Public Document Pack

West Devon Audit Committee

West Devon Borough Council

Title:	**Agenda**
Date:	**Tuesday, 19th July, 2016**
Time:	**10.00 am**
Venue:	**Chamber - Kilworthy Park**
Full Members:	***Chairman*** Cllr Davies ***Vice Chairman*** Cllr Moody *Members:* Cllr Jory, Cllr Watts, Cllr Stephens
Interests – Declaration and Restriction on Participation:	Members are reminded of their responsibility to declare any disclosable pecuniary interest not entered in the Authority's register or local non pecuniary interest which they have in any item of business on the agenda (subject to the exception for sensitive information) and to leave the meeting prior to discussion and voting on an item in which they have a disclosable pecuniary interest.
Committee administrator:	Member.Services@swdevon.gov.uk

Page No

Report to: **Audit Committee**

Date: **19 July 2016**

Title: **Draft Statement of Accounts 2015/2016**

Portfolio Area: **Support Services**

Wards Affected: **All**

Relevant Scrutiny Committee: **Internal**

Urgent Decision: **N** Approval and clearance obtained: **Y**

Author: **Alex Walker** Role: **Finance Business Partner**

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RECOMMENDATION

The Draft Statement of Accounts together with the Technical Appendix for the financial year ended 31 March 2016 are noted.

1. Executive summary

1) The report advises Members that an under spend of £32,000 was generated in 2015/2016 which was transferred to the General Fund Balance (un-earmarked revenue reserve). The level of this reserve now stands at £1.055 million at 31 March 2016.

2) The Narrative Statement to the Accounts gives a summary of the main items in the Statement of Accounts for 2015/2016.

2. Background

1) The Accounts and Audit (England) Regulations 2015 set out the requirements for the production and publication of the local authority's annual Statement of Accounts (SOA). These regulations introduced revised procedures for the approval and publication of accounting statements. In line with common practice in the commercial sector, local authorities are now required to approve the accounts following the completion of the audit.

2) The SOA is an essential feature of public accountability, since it provides the stewardship report on the use of funds raised from the public. The closing of accounts is also important to the budgetary process, since it confirms the availability of reserves and balances for future use.

3) The attached booklet contains the Council's final accounts in full, including details of the Comprehensive Income and Expenditure Account, Balance Sheet and Collection Fund together with statements setting out movements in reserves and cash flow. In addition, the narrative statement to the booklet summarises the major variations in income and expenditure from the original budget.

4) The accounts have been prepared in accordance with all relevant and appropriate accounting standards including, International Accounting Standard (IAS) 19 which deals with pension costs. This standard ensures that the full cost of employing people is recognised systematically in the accounts and that creditors reflect the council's liability to pay money into the pension fund. A full explanation of the pension's liability is included in the Council's Statement of Accounts. Members are advised that the accounting arrangements for IAS 19 are for reporting purposes only. Indeed the required entries are reversed out of the accounts and consequently, IAS 19 has no impact on the Council's surplus for the year.

3. Outcomes/outputs

1) **Revenue Expenditure**
Revenue expenditure represents the ongoing costs of carrying out day-to-day operations, and is financed from council tax, business rates, fees and charges, government grants and interest earned on investment activity. The under spend on the General Fund in 2015/2016 of £32,000 is essentially a break-even position. ***The 2015/16 budget was £7.26 million and therefore the saving of £32,000 means that the actual spend was 0.4% less than the budget***. This saving will go into the Council's Unearmarked Reserves which now stand at £1.055 million. The main differences from budget are shown on Pages 6 and 7 of the Narrative Statement in the Statement of Accounts.

2) **Capital Expenditure**
Capital expenditure represents monies spent on the purchase, construction or major refurbishment of assets. The Council's capital expenditure amounted to £299,998 in 2015/16. The main areas of expenditure were as follows:

- Housing renovation grants and disabled facility grants
- Community projects, namely village hall and parish project grants

4. Proposed Way Forward

1) Members are advised that the accounts will be audited by our External Auditors, KPMG, during July. Following the Audit, the Statement of Accounts will be brought back to the Audit Committee for approval in September.

5. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance		The Statutory Powers that apply to this report are Section 151 Local Government Act 1972 Section 21 (12), Local Government Act 2003 and the Accounts and Audit (England) Regulations 2015.
Financial		The financial implications to this report are that an under spend of £32,000 was generated in 2015/2016.
Risk		1) **Public Accountability** – the accounts have been drawn up in strict accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 which is recognised by statute as representing proper accounting practice. 2) **Resource Planning** – the Council takes into account any significant issues when developing the Council's Medium Term Financial Strategy.
Comprehensive Impact Assessment Implications		
Equality and Diversity		None directly arising from this report.
Safeguarding		None directly arising from this report.

Community Safety, Crime and Disorder		None directly arising from this report.
Health, Safety and Wellbeing		None directly arising from this report.
Other implications		None directly arising from this report.

Supporting Information

Appendices:

Appendix A – Draft Statement of Accounts 2015/16.
Appendix B – Technical Appendix 2015/16.

Background Papers:
Finance Community of Practice final accounts working papers.

West Devon Borough Council

Draft Statement of Accounts

2015/2016

West Devon
Borough
Council

STATEMENT OF ACCOUNTS 2015/2016

CONTENTS

Contents for the Technical Appendix to the Financial Statements

Statement of Accounts 2015-16

The Statement of Accounts 2015-16 can be made available in large print, Braille, tape format or other languages upon request. West Devon Borough Council is committed to reflecting the full diversity of our community and to promoting equality of opportunity for everyone.

Section 1

Narrative Statement

Introduction to the 2015/16 Statement of Accounts by Councillor P R Sanders, Leader of West Devon Borough Council

I am very pleased to welcome you to West Devon Borough Council's Statement of Accounts for 2015/16. This has been a challenging year as the organisation has changed the way in which it works.

West Devon Borough Council and South Hams District Council have been shared service partners since 2007. Together the Authorities have challenged the traditional local government model and have been at the forefront of radical change and innovation.

In September 2014 the first phase of the Councils Transformation Programme (T18) went live. This was followed by the main phase in June 2015. The Councils' non-manual workforce is now 30% smaller, with all staff roles being more flexible and responsive to the needs of the customer.

The investment budget for T18 is £2.83 million (this is West Devon's share of the cost) which is delivering annual recurring savings for West Devon of £1.64 million with a payback period of 2.75 years. This investment has meant that the Council has been well placed to meet the continued financial challenges brought about by year on year reductions in Local Government funding. There is still more to be done but the Council is establishing a solid base from which to meet the forecast budget gap of £1.07 million by 2020/2021. The organisation has become more commercial in its approach whilst continuing to protect its much valued services.

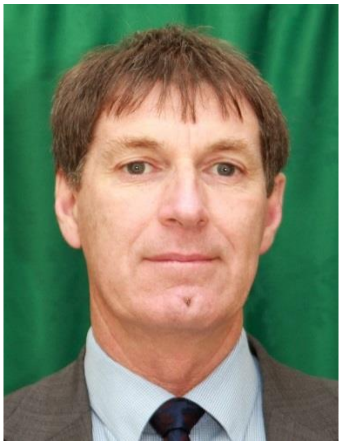
The year has also seen the Council develop our strategic plan for our community. '*West Devon: Our Plan*' sets out eight key priorities and details the practical actions required to achieve the ambitions we have for our communities. Work has begun to develop a Joint Local Plan between Plymouth City, West Devon, South Hams and Dartmoor National Park. Work on this joint plan is due to be completed by early 2017.

I would like to take this opportunity to acknowledge the hard work that has gone into the monitoring and managing of the budget throughout the year by both staff and Members. This has resulted in essentially a break-even position of a £32,000 underspend for the year. This prudent management of our finances, alongside strategic financial planning, has enabled the Council to make fully informed decisions and to deliver the quality of services that our residents, visitors and businesses have every right to expect. The financial standing of the Council, despite the challenges we face, remains sound and secure.

The Council continues to do everything it can to make sure that residents, businesses and front-line services come first.

Councillor P R Sanders, Leader of the Council

Foreword by the Executive Director, Strategy and Commissioning, Head of Paid Service, Steve Jorden



In early 2015 a completely new leadership team was appointed by Members to lead the organisation through the Transformation Programme, become more customer-focused, save money, and explore ways of generating income for the Council.

I am proud to have been part of the new team appointed and I took up my role in February 2015. West Devon and South Hams Councils are led by a small leadership team consisting of two Executive Directors and three Group Managers. The role of the Senior Leadership Team (SLT) is to implement the plans and policies to support the strategic direction of the Council set by Members.

In recognition of the early successes of the Councils' innovative Transformation Programme, West Devon and South Hams achieved national recognition as Council of the Year for 2016 at the recent iESE (the Improvement & Efficiency Social Enterprise) Awards and a gold award in the category "Transforming Through People". In addition, the Councils are a finalist in the "Workforce Transformation" category in the up and coming Municipal Journal Awards.

These successes are a reflection of the significant changes and progress both Councils have made in designing services for the future; successes of which Members and staff should be rightly proud.

By 2018/19 the Council will receive no Government funding (Revenue Support Grant) and the Council will need to be self-sufficient.

The withdrawal of Government funding has happened two years earlier than expected. Since 2013, the Council has seen a 45% reduction in Government funding.

In this financial climate, income generation becomes a key priority area. The Council will continue to maximise its current sources of income through business development, ensuring the maximum utilisation of our assets, identifying new income streams and actively pursuing all opportunities to increase the resources available and further reduction in costs.

Steve Jorden, Executive Director (Strategy and Commissioning)

Message from the Finance Community of Practice Lead, Section 151 Officer Lisa Buckle

The Statement of Accounts has been prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Accounts provide reassurance to residents and other stakeholders that the public money for which we are responsible is very important to us and has been accounted for properly.

The financial standing of the Council continues to be robust. We have embedded financial management disciplines, processes and procedures.

The aim of the Accounts is to enable members of the public, residents, Council Members, partners, stakeholders and other interested parties to:

- Understand the financial position of the Council as at 31 March 2016 and how the Council has performed against the budget set for 2015/16
- Be assured that the financial position of the Council is sound and secure and that the Council can demonstrate financial resilience moving forwards

This Narrative Report (previously the Explanatory Foreword) provides information about West Devon, including the key issues affecting the Council and its Accounts. This gives a general guide to the significant matters reported in the financial statements and provides a summary of the overall financial position at 31 March 2016.

The following pages explain the Council's financial position and include further details of the Authority's activities, cash flows and reserves.

Looking forward, 2016/17 will see the Finance Team progressing the Finance Self Service initiative. The team will adopt the Business Partnering approach, championed by the Transformation Programme, to enable budget holders to access and monitor their own financial data. This will further embed the principles of the T18 model and drive efficiencies.

In 2015/16 the Council has dealt with a significant amount of change with its Transformation Programme and is in a strong financial position. The Council has sufficient reserves and balances to provide financial resilience for 2016/17 and future years.

Mrs Lisa Buckle BSc (Hons), ACA

Finance Community of Practice Lead (Section 151 Officer)

NARRATIVE REPORT – INTRODUCTION

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

REVIEW OF THE YEAR – THE REVENUE BUDGET

2. *The 2015/16 budget for West Devon was £7.26 million. A saving of £32,000 means that the actual spend was 0.4% less than the budget. This saving will go into the Council's Unearmarked Reserves which now stand at £1.055 million.* The main components of the General Fund budget for 2015/16 and how these compare with actual income and expenditure are set out below:

	Estimate £000	**Actual £000**	**Difference Cost/(Saving) £000**
Cost of services (after allowing for income and reserve contributions)	6,950	6,932	(18)
Parish precepts	1,182	1,182	-
Interest and Investment income	(40)	(54)	(14)
Amount to be met from Government grants and taxation	**8,092**	**8,060**	**(32)**
Financed from:			
Formula Grant	(2,794)	(2,794)	-
Council tax	(5,237)	(5,237)	-
Surplus on collection fund	(61)	(61)	-
UNDERSPEND FOR 2015/16	**-**	**(32)**	**(32)**

3. This underspend is shown in the Movement In Reserves Statement in Section 2A and can be summarised as follows:

	£000
General Fund Balance (un-earmarked revenue reserve) at 1 April 2015	(1,023)
Underspend for the 2015/16 financial year	(32)
General Fund Balance (un-earmarked revenue reserve) at 31 March 2016	(1,055)

4. The underspend on the General Fund of £32,000 is essentially a break-even position.

5. The table below shows a reconciliation of the position shown on the bottom of the Comprehensive Income and Expenditure Statement and the reported Surplus for the 2015/16 financial year.

	£000
Total Comprehensive Income and Expenditure	**(1,305)**
Remeasurements of the net defined benefit pension liability	2,546
The detail of the items below are shown in Note 4 ‘Adjustments between Accounting Basis and Funding Basis under Regulations’	
Adjustments primarily involving the Capital Adjustment Account	(1,487)
Adjustments primarily involving the Capital Grants Unapplied Account	21
Adjustments primarily involving the Capital Receipts Reserve	-
Adjustments primarily involving the Pensions Reserve	(560)
Adjustments primarily involving the Council Tax Collection Fund Adjustment Account	84
Adjustments primarily involving the Business Rates Collection Fund Adjustment Account Capital Adjustment Account	(700)
Adjustments primarily involving the Accumulated Absences Account	(3)
Transfers to earmarked reserves	1,372
Underspend for the 2015/16 financial year	**(32)**

6. A summary of the main differences from budget in 2015/16 is provided below:

ANALYSIS OF VARIATIONS	£000
Reductions in expenditure/additional income	
Waste - The Council's waste contract is reviewed annually and an inflationary increase is applied based on a formula which takes into account factors such as fuel prices and the average earnings index. This year the inflationary increase was -1.72% (this is calculated after the budget setting process). Therefore the inflationary cost pressure of £80,000 which was built into the 2015/16 base budget (as a provision) was not required in 2015/16. The Council is also no longer paying a green waste gate fee.	(120)
Other staffing expenses – Savings on staff related expenditure such as travel, subscriptions and other associated costs. Following the Council's Transformation Programme, the staffing workforce is 30% smaller with all staff roles changing to be flexible and responsible to the needs of the customer.	(90)
Housing Benefit recoveries – Additional income from the recovery of overpayments.	(55)
Local Land Charges property search new burdens grant – A reimbursement from the Government for the costs of the national legal case regarding land charges.	(45)
Revenues and Benefits – Equipment maintenance was lower than expected.	(35)
Homelessness, Aid & Advice – The Council receives a Government grant towards the cost of homelessness prevention. The Council has predominantly funded homelessness costs through the Local Welfare Support Grant which has reduced the amount spent against the Government Grant.	(30)
Elections – An estimate of £50,000 was built into the 2015/16 budget for the cost of Elections in 2015/16, in view of the complexity of the elections in May 2015, involving Parliamentary, Borough, and town/parish polls, in tandem with implementing changes to ward boundaries arising from the Boundary Committee's decisions. The Council's funding has been supported by a grant from government for the national elections resulting in only £20,000 of the £50,000 being required to meet the cost.	(30)
Car parking – Additional income.	(30)

ANALYSIS OF VARIATIONS	£000
New Governance arrangements - A cost pressure of £28,000 was built into the 2015/16 budget to reflect the need for an extensive review to be carried out into the Scheme of Members Allowances. This was a precautionary estimate and has not been fully utilised, resulting in a saving of £20,000. There was a further £5,000 saving on Member travel.	(25)
Legal – Additional income	(15)
Investment Income - The Council has secured a better rate for Money Market Fund investments that are used to manage day to day cash flows, and improved use of fixed term deals with the banks currently on the Council's Counterparty list.	(14)
Small Underspends	(23)
Increase in expenditure/reductions in income	
Salaries and Agency costs – There have been additional staffing and agency costs where temporary resources were used to backfill positions across the Council. These were transition costs where temporary resources were used in services until the full functionality of the new workflow system (W2) could be utilised and the T18 Programme was fully embedded.	160
Recycling credits – Reduction in garden and leaf recycling credit income due to these waste streams being taken into the Waste Disposal Authority Contract negating the payment of recycling credits on these wastes. Reduction in other recycling streams due to various factors including the effect of switch from paper to digital media. The 2016/17 budget has been reduced by £90,000.	120
Kilworthy Park - The Kilworthy Park budget is £70,000 overspent due to two main factors. In the T18 Business Case it was anticipated that there would be reduced running costs due to agile working, smarter use of energy and utilities and the workforce occupying less space. These savings have not yet been realised to this extent, although work has been done on re-procuring some of the utilities costs. This has contributed £55,000 to the overspend. In addition, it was anticipated that the letting income for Kilworthy Park would increase by £15,000.	70
Planning income – Reduction in planning application fees and pre-application planning advice income.	55
Funding transferred to Earmarked Reserves	
Planning Enforcement and Homelessness – Funds have been set aside in an Earmarked Reserve for Homelessness (Minute HC39) and for Planning Enforcement (Minute HC56).	75
TOTAL UNDERSPEND FOR 2015/16	**(32)**

The 2015/16 budget for West Devon was £7.26 million but the actual spend was 0.4% lower, providing a saving of £32,000 as shown above.

KEY AREAS TO NOTE FROM THE 2015/16 STATEMENT OF ACCOUNTS

Pension Liability

7. International Accounting Standard 19 (IAS19) requires Local Authorities to recognise pension assets and liabilities within their accounts. The overall impact on the General Fund of the IAS 19 entries is neutral.

8. The pension fund liability at 31 March 2016 is estimated at £20.163 million which compares with £22 million at 31 March 2015. The deficit is derived by calculating the pension assets and liabilities at 31 March 2016. This has resulted in an overall actuarial gain for the year of £2.546m which has been charged to the Consolidated Income and Expenditure Account.

Business Rates

9. The Local Government Finance Act 2012 introduced a Business Rates Retention Scheme (BRRS) that enabled local authorities to retain a proportion of the business rates generated in their area, with effect from 1 April 2013. There is a risk of volatility in the system because Councils are exposed to any loss of income if businesses go into decline or if a Council's income from business rates falls due to successful business rates appeals.

9. Provision is made for likely refunds of business rates as a result of appeals against the rateable value of business properties. The provision is based on the total value of outstanding appeals at the end of the financial year as advised by the Valuation Office Agency. Using this information, an assessment was made about the likely success rate of appeals and their value. The Council had some large appeals outstanding at the year end.

10. In 2015/16 there has been a £1.185 million increase in the provision for appeals within the Collection Fund. This has resulted in a deficit in the Business Rates Collection Fund of £1.5 million. West Devon Borough Council's share of the deficit is 40% (£607,000).

11. The Council will need to pay additional sums into the Collection Fund in future years to bring the Collection Fund back into balance. Monies have been set aside in the Business Rates Retention Earmarked Reserve to mitigate the impact of this in future years and to fund the volatility in Business Rates income. The balance on this reserve is £844,000 at 31 March 2016 (as per Note 6 to the Accounts).

12. The Council is part of the Devon Business Rates Pool and the pooling gain received was £38,094 for 2015/16.

Trading Company

13. West Devon Borough Council and South Hams District Council set up a trading company, Servaco Limited, on 4th September 2014. This is a company limited by shares. The company has not traded in 2015/16 and a set of statutory Accounts will be filed with Companies House for the period 1st April 2015 to 31st March 2016.

Borrowing

14. As at 31 March 2016 the Council had £2.1 million of external borrowing (see the Technical Appendix for more details).

Capital spending

15. The Authority spent £299,998 on capital projects. The main areas of expenditure were as follows:

- Housing renovation grants and disabled facility grants
- Community projects, namely village hall and parish project grants

16. The capital programme is funded from capital receipts, capital grants and external contributions and earmarked reserves. An analysis of the programme and how it is funded is shown below:

Funding:	**£000**	**Spent on:**	**£000**
Earmarked Reserves	24	Fixed Assets	-
Capital Grants	219	Intangible Assets	32
Capital Receipts and Funds Reserves	32	Revenue Expenditure Funded From Capital (REFCUS)	268
External Contributions	25		
	300		**300**

FINANCIAL NEEDS AND RESOURCES

17. The Authority maintains both capital and revenue reserves. The provision of an appropriate level of balances is a fundamental part of prudent financial management, enabling the Council to build up funds to meet known and potential financial commitments.

18. Revenue reserves (which include earmarked reserves) have increased by £1.4m from the preceding year and stand at £3.45m at 31 March 2016. This reflects the increase in the Earmarked Reserves as shown in Note 6 to the Accounts. There has been an increase in the Business Rates Retention Reserve of £0.5 million (see 11 above). In addition, there has been just under £0.7 million increase in the funding held within the New Homes Bonus Earmarked Reserve.

19. The General Fund Balance (un-earmarked reserve) has increased by £32,000 in 2015/16 and totals £1.055m. Revenue reserves may be used to finance capital or revenue spending plans.

20. Capital Reserves are represented by capital receipts and capital contributions unapplied. The balance at 31 March 2016 amounts to £473,000 compared to £484,000 at the end of the previous year.

21. There are a number of Unusable Reserves which include the Revaluation Reserve, Capital Adjustment Account and Pensions Reserve which are subject to complex accounting arrangements. The Revaluation Reserve and Capital Adjustment Account are used primarily to account for changes in fixed asset values associated with revaluations and new capital expenditure and as such cannot be used to finance capital or revenue expenditure.

22. When reviewing the amount of overall reserves held, consideration should be given to the possible implications of the Pension Fund deficiency disclosed within the notes to the balance sheet. The requirement to recognise the net pension liability in the balance sheet has reduced the reported net worth of the Authority by £20.2 million at 31 March 2016. This disclosure follows the implementation of the International Reporting Standards (IAS 19). This standard requires local authorities and other businesses to disclose pension assets and liabilities within the balance sheet.

23. It is important to gain an understanding of the accounts to appreciate the nature of this reported deficiency, which is based on a “snapshot” of pension assets and liabilities at the year end. This is quite different from the valuation basis used for the purposes of establishing the employer’s contribution rate and fund shortfall, which are calculated using actuarial assumptions spread over a number of years.

LOOKING FORWARD TO THE FUTURE AND NEXT STEPS

24. Overall, the Council’s finances remain strong. In order to maintain this position, the Council operates continuous monitoring of both income and expenditure. This ensures that services are delivered within approved budgets and that all three elements of value for money (being economy, efficiency and effectiveness) are achieved for our residents. In addition, a planning mechanism is in place, focusing not only on one year, but also on the longer term. The Council’s Medium Term Financial Strategy (covering a five year period) will be considered by the Hub Committee at its September 2016 meeting.

Local Authority Controlled Company

25. The Council is considering the establishment of a company which would be wholly owned by West Devon and South Hams Councils, to deliver the full range of District Council services. In doing so, it is anticipated that this would create an opportunity to sell these services to other organisations to generate income. Council agreed that a detailed business case and implementation plan be produced to enable further consideration of the merits of establishing a Local Authority Controlled Company jointly with South Hams District Council.

Transformation Programme (T18)

26. The Council will continue embedding the IMPACT behaviours and attitudes to ensure T18 continues to progress and a new and innovative way of working is created. This in and of itself will create revenue as the Council will be ideally placed to not only weather the increasing financial constraints placed upon it but will also be ideally suited to offer those services to other Councils who are not as ably prepared.

Developing our Assets

27. West Devon currently runs its commercial property portfolio to generate a revenue stream for the Council. In accordance with its recently updated Asset Management Strategy, the Council has agreed to increase the portfolio size over time, by developing sites in the Council's ownership.

28. The Council is actively pursuing this strategy in order to increase its asset utilisation, seek efficiencies, and generate recurrent income streams. A number of projects across both West Devon and South Hams have been instigated and will begin to deliver significant benefits in the coming years.

Channel shift in 2016/17

29. For the coming year, we will continue with a greater emphasis on 'digital by choice' with nearly all processes available to be completed online via any interface. A revamp of the Council's website will enable customers to find it easier to locate the information they require or to perform any task. Key high volume services (eg Council Tax account or Housing Benefit applications) will be available online, offering customers easy access to the information they need and therefore reducing the need to contact us over the phone. However, if they do wish to contact us by phone, a new contact centre phone system, which includes the ability to offer customers webchat, will be live later this year. The system will enable the Council to provide a more responsive and adaptable service to our customers.

Devolution:

30. The Council plays an active part in the Heart of the South West LEP's devolution project. In September 2015 the Heart of the South West (HotSW) submitted its devolution Statement of Intent to Government. The partners are 17 local authorities, two National Parks, the Local Enterprise Partnership and the three Clinical Commissioning Groups. A report will be presented to Members at the July 2016 Council meeting to recommend agreeing to sign up to the principle of creating a Combined Authority for the Heart of the South West, as set out in the Prospectus for Productivity, as the basis for negotiation with Government towards a Devolution Deal for the area.

IN SUMMARY

31. The financial year 2015/16 has seen significant change both in the way the Council is funded and the way in which its services are delivered but the significant Transformation Programme (T18) on which the Council has embarked will give the Council the best possible foundation from which to meet the future challenges facing Local Government and to maintain those services which are much needed and appreciated by our communities.

Issue of the Accounts

32. The Finance Community of Practice Lead (S151 Officer) authorised the unaudited Statement of Accounts 2015/16 for issue on 30th June 2016.

PERFORMANCE INDICATORS FOR 2015-16

CORPORATE BALANCED SCORECARD

The Council's Transformation Programme (T18), combined with the introduction of a new IT system has meant that performance in some key areas has been below that which should be expected. With the implementation of improvement plans and a commitment to providing extra temporary resources, performance did start to recover in the last quarter (December 2015 to March 2016).

Community/Customer

Q1	Q2	Q3	Q4	
✅	⚠️	⚠️	⚠️	Overall waste recycling rate %
⚠️	⚠️	⚠️	⚠️	Residual waste per household
🔴	🔴	🔴	🔴	**CST:** Average Call Answer Time
✅	✅	⚠️	⚠️	**CST:** % of enquiries resolved at first point of contact

Processes

Q1	Q2	Q3	Q4	% of planning applications determined within time frame
🔴	✅	✅	✅	Major(Statutory):
🔴	🔴	🔴	✅	Minor:
⚠️	🔴	🔴	✅	Other

Q1	Q2	Q3	Q4	
✅	🔴	⚠️	⚠️	Avg End to End time Benefits New Claims
✅	✅	✅	✅	Avg End to End time Benefits Change of circumstances

T18 Programme

Q1	Q2	Q3	Q4	
-	⚠️	⚠️	⚠️	**T18: Programme timescales on track**
-	✅	✅	✅	**T18: Performance vs. Budget**
-	⚠️	🔴	⚠️	**T18: No. of Processes live**
-	✅	✅	🔴	**T18: Ratio call/web submissions**

Performance

Q1	Q2	Q3	Q4	
✅	*No data*	*No data*	⚠️	***EH:*** *% of nuisance complaints resolved at informal stage Moved to W2 at end of Qtr 3. Data available from next Qtr*
✅	✅	✅	✅	Avg days short term sickness/FTE
⚠️	⚠️	⚠️	⚠️	Complaint response speed

Key

🔴	Below target performance
⚠️	Narrowly off target, be aware
✅	On or above target

Performance Indicator Exception Report: This table gives a performance report on Indicators which are Red at Quarter 4 (where actual performance is below the Council's target).

Code and Name	Managed by	Status	Q4 2015/16		Action Response
			Value	Target	
CS: Average Call Answer Time The average time in minutes for a call to be answered. Thi s time shows as an average over each month.	Anita Ley	🔴	2.12	1 min	Work started to simplify the call scripts in May and reduce both the time during a call and the wrap-up required afterwards on some of the higher volume processes to improve call answer time.
T18: Ratio call/web submissions	Jim Davis	🔴	Calls: 5866 Web: 1392 14% onlin e	20%	Further delays on Civica providing fixes continued into Quarter 4. Fixes for the existing problems were provided late into the quarter but the website suffered from a specific problem. The website was timing customers out and the issue worsened as the quarter went on, making it harder for customers to submit forms. This problem was difficult to identify as it appeared inconsistently but simple to solve. The issue turned significantly worse into April but this enabled better understanding of the problem and eventual fixing. This single cause was eventually fixed and the ratio of web submissions has started to normalise again back up to around 20%. New processes that offer better functionality for online submissions have gone live in May and should help to increase the ratio of web submissions.

Performance Indicator (PI) Information Report

Below are the Non-targeted (data-only) performance measures that are reported every quarter to provide context and background information. These are not suitable to be included within the Balanced Scorecard page as no targets are applicable or relevant.

PI Code & Short Name	Managed By	2014/15 YTD or Total	2015/16 YTD or total	Comment (If Applicable)
Planning Enforcement Change: Due to issues extracting the information, breaking down the action in each enforcement case isn't possible. Volume of work is being reported instead	Pat Whymer	151 (Quarter 4)	200 (Quarter 4)	The fix required from Civica was delayed due to testing failures and wasn't installed in Qtr 4. The process is now live in Workflow360 and partial data will be reported next Qtr to O&S. Live data will be made available in the dashboards later this month.
All: Complaints received Complaints logged against each Service per quarter. Highlights changes over time and the effects of initiatives.	Assets	2	0	The existing complaints software still utilises the old service area distinctions. As we move onto the new system reporting will be simplified to enable easier grouping for better analysis, breaking down into Stage 1/2, and capturing our response time. Avg time to respond will be available when the complaints process moves into Workflow360 Complaint numbers remain broadly similar to previous years *Ombudsman Complaints* *Oct 2015 Planning Not investigated as Planning Inspectorate option available* *This is the only Ombudsman complaint received during the quarter and the Ombudsman refused to investigate as the complainer could go via the Planning Inspectorate*
	Corporate Services	0	1	
	Environ. Services	52	98	
	Env.Health	5	3	
	Finance	0	0	
	ICT & CS	35	28	
	Planning, Economy & Community	19	24	

PI Code & Short Name	Managed By	2014/15	2015/16	Comment (If Applicable)
		YTD or Total	YTD or total	
Short term sickness (days) Number of days lost due to short term sickness	Andy Wilson	268	133	Equivalent to 0.7 days/FTE for the quarter. This figure reflects the reduced number of employees on the Establishment following voluntary redundancies during 2015.
CS: % of customer contact through online interaction Demonstrating channel shift	Kate Hamp	-	13.98%	The overall number of web submissions directly into W2 has been steadily increasing. The overall % of online customer contact took a hit this quarter from issues with the website making it harder for customers to submit forms. We saw a corresponding increase in customers choosing email submission of work to us instead, whilst not as efficient as web submitting this still reduces load on the call centre. Once fixed, the number web submissions started improving and we are back up to the 20% mark. An increasing number of W2 processes (fully integrated needing no additional admin) are now available online and the usage should start to increase as the service is advertised.
CS: Average call answer time The average time in minutes for a call to be answered. This time shows as an average over each month	Anita Ley	1.7	2.44	Historical average around 1.5-1.6 minutes. To give some context the call centre received 73,000 calls over the quarter 4, around 10% higher than the same period last year. Work started to simplify the call scripts in May and reduce both the time during a call and the wrap-up required afterwards on some of the higher volume processes to improve call answer time. This needs to be compared with the additional processes now dealt with by customer services that previously were passed immediately to the back office. Whilst better for the customer and case management, it does place additional strain on the Customer Services Team.

PI Code & Short Name	Managed By	2014/15	2015/16	Comment (If Applicable)
		YTD or Total	YTD or total	
CS: % of calls resolved at first point of contact Percentage of calls which are resolved at initial contact with CST	Anita Ley	72.33%	62%	This is an internal measure that we count quite strictly. Many other local authorities include additional processes which stretches the definition. This gives a truer impression of the number of cases being dealt with solely by the CST. As more W2 processes go live this should improve as they have been designed to enable first point of contact resolution but the simpler processes being available online means the more complex processes remain with the customer service team.
EH: Average time taken for Disabled Facilities Grants (Fast track) (work days) The total time, from when the application was received until the works are completed. Only a small portion of this is under direct control of the Council.	Ian Luscombe	-	3 days (20 cases)	This is the portion of the process completely under the Council's control (from application to approval). Our target is completion within 5 days. The average number of days is 3. Total of 20 approvals for WD.

PRINCIPAL RISKS AND UNCERTAINTIES

A risk management strategy is in place to identify and evaluate risks. There are clearly defined steps to support better decision making through the understanding of risks, whether a positive opportunity or a threat and the likely impact. A Statutory Officers' Panel was set up in 2015-16 and a key role of this Panel is strategic risk management. This Panel consists of the Head of Paid Service, Chief Finance Officer and the Monitoring Officer.

A risk report is presented to the Council's Audit Committee every six months. Below is an extract mainly from the Risk report to the Audit Committee on 15 March 2016 and from the Council's risk register.

Risk	Impact	Mitigation
Adherence to Medium Term Financial Strategy (MTFS), due to changes in Government policy and/or income streams	Reduction in Government Grant, increasing demand for services and other cost pressures and increased risks associated with localised business rates and council tax support.	Senior Leadership Team to keep watching brief over Government changes in policy and proposals to alter funding – strategically amending the MTFS and local plans to adapt to changes. Officers to develop income generation response as part of MTFS; 'Invest to Earn' budgets allocated to seed fund income initiatives. Report to Hub Committee on 27th October 2015 covering asset strategy. Housing options and income generation principles.
Strategic Leisure Review	Risk that the Councils may not end up receiving a bid that meets its requirements	Detailed joint procurement process (with South Hams) and constant monitoring; wide review team of officers; affordability criteria highlighted as part of tender process.
Local Authority Controlled Company (LACC)	Capacity impact on staff and business as usual delivery. Business case to assess the market for the LACC.	The Councils have engaged external consultants to prepare a business case and implementation plan. This will help to determine the validity of the business proposition and help the Senior Leadership Team (SLT) and Members assess timescales and impact on capacity.

Risk	Impact	Mitigation
Business Continuity	Processes need to be robust to ensure business continuity in the event of a significant event occurring e.g. failure to ensure the continuous availability of critical IT systems.	Agile working reduces the reliance on two main office buildings. Locality workers can be despatched more easily to ensure customer engagement can be maintained during any incident. Business Continuity Plans have been updated.
Transformation Programme (T18) benefits not all delivered	Risk that sustained benefits from the T18 Programme are not fully embedded. Capacity risk post March 2016 when funding for some temporary staff ceases. Risk of new IT systems not being sufficiently fit for purpose on schedule.	Regular SLT and Member scrutiny with quarterly monitoring reports to Members. T18 programme is within budget. On 7th June 2016 the Hub Committee considered a report on Transitional Resources. The Hub Committee recommended to Council to approve the use of £215,000 of unused New Homes Bonus funding, to fund the temporary transitional staffing resources set out in the report. The Council's Head of Paid Service and Group Manager have regular weekly meetings with the IT software supplier.
Provision for Business Rates appeals	There is uncertainty and risk surrounding the calculation of the provision for business rates appeals as future events may affect the amount required to settle an obligation.	In 2015/16 there has been a £1.185 million increase in the provision for appeals within the Collection Fund. The Council's share of this is 40% (i.e. £474,000). The Council maintains a Business Rates Retention Earmarked Reserve to fund the volatility in Business Rates and funding issues from the new accounting arrangements.
Emergency response, e.g. storm damage/flooding	Support is needed to communities during storm damage/flooding events as well as engagement in longer term recovery	Continued management and officer focus on this area to ensure risk is minimised as much as possible; continued close engagement work with DCC and Environment Agency to ensure all parties are aware of each other's responsibilities and capacity.

Risk	Impact	Mitigation
Safeguarding	Risk that the Council and/or contractors fail to adhere to meet safeguarding obligations as set out in legislation such as the Children's Act 2004, section 11.	Policies in place and key staff and management have received appropriate training and contact details to be able to spot and report safeguarding issues.
Data Protection	To manage the risk of non-compliance with Cabinet Office PSN CoCo, PCI DSS, Data Protection Act, RIPA and Human Rights Act.	Information Security Policy; All employees responsible for adequacy of data security arrangements within their control. Access to electronic data is only available via council managed devices. Take into account advice from the Information Commissioners office. Compliance with relevant PSN CoCo through implementation of security changes required. Staff will be completing a data protection awareness course in the near future via the Council's new eLearning tool.
Asset Management	To manage the health and safety risks of customers and staff and to ensure budgets are managed effectively to maintain assets to a satisfactory standard. To consider and manage the risk of redundant properties.	Effective budget monitoring, sound management of assets/ buildings including a planned maintenance approach along with planned capital expenditure programme. Risk assessments and regular health and safety inspections.

Section 2

Core Financial Statements

Movement in Reserves Statement for 2015/2016

This statement shows the movement in the year 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 reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. The Net Increase/Decreases before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves are undertaken by the Authority.

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 31 March 2015 carried forward	1,023	1,023	484	-	2,530	(2,396)	134
<u>Movement in Reserves during 2015/16</u>							
Surplus or (deficit) on provision of services	(1,241)	-	-	-	(1,241)	-	(1,241)
Other Comprehensive Income and Expenditure	-	-	-	-	-	2,546	2,546
Total Comprehensive Income and Expenditure	(1,241)	-	-	-	(1,241)	2,546	1,305
Adjustments between accounting basis & funding basis under regulations (Note 5)	2,645	-	(32)	21	2,634	(2,634)	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	1,404	-	(32)	21	1,393	(88)	1,305
Transfers (to) / from Earmarked Reserves (Note 6)	(1,372)	1,372	-	-	-	-	-
Increase/(Decrease) in Year	32	1,372	(32)	21	1,393	(88)	1,305
Balance at 31 March 2016	**1,055**	**2,395**	**452**	**21**	**3,923**	**(2,484)**	**1,439**

Movement in Reserves Statement for 2014/2015 (Comparative for 14/15)

This statement shows the movement in the year 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 reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. The Net Increase/Decreases before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 31 March 2014 carried forward	953	1,930	743	3,626	2,175	5,801
<u>Movement in Reserves during 2014/15</u>						
Surplus or (deficit) on provision of services	(1,729)	-	-	(1,729)	-	(1,729)
Other Comprehensive Income and Expenditure	-	-	-	-	(3,938)	(3,938)
Total Comprehensive Income and Expenditure	(1,729)	-	-	(1,729)	(3,938)	(5,667)
Adjustments between accounting basis & funding basis under regulations (Note 5)	892	-	(259)	633	(633)	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	(837)	-	(259)	(1,096)	(4,571)	(5,667)
Transfers (to) / from Earmarked Reserves (See Note 6 – 2014/15 comparative)	907	(907)	-	-	-	-
Increase/(Decrease) in Year	70	(907)	(259)	(1,096)	(4,571)	(5,667)
Balance at 31 March 2015	**1,023**	**1,023**	**484**	**2,530**	**(2,396)**	**134**

SECTION 2B. COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2014/15				2015/16		
Gross Expenditure £'000	**Gross Income £'000**	**Net Expenditure £'000**		**Gross Expenditure £'000**	**Gross Income £'000**	**Net Expenditure £'000**
	(20)	(20)	Public Health	15		15
1,249	(461)	788	Central services to the public	1,318	(580)	738
7,085	(2,007)	5,078	Cultural, environmental, regulatory and planning services	6,895	(1,528)	5,367
737	(1,050)	(313)	Highways and transport services	768	(1,063)	(295)
15,554	(14,631)	923	Housing services	15,425	(14,454)	971
4,043	(3,301)	742	Corporate & Democratic Core	2,372	(1,435)	937
534		534	Non Distributed Costs	528		528
2,083	(447)	1,636	Material Item (Note 3)	517	(18)	499
31,285	**(21,917)**	**9,368**	**Cost Of Services**	**27,840**	**(19,080)**	**8,760**
1,198		1,198	Other Operating Expenditure (Note 7)	1,192		1,192
847	(41)	806	Financing & Investment Income (Note 8)	812	(54)	758
3,522	(13,165)	(9,643)	Taxation & Non specific Grant Income (Note 9)	3,081	(12,550)	(9,469)
36,852	**(35,123)**	**1,729**	**(Surplus) or Deficit on Provision of Services**	**32,925**	**(31,684)**	**1,241**
		17	(Surplus) or deficit on revaluation of non current assets			-
		3,921	Re-measurements of the Net Defined Benefit Liability			(2,546)
		3,938	**Other Comprehensive Income and Expenditure**			**(2,546)**
		5,667	**Total Comprehensive Income and Expenditure**			**(1,305)**

31 March 2015		Notes		31 March 2016
£000				**£000**
21,126	Property, Plant & Equipment	10		19,660
126	Intangible Assets	11		95
2	Long Term Investments	T.A**		-
139	Long Term Debtors	12		139
21,393	**Long Term Assets**			**19,894**
-	Inventory			-
2,817	Short Term Debtors*	12		2,353
7,245	Cash and Cash Equivalents	13		8,196
10,062	**Current Assets**			**10,549**
(6,073)	Short Term Creditors*	14		(5,327)
(170)	Provisions*	15		(650)
(16)	Short Term Borrowing	T.A**		-
(6,259)	**Current Liabilities**			**(5,977)**
(315)	Other Long Term Creditors	14		(221)
(2,100)	Long Term Borrowing	T.A**		(2,100)
(22,149)	Pension Fund Liabilities	T.A**		(20,163)
(498)	Capital Grants Receipts in Advance	28		(543)
(25,062)	**Long Term Liabilities**			**(23,027)**
134	**Total Net Assets**			**1,439**
2,530	Usable Reserves	16		3,923
(2,396)	Unusable Reserves	17		(2,484)
134	**Total Reserves**			**1,439**

**Short term Debtors, Creditors and Provisions have been restated to separately identify the balances in respect of Business Rates as at 31 March 2015. Previously the position at year end (including the Appeals Provision) had been netted off and shown in the Balance Sheet as a net Creditor.*
***T.A – See details in the Technical Appendix to the financial statements*

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

The unaudited accounts were issued on 30th June 2016.

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.

2014/15 £000		**2015/16 £000**
(1,729)	**Net (surplus) or deficit on the provision of services**	**(1,241)**
2,984	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 18a)	2,309
4,636	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(239)
5,891	**Net cash flows from Operating Activities**	**829**
(3,527)	Investing Activities (Note 19)	0
1,607	Financing Activities (Note 20)	122
3,971	**Net increase or decrease in cash and cash equivalents**	**951**
3,274	Cash and cash equivalents at the beginning of the reporting period	7,245
7,245	**Cash and cash equivalents at the end of the reporting period (Note 13)**	**8,196**

Section 3

Notes to the Financial Statements

Notes to the Financial Statements	
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3	Material Items of Income and Expenditure
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9	Taxation and Non-Specific Grant Income
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34	Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty
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NOTES TO THE ACCOUNTS

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) introduces changes in accounting policies that will have to be adopted fully by the authority in the 2016/17 financial statements i.e. from 1 April 2016.

The Authority is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of a new / amended standard that has been issued, but is not yet required to be adopted by the Authority. For 2016/17 there are no standards issued not adopted that are expected to have a material impact on the 2016/17 statement of accounts.

2. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 35, 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:

- The cost drivers used to apportion Shared Service costs are appropriate and result in recharges which fairly reflect actual workloads and costs.

- The Local Government Finance Act 2012 introduced a business rates retention scheme that enabled local authorities to retain a proportion of the business rates generated in their area, with effect from 1 April 2013. Provision is made for likely refunds of business rates as a result of appeals, against the rateable value of business properties. The appeals provision is based on the total value of outstanding appeals at the year end as advised by the Valuation Office Agency. Using this information an assessment was made about the likely success rate of appeals and their value.

3. MATERIAL ITEMS OF INCOME AND EXPENDITURE

The following material item was included on the face of the Comprehensive Income and Expenditure Statement (CIES) in 2015/16 and 2014/15. This expenditure relates to the upfront investment costs for the Council's Transformation Programme (T18). This is explained in detail in the Narrative Statement to the Accounts.

	2014/15			2015/16		
Transformation Programme (T18) Investment Costs	**Direct £000**	**Recharges £000**	**Total £000**	**Direct £000**	**Recharges £000**	**Total £000**
GROSS REVENUE EXPENDITURE						
ICT technology, implementation and workstream development	12	293	305	20	358	378
ICT workstation costs and infrastructure	24	98	122	1	25	26
Training	-	33	33	3	31	34
Accommodation	15	-	15	-	-	-
Implementation and design of the future operating model	-	144	144	-	1	1
Redundancy payments	582	733	1,315	44	83	127
Pension Strain (capitalised cost) See **Note a** below	149	-	149	85	-	85
Pension Strain(capitalised cost reversal from 2014/15)	-	-	-	(149)	-	(149)
Sub Total	**782**	**1,301**	**2,083**	**5**	**512**	**517**
GROSS REVENUE INCOME Shared Service Recharge to South Hams DC	-	(181)	(181)	-	(18)	**(18)**
Transformation Challenge Award (Government grant)	(266)	-	(266)	-	-	**-**
Sub Total	**(266)**	**(181)**	**(447)**	**0**	**(18)**	**(18)**
NET REVENUE EXPENDITURE/(INCOME) (as shown in the CIES)	**516**	**1,120**	**1,636**	**5**	**494**	**499**

Note a : This is to recognise the long term pension liability arising from the Transformation Programme, which is due to timing differences where these figures have not yet been recognised in the Actuaries Pension Statement. Further information is provided in Note 34 'Assumptions made about the future and other major sources of estimation uncertainty'.

4. EVENTS AFTER THE REPORTING PERIOD

The draft Statement of Accounts for 2015/2016 was approved for issue by the Finance Community of Practice Lead (S151 Officer) on 30 June 2016. This is also the date up to which events after the reporting date have been considered. There are no events which took place after 31 March 2016 which require disclosure.

5A. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

2015/16	**Usable Reserves**				
	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Usable Reserves
	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income & Expenditure (I&E) Statement:					
Charges for depreciation and impairment of non current assets	509				509
Revaluation losses on Property Plant and Equipment	957				957
Amortisation of intangible assets	63				63
Revenue expenditure funded from capital under statute	268				268
Insertion of items not debited or credited to the Comprehensive I&E Statement:					
Statutory provision for the financing of capital investment	(42)				(42)
Capital grants and contributions applied	(219)				(219)
Capital expenditure charged against the General Fund balance (financing from reserves)	(49)				(49)
Adjustments primarily involving the Capital Grants unapplied Account:					
Capital grants and contributions unapplied credited to the Comprehensive I&E Statement	(21)			21	-
Adjustments primarily involving the Capital Receipts Reserve:					
Use of the Capital Receipts Reserve to finance new capital expenditure			(32)		(32)
Adjustments involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive I & E Statement	1,391				1,391
Employer's pensions contributions and direct payments to pensioners payable in the year	(831)				(831)
Adjustments involving the Collection Fund Adjustment Account:					
Amount by which council tax income credited to the Comprehensive I & E Statement is different from council tax income calculated for the year in accordance with statutory requirements	(84)				(85)
Amount by which business rates income credited to the Comprehensive I & E Statement is different from council tax income calculated for the year in accordance with statutory requirements	700				700
Adjustment involving the Accumulated Absences Account					
Amount by which officer remuneration charged to the Comprehensive I & E Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	3				3
Total Adjustments	**2,645**		**(32)**	**21**	**2,634**

5B. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS (COMPARATIVE FOR 2014/2015)

2014/15	Usable Reserves				
	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Usable Reserves
	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income & Expenditure (I&E) Statement:					
Charges for depreciation and impairment of non current assets	539				539
Revaluation losses on Property Plant and Equipment					
Amortisation of intangible assets	31				31
Revenue expenditure funded from capital under statute	154				154
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive I&E Statement	86				86
Insertion of items not debited or credited to the Comprehensive I&E Statement:					
Statutory provision for the financing of capital investment	(42)				(42)
Capital grants and contributions applied					
Adjusting amounts written out of the revaluation reserve	(17)				(17)
Adjustments primarily involving the Capital Grants unapplied Account:					
Capital grants and contributions unapplied credited to the Comprehensive I&E Statement					
Adjustments primarily involving the Capital Receipts Reserve:					
Use of the Capital Receipts Reserve to finance new capital expenditure			(259)		(259)
Adjustments involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive I & E Statement	1,568				1,568
Employer's pensions contributions and direct payments to pensioners payable in the year	(838)				(838)
Adjustments involving the Collection Fund Adjustment Account:					
Amount by which council tax income credited to the Comprehensive I & E Statement is different from council tax income calculated for the year in accordance with statutory requirements	(143)				(143)
Amount by which business rates income credited to the Comprehensive I & E Statement is different from council tax income calculated for the year in accordance with statutory requirements	(439)				(439)
Adjustment involving the Accumulated Absences Account					
Amount by which officer remuneration charged to the Comprehensive I & E Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(7)				(7)
Total Adjustments	**892**		**(259)**		**633**

6. TRANSFERS TO/FROM 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 General Fund expenditure in 2015/16

2015/2016 EARMARKED RESERVES	**Balance at 31 March 2015**	**Transfers Out 2015/16**	**Transfers In 2015/16**	**Balance at 31 March 2016**
	£000	£000	£000	£000
Business Rates Retention Scheme	(321)	-	(523)	(844)
Car Parking Maintenance	(318)	-	(90)	(408)
Local Authority Business Growth Incentive (LABGI)	(21)	-	(4)	(25)
Habitats Earmarked Reserve	(24)	9	-	(15)
Cannons Meadow	(21)	2	-	(19)
County Election	(24)	-	-	(24)
Landscape Maintenance	(20)	15	-	(5)
Fifth Wave Neighbourhood	(50)	-	(15)	(65)
DCLG Business Support Scheme	(13)	-	-	(13)
DCC Public Health	(40)	15	-	(25)
Devon County Council – TAP Funds	(49)	2	(17)	(64)
Economic Grant Initiatives	(16)	-	-	(16)
Flood Works	(20)	-	-	(20)
New Homes Bonus 2014-15	-	-	(446)	(446)
New Homes Bonus 2015-16	-	1,252	(1,503)	(251)
Homelessness	-	-	(30)	(30)
Strategic Change Reserve (T18)	-	872	(872)	-
Planning Enforcement Reserve	-	-	(45)	(45)
Other Reserves below £15,000	(86)	6	-	(80)
TOTAL	**(1,023)**	**2,173**	**(3,545)**	**(2,395)**

The purpose of the largest earmarked reserves is set out below:

Strategic Change (T18) – This reserve was set up to finance one off investments under the Council's T18 programme that are required for development or the release of ongoing efficiencies. The Transformation Programme is described in the Narrative Statement.

Business Rates Retention Scheme - The non domestic rates reserve covers any possible funding issues from the new accounting arrangements.

Car Parking Maintenance - In line with the Council's car parking strategy, a car parking maintenance reserve is maintained to ensure that major planned works on car parks can be carried out at the appropriate time, in line with a cyclical programme of maintenance and repairs.

2014/2015 EARMARKED RESERVES	**Balance at 31 March 2014**	**Transfers Out 2014/15**	**Transfers In 2014/15**	**Balance at 31 March 2015**
	£000	£000	£000	£000
Transformation Programme (T18)	(800)	800	-	-
Business Rates Retention Scheme	(321)	-	-	(321)
Car Parking Maintenance	(252)	-	(66)	(318)
Sparsity Grant and additional Revenue Support Grant	(57)	57	-	-
Local Authority Business Growth Incentive (LABGI)	(43)	22	-	(21)
Habitats Earmarked Reserve	(42)	18	-	(24)
Waste Management	(40)	40	-	-
Revenue Grant	(34)	34	-	-
New Homes Bonus 12/13	(27)	27	-	-
New Homes Bonus 13/14	(85)	85	-	-
New Homes Bonus 14/15	-	1,254	(1,254)	-
Cannons Meadow	(24)	3	-	(21)
County Election	(24)	-	-	(24)
Landscape Maintenance	(20)	-	-	(20)
Fifth Wave Neighbourhood	(20)	-	(30)	(50)
DCLG Business Support Scheme	(20)	7	-	(13)
DCC Public Health	(20)	-	(20)	(40)
Devon County Council – TAP Funds	(10)	4	(43)	(49)
Economic Grant Initiatives	-	-	(16)	(16)
Flood Works	-	-	(20)	(20)
Other Reserves below £15,000	(91)	22	(17)	(86)
TOTAL	**(1,930)**	**2,373**	**(1,466)**	**(1,023)**

7. OTHER OPERATING EXPENDITURE

2014/15		**2015/16**
£000		**£000**
1,100	Parish council precepts	1,182
86	Loss on disposal of non-current asset	-
12	Pension Administration costs	10
1,198	**Total**	**1,192**

8. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2014/15		**2015/16**
£000		**£000**
96	Interest payable and similar charges	96
752	Pensions interest cost and expected return on pension assets	716
(42)	Interest receivable and similar income	(54)
806	**Total**	**758**

9. TAXATION AND NON SPECIFIC GRANT INCOME

2014/15		**2015/16**
£000		**£000**
	Council Tax	
(5,023)	Income (inc Parish Precepts)	(5,237)
(142)	Collection Fund Adjustment	(84)
-	Collection Fund – Distribution of Surplus	(61)
103	Support Grant to Parishes	87
	Business Rates	
(4,083)	Income	(4,139)
2,938	Tariff	2,994
(28)	Pooling Gain	(34)
18	Levy	-
-	Safety Net	(140)
24	Transfer of Collection Fund Deficit	417
	Non-ringfenced government grants	
(448)	Small Business Rate Relief Grant	(533)
(1,700)	Revenue Support Grant	(1,215)
-	Rural Services Support Grant	-
(1,254)	New Homes Bonus	(1,503)
(48)	Capital grants and contributions	(21)
(9,643)	**Total**	**(9,469)**

10. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Total Property, Plant and Equipment
	£000	**£000**	**£000**	**£000**	**£000**
Cost or Valuation					
At 1 April 2015	20,653	1,493	1,074	83	23,303
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,070)	-	-	-	(1.070)
As at 31 March 2016	**19,583**	**1,493**	**1,074**	**83**	**22,233**
Accumulated Depreciation and Impairment					
At 1 April 2015	(464)	(1,452)	(261)	-	(2,177)
Depreciation charge	(449)	(41)	(35)	-	(525)
Depreciation written out to the Surplus/Deficit on the Provision of Services	129	-	-	-	129
As at 31 March 2015	(784)	(1,493)	(296)	-	(2,573)
Net Book Value					
At 31 March 2016	**18,799**	**0**	**778**	**83**	**19,660**
At 31 March 2015	20,189	41	813	83	21,126

2014/2015 Comparatives Property, Plant and Equipment	**Land and Buildings**	**Vehicles, Plant & Equipment**	**Infrastructure Assets**	**Community Assets**	**Total Property, Plant and Equipment**
Restated	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or Valuation					
At 1 April 2014	20,731	2,349	1,074	83	24,237
Additions	10	-	-	-	10
Derecognition - Disposals	(88)	(856)	-	-	(944)
As at 31 March 2015	**20,653**	**1,493**	**1,074**	**83**	**23,303**
Accumulated Depreciation and Impairment					
At 1 April 2014	(36)	(2,219)	(240)	-	(2,495)
Depreciation charge	(429)	(89)	(21)	-	(539)
Derecognition – disposals	1	856	-	-	857
As at 31 March 2015	(464)	(1,452)	(261)	-	(2,177)
Net Book Value					
At 31 March 2015	**20,189**	**41**	**813**	**83**	**21,126**
At 31 March 2014	20,695	130	834	83	21,742

The Council values its whole asset portfolio once every five years. The last valuation was carried out in 2014. An external independent valuer, Jones LangLasalle, revalued the Authority's asset portfolio as at 31 March 2014.

Fair Value Review at 31 March 2016
In addition, a formal impairment review of the entire holding of assets is undertaken at the end of each financial year, to ensure the carrying value reflects the fair value at the Balance Sheet date. This was undertaken by Guy Pedrick MRICS, Senior Specialist (Estates).

Non-Specialised operational properties were valued on the basis of existing use value (EUV). Specialised operational properties were valued on the basis of depreciated replacement costs (DRC). A deminimus level of £10,000 was set. Infrastructure assets are on a historical cost (HC) basis, whilst vehicles, plant and equipment are held on historical costs as a proxy for current value.

Depreciation

The Council provides depreciation on all assets other than freehold land and community assets. The provision for depreciation is made by allocating the cost (or revalued amount) less the estimated residual value of the assets over the accounting period expected to benefit from their use. The straight line method of depreciation is used.

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

Capital Commitments

As at 31 March 2016 the Authority had not entered into any contracts for the construction or enhancement of Property, Plant and Equipment with a value in excess of £200,000. There were no similar commitments in excess of £200,000 as at 31 March 2015

11. Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets would include both purchased licenses and internally generated software. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful lives assigned to the major software suites used by the Authority is 3 years.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £62,522 charged to revenue in 2015/16 was charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement on Intangible Asset balances during the year is as follows:

	2014/15	**2015/16**
	£000	**£000**
Balance at start of year:		
• Gross carrying amounts	973	237
• Accumulated amortisation	(911)	(111)
Net carrying amount at start of year	**62**	**126**
Assets reclassified	-	-
Disposals – write out gross value	(831)	-
Disposals – write out accumulated amortisation	831	-
Additions	95	32
Impairment losses recognised or reversed directly in the Revaluation Reserve	-	-
Amortisation for the period	(31)	(63)
Net carrying amount at end of year	**126**	**95**
Comprising:		
• Gross Carrying amounts	237	269
• Accumulated amortisation	(111)	(174)
	126	**95**

12. Debtors

Restated	Short Term	
31 March 2015		**31 March 2016**
£000		**£000**
629	Central government bodies	249
963	Other local authorities	411
9	NHS bodies	9
759	Other entities and individuals	847
183	Business Rates Debtor*	504
274	Council tax payers	333
2,817	**Total**	**2,353**
	Long Term	
-	Other entities and individuals	-
139	Other local authorities	139
139	**Total**	**139**

**Short Term Debtors have been restated to show the gross Business Rates position as at 31 March 2015. Previously the balances have been netted off and shown as a net Business Rates Creditor.*

13. CASH AND CASH EQUIVALENTS

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

31 March 2015		31 March 2016
£000		**£000**
1,245	Bank current accounts	321
-	Current account overdraft	-
4,000	Money Market Funds	3,875
2,000	Short Term Deposits	4,000
7,245	**Total Cash & Cash Equivalents**	**8,196**

14. CREDITORS

31 March 2015 Restated	Short Term	31 March 2016
£000		**£000**
448	Central Government bodies	58
1,559	Other local authorities	1,709
2	NHS bodies	2
2,757	Other entities and individuals	2,268
29	Council taxpayers	31
780	Council taxpayers – Preceptors a/c	1,066
498	Business Rates Creditor*	193
6,073	**Total**	**5,327**
	Long Term	
315	Other entities and individuals	**221**

*****_Short Term Creditors have been restated to show the gross Business Rates position as at 31 March 2015. Previously the balances have been netted off and shown as a net Business Rates Creditor._

15. PROVISIONS

Provisions payable within twelve months of the Balance Sheet date are classified as current liabilities; provisions payable more than twelve months from the Balance Sheet date are classified as long term liabilities. No long term provisions were identified in 2015/16 or 2014/15. A breakdown of the provision is shown in the following table:

	Land Charges £000	Business Rates Appeals* £000	Total £000
Balance at 1 April 2015	**(18)**	**(152)**	**(170)**
Provisions made in year	(6)	(474)	**(480)**
Amounts used in year	-	-	**-**
Balance at 31 March 2016	**(24)**	**(626)**	**(650)**

*****_Short Term Provisions have been restated to show the gross Business Rates position as at 31 March 2015. Previously the balances have been netted off and shown as a net Business Rates Creditor._

Short term – Land charges:
The land charges case has now been resolved but the associated costs are still outstanding, therefore the provision is still required.

Short term – Non domestic rates appeals:
Following Business Rates localisation, introduced in 2013, the Council has had the ability to set aside a provision for any successful ratepayer appeals against rateable valuations. Following review and external advice, an increase has been made to this provision in 2015/16. The Council's share of the £1.185 million increase in the provision for business rates appeals is 40% (£474,000). This is further explained in the Narrative Statement.

16. USABLE RESERVES

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement in Section 2a.

17. UNUSABLE RESERVES

31 March 2015		**31 March 2016**
£000		**£000**
5,684	Revaluation Reserve	5,578
13,769	Capital Adjustment Account	12,419
(22,149)	Pensions Reserve	(20,163)
277	Collection Fund Adjustment Account Council Tax	361
92	Collection Fund Adjustment Account NNDR	(607)
(69)	Accumulated Absences Account	(72)
(2,396)	**Total Unusable Reserves**	**(2,484)**

<u>Revaluation Reserve</u>

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:

a. Revalued downwards or impaired and the gains are lost
b. Used in the provision of services and the gains are consumed through depreciation, or
c. Disposed of and the gains are realised.

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

2014/15 £000		**2015/16 £000**
5,701	**Balance at 1 April**	**5,684**
-	Upwards/(Downward) revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-
-	Difference between fair value depreciation and historical cost depreciation	(106)*
(17)	Accumulated gains on assets sold or scrapped	-
5,684	**Balance at 31 March**	**5,578**

*Includes two years write down of revaluation reserve balances.
2014/15 – (£42,741), 2015/16 – (£63,052).

Capital Adjustment Account

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

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

2014/15		**2015/16**
£000		**£000**
14,261	**Balance at 1 April**	**13,769**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(539)	• Charges for depreciation and impairment of non current assets	(510)
0	• Revaluation losses on Property, Plant and Equipment	(957)
(31)	• Amortisation of intangible assets	(63)
(154)	• Revenue expended from capital under statute (REFCUS)	(268)
(86)	• 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	-
17	Adjusting amounts written out of the Revaluation Reserve	106*
-	Net written out amount of the cost of non current assets consumed in the year	-
	Capital financing applied in the year:	
259	• Use of the Capital Receipts Reserve to finance new capital expenditure	32
-	• Capital grants, credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	219
-	• Application of grants to capital financing from the Capital Grants Unapplied Account	-
-	• Revenue contribution to finance capital	49
42	• Statutory provision for the financing of capital investment charged against the General Fund (Minimum revenue provision)	42
13,769	**Balance at 31 March**	**12,419**

*Includes two years write down of revaluation reserve balances. 2014/15 – £42,741, 2015/16 – £63,052.

Pensions Reserve

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

2014/15		**2015/16**
£000		**£000**
(17,498)	**Balance at 1 April**	**(22,149)**
(3,921)	Actuarial gains or (losses) on pensions assets and liabilities	2,546
(1,419)	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	(1,540)
838	Employer's pensions contributions and direct payments to pensioners payable in the year	831
(149)	Provision for strain payments	149
(22,149)	**Balance at 31 March**	**(20,163)**

Collection Fund Adjustment Account Council Tax

The Collection Fund Adjustment Account manages 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 Fund.

2014/15		**2015/16**
£000		**£000**
134	**Balance at 1 April**	**277**
143	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	84
277	**Balance at 31 March**	**361**

Collection Fund Adjustment Account Business Rates

The Business Rates (NNDR) Collection Fund Adjustment Account manages the differences arising from the recognition of Business Rates income in the Comprehensive Income and Expenditure Statement as it falls due from ratepayers, compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

31 March 2015		**31 March 2016**
£000		**£000**
(346)	**Balance at 1 April**	93
439	Amount by which non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from non domestic rates income calculated for the year in accordance with statutory requirements	(700)
93	**Balance at 31 March**	**(607)**

18. CASH FLOW STATEMENT – OPERATING ACTIVITIES

a) ADJUSTMENTS TO NET SURPLUS OR DEFICIT ON THE PROVISION OF SERVICES FOR NON CASH MOVEMENTS.

2014/15 £000		**2015/16 £000**
539	Depreciation	510
-	Impairment, downward valuations & revaluation reversals	956
-	Amortisation	63
(2,708)	(Increase)/decrease in creditors	(818)
443	Increase/(decrease) in debtors	304
-	Increase/(decrease) in inventories	-
1,419	Movement in pension liability	(1,986)
154	Revenue expenditure funded from capital under statute (REFCUS) financed from capital receipts	-
3,292	Other non cash items charged to the net surplus or deficit on the provision of services	3,280
2,984		**2,309**

b) THE CASH FLOWS FOR OPERATING ACTIVITIES INCLUDE THE FOLLOWING ITEMS:

2014/15 £000		**2015/16 £000**
41	Interest received	56
(96)	Interest paid	(96)
(55)	**Total**	**(40)**

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

2014/15 £000		2015/16 £000
-	Other non-cash items charged to the net surplus or deficit on the provision of services	(239)
-	**Total**	**(239)**

19. CASH FLOW STATEMENT – INVESTING ACTIVITIES

2014/15 £000		2015/16 £000
(4,000)	Net (increase)/decrease in investments	-
473	Other receipts from investing activities	-
(3,527)	**Net cash flows from investing activities**	**-**

20. CASH FLOW STATEMENT – FINANCING ACTIVITIES

2014/15 £000		2015/16 £000
-	Other payments for financing activities	122
-	**Net cash flows from financing activities**	**122**

21. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Hub Committee on the basis of budget reports analysed across committees. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- Expenditure on some support services is budgeted for centrally and not charged to committees

	Central Services	Cultural, Environmental and Planning	Highways and Transport	Housing	Public Health	Corporate & Democratic Core	Non Distributed Costs	Material Items	TOTAL 2015/16	TOTAL 2014/15
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges & other service income	(231)	(1,488)	(1,063)	(132)	0	(1,427)	0	(18)	(4,361)	(6,902)
Government grants & contributions	(349)	(40)	0	(14,322)	0	(8)	0	0	(14,719)	(15,015)
Total Income	**(580)**	**(1,528)**	**(1,063)**	**(14,454)**	**0**	**(1,435)**	**0**	**(18)**	**(19,080)**	**(21,917)**
Employee expenses	483	807	38	328	0	654	528	99	2,937	7,537
Other service expenses	314	4,057	539	14,563	15	1,399	0	418	21,397	21,189
Support service recharges	521	2,031	191	444	0	319	0	0	3,506	2,559
Total Expenditure	**1,318**	**6,895**	**768**	**15,425**	**15**	**2,372**	**528**	**517**	**27,840**	**31,285**
Net Expenditure	**738**	**5,367**	**(295)**	**971**	**15**	**937**	**528**	**499**	**8,760**	**9,368**

Note – The 2014/15 comparative for Employee Expenses includes one-off investment costs relating the Council's Transformation Programme. This is shown in further detail in Note 2 to the Accounts, Material Items of Income and Expense.

22. TRADING OPERATIONS

The Building (Local Authority Charges) Regulations 1998 requires the disclosure of information regarding the setting of charges for the administration of the building control function. Building Regulations Control Services operate as a separate trading unit and the Summary Accounts for the year will be detailed in the Devon Building Control Partnership Accounts, which can be found at the following website:

http://www.teignbridge.gov.uk/index.aspx?articleid=16096

23. BUSINESS IMPROVEMENT DISTRICTS

The Tavistock Business Improvement District (BID) was set up in Tavistock on the 1st September 2011 for the purpose of providing additional services or improvements to the Tavistock BID area. The BID is funded in part by a levy which is based on the rateable value of each property within the BID area and this is charged in addition to the non-domestic rates. West Devon Borough Council acts as agent for the BID Company.

24. AGENCY SERVICES

(a) The Authority collects land charge search fees on behalf of Devon County Council. These fees are reimbursed to the County Council on a periodic basis. The amount collected was £17,451 in 2015/16 (£16,537 in 2014/15).

(b) The Authority Acts as an agent for Devon County Council, Devon and Cornwall Police Authority and Devon & Somerset Fire & Rescue Authority in the collection of council tax and for Central Government for the collection of Non Domestic Business Rates. Details can be found in the Collection Fund on pages 56 to 59.

(c) Under the provisions of The Business Improvements Districts (England) Regulations 2004, the Authority provides agency services for the Tavistock BID.

25. MEMBERS' ALLOWANCES

The Authority has paid the following amounts relating to Members' Allowances:

	2014/15 £'000	**2015/16 £'000**
Members' Allowances	167	177
Travelling & Subsistence	15	14

The current allowance scheme can be found on the Authority's website at:
http://wdbcweb.swdevon.lan/article/3695/Councillor-Allowances

26. OFFICERS' REMUNERATION

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

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

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

The salary costs of the Senior Leadership Team members and Statutory Officers (Section 151 Officer & Monitoring Officer) employed by West Devon Borough Council are shared with South Hams District Council.

The remuneration paid to the Authority's senior employees for the year 2015/16:
(All Shared Roles with South Hams District Council)

	Salary	**Benefits**	**Total**	**Employers Pension Contribution (common rate 18.8%)**	**Total Remuneration Inc Employers Pension Contribution**
Executive Director Strategy & Commissioning, Head of Paid Service	96,900	3,140	100,040	11,822	111,862
S151 Officer / Finance CoP Lead (The Officer in post is currently on a protected salary until 30 September 2016)	62,620	180	62,800	7,640	70,440
Commercial Services Group Manager	63,998	2,813	66,811	7,808	74,619
Business Development Group Manager (started 11 May 2015)	54,277	1,531	55,808	6,622	62,430
Monitoring Officer (Legal CoP Lead)	48,770	528	49,298	5,950	55,248

West Devon Borough Council has no other officers earning over £50,000.

Note 1: Senior Management Team Restructure
In June 2014, West Devon Borough Council and South Hams District Council (SHDC) agreed to move forward with a radical Senior Management Team Restructure and to operate without a Chief Executive. An Executive Director Model has been adopted by both Councils and Senior Leadership Team responsibilities will be shared between two Executive Directors, supported by four Group Managers to reflect the requirements of the new operating model for the Transformation Programme. All six posts within the Senior Leadership Team were appointed to through an external recruitment exercise with open competition. One Group Manager post is currently vacant. The annual savings from the restructure of the Senior Management Team are £280,000 shared between the two Councils.

Note 2: Shared Services with South Hams District Council
In 2015/16, West Devon Borough Council received a reimbursement of salary costs amounting to £214,000 (2014/15 £180,000) from South Hams District Council, in respect of shared members of the Senior Leadership Team employed by West Devon Borough Council. Similarly, West Devon Borough Council contributed £134,000 (2014/15 £209,000) to South Hams District Council for salary costs in respect of shared members of the Senior Leadership Team who are employed by South Hams District Council.

Senior Officer Remuneration for the year 2014/15:

	Salary	**Benefits**	**Total**	**Employers Pension Contribution (common rate 18.8%)**	**Total Remuneration Inc Employers Pension Contribution**
Executive Director Strategy & Commissioning, Head of Paid Service (started 1 February 2015)	15,862	68	15,930	2,903	18,833
Head of Service (Finance & Audit) S151 Officer / Finance CoP Lead	62,620	124	62,744	11,459	74,203
Head of Service (Environment Services) / Commercial Services Group Manager	63,252	3,659	66,911	11,575	78,486
Head of Service (ICT & Customer Services) Left 7th September 2014	26,828	2,164	28,992	4,909	33,901
Head of Service (Planning, Economy & Community) Left 21st January 2015	50,578	2,085	52,663	9,256	61,919
Monitoring Officer Legal CoP Lead	45,030	647	45,677	8,241	53,918

West Devon Borough Council has no other officers earning over £50,000.

EXIT PACKAGES

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

Exit Package Cost Band (incl special payments)	No of Voluntary Redundancies		No of Compulsory Redundancies		No of other departures agreed		Total No of exit packages by cost band		Total cost of exit packages in each band	
	2014/15*	2015/16	2014/15*	2015/16	2014/15*	2015/16	2014/15*	2015/16	2014/15*	2015/16
£0 - £20,000	13	0	2	0	3	2	18	2	£158,500	£30,700
£20,001 - £40,000	10	1	1	0	-	0	11	1	£311,.400	£24,800
£40,001 - £60,000	1	0	-	0	-	0	1	0	£43,300	£0
£60,001 - £80,000	2	0	1	0	-	0	3	0	£203,800	£0
Total	**26**	**1**	**4**	**0**	**3**	**2**	**33**	**3**	**£717,000**	**£55,500**

*The comparative has been restated to include future pension strain liability costs.

Note 1: Transformation Programme (T18) and Senior Management Restructure

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Of the £55,500 cost of exit packages in 2015/16 (£717,000 in 2014/15), Nil amount of this cost (£160,000 in 2014/15) will be paid for by South Hams District Council at the point at which the redundancy liability or pension strain liability arises. In addition, West Devon Borough Council will contribute £139,000 towards South Hams District's Council's cost of exit packages for 2015/16 (£785,000 in 2014/15).

The main phase of the Council's Transformation Programme (T18) occurred during 2014/15. Across both Councils there has been a 30% reduction in staffing numbers for the non manual workforce. West Devon Borough Council will annually save £1.4 million from the staff salary savings realised by the T18 Transformation Programme.

Also in 2014/15 a Senior Management Team restructure was undertaken and both Councils decided to operate without a Chief Executive and instead adopt an Executive Director model. All six posts within the new Senior Leadership Team were appointed to through an external recruitment exercise with open competition. Five of the six posts were external appointments. One Group Manager post has since become vacant. The annual savings from the restructure of the Senior Management Team are £280,000 shared between the two Councils.

27. EXTERNAL AUDIT COSTS

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

	2014/15 £000	**2015/16 £000**
Core Audit Fees	39	39
Audit of Grants and Returns	7	6
Fees payable with regard to external audit services	**46**	**45**
Fees payable in respect of other services	**1**	**-**
TOTAL	**47**	**45**

28. GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/16:

	2014/15	**2015/16**
Credited to Taxation and Non Specific Grant Income		
Capital Grants & Contributions	**£000**	**£000**
Disabled Facility Grants	(186)	(239)
Section 106s	(68)	(108)
Non ring-fenced Government grants & contributions:		
Revenue Support Grant	(1,700)	(1,215)
New Homes Bonus Grant	(1,254)	(1,503)
Small Business Rates Relief	(448)	(533)
Rural Services Support Grant	0	0
Total	**(3,656)**	**(3,598)**
Credited to Services		
Rent Allowance Subsidy	(14,162)	(13,665)
Housing Benefit and Council Tax benefit administration subsidy	(280)	(246)
Business Rates cost of collection allowance	(85)	(84)
Transformation Challenge Award funding from DCLG	(266)	0
Cabinet Office IER Funding - General Elections	0	(117)
Other Grants	(222)	(607)
Total	**(15,015)**	**(14,719)**

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that may require the monies or property to be returned to the giver. The balances at the year end are as follows:

	31 March 2015	**31 March 2016**
Capital Grants Receipts in Advance	**£000**	**£000**
Land Stabilisation	(10)	(10)
Hayedown	(20)	(20)
Section 106s	(468)	(513)
Total	**(498)**	**(543)**

29. RELATED PARTIES

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

CENTRAL GOVERNMENT

Central Government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework, within which the Authority operates, provides the majority of its funding in the form of grants, and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are detailed in Note 9 and 28.

MEMBERS

Members of the Council have direct control over the Authority's financial and operating policies. The Borough Solicitor acts as Monitoring Officer and keeps a register of Members' interests, which is available for public inspection. A questionnaire in respect of related party transactions was issued to all Members and Senior Officers. No material transactions with related parties during the year have been identified, other than those disclosed above or elsewhere, i.e. government grants, etc.

iESE

West Devon Borough Council and South Hams District Council have a relationship with iESE Transformation Ltd. (iESE) which sees the latter providing consultancy support services to the Councils as part of their T18 Transformation programme. The nature of this relationship is similar to an in-house arrangement on the basis that the Councils have become Public Body Members of the Company meaning that the arrangements are not subject to the EU Directives concerning procurement (the Teckal Exemption). There is no requirement for Public Body Members to provide any funding or support for the Company other than as set in contracts for services entered into with the Company.

30. CAPITAL EXPENDITURE AND CAPITAL FINANCING

Total capital expenditure in 2015/16 amounted to £299,998. How this is financed is shown below:-

2014/15 £000		**2015/16 £000**
-	Earmarked Reserves	24
186	Capital Grants	219
28	External Contributions	25
259	Capital Receipts and Funds Reserves	32
473		**300**

The Authority's Capital Financing Requirement (CFR) for the year is shown below.

Capital Financing Requirement (£m)	**31 March 2015 Actual**	**31 March 2016 Actual**
Actual	£1,799,000	£1,757,000

The borrowing activity is constrained by prudential indicators for net borrowing and the CFR, and by the authorised limit. The Minimum Revenue Provision was applied in 2015/16 and was calculated at £42,000 per year. This is the borrowing of £2.1 million, divided by the life of the asset of 50 years, which equates to £42,000 per annum.

31. LEASES

Authority as Lessee

The Authority has, in the past, acquired some assets through operating leases. These have included vehicles and printers. However, all remaining material operating leases have ceased and no lease payments have been made since 2009/10.

Authority as Lessor

The Authority leases various industrial units and commercial properties to external organisations. The gross value of assets held for use in operating leases was £3m as at 31 March 2016.

The authority has also granted a lease to the Wharf Building. The lease is for 35 years from December 1994 and was originally granted to The Wharf Community Arts Centre Limited but has now been transferred to CAM (The Wharf) Limited. The arrangement is accounted for as an operating lease and a peppercorn rent is charged.

32. TERMINATION BENEFITS

The details of the Shared Service arrangements are explained in the Narrative Statement to the Accounts. Please also see note 26 on exit packages.

33. CONTINGENT LIABILITIES

The Council had no contingent liabilities at 31 March 2016.

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

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

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

The items in the Authority's Balance Sheet at 31 March 2016 for which there are significant risks of material adjustment in the forthcoming financial year are as follows:

Item	**Uncertainties**	**Effect if Actual Results Differ from Assumptions**
Property, Plant and Equipment	Assets are depreciated over useful lives which are estimated annually.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. If the depreciation lives of the assets were to change by 1 year across all assets, this would have a £22,502 impact on the Council's finances.
Arrears	The Authority makes a provision every year for the impairment of doubtful debts for Council Tax, Business Rates, Housing Benefit and Sundry Debt. For example at 31 March 2016, the Authority had a balance of Sundry Debtors of £264,000. A review of significant balances suggested that an impairment for doubtful debts of 60% (£159,000) was appropriate.	The impairment for doubtful debts is reviewed annually in order to respond to changes in collection rates. If Council Tax arrears were to change by 1%, this would have an impact of £5,000 on the Council's finances.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Business Rates Appeals Provision	Estimates have been made for the provision for refunding ratepayers who may successfully appeal against the rateable value of their properties. This includes the current and previous financial years. The estimate is based on those ratepayers who have appealed.	There is uncertainty and risk surrounding the calculation of the provision as future events may affect the amount required to settle an obligation.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgments relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied. 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. For 2015/16, the Actuary has calculated the capitalised cost of the strain liability for 8 former employees who had left the Council's employment at £156,000. The capitalized cost which is based on actual assumptions differs from the cash cost payable to the Pension Fund by the Council. The figure of £149,000 was estimated from the cash costs that had previously been calculated for each employee in question.	The effects on the net pension liability of changes in individual assumptions can be measured. For example, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £726,000. The assumptions interact in complex ways. For example, in 2015/16, the Authority's actuaries advised that the pension liability had decreased by £3.1 million as a result of a change in "financial assumptions". Please refer to the Technical Appendix for further information about the assumptions used by the actuaries.

35. ACCOUNTING POLICIES

A. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2015/16 financial year and its position at the year end of 31 March 2016. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011. These regulations require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the Service Reporting Code of Practice 2015/16, supported by International Financial Reporting Standards (IFRS) (and statutory guidance issued under section 12 of the 2003 Act). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

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

B. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- 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 debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- The Council operates a de minimis policy for accruals which is currently £2,500 for revenue expenditure and £5,000 for capital expenditure. Accruals are not made for transactions below these limits.

C. Cash and Cash Equivalents

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

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. Our policy is shown in the following table:

Type of Investment	Settlement Terms	Gain/Loss on Sale	Cash Equivalent
Money Market Fund	T + 0	×	✓
Call Account	T + 0	×	✓
Notice Deposit	Maturity	×	×
Term Deposit	T + 7 days	×	✓
Other Term Deposits	Maturity up to 3 months	×	✓

Key: T = trade date

D. Material Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

E. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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

F. Charges to Revenue for Non-Current Assets

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

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

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

G. Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the 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 the year end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer’s employment before the normal retirement date or an officer’s decision to accept voluntary redundancy. These are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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 the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post Employment Benefits

Employees of the Authority are members of the Local Government Pensions Scheme, administered by Devon County Council. This scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.

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

- The liabilities of the Devon County Council Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices
- The assets of the pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value.

The Local Government Scheme

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

- The liabilities of the Devon County Council Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc and estimates of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate.

- The assets of the pension fund attributable to the Authority are included in the Balance Sheet at their fair value.

For further information please refer to the Technical Appendix.

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

- **Service cost comprising:**
  - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - net interest on the net defined benefit liability (asset), i.e. net interest expense for the 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.

- **Re-measurements comprising:**
  - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
  - contributions paid to the Devon County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

H. Events After the Reporting Date

Events after the Reporting 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 – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts are 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 (29th September 2015) are not reflected in the Statement of Accounts.

I. 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 and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest 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.

Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

The Authority does not hold any available-for-sale assets.

Loans and Receivables

Loans and receivables 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 for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.
Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

J. Government Grants and Contributions

General

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the 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 that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor. Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

A Business Improvement District (BID) scheme operates in Tavistock. This scheme is funded by a BID levy paid by non-domestic ratepayers. The Council acts as an agent for the Tavistock BID Company, the Council is the billing authority and collects the levy on the BID company's behalf. No income or expenditure is included in the Comprehensive Income and Expenditure Statement, and any cash balance collected by the Council but not yet paid to the BID company at the year end is carried in the Balance Sheet as a creditor.

K. Assets

Fixed Assets owned by the Authority includes:

Assets	31 March 2015 Numbers	Basis of Valuation	Estimated Useful Economic Lives
Council Offices – Kilworthy Park	1	EUV & DRC *	50 years
Council Offices –Okehampton Customer Services	1	EUV	50 years
Swimming Pools	2	DRC	Range of 10 - 30 years
Car Parks	13	EUV	Range of 30 - 50 years
Public Conveniences	7	DRC	Range of 50 - 100 years
Industrial Units	45	EUV &MV	Range of 15 – 30 years
Other Commercial Properties	17	EUV & DRC	Range of 50 – 100 years
Vehicle, Plant and Equipment	N/A	HC	Range of 5 years
Infrastructure	N/A	HC	50 years

***The Kilworthy Park property has been valued to EUV (Existing Use Value) except for the more recently constructed Council chamber "pod" which was specifically designed to meet the Council's requirements for public enquiry space on the ground floor and a council chamber on the first floor. The accommodation is effectively a self-contained unit and due to the specialist nature, this part of the property has been valued to DRC.*

Intangible Assets
Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

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

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

L. Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

M. Leases

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

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

The Authority as Lessee

Finance Leases
The Authority does not hold any finance leases as a lessee.

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

The Authority as Lessor

Finance Leases
The Authority does not hold any finance leases as a lessee.

Operating Leases
Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease).
Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

N. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Accounting Practice 2014/15 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multifunctional, democratic organisation.

- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SERCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

O. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the 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 (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:
- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

Assets are then carried in the Balance Sheet using the following measurement bases:

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

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

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

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

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

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

- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

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.

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

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

- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation
Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Deprecation is calculated on a straight-line allocation over the useful life of the asset. Useful lives are determined on a case by case basis.

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

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

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

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.
When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also, as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts received for a disposal in excess of £10,000 are categorised as capital receipts.

The written-off value of disposals is not a charge against council tax, as the cost of 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.

Heritage Assets

The Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the Code) introduced a change in accounting policy in relation to the treatment of heritage assets held by the Council, which was adopted fully by the Authority in the 2012/13 financial statements. The Authority is required to make disclosure of the estimated effect of the standard in the financial statements. The standard requires that a new class of asset, heritage assets, is disclosed separately on the face of the Authority's Balance Sheet.

P. Provisions, Contingent Liabilities and Contingent Assets

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. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense 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 carried 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 now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.
Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received by the Authority.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.
Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

Q. Reserves

The Authority sets aside specific amounts as reserves for future purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure. Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

R. Revenue Expenditure Funded from Capital under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

S. Section 106 deposits

Developer contributions are initially treated as Capital Receipts in Advance unless a clear capital use is identified in the terms of the agreement, in which case they are defined as Capital Contributions Unapplied.

T. Recharging the salaries of shared services officers

Extensive detailed work has been carried out by a small group of officers on the recharging of salaries between West Devon Borough Council and South Hams District Council for the 2014/15 financial year for shared officers, following the Senior Management Review (effective from 1st April 2011) and the Middle Management Review (effective from 1st October 2011).

Officers have produced a methodology for recharging the salary costs of shared officers based on the most appropriate cost driver and ratio to best reflect the officer's split of workload between the two Authorities. Examples of the cost drivers used are caseloads, call volumes, property numbers, number of claims or cases processed etc and other methods such as time recording. The work carried out includes establishing from the Head of Service/Group Manager the relevant recharge requirements for every member of staff.

U. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

V. Accounting for Local Taxes

Business Rates
Retained business rate income included in the Comprehensive Income & Expenditure Statement for the year will be treated as accrued income.

Provision is made for likely refunds of business rates as a result of appeals, against the rateable value of business properties. The appeals provision is based on the total value of outstanding appeals at the year end as advised by the Valuation Office Agency. Using this list an assessment is made about the likely success rate of appeals and their value.

Council Tax
Council tax income included in the Comprehensive Income & Expenditure Statement for the year will be treated as accrued income.

Both business rates income and council tax will be recognised in the Comprehensive Income & Expenditure Statement (CIES) in the line 'taxation & non-specific grant income'. As a billing authority the difference between the business rates and council tax included in the CIES and the amount required by regulation to be credited to the General Fund, shall be taken to the Collection Fund Adjustment Account and reported in the Movement in Reserves Statement. Each major preceptor's share of the accrued business rates and council tax income will be available from the information that is required to be produced in order to prepare the Collection Fund Statement. The income for council tax and business rates is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the authority, and the amount of the revenue can be measured reliably.

Revenue relating to local taxes shall be measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

W. Minimum Revenue Provision

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

COLLECTION FUND FOR THE YEAR ENDED 31 MARCH 2016

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

2014/15 £'000	**2014/15 £'000**	**INCOME**	**2015/16 £'000**	**2015/16 £'000**
Business Rates	Council Tax		Business Rates	Council Tax
	32,642	Council Tax		33,850
	0	Council Tax Benefit		0
10,417		Business Rates	10,545	
(41)		Transitional Relief	98	
10,376	**32,642**		**10,643**	**33,850**
		EXPENDITURE		
		Precepts & Demands		
907	21,844	- Devon County Council	931	22,595
101	1,475	- Devon & Somerset Fire & Rescue Authority	103	1,526
	3,188	- Devon & Cornwall Police Authority		3,297
4,032	5,023	- West Devon Borough Council (Inc Parishes)	4,139	5,237
5,040		- Central Government	5,174	
		Business Rates		
		- Payments to National Pool		
85		- Costs of Collection	85	
11		Rates increase in provision for appeals	1,185	
120	55	Write-offs	49	60
140		Movement in Provision for Uncollectable Rates	19	
	151	Movement in Provision for Uncollectable Council Tax		222
		Contribution towards previous year's Collection Fund surplus transferred to		
(104)		- Devon County Council	64	282
(12)		- Devon & Somerset Fire & Rescue Authority	7	18
		- Devon & Cornwall Police Authority		40
(463)		- West Devon Borough Council	283	60
(579)		- Central Government	354	
9,278	**31,736**		**12,393**	**33,337**
(1,098)	(907)	*Movement on Fund Balance*	1,750	(512)
866	(837)	Balance brought forward at 1 April	(232)	(1,744)
(232)	**(1,744)**	Balance carried forward at 31 March	**1,518**	**(2,256)**
(139)	(1,468)	Balance attributable to major precepting bodies	911	(1,895)
(93)	(276)	Balance attributable to WDBC	607	(361)
(232)	**(1,744)**	**Fund Balance as at 31 March 2016 – Deficit/(Surplus)**	**1,518**	**(2,256)**

The Collection Fund is consolidated with the other accounts of the Authority. The sources of income to the Collection Fund are Council Tax, which amounted to £33.8m (£32.6m in 2014/15) and the National Non Domestic Rates (Business Rates), which amounted to £10.6m (£10.4m in 2014/15).

1. INCOME FROM COUNCIL TAX

Council Tax income comes from charges raised according to the value of residential properties, which have been classified into eight valuation bands (A to H) estimating April 1991 values for this specific purpose.

For Council Tax purposes the number of domestic properties in each valuation band converted to a Band D equivalent was as follows:-

Band	Council Tax	No. of Dwellings after Discounts and Exemptions	Multiplier	Band D Equivalent Number
A-	898.64	12.50	5/9	6.94
A	1,078.37	2,802.75	6/9	1,868.50
B	1,258.09	5,633.00	7/9	4,381.22
C	1,437.82	4,712.75	8/9	4,189.11
D	1,617.55	1,759.06	1	1,759.06
E	1,977.01	3,064.75	11/9	3,745.81
F	2,336.46	1,648.25	13/9	2,380.81
G	2,695.92	935.25	15/9	1,558.75
H	3,235.10	73.25	18/9	146.50
				20,036.70
Less allowance for non-collection				(601.10)
Plus adjustment for armed forces dwellings				21.40
Tax base				**19,457.00**

Individual Council Tax charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the precepting authorities for the forthcoming year (See Note 3) and dividing this by the Council Tax Base. The Tax Base is the number of properties in each band adjusted to Band D equivalents.

The basic amount of Council Tax for a Band D property was £1,678.32 for 2015/16 (£1,643.45 for 2014/15). The income credited to the Collection Fund can be analysed as follows:-

	2014/15 £'000	2015/16 £'000
Actual Income from Council Tax	32,642	33,850

The tax base multiplied by the Band D Council Tax for the year of £1,678.32, including parishes, would have produced income amounting to £32,654,981 (See Note 3). The actual income of £33,849,514 differed from this figure due to changes in the Council Tax Base and the tax collection rate during the year and equates to approximately 4% of total income.

2. INCOME FROM BUSINESS RATES

The total non-domestic rateable value at 31 March 2016 was £28,756,001.This compares to £28,811,376 at 31 March 2015. The standard non-domestic rate multiplier was 49.3p in 2015/16 (2014/2015 48.2p). Without reliefs this would generate a total income of £14,176,708.49 (2014/2015 £13,887,083.23). These figures are a snapshot only and differ from the value of NNDR bills issued mainly due to changes in rateable values during the year, small business rate relief, void properties and charitable relief.

3. PRECEPTS AND DEMANDS

The following authorities made a demand upon the Collection Fund:

	2014/15	**2015/16**
	£	**£**
Devon County Council	21,844,418	22,594,830
Devon & Somerset Fire & Rescue Authority	1,475,173	1,525,818
Devon & Cornwall Police Authority	3,187,863	3,297,378
West Devon Borough Council	5,023,027	5,236,955
TOTAL	**31,530,481**	**32,654,981**

4. CONTRIBUTION TOWARDS/FROM PREVIOUS YEAR'S COLLECTION FUND DEFICIT/SURPLUS

This item represents the transfer of the surplus on the Collection Fund, estimated for the previous year on 15 January of that year.

The amounts transferred were as follows:

	2014/15	**2015/16**
	£	**£**
Devon County Council	-	281,734
Devon & Somerset Fire & Rescue Authority	-	18,119
Devon & Cornwall Police Authority	-	39,558
West Devon Borough Council	-	60,589
Total	**Nil**	**400,000**

5. ACCOUNTING FOR THE COLLECTION FUND BALANCE

The opening balance on the Collection Fund for Council Tax 2015/16 was a surplus of £1,744,338. The balance as at 31 March 2016 was a surplus of £2,256,590. Surpluses and deficits are shared with the other major precepting bodies that make a demand of the Fund. The Council accounted for the Collection Fund in its 2015/16 Statement of Accounts as follows:

2014/15 £'000	Major Precepting Bodies:	2015/16 £'000
1,212	Devon County Council	1,563
81	Devon & Somerset Fire & Rescue Authority	105
175	Devon & Cornwall Police Authority	227
1,468	Balance attributable to major precepting bodies	1,895
276	Balance attributable to WDBC	361
1,744	**Total Collection Fund Surplus – Council Tax**	**2,256**

The opening balance on the Collection Fund for Business Rates 2015/16 was a surplus of £231,591. The balance as at 31 March 2016 was a deficit of £1,518,559. The increase in the provision for Business Rates appeals and the subsequent impact on the Business Rates Collection Fund is explained in the Narrative Statement.

Surpluses and deficits are shared with the other major precepting bodies that make a demand of the Fund. The Council accounted for the Collection Fund in its 2015/16 Statement of Accounts as follows:

2014/15 £'000	Major Precepting Bodies:	2015/16 £'000
21	Devon County Council	(137)
2	Devon & Somerset Fire & Rescue Authority	(15)
116	Central Government	(759)
139	Balance attributable to major precepting bodies	(911)
93	Balance attributable to WDBC	(607)
232	**Total Collection Fund Deficit – Business Rates**	**(1,518)**

Section 5 Statement of Responsibilities

The Council's Responsibilities

The Council is required to:-

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

The Responsibilities of the Finance Community of Practice Lead (S151 Officer)

The Finance Community of Practice Lead (S151 Officer) is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice').

In preparing the Statement of Accounts, the S151 Officer has:-

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

The S151 Officer has also:

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

I confirm that the Unaudited Statement of Accounts present a true and fair view of the financial position of the authority at the accounting date (31 March 2016) and its income and expenditure for the year ended 31 March 2016.

……………………………………………………

Lisa Buckle BSc(Hons), ACA
Finance Community of Practice Lead (S151 Officer)

30th June 2016

Section 5 Statement of Responsibilities

Approval of the Statement of Accounts

I confirm that these Accounts were approved by the Audit Committee as its meeting held on TBA.

Signed on behalf of West Devon Borough Council

TBA
………………………………………………………………………………..

Councillor M Davies

Chairman of the Audit Committee

Section 6 Auditors' Report

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

GLOSSARY OF TERMS

ACCRUALS — A sum included in the account to cover income or expenditure attributable to an accounting period for goods received or work done, but for which payment has not been received/made by the end date of the period for which the accounts have been prepared.

ACTUARIAL GAINS & LOSSES — These are changes in actuarial deficits or surpluses that arise because either actual experience or events have not been exactly the same as the assumptions adopted at the previous valuation (experience gains and losses) or the actuarial assumptions have changed.

BALANCES — The surplus or deficit on any account at the end of the year. Amounts in excess of that required for day to day working may be used to reduce the demand on the Collection Fund.

BUSINESS IMPROVEMENT DISTRICT (BID) — A Business Improvement District is a partnership between a local authority and the local business community to develop projects and services that will benefit the trading environment within the boundary of a clearly defined commercial area.

CAPITAL EXPENDITURE — Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.

CAPITAL RECEIPTS — Income received from sale of assets which is available to finance other capital expenditure or to repay debt on assets financed from loans.

CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY — The governing body responsible for issuing the statement of recommended practice to prepare the accounts.

COLLECTION FUND — A separate fund which must be maintained by a district for the proper administration of Council Tax and Non Domestic Rates.

CURRENT SERVICE COST — Amount chargeable to Services based on the Actuary's assessment of pension liabilities arising and chargeable to the financial year.

CURTAILMENTS	The amount the Actuary estimates as costs to the authority of events that reduce future contributions to the scheme, such as granting early retirement.
DEFINED BENEFIT SCHEME	A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).
DEMAND	The charging authorities own Demand is, in effect, its precept on the fund.
FEES & CHARGES	In addition to the income from charge payers and the Governments, Local Authorities charge for services, including Planning Consents, Hire of Sporting Facilities, Car Parking etc.
FINANCIAL INSTRUMENTS	A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.
GOVERNMENT GRANTS	Payments by Central Government towards the cost of Local Authority services, including both Revenue and Capital.
IMPAIRMENT ALLOWANCE ("BAD DEBT PROVISION")	Provisions against income to prudently allow for non collectable amounts.
INTEREST COST	For the pension fund this represents the discount rate at the start of the accounting period applied to the liabilities during the year based on the assumptions at the start of the accounting period.
INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) & THE CODE OF PRACTICE (CODE)	Formal financial reporting standards adopted by the accounting profession and to be applied when dealing with specific topics within its accounting Code. The Code is based on approved accounting standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations

Committee, except where these are inconsistent with specific statutory requirements.

LIBID — Acronym for the London Inter-bank Bid Rate, being the interest rate at which a market maker or underwriter will offer to buy bonds and securities.

MINIMUM REVENUE PROVISION (MRP) — This is a statutory requirement to make an annual calculation of an amount or MRP considered prudent to offset against borrowings made under the Prudential Borrowing rules

PAST SERVICE COST — These will typically be additional benefits awarded on early retirement. This includes added years or augmentation and unreduced pension benefits awarded before eligible retirement age in the pension scheme.

PRECEPT — The levy made by precepting authorities including the County Council and Parish Councils, on the District Council requiring it to collect the required income from council taxpayers on their behalf.

PROJECTED UNIT METHOD — An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

a) the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases,
b) the accrued benefits for members in service on the valuation date.

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

RATEABLE VALUE	A value placed on all properties subject to Rating. The value is based on a national rent that property could be expected to yield after deducting the cost of repairs.
REVENUE EXPENDITURE	Recurring items of day to day expenditure consisting principally of Salaries and Wages, Debt Charges and general running expenses etc.
SETTLEMENTS	A settlement will generally occur where there is a bulk transfer out of the Pension Fund or from the employer's share of the Fund to a new contractor's share of the Fund as a result of an outsourcing. It reflects the difference between the IAS 19 liability transferred and the assets transferred to settle the liability
STRAIN ON FUND CONTRIBUTIONS	Additional employers pension contributions as a result of an employee's early retirement
SUNDRY CREDITORS	Amounts owed by the Authority at 31 March.
SUNDRY DEBTORS	Amounts owed to the Authority at 31 March.

WEST DEVON BOROUGH COUNCIL – TECHNICAL APPENDIX TO THE FINANCIAL STATEMENTS 2015/16

1	Financial Instruments and Capitalisation of Borrowing Costs
2	Defined Benefit Pension Schemes
3	Nature and Extent of Risks Arising from Financial Instruments

FINANCIAL INSTRUMENTS
CAPITALISATION OF BORROWING COSTS

Due to the costs of the Authority's Capital Programme, the Authority borrowed £2.1 million from the Public Works Loan Board (PWLB) on 2nd August 2007 at a fixed rate of 4.55% for 45 years and 6 months. This external borrowing was undertaken during 2007/2008 under the Prudential Code.

Any costs of borrowing are borne in the Comprehensive Income & Expenditure statement by interest charges and the Minimum Revenue Provision for the repayment of debt. The Minimum Revenue Provision (MRP) is charged on the Asset Life Method and provisions are made over the estimated life of the asset for which the borrowing is undertaken. MRP is applied in the financial year following the one in which the asset became operational.

For West Devon Borough Council the asset, Kilworthy Park offices, became operational in 2009/10 which means 2010/11 was the first year when MRP of £42,000 was applied (£2.1 million over 50 years).

FINANCIAL INSTRUMENTS BALANCES

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments

	Long-term			**Current**	
	31 March 2015 £000	**31 March 2016 £000**		**31 March 2015 £000**	**31 March 2016 £000**
Cash and cash equivalents	**-**	**-**		**1,245**	**321**
Investments					
Loans and receivables (principal)	2	0		6,000	7,875
Loans and receivables (accrued interest)				3	7
Total Investments	**2**	**0**		**6,003**	**7,882**
Debtors					
Loans and receivables	139	139			
Financial assets carried at contract amount				1,425	806
Total Debtors	**139**	**139**		**1,425**	**806**

	Long-term			Current	
	31 March 2015 £000	**31 March 2016 £000**		**31 March 2015 £000**	**31 March 2016 £000**
Creditors					
Financial liabilities at amortised cost (principle)	(2,100)	(2,100)			
Financial liabilities (accrued interest)				(16)	0
Financial liabilities at amortised cost	(315)	(221)			
Financial liabilities carried at contract amount				(3,020)	(2,605)
Total Creditors	**(2,415)**	**(2,321)**		**(3,036)**	**(2,605)**

Under accounting requirements the carrying value of the financial instrument value is shown in the balance sheet which includes the principal amount borrowed or lent and further adjustments for breakage costs or stepped interest loans (measured by an effective interest rate calculation) including accrued interest. Accrued interest is shown separately in current assets/liabilities where the payments/receipts are due within one year. The effective interest rate is accrued interest receivable under the instrument, adjusted for the amortisation of any premiums or discounts reflected in the purchase price.

FAIR VALUE OF ASSETS AND LIABILITIES

Financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost (in long term assets/liabilities with accrued interest in current assets/liabilities). Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the Public Works Loan Board (PWLB), borrowing rates have been applied to provide the fair value under PWLB debt redemption procedures;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

In addition for financial assets or liabilities not being carried at fair value (e.g. amortised cost) the Code of Practice requires disclosure of these fair values by each class of assets and liabilities.

The fair values are as follows:

£000s	31 March 2015		31 March 2016	
	Carrying amount	Fair Value	Carrying amount	Fair Value
PWLB debt	2,100	3,394	2,100	3,453
Long Term Debtors	139	139	139	139
Long Term Creditors	315	315	221	221

The Authority has used a transfer value for the fair value of financial liabilities. We have also calculated an exit price fair value of £2,838,398 with regards to the PWLB loan, which is calculated using early repayment discount rates. The Authority has no contractual obligation to pay these penalty costs and would not incur any additional cost if the loan runs to its planned maturity date.

RECOGNITION AND MEASUREMENT OF FINANCIAL INSTRUMENTS

The main measurement bases used by the Authority in preparing the treatment of Financial Instruments within its financial statements are as follows:

Financial Instrument	Basis of measurement	Note
Investments – Fixed Rate	Carrying amount adjusted for interest owed at year end.	Investments have both fixed term and fixed interest rates.
Investments – Other	Held at carrying value on basis of materiality.	Money Market Funds.
PWLB Debt	Carrying value and interest due at year end shown as a current liability.	Borrowing is both fixed term and fixed interest rate.
Operational Debtors	Held at invoiced amount less a provision for uncollectable debts.	Carrying amount is reasonable approximation of fair value for these short term receivables with no stated interest rate.
Operational Creditors	Held at invoiced amount	Carrying amount is reasonable approximation of fair value for these short term liabilities

1. DEFINED BENEFIT PENSION SCHEMES

A. GENERAL

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

The Authority participates in the Local Government Pension Scheme (LGPS).
The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2014, is contracted out of the State Second Pension and currently provides benefits based on career average revalued salary and length of service on retirement.

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

Contributions are set every 3 years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out as at 31 March 2016 and will set contributions for the period from 1 April 2017 to 31 March 2020. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions. Funding levels are monitored on an annual basis.

Further information can be found in Devon County Council Pension Fund's Annual Report, which is available upon request from the Devon Pension Services, Estuary House, Peninsula Park, Rydon Lane, Exeter EX2 7XB.

The figures have been prepared in accordance with International Accounting Standard 19 (IAS 19). The advice complies with all Generic Technical Actuarial Standards (TASs) and the Pension TAS. The report also complies with Financial Reporting Standard 17. The information supplied is from a report by Barnett Waddingham Public Sector Consulting.

The figures quoted form the basis of the balance sheet and funding status disclosures to be made by the Authority as at 31 March 2015 in respect of its pension obligations under the LGPS.

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2014/15; it is contracted out of the State Second Pension and benefits accrued up to 31 March 2015 are based on final salary and length of service on retirement. Changes to the LGPS came into effect from 1st April 2014 and any benefits accrued from this date will be based on a career average re-valued salary, with various protections in place for those members in the scheme before the changes take effect.

West Devon Borough Council is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees. This includes disclosure of any other employer provided benefits which are not paid from the Fund (Devon County Council Pension Fund) itself; examples include additional pensions paid on retirement under the Discretionary Payment Regulations.

The Actuaries are not aware of any material changes or events since the data used was received.

B. DATA SOURCE

In completing their calculations the Actuaries have used the following items of data, as received from Devon County Council:

- The results of the funding valuation as at 31 March 2015 which was carried out for funding purposes
- Estimated whole fund income and expenditure items for the period to 31 March 2015
- Estimated fund returns based on assets used for the purpose of the funding valuation as at 31 March 2015, a Fund asset statement as at 31 March 2015, and market returns (estimated where necessary) thereafter for the period to 31 March 2015
- Estimated Fund income and expenditure in respect of the Employer for the period to 31 March 2015
- Details of any new early retirements for the period to 31 March 2015 that have been paid out on an unreduced basis, which are not anticipated in the normal employer service cost.

EMPLOYER MEMBERSHIP STATISTICS

The table below summarises the membership data, as at 31 March 2013 for members receiving funded benefits, and as at 31 March 2016 for any members receiving unfunded benefits.

Member data summary	Number	Salaries/Pensions £000's	Average Age
Active	117	2,944	45
Deferred Pensioners	85	206	46
Pensioners	155	1,241	71
Unfunded Pensioners	37	84	78

UNFUNDED BENEFITS

In the year to 31 March 2015, £86,000 of unfunded benefits was paid.

C. ACTUARIAL METHODS AND ASSUMPTIONS

Valuation Approach

To assess the value of the Employer's liabilities as at 31 March 2015, the actuaries have rolled forward the value of the Employer's liabilities calculated for the funding valuation as at 31 March 2014, using financial assumptions that comply with IAS19.

The full actuarial valuation involved projecting future cashflows to be paid from the fund and placing value on them. These cashflows include pensions currently being paid to members of the scheme as well as pensions (and lump sums) that may be payable in the future to members of the fund and their dependants. These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member's death.

It is not possible to assess the accuracy of the estimated liability as at 31 March 2015 without completing a full valuation. However the actuaries are satisfied that the approach of rolling forward the previous valuation data to 31 March 2015 should not introduce any material distortions in the results provided that the actual experience of the Authority and the Fund is broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. There appears to be no evidence to suggest that this approach is inappropriate.

To calculate the asset share the assets have been rolled forward allowing the investment returns (estimated where necessary), contributions paid into, and estimated benefits paid from, the Fund by and in respect of the Authority and its employees.

Valuation Method

As required under IAS19, the projected unit method of valuation has been used to calculate the service cost. The basis for estimating includes both mortality and financial assumptions.

Basis for estimating assets and liabilities	**31st March 2016**	**31st March 2015**
Mortality assumptions:	**Years**	**Years**
Longevity at 65 for current pensioners		
- Men	22.9	22.8
- Women	26.2	26.1
Longevity at 65 for future pensioners (in 20 years)		
- Men	25.2	25.1
- Women	28.6	28.4

Basis for estimating assets and liabilities	**31st March 2016**	**31st March 2015**
Financial assumptions:	**%**	**%**
- RPI increases	3.2%	3.2%
- CPI increases	2.3%	2.4%
- Salary increases	4.1%	4.2%
- Pension increases	2.3%	2.4%
- Discount rate	3.6%	3.3%

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the tables above. The sensitivity analysis below is based on possible changes to the assumptions occurring at the end of the reporting period and assumes for each assumption change all other assumptions remain constant.

Basis for estimating assets and liabilities	**Decrease in assumption**	**No Change**	**Increase in assumption**
	£000	**£000**	**£000**
Rate of change in RPI inflation (increase or decrease by 1%)	19,518	20,163	20,808
Rate of change in CPI inflation (increase or decrease by 1%)	19,699	20,163	20,627
Rate of increase in salaries (increase or decrease by 1%)	19,336	20,163	20,990
Rate of increase in pensions (increase or decrease by 1%)	19,699	20,163	20,627
Rate of discounting scheme liabilities (increase or decrease by1%)	19,437	20,163	20,889

D. RESULTS AND DISCLOSURES

Transactions Relating to Post-Employment Benefits

The cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge made 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 [and Housing Revenue Account] 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.

Comprehensive Income & Expenditure Statement	**2015/16**	**2014/15**
	£000's	**£000's**
Cost of Services		
Service cost compromising		
- Current Service Cost	509	757
- Past Service Cost	156	47
Financing and Investment Income and Expenditure		
- Net Interest Expense	716	752
- Administration Expenses	10	12
Total Post-employment benefits charged to the Surplus or Deficit on the Provision of Services	**1,391**	**1,568**
Other post-employment benefits charged to the comprehensive income and expenditure statement		
Re-measurement of the net defined benefit liability compromising;		
- Change in demographic assumptions		
- Change in financial assumptions	3,088	(5,244)
- Experience loss/(gain)	37	(26)
- Return on fund assets in excess of interest	(579)	1,349
Total re-measurement recognised	2,546	(3,921)
Total post-employment benefits charged to the Comprehensive income and expenditure statement	**3,937**	**(2,353)**
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	(2,404)	3,943
Actual amount charged against the General Fund Balance for pensions in the year		
- Employers contributions payable to scheme	742	627

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:

Net Pension Liability	**31st March 2016**	**31st March 2015**
	£000's	**£000's**
Present value of the defined benefit obligation	42,012	44,426
Provision for Strain liability arising from future early retirements	0	149
Fair value of Fund assets	(22,827)	(23,526)
Deficit / (Surplus)	**19,185**	**21,049**
Present value of unfunded obligation	978	1,100
Net Liability Arising from Defined Benefit Scheme	**20,163**	**22,149**

Reconciliation of opening and closing balances of the fair value of Fund assets	**31st March 2016**	**31st March 2015**
	£000's	**£000's**
Opening fair value of Fund assets	**23,526**	**21,741**
Interest on assets	762	946
Return on assets less interest	(579)	1,349
Administration expenses	(10)	(12)
Contributions by employer including unfunded	831	838
Contributions by Scheme participants	160	183
Estimated benefits paid plus unfunded net of transfers in	(1,863)	(1,519)
Closing Fair value of Fund Assets	**22,827**	**23,526**

Reconciliation of opening and closing balances of the present value of the defined benefit obligation	**31st March 2016**	**31st March 2015**
	£000's	**£000's**
Opening defined benefit obligation	**45,675**	**39,239**
Current service cost	658	608
Provision for Strain liability	(149)	149
Interest cost	1,478	1,698
Change in financial assumptions	(3,088)	5,244
Experience loss / (gain) on defined benefit obligation	(37)	26
Estimated benefits paid net of transfers in	(1,777)	(1,430)
Past service costs, incuding curtailments	156	47
Contributions by Scheme participants	160	183
Unfunded pension payments	(86)	(89)
Closing defined benefit obligation	**42,990**	**45,675**

Pension Scheme Assets

Employer asset share	31st March 2016		31st March 2015	
	£000's	%	£000's	%
Gilts	750	3%	1,497	6%
UK equities	5,489	24%	5,799	25%
Overseas equities	7,412	32%	8,115	34%
Property	2,524	11%	2,352	10%
Infrastructure	951	4%	652	3%
Target return portfolio	3,307	15%	3,469	15%
Cash	423	2%	406	2%
Other bonds	656	3%	818	3%
Alternative assets	1,315	6%	418	2%
Total	**22,827**	**100%**	**23,526**	**100%**

Of the total fund asset at 31 March 2016, the following table identifies the split of those assets with a quoted market price and those that do not:

Employer Asset Share – Bid Value		31 March 2016	
		% Quoted	% Unquoted
Fixed interest government securities	UK	0.1%	-
	Overseas	3.2%	-
Corporate bonds	UK	0.2%	
	Overseas	2.7%	
Equities	UK	22.5%	1.6%
	Overseas	28.3%	4.0%
Property	All	-	11.1%
Others	Absolute return portfolio	14.5%	-
	Infrastructure	-	4.2%
	Multi sector credit fund	5.8%	-
	Cash/Temporary investments	-	1.7%
Net current assets	Debtors	-	0.1%
	Creditors	-	(0.0%)
Total		**77.3%**	**22.7%**

2. Nature and Extent of Risks Arising from Financial Instruments

Key risks

The Authority's activities expose it to a variety of financial risks. The key risks are:

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

Overall procedures for managing risk

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

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

These are required to be reported and approved at or before the Authority sets the annual council tax budget or before the start of the year to which they relate. These items are reported within either the annual treasury management strategy or the Capital Programme and Prudential Indicators report which outlines the detailed approach to managing risk in relation to the Authority's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The annual treasury management strategy and annual investment strategy and the Capital Programme which incorporates the prudential indicators was approved by Council in 2015. All of these documents are available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2015/16 was set at £6m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £3m. This is the expected level of debt and other long term liabilities during the year.

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

Credit risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. The Council applies the creditworthiness service provided by Capita Asset Services. The creditworthiness methodology used to create the counterparty list fully accounts for ratings and watches published by all three ratings agencies with a full understanding of what these reflect in the eyes of each agency. Using the Capita Asset ratings service, banks' ratings are monitored on a real time basis with knowledge of any changes notified electronically. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Details of the Investment Strategy can be found on the Authority's website:

www.westdevon.gov.uk

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Authority.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £3 million cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of recoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2015 that this was likely to crystallise.

No breaches of the Authority's counterparty criteria occurred during the reporting period and the Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Authority does not generally allow credit for its customers, the past due amount can be analysed by age as follows:

	31 March 2015 £000's	31 March 2016 £000's
Less than three months	288	44
Three to six months	19	23
Six months to one year	29	33
More than one year	130	164
Total	**466**	**264**

Collateral

During the reporting period the Authority held no collateral as security.

Liquidity risk

The Authority manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Authority has ready access to borrowing from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Authority is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.
The maturity analysis of financial assets, excluding sums due from customers, is as follows:

	31 March 2015 £million	31 March 2016 £million
Less than one year	6	8
Between one and two years	0	0
Between two and three years	0	0
More than three years	0	0
Total	**6**	**8**

Refinancing and Maturity risk

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

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

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Authority's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period:

	Approved minimum limits	Approved maximum limits	Actual 31 March 2015 £million	Actual 31 March 2016 £million
Less than 1 year	0%	10%	0	0
Between 1 and 2 years	0%	10%	0	0
Between 2 and 5 years	0%	30%	0	0
Between 5 and 10 years	0%	50%	0	0
More than 10 years	0%	100%	2.1	2.1
Total			**2.1**	**2.1**

Market risk

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

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

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

The Authority has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy and the Capital Programme and Prudential Indicator report draws together the Authority's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The finance team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

Price risk - The Authority, excluding the pension fund, does not generally invest in equity shares or marketable bonds.

Foreign exchange risk - The Authority has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

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