Devon County Council

Statement of Accounts and Annual Governance Statement 2022/23

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Report of the Director of Finance and Public Value and the Chief Executive

Introduction

Welcome to the 2022/23 financial statements for Devon County Council.

This report includes a brief overview of the County Council, its objectives, performance and service provision for 2022/23. It also provides a summary of the financial performance of the Council as detailed later in the Statement of Accounts.

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 37) 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 (CIES) (page 31)

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 deficit on the provision of services of just under £174.1 million in 2022/23 compared with a deficit of £40.6 million in 2021/22. The increase in net expenditure of £133.5 million is shown in the following table.

2021/22		2022/23	Movement
£000	**Deficit on provision of Services**	**£000**	**£000**
15,441	Technical Adjustments - no impact on reserves	75,412	59,971
(12,683)	Use of Reserves and carry forwards	61,318	74,001
37,858	DSG deficit transferred to adjustment account	37,348	(510)
40,616		**174,078**	**133,462**

- Technical adjustments refer to adjustments that are required to be included in the CIES by the Code but are reversed out in the MIRS so that they don't have any impact on the Authority's usable reserves. At £75.4 million these adjustments are £60 million higher than 2021/22. Note 8 details all these adjustments. One of these adjustments is depreciation and revaluation adjustments which is £14 million higher than the previous year. Capital grants and contributions are £11 million lower than the previous year and the assets written out when sold or disposed is £26 million higher.
- In 2022/23 the Authority's reserves and carry forwards reduced by £61.3 million
    - Earmarked reserves reduced by £28.4 million (£1 million transfer to General Fund Balance) supporting the 2022/23 budget and one off items of expenditure when the County Council approved the budget in February 2022.
    - Carry forwards reduced by £30.1 million - mainly the use of COVID grants and balances form the Integrated Care Agreement with the NHS.
    - Although school carry forwards belong to individual schools - they still need to be consolidated and shown in the Authority's balance sheet. These reduced over the year by £3.9 million
    - The movements are offset by the increase in the General Fund Balance of £1.1 million (£1 million budgeted transfer from reserves and the £156,000 outturn).

Movement in Reserves Statement (page 32)
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 65.

The Revenue and Capital Outturn 2022/23 was presented to Cabinet on 14th June and detailed the budget variances and movements to and from general balances and Earmarked Reserves.

The debit balance on Unusable Reserves reduced by just over £655 million (Note 23) because the Pension Reserve (deficit) has decreased by just under £654 million.

The net movement of £1 million in other Unusable Reserves is explained by an increase of £45 million in the following reserves.

- An increase in the Capital Adjustment account of just under £22 million;
- Increase in the Revaluation Reserve of £13 million; and
- the Collection Fund Adjustment Account has increased by just over £10 million. This movement reflects the recovery of council tax income projections from estimates made by Devon districts during the Pandemic in 2020/21.

which are partly offset by a net reduction of £44 million in other unusable reserves:

- An increase in the DSG Adjustment Account of just under £38 million (debit balance) and smaller decreases in credit balances of £6 million.

Usable Reserves have reduced by just under £66 million, consisting of three elements

- Capital Grants Unapplied have reduced by just under £11 million; and
- General Fund, Schools and Earmarked Reserves have reduced by just over £61 million (Note 9) explained earlier in this report.
- This overall reduction has been partly offset by an increase in the Capital Receipts Reserve of just over £6 million.

Balance Sheet (page 33)

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 net pension liability continued to reduce in 2022/23 (which followed a large reduction in 2021/22). At 31 March 2023, the Authority's assets exceed its liabilities by £849 million (£259.9 million at 31 March 2022). The Pension Liability of just under £262 million (Note 24, Page 97) is significantly lower than £1.3 billion two years ago (March 2021) as a result of the actuary reducing life expectancy projections and interest rates affecting the discount rate for liabilities. The 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. More information on Pensions is provided within Note 37 on page 126.

Cash Flow Statement (page 34)
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

Since the introduction of austerity to public finances from 2010 the financial landscape fundamentally changed for Local Government. The main source of Government Funding used to be Revenue Support Grant, RSG. At its peak in 2013/14 RSG for the authority was £134.8 million; by 2019/20 it had reduced to just over half a million pounds. Since 2019/20 RSG has increased by inflation but inflation applied to £500,000 generates relatively little additional income.

This level of reduction in our funding coupled with demand pressures and price increases has resulted in ongoing savings and income initiatives of just over £371 million being required over 13 years.

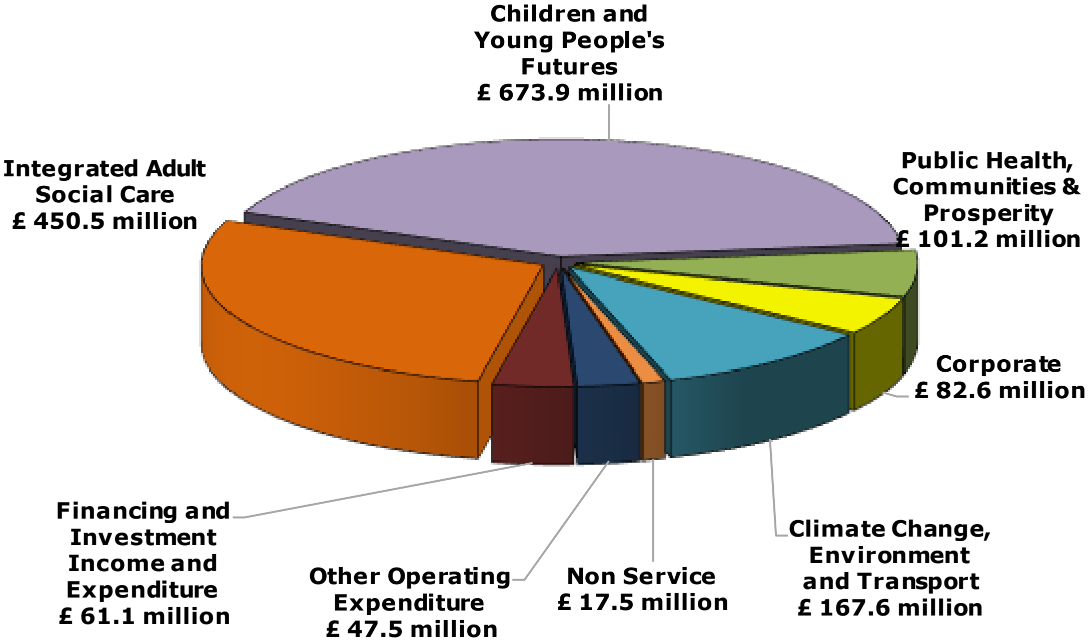
There are significant ongoing pressures in both adult and children's services with the greatest area of concern being the funding shortfall on the Dedicated School's Grant High Needs Block. For the six years 2020/21 to 2025/26 the DSG Deficit is transferred from the Authority's Usable Reserves to a ring fenced "unusable" adjustment account. The Local Authorities (Capital Finance and Accounting) (England)(Amendment No 2) Regulations 2022 do not set out what will happen after March 2026.

The SEND element of the Dedicated Schools Grant year-end position is a shortfall of £38.9 million. When combined with £86.5 million deficit brought forward from 2021/22 the cumulative deficit is just over £125.4 million. This is now being held on the Dedicated Schools Grant Adjustment Account.

Financial performance

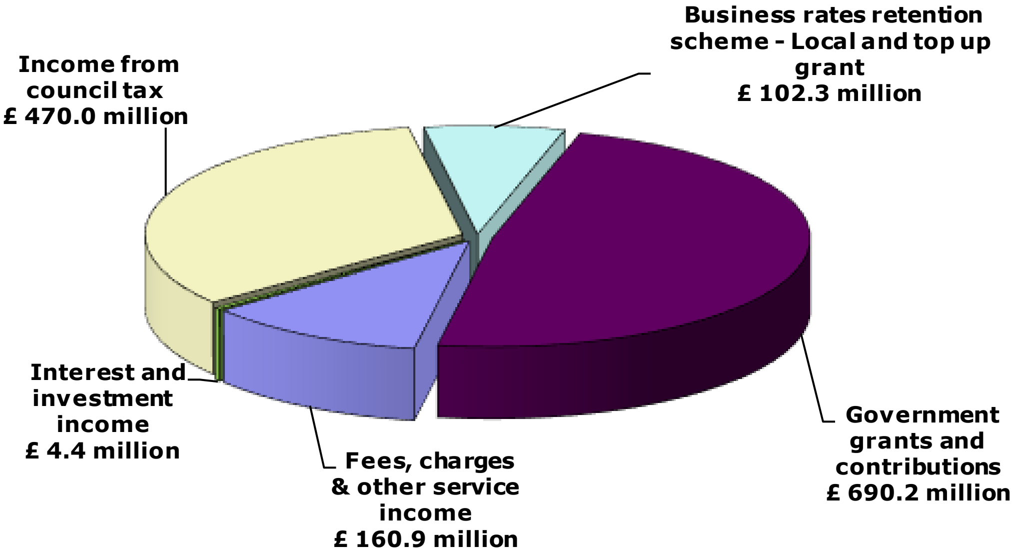
The Code requires that the Comprehensive Income and Expenditure Statement takes the format of how the Authority reports its own financial performance through budget monitoring during the year against the budget that was approved by Council in February 2022. Gross expenditure totalled just under £1,602 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 £1,428 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 2022/23 in which budget pressures and risks have been identified. The outturn underspend of £156,000 is achieved after a contribution to the budget management reserve of £1.5 million and a carry forward of £500,000 into 2023/24 for Highways. The final outturn position is an improvement from the £3.6 million overspend forecast outturn which was reported to Cabinet on 8th March and a significant improvement on the £30.5 million forecast overspend at month 2 at which time there was a further £10 million risk identified relating to in year inflationary pressures.

The organisational wide response to the financial challenges faced by the Authority, resulted in £25.4 million of additional in year savings, income and alternative applications of funding being identified. Delivery of savings and additional income contained within the budget totalled £33.7 million against planned savings of £38.7 million.

When the Council approved the 2022/23 budget in February 2022, it agreed to use just under £29.9 million of earmarked reserves to support its revenue expenditure and invest to save initiatives as well as funding of various one-off projects including service transformation economic recovery, Bridges, fostering network, Special Educational Needs staffing amongst others. Actual use of these reserves is £425,000 higher than budgeted but this has been more than offset by an outturn contribution of £1.5 million to the Budget Management Reserve. Further detail is provided in the table on Earmarked Reserves later in this report.

Integrated Adult Social Care

The outturn for Adult Care and Health services is an overall overspend of £2.3 million.

Adult Care Operations and Health outturn is £4.8 million overspent, which reflects significant pressure on unit rates and higher residential and nursing placements volumes and complexity present throughout the year. These pressures have been partially offset by one off grant monies and underspends on staffing budgets which reflect the difficulty in recruiting care management staff.

Adult Commissioning and Health outturn is £2.5 million underspent, due to an under spend on Mental health placements, further core staffing vacancies, central budget underspends and temporary external funding.

Children and Young People's Futures

The overall position for Children’s Futures is an overspend of £19.6 million excluding the Dedicated Schools Grant and after taking into account recommended carry forwards of £762,000.

The position for Children’s Social Care and Health & Wellbeing including the Public Health Nursing Service is a net overspend of £12.7 million.

The number of children in our care rose by 6% during the year and many of these children need complex care arrangements. Of the £14.2 million overspend on placements, just under £10 million relates to higher prices with just over £4 million due to the higher numbers of children in care. Increased caseloads and court activity resulted in an overspend on legal costs of just under £400,000.

The number of Special Guardianship and Adoption Orders granted has continued to grow leading to £1.4 million overspend against budget.

Additional staffing costs due to increased demand and use of agency staff to cover front line vacancies offset in part by slippage in recruitment and retention led to a net overspend of £1.5 million.

During the year Phase 1 of the Leadership reorganisation was implemented. Phase 2 implementation was deferred resulting in an underspend of £1.9 million.

The Public Health Nursing Service underspent by £1.2 million mainly due to staff vacancies and lower accommodation costs. £1 million is ring-fenced Public Health Grant, £200,000 is core revenue budget savings.

In-year savings implemented through the Financial Sustainability Programme of work and identification of alternative funding sources amounted to £2.7 million.

For Education Learning and Inclusions Services (General Fund) the final position is an overspend of £6.8 million. The most significant overspend is within personalised transport (£5.3 million), the result of growth in demand and inflationary increases of 30% linked with cost of living and fuel. Home to School Transport has been similarly impacted with £2.9 million additional costs.

Savings within Core Services of £1.4 million have been achieved, as a result of staff vacancies, efficiencies and additional income.

Education and Learning spending on schools is funded from the Dedicated Schools Grant (DSG). The in-year SEND deficit totals just over £38.9 million, individual school reserve balances held by the authority total £20.8 million and ringfenced balances of £6.7 million mean the DSG is overspent by £11.5 million

There continues to be increased demand on Special Educational Needs and Disabilities (SEND), in particular, the growing demand on Education Health Care Plans (EHCP) and SEND placements within the independent sector.

The cumulative DSG deficit at the close of 2022/23 is £125.4 million. Devon has had a number of discussions with the DfE during the year and has now been formally invited to progress discussions as part of the next tranche of the Safety Valve Intervention Programme.

There is a government requirement to show DSG surplus and deficit balances (excluding individual schools' balances) as a DSG adjustment account.

Public Health, Communities and Prosperity

The outturn for Public Health, Communities and Prosperity shows an overall underspend of just under £2 million after taking into account grants and contributions carry forward, and other carry forward requests.

Citizen Engagement is overspent by £45,000 due to inflationary pressures on IT licences and professional fees.

Communities and other services are underspent by £1.2 million (before carry-forward requests). Additional in year savings identified, and unspent Locality budgets, account for the majority of this underspend. The balance is attributable to slippage on programme delivery and one-off alternate funding sources for core staff.

Economy Enterprise and Skills is underspent by £1.4 million (before carry forward requests). Additional in year savings account for a third of this. Delayed match funding requirements and slippage on the Trading Standards system implementation account for another third. The balance is as a result of vacancy savings, slippage in activity and increased income generation.

Public Health underspent by just under £1.4 million against the Public Health Grant. Service delivery has largely increased since the pandemic but in some areas capacity is not available or the demand has not risen as expected. Unbudgeted costs have been incurred supporting Food and Fuel Insecurity, agenda for change and children's centres. 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 £2.3 million after the carry forward of grants and contributions, and any other carry forward requests.

Legal and Democratic Services has underspent by £151,000 largely due to income generated from the continuing demand for ceremonies delivered by the Registration Service, combined with vacancy slippage. This offset pressures within Legal Services driven by a combination of increased demand from Children's Social Work and difficulty in recruiting permanent lawyers, as well as unbudgeted expenditure incurred by the Coroners Service.

Digital Transformation and Business Support are showing an underspend of £1.7 million with the decision to pause the current ICT Roadmap (taken as part of the Financial Sustainability Programme) accounting for the majority of this. Inflationary pressure on building maintenance and facilities management were mitigated by savings generated from vacancy management and increased income generation from services including the Farms Estate and Devon Norse.

Organisational Development underspent by £287,000 largely as a result of staff turnover and vacancy management.

Human Resources delivered an underspend of £178,000 despite increased demands on the service which have made it necessary to write-out £330,000 of historic savings plans. The underspend was largely generated by additional external job advertising and health and safety training income.

The position for the Finance and Public Value service is a net overspend of £61,000 attributable to four main areas: unbudgeted external audit fees; the partial non-achievement of savings plans linked to unfunded pre-LGR pensions; a shortfall in Client Financial Services Deferred Payment income; and a shortfall in Court of Protection fee income. The scale of the overspend was mitigated by additional income generated from supporting externally funded projects.

Climate Change, Environment and Transport

The overall position for Climate Change, Environment and Transport, after carry forward requests, is an underspend of just over £5.5 million.

The Highways and Traffic Management service has overspent the budget allocation by £160,000. Additional expenditure required to repair the increased number of potholes arising during the last quarter of the year totalled just under £1.9 million. However, this was largely mitigated by an over-achievement of income from Highways of fees of £900,000 a one-off adjustment to the value of salt stocks of £400,000 and savings achieved due to the relatively mild start to the winter gritting period.

Expenditure of £7.4 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 £7.2 million has been generated, leaving a shortfall against expenditure of £200,000. The balance of the reserve has reduced from £2.1 million to £1.9 million at 31st March 2023.

Savings totalling £961,000 have been achieved within Infrastructure Development, mainly resulting from a review of charge out rates to ensure full cost recovery is achieved.

Despite facing significant inflationary pressures, the Waste services has delivered a net underspend of £3.6 million. The amount of residual household waste has fallen substantially during the year which has reduced the expenditure required for disposal across all treatment types. One-off contractual items have also contributed to the underspend.

The Planning, Transportation and Environment services have delivered an underspend position of just under £1.1 million. Savings totalling £640,000 have been achieved from a reduction in staffing costs throughout the year and additional planning and inspection fee income. Further savings have been achieved from a reduction in expenditure on road safety activities and the County Hall travel plan.

Other Items

The national staff pay award for 2022/23 (£1,925 for each full time employee) turned out to be £6.5 million more than the 2% used to set the budget in February 2022. Part of this cost pressure has been met by not making the planned contribution to the insurance provision of £1 million and a further £1 million underspend where the contingency for emergencies (Bellwin) was not required.

The Authority's borrowing is at fixed rates at the time the borrowing was taken out (before 2009) but interest income on balances depends on current interest rates. Increases in the Bank of England base rates have resulted in additional income of almost £3.5 million more than budget.

The increasing pay costs have resulted in an overspend of £116,000 for the Apprenticeship Levy but they have also resulted in an underspend of almost £1.7 million on the Pension Contribution Discount.

The Council works very closely with Health and towards the end of 2020/21 a new Integrated Care Agreement was setup. Health contributed to this fund and by 31 March 2022 just under £41 million was carried forward into 2022/23, of which £14 million was transferred to support wider health and social care budgets leaving a carry forward balance of just over £27 million at the end of the year.

The Better Care Fund has underspent this year and the Authority's share is £1.6 million to support outturn. In addition, just over £6.6 million of the Improved Better Care Fund Grant is being carried forward into 2023/24.

Capital Financing Charges are £997,000 less than budgeted due to the underspending on the Capital Programme; more details are provided later within this report.

The one off budget of £600,000 for Council Tax Hardship Support has not been spent. Additional ongoing support for Citizen's Advice and Growing Communities Together of £250,000 each year has been incorporated into the 2023/24 budget.

The Authority received a new grant of £1.4 million for additional responsibilities dealing with Domestic Abuse, where the additional costs had already been incorporated into the service budget.

The national business rates levy account is held by Government to help manage the risk if any local authorities incur business rates losses to such an extent where they enter the "safety net." When DLUHC decides that the balance on previously collected levies is no longer needed it distributes to all local authorities. In March 2023 DLUHC distributed £100 million nationally and the Authority's share is £861,000.

Overall there has been a favourable movement of £2.2 million on business rates (pooling gain and levy distribution).

There is additional provision for the Authority's bad debt of £352,000.

The Local Service Support Grant has increased by £387,000, and there are other small grant variations.

In response to the COVID-19 outbreak central government continued to put in place a number of grant funding streams to help support local authorities in responding to the pandemic. Just over £22 million was brought forward from 2021/22. The Authority spent £12.5 million in 2022/23 and carried forward a balance of just under £1.9 million into 2023/24 in line with specific grant terms and conditions leaving an underspend of just over £7.6 million.

Better Care Fund

The Better Care Fund (BCF) for 2022/23 totals £130.5 million which is reporting an underspend of £8.3 million (6.4%). The underspending is attributable to the non-utilisation of a previous carry-forward, some planned under-spending within grant funding and increased (once-off) contributions from the NHS Devon ICB.

£6.65 million of the total will be carried forward by the Council to 2023-24 to continue with spending plans within the terms of the BCF framework agreement. The BCF governing body, the Better Care Fund Leadership Group, have agreed that the use of all surplus funds carried forward in to the 2023-24 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 2022 was £14.8 million and this increased by £1 million as a result of a transfer from the Budget Management Reserve, approved by County Council when it set the budget in February 2022. There is also an increase of £156,000 because of the underspend during 2022/23 taking the closing balance to just under £16 million.

The following table summarises the outturn summary presented to Cabinet in June 2023.

Statement of Summarised Costs 2022/23	Final Adjusted Budget £000	Unadjusted Spending £000	Carry forwards to 2023/24 £000	Transfer to DSG Adj A/c £000	Transfers to/(from) reserves £000	Outturn (Under) / Over £000
Integrated Adult Social Care	336,347	338,662				2,315
Children and Young People's Futures - General Fund	180,141	197,770	1,946			19,575
Children and Young People's Futures - DSG	29,795	41,248	20,780	(32,233)		0
Public Health, Communities and Prosperity	24,163	9,464	11,400		1,376	(1,923)
Corporate Services	43,468	41,164				(2,304)
Climate Change, Environment and Transport	87,330	73,831	7,978			(5,521)
COVID-19	22,061	12,534	1,854			(7,673)
Non Service Grants excluding COVID-19	(108,137)	(109,076)	350			(589)
Other Non service income and expenditure	85,578	45,760	34,282		1,500	(4,036)
Use of reserves	(22,938)	7,374			(30,312)	0
Budget Carry forwards from 2021/22	(117,743)		(112,628)	(5,115)		0
Total Net Revenue Budget / Spending	**560,065**	**658,731**	**(34,038)**	**(37,348)**	**(27,436)**	**(156)**
Revenue Support Grant	(582)	(582)				
Business Rates - Top Up Grant	(80,654)	(80,654)				
Business Rates - local element	(19,145)	(19,145)				
Collection Fund Deficit Business Rates	7,464	7,464				
Collection Fund Surplus Council Tax	(4,954)	(4,954)				
Council Tax Requirement	(462,194)	(462,194)				
Use of reserves and carry forwards	**0**	**98,666**	**(34,038)**	**(37,348)**	**(27,436)**	**(156)**

Earmarked Reserves

At the beginning of the financial year, earmarked reserves (excluding schools and non-schools carry forwards) stood at just under £136 million. During the year earmarked reserves have decreased by £28.4 million to just under £107.6 million. The reason for this movement is explained in the following table:

	£000	£000
Budget Book (February 2022)		
Contribution from reserves to support the budget	(22,938)	
Transfer from Budget Management to General Fund	(1,000)	
Use of Reserves	(6,949)	
Budgeted reduction in earmarked reserves		(30,887)
Additional use of reserves during the year		(425)
Outturn Contribution to Budget Management Reserve		1,500
Underspend on Public Health Ring-fenced Grant		1,376
Net reduction in earmarked reserves		**(28,436)**

Government regulations require that any negative DSG balance be held as a DSG Adjustment Account and not netted off from our Reserves. Initially these regulations were to be applied to the three financial years to 31 March 2023 but this statutory requirement has been extended for a further three years to 31 March 2026. What will happen to the balance after that time is unclear. The following table sets out the balances on this ring-fenced account.

Dedicated Schools Grant Adjustment Account

	1 April 2022 £000	Movement £000	31 March 2023 £000
High Needs Block - SEND	(86,529)	(38,908)	(125,437)
De-delegated, Central and Early Years Block and Growth Fund	5,115	1,560	6,675
Total (Deficit)	**(81,414)**	**(37,348)**	**(118,762)**

Details of Earmarked Reserves are contained in Note 9.

Capital Spending

The approved Capital Programme for 2022/23 totalled £230.9 million. This figure includes £42.2 million brought forward from 2021/22 and £23.5 million of other additions approved during 2022/23.

During March 2023, the following income was secured for the financial year 2022/23. This income has been added to the capital programme in order to fund capital expenditure, or to carry forward to 2023/24; subject to the terms and conditions of that funding:

- New Stations Fund 3 - Marsh Barton Station £360,000
- S106 and other Contributions – Uffculme Primary Academy additional classrooms £211,424

- External Funding Contribution – Cullompton High Street, Heritage Action Zone £174,023

Spend for the year totals £147.2 million resulting in an outturn variance of £83.7 million (actual spend in 2021/22 was £144.2 million with a variance of £74.2 million).

The following table summarises the 2022/23 Capital Programme expenditure and its financing:

Capital Expenditure	**Budget**	**Actual Spend**	**Variation**
	£000	**£000**	**£000**
Children & Young People's Futures	8,938	3,591	5,347
Climate Change, Environment & Transport	184,612	125,619	58,993
Finance & Public Value	369	286	83
Integrated Adult Social Care	10,815	8,426	2,389
Legal & Democratic Services	51	0	51
Public Health, Communities & Prosperity	15,057	3,966	11,091
Transformation, Performance & Resources	11,073	5,278	5,795
Total	**230,915**	**147,166**	**83,749**

Capital Financing	**Budget**	**Actual Spend**	**Variation**
	£'000	**£'000**	**£'000**
Capital Receipts Applied	18,440	9,734	8,706
Internal Borrowing	20,099	6,197	13,902
External Grants and Contributions	190,501	130,205	60,296
Revenue Budgets	1,875	1,030	845
Total	**230,915**	**147,166**	**83,749**

Variation between the delivered Capital Programme and Budget

The 2022/23 slippage totalled £83.7 million.

A net of £54.7 million is carried forward into the 2023/24 Capital Programme. This net figure includes £57.1 million in carry forward, less £2.4 million which was added to the 2022/23 budget, as schemes experienced an accelerated delivery.

£13.1 million will be carried forward into 2024/25 and future years.

The remaining £15.9 million has been released from the capital programme in 2022/23 as a net underspend. £7.2 million of this balance is in relation to the Sustainable Warmth Phase 1 project, which has been partially replaced by the Department for Energy Security & Net Zero (DESNZ) with Home Upgrade Grant (HUG2) grant funding of £13.3 million.

The delivery of the 2023/24 Capital Programme has been affected increasingly over time, across all services, by the difficulty in sourcing materials, labour, delays in tender and procurement, but also as a delayed response to the pandemic as the UK economy struggles to recover. A summary of the main projects contributing to this year’s outturn variance, is explained in more detail for each directorate.

Children and Young People's Futures
£3.5 million has been spent in 2022/23 mainly funded by the Devolved Formula Capital (DFC) grant. DFC provides schools capital funding to allow Schools to prioritise the needs of its buildings, grounds and provides investment in capital equipment including ICT.

The £4.5 million of slippage in this directorate is partly due to a lower call on the DFC grant due to works being paused or reprioritised throughout the academic year. In addition, new funding of £2.1 million was awarded to schools in December 2022 from the Department of Education with the aim of improving the energy efficiency of school buildings and reducing energy costs. The late allocation of this funding meant that works are only now beginning to start. However, this important work will continue into 2023/24.

Climate Change, Environment and Transport - Investment 2022/23

£125.6 million has been invested during 2022/23 under this directorate, of which £118 million is funded by external grants and contributions.

£4 million has been spent on the capital maintenance of around 90 Schools and £8 million in School expansions aimed at providing sufficient capacity, as well as £13 million spent specifically on providing SEND places.

£55 million has been spent on the capital maintenance of Devon's road network, which is the longest in England at over 8,000 miles. A further £1.6 million has been invested in the conversion of street lamps to LED which is expected to deliver revenue and energy savings.

£35 million has been invested in Devon's transport and highways infrastructure which includes the North Devon Link Road and South West Exeter Highways Infrastructure Fund (SWEHIF) projects. This investment includes projects aimed at improving our cycle network, footpaths and road safety measures.

£4.5 million spent on the Long Lane scheme, nr Exeter Airport will unlock a 19-acre Power Park site, creating 1,000 jobs as part of the Exeter and East Devon Enterprise Zone. The scheme also delivers improved cycle links and a new bus route with 20min service to Exeter College's Future Skills Centre, Hampton by Hilton hotel and Exeter Airport Business Park.

£4.5m has been invested at the Houghton Barton Link Road, Newton Abbot. This is the first phase of linking the A382 to A383 corridors, which will facilitate 1,000 homes on the west side of the town.

Almost £8 million has been invested in other projects aimed at improving or enhancing our environment whilst contributing to our net zero carbon commitments. £1.4 million has been invested in flood defences and £6.6 million in carbon reduction initiatives. These initiatives include £5.6 million investment in retrofitting our own buildings to deliver carbon and or energy cost savings.

Climate Change, Environment and Transport - Carried forward to 2023/24

The majority of slippage in the capital programme, just over £50 million, falls within this Directorate. £15.3 million is due to late funding announcements which have been carried forward to 2023/24. The remaining slippage of £35.2 million is not unusual considering the size of the capital programme in this area, and the scale and complexity of major projects.

The North Devon Link Road project reports a £12 million variance. The pandemic caused issues relating to labour and staffing resources, deliverability and availability of materials, which has affected the general progress of works. The war in Ukraine has affected the availability of steel across Europe, making procurement even more challenging. A section of the main works and the remaining minor junctions have therefore been descoped. The main contract has been varied to reflect this change and anticipated completion is now March 2024, rather than December 2023. The two remaining minor junctions have been rescheduled to the end of the project to enable the main works to complete on time.

The South West Exeter Housing Infrastructure Fund reports a variance of £4.0 million. The 2022/23 original profiled budget comprised of fourteen different elements. Two elements are now expected to be delivered directly by the developer, rather than DCC and the electricity substation was delayed due to agreeing an acceptable location with Western Power and then obtaining planning permission. Works were completed on the A379 at the eastern junction and school access junction.

Projects aimed at maintaining or expanding our schools were equally affected by delays in tenders and availability of materials and labour. £1.8 million in Schools Capital Maintenance Contingency was not called upon in 2022/23 and around £1.6 million in schools maintenance works have been rescheduled to complete in 2023/24. £2.3 million will be invested in the South West Devon Special school which is expected to complete in 2023/24 along with slippage in other school expansions totalling around £4.3 million.

Around £9 million in slippage is made up of slippage in other smaller schemes, and £1.1 million in slippage relates to the purchase of fleet and winter maintenance vehicles where delays in supply across the UK have meant that delivery is not now expected until 2023/24.

£15.3 million is carried forward which is due to late funding announcements or where grant funded projects are being extended into 2023/24. This includes £1.3 million for the Active Travel Fund Tranche 3, £1.0 million in Sustainable Warmth grant and £13.0 million in the newly awarded Home Upgrade Grant (HUG) phase 2 projects. The HUG funding will enable the energy efficient retrofit of low income homes, to continue over the next 2 years.

Integrated Adult Social Care

The capital programme for this directorate is mainly attributable to the Disabled Facilities Grant (DFG) of £8.2 million. This grant is paid to Devon County Council for onward allocation to the County’s Districts and Unitary Authorities to award to individuals who require changes to the accessibility of their homes.

Public Health, Communities and Prosperity

£3.9 million has been invested in projects across the Public Health, Communities and Prosperity directorate in 2022/23. This includes £2 million completing the North Devon Enterprise Centre (NODE) Phase 2 project. The building provides 564 square metres of flexible office space and an extra 48 car parking spaces to serve North Devon.

The redevelopment and modernisation of Bideford Art Centre has progressed well, with spend of £1.3 million in 2022/23.

Delays or complications in procurement have slowed projects during 2022/23 with around £1.6 million being carried forward for libraries and for our business park projects, as well as £2.3 million for the Devon & Somerset, Superfast Broadband programme which is expected to complete over the next two years.

The Strategic Land transactions of £5.9 million are still in negotiation but is expected to complete in full in 2023/24.

Transformation, Performance and Resources

£5.3 million has been invested in 2022/23 in our corporate estate, which includes £1.0 million enhancing our County Farms Estate and £1.9 million in the DCC ICT Replacement and Renewal programme and Scomis ICT updates. £2.4 million has been invested in the capital maintenance of our existing corporate estate as well as strategic land purchases and other property upgrades.

The main elements of the Authority's ICT Replacement and Renewal Programme were paused during the 2023/24 budget setting process to ensure best value and more detailed options appraisal were undertaken. Funding of £3.9 million has therefore been carried forward to 2023/24, when work is expected to recommence. £650,000 in other smaller project budgets has been carried forward to 2023/24 to enable the payment of retentions or take smaller schemes to completion.

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 £262 million (Note 24 page 97) on the County Council's Balance Sheet is offset by pension costs to be reimbursed as they fall due from Plymouth City Council and Torbay Council of just over £19 million (Note 17 page 75) leaving a deficit (Pensions Reserve) of just under £243 million (Note 23 page 93). 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 2023. The liability at 31st March 2022 has reduced by just over £645 million since 31st March 2022. There are two key movements:

- A reduction in the present value of the defined benefit obligation by just over £697 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 discount rate (accounting for more than £560 million), pensions (£63 million) and salaries (£5 million); and

- A reduction in the Authority's share of Pension Fund Assets by £52 million because of a decrease in returns on assets less interest.

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

Note 37 on page 126 provides further information.

Performance Management

This section includes a brief overview of the County Council, its objectives, performance and service provision in 2022/23.

About Devon
Devon:

- Has an outstanding natural environment and a strong sense of community.
- Is where many people wish to live to enjoy a great quality of life.
- Has a £18 billion economy, underpinned by a skilled workforce and a diverse business base, but also significant employment in less well-paid sectors (tourism etc) where wages can often be low. There are large and continuing economic differences between Devon’s Districts.
- Has high house prices compared to earnings in most of the County. Average house prices increased to £305,000 by September 2022 and continue to increase, but vary a lot by location. Average house prices are now well over 10 times the average salary. Salcombe has the highest average house prices in the UK outside of London. A lack of affordable properties, to both rent and buy, can make it difficult for key workers in many sectors, especially care, health and education to find anywhere to live.
- Has areas of significant deprivation and household poverty.
- Children under 16 comprise 15.8% of the total population of Devon compared to 18.4% for the national average.
- Experiences low crime overall compared with most areas of the country, although there are some increasing risks from drugs, child sexual exploitation, domestic abuse, race hate crime / extremism and modern slavery.

About Devon County Council
Devon County Council is one of 26 County Councils in England. We represent a population of around 814,400 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.

County Council election 2021	
Conservative	39
Liberal Democrat	9
Labour	7
Green	2
Independent	3
Total	60

Our Strategy
The Strategic Plan 2021 – 2025 vision is for Devon to be the Best Place to:

- **Grow up** - We are committed to being a child friendly Devon where all children and young people are safe, healthy, ambitious, and can fulfil their potential.
- **Live Well**- We are committed to being a fairer Devon: inclusive, compassionate and caring, where everyone is safe, connected and resilient.
- **Prosper** - We are committed to being a greener and prosperous Devon, with opportunities to create a sustainable future for all.

The Plan's six priorities are to:

- Respond to the climate emergency - lead on helping Devon respond to the climate and ecological emergency, and work to protect and improve our natural environment.
- Be ambitious for children and young people - work together to ensure all children are safe, healthy and can thrive with opportunities to fulfil their potential.
- Support sustainable economic recovery - help Devon achieve inclusive economic recovery and sustainable growth, ensure more people can take advantage of opportunities, and invest carefully to improve infrastructure
- Tackle poverty and inequality - make Devon a fairer place, address poverty, health and other inequalities, and ensure support for those people and families struggling most.
- Improve health and wellbeing - help people to be healthier and more resilient, ensure everyone gets the care they need, and support people to live their lives well.
- Help communities be safe, connected and resilient - support all our communities to be safer, better connected and more resilient with a focus on communities at greatest risk or in greatest need.

We are committed to being a council that is trusted, inclusive and innovative. Over the next four years we will:

- Transform, develop, and improve our children's services.
- Respond to demographic pressures and future workforce challenges.
- Embrace the positive benefits of a diverse workforce and create an environment that is inclusive and safe for all staff.
- Make best use of data and intelligence to help inform what we do and understand its impact on the people of Devon.
- Transform the way we work to make us more resilient and adaptable and helps reduce our carbon footprint.
- Invest in digital solutions to help us work more effectively and make us more responsive.
- Enable greater financial resilience and improve financial planning.
- Increase discipline and rigour around decision making.

Our services
In January 2022 we revised our leadership arrangements, introducing a new, smaller Strategic Leadership Team. Our seven main service groups are now:

- **Integrated Adult Social Care**; including adult care commissioning and operations for older people and working age adults with physical or learning disabilities.
- **Children and Young People's Futures**; including children's health and wellbeing, education and learning, services for vulnerable children and families, safeguarding, looked after children and care leavers.
- **Climate Change, Environment and Transport**; including highways infrastructure, development and waste, planning, transportation and environment.
- **Public Health, Communities and Prosperity**; including communities, economy enterprise and skills, Public Health, communications and media.
- **Finance and Public Value**; including financial management and transformation, Devon Audit Partnership, procurement, strategy and compliance.
- **Legal and Democratic Services**; including the coroner service, democratic support, legal services, Registration Service and Lord Lieutenancy Service.
- **Transformation, Performance and Resources**; including business services, , human resources, digital transformation, organisational change, and equality, diversity and inclusion.

Risks and challenges
The main risks facing the County Council in 2022/23 included:

- The ongoing impact of the COVID-19 pandemic on our services and resources, although reducing.
- Cost of living increases and challenging position of the UK economy and the public sector.
- Meeting demand for childrens' social work needs.
- Meeting our market sufficiency duties for personal and residential/nursing care for adults.
- Meeting the requirements of the government's adult social care reform agenda to timeline and budget, with costs projected to exceed funding.
- Meeting demand for social care from adults with eligible needs.
- Persisting workforce sufficiency challenges.
- The impacts of climate change on Devon's people, environment and economy.
- Supporting the ongoing health and resilience of our communities and economy.
- 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.

Performance and Achievements 2022/23

A selection of other performance indicators is presented below:

Example Performance Indicators 2021/22

Comparator	DCC	DCC	South West	England
Financial Year	2021/22	2020/21	2021/22	2021/22
Take up of funding for two-year olds	90.0%	82.0%	80.0%	72.0%
Key Stage 2 combined Reading, Writing and Maths	56.0%	n/a	57.0%	59.0%
Key Stage 2 combined Reading, Writing and Maths - disadvantaged pupils	35.0%	n/a	37.0%	43.0%
Key Stage 2 combined Reading, Writing and Maths - SEN pupils with EHC plan	8.0%	n/a	7.0%	7.0%
GCSEs grades 9 to 5 in English & Maths - all pupils	48.9%	50.9%	49.4%	46.8%
Attainment 8 - all pupils	48.2	51.1	48.8	47.2
GCSEs grades 9 to 5 in English and Maths - disadvantaged pupils	26.8%	27.5%	25.9%	29.7%
Attainment 8 – disadvantaged pupils	36.1	39.1	35.8	37.7
GCSEs grades 9 to 5 in English & Maths – SEN pupils with EHC plan	8.8%	6.5%	7.3%	7.0%
Attainment 8 – SEN pupils with EHC Plan	17.4	17.2	15.1	14.3
GCSEs grades 9 to 5 in English & Maths – Children in Care in Devon for 12 months	26.7%	32.8%	20.1%	22.1%
Attainment 8 - Children in Care in Devon for 12 months	20.2	21.1	18.9	20.3

Integrated Adult Social Care

From 1st April 2023 local authority adult social care functions are subject to assurance by the Care Quality Commission and are required to maintain a self-assessment for that purpose. The following summary draws on data published nationally in the Autumn of 2022.

What we can be proud of:

In 2021/22 Devon had 19/26 indicators from the Adult Social Care Outcomes Framework ranked in the top two quartiles, up from 13/26 in 2020/21, and improved on most measures when the national trend was downwards.

- Our overall satisfaction ratings for services users and their quality-of-life indicator based on survey questions about their lived experience were among the best in the country, ranking 15/150 and 5/150 respectively.

- Our provider quality ratings in Devon judged by the Care Quality Commission exceed the national, regional and comparator authority averages with 79% of community-based services and 89% of care homes in Devon are rated Good or Outstanding.
- Our vaccination rates, with 96% of care home residents and 94% of care home staff in Devon receiving two or more doses of a vaccine against Covid-19; the fatality rate in care homes in Devon relative to population from Covid-19 was 27/150, among the lowest in the country.
- Our perception of safety indicators, where we exceed all comparator averages, with marked improvement in whether people feel their services keep them safe, ranking 60/150 and 45/150 respectively, a consistent improvement over the last 5 years when we highlighted this as an area of concern.
- Our staff and providers have been nominated for and won many national and regional awards this year, including gold and silver awards in the National Social Worker of the Year, building on our strong showing in recent years.

What we are concerned about:

- Financial sustainability, with the cost-of-living crisis impacting on people who use our services and their carers, people who might become vulnerable, the viability of our providers, and county council budgets.
- Market insufficiency, especially regarding regulated personal care where we are unable to source up to 5,000 hours each week with contingencies in place to keep people safe, but in some places at some times also residential and nursing care.
- Hospital discharge and system flow, with delays sometimes due to lack of capacity in community-based health and care services, which can mean people don’t get the right care at the right place at the right time to optimise their recovery.
- Care management waiting lists for assessments and reviews, with our own capacity constrained, demand increasing, and people’s circumstances changing more frequently.
- Replacement care and short breaks for unpaid carers, with their social isolation and its impact on their wellbeing highlighted in recent surveys as being of particular concern, especially in rural areas.
- Demand pressures from those aged 18-64, with activity levels higher in Devon than elsewhere, and market costs rising more rapidly than is typical, especially for services to older people, both residential and community based.

The challenges ahead:

- Delivering on our ‘Promoting Independence’ vision and ‘Living Well’, ‘Ageing Well’, and ‘Caring Well’ strategies including maintaining people at home and not in hospital or a care home wherever possible.
- Living up to the vision that people should be supported to live their best possible life in the place they call home, with the people and things they love, in communities where people look out for each other, doing what matters to them and be independent, informed, secure, and connected.
- Managing within a budget that while increasing is under pressure from rising demand, increasing costs, insufficient supply, cost of living pressures, and falling council income.

- Implementing the government's agenda for health and social care reform including regarding integration, assurance, and the currently postponed changes to charging arrangements.
- Maintaining flow through the health and care system, especially during winter when we are facing outbreaks of infectious diseases, and pent-up demand for NHS services.
- Recruiting, retaining, and developing sufficient staff to deliver on our statutory duties and maintain sufficient, diverse, and high-quality services including working with providers to develop their capacity and innovate new services.

Children and Young People's Futures

Children in Devon faced unprecedented challenges during 2021/22. Children's services had to meet a significant increase in referrals about children who may be in need, or at risk of harm. The services experienced acute staff shortages and high caseloads in the initial response teams. At the end of March 2022, 33% of the overall social worker workforce were agency staff. Establishing a stable, permanent workforce is key in supporting the services' improvement journey.

The greatest cost pressures relate to the availability of suitable provision for children coming into care, the reliance on agency staff pending impact of the recruitment and retention strategy and the SEND High Needs Block.

There continues to be increased demand on high needs. In particular, the growing demand on Education Health Care Plans and Special Educational Needs placements within the independent sector. This is being reflected nationally in relation to High Needs funding demands. The plan to reduce the demand on the High Needs Block over future years should improve parent's and young people's lived experience of Special Educational Needs support. The plan aims to implement an integrated service, together with families, to ensure young people receive the right support at the right time.

A snapshot of activity and performance as at the end of October 2021 included:

- We have seen a significant increase of 4.1% in the volume of referrals to Children's social care post pandemic, but a reduction since the start of this term. This includes an increase in concerns relating to parental mental health, domestic violence and substance misuse. In response, additional staffing has been agreed for the Multi Agency Safeguarding Hub (MASH).
- The increased volume of activity, workforce turnover and higher caseloads have impacted on assessment timeliness. Assessment timeliness and quality is a current priority for improvement, including ensuring children are seen and assessments are thorough and contain good analysis of the need for help or support.
- There has been a steady increase of 4.9% in the number of children in need, adding to higher social worker caseloads.
- We have seen a significant increase of 24.1% in child protection activity this year leading to a continued increase in the numbers of children on a Child Protection Plan (CPP). 85% of children subject to an Initial Child Protection Conference are made the subject of a child protection plan indicating that the threshold for holding the meeting is right and families are not being subjected to this unnecessarily. 50% of children are subject to a CPP for concerns about neglect, 35% for emotional abuse, 12% for physical abuse and 3% for sexual abuse.

- Our 'Bridges' edge of care service has helped to address rising numbers of children in care by supporting families and preventing adolescents from coming into care. We are working to ensure children return home when changes have been made in their family, 34 children in long term care currently have a plan for reunification.

Education
In 2022/2023 we were delighted to welcome all Babcock education staff into Devon County Council following a successful transfer of employment. This transfer enables all education services to be provided through DCC allowing staff to use resources creatively across departments.

The newly formed education and learning team are working to achieve our vision of ensuring that we have "every child thriving in an education setting every day." This remains challenging, as post Pandemic, Devon Schools are facing similar challenges to those presented nationally.

Attendance rates have not yet returned to pre pandemic levels, but we are broadly in line with national averages. Primary attendance is slightly above the national average, however, secondary attendance is below the national average with persistent absentee rates (more than 10% absence) remaining high. We have seen an increasing number of children and young people with social, emotional and mental health issues who are finding it difficult to access education.

Our education teams have been working closely with settings to explore alternative options for the child or young person within the setting but the demand for support remains very high. Devon has higher than national rates for suspensions and exclusions and we have seen the number of young people needing alternative provision continue to increase beyond the resource available.

Devon has continued to provide a strong Early Years and Childcare service with our percentage of 2 years taking up a funded place, once again above the national average.

Our admissions team worked very effectively to ensure that over 99% of families received one of their preferred primary schools and 91% one of their preferred secondary schools. They communicated on both offer days with many thousands of families across Devon so that children and young people know where they will be attending school in September 2023.

The safeguarding team have continued to work across Devon and beyond in providing training, audits and support services to schools. We have worked closely with Ofsted to investigate complaints they have passed to us and we have had positive feedback on the rigour of our investigations. Schools and settings work closely with us in safeguarding children and young people and we have repeatedly seen strong and effective systems in place across the authority.

Our education traded services have remained popular with schools and settings and we continue to see high levels of attendance events such as the SEND conference. Our music, library and outdoor education services are all fully operational post pandemic, well accessed by schools and providing children and young people across Devon with opportunities to access an extended curriculum.

Community and economy
Post pandemic, several factors have combined to increase the cost of living for Devon's households. These cost of living increases disproportionally affect those on middle and lower incomes.

Analysis by the County's Economy Team shows that by the end of 2024, average earnings in Devon are likely to be £740 a year lower than if the Pandemic had not occurred. Housing costs have risen among the fastest on record over the past two years. In April 2022, tax changes and energy price rises combined to rise by an average £1,200 per household.

DCC is leading several programmes to tackle poverty and inequality, including:

- Coordinating the distribution of Government funding to combat the symptoms of poverty e.g., the Household Support Grant. This funding equates to over £10 million in 2023/24.
- Delivery of supermarket vouchers during school holidays to all recipients (currently 21,000 children) of Free School Meals across the county.
- Funding and close working with District Council partners on the direct distribution of welfare funding and support to thousands of households.
- Via the Household Support Grant, funding Citizens Advice Devon to issue fuel vouchers alongside wider support and advice to those in need.
- Developing local support networks and to provide funding across voluntary and community organisations to reduce food and fuel poverty and support people that are experiencing hardship.
- Developing a shared understanding of food and fuel insecurity, and the impacts in Devon; DCC's emerging role; alongside the wider opportunities in partnership.
- Promoting services that increase resilience, self-reliance, and independence.

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 and Public Value

28th February 2024

Donna Manson

Chief Executive

28th February 2024

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 and Public Value;
- 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 and Public Value

The Director of Finance and Public Value 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 and Public Value 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 and Public Value 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 and Public Value

I hereby certify that this Statement of Accounts for the year ended 31st March 2023 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 2023 and its income and expenditure for the year ended 31st March 2023.

Angie Sinclair

Director of Finance and Public Value

28th February 2024

Approval of the Statement of Accounts

I confirm that these accounts were approved by the Audit Committee at its meeting on 28th February 2024.

Councillor Richard Scott

Chair of the Audit Committee

28th February 2024

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.

2021/22 Gross Expenditure	Reclassified 2021/22 Gross Income	2021/22 Net Expenditure		Notes	2022/23 Gross Expenditure	2022/23 Gross Income	2022/23 Net Expenditure
£000	£000	£000			£000	£000	£000
			General Fund continuing operations				
406,015	(103,029)	302,986	Integrated Adult Social Care		450,522	(93,868)	356,654
611,155	(347,833)	263,322	Children and Young People's Futures		673,919	(373,744)	300,175
76,108	(46,522)	29,586	Public Health, Communities & Prosperity		101,189	(74,897)	26,292
70,171	(25,359)	44,812	Corporate		82,628	(25,275)	57,353
160,515	(30,634)	129,881	Climate Change, Environment and Transport		167,618	(36,104)	131,514
52,955	(62,994)	(10,039)	Non Service		17,473	(12,725)	4,748
1,376,919	**(616,371)**	**760,548**	**Cost of Services**	1,14	**1,493,349**	**(616,613)**	**876,736**
17,974	0	17,974	Other Operating Expenditure	6,11	47,501	0	47,501
63,807	(1,113)	62,694	Financing and Investment Income and Expenditure	12	61,070	(4,370)	56,700
0	(800,600)	(800,600)	Taxation and Non-specific Grant Income	13	0	(806,859)	(806,859)
1,458,700	**(1,418,084)**	**40,616**	**(Surplus) or Deficit on Provision of Services**		**1,601,920**	**(1,427,842)**	**174,078**
		(52,741)	(Surplus) or deficit on revaluation of Property, Plant and Equipment	23			(51,032)
		(1,656)	(Surplus) or deficit from investments in equity instruments designated at fair value through other comprehensive income	18.2			1,828
		(479,650)	Remeasurements of the net defined benefit liability	37			(714,300)
		(534,047)	**Other Comprehensive Income & Expenditure**				**(763,504)**
		(493,431)	**Total Comprehensive Income & Expenditure**				**(589,426)**

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 31st March 2021	**(250,730)**	**(43,978)**	**(7,781)**	**(302,489)**	**536,014**	**233,525**
<u>Movement in reserves during 2021/22</u>						
Total Comprehensive Income & Expenditure	40,616			**40,616**	**(534,047)**	**(493,431)**
Transfer in year DSG Deficit from General Fund to Adjustment Account	(37,858)			**(37,858)**	**37,858**	**0**
Adjustments between accounting basis & funding basis under regulations (Note 8)	(15,441)	(4,543)	4,162	**(15,822)**	15,822	**0**
Net (Increase)/Decrease in 2021/22	**(12,683)**	**(4,543)**	**4,162**	**(13,064)**	**(480,367)**	**(493,431)**
Balance at 31st March 2022 Carried Forward	**(263,413)**	**(48,521)**	**(3,619)**	**(315,553)**	**55,647**	**(259,906)**
<u>Movement in reserves during 2022/23</u>						
Total Comprehensive Income & Expenditure	**174,078**			**174,078**	**(763,504)**	**(589,426)**
Transfer in year DSG Deficit from General Fund to Adjustment Account	(37,348)			**(37,348)**	37,348	**0**
Adjustments between accounting basis & funding basis under regulations (Note 8)	(75,412)	10,708	(6,230)	**(70,934)**	70,934	**0**
Net (Increase)/Decrease in 2022/23	**61,318**	**10,708**	**(6,230)**	**65,796**	**(655,222)**	**(589,426)**
Balance at 31st March 2023 Carried Forward	**(202,095)**	**(37,813)**	**(9,849)**	**(249,757)**	**(599,575)**	**(849,332)**

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 2022		Notes	31st March 2023	
£000			£000	£000
1,641,455	Property, Plant & Equipment	16	1,667,575	
4,070	Intangible Assets		2,153	
2,505	Heritage Assets		2,505	
27,089	Long Term Investments	18	29,261	
970	Investments in Associates & Joint Ventures	18	970	
28,664	Long Term Debtors	17	21,702	
1,704,753	**Long Term Assets**			1,724,166
162,877	Short Term Investments	18	97,030	
1,720	Inventories		2,742	
141,488	Short Term Debtors	19.2	149,502	
87,236	Cash and Cash Equivalents	21	70,612	
3,065	Assets held for sale	22	688	
396,386	**Current Assets**			320,574
(6,451)	Provisions	20	(6,183)	
(287)	Short Term Borrowing	18	(287)	
(7,715)	Revenue Grants Receipts in Advance	32	(4,370)	
(145,537)	Short Term Creditors	19.1	(151,799)	
(159,990)	**Current Liabilities**			(162,639)
(14,054)	Provisions	20	(12,696)	
(510,919)	Long Term Borrowing	18	(510,828)	
(1,045,761)	Other Long Term Liabilities	24	(393,089)	
(7,603)	Revenue Grants Receipts in Advance	32	(8,376)	
(102,906)	Capital Grants Receipts in Advance	32	(107,780)	
(1,681,243)	**Long Term Liabilities**			(1,032,769)
259,906	**Net Assets/(Liabilities)**			**849,332**
(315,553)	Usable Reserves		(249,757)	
55,647	Unusable Reserves	23	(599,575)	
(259,906)	**Total Reserves**			**(849,332)**

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.

2021/22 £000		Note	2022/23 £000	2022/23 £000
40,616	**(Surplus) or Deficit on the Provision of Services**			**174,078**
(232,142)	Adjustment to surplus or deficit on the provision of services for non cash movements	25	(219,748)	
146,102	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	25	131,397	
(86,040)				(88,351)
(45,424)	**Net cash flows from operating activities**			**85,727**
5,426	Investing activities	26		**(84,447)**
19,179	Financing activities	27		**15,344**
(20,819)	**Net (increase)/decrease in cash and cash equivalents**			**16,624**
66,417	Cash and cash equivalents opening balance			87,236
87,236	**Cash and cash equivalents at year end**			**70,612**

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.

Expenditure and Funding Analysis

2022/23	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
Integrated Adult Social Care	338,662	17,499	493	356,654
Children and Young People's Futures	239,017	58,651	2,507	300,175
Public Health, Communities & Prosperity	9,464	13,859	2,969	26,292
Corporate	41,164	15,526	663	57,353
Climate Change, Environment & Transport	73,831	57,210	473	131,514
Non Service	31,336	(19,483)	(7,105)	4,748
Net cost of services	**733,474**	**143,262**	**0**	**876,736**
Other Income and Expenditure	(634,808)	(67,850)	0	(702,658)
(Surplus) or Deficit	**98,666**	**75,412**	**0**	**174,078**
Opening General Fund Balance, schools and Earmarked Reserves at 1 April	**(263,413)**			
Add (Surplus)/Deficit on General Fund, Schools and Earmarked Reserves	98,666			
Transfer in year DSG Deficit from General Fund to Adjustment Account	(37,348)			
Closing General Fund Balance, schools and Earmarked Reserves at 31 March	**(202,095)**			

*Net Expenditure Chargeable to the General Fund (Outturn)

The Net Expenditure Chargeable to the General Fund (Outturn) of £98.666 million (2021/22 = £25.175 million) includes the outturn variance of £37.348 million (2021/22 = £37.858 million) in relation to Dedicated Schools Grant (DSG) High Needs deficit, as reported to Cabinet in June 2023. This is included within the Children and Young People's Futures Net Expenditure outturn line in the EFA above. Current statutory accounting regulations requires the DSG Deficit be transferred to the Dedicated Schools Grant (DSG) Adjustment Account (see Note 23 – Unusable Reserves). The Council chooses to report the variance this way to aid transparency of total expenditure related to Children and Young People's Futures. The Net Expenditure Chargeable to the General Fund (Outturn) excluding the deficit, reflecting the net impact on usable reserves in the year would be

£61.318m (2021/22 = (£12.683 million)). This is shown in the General Fund Balance analysis above and in the Movement in Reserves Statement (page 32).

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.

2021/22	Reclassified **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**
Integrated Adult Social Care	283,316	19,656	14	302,986
Children and Young People's Futures	203,992	56,617	2,713	263,322
Public Health, Communities & Prosperity	12,962	15,725	899	29,586
Corporate	39,295	5,200	317	44,812
Climate Change, Environment & Transport	78,022	51,004	855	129,881
Non Service	17,141	(22,382)	(4,798)	(10,039)
Net cost of services	**634,728**	**125,820**	**0**	**760,548**
Other Income and Expenditure	(609,553)	(110,379)	0	(719,932)
(Surplus) or Deficit	**25,175**	**15,441**	**0**	**40,616**
Opening General Fund Balance, schools and Earmarked Reserves at 1 April	**(250,730)**			
Add (Surplus)/Deficit on General Fund, Schools and Earmarked Reserves	25,175			
Transfer in year DSG Deficit from General Fund to Adjustment Account	(37,858)			
Closing General Fund Balance, schools and Earmarked Reserves at 31 March	**(263,413)**			

*See note above on previous page

2. Statement of Accounting Policies

General Principles

The Statement of Accounts summarises the Authority's transactions for the 2022/23 financial year and its position at the year-end of 31st March 2023. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015. These regulations require the Statement of Accounts 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 2022/23, 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.

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 (PPE)

Infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.

Other Property, plant and equipment 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, enhancement of PPE or replacement of components of the network 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 assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost - opening balances for infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994, which was deemed at that time to be historical cost.
- 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.
- 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 Authority'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 Authority 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	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 Authority 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 Authority'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 Authority 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, including parts of the infrastructure assets that are subject to deterioration or depletion and 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
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 & Equipment	3 to 15 Years
Waste Disposal sites	50 Years

Infrastructure lives

Asset Type	Estimated Useful Life
Carriageways	40 Years
Road Resurfacing	5 to 15 Years
Footways and Cycle Tracks	40 Years
Major Structural Renewal	10 to 60 Years
Structures (bridges, tunnels and underpasses)	120 Years
Street Lighting	20 to 30 Years
Street Furniture	40 Years
Traffic Management Systems	10 to 15 Years
Road Safety	40 Years
Flood Alleviation & Land Drainage	30 Years
Major Inspections and Structural Reviews	6 to 12 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.

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 2022/23 that are anticipated to have a material impact on the Council's financial performance or financial position.

CIPFA has deferred the implementation of IFRS 16 (Leases) until 1 April 2024 (and therefore in the 2024/25 Code). However, the 2022/23 Code allows for early adoption should an authority consider that it is able to do so.

CIPFA had deferred the implementation of this leasing standard because of national concern in the late completion of local authority audits and whether the implementation of IFRS 16 would introduce further delays in audit reporting.

Consequently, at the time of preparing the Statement of Accounts the Authority did not consider early adoption of IFRS16 until

- audit opinions had been issued on its previous years' accounts; and
- CIPFA had issued clear guidance how the standard should be applied to the particular circumstances facing local authorities.

IFRS 16 removes 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) for lessees. 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 calculated and the implementation is subject to any future adaptations by the Code before 2024/25.

3. Prior Period Reclassification of Net Service Expenditure

The Code requires that authorities present expenditure and income on services on the basis of its reportable segments. These reportable segments are based on the Authority's internal management reporting structure and in 2022/23 the Authority changed its management and reporting structure.

This note shows how the service net expenditure in 2021/22 reported under the previous internal reporting structure has been reclassified for the Comprehensive Income and Expenditure Statement and the Expenditure and Funding Analysis.

		2021/22 Net Expenditure reclassified into Authority's reporting segments					
2021/22 Net Expenditure		**Integrated Adult Social Care**	**Children and Young People's**	**Public Health, Communities & Prosperity**	**Corporate**	**Climate Change, Environment & Transport**	**Non Service**
£000		£000	£000	£000	£000	£000	£000
	General Fund continuing operations						
302,986	Adult Care & Health	302,986					
263,322	Children's Services		263,322				
96,962	Communities, Public Health, Environment & Prosperity			28,484		68,478	
45,914	Corporate			1,102	44,812		
61,402	Highways, Infrastructure Development & Waste					61,402	
(10,038)	Non Service						(10,038)
760,548	**Cost of Services**	**302,986**	**263,322**	**29,586**	**44,812**	**129,880**	**(10,038)**

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 and Devon NHS clinical commissioners, funded and controlled jointly by the 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 £30.4 million (£28.3 million 2021/22).
- 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 118 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 2023 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 £1,835 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 £27.5 million and a reduction in life expectancy assumptions of 1 year reduces the pension liability by £73.3 million. Adjustments to salary and pension increases of 0.1% increase the pension liability of £1.9 million and £26 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 2022/23 the total PPE depreciation charge was £88.3 million, comprising Buildings £33 million, PVFE £3.1 million and Infrastructure £52.2 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 £2.6 million, £1 million and £8.2 million respectively for every year that useful lives are increased.
	The Council operates a rolling programme of valuation reviews which ensures all land and building 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 £743 million of PPE assets measured using a current value basis, £627 million (84%) were subject to a revaluation at 31 December 2022 in 2022/23. PPE assets revalued before 2022/23 total £116 million or 16% of the PPE asset base measured at current value. A 1% change in the valuation of those assets revalued in 2022/23 would result in a change in carrying amount of £6 million. A 1% change in the valuation of those assets not revalued in 2022/23 would result in a change in carrying amount of £1 million.
	Of the £743 million land and building assets subject to valuation, £657 million (88%) relates to specialised assets valued on a DRC basis, £86 million (12%) of non-specialised operational assets.	PPE valued at DRC 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 2022/23 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 £46.282 million (£18.238 million in 2021/22) recognised within 'Other Operating Expenditure'.

In 2022/23 the Authority received just over £10.9 million of COVID grants (£56.3 million in 2021/22) and spent £25.302 million (£59.405 million in 2021/22). During 2022/23 all COVID grants and associated expenditure have been recorded in non-service section of budget management reports.

Where the grant is not-ringfenced, which means that it is a general grant, not identified to particular service expenditure and where there are no stipulations as to its use 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 2023/24.

Where a grant has restrictions attached (i.e. ring-fenced) then the income and expenditure are recorded in non-service element of net cost of services. If there are conditions (there are return obligations) then any unspent balance at 31 March 2023 is treated as grants received in advance in the balance sheet and not recognised as income in CIES.

COVID grants and expenditure in 2022/23	**Non-ringfenced**	**Ringfenced**	**TOTAL**
	£000	**£000**	**£000**
Balance brought forward 1 April 2022	(22,061)	0	**(22,061)**
COVID grants recognised in year	(157)	(10,757)	**(10,914)**
COVID grant funding available in year	(22,218)	(10,757)	**(32,975)**
less			
Expenditure	20,364	10,757	**31,121**
Balance 31 March 2023	**(1,854)**	**0**	**(1,854)**

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 2023 and 7th September 2023, the following school became an Academy:

- Wynstream School
- Gulworthy Primary School
- Lamerton Church of England Voluntary Controlled Primary School

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 £2.6 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 on 31st March 2023 of land and buildings for schools becoming new academies after this reporting period is £9.69 million.

As of 28th June 2023, Newtown Primary School has had its application to convert to academy status approved. The school has a net book value on 31st March 2023 of land and buildings of £1.79 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.

2022/23

	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	(88,352)			88,352
Reversal of previous revaluation Losses on Property Plant & Equipment to the CIES	(6,264)			6,264
Amortisation of intangible assets	(1,437)			1,437
Release of deferred income from Energy from Waste contract	1,844			(1,844)
Capital grants and contributions	123,939	(123,939)		0
Revenue expenditure funded from capital under statute	(23,657)			23,657
Amounts of non current assets written off on disposal or sale, as part of the gain/loss on disposal	(56,662)			56,662
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	14,154			(14,154)
Capital Expenditure charged to the General Fund Balance	1,030			(1,030)
Adjustments involving the Capital Receipts Reserve:				
Transfer of sale proceeds credited as part of the gain/loss on disposal	10,159		(14,223)	4,064
Use of the Capital Receipts Reserve to finance new capital expenditure			7,993	(7,993)
Adjustments involving the Capital Grants Unapplied Reserve:				
Use of the Capital Grants Unapplied Reserve to finance capital expenditure		134,647		(134,647)
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)	(113,886)			113,886
Employer's pensions contributions and direct payments to pensioners payable in the year	53,274			(53,274)
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	2,849			(2,849)
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	7,540			(7,540)
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.	741			(741)
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	(684)			684
Total Adjustments	**(75,412)**	**10,708**	**(6,230)**	**70,934**

2021/22

	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				
Charges for depreciation and impairment of non current assets	(82,426)			82,426
Reversal of previous revaluation Losses on Property Plant & Equipment to the CIES	2,859			(2,859)
Amortisation of intangible assets	(1,242)			1,242
Release of deferred income from Energy from Waste contract	1,844			(1,844)
Capital grants and contributions	135,348	(135,348)		0
Revenue expenditure funded from capital under statute	(20,455)			20,455
Amounts of non current assets written off on disposal or sale, as part of the gain/loss on disposal	(30,557)			30,557
Insertion of items not debited or credited to the Comprehensive				
Statutory provision for the financing of capital investment	13,871			(13,871)
Capital Expenditure charged to the General Fund Balance	991			(991)
Adjustments involving the Capital Receipts Reserve:				
Transfer of sale proceeds credited as part of the gain/loss on disposal	13,561		(5,436)	(8,125)
Use of the Capital Receipts Reserve to finance new capital expenditure			9,598	(9,598)
Adjustments involving the Capital Grants Unapplied Reserve:				
Use of the Capital Grants Unapplied Reserve to finance capital expenditure		130,805		(130,805)
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)	(115,314)			115,314
Employer's pensions contributions and direct payments to pensioners payable in the year	49,137			(49,137)
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	8,115			(8,115)
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	6,106			(6,106)
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.	736			(736)
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	1,985			(1,985)
Total Adjustments	**(15,441)**	**(4,543)**	**4,162**	**15,822**

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 2021 £000	Transfers out 2021/22 £000	Transfers in/within 2021/22 £000	**Balance at 31st March 2022 £000**	Transfers out 2022/23 £000	Transfers in 2022/23 £000	**Balance at 31st March 2023 £000**
Affordable Housing	**(182)**			**(182)**	52		**(130)**
Budget Management	**(69,247)**	6,018		**(63,229)**	18,369	(1,500)	**(46,360)**
Business Rates Pilot	**(10,008)**	2,385		**(7,623)**	6,992		**(631)**
Business Rates Risk Management	**(12,241)**	2,276	(7,268)	**(17,233)**			**(17,233)**
Climate Change Emergency	**(1,595)**	86		**(1,509)**			**(1,509)**
Emergency	**(19,089)**			**(19,089)**			**(19,089)**
On Street Parking	**(2,376)**	304		**(2,072)**	213		**(1,859)**
Public Health	**(7,632)**		(3,983)	**(11,615)**		(1,376)	**(12,991)**
Regeneration & Recovery	**(5,300)**	898		**(4,402)**	3,569		**(833)**
Service Transformation	**(9,784)**	778		**(9,006)**	2,117		**(6,889)**
Total before Carry Forwards	**(137,454)**	**12,745**	**(11,251)**	**(135,960)**	**31,312**	**(2,876)**	**(107,524)**
Non Schools Budget Carry Forwards	**(77,360)**	64,160	(74,748)	**(87,948)**	87,948	(57,810)	**(57,810)**
School Carry Forwards	**(21,091)**	21,091	(24,680)	**(24,680)**	24,680	(20,780)	**(20,780)**
DSG High Needs / SEND							
Total Earmarked including schools	**(235,905)**	97,996	(110,679)	**(248,588)**	143,940	(81,466)	**(186,114)**
General Fund (not earmarked)	**(14,825)**			**(14,825)**		(1,156)	**(15,981)**
Total General Fund, Schools and Earmarked Reserves	**(250,730)**	97,996	(110,679)	**(263,413)**	143,940	(82,622)	**(202,095)**

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).

2022/23

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**
Integrated Adult Social Care	8,544	8,956	(1)	17,499
Children and Young People's Futures	35,044	22,924	683	58,651
Public Health, Communities & Prosperity	11,946	1,909	4	13,859
Corporate	12,047	3,480	(1)	15,526
Climate Change, Environment & Transport	54,316	2,895	(1)	57,210
Non Service	(15,997)	(3,486)	0	(19,483)
Net Cost of Services	105,900	36,678	684	143,262
Other income and expenditure from the Expenditure and Funding Analysis	(80,654)	23,935	(11,131)	(67,850)
Difference between General Fund surplus or deficit and CIES surplus or deficit on the Provision of Services - Note 8	**25,246**	**60,613**	**(10,447)**	**75,412**

2021/22

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
Integrated Adult Social Care	8,606	11,208	(158)	19,656
Children and Young People's Futures	29,137	29,029	(1,549)	56,617
Public Health, Communities & Prosperity	11,536	4,243	(54)	15,725
Corporate	5,764	(420)	(144)	5,200
Climate Change, Environment & Transport	48,826	2,253	(75)	51,004
Non Service	(15,715)	(6,662)	(5)	(22,382)
Net Cost of Services	88,154	39,651	(1,985)	125,820
Other income and expenditure from the Expenditure and Funding Analysis	(121,948)	26,526	(14,957)	(110,379)
Difference between General Fund surplus or deficit and CIES surplus or deficit on the Provision of Services - Note 8	**(33,794)**	**66,177**	**(16,942)**	**15,441**

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.

2021/22 Revenue from External Customers £000	2021/22 Revenue from Transactions with Other Services £000		2022/23 Revenue from External Customers £000	2022/23 Revenue from Transactions with Other Services £000
(60,704)	(333)	Integrated Adult Social Care	(63,016)	(1,402)
(15,068)	(19,721)	Children and Young People's Futures	(19,951)	(22,830)
(5,594)	(3,261)	Public Health, Communities & Prosperity	(4,652)	(6,437)
(20,376)	(31,014)	Corporate	(19,527)	(34,953)
(23,906)	(4,483)	Climate Change, Environment and Transport	(26,496)	(3,427)
(125,648)	**(58,812)**		**(133,642)**	**(69,049)**

11. Other Operating Expenditure

2021/22 £000		2022/23 £000
16,996	Losses on the disposal of non current assets	46,503
978	Levies	998
17,974		**47,501**

12. Financing and Investment Income and Expenditure

2021/22 £000		2022/23 £000
37,280	Interest payable and similar charges	37,135
26,527	Pensions interest cost and expected return on pensions	23,935
(1,113)	Interest receivable and similar income	(4,370)
62,694		**56,700**

13. Taxation and Non Specific Grant Income

2021/22 £000		2022/23 £000
(450,936)	Council tax income	(469,996)
(80,654)	Business Rates Retention Scheme Top-up	(80,654)
(18,164)	Business Rates Retention Scheme Local Element	(21,632)
(115,498)	Non-ringfenced government grants	(110,638)
(135,348)	Capital grants and contributions	(123,939)
(800,600)		**(806,859)**

14. Expenditure and Income Analysed by Nature

2021/22 £000		2022/23 £000
	Expenditure	
420,737	Employee expenses	451,215
875,373	Other service expenses	946,081
978	Precepts & levies	998
80,808	Depreciation, amortisation and impairment	96,053
26,083	Interest payable	26,173
26,527	Pensions Financing and Investment Income and Expenditure	23,935
11,198	PFI financing charges	10,962
16,996	(Gain) or Loss on Disposal of Non Current Assets	46,503
1,458,700	**Total Expenditure**	1,601,920
	Income	
(163,748)	Fees, charges & other service income	(160,949)
(1,113)	Interest and investment income	(4,370)
(450,936)	Income from council tax	(469,996)
(98,818)	Business rates retention scheme - Local and top up grant	(102,286)
(703,469)	Government grants and contributions	(690,241)
(1,418,084)	**Total Income**	(1,427,842)
40,616	**(Surplus) or deficit on the provision of services**	**174,078**

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.

2021/22 Revenue from Contracts with Service Recipients £000	2021/22 Other Revenue (outside of scope of IFRS15) £000	2021/22 Total Revenue from External Customers £000		2022/23 Revenue from Contracts with Service Recipients £000	2022/23 Other Revenue (outside of scope of IFRS15) £000	2022/23 Total Revenue from External Customers £000
(35,701)	0	(35,701)	Adult Care and Health (Residential)	(37,434)	0	(37,434)
(24,950)	(53)	(25,003)	Adult Care and Health (other)	(25,126)	(456)	(25,582)
(10,571)	0	(10,571)	Education and Learning (schools)	(13,616)	0	(13,616)
(6,981)	0	(6,981)	Transport (including NHS)	(6,441)	0	(6,441)
(6,291)	0	(6,291)	Business Support	(5,154)	0	(5,154)
(6,570)	0	(6,570)	Parking, Permit Charges & Trade Waste	(7,302)	0	(7,302)
(2,346)	0	(2,346)	Children's Social Care (Residential)	(2,587)	0	(2,587)
(17,036)	(15,149)	(32,185)	Other	(29,969)	(5,557)	(35,526)
(110,446)	**(15,202)**	**(125,648)**	**Total**	**(127,629)**	**(6,013)**	**(133,642)**

16. Property Plant and Equipment (PPE)

Total Property, Plant and Equipment

	31 March 2022 £000	31 March 2023 £000
Infrastructure Assets	828,775	864,247
Other Property Plant and Equipment Assets	812,680	803,328
Total Property, Plant and Equipment Assets	1,641,455	1,667,575

Movement on balances

In accordance with the Temporary Relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

Under commercial accounting practices, depreciated historical cost would represent the amount of capital expenditure on infrastructure assets that has yet to be financed. For the Council, this is managed instead through the consolidated arrangements for reducing the Capital Financing Requirement through Minimum Revenue Provision.

The authority has determined in accordance with Regulation 30M England of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure asset when there is replacement expenditure is nil.

Infrastructure Assets

2021/22 £000		2022/23 £000
	Net Book Value (modified historical cost)	
788,702	**Balance as at 1 April**	828,775
83,539	Additions	78,995
(46,364)	Depreciation	(52,155)
2,898	Transferred from Assets Under Construction	8,632
828,775	**Balance as at 31 March**	864,247

Other Property, Plant and Equipment

Movements in 2022/23:	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation						
At 1st April 2022	758,329	21,711	2,954	13,920	39,636	**836,550**
Additions	16,253	3,504		372	23,736	**43,865**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	19,947			46		**19,993**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the provision of Services	(7,755)			21		**(7,734)**
Derecognition - Disposals	(47,481)	(2,933)		(4,925)	(541)	**(55,880)**
Assets reclassified (to)/from Held for Sale	(513)			(770)		**(1,283)**
Other movements in cost or valuation	4,547			1,100	(14,279)	**(8,632)**
At 31st March 2023	**743,327**	**22,282**	**2,954**	**9,764**	**48,552**	**826,879**
Accumulated Depreciation and Impairment						
1st April 2022	(13,480)	(10,390)				**(23,870)**
Depreciation Charge	(33,048)	(3,149)				**(36,197)**
Depreciation written out to the Revaluation Reserve	31,039					**31,039**
Depreciation written out to the Surplus/Deficit on the provision of services	1,469					**1,469**
Derecognition - Disposals	1,313	2,695				**4,008**
At 31st March 2023	**(12,707)**	**(10,844)**	**0**	**0**	**0**	**(23,551)**
Net Book Value						
At 31st March 2023	**730,620**	**11,438**	**2,954**	**9,764**	**48,552**	**803,328**
At 1st April 2022	**744,849**	**11,321**	**2,954**	**13,920**	**39,636**	**812,680**

Movements in 2021/22:	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation						
At 1st April 2021	742,368	25,496	2,954	12,812	21,194	**804,824**
Additions	7,667	3,515		227	26,750	**38,159**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	21,255			1,145		**22,400**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the provision of Services	1,343			141		**1,484**
Derecognition - Disposals	(18,570)	(7,300)			(470)	**(26,340)**
Assets reclassified (to)/from Held for Sale	(570)			(405)		**(975)**
Other movements in cost or valuation	4,836				(7,838)	**(3,002)**
At 31st March 2022	**758,329**	**21,711**	**2,954**	**13,920**	**39,636**	**836,550**
Accumulated Depreciation and Impairment						
1st April 2021	(13,472)	(13,818)				**(27,290)**
Depreciation Charge	(32,356)	(3,706)				**(36,062)**
Depreciation written out to the Revaluation Reserve	30,342					**30,342**
Depreciation written out to the Surplus/Deficit on the provision of services	1,375					**1,375**
Derecognition - Disposals	631	7,134				**7,765**
At 31st March 2022	**(13,480)**	**(10,390)**	**0**	**0**	**0**	**(23,870)**
Net Book Value						
At 31st March 2022	**744,849**	**11,321**	**2,954**	**13,920**	**39,636**	**812,680**
At 1st April 2021	**728,896**	**11,678**	**2,954**	**12,812**	**21,194**	**777,534**

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 2023 is £1,668 million.

The effective date for all valuations is 31 December 2022 for the financial year 2022/23 and the basis of valuation is explained in the Statement of Accounting Policies.

	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under construction £000	Total £000
Valued at Historical Cost:	0	22,282	2,954	0	48,552	73,788
Valued at Current Value in:						
2022/23	627,330	0	0	9,764	0	637,094
2021/22	23,271	0	0	0	0	23,271
2020/21	34,757	0	0	0	0	34,757
2019/20	27,127	0	0	0	0	27,127
2018/19	30,842	0	0	0	0	30,842
Total	**743,327**	**22,282**	**2,954**	**9,764**	**48,552**	**826,879**

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 2022/23 property, plant and equipment assets with a carrying value of £51.9 million, which are analysed as follows:

Derecognition category	Carrying value £000	Proportion %
Transfers to academy and other school movements	46,282	89.2%
Other disposals	5,590	10.8%
Total	**51,872**	**100%**

Capital Commitments

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

Contract Name	Project Purpose	2023/24 £000	2024/25 £000	Total Commitment 2023/24 Onwards £000
A361 North Devon Link Road	North Devon Link Road improvements	30,240	0	30,240
Design & Application of Carriageway Surface Dressing	Highway resurfacing	6,500	0	6,500
Axminster Primary	Expansion	1,659	30	1,689
Heathcoat School	Main block replacement roof	1,305	24	1,329
A379 South West Exeter Pedestrian and cycle bridge	A379 South West Exeter Pedestrian and cycle bridge	986	0	986
Okehampton	New SEMH School	601	173	774
Lampard School	Expansion	698	36	734
Marsh Barton station	Construct Marsh Barton Station	614	0	614
Total		**42,603**	**263**	**42,866**

Total capital commitments at 31 March 2022 amounted to just under £62.7 million.

17. Long Term Debtors

31st March 2022 £000		31st March 2023 £000
2,150	Skypark LLP	2,150
12	Magistrates	10
22,364	Unfunded pensions	19,491
4,063	Deferred Capital Receipts	0
75	Devon Disability Collective	51
28,664		**21,702**

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.

31 March 2022				31 March 2023		
Purchase Cost £000	**Fair Value £000**	**FIRR £000**	**Equity Instrument**	**Purchase Cost £000**	**Fair Value £000**	**FIRR £000**
10,000	11,089	(1,089)	CCLA Local Authorities Property Fund	10,000	9,261	739
1,965	885	1,080	Exeter Science Park Limited	1,965	885	1,080
0	85	(85)	Norse Property Services (NPS)	0	85	(85)
11,965	**12,059**	**(94)**	**Total equity instruments held at FVOCI**	**11,965**	**10,231**	**1,734**

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 2022		Financial Assets	31 March 2023	
Long-Term	**Current**		**Long-Term**	**Current**
£000	**£000**		**£000**	**£000**
		Investments		
16,000	162,786	Amortised cost	20,000	96,929
12,059	91	Fair Value through other comprehensive income - designated equity instruments	10,231	101
28,059	**162,877**	**Total Investments**	**30,231**	**97,030**
		Cash		
	65,863	Cash flow investments (cash equivalents) - Money Market Funds - Fair Value through Profit and Loss		46,485
	20,000	Cash flow investments (cash equivalents) - Fixed interest / notice - amortised cost		10,000
	1,373	Cash		14,127
0	**87,236**	**Total Cash**	**0**	**70,612**
		Debtors		
6,288	**86,227**	**Amortised cost**	**2,201**	**85,014**
22,376	55,261	Debtors that are not financial instruments	19,501	64,488
28,664	141,488	Total Debtors	21,702	149,502
34,347	**336,340**	**Total Financial Assets**	**32,432**	**252,656**

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 2023. The Authority has not applied any loss adjustment for credit risk for this lending.

31 March 2022 Long-Term £000	31 March 2022 Current £000	Financial Liabilities	31 March 2023 Long-Term £000	31 March 2023 Current £000
		Borrowings - Amortised Cost		
(436,349)		Financial liabilities at amortised cost - PWLB	(436,349)	
(25,307)		Financial liabilities at amortised cost - previous LOBO* converted to fixed interest	(25,304)	
(49,263)	(287)	Financial liabilities at amortised cost - LOBOs*	(49,175)	(287)
(510,919)	**(287)**	**Total Borrowings**	**(510,828)**	**(287)**
		Other Long Term Liabilities - Amortised Cost		
(104,455)	0	PFI Liability	(99,174)	
(1,831)		Financial Guarantee Liability	(1,831)	
(106,286)	**0**	Total carried at amortised cost included in Other Long Term Liabilities	**(101,005)**	**0**
(939,475)		Other Long Term Liabilities that are not financial instruments	(292,084)	
(1,045,761)	0	**Total Other Long Term Liabilities**	(393,089)	0
		Creditors (payable within 12 months)		
	(119,281)	Financial liabilities at amortised cost		(107,097)
	(5,554)	PFI Liability		(5,281)
	(124,835)	Total included in Creditors		**(112,378)**
	(20,702)	Creditors that are not financial instruments		(39,421)
0	(145,537)	Total Creditors	0	(151,799)
(617,205)	**(125,122)**	**Total Financial Liabilities**	**(611,833)**	**(112,665)**

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:

2021/22			2022/23	
(Surplus) or Deficit on the Provision of Services	**Other Comprehensive Income and Expenditure**		**(Surplus) or Deficit on the Provision of Services**	**Other Comprehensive Income and Expenditure**
£000	**£000**		**£000**	**£000**
		Interest Payable and similar charges		
37,280		Interest Expense - Financial Liabilities measured at amortised cost	37,135	
0		Impairment - Financial Assets measured at amortised cost	831	
37,280	**0**	**Interest Payable and similar charges**	**37,966**	**0**
		Interest income		
(725)		Financial assets measured at amortised cost	(2,974)	
(16)		Financial assets measured at Fair Value through Profit and Loss (Money Market)	(1,005)	
(372)		Investments in equity instruments designated at fair value through other comprehensive income (CCLA)	(391)	
(1,113)	**0**	**Total interest income and similar revenue**	**(4,370)**	**0**
(129)		Reversal of impairment losses	0	
(1,242)	**0**	**Total interest income and similar revenue**	**(4,370)**	**0**
		Net (gains)/losses on Investments in equity instruments designated at fair value through other comprehensive income		
	(1,656)	CCLA		1,828
		NPS		
		Science Park		
0	**(1,656)**	**Total net (gains)/losses**	**0**	**1,828**

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 2022 and 2023 (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 2022			31st March 2023	
Carrying amount	**Fair value**	**Financial Liabilities held at amortised cost**	**Carrying amount**	**Fair value**
£000	**£000**		**£000**	**£000**
		Level 2		
(436,349)	(612,257)	PWLB	(436,349)	(450,131)
(49,550)	(69,447)	LOBO's	(49,462)	(53,608)
(25,307)	(41,692)	Market Debt, Fixed Rate	(25,304)	(28,371)
(511,206)	**(723,396)**		**(511,115)**	**(532,110)**
		Level 3		
(110,009)	(186,097)	PFI and similar contracts	(104,455)	(149,927)
(621,215)	**(909,493)**		**(615,570)**	**(682,037)**

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 2022			Financial Assets at Fair Value	31st March 2023		
Level 1	**Level 2**	**Level 3**		**Level 1**	**Level 2**	**Level 3**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
			Investments			
	11,180	970	Fair Value through other comprehensive income - designated equity instruments		9,362	970
0	**11,180**	**970**	**Investments held at fair value**	**0**	**9,362**	**970**
			Cash			
65,863			Cash flow investments (cash equivalents) - FVPL	46,485		
1,373			Cash (overdraft at bank)	14,127		
67,236	**0**	**0**	**Total Cash at fair value**	**60,612**	**0**	**0**
67,236	**11,180**	**970**	**Financial Assets at Fair Value**	**60,612**	**9,362**	**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 Treasury Management Policy Statement together with the Statement of Treasury Management Practices (TMPs) (applicable to this Statement of Accounts) was formally adopted by the County Council on 17th February 2022. 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 17th February 2022. The operational boundary and authorised limit for external debt for 2022/23 were initially set at £755.9 million and £780.9 million respectively for borrowing and other long-term liabilities. Actual external debt for 2022/23 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 2023	Historic experience of default	Historic experience adjusted for market conditions at 31 March 2023	Estimated exposure to default and uncollectability
	£000	%	%	£000
Deposits with banks and financial institutions	117,414	0.00%	0.01%	8
Deposits with local authorities	56,000	0.00%	0.00%	0
Debtors at amortised cost	88,305	0.31%	3.73%	3,291
				3,299

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 2022**	**31 March 2023**
	£000	£000
Less than three months	62,242	54,981
Three to six months	6,525	7,546
Six months to one year	7,220	8,613
More than one year	12,700	17,165
	88,687	88,305
Provision for bad debts - Impairment	(2,460)	(3,291)
Long Term Debtors not yet due	6,288	2,211
	92,515	87,225

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 2022	**Residential £000**	**Other £000**	**Secured £000**	**Unsecured £000**
less than 3 months	7,707	54,535	1,648	60,594
more than 3 months	20,783	5,662	10,091	16,354
Total	**28,490**	**60,197**	**11,739**	**76,948**

Debt 31 March 2023	**Residential £000**	**Other £000**	**Secured £000**	**Unsecured £000**
less than 3 months	8,781	46,200	1,309	53,672
more than 3 months	25,411	7,913	9,137	24,187
Total	**34,192**	**54,113**	**10,446**	**77,859**

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 2022 £000		31st March 2023 £000
(287)	Less than one year	(287)
	Between one and two years	
(33,830)	Between two and five years	(39,610)
(5,780)	Between five and ten years	(8,903)
(65,366)	Between ten and fifteen years	(103,681)
(97,621)	Between fifteen and twenty years	(50,403)
0	Between twenty and twenty-five years	(8,903)
(57,867)	Between twenty-five and thirty years	(84,574)
(140,334)	Between thirty and thirty-five years	(113,626)
(107,053)	Between thirty-five and forty years	(98,151)
(508,138)		**(508,138)**

Short term creditors of £151.8 million (£145.5 million at 31 March 2022) 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 2022/23 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. Between October and December 2023 the Authority repaid £46.5 million of LOBOs and from January 2024 there are none remaining.

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 £565,000 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.

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 (£85,000 31 March 2022) and has an equity investment in Exeter Science Park Ltd to £885,000 (£885,000 at 31 March 2022). These shares are recognised in the balance sheet at £970,000 (£970,000 31 March 2022).

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 2022 £000		31st March 2023 £000
(15,314)	Central Government	(15,355)
(5,316)	Other Local Authorities	(7,059)
(1,341)	NHS Bodies	(2,083)
(123,566)	Other Entities & Individuals	(127,302)
(145,537)		**(151,799)**

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 2022 £000		31st March 2023 £000
14,884	Central Government	12,634
8,462	Other Local Authorities	10,058
12,219	NHS Bodies	9,140
7	Public Corporations & Trading Funds	8
105,916	Other Entities & Individuals	117,662
141,488		**149,502**

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 2022			Council Tax	31st March 2023		
Gross Arrears	**Provision for bad debts**	**Net debtor**		**Gross Arrears**	**Provision for bad debts**	**Net debtor**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
11,076	(2,786)	8,290	Less than one year	11,572	(2,813)	8,759
10,544	(5,227)	5,317	Between one year and three years	10,737	(5,427)	5,310
7,528	(5,750)	1,778	More than three years	9,175	(7,032)	2,143
29,148	**(13,763)**	**15,385**		**31,484**	**(15,272)**	**16,212**

31st March 2022			Business Rates	31st March 2023		
Gross Arrears	**Provision for bad debts**	**Net debtor**		**Gross Arrears**	**Provision for bad debts**	**Net debtor**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
389	(113)	276	Less than one year	444	(112)	332
373	(204)	169	Between one year and three years	302	(165)	137
198	(174)	24	More than three years	202	(179)	23
960	**(491)**	**469**		**948**	**(456)**	**492**

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 2021 £000**	Amounts released **£000**	Amounts utilised **£000**	Provided in year **£000**	**31st March 2022 £000**	Amounts released **£000**	Amounts utilised **£000**	Provided in year **£000**	**31st March 2023 £000**
Insurance Fund	(2,129)	0	2,803	(2,564)	**(1,890)**	0	2,905	(2,570)	**(1,555)**
Landfill aftercare	(231)	0	372	(364)	**(223)**	0	254	(247)	**(216)**
Social Care & Community	(602)	139	3	(1,355)	**(1,815)**	141	86	(999)	**(2,587)**
Business Rates Retention Scheme Appeals	(2,103)	0	0	(320)	**(2,423)**	598	0	0	**(1,825)**
Green Waste	(100)	0	0	0	**(100)**	100	0	0	**0**
Total	**(5,165)**	**139**	**3,178**	**(4,603)**	**(6,451)**	**839**	**3,245**	**(3,816)**	**(6,183)**

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.

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 was provided for on the basis of a change in regulatory requirements. Provision now closed.

Long Term Liabilities

Provisions estimated to be utilised after more than one year	31st March 2021 £000	Amounts released £000	Provided in year £000	31st March 2022 £000	Amounts released £000	Amounts utilised £000	Provided in year £000	31st March 2023 £000
Insurance Fund	(11,178)	1,258	0	**(9,920)**	1,110	0	0	(8,810)
Landfill aftercare	(4,497)	363	0	**(4,134)**	248	0	0	(3,886)
Total	**(15,675)**	**1,621**	**0**	**(14,054)**	**1,358**	**0**	**0**	**(12,696)**

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 2023 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 2023:

Payable within	£000
1 to 2 years	2,726
3 to 5 years	4,742
6 to 9 years	1,342
Total	**8,810**

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	210
3 to 5 years	777
6 to 10 years	847
more than 10 years	2,052
Total	**3,886**

21. Cash and Cash Equivalents

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

31st March 2022 £000		31st March 2023 £000
1,373	Bank Current Accounts	14,127
85,863	Investments less than 90 days	56,485
87,236		**70,612**

22. Assets Held for Sale

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

2021/22 £000		2022/23 £000
14,065	**Balance at 1st April**	3,065
	Assets newly classified as held for sale:	
975	Property, Plant and Equipment	1,283
	Assets declassified as held for sale:	
(11,975)	Assets sold	(3,660)
3,065	**Balance at 31st March**	**688**

23. Unusable Reserves

31st March 2022 £000		31st March 2023 £000
(275,897)	Revaluation Reserve	(289,049)
81,414	Dedicated Schools Grant (DSG) Adjustment Account	118,762
(654,017)	Capital Adjustment Account	(675,663)
14,194	Financial Instruments Adj Account	13,453
896,305	Pensions Reserve	242,618
(4,840)	Collection Fund Adjustment Account	(15,229)
7,178	Accumulated Absences Account	7,862
(94)	Financial Instruments Revaluation Reserve	1,734
(8,596)	Deferred Capital Receipts Reserve	(4,063)
55,647		**(599,575)**

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.

2021/22 £000		2022/23 £000
(259,879)	**Balance at 1st April**	**(275,897)**
(53,840)	Upward revaluation of assets	(55,103)
1,099	Downward Revaluation of assets not charged to the Surplus/Deficit on the provision of services	4,071
(312,620)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(326,929)
15,098	Difference between fair value depreciation and historical cost depreciation	16,480
21,625	Accumulated gains on assets sold or scrapped	21,400
36,723	Amount written off to the Capital Adjustment Account	37,880
(275,897)	**Balance at 31st March**	**(289,049)**

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.

2021/22 £000		2022/23 £000
	DSG deficit balance at 1st April	
48,998	High Needs Block - SEND	86,529
(5,442)	De-delegated, Central and Early Years Block, Growth Fund	(5,115)
43,556		**81,414**
37,531	High Needs Block - SEND - deficit during the year	38,908
327	Movement on De-delegated, Central and Early Years Block	(1,560)
	Balance at 31st March	
86,529	High Needs Block - SEND	125,437
(5,115)	De-delegated, Central and Early Years Block	(6,675)
81,414		**118,762**

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.

2021/22 £000		2022/23 £000
(592,006)	**Balance 1st April**	**(654,017)**
82,426	Charges for depreciation and impairment of non-current assets	88,352
(2,859)	Revaluation (gain)/loss on Property Plant and Equipment	6,264
1,242	Amortisation	1,437
(1,844)	Release of deferred income from Energy from Waste	(1,844)
20,455	Revenue expenditure funded from capital under statute	23,657
30,557	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	56,662
129,977		174,528
(36,723)	Adjusting amounts written out of the Revaluation Reserve	(37,880)
93,254	Net written out amount of the cost of non-current assets consumed in the year	136,648
0	Recognition of Loan to Skypark	(470)
0		(470)
	Capital financing applied in the year:	
(9,598)	Use of the Capital Receipts Reserve to finance new capital expenditure	(7,993)
(130,805)	Application of grants to capital financing from the Capital Grants Unapplied Account	(134,647)
(13,871)	Statutory provision for the financing of capital investment charged against the General Fund	(14,154)
(991)	Capital expenditure charged against the General Fund	(1,030)
(155,265)		(157,824)
(654,017)	**Balance 31st March**	**(675,663)**

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.

2021/22 £000		2022/23 £000
14,930	**Balance 1st April**	**14,194**
(648)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(648)
(88)	Adjusting for effective interest rates	(93)
(736)	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.	(741)
14,194	**Balance 31st March**	**13,453**

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.

2021/22 £000		2022/23 £000
1,309,778	**Balance 1st April**	**896,305**
(479,650)	Actuarial gains or (losses) on pensions assets and liabilities	(714,300)
115,314	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	113,886
(49,137)	Employer's Pensions contributions and direct payments to pensioners payable in the year	(53,273)
896,305	**Balance 31st March**	**242,618**

24. Other Long Term Liabilities

31st March 2022 £000		31st March 2023 £000
(907,654)	Pensions Liability	(262,107)
(39,642)	Private Finance Initiative Liability - schools	(35,176)
(40,959)	Liability Exeter Energy from Waste	(40,662)
(23,855)	Private Finance Initiative Liability - Plymouth Energy from Waste	(23,337)
(2,270)	Deferred income - Exeter Energy from Waste	(2,165)
(29,550)	Deferred income - Plymouth Energy from Waste	(27,811)
(1,831)	Financial Guarantee	(1,831)
(1,045,761)		**(393,089)**

25. Cash Flow – Operating Activities

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

2021/22 £000		2022/23 £000
(82,426)	Depreciation	(88,352)
2,859	Revaluation gains/(losses)	(6,264)
(1,242)	Amortisation	(1,437)
1,844	Release of deferred income	1,844
(26,125)	(Increase)/Decrease in creditors	(4,880)
(20,493)	Increase/(Decrease) in debtors	4,889
356	Increase/(Decrease) in inventories	1,023
(76,804)	Movement in pension liability	(71,627)
335	Increase/(Decrease) in provisions	1,626
(30,557)	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(56,662)
111	Other non-cash items charged to the net surplus or deficit on the provision of services	92
(232,142)		**(219,748)**

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

2021/22 £000		2022/23 £000
13,561	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	10,159
132,541	Capital Grants credited to surplus or deficit on the provision of services	121,238
146,102		**131,397**

26. Cash Flow - Investing Activities

2021/22 £000		2022/23 £000
125,525	Purchase of property, plant and equipment, investment property and intangible assets	120,156
13,000	Purchase of long term investments	4,000
118,257	Purchase of short-term investments and other payments for investing activities	98,688
(5,738)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(14,873)
(70,000)	Proceeds from short-term and long-term investments	(162,500)
(175,618)	Receipts of Capital Grants	(129,918)
5,426	**Net cash flows from investing activities**	**(84,447)**

27. Cash Flow - Financing Activities

2021/22 £000		2022/23 £000
4,638	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance-sheet PFI contracts	5,554
14,541	Other payments for financing activities	9,790
19,179	**Net cash flows from financing activities**	**15,344**

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

	1st April 2022	**Financing cash flows**	**Non-cash changes**		**31 March 2023**
			Acquisitions	**Other non-cash changes**	
	£000	**£000**	**£000**	**£000**	**£000**
Long-term borrowings	(510,919)			91	(510,828)
Short-term borrowings	(287)				(287)
On balance sheet PFI liabilities - Short Term	(5,554)	5,554		(5,281)	(5,281)
On balance sheet PFI liabilities - Long Term	(104,455)			5,281	(99,174)
Total liabilities from financing activities	**(621,215)**	**5,554**	**0**	**91**	**(615,570)**

29. Members' Allowances

The authority pays its elected members basic allowances, special responsibility allowances and travel and subsistence. During 2022/23 £1.146 million was paid (£1.095 million in 2021/22

30. Audit Fees

In 2022/23 the County Council has recognised the following fees relating to the external audit:

2021/22 £000		2022/23 £000
140	Fees as appointed auditor	226
5	Other services	14
145		**240**

External audit has not yet produced an audit plan for 2022/23. The fee as appointed auditor consists of informal estimates from the auditors of £146,000 plus £78,000 of additional audit fees relating to 2020/21 and 2021/22 that were not previously accrued in the Authority's accounts. This includes £2,000 for the letter of assurance that the Pension Fund auditor (Grant Thornton) provides to the Authority's auditor (Grant Thornton).

Fees for other services are £7,500 for the certification of Teachers' Pensions Return and £6,250 for CFO Insights.

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	Benefits in Kind (e.g Car	Compensation for loss of office	Pension contributions	**Total**
			£	£	£	£	**£**
Phil Norrey, Chief Executive	1	2022/23	67,813			11,528	**79,341**
		2021/22	162,751			27,668	**190,419**
Jan Spicer, Interim Chief Executive and Head of Paid Services	1	2022/23	104,890				**104,890**
Donna Manson, Chief Executive and Head of Paid Services	1	2022/23	24,405			4,149	**28,554**
Chief Officer for Adult Care and Health	2	2022/23	63,224			5,572	**68,796**
		2021/22	143,885			24,460	**168,345**
Interim Director of Integrated Adult Social Care	2	2022/23	83,008			14,269	**97,277**
Director of Integrated Adult Social Care	2	2022/23	85,840			14,593	**100,433**
Chief Officer for Childrens Services	3	2022/23	86,775	6,102	36,453	15,079	**144,409**
		2021/22	143,885			24,460	**168,345**
Acting Director of Children and Young People's Futures	3	2022/23	46,613				**46,613**
Interim County Solicitor	4	2022/23	70,164			11,928	**82,092**
		2021/22	34,953			5,942	**40,895**
Director of Finance and Public Value	5	2022/23	118,145			20,085	**138,230**
		2021/22	48,425			8,232	**56,657**
Director of Public Health, Communities and Prosperity	6	2022/23	119,149			24,545	**143,694**
Director of Public Health		2021/22	122,925			24,240	**147,165**

	Note		Salary, Fees and Allowances	Benefits in Kind (e.g Car	Compensation for loss of office	Pension contributions	**Total**
			£	£	£	£	**£**
Director of Climate Change, Environment and Transport	7	2022/23	117,398			19,958	**137,356**
Chief Officer for Highways, Infrastructure Development and Waste		2021/22	107,254			18,233	**125,487**
Interim Head of Digital Transformation and		2022/23	109,179			18,560	**127,739**
Business Support	8	2021/22	17,876			3,039	**20,915**
Director of Legal and Democratic Services	9	2022/23	47,839			8,133	**55,972**
Head of Organisational Change		2022/23	66,161			11,247	**77,408**
		2021/22	64,236			10,920	**75,156**
Head of Policy		2022/23	53,260			9,054	**62,314**
	10	2021/22	51,385			8,727	**60,112**
Head of Communities	11	2022/23	16,560			2,815	**19,375**
	10	2021/22	71,077			12,032	**83,109**
Head of Service for Economy, Enterprise	11	2022/23	24,869			4,228	**29,097**
and Skills		2021/22	107,254			18,233	**125,487**
Head of Service for Planning, Transportation	12	2022/23	4,892				**4,892**
and Environment		2021/22	65,222			11,088	**76,310**
Head of Human Resources	14	2022/23	9,788			1,664	**11,452**
	13	2021/22	27,087			4,605	**31,692**
Head of Human Resources	14	2022/23	79,383			13,495	**92,878**
Head of Communications and Media		2022/23	6,047			1,028	**7,075**
	15	2021/22	20,549			3,493	**24,042**

During the 2022/23 financial year the County Council commenced a reconfiguration of Council Services and the leadership of these services, which resulted in new service and leadership titles.

1. The Chief Executive left on 31/08/2022, the Interim Chief Executive and Head of Paid Services commenced in post on 24/08/2022 and left 17/02/2023, and the Chief Executive and Head of Paid Services commenced in post on 16/02/2023.

2. The Chief Officer for Adult Care and Health left on 22/06/2022; the Interim Director of Integrated Adult Social Care commenced in post on 01/04/2022 and left 31/10/2022; the Director of Integrated Adult Social Care commenced in post on 30/08/2022.

3. The Chief Officer for Children's Services left on 09/11/2022, the Acting Director of Children and Young People's Futures commenced in post on 09/11/2022 and left 24/02/2023.

4. The Interim County Solicitor commenced in post on 01/12/2021 and reported to the Chief Executive up until 23/10/2022 and then commenced reporting to the Director of Legal and Democratic Services from 24/10/2022.

5. The Director of Finance and Public Value commenced in post on 01/11/2021.

6. As part of the Council's reorganisation of services and their leadership, the title of this post changed on 01/09/2022.

7. As part of the Council's reorganisation of services and their leadership, the title of this post changed on 01/05/2022.

8. The Interim Head of Digital Transformation and Business Support commenced in post on 01/02/2022.

9. The Director of Legal and Democratic Services commenced in this new post on 24/10/2022.

10. The remuneration of these officers includes a payment for election duties.

11. These officers reported directly to the Chief Executive up until 22/06/2022 and then commenced reporting to the Director of Public Health from 23/06/2022.

12. The Head of Service for Planning, Transportation and Environment reported directly to the Chief Executive until they left on 27/04/2022.

13. Due to changes in the leadership team in the previous year, the Head of Human Resources has been reporting directly to the Chief Executive since 06/12/2021.

14. The existing Head of Human Resources left on 12/05/2022 and the new Head of Human Resources commenced in post on 01/05/2022.

15. Due to changes in the leadership team in the previous year, the Head of Communications and Media commenced reporting directly to the Chief Executive on 06/12/2021 up until 03/05/2022 and then commenced reporting to the Director of Public Health from 04/05/2022.

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

2021/22				Emoluments	2022/23			
Schools Staff	Other Staff	Total	Left in Year	£	Schools Staff	Other Staff	Total	Left in Year
82	89	**171**	**1**	**50,000 - 54,999**	97	147	**244**	
44	62	**106**	**2**	**55,000 - 59,999**	49	54	**103**	
38	18	**56**		**60,000 - 64,999**	38	27	**65**	
37	7	**44**	**1**	**65,000 - 69,999**	30	21	**51**	**1**
18	15	**33**	**2**	**70,000 - 74,999**	17	14	**31**	
10	4	**14**		**75,000 - 79,999**	14	7	**21**	
4	3	**7**		**80,000 - 84,999**	8	4	**12**	**1**
2	2	**4**		**85,000 - 89,999**	4	5	**9**	**1**
	3	**3**		**90,000 - 94,999**	1	6	**7**	**3**
1		**1**		**95,000 - 99,999**	3	4	**7**	**4**
1	1	**2**		**100,000 - 104,999**		2	**2**	
2	3	**5**		**105,000 - 109,999**	1	3	**4**	
	1	**1**		**110,000 - 114,999**	1	1	**2**	
1		**1**		**115,000 - 119,999**				
				120,000 - 124,999	1		**1**	
				125,000 - 129,999				
	1	**1**		**130,000 - 134,999**		3	**3**	**1**
				135,000 - 139,999				
	1	**1**		**140,000 - 144,999**				
				145,000 - 149,999		1	**1**	
				150,000 - 154,999				
				155,000 - 159,999				
				160,000 - 164,999				
				165,000 - 169,999				
				170,000 -174,999				
240	**210**	**450**	**6**	**Total number above £50,000**	**264**	**299**	**563**	**11**

31.3 Exit Packages

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

In 2022/23 55 of the 79 exit packages related to schools and colleges and accounted for £761,000 of the total cost of £1,386,000. In 2021/22 33 of the 53 exit packages related to schools and colleges and accounted for £283,000 of the total cost of £665,000.

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	
	2021/22 No.	2022/23 No.	2021/22 No.	2022/23 No.	2021/22 No.	2022/23 No.	2021/22 £000	2022/23 £000
£0 - £20,000	17	13	24	40	41	53	281	326
£20,001 - £40,000	4	3	7	14	11	17	270	538
£40,001 - £60,000		3		2		5		242
£60,001 - £80,000				3		3		190
£80,001 - £100,000				1		1		90
£100,001 - £150,000	1				1		114	
	22	**19**	**31**	**60**	**53**	**79**	**665**	**1,386**

32. Grant Income

Since March 2021 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 2023/24

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 2023 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;

2021/22 £000		2022/23 £000
	UK Government Revenue COVID 19 Grants:	
(14,823)	COVID-19 Local Authority Support Grant	0
(3,825)	COVID-19 Outbreak Management Grant	0
(347)	COVID-19 Sales Fees Charges Compensation	0
(1,403)	COVID-19 Clinically Extremely Vulnerable Support	0
(2,198)	COVID-19 Community Testing Grant	(157)
(110)	COVID-19 Wellbeing for Education Return	0
(894)	COVID-19 ASC Omicron Support Fund Grant	0
(23,600)	**Non ringfenced Government Grants**	**(157)**
(3,109)	COVID-19 Infection Control Grant	0
(2,183)	COVID-19 Rapid Testing Grant	0
(1,111)	COVID-19 Home to School Travel	0
(2,897)	COVID-19 Winter Grant Scheme	0
(679)	COVID-19 Bus Services Support Grant	0
57	COVID-19 Social Care Workforce Capacity Grant	0
(99)	COVID-19 Emergency Active Travel Fund	(50)
(32)	COVID-19 Travel Demand Management Grant	0
(532)	COVID-19 Practical Support for Self Isolation	(36)
(6,206)	COVID-19 Infection Prevention	35
(3,807)	COVID-19 Testing Fund	6
(217)	COVID-19 LTA BRG Grant	(273)
(4,565)	COVID-19 Household Support Fund Grant	(10,457)
(390)	COVID-19 Vaccine (R3) Grant	18
(6,890)	COVID-19 Workforce Recruitment and Retention	0
(32,660)	**Ringfenced Government Grants**	**(10,757)**
(56,260)		**(10,914)**

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

Credited to Taxation and Non Specific Grant Income

2021/22 £000		2022/23 £000
	UK Government Revenue Grants:	
(23,600)	COVID-19 Grants	(157)
(28,270)	Improved Better Care Fund	(29,127)
(23,309)	Adult Social Care Support Grant	(32,317)
(15,376)	Business Rates Reliefs and Multiplier Cap	(17,350)
(7,823)	Rural Service Delivery Grant	(7,823)
(6,361)	Council Tax Support Grant	0
108	Council Tax Irrecoverable Loss Compensation Grant	0
(3,596)	Private Finance Initiative - Interest	(3,218)
(2,486)	New Homes Bonus	(2,143)
(2,622)	Independent Living Fund	(2,622)
(634)	School Improvement Grant	(278)
(885)	Local Service Support Grant	(1,062)
(549)	Revenue Support Grant	(582)
0	BRRS Levy Account Surplus Grant	(861)
0	Adult Social Care Reform / Market Sustainability Grant	(2,413)
0	ASC Charging Reform Imp Support Grant	(97)
0	Adult Social Care Discharge Grant	(2,980)
0	Social Care Capacity Productivity	(350)
0	Cyber Security	(100)
0	Services Grant	(7,076)
(95)	Other Government Grants below £50,000	(82)
(115,498)	**Non ringfenced Government Grants**	**(110,638)**
	Capital Grants and Contributions:	
(61,850)	Department for Transport - Local Transport Plan	(54,706)
(8,146)	Department for Tranpsort - North Devon Link Road	(9,982)
(7,513)	Local Authority Contributions	(9,712)
(2,456)	Department for Education - Special Educational Needs (SEN)	(9,711)
(8,245)	Better Care Fund - DfG grant	(8,245)
(12,373)	Department for Education - Basic Need Grant	(7,941)
(5,498)	Department for Education - Schools Maintenance Grant	(3,813)
(6,247)	DLUHC - Housing Infrastructure Fund (HIF)	(3,641)
0	Department for Transport - Bus Service Improvement Plan	(1,141)
(1,065)	Department for Education - Devolved Formula Capital Grant	(1,082)
(21,955)	Other Grants & Contributions	(13,965)
(135,348)		**(123,939)**

Grant Income - Credited to Net Cost of Services

2021/22 £000		2022/23 £000
(32,660)	COVID-19 Grants	(10,757)
(1,125)	Active Devon	(1,137)
(372)	Additional Drug Treatment (PHE)	(1)
(3,340)	Adult and Community Learning	(2,797)
(342)	Afghan Resettlement Relocation (DLUHC)	(1,306)
(636)	Areas of outstanding Natural Beauty	(769)
(950)	Asylum Seekers (HO)	(2,257)
(657)	Building Better Opportunities Focus 5 (Lottery)	(796)
(1,146)	Bus Services Operators Grant	(1,146)
(364)	Community Discharge Grant (DOH)	(418)
(834)	Community Renewal Fund (DLUHC)	(7,688)
(1,381)	Coronavirus catch up premium	0
(1,279)	COVID 19 Recovery Premium funding	(3,234)
(290,678)	Dedicated Schools Grant	(302,639)
(643)	Future Farming Resilience (DEFRA)	(337)
(512)	Local Reform Community Voices	(512)
(216)	Local Sustainable Transport Fund	(37)
(911)	Music Education Grant	(1,033)
(412)	Other Economy Government Grants	(381)
(2,947)	PE and Sports Grant (DfE)	(2,803)
(215)	Post-Adoption Support Fund (DfE)	(371)
(3,342)	Private Finance Initiative	(3,719)
(291)	Provision of Social Care in Prisons	(276)
(29,013)	Public Health	(29,828)
(11,323)	Pupil Premium	(12,005)
(694)	Restorative Transformation Grant (DfE)	(1,561)
(1,422)	Safe Accommodation Duty (DLUHC)	(1,426)
(515)	Schools Covid income loss recompense (DfE)	(158)
(329)	Secure Stairs (NHS England)	(384)
(368)	Syrian Refugees (home office)	(161)
(265)	Teacher Pensions Grant	(242)
(2,050)	Troubled Families Programme	(1,986)
(4,315)	Universal Infant Free School Meals (DfE)	(4,124)
(438)	War Pensions Scheme Grant (DoH)	(446)
(563)	What Works 4 Children (DfE)	(442)
(1,397)	YPLA Post 16 Funding	(1,065)
0	Ukrainian Refugees (HO)	(21,009)
0	Schools Supplementary Grant (ESFA)	(4,770)
0	Supplementary Substance Misuse Grnt OHID	(481)
0	Multiply Grant (DfE)	(643)
0	Local Transport Fund Grant	(2,381)
0	Tackling Loneliness with Transport	(339)
0	Bootcamps Grant	(853)
(5,478)	Government Grants below £200,000	(6,384)
(403,423)	**Total UK Government Grants**	**(435,102)**
(1,212)	**Total EU Grants**	**(2,010)**
(2,112)	Exeter Diocesan Board PFI contribution	(2,009)
(4,285)	Contributions from other local authorities	(4,806)
(20,353)	Better Care Fund	(19,908)
(27,785)	Integrated Care Agreement	(42)
(4,978)	Other contributions to services	(5,317)
(59,513)	**Total Contributions from Other Sources**	**(32,082)**
(464,148)	**Total Grant Income Credited to Services**	**(469,194)**

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. The balances at the year end are:

31 March 2022 £000		31 March 2023 £000
	Revenue Grants (Included within Revenue Grants Receipts in Advance - Long Term Liabilities):	
(7,603)	S106 Developer Contributions	**(8,376)**
	Revenue Grants (Included within Revenue Grants Receipts in Advance - Current Liabilities)	
(7,715)		**(4,370)**
	Capital Grants (Included within Capital Grants Receipts in Advance - Long Term Liabilities):	
(40,828)	S106 Developer Contributions	(47,200)
(39,153)	Department for Transport - North Devon Link Road	(36,248)
(13,022)	Department for Energy Security and Net Zero	(9,943)
(1,012)	Department for Education - Special Educational Needs (SEN	(4,092)
(1,367)	Department for Transport - Active Travel Funds	(2,874)
0	Local Government Contribution - HIF	(1,685)
(1,124)	Department for Education - Devolved Formula Capital Grant	(1,032)
(6,400)	Other Grants & Contributions	(4,706)
(102,906)		**(107,780)**

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 2021. 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 2022/23 are as follows:

2021/22 Central Expenditure £000	2021/22 ISB £000	2021/22 Total £000		2022/23 Central Expenditure £000	2022/23 ISB £000	2022/23 Total £000
		588,227	Final DSG before Academy and high needs recoupment			620,687
		(297,885)	Academy and high needs figure recouped			(317,821)
		290,342	Total DSG after Academy recoupment			302,866
			Plus Brought forward from previous year			
		(5,115)	Less carry forward to following year			(6,675)
95,269	189,959	285,227	Agreed initial budgeted distribution	82,346	213,845	296,191
4,200	(3,865)	335	In year adjustments		(458)	(458)
99,469	186,094	285,562	Final budgeted distribution	82,346	213,387	295,733
(142,441)		(142,441)	Less Actual central expenditure	(126,533)		(126,533)
	(186,094)	(186,094)	Less Actual ISB deployed to schools		(213,223)	(213,223)
(42,972)	**0**	**(42,973)**	**In Year Carry-forward**	**(44,187)**	**164**	**(44,023)**
		5,115	Plus carry forward agreed in advance			6,675
		(43,556)	DSG unusable reserve at end of previous year			(81,414)
		(37,858)	Addition to DSG unusable reserve during the year			(37,348)
		(81,414)	Total DSG unusable reserve at end of year			(118,762)
		(81,414)	**Net DSG position at end of year**			**(118,762)**

The overall DSG High Needs Deficit position at the end of 2022/23 is £125.437 million as the Net DSG position at the end of 2022/23 includes £6.675 million carry forward balances ringfenced to Growth Fund, De-delegation, SEN projects and Early Years.

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

2021/22 £000		2022/23 £000
697,563	**Opening Capital Financing Requirement**	686,652
697,563		686,652
	Capital Investment	
121,698	Property, Plant and Equipment	122,860
1,280	Intangible Assets	649
20,455	Revenue Expenditure Funded from Capital under Statute	23,657
750	Capital Loans	0
	Sources of Finance	
(9,598)	Capital Receipts	(7,993)
(130,805)	Government Grants and other contributions	(134,647)
	Sums set aside from revenue:	
(991)	Direct revenue contributions	(1,030)
(58)	External contribution - debt repayments	(8)
(13,871)	Statutory provision for the financing of capital investment	(14,149)
	Capital provision	
4,766	Creation of Long Term Provision	4,537
(4,537)	Provision remaining at year end	(4,314)
686,652	**Closing Capital Financing Requirement**	**676,214**
	Explanation of Movements in Year	
5,596	Increase in underlying need to Borrow (unsupported by government financial assistance)	6,197
230	Decrease in Capital Provision	223
(2,054)	(Reduction)/ Increase in PFI liability	(2,590)
(14,683)	Increase in the provision for repayment of debt	(14,268)
(10,911)	**Increase/(decrease) in Capital Financing Requirement**	**(10,438)**

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. Materiality should be judged from the viewpoint of both the Council and related party. The Council does not judge what is material to the other party and makes full disclosure. 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.

A member is a director of the Estuary Community Hub Community Interest Company which received payments of just under £6,000 in 2022/23 (2021/22 just under £3,000). Linked to this organisation is the Estuary League of Friends of which this member is vice-chair. Estuary League of friends received just under £9,000 in grants and £33,000 in payment for services (2021/22 just under £1,000 in grants and £40,000 in payment for services). This member is also a director of Topsham Community Association which received just under £2,000 funding from the locality budget.

During 2022/23 a member has served as 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 over £10,000 from the Council in both 2022/23 and 2021/22. Members do not receive any direct payment from Red One.

A member is the Chair of the Totnes Rural Area Youth Engagement Project which received just over £11,000 (in 2021/22 it was £4,000).

A member's partner is a child minder and has received payments of just under £1,000 in 2022/23 (2021/22 just under £2,000).

A member's partner is a Director of David Wilson Partnership which has had a contract with the North Devon Areas of Outstanding Natural Beauty to provide landscape advice since 2010. Payments from the Council to David Wilson Partnership amounted to just over £11,000 in 2022/23 (2021/22 just under £11,000).

A member and his partner are Directors of Chapter Care (North Devon) Ltd which received payments of £937,000 in 2022/23 (2021/22 £818,000).

A member is the Chair of Trustees of Clyst Caring Friends which received £28,000 in 2022/23 (2021/22 £27,000).

A member became a Director of Inexeter Ltd in 2022/23, which received payments of just under £1,000 in 2022/23. This member is also a Trustee of Citizens Advice Exeter. Citizens Advice Devon (CAB Devon) received a grant from the Authority of £400,000 both in 2022/23 and 2021/22, which then makes distributions to the various Citizens Advice Bureaus in Devon.

Nine County Council members are Trustees of Hele's Educational Trust, whose purpose is to make grants to maintained schools, to Academy schools which have formerly been maintained schools and to Exeter College for special benefits or purposes outside their core public funding and to those individuals under the age of 25 who have attended any of these schools to promote their continuing education. The Trust has £2.5 million of endowment funds, and the annual transactions between the Council and the Trust were below £3,000 both in 2022/23 and 2021/22.

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 2022/23 there are no transactions that require disclosure.

34.1 Local Levies

The following levies were paid during the year:

2021/22 £000		2022/23 £000
629	Environment Agency	639
348	DSIFCA	359

All levies were due and paid during the year.

The Council's Director of Finance and Public Value acts as the Chief Finance Officer for the Devon and Severn Inshore Fisheries and Conservation Authority (DSIFCA). The Authority owed the DSIFCA £103,000 at 31 March 2023 (the DSIFCA owed the Authority £27,000 at 31 March 2022). The Council received payments of £19,000 (2021/22 £21,000).

34.2 Other public sector bodies

Devon County Council received income from the NHS Commissioning Board and NHS Devon Integrated Care Board or ICB (formerly NHS Devon CCG), of £113.7 million in 2022/23 (2021/22 £159.0 million) of which £31.4 million (2021/22 £70.1 million) is included in the Comprehensive Income and Expenditure Account. The income is primarily for funded nursing care and continuing healthcare 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 £2.0 million (2021/22 £2.0 million) during the year to the ICB. At the year end the Authority was due £0.6 million (2021/22 £6.2 million) from the organisations combined and owed it £0.5 million (2021/22 £0.4 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:

2021/22 £000		2022/23 £000
103	Dartmoor National Park	114
71	Exmoor National Park	75

The Council gave grants to Dartmoor National Park Authority of £128,000 (2021/22 £47,000) principally for capital improvements schemes and the maintenance of footpaths, bridleways and footbridges and received grants of £4,000 (2021/22 £5,000) mainly for the support of public rights of way.

The Council also made payments to Exmoor of £62,000 (2021/22 £66,000) mainly for public rights of way.

34.3 Transaction with the Pension Fund

The Council charged the Fund £3.4 million (2021/22 £3.2 million) for expenses incurred in administering the fund, of which £3.2 million was due to the Council at 31 March 2023 (31 March 2022 £3.0 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 £100,000 (2021/22 £152,000) 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 £942,000 (2021/22 £863,000) and the Council for Voluntary Services £58,000 (2021/22 - £37,000) from the Council conditional on long term agreements for the provision of services.

The Community Council of Devon has received grants of £445,000 (2021/22 £246,000) conditional on long term agreements for the provision of services.

Local Council Tax Schemes have received assistance valued at £44,000 (2021/22 £36,000).

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 2022/23 Devon Disability Collective received £1,000 from the County Council (2021/22 £2,000). The Devon Disability Collective has a loan with the County Council. At 31 March 2023 the outstanding balance is £63,000, of which £51,000 is due after 12 months.

Devon County Council has the following transactions with these organisations:

		2021/22 £000	2022/23 £000
The South West Heritage Trust (company number 09053532) – 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	(9)	(1)
	Payments	432	463
	Debtors	1	0
	Creditors	6	0

		2021/22 £000	2022/23 £000
Libraries Unlimited (company number 9822597, charity number 1170092) – 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	(162)	(217)
	Payments	7,523	7,575
	Debtors	20	11
	Creditors	(15)	0

		2021/22 £000	2022/23 £000
DYS Space Ltd (company number 10229618) – 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	(75)	(84)
	Payments	2,810	2,538
	Debtors	10	19
	Creditors	(170)	0

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 Integrated Care Board or ICB (formerly NHS Devon CCG) in the provision of services to support reduced hospital admissions and length of stay. 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 2022/23	NHS Devon CCG 2022/23	Devon County Revenue 2022/23	Capital 2022/23	TOTAL 2022/23
Income	**£000**	**£000**	**£000**	**£000**
Contributions	(68,383)	(43,255)	(8,245)	(119,883)
add prior year carry forwards		(10,638)		(10,638)
less carry forwards / refunds due		8,304		8,304
Income	**(68,383)**	**(45,589)**	**(8,245)**	**(122,217)**
Expenditure	**£000**	**£000**	**£000**	**£000**
Disabled Facilities Grants			8,245	8,245
Improved Better Care Fund Grant		21,790		21,790
Enabling Schemes	2,550	110		2,660
Enhanced Support for Carers / Care Act Duties	2,883	2,506		5,389
Enhanced Community Equipment Service	5,580	3,384		8,964
Frailty and Community Care Services, Support to Social Care, Social Care Reablement	43,658	4,896		48,554
Rapid Response Services	3,008	295		3,303
Step Up Step Down Care Services	3,518	(146)		3,372
Hospital discharge services	6,333	13,051		19,384
Dementia Diagnosis	439	(269)		170
Single Point Co-ordination	414	(28)		386
Total Expenditure	**68,383**	**45,589**	**8,245**	**122,217**

Better Care Fund 2021/22	NHS Devon CCG 2021/22	Devon County Council Revenue 2021/22	Capital 2021/22	TOTAL 2021/22
Income	**£000**	**£000**	**£000**	**£000**
Contributions	(61,126)	(32,425)	(8,245)	(101,796)
add prior year carry forwards	0	(7,279)	0	(7,279)
less carry forwards / refunds due		10,638		10,638
Income	**(61,126)**	**(29,066)**	**(8,245)**	**(98,437)**
Expenditure	**£000**	**£000**	**£000**	**£000**
Disabled Facilities Grants			8,245	8,245
Improved Better Care Fund Grant		24,539		24,539
Enabling Schemes	2,580	17		2,597
Enhanced Carers Offer/ Care Implementation Act	2,778	2,079		4,857
Enhanced Community Equipment Service	5,580	2,412		7,992
Frailty and Community Care Services, Support to Social Services	41,766	(106)		41,660
Rapid Response Services	3,008	295		3,303
Step Up Step Down Care Services	3,588	(205)		3,383
Hospital discharge services	967	62		1,029
Dementia Diagnosis	445	(41)		404
Single Point Co-ordination	414	14		428
Total Expenditure	**61,126**	**29,066**	**8,245**	**98,437**

At 31 March 2023 the value of community equipment held as stock amounts to £2.4 million (£1.8 million 31 March 2022) of which the County Council's share included in the balance sheet is £1.2 million (£0.9 million at 31 March 2022).

Reference - see below		2021/22 Contribution - other partners £000	2021/22 Council's Contribution £000	2021/22 Total Expenditure £000	2022/23 Contribution - other partners £000	2022/23 Council's Contribution £000	2022/23 Total Expenditure £000
	Health - Section 75 partnerships						
a	Integrated Health and Social Care	(1,077)	(1,226)	2,303	(1,407)	(990)	2,397
b	Mental Health Services - Devon Partnership NHS Trust	0	(1,466)	1,466	0	(1,573)	1,573
c	NHS Devon ICB - Children's Services	(9,523)	(4,496)	14,019	(9,198)	(1,600)	10,798
	Other partnerships						
d	Devon Audit Partnership	(1,452)	(480)	1,932	(1,623)	(495)	2,118
e	South West Devon Waste Partnership	(12,581)	(6,269)	18,850	(12,568)	(5,621)	18,189
f	Devon Youth Justice Team	(983)	(299)	1,282	(1,054)	(299)	1,353
g	Devon Children and Families Partnership (DCFP)	(157)	(126)	283	(155)	(126)	281
h	Adopt South West	(3,515)	(2,032)	5,547	(3,437)	(1,970)	5,407

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 ICB, 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 Integrated Care Board.

c) The Children's S75 Partnership agreement with NHS Devon ICB relates to the commissioning of Community Health and Care services for children in Devon. This is a pooled arrangement with the ICB which commenced 1st April 2019 and it covers the services of Occupational Therapy and Child and Adolescent Mental Health Services (CAMHS). From 2021/22 Short Breaks and Family Based Carer's Breaks are no longer included in the formal S75 agreement.

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.

f) The Devon Youth Justice Team is a statutory partnership funded by contributions from the County Council, Devon & Cornwall Police & Crime Commissioner, NHS Devon ICB, 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 ICB, 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:

		2021/22 £000	2022/23 £000
Skypark Development Partnership LLP (company number OC343583). The Authority 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.	Receipts	0	0
	Payments	0	0
	Debtor Loans	2,150	2,150
	Creditors	0	0

		2021/22 £000	2022/23 £000
Exeter Science Park (company number 06828415). The Authority holds a 46.02% interest in this company which was set up on 24th February 2009. The other partners are East Devon District Council, Exeter City Council and the University of Exeter.	Receipts	(408)	(185)
	Payments	0	2
	Debtors	0	0
	Creditors	0	0

		2021/22 £000	2022/23 £000
CSW Group Ltd, formerly Careers South West (company number 03029947). A local authority controlled company which provides post 16 transition and careers services to young people. 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.	Receipts	(4)	(3)
	Payments	1,948	2,414
	Debtors	61	60
	Creditors	(350)	(350)

		2021/22 £000	2022/23 £000
NPS South West (company number 06078903). The Authority holds equity of 20%. From 30 April 2022 activity has significantly reduced to a negligible level. The ultimate parent of the 80% stake is Norse Group Limited which is 100% owned by Norfolk County Council.	Receipts	(144)	(326)
	Payments	4,911	1,301
	Debtors	169	169
	Creditors	(120)	(82)

		2021/22 £000	2022/23 £000
Norse South West Limited, formerly Devon Norse Limited (company number 07553812). The Authority holds equity of 20%. The company provides a range of facilities management (including catering and cleaning), as well as multidisciplinary property consultancy services to commercial and public sector clients within the South West. The ultimate parent of the 80% stake is Norse Group Limited which is 100% owned by Norfolk County Council.	Receipts	(324)	(826)
	Payments	6,930	9,998
	Debtors	384	422
	Creditors	(271)	(155)

Associated Companies and Joint Ventures (continued)

Babcock Learning & Development Partnership LLP (company number OC372058) 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. This arrangement ended on 1 August 2022 when staff were brought back in house into the County Council.

	2021/22	2022/23
	£000	£000
Receipts	(149)	(120)
Payments	13,088	4,838
Debtors	16	23
Creditors	(290)	(126)

South West Grid for Learning Trust (company number 05589479, charity number 1120354). 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.

	2021/22	2022/23
	£000	£000
Receipts	(1)	0
Payments	247	103
Debtors	0	0
Creditors	0	0

Meldon Viaduct Trust Company Limited (company number 03625472). A private company limited by guarantee without share capital. The Council appoints two of the seven trustees. The other members of the Company are Aggregate Industries UK Limited, West Devon Borough Council, Dartmouth National Park and Sustrans.

	2021/22	2022/23
	£000	£000
Receipts	0	0
Payments	9	9
Debtors	0	0
Creditors	0	0

Plymouth and South Devon Freeport Limited (company number 14109106). Incorporated on 16 May 2022 for the promotion and delivery of programmes and initiatives which are capable of establishing and maintaining the Plymouth and South Devon Freeport. Devon County Council shares control with Plymouth City Council and South Hams District Council.

There are currrently no transactions with this company.

DEXTCo Limited (company number 10506296). Incorporated on 1 December 2016 and currently dormant. Devon County Council is a shareholder with the following organisations: Exeter City Council, Royal Devon and Exeter NHS Foundation Trust, the University of Exeter and Teignbridge District Council.

There are currently no transactions with this company.

Okehampton East Management Company (company number 10669620). The company is dormant. Devon County Council is the only member.

Exeter Skypark (company number 02021631) - dormant and has never been used.

35. Private Finance Initiative and Similar Contracts

Exeter Schools - PFI Scheme

2022/23 was the eighteenth 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

2021/22 £000		2022/23 £000
	Property Plant & Equipment	
6,437	Opening Net Book Value	6,918
(361)	Depreciation	(392)
842	Revaluations	681
6,918	**Closing Net Book Value**	**7,207**

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 2022 and 31st March 2023.

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

2021/22 £000		2022/23 £000
(47,997)	Opening Liability	(44,010)
3,987	Repayment of Liability	4,368
(44,010)	**Closing Liability**	**(39,642)**
(60,315)	**Fair Value**	**(47,558)**

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	4,467	3,263	3,444	1,505	**12,679**
Within 2 - 5 years	14,269	9,873	14,793	10,464	**49,399**
Within 6 - 10 years	16,333	5,969	21,020	16,077	**59,399**
Within 11 - 15 years	4,573	376	4,560	1,493	**11,002**
	39,642	**19,481**	**43,817**	**29,539**	**132,479**

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 £336 million. Set against this is a grant of £248 million that will be received from central government. Of the balance, £62 million will be met from delegated school budgets and the remainder (£26 million) will be financed by the County Council. In 2022/23, Devon County Council's contribution was £1.0 million.

The un-discharged net asset owed to Devon County Council under the contract is £475,000 of which the maximum liability in any year is £783,000. 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 liability will be £335,000, an increase in liability of £810,000.

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.

2021/22 £000		2022/23 £000
	Property Plant & Equipment	
47,492	Opening Net Book Value	49,383
(1,979)	Depreciation	(2,147)
3,870	Revaluations	3,761
49,383	**Closing Net Book Value**	**50,997**

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

2021/22 £000		2022/23 £000
(42,108)	Opening liability	(41,635)
473	Repayment of Liability	676
(41,635)	**Closing Liability**	**(40,959)**
(81,705)	**Fair Value**	**(65,269)**

Value of Deferred Credit held under Service Concession

2021/22 £000		2022/23 £000
(2,480)	Opening deferred credit	(2,374)
106	Release of deferred income	106
(2,374)	**Closing Liability**	**(2,268)**

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 2023.

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	297	5,042	4,374	**9,713**
Within 2 - 5 years	3,457	21,377	16,506	**41,340**
Within 6 - 10 years	5,714	28,081	23,966	**57,761**
Within 11 - 15 years	9,561	28,914	26,877	**65,352**
Within 16 - 20 years	16,408	28,316	29,215	**73,939**
Within 21 - 25 years	5,522	6,646	7,947	**20,115**
	40,959	**118,376**	**108,885**	**268,220**

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 £343.1 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 over £268.2 million of which the maximum in any year is £16 million although that is not until 2043/44. In 2022/23, the Authority paid £9.3 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 £33.8 million to £302.0 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

2021/22 £000		2022/23 £000
	Property Plant & Equipment	
64,762	Initial recognition	64,527
(3,469)	Depreciation	(3,652)
3,234	Revaluations	4,384
64,527	**Closing Net Book Value**	**65,259**

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 Liabilities held under PFI contract

2021/22 £000		2022/23 £000
(24,543)	Initial recognition	(24,365)
178	Repayment of Liability	511
(24,365)	**Closing Liability**	**(23,854)**
(45,100)	**Fair Value**	**(37,100)**

Value of Deferred Credit held under PFI contract

2021/22 £000		2022/23 £000
(33,027)	Opening deferred credit	(31,289)
1,738	Release of deferred income	1,738
(31,289)	**Closing Liability**	**(29,551)**

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 2023.

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	517	2,172	3,171	**5,860**
Within 2 - 5 years	2,145	7,462	14,107	**23,714**
Within 6 - 10 years	5,819	6,910	18,129	**30,858**
Within 11 - 15 years	10,355	1,387	21,469	**33,211**
Within 16 - 20 years	5,018	(1,328)	7,844	**11,534**
	23,854	**16,603**	**64,720**	**105,177**

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 £148.5 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 £105.2 million of which the maximum in any year is £6.9 million although that is not until 2038/39. In 2022/23, the Authority paid £5.8 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 £9.8 million to £115.0 million

36. Leases and Contract Hire

Finance leases (Council as Lessor)

Land and buildings: The Council has 101 assets that are leased to tenants that meet the definition of a finance lease. The lease debtor is not included within the balance sheet as the sum is not material. The present value at 31 March 2023 of the rental payments due to the Council is £10,000. 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 21 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 lease liability is not included within the balance sheet as the sum is not material. The present value of lease payments to be made over the term is estimated to be £57,000. 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:

2021/22	Property £000	Equipment £000	Contract Hire £000	**Total £000**
Not later than 1 year	1,595	401	0	**1,996**
Later than 1 year but not later than 5 years	3,695	608	0	**4,303**
Later than 5 years	4,272	1	0	**4,273**
	9,562	**1,010**	**0**	**10,572**

2022/23	Property £000	Equipment £000	Contract Hire £000	**Total £000**
Not later than 1 year	1,573	230	0	**1,803**
Later than 1 year but not later than 5 years	3,862	263	0	**4,125**
Later than 5 years	4,203	37	0	**4,240**
	9,638	**530**	**0**	**10,168**

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

2021/22	Property £000	Equipment £000	Contract Hire £000	**Total £000**
Minimum lease payments	1,595	279	0	**1,874**
	1,595	**279**	**0**	**1,874**

2022/23	Property £000	Equipment £000	Contract Hire £000	**Total £000**
Minimum lease payments	1,573	257	0	**1,830**
	1,573	**257**	**0**	**1,830**

Operating leases (Council as Lessor)

The rental received for operating property leased to third parties for the year is £1.858 million of which £1.213 million relates to smallholdings. The carrying value of smallholdings at 31 March 2023 is £15.617 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:

2021/22 £000		**2022/23** £000
2,516	Not later than 1 year	2,529
5,929	Later than 1 year but not later than 5 years	7,129
3,307	Later than 5 years	4,849
11,752		**14,507**

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

2021/22 £000		**2022/23** £000
2,516	Minimum lease payments	2,529
2,516		**2,529**

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 must 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 introduced a new State Pension for people reaching State Pension age on or after 6 April 2017. The new scheme replaces 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 148 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	**2021/22 £000**	**2022/23 £000**
Cost of Services:		
Service cost comprising:		
Current service cost	101,476	94,289
Past service costs, including curtailments	171	264
(Gain)/loss from settlements	(7,536)	(5,461)
Pre 01/04/98 unfunded benefits actuarial (gains)/losses	(5,324)	859
Financing and Investment Income and Expenditure:		
Net interest expense	25,597	22,953
Administration expense	930	982
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	**115,314**	**113,886**
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement:		
Remeasurement of the net defined benefit liability comprising:		
***Cost of Services Adjustment - Revised 2021/22 IAS19**	**(8,769)**	**0**
Return on plan assets (excluding the amount included in the net interest expense)	(88,232)	64,127
Other actuarial gains / (losses) on assets	2,234	0
Actuarial (gain) and loss arising on changes in demographic assumptions	(149,901)	0
Actuarial (gain) and loss arising on changes in financial assumptions	(98,726)	(986,538)
Experience loss/(gain) on defined benefit obligation	(136,256)	208,111
Remeasurement of the net defined benefit liability	**(479,650)**	**(714,300)**
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	**(364,336)**	**(600,414)**
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)	**115,314**	**113,886**

	Funded Liabilities		**Unfunded Liabilities**		**Total Liabilities**	
	2021/22	**2022/23**	**2021/22**	**2022/23**	**2021/22**	**2022/23**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Actual amount charged against the General Fund Balance for pensions in the year:						
Employers contributions payable to scheme	42,724	46,921	0	0	42,724	46,921
Retirement benefits payable to pensioners	0	0	8,628	8,368	8,628	8,368
Contribution to pre 01/04/98 unfunded benefits	0	0	(2,079)	(2,015)	(2,079)	(2,015)
	42,724	**46,921**	**6,549**	**6,353**	**49,273**	**53,274**

The estimated duration of the liabilities is 16 years.

The capitalised cost of curtailments arising because of the payment of unreduced pensions to former employees on early retirement to the Authority is £0.26 million (£0.17 million 2021/22).

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 £5.46 million (£7.54 million gain 2021/22).

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	
	2021/22 £000	2022/23 £000	2021/22 £000	2022/23 £000	2021/22 £000	2022/23 £000
Present value of the defined benefit obligation	(2,439,976)	(1,754,280)	(92,563)	(80,665)	(2,532,539)	(1,834,945)
Fair value of plan assets	1,624,885	1,572,838	0	0	1,624,885	1,572,838
Net liability arising from defined benefit obligation	**(815,091)**	**(181,442)**	**(92,563)**	**(80,665)**	**(907,654)**	**(262,107)**

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

Local Government Pension Scheme and Unfunded Benefit Arrangements

	2021/22 £000	2022/23 £000
Opening fair value of scheme assets	1,536,162	1,624,885
Interest income	30,478	41,877
Administration Expenses	(994)	(982)
Remeasurement gain/(loss):	(2,234)	0
The return on plan assets, excluding the amount included in the net interest expense	88,232	(64,127)
Employer contributions	40,588	44,274
Contributions by scheme participants	13,159	14,312
Settlement prices received/paid	(2,437)	(3,905)
Benefits paid	(78,069)	(83,496)
Total Assets	**1,624,885**	**1,572,838**

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

Local Government Pension Scheme and Unfunded Benefits - Liabilities	**2021/22 £000**	**2022/23 £000**
Opening balance	(2,840,172)	(2,532,539)
Current Service Cost	(95,887)	(94,289)
Interest Cost	(56,075)	(64,830)
Contributions from scheme participants	(13,159)	(14,312)
Remeasurement gains/(losses):		
Actuarial gains and losses arising on changes in demographic assumptions	149,901	0
Actuarial gains and losses arising on changes in financial assumptions	98,726	986,538
Experience (loss)/gains on defined benefit obligation	136,256	(208,111)
Past service costs, including curtailments	(171)	(264)
Liabilities assumed/(extinguished) on settlements	9,973	9,366
Benefits paid	78,069	83,496
Total (Liability)	**(2,532,539)**	**(1,834,945)**

Local Government Pension Scheme assets comprised:

Fair Value of Scheme Assets	**31 March 2022 £000**	**%**	**31 March 2023 £000**	**%**
Gilts	217,056	13%	0	0%
UK Equities	145,753	9%	124,069	8%
Overseas Equities	822,501	51%	704,564	45%
Property	136,294	9%	137,868	9%
Infrastructure	97,514	6%	141,416	9%
Target Return Portfolio	150,852	9%	109,319	7%
Cash	23,044	1%	18,680	1%
Other Bonds	32,562	2%	336,310	21%
Alternative assets	(691)	0%	612	0%
Net Asset / (Liability)	**1,624,885**	**100%**	**1,572,838**	**100%**

Fair Value of Scheme Assets

	31 March 2023			
	£000	**% Quoted**	**£000**	**% Unquoted**
Fixed interest government securities				
UK	0		0	
Overseas	0		0	
Corporate bonds				
UK	110,099	7%	0	
Overseas	0		0	
Equities				
UK	110,099	7%	0	
Overseas	692,049	44%	0	
Property				
All	0		141,555	9%
Others				
Absolute return portfolio	110,099	7%	0	
Private Equity	0		15,728	1%
Infrastructure	0		141,555	9%
Derivatives	0		0	
Multi sector credit fund	188,741	12%	0	
Private Debt	0		47,185	3%
Cash/Temporary investments	0		15,728	1%
Net current assets				
Debtors	0		0	
Creditors	0		0	
	1,211,087	**77%**	**361,751**	**23%**

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 2022.

The significant assumptions used by the actuary have been:

	Funded		Unfunded	
	2021/22	**2022/23**	**2021/22**	**2022/23**
Long-term expected rate of return on assets in the scheme:				
Discount rate	2.60%	4.80%		
Financial Assumptions:				
Pension increases (CPI)	3.2%	2.95%		
Salary increases	4.2%	3.95%		
Mortality Assumptions:				
Life Expectancy from age 65 (years) - Retiring today:				
Men	21.7	21.8	21.7	21.8
Women	22.9	22.9	22.9	22.9
Life Expectancy from age 65 (years) - Retiring in 20 years:				
Men	23.0	23.1	23.0	23.1
Women	24.3	24.4	24.3	24.4

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.

31 March 2023

Sensitivity Analysis	**£000**	**£000**	**£000**	**£000**	**£000**
Adjustment to discount rate	**+0.5%**	**+0.1%**	**0.0%**	**-0.1%**	**-0.5%**
Present value of total obligation	1,707,055	1,808,108	1,834,945	1,862,452	1,979,630
Projected service cost	35,522	40,709	42,117	43,573	49,917
Adjustment to long term salary increase	**+0.5%**	**+0.1%**	**0.0%**	**-0.1%**	**-0.5%**
Present value of total obligation	1,844,372	1,836,802	1,834,945	1,833,101	1,825,864
Projected service cost	42,253	42,144	42,117	42,090	41,981
Adjustment to pension increase and deferred revaluation	**+0.5%**	**+0.1%**	**0.0%**	**-0.1%**	**-0.5%**
Present value of total obligation	1,972,214	1,861,067	1,834,945	1,809,449	1,713,380
Projected service cost	50,122	43,591	42,117	40,691	35,325
Adjustment to life expectancy assumptions	**+1 Year**		**None**		**-1 Year**
Present value of total obligation	1,911,711		1,834,945		1,761,628
Projected service cost	43,595		42,117		40,677

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 £42,829 million (£35.698 million in 2021/22).

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 2022/23, the authority paid £20.67 million (£20.45 million in 2021/22) 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 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.

The NHS Pension Scheme employer contribution rate increased on 1 April 2019 from 14.3% to 20.6%, plus the employer levy of 0.08%. The Authority paid £633,503 in 2022/23 (£802,000 in 2021/22). 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 ceased 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. In July 2020, the Government published a consultation on the proposed remedy to be applied to LGPC benefits in response the McCloud / Sargeant case. This consultation closed in October 2020 and the Government published its response in April 2023. In May 2023 the Government published a further consultation on the 'McCloud' remedy and proposed changes to the LGPS regulations. This latest consultation closes on 30 June 2023. The Government will take steps to finalise the draft regulations in September 2023 and we anticipate that the final regulations will come into force on 1 October 2023. As before, until these are confirmed and 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

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 2023 (£1.831 million at 31 March 2022). 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 South West Norse 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. This guarantee expires in September 2023.
- 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 one property with an estimated value of £600,000 (£600,000 in 2021/22 for one property).
- The Authority guarantees care leaver's tenancy agreements in the event of non-payment of rent. The guarantees extend to 18 care leavers with an estimated maximum liability of £120,000 in any one year (£167,000 in 2021/22 for 26 care leavers).
- 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.

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. Initially these regulations were in force for three years from 2020/21 but they have been extended for a further three years until March 2026.

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:

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
DLUHC	= Department for Levelling Up, Housing and Communities (formerly Ministry of Housing, Communities and Local Government)
DWP	= Department for Work & Pensions
EU	= European Union
MoD	= Ministry of Defence
NE	= Natural England
P4S	= Partnership for Schools
PSA	= Public Service Agreement
SCITT	= School Centred Initial Teacher Training

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 Director of Finance and Public Value.

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.

Devon County Council

Pension Fund
Statement of Accounts
2022/23

www.devon.gov.uk

Pension Fund Statement of Accounts 2022/23

Notes to the Accounts

Report of the Director of Finance and Public Value

2022/23 has been a difficult year for investment markets. Geo-political concerns following Russia's invasion of Ukraine, along with rising inflation and interest rates, have weighed heavily over investment markets. Under the circumstances the investment return for the year of -1.5% could have been worse. The value of the Devon Pension Fund fell from £5.412 billion, as at 31 March 2022, to £5.313 billion as at 31 March 2023. The Fund's investment return was below the Fund's strategic benchmark (a weighted average of the underlying benchmarks) of +0.9% but compared well with the median LGPS universe average of -3.3%.

During the first quarter of the year, we implemented changes to our investment strategy, reducing our equity exposure and increasing our exposure to fixed interest and our commitment to private markets. This was done with the intention of reducing risk but maintaining the return potential of our investments. The majority of our investments continue to be managed by the Brunel Pension Partnership who undertake the selection and monitoring of the external investment managers who manage the portfolios that we choose to invest in. While we aim to maximise the investment return at an appropriate level of risk, we also work in partnership with Brunel to act as good stewards of the shares in which we invest and manage the climate impact of our investments. During the year we were re-accredited as signatories of the UK Stewardship Code for our work in this area.

The administration of pension benefits is undertaken for the Devon Fund by Peninsula Pensions, a shared pensions administration service between Devon and Somerset. Peninsula Pensions continues to deliver strong performance for both members and employers despite the challenges of an ongoing increase in demand, alongside staff recruitment. During 2022/23, the team has introduced further technological solutions relating to payment of member pensions, and data provision from employers; and has other new developments in progress relating to the members online portal. The team is well positioned to manage future challenges, specifically the McCloud remedy and introduction of the Pension Dashboard, whilst ensuring compliance with both current and future LGPS amendments in conjunction with any other relevant regulatory changes. The team has successfully adapted to hybrid working arrangements in line with business needs following COVID-19 and continues to encourage the more efficient use of electronic communication.

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 2023. 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 property, infrastructure and private debt investments is returned as cash and can be used to offset any shortfall between contributions and benefit payments. The Fund's equity and bond investments are made via pooled funds which retain and reinvest the income from the individual securities. The Fund Account also shows that there has been a decrease in the capital values of the Fund's investment assets of £95 million 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

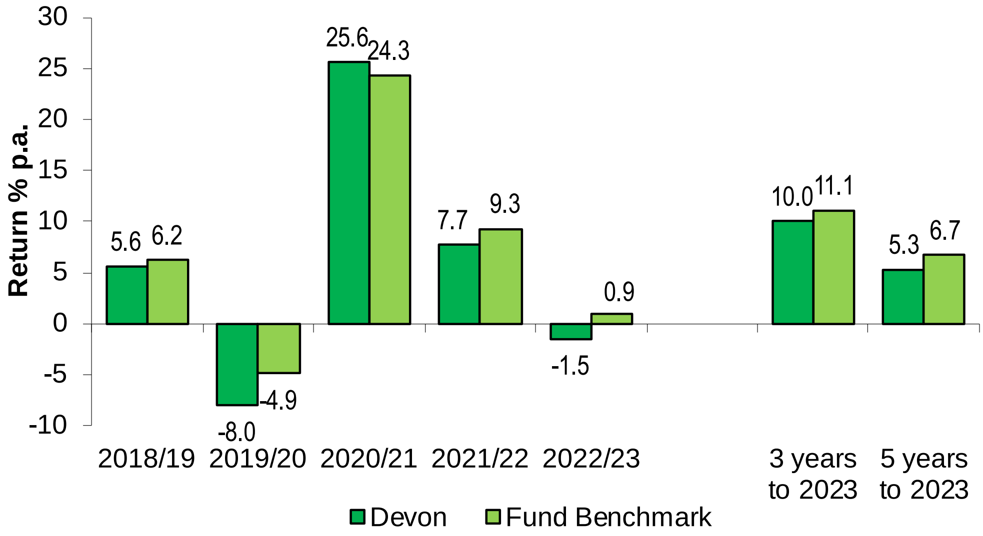
As indicated above, the asset value of the Fund at the end of the 2022/23 financial year was £5.313 billion. This represents an investment return of -1.5% net of fees, compared with the Fund's internally set strategic benchmark target of +0.9%.

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. The cash plus benchmark of the Brunel Diversifying Returns and Multi-Asset Credit portfolios means that they are expected to provide a positive return under all market conditions, which was unrealistic over the last year. This meant that the return of -1.5% was significantly below benchmark, but ahead of the LGPS average return.

Bond markets saw negative returns over the year as a result of increasing interest rates. Equity markets were negative over the earlier part of the year but rallied to some extent between September 2022 and March 2023. The relative performance of the active equity portfolios was mixed in a volatile year for the big tech companies who form a large part of the index, and due to the strong performance of oil companies in the early part of the year, to which the Brunel portfolios are underweight compared to the relevant indices. Concern about interest rates also impacted on the UK Property market which saw significant falls in value.

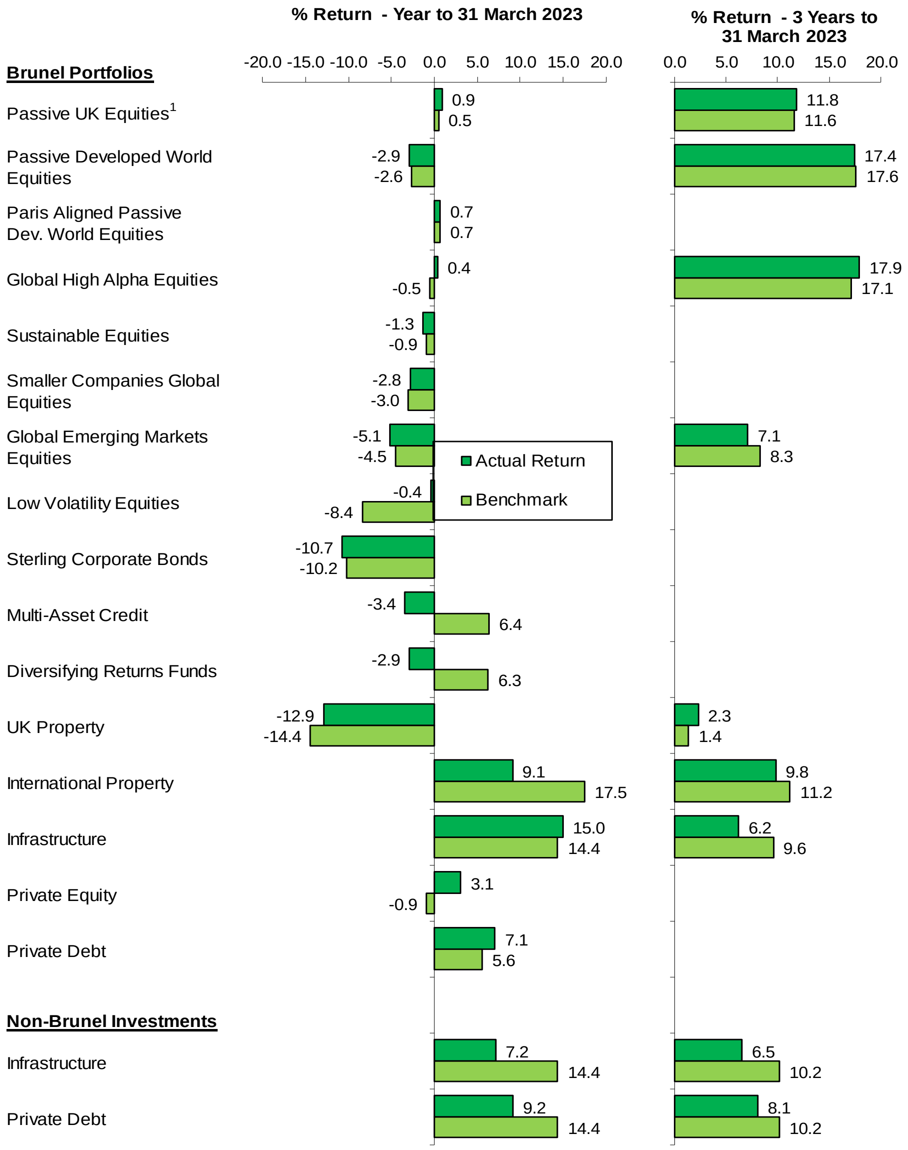
The following chart presents the investment returns achieved by the Devon Fund compared to the Fund's benchmark over each of the last five years, plus the total annualised return over the last three years and the last five years. Performance figures are shown net of fees.

Investment Performance Summary



Performance over the last year and three years broken down by portfolio is shown in the following chart. Three-year performance is only shown where the portfolio has been invested in for over three years.

Annual Performance 2022/23 by Portfolio



Portfolio	Year Actual	Year Benchmark	3 Years Actual	3 Years Benchmark
Brunel Portfolios				
Passive UK Equities[1]	0.9	0.5	11.8	11.6
Passive Developed World Equities	-2.9	-2.6	17.4	17.6
Paris Aligned Passive Dev. World Equities	0.7	0.7		
Global High Alpha Equities	0.4	-0.5	17.9	17.1
Sustainable Equities	-1.3	-0.9		
Smaller Companies Global Equities	-2.8	-3.0		
Global Emerging Markets Equities	-5.1	-4.5	7.1	8.3
Low Volatility Equities	-0.4	-8.4		
Sterling Corporate Bonds	-10.7	-10.2		
Multi-Asset Credit	-3.4	6.4		
Diversifying Returns Funds	-2.9	6.3		
UK Property	-12.9	-14.4	2.3	1.4
International Property	9.1	17.5	9.8	11.2
Infrastructure	15.0	14.4	6.2	9.6
Private Equity	3.1	-0.9		
Private Debt	7.1	5.6		
Non-Brunel Investments				
Infrastructure	7.2	14.4	6.5	10.2
Private Debt	9.2	14.4	8.1	10.2

Notes:
Incorporates UK FTSE All Share tracker fund to end of January 2022 and the UK Climate Transition Benchmark fund from 1 February 2022.

Fund Solvency

The Fund is required to have an actuarial valuation conducted every three years. The most recent triennial valuation, as at 31 March 2022, has been carried out by the Fund Actuary, Barnett Waddingham over the last year. The valuation determined that the Devon Pension Fund's funding level had improved from 91% to 98%, compared with the previous 2019 valuation.

The results of the 2022 actuarial valuation have been prepared in accordance with the current legislative arrangements for the Fund, taking into account revised financial assumption and longevity projections, as set out in the Funding Strategy Statement. The Fund's assets were valued at £5,316 million against future pension liabilities assessed at £5,405 million, giving a deficit for this valuation of £89 million. The maximum deficit recovery period for any employer in the Fund has been set at 15 years, which is a reduction of 6 years from the previous valuation. The improvement in the funding level and reduction of the deficit recovery period showed good progress towards the long-term objective of 100% solvency.

However, the Fund Actuary has reassessed the position as at 31 March 2023, using the approach of rolling forward the data from the 2022 valuation, and updating it for subsequent investment returns, pension and salary increases. While it is not possible to assess the accuracy of the estimated liability as at 31 March 2023 without completing a full valuation, the results will be indicative of the underlying position. As a result of the negative investment return during 2022/23, compared with the Actuarial assumption of a 4.7% return, the Actuary has estimated that on a smoothed basis, considering market conditions as at 31 March 2023, the funding level will have deteriorated to around 93%.

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.

Following the review of investment strategy, carried out by Mercer during early 2022, some changes were made to the investment strategy with a view to reducing risk while maintaining a similar level of return. The allocation to equities was reduced from 58% to 50%. As part of the change, the previous allocation to low volatility equities was removed, on the basis that equity risk was better managed by reducing the total equity allocation rather than having a low volatility allocation. The passive allocation was reduced to 50%, half of the total equity allocation. The allocation to Sustainable Equities was increased to 10% in line with the Fund's climate change policies and to better manage ESG (Environmental, Social and Governance) risk.

The allocation to fixed interest was increased to 20%. This was achieved by an increase of 5% to multi-asset credit, which is the riskier end of the fixed interest market but will still provide some diversification from equities. The medium-term allocation to private markets was increased to 30%, but with an adjustment to the 2022/23 allocation. This reflects the reality that private market investments take some time to build up and a short-term allocation to diversified returns funds would be required to hold the funds to be drawn to fund private markets commitments.

The Fund's actual asset allocation as at 31 March 2023 is shown in the following chart:

Actual Asset Allocation as at 31 March 2023

Equities	**51.7%**
Passive	26.5%
High Alpha	5.6%
Small Cap	5.3%
Sustainable	9.8%
Emerging Market	4.5%
Fixed Interest	**19.8%**
Global Bonds	6.6%
Multi-Sector Credit	12.0%
Cash	1.2%
Alternatives/Other	**28.5%**
Diversifying Returns Funds	7.0%
Property	8.8%
Infrastructure	9.0%
Private Equity	0.8%
Private Debt	2.9%

A comparison of the actual allocation as at 31 March 2023 with the Fund’s target allocation for 2022/23 is shown in the following table:

Actual Asset Allocation Compared to Target

	as at 31 March 2022		as at 31 March 2023		
	Target allocation %	Actual allocation %	Target allocation %	Actual allocation %	Variation from Target %
Sterling Corporate Bonds	7.0	6.1	7.0	6.6	
Multi-Sector Credit	7.0	7.3	12.0	12.0	
Cash	1.0	0.5	1.0	1.2	
Total Fixed Interest	**15.0**	**13.9**	**20.0**	**19.8**	**-0.2**
Passive Equities	31.0	31.6	25.0	26.5	
Active Global Equities	5.0	5.5	5.0	5.6	
Active Small Cap Equities	5.0	5.3	5.0	5.3	
Active Sustainable Equities	5.0	4.8	10.0	9.8	
Active Emerging Markets Equities	5.0	4.6	5.0	4.5	
Active Low Volatility Equities	7.0	7.2	-	-	
Total Equities	**58.0**	**59.0**	**50.0**	**51.7**	**+1.7**
Diversified Growth Funds	7.0	9.3	6.0	7.0	
Property	10.0	9.4	10.0	8.8	
Infrastructure	6.0	6.0	8.0	9.0	
Private Equity	1.0	0.5	3.0	0.8	
Private Debt	3.0	2.0	3.0	2.9	
Total Alternatives/Other	**27.0**	**27.2**	**30.0**	**28.5**	**-1.5**

Conclusion

It was pleasing to see the good progress the Fund had made in increasing its funding level from 91% to 98% at the 2022 Triennial Valuation, although this has fallen back to some extent as a result of the difficult market conditions over the past year. As a long-term investor, the Fund can take some bumps along the road, so long as the long-term returns remain strong.

The Fund will also continue to manage the ESG impacts of our investments in line with the expectations of fund members as demonstrated by the survey that we undertook during the year. Investing in companies with a sustainable business plan should be supportive of maximising long-term investment returns and managing risk.

Peninsula Pensions, the shared service that administers pension benefits for both the Devon and Somerset Pension Funds, continues to perform well. It is good to see regular compliments being received from pension fund members about the service they receive.

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 and Public Value

28th February 2024

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 and Public Value.
- 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 and Public Value

The Director of Finance and Public Value is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA 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 and Public Value 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 and Public Value 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 and Public Value

I hereby certify that this Statement of Accounts for the year ended 31st March 2023 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 2023 and its income and expenditure for the year ended 31st March 2023.

Angie Sinclair

Director of Finance and Public Value

28th February 2024

Approval of the Statement of Accounts

I confirm that these accounts were approved by the Audit Committee at its meeting on 28th February 2024.

Councillor Richard Scott

Chair of the Audit Committee

28th February 2024.

Financial Statements

Fund Account - for the year ended 31 March 2023

2021/22 £'000		2022/23 £'000	Notes
	Dealings with members, employers and others directly involved in the fund		
(173,432)	Contributions	(191,150)	7
(13,324)	Transfers in from other pension funds	(13,253)	8
(186,756)		(204,403)	
201,032	Benefits	208,345	9
26,633	Payments to and on account of leavers	10,121	10
227,665		218,466	
40,909	**Net (additions)/withdrawals from dealings with members**	**14,063**	
28,453	Management expenses	28,635	11
69,362	**Net (additions)/withdrawals including fund management expenses**	**42,698**	
	Returns on investments		
(33,610)	Investment Income	(39,553)	13
(37)	Taxes on income	438	
(380,768)	Profit and losses on disposal of investments and changes in market value of investments	95,569	
(414,415)	**Net Returns on Investments**	**56,454**	
(345,052)	Net (increase)/decrease in the net assets available for benefits during the year	99,152	
(5,066,930)	Opening Net Assets of the Scheme	(5,411,983)	
(5,411,982)	**Closing Net Assets of the Scheme**	**(5,312,831)**	

Net Assets Statement - for the year ended 31 March 2023

2021/22 £'000		2022/23 £'000	Notes
838	Long Term Investments	707	14
5,414,325	Investment Assets	5,301,537	14
(13,303)	Investment Liabilities	-	14
5,401,860	**Total net investments**	5,302,244	
	Current Assets and Liabilities		
18,350	Current Assets	17,501	24
(8,228)	Current Liabilities	(6,914)	24
5,411,982	**Net assets of the fund available to fund benefits at the end of the reporting period**	**5,312,831**	

Notes to the Net Assets 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 23.

Notes to the Accounts

1. 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 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 2023, the net assets of the Devon Pension Fund were valued at £5.313 billion. The fund currently has 39,460 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:

Schedulted Body - An employer explicitly defined in the Regulations. As listed on page 200.	Admitted Body - As listed
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 indeminity or bond.

Statistical Summary

Financial Summary

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Contributions and Benefits					
Contributions	(176,196)	(248,155)	(214,261)	(173,432)	(191,150)
Transfers in from other pension funds	(6,134)	(17,279)	(12,970)	(13,324)	(13,253)
	(182,330)	(265,434)	(227,231)	(186,756)	(204,403)
Benefits Paid	180,638	188,470	192,439	201,032	208,345
Payments to and on account of leavers	9,747	12,756	8,437	26,633	10,121
	190,385	201,226	200,876	227,665	218,466
Net (Additions) Withdrawals from Dealings with Fund members	**8,055**	**(64,208)**	**(26,355)**	**40,909**	**14,063**
Management Expenses	**17,999**	**19,732**	**20,791**	**28,453**	**28,635**
Returns on Investments					
Investment Income	(49,937)	(59,351)	(35,020)	(33,646)	(39,115)
(Increase) /decrease in Market Value of Investments during the Year	(191,967)	394,994	(1,015,231)	(380,768)	95,569
Net Returns on Investments	**(241,904)**	**335,643**	**(1,050,251)**	**(414,414)**	**56,454**
Net Assets of the Fund at 31 March	**(4,302,282)**	**(4,011,115)**	**(5,066,930)**	**(5,411,982)**	**(5,312,830)**

Members Summary

	2018/19 No.	2019/20 No.	2020/21 No.	2021/22 No.	2022/23 No.
Devon County Council					
Contributors	11,166	10,547	11,390	11,574	11,546
Pensioners and Dependants	14,548	14,894	15,148	16,113	15,731
Deferred Pensioners	20,240	19,235	19,520	20,348	19,795
Other Employers					
Contributors	27,458	28,624	28,072	27,886	29,475
Pensioners and Dependants	22,118	21,056	21,847	22,519	23,766
Deferred Pensioners	32,616	32,490	34,004	36,050	37,777

* Deferred pensioners include frozen memberships pending refunds and those undecided pending resolution.

Pensions are paid to 38,632 pensioners (and/or dependants) every month. There are currently 56,398 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 2022/23 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.

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 up rated 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. 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 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.	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.

Employing Bodies

	Active	**Ceased**	**Total**
Scheduled body	146	5	151
Admitted body	66	11	77
Total	**212**	**16**	**228**

There are currently 212 employers who have active members in the Fund.

Scheduled bodies

Administering Authority

Devon County Council

Scheduled Bodies

Academy For Character And Excellence
Ace MAT
Ace Schools MAT (Plymouth)
Acorn Multi Academy Trust
Alumnis MAT
An Daras Multi Academy 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
Bishops Clyst Parish Council
Bishops Tawton Parish Council
Bishopsteignton 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
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
Dartington Parish Council
Dartmoor MAT
Dartmoor National Park
Dartmouth Town Council
Dawlish Town Council
Devon & Cornwall Police And Crime Commissioner
Devon & Somerset Fire & Rescue Service
Devon County Council
Devonport High School For Boys Academy
Devonport High School For Girls Academy Trust
Discovery Multi Academy Trust
East Devon District Council
Education South West
Exeter City Council
Exeter College
Exeter Learning Academy Trust
Exeter Mathematics School
Exmouth Community College
Exmouth Town Council
Exwick Ark
First Federation
First Federation Trust
Fremington Parish Council
Frithelstock Parish Council
Great Torrington Academy
Great Torrington Town Council
Greenshaw Learning Trust
Hayes Road Academy
Holcombe Burnell Parish Council
Honiton Community College
Honiton Town Council
Horizon MAT
Ilfracombe Town Council
Ivybridge Town Council
Kings Academy
Kingsbridge Town Council
Kingsteignton Town Council
Launceston MAT
Learning Academies MAT
Learning Academy Partnership (South West)
Link Academy Trust
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
Orchard Manor Academy
Osprey Learning Trust
Petroc
Plymouth Cast
Plymouth City Bus
Plymouth City Council
Plymouth College Of Art & Design
Plymouth University
Plympton Academy
Reach South Academy Trust
Riviera Education Trust
Seaton Town Council
Sidmouth Town Council
South Devon College
South Hams District Council
South Molton Town Council
Sparkwell Primary Academy
St Chistophers Primary MAT
St Christophers MAT
St Christophers Secondary MAT
St Margaret'S Academy
Staverton Parish Council
Stockland Academy
Stokenham Parish Council
Tarka Learning Academy Partnership MAT
Tarka Learning Partnership
Tavistock Town Council
Team MAT
Team Multi Academy Trust
Ted Wragg
Ted Wragg MAT
Tedburn St Mary Parish Council
Teignbridge District Council
Teignmouth Town Council
The Inspire MAT
Thinking Schools 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
TSAT
Uffculme Academy Trust
Ugborough Parish Council
United Schools Trust
Uplyme Parish Council
Ventrus MAT
Wave MAT
West Devon Borough Council
Westcountry Schools Trust
Witheridge Parish Council

Admitted bodies

Admitted Bodies		
3 Rivers Development Ltd	Devon Wildlife Trust	Pinnacle
Access Plymouth	Direct Clean Services (Exmouth CC)	Plymouth Active Life
Action For Children	DYS Space Ltd	Plymouth Citizen'S Advice Bureau
Aspens Services Ltd	Expedite Ltd	Plymouth Community Homes
Babcock	Fishkids	Plymouth Learning Partnership (PLP)
Barnados	Fresha	Quadron Services Ltd
Betterclean	Fusion Leisure	Red One Ltd
Biffa Waste Services Ltd	Healthwatch	Servicemaster Clean Contr Serv
Bournemouth Churches Housing Association	Innovate	Sodexo
Burton Art Gallery	Interserve Catering Services Plymouth	South West Highways
Catered Limited	Interserve Projects Ltd	Specialist Fleet Services Ltd (NDDC)
Chartwells (OLCS)	Led Leisure Management Ltd	Strata
Churchills Services	Libraries Unlimited	Swisco Ltd - Tor 2 Combined All 3
Compass Group UK	Livewell South West	The Deaf Academy
Dame Hannah Rogers School	Mama Bears Day Nursery	Torbay Coast & Countryside Trust
DCC South West Heritage Trust	Millfields Trust	Torbay Community Development Trust
DELT	Mitie Plc (Devon)	Torbay Economic Development Academy
Devon & Severn IFCA	NHS Care	Torbay Education Ltd
Devon Norse Catering	NHS Devon LCB	Torbay Youth Trust
Devon Norse Cleaning	North Devon Homes	University Commercial Services
Devon Norse FM	North Devon Joint Crematorium	Westward Housing Group
Devon Schools Leadership Services	Peninsula Dental Social Enterprise	Wolseley Community Economic Development Trust

Management Structure

Administering Authority	Devon County Council County Hall Exeter EX2 4QD	

Investment and Pension Fund Committee (at 31 March 2023)

Representing Devon County Council	Councillor James Morrish	(Chairman)
	Councillor Yvonne Atkinson	
	Councillor Phil Bullivant	
	Councillor George Gribble	
	Councillor Henry Gent	
	Councillor Marcus Hartnell	
Representing Devon Unitary & District Councils	Councillor Judy Pearce	(Devon District Councils)
	Councillor Andy Lugger	(Plymouth)
	Councillor James O'Dwyer	(Torbay)
Representing Other Employers	Councillor Ray Bloxham	(Cranbrook Town Council)
Representing the Contributors	Michael Daniell *	(UNISON)
	Lorraine Parker Delaz-Ajete *	(GMB)
Representing the Beneficiaries	Roberto Franceschini *	(UNISON)

* The Fund Member representatives have one joint vote between them

Adviser	Anthony Fletcher	(MJ Hudson Allenbridge)

Devon Pension Board (at 31 March 2023)

Representing Fund Employers	Councillor Colin Slade	(Devon County Council) (Chairman)
	Councillor Sara Randall Johnson	(Devon County Council)
	Carl Hearn	(Tavistock Town Council)
	Dominic Walshe	(PAPH Plymouth Learning Partnership)
Representing Fund Members	Julie Bailey	
	Andrew Bowman	
	Paul Phillips	
	Colin Shipp	
Independent Member	Robert Jeanes	
County Council Officers	Donna Manson	Chief Executive
	Angie Sinclair	Director of Finance and Public Value
	Mark Gayler	Head of Investments
	Martin Oram	Head of Financial Systems & Processes
	Rachel Lamb	Head of Peninsula Pensions

Asset Pool	Brunel Pension Partnership 101 Victoria Street Bristol. BS1 6PU
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 summary annual report can be found on-line at the Devon County Council web site at:

https://www.devonpensionfund.org.uk/fund-policies/important-documents/

Requests for information about the accounts or investments should be made in writing to:

Mark Gayler, Head of Investments

Devon County Council, County Hall, Exeter, EX2 4QD.

2. Basis of Preparation

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 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. Contribution rates for 2022/23 were set by the statutory triennial actuarial valuation of the Fund undertaken in 2019, 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.

The accounts have been prepared on a going concern basis.

3. Accounting Policies

The Statement of Accounts summarises the fund’s transactions for the 2022/23 financial year and its position at year-end as at 31st March 2023. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code), which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The Code requires disclosure of any accounting standards issued but not yet adopted. CIPFA had deferred the implementation of IFRS 16 (Leases) until 2022/23 but it has further deferred the implementation of IFRS 16 so that it will apply from 1 April 2024 (and therefore in the 2024/25 Code). However, both the 2022/23 and the 2023/24 Codes will allow for adoption should an authority consider that it is able to do so as of 1 April 2022 or 2023. 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, other employers and three fund member representatives (one voting and two observers), control the investments with advice from specialists. Employing body details are shown in Note 1.

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 accrual's 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 11 and 12.

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.

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 24).

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 7th September 2023.

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.

Taxation

Value Added Tax (VAT)

Income and expenditure exclude any amounts relating to VAT except to the extent that it is irrecoverable. The Fund is reimbursed by HM 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 HM 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.

4. Critical judgements in applying Accounting Policies

In applying the accounting policies set out in Note 3 it has not been necessary to make any critical judgements about complex transactions or those involving uncertainty about future events.

5. 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 considering 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.	For every 1% increase in Market Value the value of the Fund will increase by £53 million with a decrease having the opposite effect.
Unlisted assets, specifically level 3 private infrastructure and debt funds (valued at £673.2m)	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 £33.7m in total Fund assets.
Actuarial present value of promised retirement benefits	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 £89.3 million • a 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £7.1 million • a one-year increase in assumed life expectancy would increase the liability by approximately £215 million

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 assessing fair value is explained in Note 20. 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.

6. Events After the Reporting Date

There have been no events since 31 March 2023, and up to the date when these accounts were authorised on 7th September 2023 that require any adjustment.

7. Contributions receivable

By category

2021/22 £'000		2022/23 £'000
(45,260)	Employees' normal contributions	(49,905)
	Employers' contributions:	
(120,663)	Employers' normal contributions	(131,956)
(7,509)	Employers' deficit recovery contributions	(9,289)
(128,172)	**Total employers' contributions**	(141,245)
(173,432)	**Total contributions receivable**	**(191,150)**

2021/22 £'000		2022/23 £'000
(44,138)	Administering Authority	(49,591)
(118,091)	Scheduled bodies	(129,624)
(2,452)	Admitted bodies	(2,564)
(2,717)	Community admission body	(3,757)
(4,625)	Transferee admission body	(3,986)
(1,409)	Resolution body	(1,628)
(173,432)		**(191,150)**

8. Transfers In From Other Pension Funds

2021/22 £'000		2022/23 £'000
(606)	Group transfers	-
(12,718)	Individual transfers	(13,253)
(13,324)		**(13,253)**

9. Benefits Payable

By category

2021/22 £'000		2022/23 £'000
168,391	Pensions	176,799
29,018	Commutation and lump sum retirement benefits	27,720
3,623	Lump sum death benefits	3,826
201,032		**208,345**

By type of employer

2021/22 £'000		2022/23 £'000
70,268	Administering Authority	72,666
118,792	Scheduled bodies	123,177
1,637	Admitted bodies	1,511
4,920	Community admission body	5,514
4,840	Transferee admission body	4,654
575	Resolution body	823
201,032		**208,345**

10. Payments To And On Account of Leavers

2021/22 £'000		2022/23 £'000
601	Refunds to members leaving service	1,003
(5)	Payments for members joining state scheme	(21)
16,347	Group transfers	-
9,690	Individual transfers	9,139
26,633		**10,121**

11. Management Expenses

2021/22 £'000		2022/23 £'000
2,429	**Administrative costs**	2,602
2,429		**2,602**
	Investment management expenses	
19,729	Management fees (a)	21,388
3,617	Performance fees (a)	1,725
62	Custody fees	30
1,794	Transaction costs (b)	1,980
(2)	Stock Lending Income & Commission Recapture	-
(19)	Other Investment management expenses	27
25,181		**25,150**
	Oversight and governance costs	
31	Audit Fees (c)	47
812	Other Oversight and governance costs	836
843		**883**
28,453		**28,635**

a) Most 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 16).

c) The proposed total audit fee due to Grant Thornton for 2022/23 is £36,000, but this will be confirmed in the Annual Audit Plan presented to the Audit

Committee on 25th September 2023. Audits costs recognised in 2022/23 include adjusted scale fees £24,000, PSAA approved 2020/21 variation £13,000 and minor charges totalling £10,000.

In addition, 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 will be £26,400 for 2022/23 to reflect additional work resulting from the Triennial valuation exercise. These fees are recharged by the Pension Fund to those admitted local authority members.

12. Investment Management Fees

2022/23

	Total £'000	Management fees £'000	Performance related fees £'000	Transaction Costs £'000
Bonds	-	-	-	-
Equities	-	-	-	-
Pooled Investments *	21,488	17,783	1,725	1,980
Pooled Property Investments	3,605	3,605	-	-
Cash and FX Contracts	-	-	-	-
	25,093	**21,388**	**1,725**	**1,980**
Custody Fees	30			
Stock Lending Income and Commission Recapture	-			
Class Action Proceeds	-			
Other Investment Management Expenses	27			
	25,150			

* Included £1.511 million charged to the Fund by the Brunel Pension Partnership.

2021/22

	Total £'000	Management fees £'000	Performance related fees £'000	Transaction Costs £'000
Bonds	88	88	-	-
Equities	59	-	-	59
Pooled Investments *	21,574	16,717	3,617	1,240
Pooled Property Investments	3,408	2,924	-	484
Cash and FX Contracts	11	-	-	11
	25,140	**19,729**	**3,617**	**1,794**
Custody Fees	62			
Stock Lending Income and Commission Recapture	(2)			
Class Action Proceeds	(43)			
Other Investment Management Expenses	24			
	25,181			

* Included £1.192 million charged to the Fund by the Brunel Pension Partnership.

13. Investment Income

2021/22 £'000		**2022/23 £'000**
	Income from Bonds	
	U.K. Public Sector Bonds	
(47)	Overseas Government Bonds	-
(784)	Overseas Government Index Linked Bonds	(280)
(570)	UK Corporate Bonds	38
(1,116)	Overseas Corporate Bonds	112
	Income from Equities (Listed)	
-	U.K.	-
(44)	Overseas	(122)
(15,974)	Pooled Investments - Other	(22,457)
(14,989)	Pooled Property Investments	(15,739)
(86)	Interest on Cash and Short Term Deposits	(1,105)
(33,610)	**Total before taxes**	**(39,553)**

14. Investments

2021/22 £'000		2022/23 £'000
	Pooled Funds	
722,948	Fixed Interest Funds	982,074
3,199,500	Global Equity	2,757,217
324,789	Infrastructure Funds	476,663
108,455	Private Debt Funds	151,511
25,448	Private Equity Funds	45,019
502,440	Diversified Growth Funds	368,476
4,883,580		**4,780,960**
	Other Investments	
453,953	Pooled Property Investments	455,507
	Derivatives:	
-	- Forward Foreign Exchange	2,063
453,953		**457,570**
	Cash Deposits:	
13,908	Foreign Currency	1,478
8,457	Short Term Deposits	57,337
53,680	Cash & Bank Deposits	3,550
679	Investment Income Due	642
68	Amounts Receivable For Sales	-
76,792		**63,007**
5,414,325	**Total Investment Assets**	**5,301,537**
	Long-term Investments	
838	Shares in Brunel Pool	**707**
	Investment Liabilities	
	Derivatives:	
(2,303)	- Forward Foreign Exchange	-
(11,000)	Amounts Receivable For Sales	-
(13,303)	**Total Investment Liabilities**	**-**
5,401,860	**Total Investments**	**5,302,244**

15. Investment Management Arrangements

The Pension Fund is managed by the Brunel Pension Partnership Ltd and the in-house Investment Team in the following proportions:

31 March 2022 £'000	%	Manager	Mandate	31 March 2023 £'000	%
		Investments managed by the Brunel Pension Partnership Asset Pool:			
1,709,091	31.6	Brunel Pension Partnership Ltd	Passive Equities	1,412,644	26.5
295,699	5.5	Brunel Pension Partnership Ltd	Global High Alpha Equities	296,954	5.6
289,118	5.4	Brunel Pension Partnership Ltd	Global Small Cap Equities	280,945	5.3
249,457	4.6	Brunel Pension Partnership Ltd	Emerging Market Equities	236,625	4.5
258,166	4.8	Brunel Pension Partnership Ltd	Sustainable Equities	520,825	9.8
391,135	7.2	Brunel Pension Partnership Ltd	Low Volatility Equities	-	0.0
330,866	6.1	Brunel Pension Partnership Ltd	Sterling Corporate Bonds	347,525	6.6
392,082	7.3	Brunel Pension Partnership Ltd	Multi-Asset Credit	634,549	12.0
502,440	9.3	Brunel Pension Partnership Ltd	Diversifying Returns Fund	368,476	7.0
508,227	9.4	Brunel Pension Partnership Ltd	Property	467,941	8.8
186,296	3.4	Brunel Pension Partnership Ltd	Infrastructure	342,171	6.5
25,448	0.5	Brunel Pension Partnership Ltd	Private Equity	45,019	0.8
17,434	0.3	Brunel Pension Partnership Ltd	Private Debt	62,257	1.2
5,155,459	**95.4**			**5,015,931**	**94.6**
		Investments managed outside the Brunel Pension Partnership Asset Pool:			
138,838	2.6	DCC Investment Team	Infrastructure	134,846	2.5
91,022	1.7	DCC Investment Team	Private Debt	89,255	1.7
16,541	0.3	DCC Investment Team	Cash	62,212	1.2
246,401	**4.6**			**286,313**	**5.4**
5,401,860	**100**			**5,302,244**	**100**

16. 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 2022	Purchases at cost & Derivative Payments	Sale proceeds & Derivative Receipts	Change in Market Value	Value at 31 March 2023
	£'000	£'000	£'000	£'000	£'000
Investment Assets					
Bonds					
U.K. Public Sector Bonds	-	-	-	-	-
Overseas Government Bonds	-	-	-	-	-
UK Corporate Bonds	-	-	56	(56)	-
Overseas Corporate Bonds	-	-	-	-	-
Equities (Listed)					-
U.K.	-	-	-	-	-
Overseas	-	-	-	-	-
Pooled Investments	4,883,580	1,228,661	(1,293,761)	(37,520)	4,780,960
Pooled Property Investments	453,953	90,632	(27,309)	(61,769)	455,507
Derivative Contracts					-
Futures	-	-	-	-	-
Forward Currency Contracts	(2,303)	8,661	(7,874)	3,579	2,063
Foreign Currency	13,908	82,128	(94,852)	294	1,478
Amount Receivable for Sale of Investments	68	-	(68)	-	-
Amounts Payable for Purchase of Investments	(11,000)	-	11,000	-	-
	5,338,206	**1,410,082**	**(1,412,808)**	**(95,472)**	**5,240,008**
Short Term Deposits	8,457				57,337
Cash & Bank Deposits	53,680				3,550
Long Term Investments	838			(131)	707
Investment Income Due	679				642
Net Assets of the Fund at 31 March	**5,401,860**			**(95,603)**	**5,302,244**

	Value at 31 March 2021	Purchases at cost & Derivative Payments	Sale proceeds & Derivative Receipts	Change in Market Value	Value at 31 March 2022
	£'000	£'000	£'000	£'000	£'000
Investment Assets					
Bonds					
U.K. Public Sector Bonds	11,144	61,114	(72,300)	42	-
Overseas Government Bonds	160,893	181,010	(341,279)	(624)	-
UK Corporate Bonds	4,048	189,494	(195,126)	1,584	-
Overseas Corporate Bonds	115,139	321,190	(438,983)	2,654	-
Equities (Listed)					
U.K.	-	4,922	(4,852)	(70)	-
Overseas	-	90,388	(89,109)	(1,279)	-
Pooled Investments	4,296,164	3,229,175	(2,958,829)	317,070	4,883,580
Pooled Property Investments	404,962	42,486	(59,020)	65,525	453,953
Derivative Contracts					
Futures	-	1,609	(412)	(1,197)	-
Forward Currency Contracts	4,960	17,036	(21,829)	(2,470)	(2,303)
Foreign Currency	11,509	117,296	(114,362)	(535)	13,908
Amount Receivable for Sale of Investments	-	68	-	-	68
Amounts Payable for Purchase of Investments	(2,714)	-	(8,286)	-	(11,000)
	5,006,105	**4,255,788**	**(4,304,387)**	**380,700**	**5,338,206**
Short Term Deposits	19,011				8,457
Cash & Bank Deposits	27,220				53,680
Long Term Investments	768			70	838
Investment Income Due	3,191				679
Net Assets of the Fund at 31 March	**5,056,295**			**380,770**	**5,401,860**

17. Fund Investments over 5% of total fund value

	Value at 31 March 2023 £'000	% of Total Fund Value %
Brunel Active Global Sustainable Equity Fund	520,825	9.8%
LGIM Paris-Aligned Developed Equity Index Fund	480,348	9.1%
LGIM World Developed Equity Index (Currency Hedged) Fund	420,694	7.9%
Neuberger Berman Multi-Asset Credit Fund	377,870	7.1%
LGIM UK Climate Transition Equity Index Fund	373,175	7.0%
Brunel Diversifying Returns Fund	368,476	7.0%
Royal London Mutual Assurance Sterling Corporate Bond Fund	347,525	6.6%
Brunel Active Global High Alpha Equity Fund	296,954	5.6%
Brunel Active Global Smaller Companies Equity Fund	280,945	5.3%

	Value at 31 March 2022 £'000	% of Total Fund Value %
Brunel Diversifying Returns Fund	502,440	9.3%
LGIM Paris-Aligned Developed Equity Index Fund	477,241	8.8%
LGIM UK Climate Transition Equity Index Fund	459,026	8.5%
Brunel Active Global Low Volatility Equity Fund	391,135	7.2%
LGIM World Developed Equity Index Fund	391,037	7.2%
LGIM World Developed Equity Index (Currency Hedged) Fund	381,788	7.1%
Royal London Mutual Assurance Sterling Corporate Bond Fund	330,866	6.1%
Brunel Active Global High Alpha Equity Fund	295,699	5.5%
Brunel Active Global Smaller Companies Equity Fund	289,118	5.3%

18. 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 future positions to match current assets that are already held in the portfolio without disturbing the underlying assets.

19. 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 2023

	Assessed valuation range (+/-) %	Value at 31 March 2023 £'000	Value on increase £'000	Value on decrease £'000
Investment Assets				
Pooled Property Investments	3.52%	12,831	13,283	12,379
Pooled Investments				
Unlisted Infrastructure	4.29%	476,662	497,088	456,236
Private Equity	4.29%	45,018	46,947	43,089
Private Debt	4.29%	151,515	158,008	145,022
Long Term Investments	14.65%	707	811	603
		686,733	**716,137**	**657,329**

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 22) produce different price results.

As at 31 March 2022

	Assessed valuation range (+/-) %	Value at 31 March 2022 £'000	Value on increase £'000	Value on decrease £'000
Investment Assets				
Pooled Property Investments	3.52%	3,871	4,007	3,735
Pooled Investments				
Unlisted Infrastructure	4.29%	324,788	338,706	310,870
Private Equity	4.29%	42,882	44,720	41,044
Private Debt	4.29%	91,023	94,923	87,123
Long Term Investments	14.65%	838	961	715
		463,402	**483,317**	**443,487**

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:

	2021/22 £'000	2022/23 £'000
Pooled Property Investments		
PGIM UK Affordable Housing Fund	133	260
Unlisted Infrastructure		
Archmore (UBS) International Infrastructure Fund LLP	(2,825)	75
Aviva Ground Rents Fund	38	(1,518)
Aviva Infrastructure Income Fund	958	(465)
Capital Dynamics Clean Energy Fund VII A	2,413	(1,288)
Capital Dynamics Clean Energy Fund VIII	210	1,599
First Sentier Infrastructure Fund	6,224	3,775
Hermes GPE Infrastructure Fund LLP	3,852	3,482
NTR Renewable Energy Fund II	191	1,204
Stepstone Brunel I Infrastructure Fund	1,341	11,100
Stepstone Brunel II Generalist Infra Fund	(72)	10,886
Stepstone Brunel II Renewables Infra Fund	645	9,494
Vauban Core Infrastructure Fund II	482	991
Private Equity		
Crown Global Secondaries V PE Fund	1,285	1,095
Alpinvest Co-Investment Fund VIII	398	(226)
Montana Capital-Partners Fund	612	415
New Mountain Fund 06	496	463
Insight Partners Fund XII	189	(811)
Insight Partners Fund X	1,424	(1,656)
Genstar X Opportunities Fund	50	18
Genstar X Fund	89	96
Inflexion Buyout Fund VI	-	320
PAI Parnters Fund VIII	-	(180)
J Star Fund No.5	-	(6)
Atomico Venture Fund 06	-	(99)
Summa Equity Fund III	(34)	(325)
Private Debt		
Arcmont Senior Loan fund I	1,872	(815)
Golub Capital Partners International Fund 11	5,736	3,233
Aksia Brunel Private Debt Fund	245	(1,415)
Blackrock European Mid Market Fund III	-	427
Long Term Investments		
Brunel Pension Partnership	70	(131)
	26,022	**39,998**

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 2023

	Quoted market price	Using observable inputs	With Significant unobservable inputs	
	Level 1	**Level 2**	**Level 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Long Term Investments	-	-	707	707
Investment Assets				
Pooled investments	-	4,107,766	673,194	4,780,960
Pooled property investments	-	442,675	12,832	455,507
Derivative Assets				
Forward Currency Contracts	-	2,063	-	2,063
Cash Deposits				
Foreign Currency	1,478	-	-	1,478
Short Term Deposits	57,337	-	-	57,337
Cash & Bank Deposits	3,550	-	-	3,550
Investment income due	-	-	-	-
Investment Liabilities				
Derivatives	-	-	-	
Forward Currency Contracts	-	-	-	-
Amounts payable for purchases	-	-	-	-
Assets and Liabilities				
Current Assets	-	18,143	-	18,143
Current Liabilities	-	(6,914)	-	(6,914)
Net Assets of the Fund at 31 March 2023	**62,365**	**4,563,733**	**686,733**	**5,312,831**

At 31 March 2022

	Quoted market price	Using observable inputs	With Significant unobservable inputs	
	Level 1	**Level 2**	**Level 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Long Term Investments	-	-	838	838
Investment Assets				
Pooled investments	-	4,424,887	458,693	4,883,580
Pooled property investments	-	450,082	3,871	453,953
Derivative Assets				
Forward Currency Contracts	-	-	-	-
Cash Deposits				
Foreign Currency	13,908	-	-	13,908
Short Term Deposits	8,457	-	-	8,457
Cash & Bank Deposits	53,680	-	-	53,680
Investment income due	679	-	-	679
Investment Liabilities				
Derivatives				
Forward Currency Contracts	-	(2,303)	-	(2,303)
Amounts payable for purchases	(11,000)	-	-	(11,000)
Assets and Liabilities				
Current Assets	-	18,350	-	18,350
Current Liabilities	-	(8,228)	-	(8,228)
Net Assets of the Fund at 31 March 2022	**65,792**	**4,882,788**	**463,402**	**5,411,982**

Reconciliation of Fair Value Measurements within Level 3

At 31 March 2023	Value at 31 March 2022	Transfers into Level 3	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Unrealised gains / (losses)	Realised gains / (losses)	Value at 31 March 2023
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Investment Assets							
Pooled Property Investments	3,871	-	9,326	(626)	224	36	12,831
Pooled Investments							
Unlisted Infrastructure	324,788	-	145,056	(32,517)	33,522	5,813	476,662
Private Equity	42,882	-	3,673	(641)	(941)	45	45,018
Private Debt	91,023	-	67,843	(8,781)	1,430	-	151,515
Long Term Investments	838	-	-	-	(131)	-	707
	463,402	**-**	**225,898**	**(42,565)**	**34,104**	**5,894**	**686,733**

At 31 March 2022	Value at 31 March 2021	Transfers into Level 3	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Unrealised gains / (losses)	Realised gains / (losses)	Value at 31 March 2022
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Investment Assets							
Pooled Property Investments	50	-	3,709	(21)	133	-	3,871
Pooled Investments							
Unlisted Infrastructure	194,950	-	135,411	(19,030)	3,266	10,191	324,788
Private Equity	1,332	-	37,590	(794)	3,961	793	42,882
Private Debt	107,613	-	5,353	(29,551)	3,741	3,867	91,023
Long Term Investments	768	-	-	-	70	-	838
	215,452	**-**	**182,063**	**(49,396)**	**11,171**	**14,851**	**463,402**

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.

20. 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
	2021/22				2022/23	
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
			Financial assets			
-	-	-	Bonds	-	-	-
4,883,580	-	-	Pooled investments	4,780,960	-	-
453,953	-	-	Pooled property investments	455,507	-	-
-	-	-	Derivative contracts	2,063	-	-
-	76,045	-	Cash	-	62,365	-
838	-	-	Long Term investments	707	-	-
747	-	-	Other investment balances	642	-	-
-	18,350	-	Debtors	-	17,501	-
5,339,118	**94,395**	**-**		**5,239,879**	**79,866**	**-**
			Financial Liabilities			
(2,303)	-	-	Derivative contracts	-	-	-
-	-	(11,000)	Other investment balances	-	-	-
-	-	(8,228)	Creditors	-	-	(6,913)
(2,303)	**-**	**(19,228)**		**-**	**-**	**(6,913)**
5,336,815	**94,395**	**(19,228)**		**5,239,879**	**79,866**	**(6,913)**

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 2022 £'000		31 March 2023 £'000
	Financial assets	
422,855	Fair value through profit and loss	(59,421)
(449)	Amortised Cost	759
422,406		**(58,662)**
	Financial liabilities	
2,233	Fair value through profit and loss	2,303
-	Amortised Cost	-
2,233		**2,303**

The total changes in fair value represent unrealised profit or loss. The difference in unrealised profit/(loss) figures between 2021/22 and 2022/23 reflects the prevailing economic conditions during each of the two years and the impact on the specific assets held by the Fund.

21. 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 types of investment assets 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 because 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 2021/22	Percentage Change 2022/23
Equities	14.65%	12.92%
Bonds	6.14%	6.79%
Cash	1.07%	1.58%
Property	3.52%	5.38%
Infrastructure	4.29%	4.23%
Pooled Multi Asset	9.56%	5.38%

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 2023

Asset Class	Value £'000	Percentage Change	Increase £'000	Decrease £'000
Equities	2,757,924	12.92%	356,283	(356,283)
Bonds	982,074	6.79%	66,699	(66,699)
Cash	65,070	1.58%	1,021	(1,021)
Property	455,507	5.38%	24,520	(24,520)
Infrastructure & Private Debt	673,193	4.23%	28,453	(28,453)
Pooled Multi Asset	368,476	5.38%	19,828	(19,828)
Total	**5,302,244**		**496,804**	**(496,804)**

As at 31 March 2022

Asset Class	Value £'000	Percentage Change	Increase £'000	Decrease £'000
Equities	3,200,338	14.65%	468,898	(468,898)
Bonds	722,948	6.14%	44,382	(44,382)
Cash	63,489	1.07%	681	(681)
Property	453,953	3.52%	15,992	(15,992)
Infrastructure	458,692	4.29%	19,656	(19,656)
Pooled Multi Asset	502,440	9.56%	48,020	(48,020)
Total	**5,401,860**		**597,629**	**(597,629)**

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 2022 and 2023 are provided below. These disclosures present interest rate risk based on underlying financial assets (at fair value).

	As at 31 March 2022 £'000	As at 31 March 2023 £'000
Cash and cash equivalents	53,680	4,386
Short term Deposits	8,457	57,337
Fixed Interest	722,948	982,074
Total	**785,085**	**1,043,797**

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 Brunel Pension Partnership in relation to the Sterling Corporate Bonds and Multi-Asset Credit portfolios. 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 2023	Carrying value at 31 March 2023	Modified Duration of Portfolio	Effect on Asset Values	
			+1%	-1%
	£'000	£'000	£'000	£'000
Cash and cash equivalents	4,386	-	-	-
Short term Deposits	57,337	-	-	-
Fixed Interest	982,074	3.57%	(35,019)	35,019
Total	**1,043,797**	**3.57%**	**(35,019)**	**35,019**

As at 31 March 2022	Carrying value at 31 March 2022	Modified Duration of Portfolio	Effect on Asset Values	
			+1%	-1%
	£'000	£'000	£'000	£'000
Cash and cash equivalents	53,680	-	-	-
Short term Deposits	8,457	-	-	-
Fixed Interest	722,948	4.53%	(32,750)	32,750
Total	**785,085**	**4.53%**	**(32,750)**	**32,750**

As at 31 March 2023	Amount receivable in year ending 31 March 2023	Effect on Income Values	
		+1%	-1%
	£'000	£'000	£'000
Cash and cash equivalents	1,105	11	(11)
Short term Deposits	-	-	-
Fixed Interest	130	-	-
Total	**1,235**	**11**	**(11)**

As at 31 March 2022	Amount receivable in year ending 31 March 2022	Effect on Income Values	
		+1%	-1%
	£'000	£'000	£'000
Cash and cash equivalents	86	1	(1)
Short term Deposits	0	-	-
Fixed Interest	2,516	-	-
Total	**2,602**	**1**	**(1)**

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:

- The Fund's exposure at 31st March 2023 to currency exchange rate movements on its investments based on movements over the previous 3 years.
- 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 2023 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 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 2022.

Currency Risk

As at 31 March 2023	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	46,838	672	47,510	7.66%	3,639	(3,639)
Brazilian Real	33,002	-	33,002	15.21%	5,020	(5,020)
Canadian Dollar	6,298	-	6,298	6.77%	426	(426)
Chilean Peso	6,968	-	6,968	15.77%	1,099	(1,099)
Chinese Yuan	(2,388)	-	(2,388)	8.93%	(213)	213
Colombian Peso	23,782	-	23,782	11.72%	2,786	(2,786)
Danish Krona	37,258	-	37,258	6.44%	2,399	(2,399)
Euro	296,504	314	296,818	6.32%	18,759	(18,759)
Hong Kong Dollar	73,894	-	73,894	8.55%	6,318	(6,318)
Hungarian Forint	2,676	-	2,676	12.65%	339	(339)
Indian Rupee	17,830	-	17,830	7.72%	1,376	(1,376)
Indonesian Rupiah	15,026	-	15,026	8.22%	1,235	(1,235)
Israeli Shekel	(296)	-	(296)	8.86%	(26)	26
Japanese Yen	157,574	-	157,574	9.05%	14,260	(14,260)
Kenyan Shilling	608	-	608	6.46%	39	(39)
Malaysian Ringgit	750	-	750	7.84%	59	(59)
Mexican Peso	13,118	-	13,118	11.29%	1,481	(1,481)
New Taiwan Dollar	30,590	-	30,590	7.78%	2,380	(2,380)
New Turkish Lira	624	-	624	26.27%	164	(164)
New Zealand Dollar	(27,721)	-	(27,721)	7.11%	(1,971)	1,971
Nigerian Naira	1,193	-	1,193	6.46%	77	(77)
Norwegian Krone	40,103	-	40,103	9.50%	3,810	(3,810)
Philipines Peso	2,028	-	2,028	6.74%	137	(137)
Polish Zloty New	(1,919)	-	(1,919)	8.84%	(170)	170
Qatari Rial	271	-	271	9.09%	25	(25)
Romanian Leu	445	-	445	6.46%	29	(29)
Saudi Arabia Riyal	870	-	870	6.46%	56	(56)
Singapore Dollars	5,000	-	5,000	6.31%	316	(316)
South African Rand	11,599	-	11,599	12.72%	1,475	(1,475)
South Korean Won	15,902	-	15,902	7.46%	1,186	(1,186)
Swedish Krona	18,493	-	18,493	7.46%	1,380	(1,380)
Swiss Franc	48,959	-	48,959	7.19%	3,520	(3,520)
Thailand Baht	4,616	-	4,616	7.65%	353	(353)
UAE Dirham	1,906	-	1,906	6.46%	123	(123)
US Dollars	1,282,322	1,076	1,283,398	8.63%	110,757	(110,757)
Vietnamese Dong	730	-	730	6.46%	47	(47)
	2,165,453	**2,062**	**2,167,515**		**182,690**	**(182,690)**

Currency Risk

As at 31 March 2022	Assets held at fair value	FX Contracts	Total	Percentage Change	Change for the year in net assets available to pay benefits + 1 Standard Deviation	Change for the year in net assets available to pay benefits - 1 Standard Deviation
	£'000	£'000	£'000		£'000	£'000
Australian Dollar	66,173	(900)	65,273	7.78%	5,078	(5,078)
Brazilian Real	43,957	-	43,957	14.48%	6,365	(6,365)
Canadian Dollar	40,289	-	40,289	6.54%	2,635	(2,635)
Chilean Peso	26,299	-	26,299	14.71%	3,869	(3,869)
Chinese Yuan	10,308	-	10,308	8.19%	844	(844)
Colombian Peso	46,580	-	46,580	12.93%	6,023	(6,023)
Czech Republic Koruna	(5,262)	-	(5,262)	7.59%	(399)	399
Danish Krona	20,908	-	20,908	6.94%	1,451	(1,451)
Euro	337,901	(327)	337,574	6.67%	22,516	(22,516)
Hong Kong Dollar	70,719	-	70,719	7.65%	5,410	(5,410)
Hungarian Forint	1,054	-	1,054	10.05%	106	(106)
Indian Rupee	10,709	-	10,709	7.47%	800	(800)
Indonesian Rupiah	11,154	-	11,154	7.92%	883	(883)
Israeli Shekel	(9,377)	-	(9,377)	9.00%	(844)	844
Japanese Yen	219,609	-	219,609	8.25%	18,118	(18,118)
Kenyan Shilling	966	-	966	5.75%	56	(56)
Malaysian Ringgit	17,117	-	17,117	7.04%	1,205	(1,205)
Mexican Peso	24,667	-	24,667	12.07%	2,977	(2,977)
New Taiwan Dollar	21,896	-	21,896	7.43%	1,627	(1,627)
New Turkish Lira	1,433	-	1,433	26.30%	377	(377)
New Zealand Dollar	(50,324)	-	(50,324)	6.90%	(3,472)	3,472
Nigerian Naira	1,290	-	1,290	5.75%	74	(74)
Norwegian Krone	65,393	-	65,393	9.81%	6,415	(6,415)
Philipines Peso	(13,499)	-	(13,499)	7.82%	(1,055)	1,055
Polish Zloty New	835	-	835	8.24%	69	(69)
Qatari Rial	2	-	2	8.11%	-	-
Romanian Leu	492	-	492	5.75%	28	(28)
Saudi Arabia Riyal	2,270	-	2,270	5.75%	131	(131)
Singapore Dollars	18,380	-	18,380	5.95%	1,094	(1,094)
South Korean Won	35,223	-	35,223	7.04%	2,480	(2,480)
Swedish Krona	32,571	-	32,571	7.61%	2,479	(2,479)
Swiss Franc	8,580	-	8,580	7.17%	615	(615)
Thailand Baht	(1,569)	-	(1,569)	7.53%	(118)	118
UAE Dirham	731	-	731	5.75%	42	(42)
US Dollars	1,465,859	(1,076)	1,464,783	7.69%	112,642	(112,642)
Vietnamese Dong	708	-	708	5.75%	41	(41)
	2,524,042	**(2,303)**	**2,521,739**		**200,562**	**(200,562)**

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 2022 £'000	As at 31 March 2023 £'000
Fixed Interest	-	
Pooled investments	4,883,580	4,780,960
Pooled property investments	453,953	455,507
Derivatives (net)	(2,303)	2,063
Foreign currency	13,908	1,478
Short term deposits	8,457	57,337
Cash and cash equivalents	53,680	3,550
Settlements and dividends receivable	747	642
Long Term Investment	768	707
Total of investments held	**5,412,790**	**5,302,244**

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 2023 was £57.337 million (31st March 2022 £8.457 million). This was held with the following institutions:

Credit Rating at 31 March 2023	**Fitch**	**Moody's**	**Standard & Poor's**	**Balances as at 31 March 2022**	**Balances as at 31 March 2023**
				£'000	**£'000**
Banks and Building Societies					
Australia and New Zealand Bank	A+	Aa3	AA-	-	10,000
Handelsbanken	AA	Aa2	AA-	8,457	-
Money Market Funds					
Blackrock MMF	AAA	Aaa	AAA	-	30,000
Aberdeen Standard MMF	AAA	Aaa	AAA	-	12,337
Local Authorities					
Torfaen County Borough Council	-	-	-	-	5,000
				8,457	**57,337**

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.

22. 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 2022. The next valuation will take place as at 31 March 2025.

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 secondary contributions agreed with the administering authority have been set at this valuation to restore the Fund to a funding position of 100% by no later than 2038. 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 2022 actuarial valuation, the fund was assessed as 98.4% funded (91% at the March 2019 valuation). This corresponded to a deficit of £88.6 million (2019 valuation £399 million) at that time.

The primary rate (previously known as the future service rate) over the three-year period ending 31 March 2025 is 19.2% of payroll. The secondary rate (the deficit recovery rate) totals £22.052 million in 2022/23 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

	2022 valuation	2019 valuation
Investment return (discount rate)	4.7%	5.1%
Salary Increases	3.9%	3.6%
Pension increases in line with CPI	2.9%	2.6%

Mortality assumptions

Life expectancy from age 65 (years):	31/03/2023	31/03/2022
Retiring Today		
Males	21.8	21.7
Females	22.9	22.9
Retiring in 20 years		
Males	23.1	23.0
Females	24.4	24.3

Historic mortality assumptions

Life expectancy for the year ended 31 March 2023 are based on S3PA tables with a multiplier of 100% for males and 120% for females. The allowances for future life expectancy are based on the 2021 CMI Model allowing for a long-term rate of improvement of 1.25% per annum, smoothing parameter of 7.0 and an initial addition to improvements of 0.0 % per annum.

Contribution Rates

Scheme members (employees) paid variable percentages of their total pensionable pay into the fund as set out below.

Band	Actual pensionable pay for an employment 2021/22	Member contribution rate for that employment	Actual pensionable pay for an employment 2022/23	Member contribution rate for that employment
1	£0 to £14,600	5.50%	£0 to £15,000	5.50%
2	£14,601 to £22,900	5.80%	£15,001 to £23,600	5.80%
3	£22,901 to £37,200	6.50%	£23,601 to £38,300	6.50%
4	£37,201 to £47,100	6.80%	£38,301 to £48,500	6.80%
5	£47,101 to £65,900	8.50%	£48,501 to £67,900	8.50%
6	£65,901 to £93,400	9.90%	£67,901 to £96,200	9.90%
7	£93,401 to £110,000	10.50%	£96,201 to £113,400	10.50%
8	£110,001 to £165,000	11.40%	£113,401 to £170,100	11.40%
9	More than £165,001	12.50%	More than £170,101	12.50%

23. Funded Obligation

The actuarial present value of promised retirement benefits (the Funded Obligation) amounts to £5,631 million as at 31 March 2023 (£8,178 million as at 31 March 2022). The Funded Obligation consists of £5,563 million (£8,054 million as at 31 March 2022) in respect of Vested Obligation and £68 million (£124 million as at 31 March 2022), of Non-Vested Obligation. The Pension Fund holds assets, as disclosed in the Net Asset Statement, which offset these projected total liabilities.

2021/22 £'000		2022/23 £'000
(8,178,400)	Present value of the defined benefit obligation	(5,631,456)
5,411,982	Fair value of Fund assets (bid value)	5,301,491
(2,766,418)	**Net liability**	**(329,965)**

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 2023, the actuary has rolled forward the value of Fund's liabilities calculated for the latest full funding valuation as at 31 March 2019, using financial assumptions compliant 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 value of liabilities as at 31 March 2023 without completing a full valuation. However, we are satisfied that the approach of rolling forward the previous valuation data to 31 March 2023 should not introduce any material distortions in the results provided that the actual experience of the employer and 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.

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.

We have allowed for actual pension increases up to and including the 2023 Pension Increase Order. This is reflected in the Experience loss/(gain) on defined benefit obligation figure in the results. We have also allowed for actual CPI inflation experienced from September 2022 to March 2023.

As a result of allowing for actual experience, an experience item is observed in the reconciliation to 31 March 2023 to be a loss £656.885 million (31 March 2022 a gain of £470.048 million).

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 2022.

The post-retirement mortality tables adopted are the S3PA tables with a multiplier of 100% for males and 120% for females. These base tables are then projected using the CMI_2021 model, allowing for a long-term rate of improvement of 1.25% p.a., smoothing parameter of 7.0, an initial addition parameter of 0.0% p.a. and a 2020 weighting of 5%.

There was no further impact on the Funds liabilities in 2022/23 resulting from changed demographic assumptions.

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 key financial assumptions required for determining the defined benefit obligation for accounting are the discount rate (linked to high quality corporate bond yields) and the rate of future inflation. The derivation financial assumptions and possible outcomes are set with reference to market conditions at 31st March 2023.

	Discount rate	**Pension Increases**	**Salary Increases**
Assumptions at:	% p.a	% p.a	% p.a
31 March 2023	4.80	2.90	3.90
31 March 2022	2.60	3.25	4.25
31 March 2021	2.00	2.85	3.85

From an accounting perspective, current methodologies for deriving assumptions are regarded by our Actuary as appropriate given current market uncertainties and are based on the actual return earned by the fund assets over the accounting period without any estimation required.

24. 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.

2021/22 £'000		2022/23 £'000
	Current Assets	
	Debtors and Prepayments	
	Contributions Receivable	
12,258	Employers	10,874
-	Current portion of non current assets (Employers contributions)	-
4,113	Employees	4,093
1,979	Other debtors	2,534
18,350		**17,501**
	Current Liabilities	
	Creditors and Receipts in Advance	
(3,329)	Devon County Council	(3,226)
(4,899)	Other creditors	(3,688)
(8,228)		**(6,914)**

25. 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.

2021/22 £'000	Payments on behalf of:	2022/23 £'000
7,172	Devon County Council	7,047
953	Plymouth City Council	867
534	Torbay Council	546
378	Teignbridge District Council	372
316	University Of Plymouth	329
237	Exeter City Council	235
222	North Devon District Council	221
185	South Hams District Council	188
178	Dorset, Devon and Cornwall Rehabilitation Service	155
81	Torridge District Council	81
410	Payments of less than £100,000 on behalf of other bodies	414
10,666	**Total**	**10,455**

26. Related Party Transactions

Devon County Council

The Devon Pension Fund is administered by Devon County Council. During the reporting period, the council incurred costs of £3.441 million (2021/22 £3.197 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 £49.546 million to the fund in 2022/23 (2021/22 £44.035 million). In 2022/23 £4.156 million was owed to the fund (2021/22 £5.594 million) and £3.210 million was due from the fund (2021/22 £2.974 million).

Governance

The Investment and Pension Fund Committee is the decision-making body for the fund and Devon County Council nominates 6 of the 11 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:

- One voting member of the Investment & Pension Fund Committee receives pension benefits from the Fund.

- No senior officers responsible for the administration of the Fund have entered any contract, other than their contract of employment with the Council, for the supply of goods or services to the Fund.

Brunel Pension Partnership Ltd
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:

	2021/22	**2022/23**
	£’000	**£’000**
Income	-	-
Expenditure	1,357	1,511
Debtors	-	-
Creditors	-	-

27. Key Management personnel

The Key Management Personnel of the Fund are those persons with 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 Director of Finance and Public Value, the Deputy Director of Finance and Public Value, the Head of Investments, the Head of Financial Systems and Processes and members of the Investment and Investment Pension Fund Committee.

Key Management Personnel total remuneration payable is set out below:

2021/22		**2022/23**
£'000		**£'000**
211	Salary, Fees and Allowances	224
-	Expenses Allowances	7
43	Pension contributions	44
254		**275**

28. Contingent liabilities and contractual commitments

Contractual commitments

As at 31 March 2023 the Fund had outstanding capital commitments of £745 million (31 March 2022 - £524 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 2022			31 March 2023	
Total Commitment £'000	Remaining Commitment £'000		Total Commitment £'000	Remaining Commitment £'000
		Infrastucture		
180,228	11,218	Pre-Brunel Investments	184,373	2,599
484,197	298,684	Brunel Infrastructure Portfolio	584,540	264,540
		Private Debt		
146,963	28,484	Pre-Brunel Investments	150,658	24,981
100,000	82,587	Brunel Private Debt Portfolio	280,000	217,580
		Private Equity		
125,000	103,077	Brunel Private Equity Portfolio	278,370	235,800
1,036,388	**524,050**		**1,477,941**	**745,500**

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.

Statement of the Actuary for the year ended 31 March 2023

Introduction

The last full triennial valuation of the Devon Pension Fund (the Fund) was carried out as at 31 March 2022 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 2023.

Asset value and funding level

The results for the Fund at 31 March 2022 were as follows:

- The smoothed value of the Fund's assets as at 31 March 2022 used for valuation purposes was £5,346 million.
- The Fund had a funding level of 98% i.e. the assets were 98% 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 £88.6m.

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 19.2% 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 2023.

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 contribution rate are contained in the Rates and Adjustment Certificate in the triennial valuation report.

Assumptions

The key assumptions used to value the liabilities at 31 March 2022 are summarised below:

Assumptions	Assumptions used for the 2022 valuation
Financial assumptions	
Market date	31-Mar-22
CPI inflation	2.9% p.a.
Long-term salary increases	3.9% p.a.
Discount rate	4.7% 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 increases. 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	S3PA
Member mortality multiplier	100% / 120%
Dependant base tables	S3DA
Dependant mortality multiplier	100% / 105%
Projection model	CMI 2021
Long-term rate of improvement	1.25% p.a.
Smoothing parameter	7
Initial addition to improvements	0.0% p.a.

The mortality assumptions translate to life expectancies as follows:

Assumed life expectancies at age 65:	
Average life expectancy for current pensioners - men currently age 65	21.7 years
Average life expectancy for current pensioners - women currently age 65	22.9 years
Average life expectancy for future pensioners - men currently age 45	23.0 years
Average life expectancy for future pensioners - women currently age 45	24.3 years

Further details of the assumptions can be found in the relevant actuarial valuation report.

Updated position since the 2022 valuation

Assets

Returns over the year to 31 March 2023 have been lower than expected, particularly in the first quarter. As at 31 March 2023, the Fund assets were less than they were projected to be at 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 2023, the real discount rate is estimated to be higher than at the 2022 valuation due to a reduction in the long term rate of inflation from 31 March 2023 onwards.

In addition, benefits were increased by 10.1% in line with the 2023 LGPS pension increase which is higher than the pension increase assumed at the previous valuation. However, this was anticipated at the 2022 valuation and built into the long-term inflation assumption. The projection for the future rate of long-term inflation from 31 March 2023 has reduced since the previous valuation in line with expectations.

The higher pension increase has been broadly offset by the higher real discount rate, however, the value of liabilities will have increased due to the accrual of new benefits and interest on the liabilities.

Overall position

On balance, we estimate that the funding position has reduced slightly when compared on a consistent basis to 31 March 2022.

However, the increase in the real discount rate since 31 March 2022 is likely to place a lower value on the cost of future accrual which results in a lower primary contribution rate. The impact on secondary contributions will vary by employer.

The next formal valuation will be carried out as at 31 March 2025 with new contribution rates set from 1 April 2026.

Graeme Muir FFA

Partner, Barnett Waddingham LLP

8th June 2023

Pension Fund Glossary

Actuarial Terms

Actuary

An actuary is an expert in statistics and its application to solving problems regarding financial predictions. Actuaries are particularly involved in the fields of life and general insurance, pension funds and the investment of the funds underlying those businesses although they are involved in other areas too.

Actuarial Valuation

A comparison of a scheme's assets with its Actuarial Liability, sometimes also including a calculation of the cost of accruing benefits (if any). Assumptions are used to determine the estimated value of benefits payable. A formal valuation of a Defined Benefits Pension Scheme is carried out at least every three years. This generally leads to agreement of the employers' contributions for the following three years.

AVC - Additional Voluntary Contribution

Contributions to an Occupational Pension Scheme over and above a member's normal contributions (if any), which the member may elect to pay to the scheme (if the scheme allows) to secure additional benefits.

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 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.

Bonds

A bond is a form of debt issued to raise capital. Bonds may be issued by companies, governments, and non-governmental organisations (for example the European Investment Bank or the International Monetary Fund (IMF)). Bonds issued by the British Government are known as Gilts.

CMI - Continuous Mortality Investigation

The CMI carries out research into Mortality and morbidity experience. The CMI was originally established by the Actuarial Profession to carry out industry-wide claims experience investigations in the field of life and health insurance. The CMI also took over research into the mortality of members of Self-Administered Pension Schemes (SAPS) in 2006.

Deferred Pension

The pension benefit payable from normal retirement age to a member of the fund who has ceased to contribute because of leaving employment or opting out of the pension scheme before state retirement age.

Deficit (Actuarial)

The amount by which the Actuarial Liability exceeds the value of assets at a specified date.

Deficit Recovery Contributions

Additional contributions, above the ongoing future service contributions, required to fund the Deficit in respect of a scheme's past service Liabilities.

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.

IAS19 – International Accounting Standard 19

The international accounting standard covering accounting for pension costs in companies' accounts.

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.

Liability (Actuarial)

The estimated value, using actuarial methods and assumptions, placed on the obligations of a pension scheme. These obligations include the present value of future pension instalments and contingent benefits and may include the expected value of future expenses.

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.

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.

Pensionable Salary

Earnings used to calculate pension contributions in a Defined Benefit Pension Scheme. A different name may also be used, such as Pensionable Earnings. The measure will vary from scheme to scheme and should be precisely defined in the scheme’s Trust Deed and Rules.

Pensionable Service

Length of employment / scheme membership used to calculate pension benefits in a Defined Benefit Pension Scheme. The measure will vary from scheme to scheme and should be precisely defined in the scheme’s Trust Deed and Rules. A different name may also be used.

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 several 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.

Promotional scale

This takes into consideration the possibility of promotion during an employee's working life.

Property Unit Trust

A pooled investment vehicle that enables investors to hold a stake in a diversified portfolio of properties.

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.

Return

The total gain from holding an investment over a given period, including income and increase (decrease) in market value.

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.

Schedule of Contributions

A formal agreement between the Trustees of a Defined Benefit Pension Scheme and the employer, setting out how much the employer and employees will contribute to the scheme. The Scheme Actuary must certify that the Schedule of Contributions is adequate to meet the Statutory Funding Objective. The Trustees must monitor adherence to the schedule and report any material failures to the Pensions Regulator.

Solvency Test

An actuarial calculation to determine whether the assets of an occupational pension scheme are sufficient to meet its benefit obligations.

Standard Contribution Rate

The contribution rate (employer and employee) required to fund future accrual of benefits before any adjustment for Surplus or deficit in respect of past service.

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.

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 consider future salary increases.

Yield

The total expected rate of return on an investment. This may include both the income part of return such as Dividends and Coupon payments as well as capital gains / losses from price movements.

Annual Governance Statement 2022/23

Contents

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, taxpayers 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; and
- 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 2023 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 Finance Officer in Local Government (2010), enabling the Director of Finance and Public Value 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 five years there have been, via the Procedures Committee, numerous amendments to the Constitution. In the last 12 months Standing Orders were amended relating to the postponement of a meeting due to severe weather conditions or some other unforeseen circumstance; the scheme of delegation was amended to give power to the Proper Officer so that vacancies in office can be declared in the timely manner as anticipated by the legislation; the making and disclosure of Special Severance Payments.

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.

A cross-party working group from the Procedures Committee will commence a root and branch Governance Review over the next 12 months. The Council has faced significant challenges both externally and internally since the pandemic. The economic situation linked to the war in Ukraine and the Cost-of-Living crisis have impacted upon all stakeholders in Devon and the staff survey highlighted that many staff are also being impacted e.g. food poverty issues. The services the Council provide, and the context of delivery have significantly changed; equally staff are impacted by these contexts too. In summary the Council finds itself in a very different operating context and the need for a review of priorities is required.

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.

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 Cabinet Procedure Rules, contained within the Council's Constitution, prepared in accordance with the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012, set out the procedure and publication requirements before key decisions are taken. The Cabinet Procedure Rules also permit exceptions to these requirements in limited circumstances as set out in Rule 7(General

Exception) and Rule 8 (Special Urgency). 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. Rule 8, contain special urgency provisions that permit a decision to be taken where Rule 7 cannot be followed; for example where there is insufficient time to give the required notice period (28 days) before the meeting at which the matter is to be considered.

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 Cabinet 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 a vital role ensuring 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 publication of Scrutiny statutory guidance in 2019, Devon reviewed all of its Scrutiny approach and operating model. The learnings from this review and national best practice determined that it is the culture in which Scrutiny operates that determines success, not the specifics of structure. This led to the Scrutiny Action Plan and modifications in the operation and application of Scrutiny in Devon. The four pillars of which were to; continue to embed a strong culture in support of Scrutiny; Promote the value and impact of Scrutiny; Planning work for maximum impact, and; quality evidence gathering session to inform policy development. As a result of this work Scrutiny is now in line with national best practice with practice such as annual work programming, impact measurement and not having information items coming to public committee.

Scrutiny Committees aim to operate in a non-partisan, critical friend way which serves 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’.

In the last 12 months there were 2 call-ins through the Corporate Infrastructure and Regulatory Services Scrutiny Committee. The first call-in was debated at Committee on 10

May 2022 in relation to the decisions of the Cabinet in regard to the South-West Exeter Housing Infrastructure Fund and also the proposals relating to the construction of a community facilities building in Cranbrook Town Centre. The second call-in was heard at Committee on 21 February 2023 in regard to a proposed land purchase. These call-ins may not have resulted in any significant changes to decisions, but it reinforces the independence and value of Scrutiny in applying an ‘external’ view on decisions.

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 Chairs and Vice Chairs of Scrutiny have continued to meet monthly to co-ordinate and advance quality Scrutiny work.

Over the last 12 months Corporate Infrastructure and Regulatory Services Scrutiny has completed a high number of investigative projects in the form of Task Groups and Spotlight Reviews. This year has seen the Committee contribute to good decision making of the authority by giving an evidence based view on policy direction for whether the local authority should apply for enforcement powers for moving traffic offenses as well as the replacement service for the corporate finance system. Other work has also been undertaken on the cost of living and what the Council can do to support the most vulnerable as well as Devon County Council staff. The Committee has also looked to work with district councils over joint approaches to motorhomes throughout Devon.

The Children’s Scrutiny Committee has been focused on consolidating its good practice and continuing to act as a critical friend to the service. In Devon, Children’s Social Care and SEND services are both on improvement journeys following Ofsted inspections and as such the Committee will continue to focus on those as the main topics seeking to monitor progress and drive improvements. The effectiveness of Children’s Scrutiny Committee has been reviewed by the DfE Commissioner and has provided advice to the Committee and the Council. The Committee appointed a new Special Advisor to assist members with their understanding of the service and key lines of questioning to take at meetings further demonstrating the Council’s commitment to Scrutiny and Children’s Services.

The Children’s Scrutiny Committee’s use of performance reporting on key performance indictors in Social Care provide assurance to members and opportunities for key questions around the pace of improvement and areas of concern within Children’s Services. Aside from quantitative data at Committee meetings, members have met with frontline staff on visits to social care offices and through Scrutiny masterclasses. Members have also heard directly from staff in the Multi-Agency Safeguarding Hub (MASH), Social Workers, Devon’s Safeguarding Partnership, Public Health Nursing, Bridges, Early Help and Disabled Children’s Services in just the first 3 months of 2023 alone. The Committee’s SEND Task Group was finalised in November 2022 and includes evidence-based recommendations for change after hearing from 33 witnesses across Devon. The report has been highlighted by the Centre for Governance and Scrutiny as an “excellent example of good scrutiny” and was used to help brief MPs on the Education Select Committee in their preparation for an oral evidence session on the Government’s SEND Improvement Plan in March 2023.

The Health and Adult Care Scrutiny, members have continued to represent the views of local people, seeking to ensure ongoing public scrutiny of NHS Devon and adult social care. Scrutiny has maintained an overview of health and care across the County to understand how the impact of Covid-19 has reshaped local priorities and plans. The Committee has continued to closely monitor health and social care performance. NHS Devon faces significant issues with waiting lists and its finances, which members robustly track and challenge. Budget updates from NHS Devon and also adult social care are now being presented at each Committee.

In June 2022 a Spotlight Review on the Ambulance Service highlighted a series of recommendations to improve issues relating to ambulance response time. In January 2023 members received an update on those recommendations and recognised significant progress having been made to improve handovers and response time. The rapid assessment triage model that members advocated being more widely used across Devon's acute hospitals had for instance subsequently been introduced in Barnstaple. Also during the last year, members undertook a review on Community Pharmacy. Community pharmacy played an invaluable role during the Covid-19 pandemic delivering vaccines and continuing to provide medication for patients. However, there have in some areas been significant issues with service delivery and short notice closures have exacerbated public frustrations. Members set out a series of recommendations to the health system aimed at helping to alleviate some of the issues.

The Committee's critical friend role in terms of unpaid carers is long standing and members continue to advocate strongly for carers ensuring that the County Council, the health system and the wider society recognises and values this. The Committee continues to highlight how essential it is that carers in Devon are identified and supported to ensure they are not isolated and alone, rather their incredible efforts are fully recognised and their physical and mental health needs looked after. Carers Support and the Carer Offer was one a number of public consultations that commenced in February 2023. The Health and Adult Care Scrutiny Committee highlighted the need to review the County Council's corporate approach to public consultations on service change.

Health and Adult Care Scrutiny has continued to closely monitor and review the future of health services in the Teignmouth and Dawlish area. In March 2023 a Task Group was established to gather evidence to determine whether there was evidence to make a referral to the Secretary of State on the grounds that the proposal (from the NHS) to close Teignmouth Community Hospital '*would not be in the interests of the health service in the area*'.

Devon has continued to host the joint Local Enterprise Partnership (LEP) Scrutiny Committee which meets three times a year to review the economic landscape across the region. This year scrutiny has included the cost of living crisis, social mobility and carbon-free energy as well as monitoring the development of the LEP towards devolution and the future Combined Authority.

The work of Devon Scrutiny has continued to be held up as best practice amongst peers, with the Head of Scrutiny contributing 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 County Council continues to be faced with significant 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. 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 also finds itself in a very challenging internal position in that Children's Services, SEND provision and budget sustainability face serious challenge along with concern from stakeholders regarding confidence in the Council to address these challenges. The failure of the Council to improve the Inadequate judgement by Ofsted of Children's Services over a 12-year period has resulted in the Children's Minister issuing a Revised Statutory Direction for social care specifically citing failures of corporate governance and escalating to the appointment of a Commissioner to oversee improvement and hold the Council to account.

There is also Government intervention in the Special Educational Needs and Disabilities (SEND) service following external inspection that highlighted the need for significant improvement. The Council is continuing its work with the Department for Education Safety Valve Programme as the service continues to cost significantly more than the Government funding provided. The cumulative overspend is now £125 million. Linked to these formal situations and serious concerns external assessment bodies such as Ofsted have reported in their monitoring issues relating to corporate governance and declared that there has been little or no improvement in services for 3 years since the last inspection. These are serious, material, well evidenced failures of the County Council's governance. In response the Leader and Chief Executive in meetings with the Children's Minister have agreed the urgent need for a Review of Corporate Governance as a priority in conjunction with the formal work of the Improvement Boards in Children's Services.

The Council also agreed the following significant actions, specific policy changes or revised strategic objectives during 2022/23 which will impact on future performance:

- Treasury Management Strategy 2023/24 - 2026/27 and Prudential Indicators 2023/24 - 2027/28
- Medium Term Financial Strategy 2023/24 - 2026/27
- Capital Programme Overview 2023/24 - 2027/28
- Capital Strategy 2023/24 - 2027/28
- Pay Policy Statement 2023/24
- County Fund Balance and Earmarked Reserves 2023/24
- Admission and Education Transport Policies 2023/24

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 policies 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 Ethical Governance Framework is reviewed annually and any issues for the future ethical 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 Ethical 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 4 times in 2022/23. Co-opted members also attended several other meetings of Committees to observe and monitor compliance with the Council’s ethical governance framework. A total of 7 complaints were received under the Members Code of Conduct alleging breaches of the Code, of which four were determined as no breach of the Code. There was one case where a formal investigation was required.

In May 2022 the new Model Code of Conduct from the Local Government Association was considered but not adopted by the Council. The Devon Code was instead strengthened with issues such as introductory statements, clearer definitions, application of the Code, social media, strengthening harassment definitions, gifts and hospitality and compliance with the Code and sanctions as well as declarations of interest.

The work of the Standards Committee during the year is set out more fully in its Annual Report 2022/23.

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 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.

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 since joined the Partnership. South Hams District Council and West Devon Borough Council have subsequently become non-voting partners of the Partnership. North Devon District Council became a member of the Partnership on 1 April 2020. Devon and Somerset Fire and Rescue joined the Partnership for the delivery of Internal Audit Services on 1 October 2022.

Devon Audit Partnership provides professional internal audit, counter fraud and assurance services including risk management, consultancy, governance, business improvement and cost containment. Alongside the audit work with the district councils, the Partnership also undertakes audit services for 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.

Risk Management

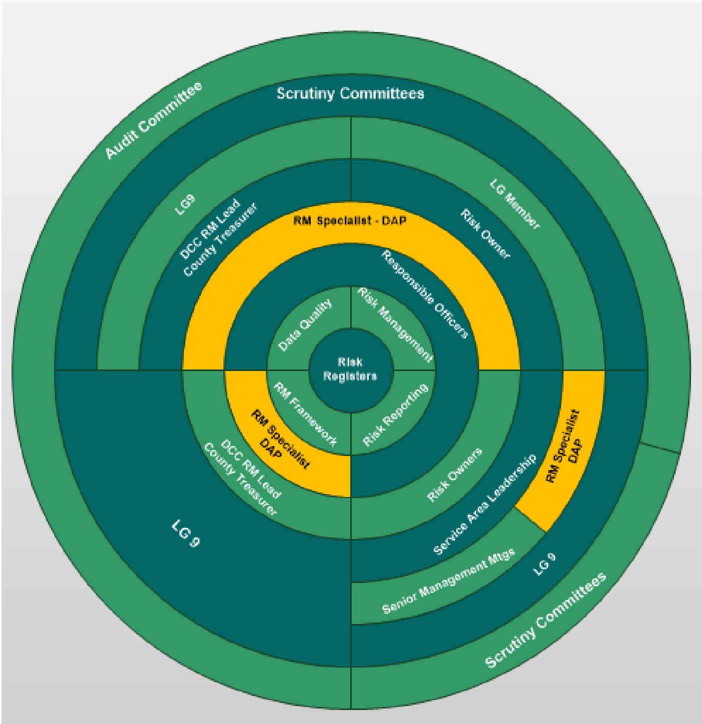
Risk is defined as an uncertain event or set of events, that should it occur will affect the Council's ability to achieve its objectives. Like all organisations, the Council faces a wide range of risks and these can occur at any level, from the strategic to day-to-day operations. It is not about managing things which have already occurred or are occurring presently as these are Issues rather than Risks.

Corporate Risk Management is specifically focused on the organisation. It looks for events with the potential to stop the organisation from achieving objectives, goals, plans or projects. It is important that these risks are identified and take steps to try and stop them happening, or reduce their impact if they do.

Each area of the Council has a representative who forms part of the Corporate Risk Management Group. This Group meets as required to discuss risk management at the authority. The members of this Group have a responsibility within their designated areas for ensuring risk management is carried out in line with agreed polices and processes. The membership will change over time to reflect changes to staffing and the organisation.

The Council's risk framework is below. At the centre are the Risk Registers and feeding out are four main drivers of the process: -

- Risk Management - the day to day management of risks.
- Risk Reporting - from informal discussions and reporting to Management teams and Leadership Group, through to the Audit Committee.
- Data Quality - the quality of the information contained in the registers. Are the risks true risks or failed objectives? Do the controls reflect the scoring? Have they been reviewed in line with scoring?
- Framework - the support to make risk management happen. The policy, the system and the people involved.



The risk register can be found at https://risks.devon.gov.uk/

Head of Internal Audit Opinion

The Head of Devon Audit Partnership is required to provide the Authority with an assurance on the system of internal control of the Fund, based on risk-based reviews and sample testing, that there are no major weaknesses in the system of control. In assessing the level of assurance to be given the following have been taken into account:

- all audits undertaken during 2022/23, and prior years
- any significant recommendations not accepted by management and the consequent risks
- internal audit's performance
- any limitations that may have been placed on the scope of internal audit

Financial management arrangements within the Authority are well established and staff have many years of experience giving them a good understanding and knowledge of the financial controls and requirements of regulations and policies. In 2022/23 six audits for Devon Pension Fund and Peninsula Pensions were completed, with two audits where the review has commenced in 22/23 and remain in progress. Reviews this year and in prior years provide sufficient evidence that overall, the Devon Pension Fund and Peninsula Pensions have suitable governance arrangements in place to mitigate exposure to identified risks. Good working practices are in place to meet statutory requirements. The Investment and Pension Fund Committee are kept well informed, concerning the Fund's value and the allocation of assets, and are updated regarding the LGPS Governance scheme.

In carrying out systems and other reviews, Internal Audit assesses whether key, and other, controls are operating satisfactorily within the area under review, and an opinion on the adequacy of controls is provided to management as part of the audit report. Audit reports include an action plan which identifies responsible officers, and target dates, to address control issues identified during a review. Implementation of action plans are reviewed during subsequent audits or as part of a specific follow-up process. Management are provided with details of Internal Audit's opinion on each audit review carried out in 2022/23 to assist them with compilation of their individual annual governance assurance statements. No significant weaknesses were identified in these reviews. Overall, and based on work performed during 2022/23, Internal Audit can provide 'reasonable assurance' on the adequacy and effectiveness of the Fund's internal control framework.

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 2022/23 (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 impact of the wider global events in Ukraine, and the pressure on budgets across the public sector resulting from the wider cost increases have continued, while the impact of the Covid-19 pandemic remains across the health and care system as workforce challenges persist. Action had to be taken to safeguard the financial sustainability of the Authority in 2022/23 and a number of cost containment measures were implemented particularly relating to Children Services, and the SEND budget, which remain a significant risk.

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. Devon ICS was launched on 1 July 2022. The two new elements of ICSs (Integrated Care Boards and Integrated Care Partnerships) are now established and have a much greater focus on collaboration with health and care partners across the system. To further support integrated working, Devon is developing a new Operating Model and Strategic Plan that will set out how local partners will work together to plan and deliver care.

Waiting lists and finances however continue to present huge challenges for NHS Devon. Integrated Care Boards must make a 30% real terms reduction in their running costs budgets by 2025/26, with at least 20% to be delivered in 2024/25. Next year significant savings will be needed to deliver a financially sustainable system wide plan. This is a long process that will require support from all partners in the County.

From April 2023 the Government has introduced a duty for the Care Quality Commission to independently review and assess local authority performance in delivering their adult social care duties under part one of the Care Act (2014). The Government's proposed approach to intervention and support is similar to that which can be invoked following an adverse judgement in an Ofsted inspection of children's services. Local preparations are continuing to ensure readiness for the new assurance framework which commenced on the 1 April 2023, and to ensure robust governance arrangements are place. This will include developing oversight and challenge mechanisms from elected members, and particularly the Health and Adult Care Scrutiny Committee.

Making Devon a fairer and more equal County is one of the six priorities in the Strategic Plan 2021 – 2025 that the Council adopted in 2021. Equality, Diversity and Inclusion continues to remain a key priority for the Council and this has been made even more evident by the Race Audit in 2021 and movements such as Me Too challenge and Black

Lives Matter, that demonstrated some of the inequality in society. The Council is committed to celebrating and promoting the rich and diverse backgrounds, cultures, and abilities of its residents and employees across the whole of the County, challenging inequality and imbedding equality in all that it does. In line with many public bodies across the United Kingdom, the Council recognises the need to have a fundamental look at equality and diversity and what that means for Devon, how inequalities and discrimination are addressed and where it can make improvements for the benefit of all Devon's residents. In February 2023 Cabinet approved the formation of the Devon Equality, Diversity and Inclusion Commission to drive and support this endeavour. The Commission's work shall form the cornerstone of and diversity standards and best practice to which the County Council's policies, procedures and work will strive to adhere to.

In February 2023 the Council set the Revenue Budget for 2023/24, the Medium-Term Financial Strategy to 2026/27 and the Capital Strategy 2023/24 to 2027/28 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, which 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 Strategy 2022/23 -2025/26 confirmed that investment income targets had been achieved and all lending had been carried out in accordance with the Council's Treasury Management Strategy. No new long-term borrowing however was undertaken during 2022/23. There has been no need to externally borrow since January 2008, mainly as a result of the effective use of internal borrowing and capital receipts. Should there be a need to undertake or invest in a major strategic project; this may require new external borrowing. This option has already been approved by Cabinet for the Freeport project in 2024/25, which will be part funded by external borrowing. That external borrowing, plus interest, will be repaid by a share of future Business Rates income.

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
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.
Norse South West	**Previously NPS South West Limited** and Norse, in May 2022 Norse South West was formed as a joint venture with the County Council. Services include architecture, building and quantity surveying, project management, mechanical, electrical and structural engineering, landscape architecture, estates and asset management as well as facilities management, catering, cleaning and printing services.

Conclusion

The preparation of the Budget for 2023/24 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 recommended to the Council. The Revenue Spending Targets for 2023/24 total £696 million which represent an increase of £66 million or 10.5% on 2022/23.

The Budget for 2023/24 is one of the most challenging the authority has faced. The cost of living and geopolitical situation has created huge financial pressures nationally. Consequently, the Council has faced unprecedented price and demand pressures in the current year. The pandemic has placed immense strain on the health and social care system over the last three years; demand for services, significant cost increases and increasing intensity of care required has caused huge pressure on the Council's budget. This coupled with the need to invest in and improve the Council’s services to children has meant investment of almost £70 million is needed in these services next year. The settlement has brought an increase in funding but it is not sufficient to cover the increased costs the Council is facing. To respond to this challenge, a cross organisational programme of transformation has identified £47.5 million of savings and new income for 2023/24 within service budgets.

The final Local Government financial settlement (Settlement Funding Assessment) for 2023/24 was £107.2 million. The target budget for Integrated Adult Social Care had increased by £27.3 million, for Children and Young People’s Futures an increase of £32.4 million.

The Council has, over many years, built up its reserves to a significant level and in recent years used these reserves to protect services and enable transformation and invest to save projects. Although now at a more modest level the reserves are still at an appropriate level to safeguard financial resilience and manage risk. The single largest financial risk to the authority is the SEND cumulative deficit and although held outside of the main reserves and balances it is none the less a risk over the longer term. It is imperative that the management plan is successful in reducing spending to within the Government grant allocation and that the DfE fund the cumulative deficit as proposed.

The Council's Leadership Team (Directors, Deputy Directors 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. However, there is no room to be complacent and the Governance review proposes a root and branch look at all the Council's arrangements to ensure a commitment to driving improvement in all its services, ensuring value for money and embedding good governance in all that we do.

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.

Donna Manson

Chief Executive

28th February 2024

Councillor John Hart

Leader of the Council

28th February 2024

Approval of the Annual Governance Statement

I confirm that the Annual Governance Statement for 2022/23 is approved by the Audit Committee at its meeting on 28 February 2024.

Councillor Richard Scott

Chair of the Audit Committee, on behalf of Devon County Council
28th February 2024