property Investments	372,962	2.52%	9,386	(9,386)
Infrastructure	273,674	5.36%	14,661	(14,661)
Pooled Multi Asset	526,061	9.11%	47,943	(47,943)
Total	**4,001,277**		**391,476**	**(391,476)**

Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments on behalf of scheme members. These investments are subject to interest rate risks, which represent the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest rates are monitored during the year, both by the Fund's Investment Managers and by the Devon County Council Investments team. Short term deposits are made at fixed rates and monitored against a target rate for the year, with the aim of maximising interest within risk parameters set by the Investment and Pension Fund Committee.

The Fund's exposure to interest rate movements on those investments at 31st March 2020 and 2021 are provided below. These disclosures present interest rate risk based on underlying financial assets (at fair value).

	As at 31 March 2020 £'000	As at 31 March 2021 £'000
Cash and cash equivalents	12,043	27,220
Short term Deposits	27,243	19,011
Fixed Interest	520,170	644,743
Total	**559,456**	**690,974**

Interest Rate Risk - Sensitivity Analysis

Interest rates vary and can impact on the value of the net assets available to pay benefits to scheme members. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

The sensitivity of bond prices to interest rate changes depends upon both the maturity of the fixed interest security and the size and frequency of its coupon payments. Duration is used to measure interest rate risk and is the weighted average maturity of a bond, where the weights are the relative discounted cash flows in each period. Duration can then be adapted with reference to the yield of a bond to calculate modified duration, which is the percentage change in a bond's price for a 1% change in yields. Modified duration can be calculated for a portfolio of bonds, and modified duration figures have been provided by the Devon Pension Fund's two bond managers (Lazard and Wellington) for the portfolios that they manage. A weighted average has been used in the tables following.

An increase or decrease of 1% in interest rates at the reporting date would have increased or decreased the change for the year in net assets available to pay benefits by the amount shown below:

As at 31 March 2021	**Carrying value at 31 March 2021**	**Modified Duration of Portfolio**	**Effect on Asset Values**	
			+1%	**-1%**
	£'000	**£'000**	**£'000**	**£'000**
Cash and cash equivalents	27,220	-	-	-
Short term Deposits	19,011	-	-	-
Fixed Interest	644,743	5.62%	(36,235)	36,235
Total	**690,974**	**5.62%**	**(36,235)**	**36,235**

As at 31 March 2020	**Carrying value at 31 March 2020**	**Modified Duration of Portfolio**	**Effect on Asset Values - Restated**	
			+1%	**-1%**
	£'000	**£'000**	**£'000**	**£'000**
Cash and cash equivalents	12,043	-	-	-
Short term Deposits	27,243	-	-	-
Fixed Interest	520,170	5.59%	(29,090)	29,090
Total	**559,456**	**5.59%**	**(29,090)**	**29,090**

As at 31 March 2021	**Amount receivable in year ending 31 March 2020**	**Effect on Income Values**	
		+1%	**-1%**
	£'000	**£'000**	**£'000**
Cash and cash equivalents	88	1	(1)
Short term Deposits	0	-	-
Fixed Interest	8,292	-	-
Total	**8,380**	**1**	**(1)**

As at 31 March 2020	Amount receivable in year ending 31 March 2020	Effect on Income Values	
		+1%	**-1%**
	£'000	**£'000**	**£'000**
Cash and cash equivalents	690	7	(7)
Short term Deposits	0	-	-
Fixed Interest	7,828	-	-
Total	**8,518**	**7**	**(7)**

This analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash/cash equivalent or short-term deposit balances but they will affect the interest income received on those balances. Changes to both the fair value of assets and the income received from investments impact on the net assets available to pay benefits.

Currency Risk and Sensitivity Analysis

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in a currency other than the functional currency (Pound Sterling) of the Fund. The Fund holds both monetary and non-monetary assets denominated in currencies other than Pounds Sterling.

The following table summarises:

i) The Fund's exposure at 31st March 2021 to currency exchange rate movements on its investments based on movements over the previous 3 years.

j) A sensitivity analysis based on historical data (published by Rates FX, with some additional data from PIRC) of the likely volatility associated with foreign currency rate movements (as measured by one standard deviation). A strengthening or weakening of the pound against the various currencies by one standard deviation (measured in percentages) at 31 March 2021 would have increased or decreased the change for the year in net assets available to pay benefits by the amount shown. These changes in the currencies are considered to be reasonable based on historical movements in exchange rates over the past three years.

This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for the year ended 31st March 2020.

As at 31 March 2021	Assets held at fair value	FX Contracts	Total	Percentage Change	Change for the year in net assets available to pay benefits	
					+ 1 Standard Deviation	- 1 Standard Deviation
	£'000	£'000	£'000		£'000	£'000
Australian Dollar	37,558	741	38,299	8.16%	3,125	(3,125)
Brazilian Real	62,240	0	62,240	15.35%	9,554	(9,554)
Canadian Dollar	59,616	69	59,685	7.07%	4,220	(4,220)
Chilean Peso	5,808	3	5,811	14.19%	825	(825)
Chinese Yuan	94,020	(127)	93,893	8.09%	7,594	(7,594)
Colombian Peso	31,277	0	31,277	12.12%	3,791	(3,791)
Czech Republic Koruna	3,137	310	3,447	7.12%	245	(245)
Danish Krona	15,303	0	15,303	6.99%	1,070	(1,070)
Euro	282,931	2,857	285,788	6.77%	19,348	(19,348)
Hong Kong Dollar	31,935	0	31,935	8.01%	2,558	(2,558)
Hungarian Forint	9,542	348	9,890	8.77%	867	(867)
Indian Rupee	9,655	12	9,667	8.19%	792	(792)
Indonesian Rupiah	1,971	(5)	1,966	8.43%	166	(166)
Israeli Shekel	(3,948)	0	(3,948)	9.05%	(357)	357
Japanese Yen	199,680	(1,588)	198,092	8.64%	17,115	(17,115)
Kenyan Shilling	655	0	655	6.33%	41	(41)
Malaysian Ringgit	12,099	0	12,099	7.38%	893	(893)
Mexican Peso	42,702	39	42,741	12.88%	5,505	(5,505)
New Taiwan Dollar	33,537	0	33,537	7.84%	2,629	(2,629)
New Turkish Lira	6,360	0	6,360	20.05%	1,275	(1,275)
New Zealand Dollar	(33,475)	292	(33,183)	7.43%	(2,465)	2,465
Nigerian Naira	1,123	0	1,123	6.33%	71	(71)
Norwegian Krone	78,918	86	79,004	9.58%	7,569	(7,569)
Peruvian Sol	5,512	0	5,512	6.33%	349	(349)
Philipines Peso	(2,140)	0	(2,140)	7.52%	(161)	161
Polish Zloty New	35,803	273	36,076	7.37%	2,659	(2,659)
Romanian Leu	8,793	269	9,062	6.33%	574	(574)
Russian Rouble	28,480	(18)	28,462	14.05%	3,999	(3,999)
Singapore Dollars	21,161	60	21,221	6.35%	1,348	(1,348)
South African Rand	17,941	0	17,941	14.08%	2,526	(2,526)
South Korean Won	37,010	(34)	36,976	7.57%	2,799	(2,799)
Swedish Krona	44,249	(73)	44,176	7.73%	3,415	(3,415)
Swiss Franc	22,900	(157)	22,743	7.36%	1,674	(1,674)
Thailand Baht	(10,459)	(18)	(10,477)	7.67%	(804)	804
US Dollars	1,377,425	1,621	1,379,046	8.03%	110,737	(110,737)
Vietnamese Dong	1,741	0	1,741	6.33%	110	(110)
	2,571,060	**4,960**	**2,576,020**		**215,656**	**(215,656)**

As at 31 March 2020	Assets held at fair value	FX Contracts	Total	Percentage Change	Change for the year in net assets available to pay benefits	
					+ 1 Standard Deviation	- 1 Standard Deviation
	£'000	£'000	£'000		£'000	£'000
Argentine Peso	123	0	123	6.79%	8	(8)
Australian Dollar	34,389	1,005	35,394	8.16%	2,888	(2,888)
Brazilian Real	7,886	0	7,886	13.17%	1,039	(1,039)
Canadian Dollar	50,536	521	51,057	7.47%	3,814	(3,814)
Chilean Peso	4,712	0	4,712	12.97%	611	(611)
Chinese Yuan	76,555	(28)	76,527	7.46%	5,709	(5,709)
Colombian Peso	2,053	0	2,053	11.01%	226	(226)
Czech Republic Koruna	7,758	(3)	7,755	7.01%	544	(544)
Danish Krona	4,281	0	4,281	7.00%	300	(300)
Euro	213,111	(2,992)	210,119	6.72%	14,120	(14,120)
Hong Kong Dollar	19,420	0	19,420	7.73%	1,501	(1,501)
Hungarian Forint	9,051	176	9,227	8.26%	762	(762)
Indian Rupee	3,738	0	3,738	8.19%	306	(306)
Indonesian Rupiah	6,416	0	6,416	7.89%	506	(506)
Israeli Shekel	3,304	0	3,304	8.73%	288	(288)
Japanese Yen	62,812	1,218	64,030	8.72%	5,583	(5,583)
Malaysian Ringgit	1,849	0	1,849	7.18%	133	(133)
Mexican Peso	10,859	379	11,238	11.95%	1,343	(1,343)
Morroccan Dirham	346	0	346	5.35%	19	(19)
New Taiwan Dollar	20,852	0	20,852	7.61%	1,587	(1,587)
New Turkish Lira	1,537	0	1,537	18.38%	283	(283)
New Zealand Dollar	9,518	219	9,737	7.79%	759	(759)
Nigerian Naira	587	0	587	6.79%	40	(40)
Norwegian Krone	10,087	364	10,451	8.75%	914	(914)
Peruvian Sol	5,368	0	5,368	4.83%	259	(259)
Philipines Peso	5,270	0	5,270	7.33%	386	(386)
Polish Zloty New	7,943	38	7,981	7.34%	586	(586)
Qatari Rial	136	0	136	8.18%	11	(11)
Romanian Leu	8,305	(87)	8,218	6.79%	558	(558)
Russian Rouble	4,107	0	4,107	13.04%	536	(536)
Saudi Arabia Riyal	167	0	167	6.79%	11	(11)
Singapore Dollars	6,107	(47)	6,060	6.35%	385	(385)
South African Rand	6,284	0	6,284	13.77%	865	(865)
South Korean Won	18,425	(52)	18,373	7.76%	1,426	(1,426)
Swedish Krona	7,984	8	7,992	7.65%	611	(611)
Swiss Franc	35,698	41	35,739	7.29%	2,605	(2,605)
Thailand Baht	4,986	0	4,986	7.48%	373	(373)
UAE Dirham	1,231	0	1,231	7.28%	90	(90)
US Dollars	745,231	(3,861)	741,370	7.73%	57,308	(57,308)
Vietnamese Dong	1,275	0	1,275	6.79%	87	(87)
	1,420,297	**(3,101)**	**1,417,196**		**109,380**	**(109,380)**

Credit Risk

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Pension Fund to incur a financial loss. Market prices generally incorporate credit assessments into valuations and risk of loss is implicitly provided for in the carrying value of the financial assets and liabilities as they are marked to market.

The net market value of financial assets represents the Fund's exposure to credit risk in relation to those assets. For derivative positions the credit risk is equal to the net market value of positive (asset) derivative positions.

	As at 31 March 2020 £'000	As at 31 March 2021 £'000
Fixed Interest	273,442	291,224
Pooled investments	3,307,127	4,296,164
Pooled property investments	372,962	404,962
Derivatives (net)	(3,101)	4,960
Foreign currency	8,511	11,509
Short term deposits	27,243	19,011
Cash and cash equivalents	12,043	27,220
Settlements and dividends receivable	3,759	3,191
Long Term Investment	427	768
Total of investments held	**4,002,413**	**5,059,009**

The selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle transactions in a timely manner. The Fund's exposure to concentrations of credit risk to individual counterparties comprises of assets that are invested by individual investment managers and in specific investment trusts. The contractual credit risk is represented by the net payment or receipt that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default.

Credit risk on exchange traded derivative contracts is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

Interest rate agreements and foreign exchange contracts are subject to credit risk in relation to the relevant counterparties, which are principally large banks. The maximum credit risk exposure on foreign currency contracts is the full amount of the foreign currency the Fund pays when settlement occurs, should the counterparty fail to pay the amount which it is committed to pay the Fund.

The Fund's exposure to credit risk at 31st March is the carrying amount of the financial assets.

The Pension Fund believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits over the past five financial years. The Fund’s cash holding (short term deposits and cash equivalents) under its treasury management arrangements at 31st March 2021 was £19.011 million (31st March 2020: £27.243 million). This was held with the following institutions:

Credit Rating at 31 March 2021	**Fitch**	**Moody's**	**Standard & Poor's**	**Balances as at 31 March 2020 £'000**	**Balances as at 31 March 2021 £'000**
Banks and Building Societies					
Handelsbanken	AA	Aa2	AA-	947	19,011
Money Market Funds					
Aberdeen Money Market Fund	AAA	Aaa	AAA	26,296	0
				27,243	**19,011**

Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. In assessing each individual investment, a key consideration is to ensure that the liability of the Fund is limited to the amount of the investment in the asset.

The liquidity risks associated with the need to pay members' benefits are mitigated by maintaining a pool of cash. As this pool reduces other strategies will be developed to eliminate this risk. In the first instance, income from investments, now held and reinvested by fund managers, will be used to meet liquidity shortfall.

27. Funding Arrangements

In line with the Local Government Pension Scheme (Administration) Regulations 2013, the fund’s actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2019. The next valuation will take place as at 31 March 2022.

The key elements of the funding policy are:

- Establish a clear and transparent fund-specific strategy that will identify how employers’ pension liabilities are best met going forward;
- Support the desirability of maintaining as nearly constant a primary contribution rate as possible, as defined in Regulation 62(5) of the Regulations;
- Ensure that the regulatory requirements to set contributions to meet the future liability to provide scheme member benefits in a way that ensures the solvency and long-term cost efficiency of the fund are met; and
- Take a prudent longer-term view of funding those liabilities.

The aim is to achieve 100% solvency over a period of 21 years and to provide stability in employer contribution rates by spreading any increases in rates over a short period of time, normally three years.

Solvency is achieved when the funds held, plus future expected investment returns and future contributions, are sufficient to meet expected future pension benefits payable.

At the 2019 actuarial valuation, the fund was assessed as 91% funded (84% at the March 2016 valuation). This corresponded to a deficit of £399 million (2016 valuation: £628 million) at that time.

The primary rate (previously known as the future service rate) over the three year period ending 31 March 2023 is 16.9% of payroll. The secondary rate (the deficit recovery rate) totals £22.241 million in 2021/22 across all the Fund’s employers, equivalent to an average of 9.3% of payroll.

Individual employers’ rates will vary from the primary and secondary rates above depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2019 actuarial valuation report on www.peninsulapensions.org.uk and the funding strategy statement can also be found there.

The valuation of the fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. Allowances have been made for the McCloud/Sargeant case and GMP within the assumptions used for the triennial valuation of the fund. The principal assumptions for the Fund were:

Financial Assumptions

Assumptions	Rate
Investment return (discount rate)	5.1%
Salary Increases	3.6%
Pension increases in line with CPI	2.6%

Mortality assumptions

Life Expectancy from 65 (years)	31 March 2019
Retiring Today	
Males	22.8
Females	24.0
Retiring in 20 years	
Males	24.2
Females	25.4

Historic mortality assumptions

Life expectancy for the year ended 31 March 2019 are based on S3PA tables with a multiplier of 95% for males and 110% for females. The allowances for future life expectancy are based on the 2018 CMI Model allowing for a long-term rate of improvement of 1.25% per annum, smoothing parameter of 7.5 and an initial addition to improvements of 0.5 % per annum.

Commutation assumption

It is assumed that at retirement 50% of members will opt to increase their lump sum to the maximum allowed.

Contingent Liability

A guarantee has been provided to the Brunel Pensions Partnership to meet an obligation for the pension reimbursement asset. Should Brunel Pensions Partnership fail to meet its obligation it will be assigned to the shareholders. As Devon Pension Fund is a shareholder, it will guarantee to pay 1/10th of the obligation. The risk of the guarantee being called upon is assessed as low. Consequently, there is no liability recognised in the Pension Fund’s net asset statement.

Statistical Summary

Financial Summary

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Contributions and Benefits					
Contributions	(159,873)	(168,808)	(176,196)	(248,155)	(214,261)
Transfers in from other pension funds	(8,205)	(6,481)	(6,134)	(17,279)	(12,970)
	(168,078)	(175,289)	(182,330)	(265,434)	(227,231)
Benefits Paid	168,016	173,772	180,638	188,470	192,439
Payments to and on account of leavers	6,403	5,855	9,747	12,756	8,437
	174,419	179,627	190,385	201,225	200,876
Net (Additions) Withdrawals from Dealings with Fund members	**6,341**	**4,338**	**8,055**	**(64,208)**	**(26,355)**
Management Expenses	**12,286**	**18,084**	**17,999**	**19,732**	**20,791**
Returns on Investments					
Investment Income	(39,852)	(44,578)	(49,937)	(59,351)	(35,020)
(Increase) /decrease in Market Value of Investments during the Year	(571,754)	(135,382)	(191,967)	394,994	(1,015,231)
Net Returns on Investments	**(611,606)**	**(179,960)**	**(241,904)**	**335,643**	**(1,050,251)**
Net Assets of the Fund at 31 March	**(3,928,894)**	**(4,086,432)**	**(4,302,282)**	**(4,011,115)**	**(5,066,930)**

Members Summary

	2016/17 No.	2017/18 No.	2018/19 No.	2019/20 No.	2020/21 No.
Devon County Council					
Contributors	12,455	11,484	11,166	10,547	11,390
Pensioners and Dependants	13,737	14,117	14,548	14,894	15,148
Deferred Pensioners	18,923	20,080	20,240	19,235	19,520
Other Employers					
Contributors	26,051	27,728	27,458	28,624	28,072
Pensioners and Dependants	18,050	18,976	22,118	21,056	21,847
Deferred Pensioners	28,217	30,139	32,616	32,490	34,004

* Deferred pensioners include frozen memberships pending refunds and those undecided pending resolution.

Employing Bodies

	Active	Ceased	Total
Scheduled body	141	1	142
Admitted body	71	0	71
Total	**212**	**1**	**213**

There are currently 212 employers who have active members in the Fund.

Administering Authority

Devon County Council

Scheduled Bodies

Academy For Character and Excellence
ACE Schools Multi Academy Trust (Plymouth)
Acorn Multi Academy Trust
Alumnis MAT
An Daras Multi Acadmey Trust
Ashburton Town Council
Avanti Hall School
Axminster Town Council
Axmouth Parish Council
Aylesbeare Parish Council
Barnstaple Town Council
Barton Hill Academy
Bay Education Trust
Bicton College (Cornwall College)
Bideford Town Council
Bishopsteignton Parish Council
Bishops Clyst Parish Council
Bovey Tracey Town Council
Bradninch Town Council
Bradworthy Primary Academy
Braunton Academy
Braunton Parish Council
Brixham Academy
Brixham Town Council
Broadclyst Parish Council
Buckland Monachorum Parish Council
Budleigh Salterton Town Council
Catch 22 Multi Academy Trust
Chudleigh Town Council
Chulmleigh Academy Trust
Churston Academy
City College Plymouth
Clyst Honiton Parish Council
Clyst Vale Community College Academy
Coast Academies
Colyton Grammar School Academy
Combe Martin Parish Council
Connect Academy Trust
Coombe Pafford Academy
Cornerstone Academy Trust
Cranbrook Town Council
Crediton Town Council
Cullompton Town Council
Dartmoor Multi Academy Trust
Dartmoor National Park
Dartmouth Town Council
Dawlish Town Council
Devon & Cornwall Police & Crime Commissioner
Devon & Somserset Fire & Rescue Service
Devonport High School for Boys Academy
Devonport High School for Girls Academy
Discovery Multi Academy Trust
East Devon District Council
Education South West
Eggbuckland Community College Academy
Estuaries Multi Academy Trust
Exeter City Council
Exeter College
Exeter Learning Academy Trust
Exeter Mathematics School
Exmouth Community College
Exmouth Town Council
Exwick Ark
First Federation Trust
Fremington Parish Council
Great Torrington Academy
Great Torrington Town Council
Hayes Road Academy
Holcombe Brunel Parish Council
Honiton Community College
Honiton Town Council
Horizon Multi Academy Trust
Ilfracombe Town Council
Greenshaw Learning Trust
Ivybridge Town Council
Kings Academy
Kingsbridge Town Council
Kingsteignton Town Council
Launceston Multi Academy Trust
Learning Academies Trust
Learning Academy Partnership
Lipson Academy
Littletown Primary Academy
Lynton & Lynmouth Town Council
Mid Devon District Council
Moretonhampstead Parish Council
Newton Abbot Town Council
North Devon District Council
Okehampton Town Council
Osprey Learning Trust
Petroc
Plymouth Academy Trust
Plymouth CAST
Plymouth City Bus
Plymouth City Council
Plymouth College Of Art & Design
Plymouth School of Creative Arts
Plymouth University
Plympton Academy
Queen Elizabeth's Academy Trust
Reach South Academy Trust
Riviera Education Trust
Seaton Town Council
Sidmouth Town Council
South Brent Parish Council
South Devon College
South Devon UTC
South Hams District Council
South Molton Town Council
Sparkwell Primary Academy
Staverton Parish Council
St Christophers Primary Multi Academy Trust
St Christophers Secondary Multi Academy Trust
St Margaret's Academy
Stockland Academy
Stokenham Parish Council
Tarka Learning Academy Partnership Multi Academy Trust
Tavistock Town Council
Team Multi Academy Trust
Ted Wragg Multi Academy Trust
Tedburn St Mary Parish Council
Teignbridge District Council
Teignmouth Town Council
The All Saints Church of England Academy
The Inspire Multi Academy Trust
The Link Academy Multi Academy Trust
Tor Bridge High Academy
Torbay Council
Torquay Boys' Grammar School Multi Academy Trust
Torquay Girls Academy
TORRE Church of England Academy
Torridge District Council
Totnes Town Council
Uffculme Academy Trust
Ugborough Parish Council
United Schools Trust
WAVE Multi Academy Trust
Westcountry Schools Trust
West Devon Borough Council
Witheridge Parish Council
Ventrus Multi Academy Trust

Admitted Bodies

Access Plymouth
Action for Children
Action for Children - West Exeter Childrens Centre
Aspens Services Ltd
Babcock
Barnardos - 4Children (C4)
Barnardos - Plymouth/Whitleigh - Devon 3
Bournemouth Churches Housing Association
Burton Art Gallery
CATERed Ltd
Caterlink Ltd
Chartwells (N Tawton)
Chartwells (OLCS)
Churchill Services
Compass Group UK
Cormac Solutions Ltd
Dame Hannah Rogers School
DCC South West Heritage Trust
Delt - Plymouth City
Delt Part - Print Services
Delt Shared Services Ltd
Devon & Severn IFCA
Devon Norse Catering
Devon Norse Cleaning
Devon Norse Facilities Management
Devon Wildlife Trust
Devon Wildlife Trust
DYS Space Ltd
Exeter Royal Academy for Deaf Education
Expedite Ltd
FCC Environment
FISHKIDS
FRESH Ltd
FRESHA
Fusion Leisure
Healthwatch
Innovate (Honiton Community College)
Interserve Catering Services Plymouth
Interserve Projects Ltd
LED Leisure Management Ltd
LEX Leisure
Libraries Unlimited
Livewell South West
Mama Bears Day Nursery
Millfields Trust
Mitie PLC (Devon)
NHS Care
North Devon Homes
North Devon Joint Crematorium
Plymouth Citizen's Advice Bureau
Plymouth Community Homes
Peninsula Dental Social Enterprise
Plymouth Learning Partnership (PLP)
Quadron Services Ltd
Red One Ltd
Sanctuary Housing
Servicemaster Clean Contr serv
SLM Community Leisure
SODEXO
South West Highways
Strata
Streets Coaches
SWISCO Ltd
Teign Housing
Torbay Coast & Countryside Trust
Torbay Community Development Trust
Torbay Economic Development Academy
Torbay Youth Trust
University Commercial Services
Viridor
Westward Housing Group
Wolseley Community Economic Development Trust

Statement of the Actuary for the year ended 31 March 2021

Introduction

The last full triennial valuation of the Devon County Council Pension Fund was carried out as at 31 March 2019 as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 (the Regulations) and in accordance with the Funding Strategy Statement of the Fund. The results were published in the triennial valuation report dated 31 March 2020.

Asset value and funding level

The results for the Fund at 31 March 2019 were as follows:

- The smoothed market value of the Fund’s assets as at 31 March 2019 for valuation purposes was £4,273 million;
- The Fund had a funding level of 91% i.e. the assets were 91% of the value that they would have needed to be to pay for the benefits accrued to that date, based on the assumptions used. This corresponded to a deficit of £399m.

Contribution rates

The employer contributions rates, in addition to those paid by the members of the Fund, are set to be sufficient to meet:

- The annual accrual of benefits allowing for future pay increases and increases to pensions in payment when these fall due;
- plus an amount to reflect each participating employer’s notional share of the Fund’s assets compared with 100% of their liabilities in the Fund, in respect of service to the valuation date.

The primary rate of contribution on a whole Fund level was 16.9% of payroll p.a. The primary rate as defined by Regulation 62(5) is the employer’s share of the cost of benefits accruing in each of the three years beginning 1 April 2020.

In addition each employer pays a secondary contribution as required under Regulation 62(7) that when combined with the primary rate results in the minimum total contributions. This secondary rate is based on their particular circumstances and so individual adjustments are made for each employer.

Details of each employer’s primary and secondary rates are contained in the Rates and Adjustment Certificate in the triennial valuation report.

Assumptions

The assumptions used to value the liabilities at 31 March 2019 are summarised following:

Assumptions	Assumptions used for the 2019 valuation
Financial assumptions	
Market date	31 March 2019
CPI Inflation	2.6% p.a.
Long-term salary increases	3.6% p.a.
Discount rate	5.1% p.a.
Pension increases on GMP	Funds will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, we have assumed that Funds are required to pay the entire inflationary increases.
Demographic assumptions	
Post-retirement mortality	Male / Female
Member base tables	SP3A
Member mortality multiplier	95% / 110%
Dependant base tables	S3DA
Dependant mortality multiplier	95% / 80%
Projection model	CMI 2018
Long-term rate of improvement	1.25% p.a.
Smoothing parameter	7.5
Initial addition to improvements	0.5% p.a.
The mortality assumptions translate to life expectancies as follows:	
Assumed life expectancies at age 65:	Men / Women
Average life expectancy for current pensioners - currently age 65	22.8 years / 24.0 years
Average life expectancy for current pensioners - currently age 45	24.2 years / 25.4 years

Further details of these assumptions can be found in the relevant actuarial valuation report.

Updated position since the 2019 valuation

Assets

Returns over the year to 31 March 2021 have been strong, helping to offset the significant fall in asset values at the end of the previous year. As at 31 March 2021, in market value terms, the Fund assets were more than where they were projected to be based on the previous valuation.

Liabilities

The key assumption which has the greatest impact on the valuation of liabilities is the real discount rate (the discount rate relative to CPI inflation) – the higher the real discount rate the lower the value of liabilities. As at 31 March 2021, the real discount rate is estimated to be lower than at the 2019 valuation due to lower future expected returns on assets in excess of CPI inflation.

Please note that we have updated the derivation of the CPI inflation assumption to be 0.8% p.a. below the 20 year point on the Bank of England (BoE) implied inflation curve. The assumption adopted at the 2019 valuation was that CPI would be 1.0% p.a. below the 20 year point on the BoE implied inflation curve. This update was made following the Government's response (on 25 November 2020) to the consultation on the reform of RPI, and the expectation that the UK Statistics Authority will implement the proposed changes to bring RPI in line with CPIH from 2030. This updated approach leads to a small increase in the value of liabilities.

The value of liabilities will also have increased due to the accrual of new benefits net of benefits paid.

It is currently unclear what the impact of the COVID-19 pandemic is on the Fund's funding position. It is expected that COVID-related deaths will not have a material impact on the Fund's current funding level, however, impact on future mortality rates may be more significant and we will be reviewing the Fund's mortality assumption as part of the next valuation.

Overall position

On balance, we estimate that the funding position has weakened slightly since 31 March 2019, falling from 91% to 90% at 31 March 2021.

The change in the real discount rate since 31 March 2019 is likely to place a higher value on the cost of future accrual which results in a higher primary contribution rate. Deficit contributions would also be slightly higher as a result of the worsening in the funding position.

Future investment returns that will be achieved by the Fund in the short term are more uncertain than usual, in particular the return from equites due to actual and potential reductions and suspensions of dividends. There is also uncertainty around future benefits due to the McCloud/Sargeant cases and the cost cap process.

We will continue to monitor the funding level on a quarterly basis as requested by the administering authority.

Graeme Muir FFA

Partner, Barnett Waddingham LLP

21st May 2021

Glossary

Actuarial Terms

Actuary

An independent consultant who advises on the financial position of the fund. Every three years the actuary reviews the assets and liabilities of the fund and reports to the County Council on the financial position and the recommended employers' contribution rates. This is known as the Actuarial Valuation.

BoE spot inflation curve

A fixed-interest gilt and an otherwise identical index-linked gilt of the same time to maturity will have a different price or yield. This difference in yields indicates the market's expectation of future inflation, or spot inflation, for that particular term. The Bank of England produces an inflation curve which is essentially a best fit of the difference in fixed interest gilts and index linked gilts for terms to maturity of up to 25 years

Deferred Pension

The pension benefit payable from normal retirement age to a member of the fund who has ceased to contribute as a result of leaving employment or opting out of the pension scheme before state retirement age.

Merrill Lynch AA rated corporate bond curve

Corporate bonds are given a credit rating by a credit rating agency which indicates the creditworthiness of the company that has issued the bond. Merrill Lynch produces a yield curve which shows the relationship between the yields on bonds with AA credit ratings against the time to maturity of these bonds.

Non-Vested obligations

If active members remain active rather than become deferred then their liabilities will be higher due to assumed salary increases until retirement. These additional liabilities make up the non-vested obligation.

Promotional scale

This takes into consideration the possibility of promotion during the course of an employees working life.

Retirement age assumption

Active members will retire one year later than they are first able to do so without reduction – One year after minimum retirement age

Solvency Test

An actuarial calculation to determine whether the assets of an occupational pension scheme are sufficient to meet its benefit obligations.

S3PA tables

The S3PA tables are published by the Actuarial Profession's Continuous Mortality Investigation ("CMI"). These tables are based on studies of mortality for members of large self-administered pension schemes over the period 2009 to 2016.

Vested obligations

Vested obligations are liabilities in respect of deferred and pensioner members. It also includes part of the liability for active members. This part is calculated by assuming that active members become deferred immediately and as such does not take into account future salary increases.

Derivatives

Financial contracts whose value is tied to an underlying asset. Derivatives include futures, options and swaps.

Emerging Markets

Stock Markets in developing countries (as defined by the World Bank).

Equities

Ordinary shares in UK and overseas companies traded on a recognised stock exchange. Shareholders have an interest in the profits of the company and are normally entitled to vote at shareholders' meetings.

Fixed Interest Securities

Investments, mainly in government stocks, which guarantee a fixed rate of interest. The securities represent loans which are repayable at a stated future date but which can be traded on a recognised Stock Exchange in the meantime.

Index Future

An obligation to make or take delivery of a specified quantity of an underlying Stock/Index at a particular time in the future, at a price agreed when the contract is taken out.

Index (Stock Market)

The movements in a Stock Market are monitored continuously by means of an Index made up of the current prices of a representative sample of stocks.

Indexation

Also known as Index Matching or Index Tracking. Indexation is a statistical technique used to construct a portfolio of shares that will consistently move in line with a particular Index.

Managed Fund

A multi-asset pooled fund under which an insurance company offers participation in one or more pooled funds.

Market Value

The price at which an investment can be sold at a given date.

Performance Services

WM Performance services are an independent company used to measure the investment performance of the Fund. They also measure 84 Local Authority sector funds calculating, every quarter, the average returns for the median of all the funds and constituent funds (the weighted average).

Pooled Funds

A fund managed by an external Fund Manager in which a number of investors buy units. The total fund is then invested in a particular market or region.

Portfolio

A collective term for all the investments held in a fund, market or sector.

Property Unit Trust

A pooled investment vehicle that enables investors to hold a stake in a diversified portfolio of properties.

Return

The total gain from holding an investment over a given period, including income and increase (decrease) in market value.

Transfers to/from Other Schemes

These are sums paid to or received from other pension schemes and relate to the current value of past contributions which transfer with a member when changing employment.

Unrealised Increase/(Decrease) in Market Value

The increase/ (decrease) in market value, since the previous year, of those investments still held at the year end.

Unit Trust

A Pooled Fund in which investors hold units, and where the fund offers new units and is prepared to redeem existing units from holders on a regular basis.

Annual Governance Statement 2020/21

Purpose of Annual Governance Statement

To achieve good governance, a Council must not only take account of the legislative and constitutional arrangements that underpin them but should use all means at its disposal to explain to the community, service users, tax payers and other stakeholders how its governance arrangements work and how the controls it has in place manage risks of failure in delivering its outcomes.

An Annual Governance Statement should therefore provide a meaningful communication regarding the review of governance that has taken place, including the role of the governance structures involved (such as the authority, the audit and other committees). It should be high level, strategic and written in an open and readable style, in line with CIPFA guidance.

Devon County Council's Annual Governance Statement:

- acknowledges responsibility for ensuring there is a sound system of governance incorporating systems of internal control;
- recognises and assesses the effectiveness of key elements of the governance framework, including joint arrangements where appropriate and the roles of the Council, its Cabinet, Audit and other Committees as appropriate;
- provides an opinion on the level of assurances that the Council's governance arrangements can provide;
- recognises and reflects upon any appropriate action(s) identified or required in earlier Statements and commits to monitoring any action(s) require as part of this Statement.

Scope of Responsibility

The County 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. The County 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 County Council is responsible for putting in place proper arrangements for the governance of its affairs to facilitate the effective exercise of its functions and manage risk.

The County 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 (2016). The Annual Governance Statement explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2015.

Purpose of the Governance Framework

The governance framework comprises the systems, processes, culture and values by which the Council is directed and controlled, and the activities through which it accounts to, engages with and leads the community. It enables the Council 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 the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks not being realised - and the impact should they be realised - and to manage them efficiently, effectively and economically.

Satisfactory controls to support statements made in this Annual Governance Statement are essential and in endorsing it the Council's officers confirm that input to systems and processing of transactions is complete for the financial year ended 31 March 2021 and that there were no material or significant delays or backlogs of either input or processes that would result in financial or other records being incomplete.

The Council's financial management arrangements also conform with the CIPFA/SOLACE guidance on the role of the Chief Financial Officer in Local Government (2010), enabling the County Treasurer to operate in line with the 5 principles set out in the 'Application Note Delivering Good Governance in Local Government: A Framework' to operate effectively and perform her core duties demonstrating commitment to good practice in governance and financial management.

The Governance Framework – The Council's Constitution

The Constitution is fundamental to the working of the County Council and transcends the core principles and sub principles of corporate governance in the CIPFA/SOLACE Framework which form the basis of the attached schedule. Many of the structures and processes referred to here are readily available either through the Constitution or in the Council's website.

The Constitution is the Council's Code of Corporate Governance. Framed in accordance with statute and Government guidance, it has evolved in the light of experience and subsequent legislation. It sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people.

The Constitution is the guarantor of the continuing openness, accountability and integrity of the Council's decision-making processes and sets a series of exacting standards against which the Council's actions can be judged and, if necessary, challenged.

The Constitution is at the heart of the Council's business:

- it allocates power and responsibility within the Council and between it and partner organisations;
- it delegates authority for specific issues to act to the Leader, Committees, Cabinet Members and officers;

- it enables the people of Devon to access information and ask questions or make representations or submit petitions at certain meetings;
- it sets down the procedures by which the people of Devon may give their views on the key decisions which the Council's Cabinet is to take; and
- it regulates and identifies standards for the behaviour of individuals and groups through codes of conduct (including interests, conflicts of interest and whistleblowing), protocols and standing orders.

The Constitution comprises 16 Articles setting out the basic rules governing all aspects of the working of the Council (Part 2) and is then divided up into:

- the elements which define the Council’s internal organisation, standing orders, financial regulations, schemes of delegation and terms of reference, procedures covering Cabinet and Scrutiny, Risk Management and Codes of Business and Personal Conduct – for Members and Officers (parts 3-9);
- working practices which supplement these formal rules (Part 10);
- The Framework of Corporate Guidance, which includes other Devon County Council strategies and plans (Part 11).

In formulating its Constitution in 2002, the Council adhered closely throughout to the framework presented in Government's Modular Constitutions for English Local Authorities, enabling it to produce a document which was logical, integrated and accessible to members, officers, citizens and others interested in the way a local authority makes decisions and governs itself and its area. Then and subsequently, wherever legislation permitted local choice, the Council has framed its Constitution to take advantage of the most open and inclusive of the available options.

The Constitution is designed to meet all the necessary statutory requirements for instruments of governance and to include matters traditionally covered by local authority standing orders, financial regulations, schemes of delegation and terms of reference. It also contains the elements necessary to describe the Council's Executive arrangements in a single, coherent document which can be used as a comprehensive point of reference by individuals and organisations both inside and outside the Council. All the familiar elements can be found in the Constitution and the Council has sought to use the model format to create a genuinely accessible and meaningful instrument of governance.

The Council is committed to involving the community in setting its priorities, enabling citizens to raise matters with and convey their concerns to the Council and to considering the needs of all groups in the community and promoting democratic understanding and participation. The Council’s Constitution provides that framework and is underpinned by relevant policies and practices through the Council’s website (e.g. consultations, feedback, and public participation).

Review of Effectiveness

The County Council’s Constitution has been in force since 2002 and is regularly reviewed (by the Council’s Procedures and Standards Committees, as appropriate). The Constitution is published on the County Council’s website.

Over the last four years there have been, via the Procedures Committee, numerous amendments to the Constitution. In the last 12 months these have included changes to the financial regulations including capital expenditure and leasing, staffing, gifts and hospitality and third party guarantees.

The County Council must, at least annually, review the effectiveness of its governance framework including systems of internal control. This review of effectiveness is informed by the work of managers within the authority who have a responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and by comments made by the external auditors and other review agencies and inspectorates.

The Council

The Council currently comprises of 60 members, meeting together as the full Council for specific purposes, to decide the Council's overall policies and set the budget each year. Meetings of the Council and its Committees are normally open to the public. The Council appoints the Leader and Deputy Leader, Scrutiny Committees, the Standards Committee and all other Committees. The Council receives the minutes of committees and has power to vary or refer back decisions which are outside established policy. From time to time it also debates issues of particular relevance or topicality for the County.

The roles and responsibilities of the Council, as well as its Cabinet and non-Cabinet Members are set out more fully in Articles 2 and 4 of the Constitution and in Part 3 (Responsibility for Functions). These have been regularly reviewed and revised since the County Council elections in 2017 and again in 2021 and are themselves balanced by the Codes of Personal Conduct set out at Part 6 of the Constitution.

The Cabinet

The Cabinet is the part of the Council responsible for most day-to-day decisions. It is made up of a Leader and Cabinet Members appointed by the Leader from amongst the membership of the Council. When major decisions (key decisions) are to be discussed or made, these are published in the Cabinet's Forward Plan in so far as they can be foreseen.

The Constitution, under the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012, outlines rule 7.0 (General Exception) and rule 8.0 (Special Urgency) procedures for decision making. Rule 7 would need to be applied if it was impracticable to delay a decision which the Cabinet had defined as a key decision until the date fixed for its determination and rule 8, if by virtue of the date by which a decision must be taken Rule 7.0 (general exception) cannot be followed, for example the required notice period (28 days) before the meeting at which the matter is to be considered and also if the matter is to be considered in private. In both cases, notice of that agreement shall be published at the Council's offices and alongside the agenda item on the website.

These major (key) decisions will be taken with Council officers present at meetings of the Cabinet which will be open to the public except where personal or confidential information is discussed in line with the Council's Access to Information Rules (Part 4 of the Constitution). The Cabinet has to make decisions which are in line with the Council's overall policies and budget. If it wishes to make a decision which is outside the budget or policy framework, this matter must be referred to the full Council to decide.

The Scrutiny Function

Scrutiny supports the work of the Cabinet and the Council as a whole. Scrutiny looks at the effectiveness of the Council's own policies and those of the NHS and inquire into matters of local concern. These investigations lead to reports and recommendations which advise the Cabinet and the Council on its policies, budget and service provision. Scrutiny Committees also monitor the Cabinet’s decisions. They may "call-in" a decision which has been made by the Cabinet but not yet implemented. This enables them to consider whether the decision is appropriate, and they may recommend that the Cabinet reconsiders it. They may also be consulted by the Cabinet or the Council on forthcoming decisions and the development of policy or service delivery. Scrutiny has an important role in ensuring that the voice of the people of Devon are heard in policy development and delivery.

The Health and Adult Care Scrutiny Committee has responsibilities conferred by the Local Authority (Public Health, Health and Wellbeing Boards and Health Scrutiny) Regulations 2013 for scrutiny of any matter relating to the planning, provision and operation of the health service in Devon and the requirement to independently review and comment on Health Providers Quality Accounts. This includes the delegated responsibility for a referral to the Secretary of State for Health on exceptional changes where they are deemed not in the best interests of the people of Devon. The powers also include the monitoring of the function and activity of the Devon Health & Wellbeing Board and its statutory responsibilities for the Joint Health & Wellbeing Strategy, the Joint Strategic Needs Assessment and the Pharmaceutical Needs Assessment.

Following the 2017 Elections, it was resolved that three Scrutiny Committees (Children’s / Health & Adult Care / Corporate Infrastructure and Regulatory Services) would replace the former Place / People’s / Health & Wellbeing / Corporate Services Scrutiny Committees. The Scrutiny Budget process was also reviewed, and the Council agreed that the Joint Budget Scrutiny Meeting be no longer held, but the Corporate Infrastructure and Regulatory Services Scrutiny Committee undertaking its overview function in this regard.

Scrutiny Committees aim to operate in a non-partisan, critical friend way which it is believed has served both the electorate and the Council well, in line with the Constitution and the Council’s protocol governing relationships between the Cabinet and Scrutiny Committees. Members of the Council may place items on the agenda of any Scrutiny Committee, a right which has always effectively existed in the Constitution since it was first adopted in 2002, reflecting the requirements of the Local Government & Public Involvement in Health Act and its definition of ‘any Local Government matter’.

It is widely acknowledged that, to be effective, call-ins must be used only in exceptional circumstances, sparingly and appropriately. In the year in question there were no call-ins.

Reflecting the Council’s approach to the commissioning of services, Scrutiny continues to exercise influence through asking questions about delivery mechanisms, quality, monitoring, safety and responsiveness as an appreciative inquiry where problems are analysed and understood as a precursor to improvement and change rather than punitive action. To strengthen Scrutiny engagement in commissioning processes and commissioned services, the Scrutiny Commissioning Liaison Members continue to review planned commissioning activity, and undertake individual investigations where appropriate, reporting back to Scrutiny Committees to inform their work programme.

The year of the COVID-19 pandemic has been unlike any other in the Council’s history. By necessity the Scrutiny activities of elected members shifted in part from a typical years’

focus on policy development and review to supporting positive governance and community leadership during this time. Working remotely has not however meant that Scrutiny has slowed pace but has continued to strive to support the voice of local residents and pursue issues of concern. For Children's Scrutiny, this has entailed the deep dive into Ofsted related issues, with the first meeting only a couple of weeks into the first lockdown. Corporate Scrutiny has looked at 5G and maintained work on problem gambling, lobbying government on both issues. Health and Adult Care Scrutiny has continued to represent the views of local people, and even made a referral to the Secretary of State for Health. The Committee tried throughout the pandemic to retain a focus on performance across the wider health and care system, and continues to ensure that there is public scrutiny of the NHS's recovery and restoration journey.
The work of Devon Scrutiny has continued to be held up as best practice amongst peers. The Head of Scrutiny has continued to contribute to national debate and development of the role and function of Scrutiny in Local Government.

The Cabinet and Leadership Team remain appreciative of the work undertaken by the Scrutiny committees and acknowledge that it has made a major contribution to the work of the Council, especially in areas where detailed objective research and analysis needed to be done. A summary of the impact of Scrutiny during the year is presented to the County Council yearly in an Annual Scrutiny Report.

Organisational Performance

The ever-changing landscape that COVID-19 has brought continues to present service delivery challenges and financial pressures. The uncertainty of future Government support to address the ongoing costs as a result of the pandemic is a key risk. Longer-term support may be needed for care providers and the authority will continue to engage further with Government to seek adequate funding. The impact of the Government's reform of the public realm and local government finances also continues to influence the Council's current and future performance.

The Council has continued upon a 'purposeful systems' transformation approach, Doing What Matters.

The Council also agreed the following significant actions, specific policy changes or revised strategic objectives during 2020/21 which will impact on future performance:

- Treasury Management Strategy 2021/22 - 2024/25
- Capital Strategy and Programme Overview 2021/22 - 2025/26
- the renewal of the shared Trading Standards Service arrangement with Somerset County Council, Torbay Council and now also Plymouth City Council for a ten-year period
- Diversity and Council Policy
- Food Resilience Strategy for the County Council
- Charter to End Loneliness
- Transport Capital Programme 2020/2021 and 2021/2022
- Economic Recovery Programme
- Torbay Safeguarding Adult Board and Devon Safeguarding Adult Partnership Merger

- Household Waste Recycling Centre Improvement Strategy
- Exeter Transport Strategy 2020-2030
- Devon Local Flood Risk Management Strategy 2021-2027

The Standards Committee

The Standards Committee continued to exercise its role in monitoring complaints and standards. The Committee acts as champion (and guardian) of the Council's ethical standards and is responsible for promoting / maintaining high standards of conduct by both elected and co-opted Members of the Council. At the heart of the Committee's work are the Nolan principles of public life.

Efficient, effective and ethical governance protects the public interest and the Council itself. Members and Officers are supported by a wide range of polices and Codes of Practice enunciated in the Council's Constitution and also by a wide range of training opportunities tailored to meet their needs. The Council's Governance Framework is reviewed annually and any issues for the future governance of the Council are highlighted and addressed at that time.

Co-opted Members of the Committee continue to attend other meetings of the Council, Cabinet and other Committees, selected at random, to monitor and observe compliance with the Council's Governance Framework and behaviours, reporting back to the Standards Committee. There were no reports of any specific actions or behaviours that might be felt to have resulted in a potential breach of the Code or warranted further action.

The Standards Committee met 3 times in 2020/21 with two ordinary meetings and a further meeting convened to consider a complaint and whether the matter warranted a full investigation. Co-opted Members attended a further 24 meetings of Council, Cabinet or Committees to observe and monitor compliance with the Council's ethical governance framework. 10 of those meetings were held virtually. A total of 12 complaints were received under the Members Code of Conduct alleging breaches of the Code. There was 1 case where a formal investigation was required. For this case, the outcome was heard by the Committee in July 2020.

The Committee considered the report on the updated model Code of Conduct that the Local Government Association would be producing. The report explained the LGA's wider programme of work on civility in public life and also the consultation process that had taken place in preparing the Code. The purpose of the new Code of Conduct was to assist Councillors in modelling the behaviour expected of them and to set out the type of conduct against which appropriate action may be taken, including some general principles of conduct. The Committee agreed to prepare a revised Code of Conduct for the New Council to consider for adoption.

The work of the Standards Committee during the year is set out more fully in its Annual Report.

The Audit Committee / Devon Audit Partnership

The Council's Audit Committee monitors the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources including the work of the Council's

Internal Audit team and the External Auditor and the application of the Council's Risk Management policy.

The Audit Committee continues to review separately, and on a regular basis, progress with and implementation of any recommendations made in Audit Reports into specific areas of activity to ensure they have been adhered to and appropriate management action taken. It also reviews the Council's Risk Management Strategy and Registers on a regular basis.

The Devon Audit Partnership was established by the Council in conjunction with Plymouth City and Torbay Councils in 2009 to provide shared internal audit services (as a means of improving services through joint working and maximising efficiencies and economies of scale). Mid Devon District Council and Torridge District Council have subsequently joined the Partnership. South Hams District Council and West Devon Borough Council have subsequently become non-voting partners of the Partnership. In November 2019 it was agreed that North Devon District Council would become a member of the Partnership from 1 April 2020.

The Devon Audit Partnership currently undertakes audit work for a number of District Councils, Devon and Somerset Fire and Rescue Service, Devon and Cornwall Police, the University of Plymouth and many other public authorities and plans to continue expanding on their work with external partners. The Partnership and democratic arrangements are functioning well and will continue to be reviewed.

The Investment and Pension Fund Committee

Accounting arrangements require separate accounts to be prepared for the County Council and the Devon Pension Fund. Recognising the need for clear governance arrangements for managing these accounts the Council's Investment & Pension Fund Committee undertakes the role of reviewing and approving the Pension Fund Annual Report, which incorporates the Statement of Accounts. The Devon County Council Audit Committee undertakes the role to review and approve the accounts of the Devon Pension Fund to ensure appropriate accounting policies were introduced in the same way as it is responsible for monitoring and approving the Council's main accounts.

Devon Pension Board

The Pension Board, which was established in 2015/16, is required to ensure that the Devon Pension Fund is managed and administered effectively and efficiently and to ensure that it complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator. The Devon Pension Board (comprising employer and fund representatives with an independent member) has met six times in total and twice in the past financial year. The operation of the Board will be kept under review.

A summary of the Board's activities and deliberations over the period in question had been included in the Devon Pension Fund's Annual Report and Accounts 2020/21 (and the action taken by the Fund/Fund Manager as a consequence) in scrutinising and satisfying itself with the operation and management of the Fund during that period.

Engagement and Participation

The County Council has always prided itself on the work it does, over and above statutory consultations, to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the Council. Examples of this are the Council's Communications Strategy, the Devon Voice (Residents Panel), Devon Parent Carers Voice, and a number of virtual engagement events held by the Leader of the Council across the County as part of a wider exercise by the County Council to consult and involve local people in determining the Council's budgets and priorities. The Have Your Say consultation pages allow views to be gathered on service specific proposals and provide opportunity for local people to shape their local services.

Public Participation

Those who live and work in Devon have a number of direct opportunities to participate in the Council's decision-making process which are explained in more detail in the Access to Information Procedure Rules in Part 4 of the Council's Constitution and in addition to being available to attend meetings and lobby Councillors in the normal way may also ask questions at meetings of the County Council or the Cabinet and make representations at the County Council and a number of other Committees of the Council, including Scrutiny Committees.

Governance Issues

The COVID-19 pandemic has created an unprecedented situation for the County Council and has had a huge impact on its residents, communities and local businesses.

Much of the Council's staff continue to work from home. It has become more important than ever that the technology available must be embraced and alternative ways to carry on County Council business must be used. Both the Cabinet, Scrutiny and other important council meetings have been managed using video conferencing technology, in line with Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020.

Following the March 2020 judgement of inadequate by Ofsted of the Council's Children Services an Improvement Partnership, with an independent chair was convened to oversee the delivery of the Council's Improvement Plan and will remain in place until the Council secures an improved Ofsted grading at re-inspection. Following the retirement of the outgoing post holder, the Council's new Chief Officer for Children's Services commenced duties on 1 February 2021.

The NHS Long-Term Plan set the ambition that every part of the country should be an Integrated Care System (ICS) by 2022. It encourages all organisations in each health and care system to join forces, so they are better able to improve the health of their populations and offer well-coordinated efficient services to those who need them. The publication of the Government's 'Integration and Innovation: working together to improve health and social care for all' White Paper on 11 February 2021 is the logical next step in the journey. Devon has been preparing to become an ICS, and the system has made changes to how the County Council and NHS work to strengthen partnership working. Integration within the NHS to remove some of the boundaries to collaboration and to make working together an organising principle. To deliver this integration, measures will be brought forward to place Integrated Care Systems on a statutory footing. These will be comprised of an ICS Health and Care Partnership and an ICS NHS Body.

In 2020/21 the Council set the Revenue Budget for 2021/22, the Medium Term Financial Strategy to 2024/25 and the Capital Strategy 2021/22 to 2025/26, including an assessment of the adequacy of reserves, a range of prudential indicators concerning the financial implications of the capital programme and an impact assessment that identified risks associated with the budget strategy, together with how the risks would be managed.

The challenging financial situation justifies the continuing focus on treasury management practices. The County Council's treasury management practices are soundly based on the principle that when balancing risk and return the security and liquidity of an investment is given a higher priority than the yield.

The Council also regularly reviews and updates its Investment Strategy and its Treasury Management Policy and Practices to ensure that they reflect best practice guidance as issued by CIPFA. The Treasury Management Stewardship Annual Report for 2019/20 highlighted the economic impact of the coronavirus pandemic. No new long-term borrowing however was undertaken during 2020/21 and it was not envisaged that any new long-term borrowing will be required over the next three-year period but this will be reviewed annually. The report confirmed that investment income targets had been achieved and all lending had been carried out in accordance with the Council's Treasury Management Strategy.

The Authority's financial management arrangements are continually reviewed, and due regard has been placed on the CIPFA Financial Management Code. 2020/21 was a shadow year for implementation of the Code and an initial assessment was carried out by the Finance Leadership Team in November 2019. However, the impact of COVID-19 from March 2020 delayed further progress during the financial year.

Work is now underway to finalise the Authority's self-assessment of compliance and to identify areas for improvement. Relevant actions will be implemented in 2021/22 in respect of development areas identified from the assessment.

Outside Bodies

Councils should report on separate bodies they have set up or which they own as part of their Annual Governance Statement and give a full picture of their relationship with those bodies. Separate bodies created by local authorities should abide by the Nolan principle of openness, and publish their board agendas and minutes and annual reports in an accessible place. Detailed below is a list of outside bodies that need to fulfil the above criteria:

Company Name	Role
Babcock LDP	Joint Venture contract with the Council, which commenced in 2012. LDP delivers 66 statutory responsibilities on behalf of the County Council. LDP provides integrated support for education improvement and specialist intervention services.
CSW Group Limited	CSW Group Ltd is contracted by the County Council and neighbouring local authorities to assist them in meeting their Statutory Duties under the Education and Skills Act 2008. These duties relate to the provision of services to encourage, enable or

	assist young people in effectively participating in education or training. CSW Group Ltd undertake tracking activities and to provide information to the DfE and the Local Authority in respect of personal information; individual characteristics and the current activities of young people aged 13-19.
DYS Space	DYS Space established as an independent Public Service Mutual with charitable status in 2016. Space delivers professional youth work, community projects and other services to ensure young people have the best opportunities to succeed.
Libraries Unlimited	Libraries Unlimited is an independent staff and community owned charity, established in 2016. Libraries Unlimited is a company limited by guarantee with charitable status.
NPS South West Ltd and Devon Norse	**NPS South West Limited** began trading in 2007 as a joint venture with Devon County Council. Staff are located in Exeter and Ivybridge (near Plymouth). Services include architecture, building and quantity surveying, project management, mechanical, electrical and structural engineering, landscape architecture, CDM, estates and asset management.

Conclusion

The preparation of the Budget for 2021/22 had been set by the detailed assessment of the risks associated with each budget and the goals and objectives of the Council. The Cabinet was assured that the Budget was an effective and balanced Budget which could be commended to the Council. The Revenue Spending Targets for 2021/22 total £578.5million which represent an increase of £35.7million or 6.6% on 2020/21.

It must be noted that the COVID-19 pandemic has created a level of uncertainty on the Council's budget. It is difficult at this stage to determine the impact this will have across DCC's business and the wider economy.

There remain significant additional costs and risks associated with the Council's inadequate grading for Children's Services.

The final Local Government financial settlement (Settlement Funding Assessment) for 2021/22 was £103.2 million which was the same as 2020/21. The settlement was for one year only and was based on the Spending Round 2020 (SR20).

The target budget for Adult Care & Health had increased by £21.7 million, for Children's Services an increase of £11.4 million.

The Council's Leadership Team (Chief Officers and Heads of Service) has confirmed that the organisational, financial, compliance and operational key controls referred to in the Annual Governance Statement and the accompanying schedule continue to be appropriate and that statements of internal control supported the content of this Statement; having operated, effectively, during the financial year. Sundry issues identified in the AGS will be relevant and actioned as appropriate over the coming year. All necessary monitoring and/or implementation of key issues identified in the previous AGS have been, or are continuing to be, addressed.

The Council is satisfied that the governance arrangements can and do provide a high level of assurance, that the arrangements continue to be regarded as fit for purpose and that its governance structures reflect the core and sub-principles of the Statement.

The Council formally places on record and expresses its appreciation to all staff and partners for their continuing commitment to the delivery of high-quality services for the people of Devon throughout this period. The spirit and ethos of good governance cannot be achieved by rules and procedures alone. It is vital that shared values that are integrated into the culture of an organisation and are reflected in behaviour and policy, as a hallmark of good governance.

Certification

In light of the aforementioned and the reviews of the effectiveness of the governance framework undertaken by the Cabinet, the Standards Committee, the Audit Committee, the Investment & Pension Fund Committee and by Scrutiny Committees and the plans, as summarised above, to address weaknesses and ensure continuous improvement of systems is in place, we will, over the coming year, continue to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Phil Norrey

Chief Executive, on behalf of Devon County Council

Councillor Richard Scott

Chair of the Audit Committee, on behalf of Devon County Council

21st September 2021