

South Hams Audit Committee



Title:	Agenda
Date:	Thursday, 24th September, 2015
Time:	10.00 am
Venue:	Cary Room - Follaton House
Full Members:	<p style="text-align: center;">Chairman Cllr Pennington Vice Chairman Cllr Wingate</p> <p><i>Members:</i> Cllr Bramble Cllr Foss Cllr Brazil</p>
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
1. Minutes	1 - 6
to approve as a correct record and authorise the Chairman to sign the minutes of the Audit Committee held on 30 July 2015	
2. Urgent Business	
Brought forward at the discretion of the Chairman;	
3. Division of Agenda	
To consider whether the discussion of any item of business is likely to lead to the disclosure of exempt information;	
4. Declarations of Interest	
Members are invited to declare any personal or disclosable pecuniary interests they may have, including the nature and extent of such interests, in any items to be considered at this meeting;	
5. Presentation from Mark Gayler (Assistant County Treasurer, Investments and Treasury Management) of Devon County Council on the Pension Fund	
6. Annual Governance Statement 2014-15	7 - 28
to consider a report that informs that no changes are required to the AGS from the version which was considered and approved at the July 2015 Audit Committee	
7. Annual Statement of Accounts 2014-15	29 - 132
to consider a report that presents a summary of net revenue and capital expenditure for Members consideration	
8. The Audit Findings for South Hams District Council	133 - 162
to consider a Grant Thornton report that presents their findings for the year ending 31 March 2015	
9. The Use of Agency Staff	163 - 172
to consider a report that provides an update of the Council's use of agency staff	
10. Update on Progress on the 2015/16 Internal Audit Plan	173 - 184
to consider a report that informs Members of the principal activities and findings of the Council's Internal Audit team for 2015/16	

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**MINUTES OF A MEETING OF THE AUDIT COMMITTEE
HELD AT FOLLATON HOUSE, TOTNES ON THURSDAY 30 JULY 2015**

Members in attendance * Denotes attendance ∅ Denotes apology for absence			
*	Cllr I Bramble	*	Cllr J T Pennington (Chairman)
*	Cllr J Brazil	∅	Cllr K R H Wingate (Vice-Chairman)
∅	Cllr R J Foss		

Members also in attendance:
Cllrs H D Bastone, T R Holway and S A E Wright

Item No	Minute Ref No below refers	Officers and Visitors in attendance
All Items		Group Manager – Support Services, S151 Officer, Devon Audit Partnership Manager, Senior Specialist – Democratic Services, Chief Accountant, Finance Business Partner and Corporate Procurement Officer

A.6/15 APPOINTMENT OF VICE-CHAIRMAN

RESOLVED

That Cllr I Bramble be appointed Vice-Chairman for the duration of this meeting.

A.7/15 MINUTES

The minutes of the meeting held on 25 June 2015 were confirmed as a correct record and signed by the Chairman.

A.8/15 DECLARATIONS OF INTEREST

Members and officers were invited to declare any interests in the items of business to be considered during the course of the meeting, but none were made.

A.9/15 DRAFT STATEMENT OF ACCOUNTS 2014/15

The Committee was presented with a report that introduced the draft Statement of Accounts for 2014/15. In summary, the report advised that a surplus of £34,000 had been generated in 2014/15, which had been transferred to the General Fund Balance (unearmarked revenue reserve).

In discussion, reference was made to:

- (a) the pension scheme assets and liabilities. A briefing note was tabled to the meeting that provided more details regarding the pension scheme assets and liabilities. A lengthy debate ensued during which Members raised a number of concerns at the pension liability increasing by 43% over the course of the year. The S151 Officer took Members through the briefing note which explained that the increase in the liability was due to a change in the actuarial assumptions in 2014/15. It was noted that the increased liability was mainly due to the fall in the discount rate assumption from 4.4% to 3.3%. It was also stated that if the same valuation exercise had been repeated just two weeks later (when the discount rate had risen), the increase in liability would have been reduced considerably.

As a consequence of Member concerns, the Committee requested that a representative from Devon Pensions be invited to attend the next meeting on 24 September 2015 to provide a presentation and respond to Member questions.

The Committee also noted that the pension fund deficit (as reported in the accounts) did not represent an immediate call on the Authority's reserves, but simply provided an accounting valuation snapshot (at 31 March 2015), with the value of assets and liabilities changing on a daily basis. Assurances were also given that this did not affect the Council's 'bottom line' and was reversed out of the revenue account;;

- (b) the analysis of variations. Members commented that the analysis was particularly useful and the additional income generated from planning applications and employment estates were particularly noteworthy. In contrast, a Member felt that the reduction in income for the Lower Ferry, Car Parks and Trade Waste were causes for concern. In acknowledging the point, the lead Executive Member for Support Services informed that the Executive was aware of these reductions and measures were being considered to reverse these trends;

- (c) the comprehensive income and expenditure statement. The Chairman queried as to why there were large variations on the statement in relation to 'central services to the public', 'cultural and related' and 'planning'. In reply, the S151 Officer advised that the variations were largely as a consequence of:-

- 'central services to the public' – there were two main reasons for this variation, namely the land charges settlement around personal search fees and the cost of the European elections;
- 'cultural and related' – this variation was due to the revaluation of Ivybridge Leisure Centre; and
- 'planning' – this variation was attributed to the £440,000 additional income generated by the service.

- (d) the Transformation Programme. The Committee was assured that the

Programme remained on track in respect of the anticipated projected savings.

It was then:

RESOLVED

1. That the draft Statement of Accounts for the financial year 31 March 2015 be noted; and
2. That a representative from Devon Pensions be invited to attend the next Committee meeting on 24 September 2015 to provide a presentation and respond to Member questions.

A.10/15 ANNUAL GOVERNANCE STATEMENT 2014/15

The S151 Officer presented a report that provided Members with information to enable them to independently examine the draft Annual Governance Statement and the supporting process and assurance streams.

A Member commented on the robustness of the Collaboration Agreement which had recently been signed by both the Council and West Devon Borough Council in the event of a future situation whereby both councils may not be in agreement over an issue.

It was then:

RESOLVED

1. That the process adopted for the production of the 2014/15 Annual Governance Statement be noted;
2. That the adequacy and effectiveness of the system of internal audit be endorsed; and
3. That Members have considered the draft Annual Governance Statement (AGS) for 2014/15 and the supporting evidence provided in the report and approve it for the signature of the Leader of Council and the Head of Paid Service.

A.11/15 CONTRACT PROCEDURE RULES

Members considered a report that allowed them to carry out an overview of the updated Contract Procedure Rules to enable them to ultimately recommend their adoption to the Council.

The Corporate Procurement Officer took the Committee through the report

and summarised the proposed key changes to the Rules.

In discussion, the following points were raised:-

- (a) Members highlighted some concerns regarding the proposal to remove the need for a Member to oversee the opening of tenders which were under the EU threshold. The view was expressed that this would result in the removal of a control mechanism in the process which would be detrimental. In reply, the officer talked the Committee through the safeguards associated with the online procurement portal and confirmed that Internal Audit would still have a role to play in reviewing the completed outcome sheets;
- (b) When questioned, officers confirmed that the Contract Procedure Rules did not relate to Section 106 Agreements. However, the proposed changes could have an impact on the Council's Financial Procedure Rules and officers informed that they would check this point.

It was then:

RECOMMENDED

That the updated version of the Contract Procedure Rules has been reviewed and that the Council be **RECOMMENDED** to approve them for adoption.

A.12/15 ROLE OF INTERNAL AUDIT – BRIEFING PAPER

Further to the Committee decision at its last meeting (Minute A.5/15 refers), a briefing paper was presented that summarised the roles, responsibilities and functions of the Council's Internal Audit Service.

It was then:

RESOLVED

That the paper be noted.

A.13/15 CHAIRMAN'S CONCLUDING COMMENTS

The Chairman informed that this was the last Audit Committee meeting before the Chief Accountant left the employ of the Council. On behalf of the Committee, the Chairman wished to thank him for his hard work and dedication and wished him a long and happy retirement.

In response, the Chief Accountant wished to formally thank Members for their support and, in particular, the Committee Chairman for whom he had worked so closely with during his twenty-five years employ with the Council.

(Meeting commenced at 10.00 am and finished at 12 noon)

Chairman

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Report to: **Audit Committee**

Date: **24 September 2015**

Title: **ANNUAL GOVERNANCE STATEMENT 2014-15**

Portfolio Area: **Support Services – Cllr S Wright**

Wards Affected: **All**

Relevant Scrutiny Committee: **Overview and Scrutiny Panel**

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

Author: **Lisa Buckle** Role: **Finance Community of Practice Lead (S151 Officer)**

Contact: lisa.buckle@swdevon.gov.uk, **(01803) 861413**

Recommendations:

It is recommended that:

- 1. Members note that no changes were required to the Annual Governance Statement (AGS) 2014/15 from the version considered and approved at the July 2015 Audit Committee.**

1. Executive summary

- 1.1** Regulation 4(3) of the Accounts and Audit (England) Regulations 2011 requires all relevant bodies to prepare an Annual Governance Statement (AGS).
- 1.2** The purpose of the AGS is to provide evidence of a continuous review of the Council's internal control and risk management processes, to provide assurance as to their effectiveness and to identify actions being taken or planned to address any key weaknesses identified.

1.3 *No new significant issues have been identified for inclusion in the AGS, so the Statement remains unchanged from the version presented to and approved by the July 2015 Audit Committee. The final AGS for 2014-15 is attached to this report and must be signed by the Leader and the Head of Paid Service, as leading member and most senior officer*

2. Background

2.1 The Accounts and Audit (Amendment) (England) Regulations 2006 also introduced a requirement to include an annual review of the effectiveness of the internal audit system.

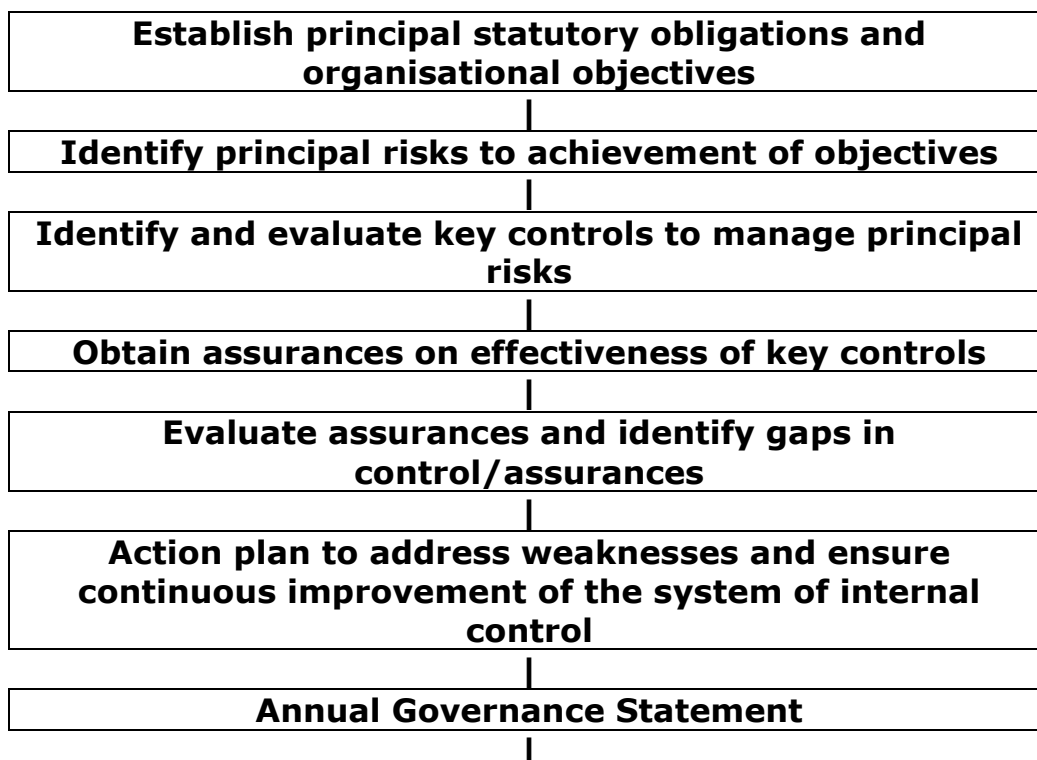
2.2 The Code of Practice on Local Authority Accounting also requires that, within the AGS, there should be a statement on whether the Authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

2.3 Maintaining sound systems of internal control and risk management enables the council to monitor and review the key risks that may prevent it from achieving its corporate and service objectives.

3. Outcomes/outputs

3.1 The purpose of the AGS process is to provide a continuous review of the effectiveness of an organisation's internal control and risk management, in order to give assurance as to their effectiveness and/or to produce a management action plan to address identified weaknesses in either process.

3.2 The diagram sets out the key stages for the review of governance internal control and the AGS assurance gathering process as follows:



Report to delegated member body.

4. Options available and consideration of risk

- 4.1 The purpose of the AGS is to provide evidence of a continuous review of the Council's internal control and risk management processes, to provide assurance as to their effectiveness and to identify actions being taken or planned to address any key weaknesses identified.
- 4.2 Continuous review of the effectiveness of the Council's internal audit system is conducted by the Audit Committee whose terms of reference include, specifically, inter alia:
- o To agree the annual Internal Audit Plan
 - o To monitor the progress and performance of Internal Audit
 - o To consider the Head of the Devon Audit Partnership's annual report, and comment annually on the adequacy and effectiveness of internal control systems within the Council

5. Proposed Way Forward

- 5.1 The Annual Governance Statement (AGS) sets out any significant governance issues identified and progress made against these.
- 5.2 *No new significant issues have been identified for inclusion in the AGS, so the Statement remains unchanged from the version presented to and approved by the July 2015 Audit Committee. The final AGS for 2014-15 is attached to this report and must be signed by the Leader and the Head of Paid Service, as leading member and most senior officer.*

6. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance		Regulation 4(3) of the Accounts and Audit (England) Regulations 2011 requires all relevant bodies to prepare an Annual Governance Statement. There is also a requirement under the Accounts and Audit (Amendment) (England) Regulations 2006 for the AGS to include a review of the effectiveness of the internal audit system.
Financial		There are no direct financial implications arising directly from this report.

Risk		<p>The statutory responsibility to publish an Annual Governance Statement requires the Council to review its key risks, and to identify and publish the actions that it intends taking to improve or resolve those risks.</p> <p>These risks primarily relate to the achievement of the Council's core objectives and strategies and, therefore, the AGS provides an opportunity to formally review governance structures and processes that underpin their delivery.</p>
Comprehensive Impact Assessment Implications		
Equality and Diversity		There are no specific issues arising from this report.
Safeguarding		There are no specific issues arising from the report.
Community Safety, Crime and Disorder		There are no specific issues arising from the report.
Health, Safety and Wellbeing		There are no specific issues arising from the report.
Other implications		None identified.

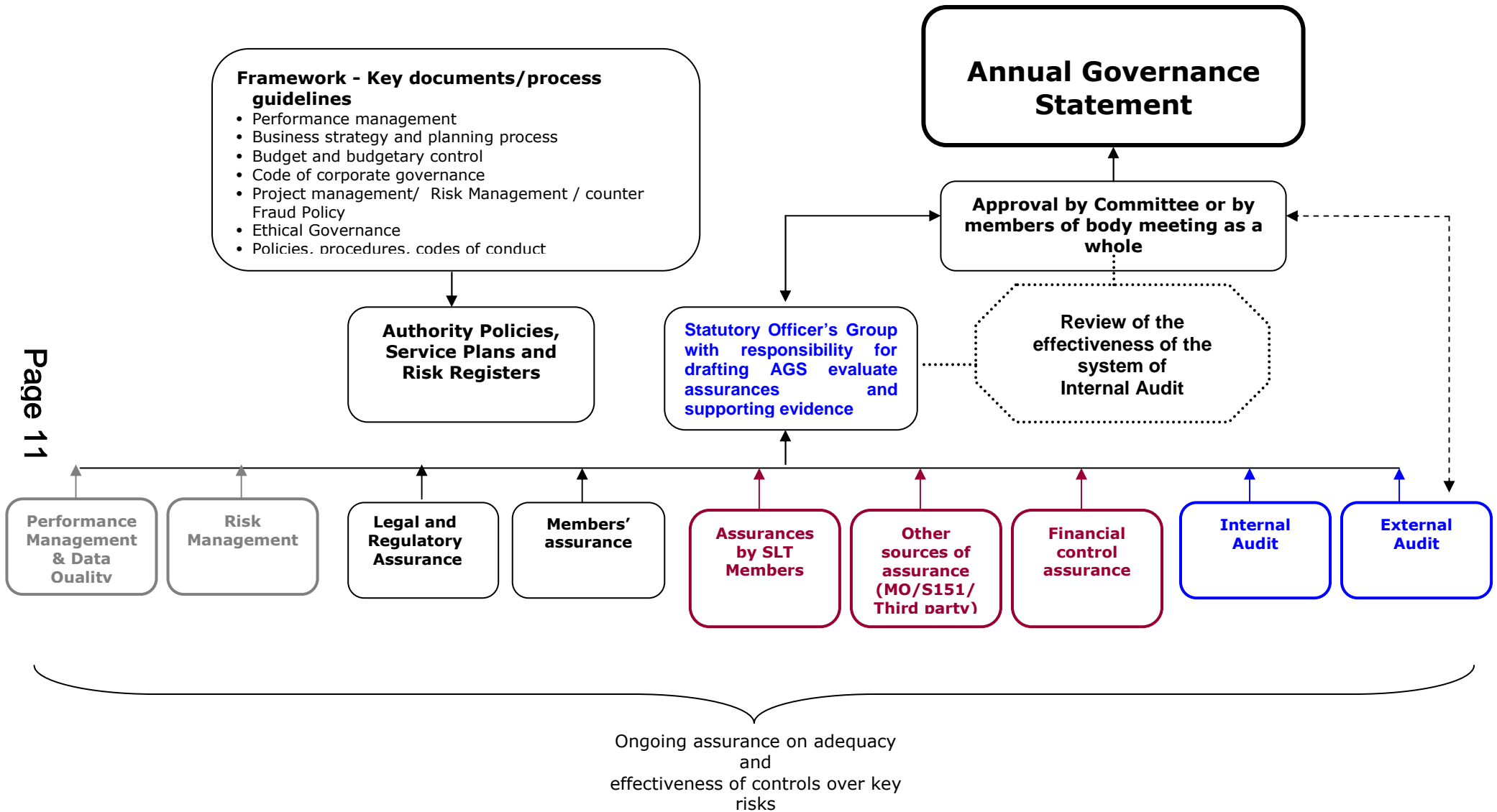
Supporting Information

Background Papers:

July 2014 Audit Committee report – Annual Governance Statement

Process checklist	Completed
Portfolio Holder briefed	Yes
SLT Rep briefed	Yes
Relevant Exec Director sign off (draft)	Yes
Data protection issues considered	Yes
If exempt information, public (part 1) report also drafted. (Committee/Scrutiny)	N/A

ANNUAL GOVERNANCE STATEMENT FRAMEWORK



South Hams District Council Annual Governance Statement 2014 – 2015

1. Scope of Responsibility

South Hams District Council is responsible for ensuring that:

- its business is conducted in accordance with legal requirements and proper standards
- public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.

The Council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, South Hams District Council is also responsible for ensuring that there is a sound system of governance (incorporating the system of internal control) and maintaining proper arrangements for the governance of its affairs, which facilitate the effective exercise of its functions, including arrangements for the management of risk.

South Hams District Council and West Devon Borough Council have been shared services partners since 2007. As two of the very first Councils to share a Chief Executive in 2007, the Councils have been bold in challenging the traditional local government model and have always been at the forefront of radical change and innovation.

In June 2014 Council, Members agreed a Senior Leadership Team Structure across both South Hams and West Devon. This included adopting an Executive Director model to take both Councils forward into the future. The abolition of the traditional Chief Executive role is saving the equivalent of 1% per annum in Council Tax.

The Councils' joint Senior Leadership Team has reduced from 10 down to 6 posts, 2 Executive Directors and 4 Group Managers. Five of these posts were filled by external applicants. Recruitment to the new structure took place between September 2014 and January 2015 and the new Executive Directors and Group Managers took up their posts between January and May 2015. This has been a significant change for the Council.

The Council's Community of Practice Lead for Finance is the officer with statutory responsibility for the administration of the Council's financial affairs as set out in section 151 of the Local Government Act 1972.

The S.151 Officer, who acts as the Chief Financial Officer (CFO), will have responsibility for the administration of the financial affairs of the Council; will contribute to the corporate management of the Council, in particular through the provision of professional financial advice; will provide advice on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity, and budget and policy framework issues to all Members and will support and advise Members and officers in their respective roles; and, will provide financial information to the media, Members of the public and the community. (Constitution Article 10)

The CFO leads the promotion of good financial management including through the provision and publication of Financial and Contract Procedure Rules. The Council's S.151 Officer is a qualified accountant.

2. The Purpose of the Governance Framework

The governance framework comprises the cultural values, systems and processes used by the Council to direct and control its activities, enabling it to engage, lead and account to the community. The framework allows the Council to monitor the achievement of its strategic objectives and to consider whether appropriate, cost-effective services have been delivered.

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

The governance framework was in place at South Hams District Council for the year ended 31 March 2015 and is expected to continue up to the date of approval of the Accounts by the Audit Committee.

The Chartered Institute of Public Finance and Accountancy (CIPFA) have identified six principles (key elements) of corporate governance that underpin the effective governance of all local authorities. South Hams District Council has used these principles when assessing the adequacy of its governance arrangements. The main items that contribute to these key elements are listed below:

Core principle/key element 1: focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area

- The Council's policies, aims and objectives are well established and monitored at various levels, for example forward plans, annual service planning process and personal development reviews
- The Council's adopted Priorities are confirmed in Article 6 of the Constitution and are published on the Council's website
- The Strategic direction is communicated to the citizens and service users through the Council's web-site; a magazine 'South Hams Living' which also contains contributions from Devon County Council and the National Health Service and is available via Twitter and Facebook;
- On 11 December 2014 the Executive considered the 'Our Plan' strategic plan, setting out a vision, long term priorities and planning policies that are in line with the National Planning Policy Framework. The link is below:

<http://www.southhams.gov.uk/article/8300/Thursday-11-December-2014>

Through 'Our Plan' we are striving to achieve communities that have access to housing, employment, services and facilities that meet their needs, communities that are resilient, safe and able to make choices about their future. Our communities are places where businesses can develop and grow. We want to ensure the plan makes a positive contribution to the equality, fairness and spiritual wellbeing of our communities.

The Our Plan Objectives are:-

Our Wellbeing
 Our Communities
 Our Homes
 Our Economy
 Our Infrastructure
 Our Environment
 Our Heritage
 Our Resources

- The Councils 'Purpose', priorities and objectives appear on the front page of the intranet for all staff and as the main screen;
- All staff briefings undertaken by SLT to articulate the vision and new ways of working;
- The Council's corporate strategy (T18) is being implemented supported by a detailed project plan that has been made widely available;
- Regular consultation is undertaken on a range of issues;
- The Council's budget book shows financial plans at a detailed level for the financial year;
- Effective budgetary monitoring takes place regularly by SLT;

- Cashable and non-cashable savings identified in the T18 programme are on target;
- Performance management and reporting is embedded including quarterly reporting to the Corporate Performance and Resources Scrutiny Panel;
- Scrutiny teams have delivered tangible outcomes.

Core principle/key element 2: members and officers working together to achieve a common purpose with clearly defined functions and roles

- There is a single organisation approach between Members and Officers
- The Council's Constitution clearly states the roles and responsibilities of Members and Senior Officers
- Terms of reference for Committees and Member responsibilities are clearly defined
- Clear delegations and accountabilities are laid down in the Constitution
- Officers are appointed with clear job descriptions
- Adoption of statutory and professional standards
- Compliance with Financial Regulations and Contract Procedure Rules that are reviewed and approved by the Council
- Appropriate segregation of duties and management supervision
- The role of the Chief Finance Officer (s151 Officer), as documented in the Constitution, has responsibility for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and maintaining an effective system of internal financial control
- The role of the Monitoring Officer (MO), as documented in the Constitution, has responsibility for ensuring agreed procedures are followed and that all applicable statutes and regulations are complied with.
- There is an annual process to review and agree the Pay Policy Statement in accordance with the Localism Act Section 38.

Core principle/key element 3: promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

- The Council's T18 programme clearly identifies its priorities, goals and promises statement which exemplifies its vision and values
- Performance measures are linked to drivers, goals and the service/Council priorities and these have continued through 2014/15.
- The Council uses a suite of performance indicators that includes measurement of the quality of service. A 'Balanced Scorecard' system of regular reporting of the key indicators to the Senior Leadership

Team (SLT) and Members (Corporate Performance and Resources Scrutiny Panel) is in place.

- The Council publishes a **Medium Term Financial Strategy (MTFS)** each year, which covers a four year period. That for the period 2014/15–2017/18 was approved by the Executive in July 2013 and has regard to the Priorities, business planning – pressures and savings
- Staff assessed against a set of key behaviours to establish the right values and culture
- The Council’s whistle-blowing policy, known as the Confidential Reporting Policy, is available to all staff on the Council’s Intranet (including Frequently Asked Questions) and is also publicised internally on an occasional basis to maintain its profile.
- The Council’s Constitution also defines the roles of Members and officers. Part 5 of the Constitution includes a Protocol on Councillor / Officer Relations, which is planned to be reviewed in 2015/2016. The Protocol is a guide to Members and Officers in their dealings with each other, and applies equally to co-opted Members of Council bodies in their dealings with officers where appropriate.
- There are codes of conduct in place for Members and Officers
- The Corporate Performance and Resources Scrutiny Panel is responsible for overseeing the Members’ Code of Conduct and good governance by Members, and its terms of reference are set out in the Constitution
- There is an effective Audit Committee in place with clear terms of reference.

Core principle/key element 4: taking informed and transparent decisions which are subject to effective scrutiny and management of risk

In 2014/15, the Council had three Overview and Scrutiny Panels:

Community Life and Housing; Corporate Performance and Resources; and Economy and Environment.

- Members on the Panels receive training on effective scrutiny practices
 - Decisions taken are formally minuted
 - Committee Members are aligned to service areas and regularly communicate with and provide strategic direction to the relevant SLT lead
-
- The formal management of risk is in place and subject to monitoring by the Senior Leadership Team and reporting to the Audit Committee. The risk management process includes an approved Policy (April

2012), a Risk Management Group, risk registers, systems for identifying emerging risks, consideration of risk and opportunities in reports to Members and project management. A review of this approach by Internal Audit has identified areas for continuous improvement as a result of the changes under the T18 programme. This has been addressed by the SLT through the Statutory Officers Group in the next financial year.

- A separate risk register is maintained for the T18 Transformation Programme.
- Active health and safety arrangements, including a robust policy, reviewed and approved by members, regular consideration of issues at SLT. A Joint Health and Safety Group is in the process of being set up.
- Continuous managerial review of services to ensure continuous improvement and the economic, effective and efficient use of resources
- Financial management arrangements, where managers are responsible for managing their services within available resources and in accordance with agreed policies and procedures. Elements include:
 - monthly review of budgetary control information by budget officers and SLT, to compare expected and actual performance
 - quarterly budget monitoring reports to the Executive
- formal quarterly budgetary monitoring reports reviewed as part of the T18 programme by the Corporate Performance and Resources Scrutiny Panel
- Active performance management arrangements
- A robust complaints/ compliments procedure is in place and is widely publicised
- Freedom of Information requests are dealt with in accordance with established protocols
- All committee reports include reference where relevant to the potential impact on the Council's priorities and community plan themes, and address as appropriate any financial, staffing, risk, legal and property implications.

Core principle/key element 5: developing the capacity and capability of members and officers to be effective

- An induction programme is in place for Officers and Members
- A Member training and development programme is in operation
- Deputy s151 and Monitoring Officer in place
- Officer training programmes are considered at each Personal Development Review

Core principle/key element 6: engaging with local people and other stakeholders to ensure robust public accountability

- The Community Strategy Our Plan was considered by Members in December 2014.
- There is regular community engagement and participation both in general and for specific community groups and services provided, for example, Parish Councils
- Committee and Council meetings are open to the public, with papers available in advance on the internet (save where 'exempt' under the Local Government Act 1972 following formal evaluation of the public interest)

1. Process for maintaining and reviewing effectiveness of the Council's Governance arrangements

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. This responsibility is in practice carried out by Senior Managers, with the Executive Director informing the Executive of any significant matters warranting their attention.

The Council ensures the delivery of services in accordance with Council policies and budgets, which includes long term financial planning, good financial management and ensuring up to date risk management across the Council.

In 2014/15, the Council had three Overview and Scrutiny Panels:

- Community Life and Housing;
- Corporate Performance and Resources; and
- Economy and Environment

Overview and Scrutiny is responsible for performing a review function which in 2014/15 included specific work on;

- The Code of Conduct and General Dispensations;
- Gypsies and Travellers Site Provision;
- Affordable Housing Delivery Models;
- Empty Homes Strategy;
- Disabled Facilities Grants;
- Waste Policy;
- Managing Coastal Assets;
- Rural Broadband;
- Fees and Charges;

The Overview and Scrutiny Panels continued to review and scrutinise the Council's performance monitoring reports via T18 programme against the Council's corporate strategy and quarterly performance indicator reports.

In addition, the Panels also considered agenda items related to the attendance of representatives from the following external agencies/partners:

- South West Water;
- The Community Safety Partnership;
- The Citizens' Advice Bureau;
- Tone Leisure;
- Devon Carers;
- Devon and Cornwall Housing; and

Devon Clinical Commissioning Group.

The Audit Committee has a specific role in relation to the Council's financial affairs including the internal and external audit functions and monitors the internal workings of the Council (broadly defined as 'governance'). It is responsible for making sure that the Council operates in accordance with the law and laid down procedures and is accountable to the community for the spending of public money. The Audit Committee reviewed all aspects of the Council's strategic performance and resource management arrangements, including budgeting, accounting and treasury management.

The review of effectiveness of the system of internal control is informed by three main sources: the work of Internal Audit; by managers who have responsibility for the development and maintenance of the internal control environment; and also by comments made by external auditors and other review agencies/inspectorates.

Internal Audit

South Ham's responsibility for maintaining an effective internal audit function is set out in Regulation 6 of the Accounts and Audit Regulations 2011. This responsibility is delegated to the Community of Practice Finance lead and S151 Officer.

The Internal Audit Shared Service Team operates in accordance with best practice professional standards and guidelines. It independently and objectively reviews, on a continuous basis, the extent to which the internal control environment supports and promotes the achievement of the Council's objectives and contributes to the proper, economic, efficient and effective use of resources. All audit reports go to the Senior Leadership Team who agree any recommendations. Members receive an annual report of internal audit activity and approve the annual audit plan for the forthcoming year.

The Internal Audit annual report for 2014/15 was considered by the Audit Committee on 25 June 2015 and Members endorsed the adequacy and effectiveness of the system of internal audit for the year end 31 March 2015. That endorsement forms part of the Annual Governance Statement for 2014/15 along with the Chief Auditors assurance opinion that "overall and based on work performed during 2014/15, and that of our experience from previous years audit, Internal Audit is able to provide reasonable assurance on the adequacy and effectiveness of the Authority's internal control framework".

Senior Managers

Individual managers are responsible for establishing and maintaining an adequate system of internal control within their own sections and for contributing to the control environment on a corporate basis. There are a

number of significant internal control areas which are subject to review by internal audit. All managers acknowledge their responsibilities and confirm annually that they have implemented and continuously monitored various significant controls. This is done on a checklist covering the following areas: Council objectives and service plans, staffing issues, corporate procedure documents, service specific procedures, risk management, performance management and data quality, and action on independent recommendations. This checklist is reviewed by the Executive Directors.

External auditors and other review agencies/inspectorates

Our external auditors have not identified any significant weaknesses in our internal control arrangements when working with us throughout the year and in their annual audit letter.

The annual audit letter contained one medium priority recommendation around segregation of duties within payroll. This has been addressed by the new structure adopted by the Transformation Programme and this service is now performed within Service Processing.

Significant Governance Issues

However, the following action plan has been drawn up to address the weaknesses identified and ensure continuous improvement of systems or to deal with governance issues:

Issues and action plan from the Compliance Review of the Code of Corporate Governance

Principle 1: Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area:

Issue Identified	Action to be Taken	Responsible Officer & Target Date
<p>T18 Transformation Programme</p> <p>South Hams District Council and West Devon Borough Council have undertaken innovative plans to transform the way the Councils carry out their work.</p> <p>The new operating model ensures the way the Councils deliver their services to residents and communities remains at the very heart of everything the Councils do. Internally this is known as the T18 Transformation Programme.</p> <p>The changes have cast aside the traditional ways of local government, and long-established Council departments will be replaced by customer-focussed teams of officers who will work out of the office and more within the community.</p> <p>The Councils have invested in the latest technology to enable residents and businesses to conduct their business online 24 hours a day, seven days a week. Those who prefer will still be able to contact the councils in the conventional way, such as by phone or through visiting the council's offices.</p> <p>The Councils' workforce will be smaller, reducing the need for office accommodation, and all staff roles will change.</p> <p>Grant Thornton assessed the outline business plan for the T18 Transformation Programme to determine its fitness for purpose. Their report dated October 2013 provided conclusions for 'meeting the financial challenges', use of reserves, staff costs including ratios, and governance.</p>	<p>The Head of Paid Service, S.151 Officer, Monitoring Officer and Internal Audit Manager will monitor the governance of the T18 Transformation Programme and its impact on the Constitution including the related Procedure Rules.</p> <p>South Hams District Council and West Devon Borough Council were recognised on a national stage in March 2015, receiving the Gold Award for 'Delivering through Efficiency' and the Silver Award for 'Council of the Year' at the Improvement and Efficiency Social Enterprise Awards (iESE). The awards celebrate Councils who are developing new ways of working and transforming public service delivery to improve services and reduce costs.</p>	<p>Head of Paid Service S.151 Officer Monitoring Officer Internal Audit Manager Timescale in line with the Programme.</p>

<p>In addition, two senior officers of independent Councils, with Grant Thornton, were asked to provide an objective opinion to Members on whether or not T18 should deliver the estimated savings and to comment on the risk management aspects of the project risk.</p> <p>The above reports were formally presented to the Audit Committee in December 2013, after having been circulated to all Members. An action plan for the relevant findings from the assurance reports and how the Council will address them was also included.</p> <p>A separate T18 Risk Register is maintained by the S151 Officer and describes the risks, their impact and likelihood, and the mitigating actions being taken.</p>	<p>Quarterly monitoring reports on the Transformation Programme are presented to the Council's Corporate Performance and Resources Scrutiny Panel.</p> <p>The T18 risk register is reviewed quarterly as a minimum by the Senior Leadership Team (SLT) and Programme Board, and is presented to the Audit Committee every six months. This will continue for the duration of the programme.</p>	<p>Senior Leadership Team Programme Board Audit Committee Duration of the programme.</p>
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Principle 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles:

Issue Identified	Action to be Taken	Responsible Officer & Target Date
<p>Collaboration Agreement</p> <p>Last year it was reported that the Monitoring Officer was in the process of reviewing an Overarching Agreement between the two Councils, which will also include responsibilities relating to contract liabilities e.g. costs incurred in relation to disputes by one of the two Councils only under a shared contract. A 'Collaboration Agreement' was approved by both South Hams District Council and West Devon Borough Council and was formally signed on 11th March 2015.</p>	<p>The Collaboration Agreement between both South Hams District Council and West Devon Borough Council was formally signed on 11th March 2015.</p>	<p>Monitoring Officer - Already implemented</p>
<p>Onward Delegation</p> <p>The Monitoring Officer was putting in place Onward Delegation documents, setting out those areas delegated by the Heads of Service/Group Managers to the relevant Community of Practice Leads.</p>	<p>The Monitoring Officer has put in place a revised Scheme of Delegation in early 2015 which has addressed this issue and reflects the new staffing structure under T18.</p>	<p>Monitoring Officer - Already implemented</p>

Issues and action plan from the System of Internal Control:

The system of internal control is described in section 2 above.

Issue Identified	Action to be Taken	Responsible Officer & Target Date
<p>Financial Uncertainty</p> <p>As Local Authorities experience reductions in funding, although South Hams District Council currently has a balanced budget, we must continue to review spending and monitor financial plans in order to balance future budgets in the face of the further government funding reductions and Council Tax freeze initiatives that are expected.</p> <p>A Medium Term Financial Strategy (MTFS) was presented to the Executive in September 2014 setting out the current position and was regularly updated throughout the 2015-16 Budget Setting process.</p> <p>The next MTFS is due to be presented to Members in September 2015.</p>	<p>The Council has commenced several initiatives that aim to help us to reduce our costs and meet the enormous challenge of a significant funding gap.</p> <p>These include:</p> <ul style="list-style-type: none"> • T18 Transformation Programme. The programme will deliver new and very different ways of working (see above); • Strategic Asset Review; and • Income generation initiatives including setting up a trading company (the company was incorporated on 4th September 2014) 	<p>Senior Management Team/Senior Leadership Team from 2015</p> <p>On-Going</p>
<p>Business Rate Retention</p> <p>The way that Councils receive income from Business Rates changed from 1 April 2013. Business Rates retention was introduced to enable authorities to be able to retain a share of any growth that is generated in Business Rates revenue in their areas.</p> <p>The business rate retention scheme allows authorities to voluntarily form a business rates retention pool. The membership of the Devon pool consists of the eight District Councils in Devon and Devon County Council, Torbay Unitary and Plymouth Unitary, with Plymouth acting as the Lead Authority for the pool.</p> <p>There is no entitlement to safety net funding should a high degree of negative growth be experienced by the pool.</p> <p>As a result there are risks to the Business Rates Pool membership if there is a significant valuation change to a large liability business property in the District.</p>	<ul style="list-style-type: none"> • For 2015-16 the Devon Business Rates Pool has been re-constituted with all of the current pooling partners (all Devon Councils) excluding South Hams. • South Hams District Council has withdrawn from the Pool due to the risk of business rates appeals. 	<p>Already actioned.</p>

<p>The Valuation Office has provided a list of outstanding appeals for the Council, and these have been taken account of when completing the government return NDR1 for 2015/16 (section relating to back dated appeals).</p> <p>The Governance arrangements within the Pooling agreement state that the Governing Board will meet by no later than 30 September to consider the continuation or dissolution of the pool.</p> <p>The meeting of the Board is undertaken as part of the agenda of the Devon Local Government Steering Group meeting, with two of the meetings each year including pool business.</p> <p>Pool members should give notice no later than 30 September to pooling partners of their intention to leave the pool.</p>		
Issue Identified	Action to be Taken	Responsible Officer & Target Date
<p>Land Charges</p> <p>In common with 370 other English district and unitary councils, SHDC are subject of a claim by a group of companies whose business is the making of personal searches of our local land charges records. Multiple Claims have been submitted.</p> <p>The authorities contend that charges were imposed in accordance with Regulations made by the Government and if those Regulations were unlawfully made, the Government should compensate.</p>	<p>The Local Government Association has instructed external solicitors to deal with the matter on behalf of the member Local Authorities.</p> <p>The Council has agreed a framework for settlement and legal advice received to conclude the claim. The matter was considered at a Full Council meeting on 21 May 2015 and a basis for settlement has been approved.</p> <p>The Government are considering further compensating Councils in 2015/16 for costs incurred.</p>	<p>Monitoring Officer S151 Officer</p> <p>Report to Members approved on 21 May 2015.</p>
<p>Internal and External Audit Reports</p> <p>Some issues have been identified in audit reports by the Council's external auditor, Grant Thornton, and the shared in-house internal audit team. Individually the recommendations do not impact on the wider system of internal control, but action plans for remedial action have been agreed.</p>	<p>All remedial actions detailed in external and internal audit reports will be completed in line with the agreed timescales. These actions will be monitored by the auditors' 'follow up' procedures.</p>	<p>Group Managers S.151 Officer Internal Audit Manager In line with agreed timescales</p>

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

**Cllr R Tucker
Leading Member,
on behalf of South Hams District Council**

Signed:

**Steve Jordan
Executive Director (Strategy and Commissioning) and
Head of Paid Service, on behalf of South Hams District
Council**

24th September 2015

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Agenda Item 7

Report to: **Audit Committee**
Date: **24 September 2015**
Title: **ANNUAL STATEMENT OF ACCOUNTS 2014/15**
Portfolio Area: **Support Services – Cllr S Wright**
Wards Affected: **All**
Relevant Scrutiny Committee: **Internal**

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

Author: **Pauline Henstock** Role: **Finance Business Partner**
Contact: **Tel. 01803 861377**
E-mail: pauline.henstock@swdevon.gov.uk

Recommendations:

It is recommended that Members approve:

- 1. The wording of the Letter of Representation (Appendix A)**
- 2. The audited Statement of Accounts for the financial year ended 31 March 2015 (Appendix B).**

1. Executive summary

1) This report presents a summary of net revenue and capital expenditure for Members consideration and seeks approval of the audited Statement of Accounts for 2014/15. **Following approval of the accounts, the Chairman of the Audit Committee is required to sign and date the accounts.** Members are also required to consider the content of the Letter of Representation. **Following approval of its wording, the Chairman of the Audit Committee and the Finance Community of Practice Lead (S151 Officer) are required to sign the Letter of Representation.**

2. Background

1) The Accounts and Audit (England) Regulations 2011 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 certification, approval and publication of accounting statements. In particular, the requirement for Councils to approve the SOA prior to external audit is removed. 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 (Appendix B) 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 Explanatory Foreword 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 SOA. 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 surplus on the General Fund in 2014/2015 of £34,000 is essentially a break-even position and represents less than 0.1% of the Council's gross turnover of £71m. The main differences from budget are shown in paragraph 8 of the Explanatory Forward in the SOA.

2) Capital Expenditure

Capital expenditure represents monies spent on the purchase, construction or major refurbishment of assets. The Council's capital expenditure amounted to £3.5m in 2014/15, and is analysed in paragraph 24 of the Explanatory Foreword in the SOA.

3) **Audit of Accounts**

The draft SOA was considered by the Audit Committee on 30 July 2015. These accounts are required to be audited by the Council's external auditors, who give their opinion on the draft accounts. The annual audit was undertaken during August and September 2015 by Grant Thornton UK LLP. Post audit changes have been incorporated within the SOA in line with the recommendations contained within their 'Audit Findings Report'.

4. **Proposed Way Forward**

1) The Council Constitution delegates approval of the Accounts to the Audit Committee. The Council is also required to sign a Letter of Representation every year, which gives representations to the Council's external auditors. The Chairman of the Audit Committee and the Finance Community of Practice Lead (S151 Officer) are required to sign the Letter of Representation. The letter is attached at Appendix A. It is recommended that Members approve the wording of the Letter of Representation.

5. **Implications**

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	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 2011 (SI 2011 No 817).
Financial	Y	The financial implications to this report are that a surplus of £34,000 was generated in 2014/2015.
Risk	Y	<p>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 2014/15 which is recognised by statute as representing proper accounting practice.</p> <p>2) Resource Planning – the Executive takes into account any significant issues when developing the Council's Medium Term Financial Strategy.</p>
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

Appendix A – Letter of Representation.

Appendix B – Statement of Accounts 2014/15

Background Papers:

Finance Community of Practice final accounts working papers.

Audit Committee 30 July 2015 - Draft Statement of Accounts 2014/15.

Approval and clearance of report

Process checklist	Completed
Portfolio Holder briefed	Yes
SLT Rep briefed	Yes
Relevant Exec Director sign off (draft)	Yes
Data protection issues considered	Yes
If exempt information, public (part 1) report also drafted. (Committee/Scrutiny)	N/A

LETTER OF REPRESENTATION

Grant Thornton UK LLP
Hartwell House
55-61 Victoria Street
Bristol
BS1 6FT

24 September 2015

Dear Sirs

South Hams District Council Financial Statements for the year ended 31 March 2015

This representation letter is provided in connection with the audit of the financial statements of South Hams District Council for the year ended 31 March 2015 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 ("the Code"); which give a true and fair view in accordance therewith.
- ii We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

- vi We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.
- vii Except as disclosed in the financial statements:
 - a there are no unrecorded liabilities, actual or contingent
 - b none of the assets of the Council has been assigned, pledged or mortgaged
 - c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- ix Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.
- x All events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.
- xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.
- xii We have considered the adjusted misstatements, and misclassification and disclosure changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xiii We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end
- xiv The financial statements are free of material misstatements, including omissions
- xv We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xvi We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

- xvii We have provided you with:
 - a access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - b additional information that you have requested from us for the purpose of your audit; and
 - c unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.

- xviii We have communicated to you all deficiencies in internal control of which management is aware.

- xix All transactions have been recorded in the accounting records and are reflected in the financial statements.

- xx We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

- xxi We have disclosed to you all our knowledge of fraud or suspected fraud affecting the Council involving:
 - a management;
 - b employees who have significant roles in internal control; or
 - c others where the fraud could have a material effect on the financial statements.

- xxii We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, regulators or others.

- xxiii We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

- xxiv We have disclosed to you the identity of all the Council's related parties and all the related party relationships and transactions of which we are aware.

- xxv We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

- xxvi We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Approval

The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on 24 September 2015.

Yours faithfully

Name: Councillor J T Pennington

Position: Chairman of the Audit Committee

Date: 24 September 2015

Name: Lisa Buckle

Position: Finance Community of Practice Lead (S151 Officer)

Date: 24 September 2015

Signed on behalf of the Council

South Hams District Council

Statement of Accounts

2014/2015

This information can be made available in large print, Braille, tape format or other languages upon request. South Hams District Council is committed to reflecting the full diversity of our community and to promoting equality of opportunity for everyone.



**South Hams
District Council**

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Section 1

Explanatory Foreword

INTRODUCTION

1. Each year South Hams District Council publishes a Statement of Accounts that incorporates all the financial statements and disclosure notes required by statute.
2. The Statement of Accounting Policies summarises the framework within which the Council's accounts are prepared and published. This foreword intends to give a general guide to the significant matters reported in the statements and provides a summary of the overall financial position.

REVIEW OF THE YEAR

The revenue budget

3. The main components of the General Fund budget for 2014/15 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)	9,138	9,137	(1)
Parish precepts	1,596	1,596	-
Interest and Investment income	(110)	(137)	(27)
Amount to be met from Government grants and taxation	10,624	10,596	(28)
<i>Financed from:</i>			
Revenue Support Grant	(1,979)	(1,985)	(6)
Business rates	(1,717)	(1,717)	-
Council tax	(6,868)	(6,868)	-
Surplus on collection fund	(60)	(60)	-
SURPLUS	-	(34)	(34)

4. This surplus 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 2014	(1,707)
Surplus for the 2014/15 financial year	(34)
General Fund Balance (un-earmarked revenue reserve) at 31 March 2015	(1,741)

Appendix B

5. The surplus on the General Fund of £34,000 is essentially a break-even position and represents less than 0.1% of the Council's gross turnover of £71 million.
6. 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 2014/15 financial year.

	£000
Total Comprehensive Income and Expenditure	14,611
Surplus on the revaluation of Property, Plant and Equipment	1,001
Remeasurements of the net defined benefit pension liability	(9,827)
Transfers from earmarked reserves	(2,496)
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	(888)
Adjustments primarily involving the Capital Grants Unapplied Account	230
Adjustments primarily involving the Capital Receipts Reserve	506
Adjustments primarily involving the Pensions Reserve	(4,140)
Adjustments primarily involving the Council Tax Collection Fund Adjustment Account	35
Adjustments primarily involving the Business Rates Collection Fund Adjustment Account	916
Adjustments primarily involving the Accumulated Absences Account	18
Surplus for the 2014/15 financial year	(34)

7. 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 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 significant appeals outstanding at the year end.

Appendix B

8. A summary of the main differences from budget is provided below:

ANALYSIS OF VARIATIONS	£000
Increases in expenditure/reduction in income	
Dartmouth Ferry – the Ferry was out of action until 20 May 2013 for essential slipway maintenance and the shortfall in income indicates that not all of the business lost during this period has returned.	153
Salaries – target savings of £155,000 for vacancies and shared services has not been met in full in 2014/15. This target has been removed from the 2015/16 Budget as it has been superseded by the significant salary savings from the implementation of the Council's Transformation Programme. See paragraphs 9 to 17.	83
Trade Waste – increase in disposal costs and tipping charges, which occurred after the fees and charges for the service were set. There have also been legislative changes adversely affecting the service.	123
Settlement of a national legal claim.	114
Car Parks – staffing, Park and Ride contract and equipment hire.	52
Transport – ageing vehicle fleet (replaced in 2015/16) – overspends on repairs & maintenance and contract hire, net of savings on fuel.	52
Waste management – Household waste collection and recycling – reduction in recycling credits due to a reduction in the market prices for recycling material sold. There has also been a reduction in recycling tonnages collected due to changes in the waste classifications for leaves which are no longer eligible for recycling credit payments.	46
Housing – mainly reduction in Housing Benefit Subsidy.	12
Pannier Markets – income budget not achieved.	7
Public Conveniences – target savings not achieved in full.	5
Reductions in expenditure/additional income	
Planning Applications – net additional income, mainly due to a number of large applications for renewable energy in 2014/15.	(440)
Other income – VAT reimbursement for prior years.	(78)
Employment Estates – additional income due to high occupancy rates.	(60)
Council Tax Benefit – at 1 April 2013 the national Council Tax Benefit scheme ceased. Since that date there are claimants who have had their Council Tax Benefit reduced following reductions in the Council Tax banding of their house. Since the national scheme has ceased, this income is retained by Billing Authorities.	(50)
Investment interest – more favourable cashflow and return of 0.54% against budget of 0.50%.	(27)
Tourism – the Council no longer requires a seat on the Board of Visit South Devon and has therefore withdrawn financial support to them.	(15)
Council Tax & Business Rates – increased recovery of costs.	(11)
TOTAL SURPLUS	(34)

Transformation Programme (T18)

9. South Hams District Council and West Devon Borough Council have been shared service partners since 2007. As two of the very first Councils to share a Chief Executive, the Councils have been bold in challenging the traditional local government model and have always been at the forefront of radical change and innovation. Shared services (through sharing staff) has now yielded over £7.7 million in savings across the two Councils since 2007, with each Council generating ongoing savings of over £700,000 every year.
10. Having a successful track record of reducing costs through shared services whilst improving services, the two Councils embarked on a joint Transformation change programme in December 2013. The Councils continue to face significant reductions in Central Government funding and the Transformation Programme will develop the financial resilience of the Councils and reduce the reliance on making annual budget reductions that inevitably impact on front line services.
11. The Councils are pioneering a new model for local government which is transferrable to other local authorities irrespective of the scale, acting as a catalyst for extending shared services, without undermining each participating Councils' democratic sovereignty.
12. In December 2014, the Council agreed the updated business case for the Transformation Programme. An investment budget of £4.61 million has been approved, to deliver annual recurring revenue savings of £3.37 million. The payback period for the Programme is 2.5 years.
13. The Transformation Programme has received the backing of Central Government and the Council was awarded £434,000 of Government funding towards the upfront investment costs.
14. The Council will provide its services in an entirely new way by becoming more flexible and customer focused using the latest technology. Services will be redesigned around our customers and communities and as a consequence all departmental silos will be removed. This will involve re-engineering over 500 business processes and sharing all of our corporate services and information technology systems. The first phase of the programme (Support Services) went live in September 2014. The main phase of the programme went live in June 2015, with a smaller phase later on in 2015/16.
15. At its heart, the transformation programme is one of cultural change. People's lives are constantly changing and we must change with them. The radical transformation will be the most significant change in the way that the Councils work for more than 40 years. The Councils' non-manual workforce will be 30% smaller, with all staff roles changing to be flexible and responsive to the needs of the customer.

Appendix B

16. Officers from different areas of the Councils will work within communities to improve the service for the customer and reduce the need for office accommodation.
17. Residents and businesses will also be able to access the Councils' services online 24/7, with many of their transactions becoming fully automated, improving response times whilst reducing staff input. Those who prefer will still be able to contact the Councils in the traditional ways, such as by phone or visit.

The Councils strike Gold and Silver at National Awards

18. South Hams District Council and West Devon Borough Council were recognised on a national stage in March 2015, receiving the Gold Award for 'Delivering through Efficiency' and the Silver Award for 'Council of the Year' at the Improvement and Efficiency Social Enterprise Awards (iESE). The awards celebrate Councils who are developing new ways of working and transforming public service delivery to improve services and reduce costs.

Pension Liability

19. 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.
20. The Actuary has estimated a net deficit on the funded liabilities within the Pension Fund as at 31 March 2015 of £46.7million. This compares to £32.7million as at 31 March 2014. The deficit is derived by calculating the pension assets and liabilities at 31 March 2015. See Note 32 for further information.

Icelandic Banks

21. The Council placed a deposit of £1,250,000 on 25th September 2008 with the Heritable Bank which is a subsidiary of Landsbanki, one of the Icelandic Banks that was affected by the world economic crisis. Of this amount £1,177,632 (94%) has already been repaid to the Council by the Administrators. At the 31 March 2015, the Council had £72,368 frozen in the Heritable Bank.
22. At the time the deposit was placed, the risk rating of Heritable was 'A' (long term deposits) and F1 (short term deposits). Both ratings indicated low risk and were within the deposit policy approved by the Council. Heritable Bank is registered in Scotland with an address in Edinburgh. Heritable Bank Plc is authorised and regulated by the Financial Services Authority and is on the FSA Register. The bank's shares are owned by Icelandic bank, Landsbanki.

23. Administrators have kept the bank trading and are winding down the business over a period of years. The Administrators have paid fourteen dividends amounting to 94% of the original deposit. However, they do not intend to make any further distributions until the conclusion of a legal dispute with Landsbanki.

Capital spending

24. The Council spent £3.5m on capital projects. The main areas of expenditure were as follows:
- capital grants including coastal defence schemes and flood resilience grants (£0.9m)
 - house renovation grants including disabled facilities grants (£0.7m)
 - coastal defence scheme (£0.6m)
 - refurbishment of HQ Building (£0.5m) – £0.34m of this amount is funded by the Transformation Programme accommodation budget
 - employment unit refurbishments (£0.4m)
 - replacement ferry slipway (£0.2m)

The capital programme is funded from capital receipts, capital grants, external contributions and earmarked reserves (please see Note 29).

Issue of accounts

25. The Finance Community of Practice Lead (S151 Officer) authorised the Statement of Accounts 2014/15 for issue on the 24th September 2015. Events taking place after this date are not reflected in the financial statements or notes.

FINANCIAL NEEDS AND RESOURCES

26. 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.
27. Revenue reserves (which include earmarked reserves) have reduced by £2.5m from the preceding year and stand at £7.9m at 31 March 2015. This is due to the Council financing the investment costs for the Transformation Programme in 2014/15, where funding was set aside in previous years for this purpose.

Appendix B

28. The General Fund Balance (un-earmarked reserve) has increased by £34,000 in 2014/15 and totals £1.7m. Revenue reserves may be used to finance capital or revenue spending plans.
29. Capital Reserves are represented by capital receipts and capital contributions unapplied. The balance at 31 March 2015 amounts to £4.8m compared to £4.6m at the end of the previous year.

LOOKING FORWARD TO THE FUTURE

30. 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 value for money is 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 will be considered by the Executive at its October 2015 meeting.

Localisation of Business Rates

31. 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.
32. There is a risk of volatility in the system because Councils are exposed to any loss of income if businesses go into decline. However, the BRRS allows Authorities to voluntarily form a 'pool'. Pooling mitigates each Authority's exposure to business rate income volatility as the risks are spread over a larger pool. In 2014/2015, South Hams District Council continued to be part of a Devonwide pooling arrangement and the pooling gain achieved equated to £99,000.
33. The Council has taken a decision to withdraw from the Devonwide Business Rates Pool for 2015/16, due to the risk of some large Business Rates appeals. If the Council had remained in the Pool, the Council would not receive a safety net payment from the Government if its Business Rate income fell by more than 7.5%. This financial burden would have fallen on all of the Devon Councils if South Hams had remained in the Pool and this financial risk was deemed too high.

Trading Company

34. South Hams District Council and West Devon Borough Council have set up a trading company, Servaco Limited, on 4th September 2014. This is a company limited by shares. The company has not traded in 2014/15 and a set of statutory Accounts will be filed with Companies House for the period 4th September 2014 to 31st March 2015.

FURTHER INFORMATION

35. The following pages explain the Council's financial position in detail including further details of the Authority's activities, cash flows and reserves. Further information on the Council's service priorities and issues can be found on the Council's website under "Your Council".

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

Section 2

Core Financial Statements

SECTION 2A MOVEMENT IN RESERVES STATEMENT

Movement in Reserves Statement

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. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

2014/15	General Fund Balance £000	Ear-marked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves 2014/15 £000
Balance at 31 March 2014 carried forward	1,707	8,662	4,497	118	14,984	39,450	54,434
Movement in Reserves during Year							
Surplus or (deficit) on provision of Services	(5,785)	-	-	-	(5,785)	-	(5,785)
Other Comprehensive Income and Expenditure	-	-	-	-	-	(8,826)	(8,826)
Total Comprehensive Income and Expenditure	(5,785)	-	-	-	(5,785)	(8,826)	(14,611)
Adjustments between accounting basis & funding basis under regulations (Note 4)	3,323	-	(34)	230	3,519	(3,519)	-
Net Increase / (Decrease) before Transfers to Earmarked Reserves	(2,462)	-	(34)	230	(2,266)	(12,345)	(14,611)
Transfers to/from Earmarked Reserves (Note 5)	2,496	(2,496)	-	-	-	-	-
Increase/ (Decrease) in Year	34	(2,496)	(34)	230	(2,266)	(12,345)	(14,611)
Balance at 31 March 2015 carried forward	1,741	6,166	4,463	348	12,718	27,105	39,823

SECTION 2A MOVEMENT IN RESERVES STATEMENT

2013/14 Comparatives	General Fund Balance £000	Ear-marked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves 2013/14 £000
Balance at 31 March 2013 carried forward	2,534	6,655	5,302	207	14,698	39,430	54,128
Movement in Reserves during Year							
Surplus or (deficit) on provision of Services	(1,799)	-	-	-	(1,799)	-	(1,799)
Other Comprehensive Income and Expenditure	-	-	-	-	-	2,105	2,105
Total Comprehensive Income and Expenditure	(1,799)	-	-	-	(1,799)	2,105	306
Adjustments between accounting basis & funding basis under regulations (Note 4)	2,979	-	(805)	(89)	2,085	(2,085)	-
Net Increase / (Decrease) before Transfers to Earmarked Reserves	1,180	-	(805)	(89)	286	20	306
Transfers to/from Earmarked Reserves (Note 5)	(2,007)	2,007	-	-	-	-	-
Increase/ (Decrease) in Year	(827)	2,007	(805)	(89)	286	20	306
Balance at 31 March 2014 carried forward	1,707	8,662	4,497	118	14,984	39,450	54,434

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.

2013/14				2014/15		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Service Division	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
2,128	(1,354)	774	Central services to the public	2,306	(1,176)	1,130
2,701	(736)	1,965	Cultural and Related	3,588	(750)	2,838
8,419	(2,264)	6,155	Environmental and Regulatory	8,900	(2,710)	6,190
3,435	(4,839)	(1,404)	Highways and Transport	3,371	(4,865)	(1,494)
25,100	(23,592)	1,508	Other Housing	25,745	(24,388)	1,357
4,085	(2,897)	1,188	Planning	4,359	(3,524)	835
1,799	(163)	1,636	Corporate and Democratic Core	1,637	(162)	1,475
436	(6)	430	Non Distributed Costs	554	(26)	528
			Material items (Note 2)	5,173	(1,734)	3,439
48,103	(35,851)	12,252	Cost of Services	55,633	(39,335)	16,298
1,585	(78)	1,507	Other operating expenditure (Note 6)	1,639	(4)	1,635
1,346	(646)	700	Financing and investment income and expenditure (Note 7)	1,439	(703)	736
12,069	(24,729)	(12,660)	Taxation and non-specific grant income (Note 8)	12,275	(25,159)	(12,884)
63,103	(61,304)	1,799	(Surplus) or Deficit on Provision of Services	70,986	(65,201)	5,785
		(632)	(Surplus) or deficit on revaluation of Property, Plant and Equipment			(1,001)
		(1,473)	Remeasurements of the net defined benefit liability			9,827
		(2,105)	Other Comprehensive Income and Expenditure			8,826
		(306)	Total Comprehensive Income and Expenditure			14,611

SECTION 2C. BALANCE SHEET

31 March 2014 £000		Notes	31 March 2015 £000
72,645	Property, Plant & Equipment	9	73,178
337	Investment Property		392
93	Intangible Assets	10	160
9	Long Term Debtors	13	282
73,084	Long Term Assets		74,012
15,000	Short Term Investments	11	15,000
93	Inventories	12	120
5,645	Short Term Debtors	13	6,193
2,665	Cash and Cash Equivalents	14	5,037
23,403	Current Assets		26,350
(5,547)	Short Term Creditors	15	(10,126)
(211)	Short Term Revenue Grants in Advance	27	(174)
(50)	Provisions		(41)
(5,808)	Current Liabilities		(10,341)
-	Long Term Creditors	15	(16)
	Long Term Revenue Grants in Advance - Section		
(3,405)	106 Deposits	27	(3,379)
(32,704)	Pensions Liability	32	(46,671)
(136)	Capital Grants - Receipts in Advance	27	(132)
(36,245)	Long Term Liabilities		(50,198)
54,434	Net Assets		39,823
14,984	Usable Reserves	16	12,718
39,450	Unusable Reserves	17	27,105
54,434	Total Reserves		39,823

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 were 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 30 June 2015. The audited accounts were issued on 24 September 2015.

SECTION 2D. CASH FLOW STATEMENT

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

2013/14 £000		2014/15 £000
1,799	Net (surplus) or deficit on the provision of services	5,785
(2,044)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 18)	(8,551)
335	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 19)	774
90	Net cash outflows/ (inflow) from Operating Activities	(1,992)
3,065	Net increase / (decrease) in Investing Activities (Note 20)	1,550
228	Net cash outflow / (inflow) from Financing Activities (Note 21)	(1,930)
3,383	Net (increase) or decrease in cash and cash equivalents	(2,372)
6,048	Cash and cash equivalents at the beginning of the reporting period	2,665
2,665	Cash and cash equivalents at the end of the reporting period (Note 14)	5,037

Section 3

Notes to the

Financial Statements

SECTION 3. NOTES TO THE ACCOUNTS

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SECTION 3. NOTES TO THE ACCOUNTS

1. 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 items in the Authority's Balance Sheet at 31 March 2015 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 reduce by 1 year across all assets, this would have an impact of approximately £190,000 on the Council's finances.
Pensions Liability	<p>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.</p> <p>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.</p> <p>For 2014/15, the Actuary has calculated the capitalised cost of the strain liability for 10 former employees who had left the Council's employment at £607,000. However, to this figure, the Council has added a further cost of £1,625,000 to increase the provision for those employees who were over 55 and left the Council's employment under either voluntary or compulsory redundancy as part of the Transformation Programme. The capitalised cost which is based on actual assumptions differs from the cash cost payable to the Pension Fund by the Council. The figure of £1,625,000 was estimated from the cash costs that had previously been calculated for each employee in question.</p>	<p>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 £2.3 million.</p> <p>The assumptions interact in complex ways. For example, in 2014/15, the Authority's actuaries advised that the pension liability had increased by £14.5million as a result of a change in "financial assumptions".</p> <p>Please refer to Note 32 for further information about the assumptions used by the actuaries.</p>

SECTION 3. NOTES TO THE ACCOUNTS

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 2015, the Authority had a balance of Sundry Debtors of £1.14 million. A review of significant balances suggested that an impairment for doubtful debts of 6.7% (£76,000) 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 £4,000 on the Council's finances.
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2. MATERIAL ITEMS OF INCOME AND EXPENSE

The following material item was included on the face of the Comprehensive Income and Expenditure Statement in 2014/15. This expenditure relates to the upfront investment costs for the Council's Transformation Programme (T18). This is explained in detail in the Explanatory Foreword to the Accounts. There were no such items in 2013/14.

Transformation Programme (T18) Investment Costs	Direct £000	Recharges £000	Total £000
GROSS REVENUE EXPENDITURE			
ICT technology, implementation and workstream development	595	6	595
ICT workstation costs and infrastructure	274	11	285
Training	90	-	90
Accommodation	58	11	69
Implementation and design of the future operating model	288	-	288
Redundancy payments	2,062	153	2,215
Pension Stain cost (capitalised cost)	1,625	-	1,625
See Note a below			
Sub Total	4,992	181	5,173
GROSS REVENUE INCOME			
Shared Service Recharge to West Devon Borough Council	-	(1,300)	(1,300)
Transformation Challenge Award (Government grant funding)	(434)	-	(434)
Sub Total	(434)	(1,300)	(1,734)
NET REVENUE EXPENDITURE (as shown in the Comprehensive Income and Expenditure Statement)	4,558	(1,119)	3,439

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

SECTION 3. NOTES TO THE ACCOUNTS

3. EVENTS AFTER THE REPORTING PERIOD

The draft Statement of Accounts (SOA) for 2014/15 was approved for issue by the Finance Community of Practice Lead (S151 Officer) on 30 June 2015. The SOA were then reviewed by the Audit Committee on 30 July 2015 and the audited accounts were authorised for issue on 24 September 2015. This is also the date up to which events after the reporting period have been considered. There are no events which took place after 31 March 2015 which require disclosure.

4. 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.

2014/15	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
Adjustments primarily involving the Capital Adjustment Account (CAA):				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):				
Charges for depreciation and impairment of non-current assets	2,121			(2,121)
Revaluation losses/(gains) on Property Plant and Equipment	286			(286)
Movements in the market value of Investment Properties	(55)			55
Amortisation of intangible assets	46			(46)
Capital grants and contributions applied	(1,604)			1,604
Revenue expenditure funded from capital under statute	1,500			(1,500)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	2			(2)
Insertion of items not debited or credited to the CIES:				
Capital expenditure charged against the General Fund	(1,408)			1,408
Adjustments primarily involving the Capital Grants Unapplied Account:				
Application of grants to capital financing transferred to the CAA	(230)		230	-
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of unattached capital receipts	(506)	506		-
Use of the Capital Receipts Reserve to finance new capital expenditure		(542)		542
Repayment of mortgage and parish loans		2		(2)

SECTION 3. NOTES TO THE ACCOUNTS

2014/15	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES (see Note 32)	5,807			(5,807)
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,667)			1,667
Adjustments primarily involving the Council Tax Collection Fund Adjustment Account:				
Amount by which Council Tax income credited to the CIES is different from Council Tax income calculated for the year in accordance with statutory requirements	(35)			35
Adjustments primarily involving the Business Rates Collection Fund Adjustment Account:				
Amount by which Business Rates income credited to the CIES is different from Business Rates income calculated for the year in accordance with statutory requirements	(916)			916
Adjustment primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(18)			18
Total Adjustments between the Accounting Basis and Funding Basis under regulations in 2014/15	3,323	(34)	230	(3,519)

SECTION 3. NOTES TO THE ACCOUNTS

2013/14 Comparatives	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
Adjustments primarily involving the Capital Adjustment Account (CAA):				
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):</i>				
Charges for depreciation and impairment of non-current assets	2,017			(2,017)
Revaluation losses/(gains) on Property Plant and Equipment	(462)			462
Movements in the market value of Investment Properties	(31)			31
Amortisation of intangible assets	58			(58)
Capital grants and contributions applied	(1,460)			1,460
Revenue expenditure funded from capital under statute	1,205			(1,205)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	190			(190)
<i>Insertion of items not debited or credited to the CIES:</i>				
Capital expenditure charged against the General Fund	(1,036)			1,036
Adjustments primarily involving the Capital Grants Unapplied Account:				
Application of grants to capital financing transferred to the CAA			(89)	89
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES.	(260)	260		-
Transfer of unattached capital receipts	(386)	386		-
Use of the Capital Receipts Reserve to finance new capital expenditure		(1,455)		1,455
Repayment of mortgage and parish loans		4		(4)
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES (see Note 32)	3,751			(3,751)
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,647)			1,647
Adjustments primarily involving the Council Tax Collection Fund Adjustment Account:				
Amount by which Council Tax income credited to the CIES is different from Council Tax income calculated for the year in accordance with statutory requirements	(62)			62

SECTION 3. NOTES TO THE ACCOUNTS

2013/14 Comparatives	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
Adjustments primarily involving the Business Rates Collection Fund Adjustment Account:				
Amount by which Business Rates income credited to the CIES is different from Business Rates income calculated for the year in accordance with statutory requirements	1,090			(1,090)
Adjustment primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	12			(12)
Total Adjustments between the Accounting Basis and Funding Basis under regulations in 2013/14	2,979	(805)	(89)	(2,085)

SECTION 3. NOTES TO THE ACCOUNTS

5. TRANSFERS TO/ FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2014/15.

The purpose of the largest earmarked reserves are shown below:

Vehicles and Plant Renewals - This reserve is used to purchase vehicles and heavy plant to maintain a modern and efficient Council fleet, and to ensure Contract conditions are met.

Planning, Policy and Major Developments - This was set up to help smooth out annual expenditure on review and preparation of the local plan. It has developed to help deal with costs associated with the Sherford development, planning policies and planning related activities.

Capital Programme – This reserve helps to support the funding of the Capital Programme.

New Homes Bonus – This reserve was established to show how New Homes Bonus funding has been used on an annual basis.

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

Transformation Programme (T18) – The Council has funded the investment costs for the Transformation Programme in 2014/15, where funding was set aside in previous years for this purpose. The Transformation Programme is described in the Explanatory Foreword.

The table on the following page shows the earmarked reserve balances at 31 March 2015 and the movement during 2014/15.

SECTION 3. NOTES TO THE ACCOUNTS

2014/15	Balance at 31 March 2014 £000	Transfers Out £000	Transfers In £000	Balance at 31 March 2015 £000
EARMARKED RESERVES				
General Fund				
Affordable Housing	102	(76)	427	453
Strategic Issues	379	(246)	-	133
Community Parks and Open Spaces	105	(14)	17	108
Community Wellbeing	44	(44)	-	-
Pension Fund Strain	-	(99)	99	-
Repairs and Maintenance	343	(29)	55	369
Members Sustainable Community	48	(41)	-	7
Marine Infrastructure Reserve	-	-	19	19
Land and Development	196	(42)	30	184
Ferry Repairs and Renewals	176	-	87	263
Economic Initiatives	112	(36)	44	120
Vehicles and Plant Renewals	1,236	(42)	541	1,735
Pay and Display Equipment	19	-	21	40
On-Street Parking	44	-	-	44
Print Equipment	76	-	-	76
ICT Development	350	(147)	-	203
Sustainable Waste Management	72	-	-	72
District Elections	58	-	10	68
Beach Safety	17	(3)	-	14
Planning Policy & Major Developments	671	(75)	-	596
Building Control	187	(6)	90	271
Section 106 agreements	37	(19)	23	41
Revenue Grants	356	(17)	54	393
Capital Programme	977	(1,537)	689	129
New Homes Bonus	698	(1,879)	1,365	184
Rural Services Support Funding	37	(37)	-	-
Renovation Grant Reserve	37	(50)	14	1
Business Rates Retention	1,023	(719)	-	304
T18 Investment Reserve	935	(1,199)	264	-
Sub Total	8,335	(6,357)	3,849	5,827
Specific Reserves – Salcombe Harbour				
Pontoons	33	(77)	50	6
Harbour Renewals	152	(49)	27	130
General Reserve	137	(10)	76	203
Sub Total	322	(136)	153	339
Trust & Bequest	5	(5)	-	-
TOTAL EARMARKED REVENUE RESERVES	8,662	(6,498)	4,002	6,166

SECTION 3. NOTES TO THE ACCOUNTS

2013/14 Comparatives	Balance at 31 March 2013 £000	Transfers Out £000	Transfers In £000	Balance at 31 March 2014 £000
EARMARKED RESERVES				
General Fund				
Affordable Housing	413	(323)	12	102
Strategic Issues	849	(470)	-	379
Community Parks and Open Spaces	93	(5)	17	105
Community Wellbeing	32	-	12	44
Pension Fund Strain	-	(122)	122	-
Repairs and Maintenance	428	(141)	56	343
Members Sustainable Community	34	-	14	48
Land and Development	213	(33)	16	196
Ferry Repairs and Renewals	114	(25)	87	176
Economic Initiatives	164	(52)	-	112
Vehicles and Plant Renewals	694	-	542	1,236
Pay and Display Equipment	17	(19)	21	19
On-Street Parking	44	-	-	44
Print Equipment	73	-	3	76
ICT Development	449	(99)	-	350
Sustainable Waste Management	100	(28)	-	72
District Elections	40	-	18	58
Beach Safety	17	-	-	17
Planning Policy & Major Developments	932	(261)	-	671
Building Control	138	(16)	65	187
Section 106 agreements	58	(21)	-	37
Revenue Grants	320	(47)	83	356
Capital Programme	924	(129)	182	977
New Homes Bonus	-	(328)	1,026	698
Rural Services Support Funding	-	-	37	37
Renovation Grant Reserve	-	-	37	37
Business Rates Retention	-	-	1,023	1,023
T18 Investment Reserve	-	(75)	1,010	935
Sub Total	6,146	(2,194)	4,383	8,335
Specific Reserves – Salcombe Harbour				
Pontoons	132	(150)	51	33
Harbour Renewals	134	(9)	27	152
General Reserve	238	(195)	94	137
Sub Total	504	(354)	172	322
Trust & Bequest	5	-	-	5
TOTAL EARMARKED REVENUE RESERVES	6,655	(2,548)	4,555	8,662

SECTION 3. NOTES TO THE ACCOUNTS

6. OTHER OPERATING EXPENDITURE

2013/14 £000		2014/15 £000
1,544	Parish council precepts	1,596
(78)	(Gains)/losses on the disposal of non-current assets	(4)
41	Pension administration expenses	43
1,507	Total	1,635

7. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2013/14 £000		2014/15 £000
2	Interest payable and similar charges	1
(169)	Interest receivable and similar income	(137)
(386)	Other investment income	(506)
(91)	Investment (gains)/ losses	-
1,344	Net interest on the net defined benefit liability	1,415
-	Investment properties	(37)
700	Total	736

8. TAXATION AND NON SPECIFIC GRANT INCOME

2013/14 £000		2014/15 £000
	Council Tax	
(6,601)	• Income	(6,868)
(62)	• Collection Fund adjustment	(35)
(30)	• Collection Fund - distribution of surplus	(60)
145	• Support grant to parishes	125
	Business Rates	
(12,628)	• Income	(11,948)
10,834	• Tariff	11,045
1	• Pooling administration costs	1
(61)	• Pooling gain	(87)
(142)	• Safety net payment	-
-	• NNDR levy payment	49
1,090	• Transfer of Collection Fund deficit	139
	Non ring - fenced Government grants :	
(713)	• Small Business Rate Relief Grant	(1,113)
(2,560)	• Revenue Support Grant	(1,985)
(1,026)	• New Homes Bonus Grant	(1,365)
(17)	• Council Tax Support Transition Grant	-
(37)	• Rural Services Support Grant	-
(853)	Capital grants and contributions	(782)
(12,660)	Total	(12,884)

SECTION 3. NOTES TO THE ACCOUNTS

9. PROPERTY, PLANT AND EQUIPMENT

Movements in 2014/15:

	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infra-structure Assets £000	Community Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation						
At 1 April 2014	64,116	8,730	4,956	737	3,383	81,922
Additions	1,079	74	788	-	-	1,941
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	91	-	-	-	-	91
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(457)	-	-	-	-	(457)
Derecognition – disposals	-	(82)	(14)	-	-	(96)
Other movements in a cost or valuation (reclassification)	-	-	3,383	-	(3,383)	-
At 31 March 2015	64,829	8,722	9,113	737	-	83,401
Accumulated Depreciation and Impairment at 1 April 2014	2,242	5,218	1,814	-	3	9,277
Charge for 2014/15	1,043	768	309	-	-	2,120
Depreciation written out to the Revaluation Reserve	(881)	-	-	-	-	(881)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(170)	-	-	-	-	(170)
Impairment losses/(reversals) recognised in the Revaluation Reserve	(30)	-	-	-	-	(30)
Derecognition - disposals	-	(82)	(11)	-	-	(93)
Other movements in depreciation (reclassifications)	-	-	3	-	(3)	-
At 31 March 2015	2,204	5,904	2,115	-	-	10,223
Balance Sheet amount at 31 March 2015	62,625	2,818	6,998	737	-	73,178
Balance Sheet amount at 31 March 2014	61,874	3,512	3,142	737	3,380	72,645

SECTION 3. NOTES TO THE ACCOUNTS

Comparative Movements in 2013/14:

	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infra-structure Assets £000	Community Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation						
At 1 April 2013	63,534	8,885	4,677	759	1,483	79,338
Additions	564	70	295	-	1,900	2,829
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(71)	-	-	(22)	-	(93)
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	316	-	-	-	-	316
Derecognition – disposals	(227)	(225)	(16)	-	-	(468)
At 31 March 2014	64,116	8,730	4,956	737	3,383	81,922
Accumulated Depreciation and Impairment at 1 April 2013	2,208	4,571	1,628	-	3	8,410
Charge for 2013/14	949	869	199	-	-	2,017
Depreciation written out to the Revaluation Reserve	(703)	-	-	(22)	-	(725)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(169)	-	(20)	-	-	(189)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	20	22	-	42
Derecognition - disposals	(43)	(222)	(13)	-	-	(278)
At 31 March 2014	2,242	5,218	1,814	-	3	9,277
Balance Sheet amount at 31 March 2014	61,874	3,512	3,142	737	3,380	72,645
Balance Sheet amount at 31 March 2013	61,326	4,314	3,049	759	1,480	70,928

SECTION 3. NOTES TO THE ACCOUNTS

Depreciation

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

Asset lives are reviewed regularly as part of the rolling programme of 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 2015 the Authority has entered into one contract for the construction or enhancement of Property, Plant and Equipment. This commitment relates to:

- Extension of Mayors Avenue Car Park, Dartmouth £140,000

Revaluations

All material freehold land and buildings which comprise the Authority's property portfolio are revalued by the Council's Valuer on a rolling basis. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The valuations of real estate were carried out by an external contractor under the supervision of Stephen Forsey FRICS, the Council's Development Surveyor. Assets are valued in accordance with a five year rolling programme (with ad hoc valuations taking place, for example where assets have been enhanced). In addition, a formal impairment review of the entire holding of land and buildings is undertaken at the end of each financial year, to ensure the carrying value reflects the fair value at the Balance Sheet date. The basis of valuation is set out in the Statement of Accounting policies in Note 35.

	Land and buildings £000	Vehicles, plant furniture & equipment £000	Total £000
Valued at historical cost	-	2,818	2,818
Valued at current value in:			
2014/2015	16,416	-	16,416
2013/2014	19,193	-	19,193
2012/2013	22,789	-	22,789
2011/2012	3,680	-	3,680
2010/2011	547	-	547
Total	62,625	2,818	65,443

SECTION 3. NOTES TO THE ACCOUNTS

Impairment Losses

Impairment losses and impairment reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure, are summarised in the preceding movements table, reconciling the movement over the year in the Property, Plant and Equipment balances. No impairment losses other than those relating to revaluation losses were incurred.

10. 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 comprise purchased licenses only (the Council does not currently have any internally generated software on its Balance Sheet).

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 life 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 £46,000 charged to revenue in 2014/15 was charged to the cost centres holding the assets.

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

	2013/14 £000	2014/15 £000
Gross carrying amount	432	438
Accumulated amortisation	(287)	(345)
Net carrying amount at start of year	145	93
Purchases	6	113
Amortisation for the period	(58)	(46)
Net carrying amount at end of year	93	160

Comprising:

Gross carrying amount	438	551
Accumulated amortisation	(345)	(391)
Net carrying amount at end of year	93	160

SECTION 3. NOTES TO THE ACCOUNTS

11. FINANCIAL INSTRUMENTS

Categories of 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. Typical financial instruments are:

Liabilities

- trade payables and other payables
- borrowings
- financial guarantees

Assets

- bank deposits
- trade receivables
- loans receivables
- investments

Derivatives

- swaps
- forwards
- options

The carrying amount and fair values for investments at 31 March 2015 are shown in the following table:

Investment Type	Carrying Amount (net of interest)	Interest due at year end	Gross carrying Amount	Fair Value
	£000	£000	£000	£000
Short term	15,000	32	15,032	15,043

Heritable Bank

At the 31 March 2015 the Council had £72,368 frozen in the Heritable Bank which is UK registered and regulated, but a subsidiary of Landsbanki, one of the Icelandic Banks that have been affected by the world economic crisis. Heritable Bank is registered in Scotland with a registered address in Edinburgh. Heritable Bank Plc is authorised and regulated by the Financial Services Authority and is on the FSA Register. The bank's shares are owned by Icelandic bank, Landsbanki.

The Council placed a deposit of £1,250,000 on 25th September 2008 with the Heritable Bank which is a subsidiary of Landsbanki, one of the Icelandic Banks that were affected by the world economic crisis. Of this amount £1,177,632 (94%) has already been repaid to the Council by the Administrators. At the 31 March 2015, the Council had £72,368 frozen in the

SECTION 3. NOTES TO THE ACCOUNTS

Heritable Bank. This amount was impaired (written out of the Balance Sheet) in the 2013/14 Accounts.

At the time the deposit was placed, the risk rating of Heritable was 'A' (long term deposits) and F1 (short term deposits). Both ratings indicated low risk and were within the deposit policy approved by the Council.

Administrators have kept the bank trading and are winding down the business over a period of years. The Administrators have paid fourteen dividends amounting to 94% of the original deposit. However, they do not intend to make any further distributions until the conclusion of a legal dispute with Landsbanki.

Summary of Financial Instruments

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

	Long-term		Current	
	31 March 2014 £000	31 March 2015 £000	31 March 2014 £000	31 March 2015 £000
Cash and cash equivalents	-	-	2,665	5,037
Investments	-	-	15,000	15,000
Debtors				
Loans and receivables	9	282	-	-
Financial assets carried at contract amount	-	-	2,574	4,056
Total Debtors	9	282	2,574	4,056
Creditors				
Financial liabilities at amortised cost	-	(16)	-	-
Financial liabilities carried at contract amount			(2,795)	(4,609)
Total Creditors	-	(16)	(2,795)	(4,609)

SECTION 3. NOTES TO THE ACCOUNTS

12. INVENTORIES

TOTAL 2013/14 £000		Depot 2014/15 £000	Printing Materials 2014/15 £000	TOTAL 2014/15 £000
88	Balance at 1 April	82	11	93
665	Purchases	660	17	677
(660)	Recognised as an expense in the year	(634)	(16)	(650)
93	Balance at 31 March	108	12	120

13. DEBTORS

31.3.2014 £000		31.3.2015 £000
	Short Term	
328	Central Government bodies	705
865	Other Local authorities	1,913
	Other debtors	
161	Council Tax	333
531	Business Rates	-
3,760	Other entities & individuals	3,242
5,645	Total	6,193
	Long Term	
-	Local Authorities	275
9	Other entities & individuals	7
9	Total	282

14. CASH AND CASH EQUIVALENTS

31.3.2014 £000		31.3.2015 £000
(285)	Cash held by the Authority	(1,113)
-	Bank current accounts	400
2,950	Money Market Funds	5,750
2,665	Total Cash and Cash Equivalents	5,037

SECTION 3. NOTES TO THE ACCOUNTS

15. CREDITORS

31.3.2014 £000		31.3.2015 £000
	Short Term	
(972)	Central Government bodies	(1,553)
(535)	Other local authorities	(1,165)
	Other Creditors	
(843)	Council Tax	(1,089)
-	Business Rates	(1,383)
(3,197)	Other entities & individuals	(4,936)
(5,547)	Total	(10,126)
	Long Term	
-	Local Authorities	(16)
-	Total	(16)

16. USABLE RESERVES

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement. The Council has the following usable reserves:

General Fund Balance - This balance has been established from surpluses on the Council's total expenditure. It provides a financial cushion should anything unexpected happen which would require unplanned expenditure.

Earmarked Reserves - The Council has set aside monies for specific purposes e.g. vehicle & plant replacement, the funding of strategic issues etc.

Capital Receipts Reserve - Proceeds from the sale of assets are held in this reserve to be made available for future capital expenditure.

Capital Grants Unapplied – This reserve represents grants and contributions received in advance of matching to new capital investment.

17. UNUSABLE RESERVES

31.3.2014 £000		31.3.2015 £000
23,526	Revaluation Reserve	24,307
49,656	Capital Adjustment Account	49,528
(32,704)	Pensions Reserve	(46,671)
213	Council Tax Collection Fund Adjustment Account	248
(1,090)	Business Rates Collection Fund Adjustment Account	(174)
(151)	Accumulated Absences Account	(133)
39,450	Total Unusable Reserves	27,105

SECTION 3. NOTES TO THE ACCOUNTS

Revaluation Reserve

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

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation or
- disposed of and the gains are realised

The Reserve includes 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.

31.3.2014	31.3.2014		31.3.2015	31.3.2015
£000	£000		£000	£000
	23,099	Balance at 1 April		23,526
1,460		Upward revaluation of assets	1,273	
(828)		Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	(272)	
	632	Surplus or (Deficit) on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		1,001
(205)		Difference between fair value depreciation and historical cost depreciation	(220)	
	(205)	Amount written off to the Capital Adjustment Account		(220)
	23,526	Balance at 31 March		24,307

SECTION 3. NOTES TO THE ACCOUNTS

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the 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.

2013/14 £000	2013/14 £000		2014/15 £000	2014/15 £000
	48,392	Balance at 1 April		49,656
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CIES) :		
(2,017)		▪ Charges for depreciation of non-current assets	(2,121)	
462		▪ Revaluation losses on Property, Plant and Equipment	(286)	
31		▪ Revaluation gains/(losses) on Investment Properties	55	
(58)		▪ Amortisation of intangible assets	(46)	
(1,205)		▪ Revenue expenditure funded from capital under statute (REFCUS)	(1,500)	
(190)		▪ Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(2)	
	(2,977)	Total		(3,900)
		Adjusting amounts written out of the Revaluation Reserve	220	
	205	Net written out amount of the cost of non-current assets consumed in the year		220
		Capital financing applied in the year:		
1,455		Use of the Capital Receipts Reserve to finance new capital expenditure	542	
1,460		Capital grants and contributions credited to the CIES that have been applied to capital financing	1,604	
89		Application of grants to capital financing from the Capital Grants Unapplied Account	-	
1,036		Capital expenditure charged against the General Fund	1,408	
(4)		Repayment of parish loans	(2)	
	4,036	Total		3,552
	49,656	Balance at 31 March		49,528

SECTION 3. NOTES TO THE ACCOUNTS

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 (CIES) 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.

31.3.2014		31.3.2015
£000		£000
(32,073)	Balance at 1 April	(32,704)
1,473	Actuarial gains or (losses) on pension assets and liabilities	(9,827)
(3,751)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(4,182)
1,647	Employer's pensions contributions and direct payments to pensioners payable in the year	1,667
-	Accrued strain payments (see Note 2 'Material Items')	(1,625)
(32,704)	Balance at 31 March	(46,671)

Council Tax Collection Fund Adjustment Account

The Council Tax Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement (CIES) 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.

31.3.2014		31.3.2015
£000		£000
151	Balance at 1 April	213
62	Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	35
213	Balance at 31 March	248

SECTION 3. NOTES TO THE ACCOUNTS

Business Rates Collection Fund Adjustment Account

A scheme for the retention of business rates came in to effect on 1 April 2013 and established new accounting arrangements. The Business Rates Collection Fund Adjustment Account manages the differences arising from the recognition of business rates income in the Comprehensive Income and Expenditure Statement (CIES) as it falls due from ratepayers, compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

31.3.2014 £000		31.3.2015 £000
-	Balance at 1 April	(1,090)
	Amount by which Business Rates income credited to the CIES is different from Business Rates income calculated for the year in accordance with statutory requirements	
(1,090)		916
(1,090)	Balance at 31 March	(174)

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

31.3.2014 £000	31.3.2014 £000		31.3.2015 £000	31.3.2015 £000
	(139)	Balance at 1 April		(151)
		Settlement or cancellation of accrual made at the end of the preceding year	151	
139		Amounts accrued at the end of the current year		
<u>(151)</u>		Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	<u>(133)</u>	
	(12)			18
	(151)	Balance at 31 March		(133)

SECTION 3. NOTES TO THE ACCOUNTS

18. CASH FLOW STATEMENT – ADJUSTMENTS TO NET SURPLUS OR DEFICIT ON THE PROVISION OF SERVICES FOR NON-CASH MOVEMENTS

2013/14 £000		2014/15 £000
(2,017)	Depreciation	(2,121)
493	Impairment & downward valuations	(286)
	Movement in market value of investment properties	55
(58)	Amortisation	(46)
2,182	Increase/(decrease) in Debtors	1,137
	Increase/(decrease) in accrued interest on	
(68)	Investments	(4)
(444)	Increase/(decrease) in Creditors	(3,774)
5	Increase/(decrease) in Inventories	27
(2,104)	Movement in pension liability	(4,140)
(190)	Carrying amount of non-current assets held for sale, sold or derecognised	(2)
157	Other non-cash items charged to the net surplus or deficit on the provision of services	603
(2,044)	Total	(8,551)

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

2013/14 £000		2014/15 £000
646	Proceeds from the sale of Property, Plant & Equipment & Investment Properties	506
(311)	Other non-cash items charged to the net surplus or deficit on the provision of services	268
335	Total	774

20. CASH FLOW STATEMENT – INVESTING ACTIVITIES

2013/14 £000		2014/15 £000
2,867	Purchase of property, plant and equipment, investment property and intangible assets	2,562
1,791	(Increase)/decrease in investments	-
(268)	Proceeds from the sale of property, plant and equipment, investment property & intangible assets	(6)
(237)	Interest received	(141)
(1,088)	Other receipts from investing activities (capital grants & contributions)	(865)
3,065	Net cash flows from investing activities	1,550

SECTION 3. NOTES TO THE ACCOUNTS

21. CASH FLOW STATEMENT – FINANCING ACTIVITIES

2013/14 £000		2014/15 £000
262	Net Business Rates receipts paid to/ (received) from Central Government	(1,751)
(34)	Net Council Tax receipts paid to / (received) from major preceptors	(179)
228	Total	(1,930)

22. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement (CIES) is that specified by the *Service Reporting Code of Practice for Local Authorities (SeRCOP)*. The Council budgets and prepares reports to Management on this basis. The following table depicts the cost of services within the CIES on a subjective basis.

Service Income & Expenditure

	Central Services	Cultural and Related	Environmental and Regulatory	Highways and Transport	Other Housing	Planning	CDC & NDC	Material Items	TOTAL 2014/15	TOTAL 2013/14
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(649)	(222)	(1,322)	(4,828)	(767)	(3,193)	(155)	(1,300)	(12,436)	(10,890)
Government grants & contributions	(527)	(528)	(1,388)	(37)	(23,621)	(331)	(33)	(434)	(26,899)	(24,961)
Total Income	(1,176)	(750)	(2,710)	(4,865)	(24,388)	(3,524)	(188)	(1,734)	(39,335)	(35,851)
Employee expenses	837	195	3,883	1,263	1,029	2,182	799	3,841	14,029	9,959
Other service expenses	487	1,645	3,584	1,722	23,590	1,254	559	1,332	34,173	32,065
Depreciation/ amortisation	9	1,590	750	130	684	240	10	-	3,413	2,182
Support service recharges	973	158	683	256	442	683	823	-	4,018	3,897
Total Expenditure	2,306	3,588	8,900	3,371	25,745	4,359	2,191	5,173	55,633	48,103
Net Expenditure	1,130	2,838	6,190	(1,494)	1,357	835	2,003	3,439	16,298	12,252

SECTION 3. NOTES TO THE ACCOUNTS

23. TRADING OPERATIONS – BUILDING CONTROL

The Building (Local Authority Charges) Regulations 1998 require 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>

24. MEMBERS' ALLOWANCES

The Authority paid the following amounts to Members of the Council during the year. Members allowances are published on the Council's website at:

<http://www.southhams.gov.uk/CHttpHandler.ashx?id=6218&p=0>

2013/14		2014/15
£000		£000
251	Allowances	247
22	Expenses	23
273	Total	270

25. 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 and senior police officers.

A senior employee (England & Wales) is defined as an employee whose salary is more than £150,000 per year, or alternatively 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.

SECTION 3. NOTES TO THE ACCOUNTS

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

Post	Year	Salary, Fees and Allowances £	Expenses £	Pension Contribution £	Total £
Executive Director Service Delivery & Commercial Development—started 1.1.15	2014/15	23,300	2,300	4,300	29,900
	2013/14	-	-	-	-
Support Services Group Manager – started 1.3.15	2014/15	5,300	3,200	1,000	9,500
	2013/14	-	-	-	-
Customer First Group Manager – started 1.3.15	2014/15	5,200	-	900	6,100
	2013/14	-	-	-	-
Executive Director for Communities and Delivery – left 6.2.15	2014/15	75,900	2,300	13,900	92,100
	2013/14	76,200	2,800	13,900	92,900
Executive Director Strategic Lead for Transformation	2014/15	79,100	1,400	14,500	95,000
	2013/14	75,200	2,500	13,800	91,500
Head of Corporate Services – left 23.1.15	2014/15	51,200	2,500	9,400	63,100
	2013/14	62,600	2,900	11,500	77,000
Head of Environmental Health & Housing—left 6.2.15	2014/15	58,600	3,400	10,700	72,700
	2013/14	62,600	2,900	11,500	77,000
Head of Assets – left 6.3.15	2014/15	59,000	1,700	10,800	71,500
	2013/14	62,600	1,900	11,500	76,000
Acting Head of Finance & Audit - 1.1.13 to 30.9.13 (maternity leave)	2014/15	-	-	-	-
	2013/14	27,700	1,000	5,100	33,800

Note 1: Senior Management Team Restructure

In June 2014 South Hams District Council (SHDC) and West Devon Borough Council (WDBC) 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. The annual savings from the restructure of the Senior Management Team are £280,000 shared between the two Councils.

Note 2: Shared Services with West Devon Borough Council

The total cost of senior employees employed by WDBC has been included in the equivalent note of WDBC's Accounts in accordance with the accounting requirements and is therefore excluded from the table above. In 2014/15 SHDC reimbursed costs amounting to £180,000 (2013/14 £262,700) in respect of the Senior Leadership Team, S151 Officer and Monitoring Officer employed by WDBC. SHDC received a reimbursement in 2014/15 from WDBC of £209,000 (2013/14 £203,300) in respect of the above shared senior employees.

SECTION 3. NOTES TO THE ACCOUNTS

Other officers earning over £50,000

Remuneration band	2013/2014 Number of employees		2014/2015 Number of employees	
	Total	Left during year	Total	Left during year
£50,000 - £54,999	1	0	1	1

Note 1: The employee referred to in 2014/15 left on 9 May 2014.

26. PAYMENTS TO EXTERNAL AUDITORS

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:

	2013/14 £000	2014/15 £000
External audit services	57	57
Rebate on Audit Fee	(8)	(6)
Certification of grant claims and returns	24	10
Other services	8	1
TOTAL	81	62

SECTION 3. NOTES TO THE ACCOUNTS

27. GRANT INCOME

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

	2013/14 £000	2014/15 £000
Credited to Taxation and Non Specific Grant Income		
Capital grants & contributions:		
Environment Agency - Coastal Recovery Grant	-	(693)
European Fisheries Fund – Salcombe Fish Quay	(772)	(27)
South West Water – Ford Leat, Dartmouth	-	(56)
Devon County Council – North Sands	(50)	-
Other capital grants & contributions	(31)	(6)
Non ring - fenced Government grants & contributions:		
Revenue Support Grant	(2,560)	(1,985)
New Homes Bonus Grant	(1,026)	(1,365)
Council Tax Transition Grant	(17)	-
Small Business Rate Relief	(713)	(1,113)
Rural Services Support Grant	(37)	-
Total	(5,206)	(5,245)
Credited to Services		
Rent Allowance subsidy	(21,688)	(22,037)
Rent Allowance subsidy re previous years	-	(707)
Housing Benefit administration subsidy	(202)	(338)
Rent rebate subsidy	(96)	(59)
Discretionary housing payments	(149)	(137)
Council Tax benefit administration subsidy	(279)	(89)
Business Rates cost of collection allowance	(206)	(206)
Transformation Challenge Award grant	-	(434)
REFCUS grants applied		
Disabled facilities grant	(271)	(285)
Section 106 deposits	(222)	(376)
Second homes funding	(99)	-
Repair & Renew grant	-	(121)
Coastal Recovery grant	-	(261)
Other grants	(15)	(10)
Recycling credits	(468)	(487)
Devon County Council – Torr Quarry Transfer Station	(263)	(280)
Section 106 deposits	(167)	(99)
Electoral Commission – European Elections	-	(92)
Home Office–Police & Crime Commissioners Elections 2012	(9)	-
Devon County Council – County Council Elections	(124)	(15)
Dept. for Comm.& Local Govt. – Bellwin Scheme	(101)	-
Dept. for Comm.& Local Govt. – Sherford Resource Funding	(66)	(218)
Other grants	(536)	(648)
Total	(24,961)	(26,899)

SECTION 3. NOTES TO THE ACCOUNTS

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 will require the monies or property to be returned to the provider. The balances at the year-end are as follows:

Capital Grants Receipts in Advance	31 March 2014 £000	31 March 2015 £000
Section 106 Deposit – Penn Torr, Salcombe	(84)	(84)
Other grants	(52)	(48)
Total	(136)	(132)

Short Term Revenue Grants Receipts in Advance	31 March 2014 £000	31 March 2015 £000
Devon County Council – Cycling & Walking Works	(13)	(6)
Devon Local Authorities – Member Development Role	(14)	-
Devon County Council – Public Health Grant	(20)	(38)
DCLG – Sherford Resource Funding	(117)	(123)
Other grants	(47)	(7)
Total	(211)	(174)

Long Term Revenue Grants Receipts in Advance (Section 106 Deposits)	31 March 2014 £000	31 March 2015 £000
Langage Energy Centre	(2,469)	(2,238)
Dartmouth Supermarkets	(249)	(225)
Various other sites	(687)	(916)
Total	(3,405)	(3,379)

28. 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 Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently, or might have secured the ability to limit another party's ability to bargain freely with the Authority.

SECTION 3. NOTES TO THE ACCOUNTS

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 27.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2014/15 is shown in Note 24.

iESE Transformation Ltd

South Hams District and West Devon Borough Councils 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.

29. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below with the resources that have been used to finance it.

	2013/14 £000	2014/15 £000
Capital Investment		
Property, plant & equipment	2,829	1,941
Intangible assets	6	113
Revenue expenditure funded from capital under statute (REFCUS)	1,205	1,500
Total expenditure	4,040	3,554
Sources of Finance		
Capital receipts	1,455	542
Government grants and other contributions	1,549	1,604
Direct revenue contributions (earmarked reserves)	1,036	1,408
Total funding	4,040	3,554

N.B. The Council did not finance any of its capital expenditure by borrowing and as such its capital financing requirement was unchanged at (£98,000).

SECTION 3. NOTES TO THE ACCOUNTS

30. LEASES

Operating Leases

Authority as Lessee

The Authority uses certain land and buildings under the terms of operating leases. The most significant are:

Detail of lease	Term	Expiry date	Service group
A parcel of land for car parking	10 years	31.03.2017	Highways, Roads & Transport
The fundus of the Salcombe & Kingsbridge Estuary for the provision of harbour activities	21 years	24.03.2028	Highways, Roads & Transport

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

	31 March 2014 £000	31 March 2015 £000
N.B. Rentals for the fundus have been estimated based on income generated from certain harbour activities.		
Not later than one year	185	191
Later than one year & not later than five years	589	529
Later than five years	1,020	947
	1,794	1,667

The expenditure charged to the Highways, Roads and Transport Services line in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	2013/14 £000	2014/15 £000
Minimum lease payments	184	190
	184	190

SECTION 3. NOTES TO THE ACCOUNTS

Authority as Lessor

The Authority leases various parcels of land and buildings to external organisations. The most significant are shown below:

Detail of lease	Term	Expiry date	Service group
The operation of a supermarket	99 years	20.12.2077	Planning
The rental of an industrial unit	25 years	31.05.2029	Planning
The provision of temporary accommodation	10 years	30.03.2021	Other Housing
The rental of office accommodation	20 years	24.07.2032	Corporate

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

	31 March 2014 £000	31 March 2015 £000
N.B. Rental income from the temporary accommodation has been estimated (based on rentals paid).		
Not later than one year	746	746
Later than one year & not later than five years	2,984	2,984
Later than five years	35,863	35,118
	39,593	38,848

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

SECTION 3. NOTES TO THE ACCOUNTS

31. EXIT PACKAGES

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

Exit package cost band (incl. special payments)	Number of voluntary redundancies		Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band (£)	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
£0 - £20,000	-	44	1	5	-	-	1	49	7,500	507,600
£20,001 - £40,000	-	32	-	1	-	1	-	34	-	970,100
£40,001 - £60,000	-	7	-	-	-	1	-	8	-	365,500
£60,001 - £80,000	-	1	-	1	-	-	-	2	-	134,800
£80,000-£100,000	-	1	-	-	-	-	-	1	-	82,400
£100,001 - £150,000	-	1	-	-	-	-	-	1	-	100,300
TOTAL	0	86	1	7	0	2	1	95	7,500	2,160,700

Note 1: Transformation Programme (T18)

South Hams District Council and West Devon Borough Council are pioneering an innovative new working model to protect local services. Costs are being reduced by redesigning services around customers using new technology, while a smaller agile workforce reduces the amount of office space required. The Councils will operate in the future with a 30% reduction in staffing numbers for its non manual workforce. As part of T18, expressions of interest for voluntary redundancy were invited. Staff were recruited in to the new model following a behavioural framework assessment. See paragraphs 9 to 17 of the Explanatory Foreword for further information.

Note 2: Senior Management Team Restructure

In June 2014 South Hams District Council (SHDC) and West Devon Borough Council (WDBC) 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. The annual savings from the restructure of the Senior Management Team are £280,000 shared between the two Councils.

SECTION 3. NOTES TO THE ACCOUNTS

Note 3: Shared Services with West Devon Borough Council

West Devon Borough Council (WDBC) made a cash contribution of £466,000 towards the above exit packages in 2014/15, no contribution was made toward packages in 2013/14. South Hams District Council made a cash contribution of £138,000 to WDBC's exit package costs in 2014/15 but paid nothing in 2013/14.

32. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

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. The total contributions expected to be made to the LGPS by the Council in the year to 31 March 2016 is £1.1m. The Actuary has estimated the duration of the Employer's liabilities to be 18 years

In addition, there are arrangements for the award of discretionary post retirement benefits upon early retirement. This is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities and cash has to be generated to meet actual pension payments as they eventually fall due. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2016 are £207,000.

SECTION 3. NOTES TO THE ACCOUNTS

At South Hams District Council, unfunded benefits take the form of pensions arising from additional service awarded on a discretionary basis e.g. Compensatory Added Years ("CAY") pensions. Such benefits are charged to the Council as they are paid. For new retirees CAY pensions are no longer payable. The liabilities that the Council continues to face relate to the impact of previous early retirement decisions.

Further information can be found in Devon County Council Pension Fund's Annual Report which is available upon request from The County Treasurer, Devon County Council, County Hall, Exeter, EX2 4QJ.

Transactions Relating to Post-employment Benefits

We recognise 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 we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The movement in the pension scheme assets and liabilities together with the treatment of the corresponding transactions in the CIES is summarised in the following tables:

SECTION 3. NOTES TO THE ACCOUNTS

2014/15	Scheme Assets £000s	Pension Obligations £000s	Net Pension Liability £000s	Notes on Accounting Treatment
Opening balance at 1 April 2014	75,990	(108,694)	(32,704)	
Current service cost		(2,117)	(2,117)	CIES – absorbed into the total cost of services
Past service cost		(607)	(607)	CIES – absorbed into the total cost of services
Provision for strain liability arising from early retirements		(1,625)	(1,625)	Please refer to Note 2 'Material Items of Income and Expense'.
Interest income and expenses	3,304	(4,719)	(1,415)	CIES - charged to Financing and Investment Income and Expenditure
Administration expenses	(43)		(43)	Charged to Other Operating Expenditure
Re-measurements:	4,715		4,715	
• Return on plan assets				CIES – Re-measurements of the Net Defined Benefit Liability in Other Comprehensive Income and Expenditure
• Actuarial gains and losses arising from changes in financial assumptions		(14,503)	(14,503)	CIES Re-measurements of the Net Defined Benefit Liability in Other Comprehensive Income and Expenditure
• Other actuarial gains and losses		(39)	(39)	CIES - Re-measurements of the Net Defined Liability in Other Comprehensive Income and Expenditure
Contributions:	1,667		1,667	
• Council employer's contributions				Transactions in the Cash Flow Statement. Debited to the General Fund Balance in the MIRS as part of the adjustments between Accounting and Funding basis.
• Employee contributions	537	(537)	-	Total cost of services in the CIES – netted off Current Service Cost
Retirement grants and pensions				Transactions in the Cash Flow Statement. Debited to the General Fund Balance in the MIRS as part of the Adjustments between Accounting and Funding basis
• Funded payments	(3,805)	3,805	-	
• Unfunded payments	(205)	205	-	
Closing balance at 31 March 2015	82,160	(128,831)	(46,671)	

SECTION 3. NOTES TO THE ACCOUNTS

2013/14 Comparatives	Scheme Assets £000s	Pension Obligations £000s	Net Pension Liability £000s	Notes on Accounting Treatment
Opening balance at 1 April 2013	73,775	(105,848)	(32,073)	
Current service cost		(2,366)	(2,366)	CIES – absorbed into the total cost of services
Interest income and expenses	3,152	(4,496)	(1,344)	CIES - charged to Financing and Investment Income and Expenditure
Administration expenses	(41)		(41)	Charged to Other Operating Expenditure
Re-measurements:				
• Return on plan assets	265		265	CIES – Re-measurements of the Net Defined Benefit Liability in Other Comprehensive Income and Expenditure
• Actuarial gains and losses arising from changes in demographic assumptions		(923)	(923)	CIES – Re-measurements of the Net Defined Benefit Liability in Other Comprehensive Income and Expenditure
• Actuarial gains and losses arising from changes in financial assumptions		(2,063)	(2,063)	CIES Re-measurements of the Net Defined Benefit Liability in Other Comprehensive Income and Expenditure
• Other actuarial gains and losses	(195)	4,389	4,194	CIES - Re-measurements of the Net Defined Liability in Other Comprehensive Income and Expenditure
Contributions:				
• Council employer's contributions	1,647		1,647	Transactions in the Cash Flow Statement. Debited to the General Fund Balance in the MIRS as part of the adjustments between Accounting and Funding basis.
• Employee contributions	529	(529)	-	Total cost of services in the CIES – netted off Current Service Cost
Retirement grants and pensions				Transactions in the Cash Flow Statement. Debited to the General Fund Balance in the MIRS as part of the Adjustments between Accounting and Funding basis
• Funded payments	(2,941)	2,941	-	
• Unfunded payments	(201)	201	-	
Closing balance at 31 March 2014	75,990	(108,694)	(32,704)	

SECTION 3. NOTES TO THE ACCOUNTS

Balance Sheet Disclosure – an analysis of the defined benefit obligation into amounts arising from plans that are (a) funded and (b) unfunded.

Net pension assets as at:	31/03/15 £000	31/03/14 £000	31/03/13 £000
Present value of funded obligation as per report of Actuary	(123,966)	(105,644)	(102,921)
Provision for strain liability arising from future early retirements	(1,625)	-	-
Less fair value of scheme assets (bid value)	82,160	75,990	73,775
Net liability	(43,431)	(29,654)	(29,146)
Present value of unfunded obligation	(3,240)	(3,050)	(2,927)
Net liability in Balance Sheet	(46,671)	(32,704)	(32,073)

The net liability has increased mainly as a result of the fall in the discount rate assumption. This has been offset slightly by the strong asset performance by the Fund but overall there has been an increase in the reported deficit.

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The total liability of £46.7m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- the deficit on the Local Government Scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

Basis for estimating assets and liabilities

Assets and liabilities are assessed by Barnett Waddingham, an independent firm of actuaries. As required under IAS19 they use the projected unit method of valuation to calculate the service cost.

To assess the value of the Employer's liabilities at 31 March 2015, they have rolled forward the value of the Employer's liabilities calculated for the funding valuation as at 31 March 2013, using financial assumptions that comply with IAS19.

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

SECTION 3. NOTES TO THE ACCOUNTS

The major assumptions are summarised in the following table:

	31/03/15	31/03/14
Life expectancy from age 65:		
Retiring today		
➤ Men	22.8	22.7
➤ Women	26.1	26.0
Retiring in 20 years		
➤ Men	25.1	24.9
➤ Women	28.4	28.3
Financial Assumptions		
RPI increases	3.2%	3.6%
CPI increases	2.4%	2.8%
Rate of increase in salaries	4.2%	4.6%
Rate of increase in pensions	2.4%	2.8%
Rate for discounting scheme liabilities	3.3%	4.4%

The financial assumptions summarised in the table above are set with reference to market conditions at 31 March 2015.

The table below looks at the sensitivity of the major assumptions:

Sensitivity analysis	£000	£000	£000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	124,978	127,206	129,477
Projected service cost	1,908	1,952	1,997
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	127,498	127,206	126,916
Projected service cost	1,953	1,952	1,951
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	129,203	127,206	125,246
Projected service cost	1,996	1,952	1,909
Adjustment to mortality age rating assumption	+1 Year	None	-1 Year
Present value of total obligation	122,757	127,206	131,696
Projected service cost	1,886	1,952	2,019

SECTION 3. NOTES TO THE ACCOUNTS

The estimated asset allocation for South Hams District Council as at 31 March 2015 is as follows:

Employer Asset Share – Bid Value	31/03/15 £000	31/03/15 %	31/03/14 £000	31/03/14 %
Gilts (Government bonds)	5,227	6%	5,319	7%
UK Equities	20,253	25%	19,757	26%
Overseas equities	28,341	34%	25,837	34%
Property	8,213	10%	6,838	9%
Infrastructure	2,277	3%	1,520	2%
Target Return Portfolio	12,115	15%	11,399	15%
Cash	1,416	2%	1,520	2%
Other bonds	2,857	3%	3,800	5%
Alternative assets	1,461	2%	-	0%
Total	82,160	100%	75,990	100%

Based on the above, the Employer's share of the assets of the Fund is approximately 2%. The return on the Fund (on a bid value basis) for the year ended 31 March 2015 is estimated to be 11%.

Of the total fund asset at 31 March 2015, the following table identifies the split of those assets with a quoted market price and those that do not:

		31 March 2015	
		% Quoted	% Unquoted
Fixed interest government securities	UK	0.5%	-
	Overseas	5.9%	-
Corporate bonds	UK	0.5%	
	Overseas	3.0%	
Equities	UK	23.4%	1.3%
	Overseas	29.4%	5.1%
Property	All	-	9.9%
Others	Absolute return portfolio	14.7%	-
	Infrastructure	-	2.8%
	Multi sector credit fund	1.8%	-
	Cash/Temporary investments	-	1.8%
Net current assets	Debtors	-	1.3%
	Creditors	-	(1.4%)
Total		79.2%	20.8%

SECTION 3. NOTES TO THE ACCOUNTS

33. CONTINGENT LIABILITIES

The transfer of the Council's housing stock in March 1999 resulted in a capital receipt of some £42m. As the stock transfer had to take place over a very short timescale, wide warranties were given to South Hams Housing (now Devon and Cornwall Housing) on staffing, environmental and other issues, (for example in relation to the existence of contaminated land, subsidence, etc.). The purpose of these warranties is to safeguard the housing company if any of the main assumptions on which the transfer price was calculated, turn out to be different in reality. Any liabilities that do arise will be funded from the Council's general reserves. Unfortunately, owing to the uncertainties surrounding any potential claim, it is not practicable to make an estimate of the total value of liabilities (if any).

34. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Key Risks

The Council's activities expose it to a variety of financial risks:

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

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework in the *Local Government Act 2003* and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;

SECTION 3. NOTES TO THE ACCOUNTS

- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
 - The Council's overall borrowing;
 - Its maximum and minimum exposures to fixed and variable rates;
 - Its maximum and minimum exposures regarding 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 the Government Guidance.

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported to Members during the year.

The annual treasury management strategy which incorporates the prudential indicators was approved by the Executive on 5 March 2015 and is available on the Council's website.

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

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures from the Council's customers. An analysis of the Council's investments is provided in Note 11 to the accounts.

SECTION 3. NOTES TO THE ACCOUNTS

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, in accordance with the Fitch and Moody's Credit Ratings Services. 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.

The full Investment Strategy for 2014/15 was approved by the Executive on 5 March 2015 and is available on the Council's website. The Council's investment priorities are: -

- the security of capital and
- the liquidity of its investments

Since October 2008 we have used an ultra cautious investment strategy to avoid the possibility of potential losses. However, this has come at a cost; investing in virtually risk free institutions, namely the UK Government and Local Authorities, means that we must accept a much lower interest rate on our investments.

No breaches of the Council's counterparty criteria occurred during the reporting period. With the exception of the investment with the Heritable Bank the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Council takes a very prudent approach regarding the collection of debts from its customers and calculates an annual provision for bad debts based on the age of its debt. A detailed review of potential bad debts was undertaken at 31 March 2015 and is reflected in the current figure of £627,000. This compares to £494,000 in 2013/14. The bad debt provision is adequate to deal with the historical experience of default and current market conditions. An analysis of the Council's debtors is provided in Note 13 to the accounts.

Liquidity risk

The Council is debt free, but has ready access to borrowings from the Money Markets to cover any day to day cash flow need. The Council 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.

Therefore there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Council 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 cash flow management procedures required by the Code of Practice. An analysis of the Council's cash and cash equivalents is provided in Note 14 to the accounts.

All trade and other payables are due to be paid in less than one year.

SECTION 3. NOTES TO THE ACCOUNTS

Market Risk

Interest rate risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its investments. A rise in interest rates would have the following effects:

- Investments at variable rates – the interest income credited to the I & E account will rise
- Investments at fixed rates – the fair value of the assets will fall

Changes in interest receivable on variable rate investments are posted to the I & E account and affect the General Fund Balance £ for £.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The Finance team will monitor markets and forecast interest rates within the year to adjust exposures appropriately.

If all interest rates had been 1% higher, with all other variables held constant, the financial effect would be that an additional £250,000 in interest would have been generated.

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

Price risk

The Council, excluding the pension fund, does not invest in instruments with this type of risk (e.g. equity shares or marketable bonds).

Foreign exchange risk

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

Refinancing and Maturity Risk

The Council maintains a significant investment portfolio. Whilst the cash flow procedures are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature.

SECTION 3. NOTES TO THE ACCOUNTS

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

This includes monitoring the maturity profile of investments to ensure that sufficient liquidity is available for the Council's day to day cash flow needs. The spread of longer term investments provides stability of maturities and returns in relation to the longer term cash flow needs.

35. ACCOUNTING POLICIES

a) General Principles

The Statement of Accounts summarises the Authority's transactions for the 2014/15 financial year and its position at the year end of 31 March 2015. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011 (SI 2011 No. 817). 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 2014/15 and the *Service Reporting Code of Practice for Local Authorities (SeRCOP)*, 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.

SECTION 3. NOTES TO THE ACCOUNTS

- 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 £1,000 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. Our policy is shown in the following table:

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

Key: T = trade date

The Council's view is that investments made with an investment period of greater than 7 days would not be classified as cash equivalents because they are not sufficiently liquid to meet short term cash commitments.

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.

SECTION 3. NOTES TO THE ACCOUNTS

d) Material items of Income and Expense

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 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 assets attributable to the service.

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. These changes 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.

SECTION 3. NOTES TO THE ACCOUNTS

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 in exchange for those benefits. These benefits are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement, to terminate at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in 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.

SECTION 3. NOTES TO THE ACCOUNTS

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 Note 32.

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.

SECTION 3. NOTES TO THE ACCOUNTS

- **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 Period

Events after the Reporting Period 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

SECTION 3. NOTES TO THE ACCOUNTS

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

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

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 Council does not currently 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.

SECTION 3. NOTES TO THE ACCOUNTS

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 derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Fair Values of Assets and Liabilities

Financial liabilities should be measured initially at fair value. Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arms length transaction.

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of cash flows that will take place over the remaining term of the instruments by using the following assumptions:

- No early repayment or impairment is recognised;
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value; and
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

Any difference between the carrying amount (Balance Sheet value) and fair value (arm's length price) should be disclosed in the notes to the accounts.

SECTION 3. NOTES TO THE ACCOUNTS

Recognition and measurement of financial instruments

The main measurement bases used by the Council 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.	See also accounting policy on cash equivalents.
Operational debtors	Held at invoiced or billed amount less an estimate for non-collection of debts.	Carrying amount is a reasonable approximation of fair value for these short term receivables with no stated interest rate. The carrying amount has been adjusted for an assessment of bad debts. See Note 34 within 'credit risk' for further information.
Operational creditors	Held at invoiced or billed amount.	Carrying amount is a reasonable approximation of fair value for these short term liabilities.

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 Council 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

SECTION 3. NOTES TO THE ACCOUNTS

Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement 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.

k) Heritage Assets

Heritage assets are assets that are held by the Authority principally for their contribution to knowledge or culture. The Council has reviewed its insurance and assets registers and has not identified any material assets that require disclosure.

l) 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. As with Property, Plant and Equipment a de minimis level of £10,000 has been set for capitalisation.

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.

m) Inventories

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

SECTION 3. NOTES TO THE ACCOUNTS

n) Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length.

Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

o) Jointly Controlled Operations

Jointly controlled operations are activities undertaken by the Authority in conjunction with other partners that involve the use of the assets and resources of the partners rather than the establishment of a separate entity. The Authority recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

p) 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).

SECTION 3. NOTES TO THE ACCOUNTS

The Authority as Lessee

Finance Leases

The Council 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 benefitting from use of the leased property, plant or equipment. Charges are made in accordance with the lease terms.

The Authority as Lessor

Finance Leases

The Council does not hold any finance leases as a lessor.

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 and is credited in accordance with the lease terms.

q) 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 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.

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.

SECTION 3. NOTES TO THE ACCOUNTS

The costs of the Council's support services and related overheads are allocated to the services based on the budgeted time allocations for the year, updated for known demands on officer time, in accordance with the requirements of SERCOP. The bases of allocation used for the main costs are outlined below:

Cost	Basis of allocation
Staffing and related overheads	Cost of time spent by staff based on time allocations or the most appropriate cost driver e.g. head count, case load etc.
Administrative buildings	Area occupied.
IT costs	Usage of major systems plus a standard charge per PC/printer.

r) 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

SECTION 3. NOTES TO THE ACCOUNTS

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.

For 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 at 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.

De minimis policy for capital controls and accounting purposes

CIPFA have not set specified de minimis levels and it is up to authorities to decide for themselves having regard to their particular circumstances.

In order to reduce the administrative burden a general de minimis limit of £10,000 has been set for the recognition of capital expenditure except for:

- Vehicles, Vessels and Plant for which the limit is £7,000
- Loans which have no limit

SECTION 3. NOTES TO THE ACCOUNTS

Component Accounting

The International Financial Reporting Standards (IFRS) code requires separate accounting for depreciation of significant components of assets that are:

- acquired on or after 1 April 2010
- enhanced on or after 1 April 2010
- revalued on or after 1 April 2010

Where there is more than one significant part of the same asset which has the same useful life and depreciation method, such parts may be grouped in determining the depreciation charge.

Significant components which have different useful lives and/or depreciation methods, will be accounted for separately.

Where a component is replaced or restored, the carrying amount of the old component shall be derecognised and the new component reflected in the assets carrying amount, subject to the recognition principles of capitalising expenditure. Derecognition of a component from the Balance Sheet takes place when no future economic benefits are expected from its use. Such recognition and derecognition takes place regardless of whether the replaced part has been depreciated separately.

Assets eligible to be considered for componentisation are those classified within the following categories:

1. Operational Buildings
2. Assets Held for Sale

The following will be considered outside the scope for componentisation:

1. Non-Depreciable Land
2. Assets Under Construction
3. Investment Properties
4. Infrastructure
5. Plant & Equipment
6. Community Assets
7. Intangible Assets

The criteria for components to be separately valued are that:

De minimis threshold - *The overall gross asset value must be in excess of £400k to be considered for componentisation and*

Materiality - *The component must have a minimum value of £200k or be at least 20% of the overall value of the asset (whichever is the higher) and*

Asset lives - *The estimated life of the component is less than half of that of the main asset.*

SECTION 3. NOTES TO THE ACCOUNTS

All three rules above must be met to consider componentisation. These rules will apply to revaluations and when replacing components within an asset.

Where enhancement is integral to the whole asset then unless there is significant evidence to the contrary, the asset life of the enhancement will have the same remaining life as the existing asset and will not be separately identified as a component.

Where assets are material and will therefore be reviewed for significant components, it is recommended that the **minimum** level of apportionment for the non-land element of assets is:

- Plant and equipment and engineering services
- Structure

The Valuer will assign to each standard property type a group of significant components common to all property assets within that property type.

Where a component is replaced the existing component shall be derecognised and the new component cost added to the carrying amount. The amount derecognised will be estimated based on the cost of the replacement part. This principle will apply to componentised and non-componentised assets.

Assets and asset components will be revalued in accordance with the annual valuation schedule agreed with the Valuer. The Valuer will be responsible for providing valuations apportioned in accordance with the assets property type.

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.

SECTION 3. NOTES TO THE ACCOUNTS

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).

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

Asset	Useful life
Buildings	Sixty years
Infrastructure	Twenty years
Refuse vehicles	Seven years
Light vans	Five years
Marine vessels	Fifteen years
IT equipment	Four years

Where an item of Property, Plant and Equipment 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 losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

SECTION 3. NOTES TO THE ACCOUNTS

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 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.

s) 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.

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.

SECTION 3. NOTES TO THE ACCOUNTS

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.

t) Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service 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.

SECTION 3. NOTES TO THE ACCOUNTS

u) 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.

v) Section 106 deposits

Where repayment conditions exist, developer contributions are treated as revenue receipts (Long Term Liabilities in the Balance Sheet) unless a clear capital use is identified in the terms of the agreement. In the latter case they are defined as Capital Receipts in Advance. Where no conditions are attached to the agreement, they are either treated as capital grants unapplied or credited directly to services if revenue in nature.

w) Shared Services

Since 1 October 2011, all services operated by West Devon Borough Council and South Hams District Council have been shared at senior management level and middle management level.

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 Councils. 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

x) 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.

SECTION 3. NOTES TO THE ACCOUNTS

y) 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.

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code) introduces changes in accounting policies that will have to be adopted fully by the authority in the 2015/16 financial statements i.e. from 1 April 2015.

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 2015/16 there are no standards issued not adopted that are expected to have a material impact on the 2015/16 statement of accounts.

SECTION 3. NOTES TO THE ACCOUNTS

37. 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.

SECTION 4. COLLECTION FUND

The Collection Fund (England) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

2013/14 Business Rates £000	2013/14 Council Tax £000		2014/15 Business Rates £000	2014/15 Council Tax £000
		INCOME		
-	(55,556)	Income from Council Tax	-	(58,038)
(28,698)	-	Business Rates Receivable	(28,857)	-
(2,432)	-	Less: Transitional Relief	(1,624)	-
(31,130)	(55,556)		(30,481)	(58,038)
		EXPENDITURE		
		Precepts, Demands & Shares:		
15,785	-	Central Government	14,934	-
2,841	39,557	Devon County Council	2,688	41,274
-	5,773	Devon & Cornwall Police Authority	-	6,023
316	2,671	Devon & Somerset Fire Authority	299	2,787
12,628	6,601	South Hams District Council (net including Towns/Parishes)	11,948	6,868
123	-	Business Rates – write off of uncollectible debt	175	-
99	-	Change in allowance for non collection of doubtful debts	106	-
-	141	Council Tax written off and change in impairment allowance	-	102
-	41	Council Tax increase/(decrease) in provision for appeals	-	193
1,856	-	Business Rates increase/(decrease) in provision for appeals	473	-
206	-	Business Rates – Costs of collection	206	-
		Distribution/collection of previous year's estimated surplus/(deficit):		
-	-	Central Government	(1,319)	-
-	190	Devon County Council	(237)	363
-	27	Devon and Cornwall Police	-	53
-	13	Devon and Somerset Fire Authority	(26)	24
-	30	South Hams District Council	(1,055)	60
33,854	55,044		28,192	57,747
2,724	(512)	MOVEMENT ON BALANCE	(2,289)	(291)

SECTION 4. COLLECTION FUND

1. Council tax and council tax base

In 2014/15, the Council's average Band D Council Tax was £1,571.09 (£1,540.97 in 2013/14). The charge for each band is a ratio of band D. The 2014/15 charges therefore were:

Band	Ratio to Band D	Council Tax (£)
Disabled A	5/9	872.83
A	6/9	1,047.39
B	7/9	1,221.96
C	8/9	1,396.52
D	1	1,571.09
E	11/9	1,920.22
F	13/9	2,269.35
G	15/9	2,618.48
H	18/9	3,142.18

These charges are before any appropriate discounts. The Council tax base, which is used in the tax calculation, is based on the number of dwellings in each band on the listing produced by the Listing Officer. This is adjusted for exemptions, discounts, disabled banding changes, appeals and new builds. The tax base estimate for 2014/15 was **£36,250.26** as calculated below (£35,434.09 in 2013/14).

Band	Dwellings per Valuation List	Adjustment for Disabled Banding Appeals, Discounts and Exemptions	Revised Dwellings	Ratio to Band D	Band D Equivalent
Disabled A		7.50	7.50	5/9	4.17
A	4,873.00	(809.25)	4,063.75	6/9	2,709.17
B	8,549.00	(934.25)	7,614.75	7/9	5,922.58
C	8,375.00	(751.25)	7,623.75	8/9	6,776.67
D	7,879.00	(3,767.67)	4,111.33	1	4,111.33
E	6,447.00	(425.75)	6,021.25	11/9	7,359.31
F	3,536.00	(174.50)	3,361.50	13/9	4,855.50
G	2,939.00	(165.75)	2,773.25	15/9	4,622.08
H	300.00	(21.75)	278.25	18/9	556.50
Total	42,898.00	(7,042.67)	35,855.33		36,917.31
Less allowance for non collection					(738.35)
Plus adjustment for armed forces dwellings					71.30
Tax base					36,250.26

SECTION 4. COLLECTION FUND

2. Rateable value

The total business rates rateable value at 31 March 2015 was £82,739,172. This compares to £82,168,779 at 31 March 2014. The standard business rates multiplier was 48.2p in 2014/15 (2013/14: 47.1p). Without reliefs this would generate a total income of £39,880,280.90 (2013/14 £38,701,494.91). These figures are a snapshot only and differ from the value of business rate bills issued due to changes in rateable values during the year, small business rate relief, void properties and charitable relief.

3. Collection fund balance

2013/14 Business Rates £000	2013/14 Council Tax £000		2014/15 Business Rates £000	2014/15 Council Tax £000
-	(1,259)	Fund balance at 1 April	2,724	(1,771)
2,724	(512)	(Surplus) / Deficit for year	(2,289)	(291)
2,724	(1,771)	Fund balance as at 31 March - (surplus)/deficit	435	(2,062)

The balance on the Collection Fund is split between the preceptors as follows:

2013/14 Business Rates £000	2013/14 Council Tax £000		2014/15 Business Rates £000	2014/15 Council Tax £000
1,362	-	Central Government	218	-
245	(1,284)	Devon County Council	39	(1,495)
-	(188)	Devon and Cornwall Police	-	(218)
27	(86)	Devon and Somerset Fire Authority	4	(101)
1,634	(1,558)	Total (surplus)/deficit due to Preceptors	261	(1,814)
1,090	(213)	South Hams District Council	174	(248)
2,724	(1,771)	Fund balance as at 31 March - (surplus)/deficit	435	(2,062)

SECTION 5. STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS.

The Authority's responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Finance Community of Practice Lead (S151 Officer).
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- approve the Statement of Accounts

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 Authority's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice').

In preparing this Statement of Accounts, the Finance Community of Practice Lead (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 Finance Community of Practice Lead (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.

The Statement of Accounts present a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2015.

.....

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

24 September 2015

SECTION 5. STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS.

Approval of the Statement of Accounts

I confirm that these accounts were approved by the Audit Committee as its meeting held on 24 September 2015.

Signed on behalf of South Hams District Council

.....

Councillor JT Pennington

Chairman of the Audit Committee

24 September 2015

SECTION 6. AUDITORS' REPORT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTH HAMS DISTRICT COUNCIL

We have audited the financial statements of South Hams District Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of South Hams District Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Finance Community of Practice Lead and auditor

As explained more fully in the Statement of the Head of Finance's Responsibilities, the Finance Community of Practice Lead is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Head of Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

SECTION 6. AUDITORS' REPORT

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of South Hams District Council as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We are required to report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or
- we designate under section 11 of the Audit Commission Act 1998 a recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

SECTION 6. AUDITORS' REPORT

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, *South Hams District Council* put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Certificate

We certify that we have completed the audit of the financial statements of South Hams District Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Barrie Morris

Director

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

Hartwell House, 55-61 Victoria Street, Bristol, BS1 6FT

24 September 2015

SECTION 7. GLOSSARY OF TERMS

ACCRUALS	A sum included in the accounts to cover income or expenditure attributable to an accounting period for goods received or works 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.
CAPITAL EXPENDITURE	Expenditure on the acquisition of an asset or expenditure which adds to and not merely maintains the value of an existing 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 loan.
CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)	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 business 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	This is the amount the Actuary estimates as the cost 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

SECTION 7. GLOSSARY OF TERMS

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 Government, 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 collectible 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.
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

SECTION 7. GLOSSARY OF TERMS

	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.
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 Council at 31 March.
SUNDRY DEBTORS	Amounts owed to the Council at 31 March.

The Audit Findings for South Hams District Council

Year ended 31 March 2015

24 September 2015

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Barrie Morris

Director

T 0117 305 7708

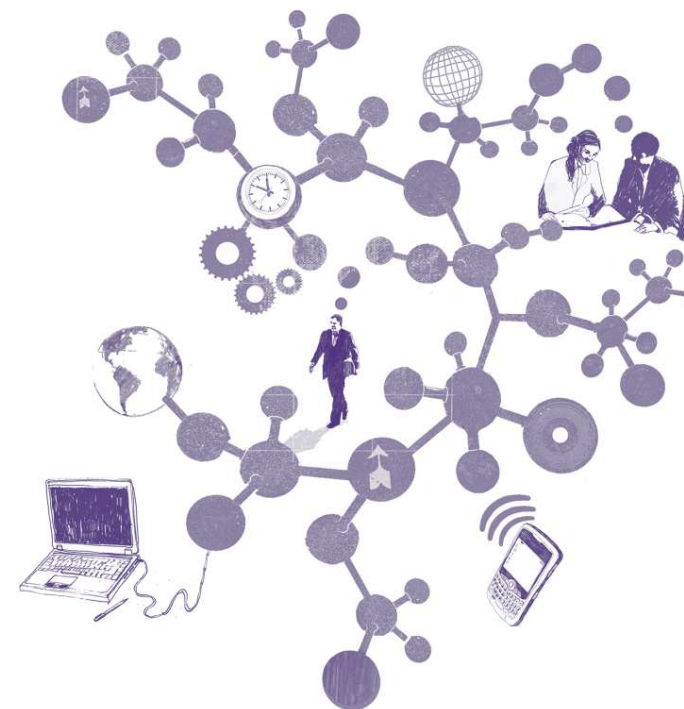
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Agenda Item 8

The Audit Committee
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Dear Members

Audit Findings for South Hams District Council for the year ending 31 March 2015

This Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance in the case of South Hams District Council, the Audit Committee, as required by International Standard on Auditing (UK & Ireland) 260. Its contents have been discussed with management.

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

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours sincerely

Barrie Morris

Chartered Accountants

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Section 1: Executive summary

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Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of South Hams District Council's (the Council) financial statements for the year ended 31 March 2015. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA UK&I).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Council's financial statements present a true and fair view of the financial position and expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated 12 March 2015.

Our audit is substantially complete although we are finalising our work in the following areas:

- Whole of Government Accounts
- going concern review
- review of the final version of the financial statements

- obtaining and reviewing the final management letter of representation
- review of final version of the Annual Governance Statement
- updating our post balance sheet events review, to the date of signing the opinion
- Whole of Government Accounts

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable.

Key issues arising from our audit

Financial statements opinion

We anticipate providing an unqualified opinion in respect of the financial statements.

- The accounts were free of significant errors; and
- We have not identified any adjustments that would affect the Council's reported financial position.

Further details are set out in section two of this report.

Value for Money conclusion

We are pleased to report that, based on our review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VfM conclusion].

Further detail of our work on Value for Money is set out in section three of this report.

Whole of Government Accounts (WGA)

We will complete our work in respect of the Whole of Government Accounts in accordance with the national timetable.

Controls

Roles and responsibilities

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

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

Findings

We have identified some minor control issues that we wish to bring to your attention, further details are provided within section two of this report.

The way forward

Matters arising from the financial statements audit and review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Finance Community of Practice Lead.

We have made one recommendation, which we set out in the action plan in Appendix A. The recommendation has been discussed and agreed with the Finance Community of Practice Lead and the finance team.

Acknowledgment

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit. We also acknowledge that the shared finance team has performed well in producing a good set of accounts.

Grant Thornton UK LLP
24 September 2015

Section 2: Audit findings

01. Executive summary

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Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and the findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit committee on 24 September 2015. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to you on 12 March 2015.

Audit opinion

Our proposed audit opinion is set out in Appendix B.

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA (UK&I) 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
Page 141	<p>1. Improper revenue recognition Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to improper recognition</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted.</p> <p>Our work comprised:</p> <ul style="list-style-type: none"> • Substantive analytical review of housing rental income • Reconciling the Council tax debit • Analytically reviewing total collectable council tax revenues • Verifying that grants received have been correctly accounted for • Identifying fees, charges and other service income and reconciling these to the General ledger. 	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
	<p>2. Management override of controls Under ISA (UK&I) 240 there is a presumed risk of management override of controls</p>	<ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management. • Testing of journal entries. • Review of unusual, significant journal transactions. 	<p>Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>





Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p>Operating expenses</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 142</p>	<p>Creditors understated or not recorded in the correct period</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • Review of system documentation and transaction walkthrough testing. • Agreed creditors to the ledger. • Reviewed a sample of payments before and after year end to ensure that they have been allocated to the correct year and correctly recognised. • Substantively tested a sample of operating expenses. • Tested the year end accruals process and the amounts included as the year end accrual. 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>
<p>Employee remuneration</p>	<p>Employee remuneration accrual understated</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • Reviewed system documentation and transaction walkthrough testing. • Undertaken predictive analytical review. • Substantively tested a sample of remuneration transactions. • Reviewed the calculation of redundancy costs. 	<p>Our audit work has not identified any evidence that employee remuneration accruals are understated.</p>
<p>Welfare expenditure</p>	<p>Welfare benefit expenditure improperly computed</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • Review of system documentation and transaction walkthrough testing. • Predictive analytical review. <p>We were able to rebut the risk that Welfare benefit expenditure improperly computed.</p>	<p>Our audit work has not identified any evidence that welfare benefit expenditure are improperly computed.</p>


Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	Activity is accounted for in the year it takes place, not simply when cash payments are made or received.	We have no issues over the: <ul style="list-style-type: none"> • Appropriateness of policy under relevant accounting framework • Adequacy of disclosure of accounting policy 	 Green
Estimates and judgements	Management have disclosed their accounting policy, and disclosed key estimates and judgements around: <ul style="list-style-type: none"> – Depreciation; – Bad debt provisions; – Pension fund valuations and settlements; – Redundancy accruals; – Allocation of operating costs between the Council and West Devon Borough Council; and – NDR provisions. 	We have no issues over the: <ul style="list-style-type: none"> • Appropriateness of policies under relevant accounting framework • Extent of judgements involved • Adequacy of disclosure of accounting policies • Apportionments of the costs between South Hams DC and West Devon BC. 	 Green
Going concern	Management have a reasonable expectation that the services provided by the Council will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.	We have reviewed managements' assessment and are satisfied that the going concern basis is appropriate for the 2014/15 financial statements.	 Green
Other accounting policies	We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.	Our review of accounting policies has not highlighted any issues which we wish to bring to your attention.	 Green

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Assessment

-  Marginal accounting policy which could potentially attract attention from regulators
-  Accounting policy appropriate and disclosures sufficient
-  Accounting policy appropriate but scope for improved disclosure

Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit
2.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	Written representations	<ul style="list-style-type: none"> A letter of representation has been requested from the Council.
4.	Disclosures	<ul style="list-style-type: none"> Our review found no non-trivial omissions in the financial statements.
5.	Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related party transactions which have not been disclosed.
6.	Confirmation requests from third parties	<ul style="list-style-type: none"> We obtained direct confirmations in relation to the Council's bank accounts and Investment balances. These were all received within the appropriate timescales.



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Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for Employee Remuneration and Operating Expenses as set out on page 10 above.

The matters that we identified during the course of our audit are set out in the table below. These and other recommendations, together with management responses, are included in the action plan attached at Appendix A.

	Assessment	Issue and risk	Recommendations
1 Page 145	 Amber	Fixed Asset Register Although the Fixed Asset Register maintained by the Council agrees in total to the software system used for managing assets (they both show a total of £73.178 million), there is a small imbalance of 0.5% between the classification between cost or valuation and accumulated depreciation. This is due to the way the software system treats impairment losses. The Council carries out an annual reconciliation so that the Fixed Asset note shows the correct figure.	The asset software system should be updated to ensure that it agrees with the amounts disclosed in the accounts.
2	 Amber	Our analysis of the journals for the year highlighted that there were Journals without a description,	All journals should have a narrative description to explain the nature and purpose of the transaction.

The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Internal controls – review of issues raised in prior year

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1.	✓	<p>Payroll processes</p> <p>We noted that there was a lack of segregation of duties within the payroll department. In 2013/14 we found that payroll was administered by one individual. Further, from discussions with members of the finance and HR teams there appeared to be insufficient medium term contingencies should that member of staff leave or become ill.</p>	<p>Appropriate arrangements have now been introduced through additional staff receiving training to provide cover for leave or sickness. Currently three members of the team are able to process payroll. In addition the Council's HR team includes a allocation of 0.4 of a full time equivalent (Payroll specialist) as an overview to the payroll operation.</p>

Adjusted misstatements

A number of adjustments to the draft financial statements have been identified during the audit process. We are required to report all non-trivial misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management.

Impact of adjusted misstatements

All adjusted misstatements are set out below along with the impact on the primary statements and the reported financial position.

Detail	Amount	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Impact on total net expenditure £000
Total comprehensive Income and Expenditure in the draft accounts				14,611
Page 147 The disclosure of material items, on the face of the Comprehensive Income and Expenditure Account, included the purchase and recharge of intangible assets of £85k. As these are capital transactions both the expenditure and income needed to be taken out of the disclosure. There is no effect to the Council's disclosed outturn for the year.	85	0		
Overall impact		£0	£0	
Total comprehensive Income and Expenditure in the final accounts				14,611

There were no unadjusted misstatements

Misclassifications & disclosure changes

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

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Disclosure	n/a	Note 4. Adjustments between accounting basis and funding basis under regulations	Lines relating to Capital grants, REFCUS and Capital expenditure charged against the general fund had been shown nett.
2 Disclosure	n/a	Note 9 Property, Plant and Equipment	Capital commitments had not been disclosed
Disclosure	n/a	Note 11 Financial Instruments	Cash and cash equivalents had been omitted from the Note 11 in error.
Disclosure	n/a	Various notes	Some minor amendments to narrative and presentation. These did not impact on the understanding of the accounts.

Section 3: Value for Money

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Value for Money

Value for money conclusion

The Code of Audit Practice 2010 (the Code) describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources;
- ensure proper stewardship and governance; and
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VfM conclusion based on two criteria specified by the Audit Commission which support our reporting responsibilities under the Code.

These criteria are:

The Council has proper arrangements in place for securing financial resilience - the Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness - the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings

Securing financial resilience

We have undertaken a review which considered the Council's arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission:

- Financial governance;
- Financial planning; and
- Financial control.

The Council reported a surplus of £34k for 2014/15. Whilst this comprises a number of over and underspends, notably:

- increased income from planning activities of £440k
- Increased waste disposal costs of £123k
- Settlement of a national legal claim of £114k, and
- losses from the Dartmouth Ferry being out of action of £153k

The outturn reflects good financial planning and robust monitoring through the year..

Usable reserves at 31 March 2015 were £7.9m and the Council has £4.5m of usable capital receipts. The General Fund balance was £1.7m against the set minimum level of £1.5m.

The Council's medium term financial strategy for the four years to 31 March 2019, presented in September 2014, identified a cumulative funding gap of £14k. Assuming the savings from the T18 programme are all realised.

Challenging economy, efficiency and effectiveness

We have considered the Council's arrangements to challenge economy, efficiency and effectiveness against the following themes:

- Prioritising resources
- Improving efficiency & productivity

The Council's plans prioritise its resources reflecting the financial constraints. The T18 programme has been built upon the re-structuring of all the Council's activities which aims to ensure that all parts of the organisation are focussed on delivering services efficiently.

Overall VfM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

We set out below our detailed findings against six risk areas which have been used to assess the Council's performance against the Audit Commission's criteria. We summarise our assessment of each risk area using a red, amber or green (RAG) rating, based on the following definitions:

Green	Adequate arrangements
Amber	Adequate arrangements, with areas for development
Red	Inadequate arrangements

The table below and overleaf summarises our overall rating for each of the themes reviewed:

Theme	Summary findings	RAG rating
Key indicators of performance	<p>Savings plans have been delivered. The Council made a surplus of £34k after funding the redundancy costs and other T18 costs.</p> <p>Financial ratios are good, below the nearest neighbour average, but not significantly.</p> <p>Usable reserves are £7.9m (15% of gross expenditure)</p> <p>The Cumulative gap over the next 4 years is £14k (presented in September 2014).</p>	Green
Strategic financial planning	<p>The Council updated its Medium Term Financial Strategy in September 2014. The plans are well progressed with savings achieved through the restructure.</p> <p>The Council is not dependent on one-off budget fixes or asset sales, nor does it have unsustainable income streams.</p> <p>All redundancies have been made as part of stage 1a and 1b, and accounted for in 2014/15. The costs were met from accumulated reserves and from a Government grant.</p> <p>However, the Council needs to monitor its service delivery to ensure it maintains its level of service.</p>	Green
Financial governance	<p>The Financial position is monitored quarterly . Reports focus on current position and link to the future financial pressures.</p> <p>The Council does some benchmarking of its costs.</p> <p>The S151 officer has unfettered access to the management team and is fully aware of decisions being taken, including financial implications.</p> <p>Quarterly balanced scorecard monitors delivery of key performance indicators.</p>	Green

Theme	Summary findings	RAG rating
Financial control	<p>The Council has a good track record of achieving its plans.</p> <p>The Budget setting process does not rely on one-off fixes to achieve the projected funding gap.</p> <p>South Hams (with West Devon) plans to deliver its longer term savings plans through the T18 project. Both groups of members receive quarterly updates on the programme and the financial position.</p>	Green
Prioritising resources	<p>The T18 program has focused management and members on the need to succeed and achieve the levels of savings projected.</p> <p>T18 project empowers management and leaders to change the way the Council (and West Devon) operates to achieve large savings across South Devon.</p> <p>Service cost and delivery are considered. The impact is measured across the balanced scorecard in the Performance report.</p>	Green
Improving efficiency & productivity	<p>Benchmarking is done through sparse, areas of high spend were highlighted in 2013/14. The council recognised these at the time. The Audit Committee requested a detailed response from management to explain the Council's position, which was presented to members.</p> <p>The Council has achieved its savings target in 2014/15. There is a small underspend of £34k. The Medium Terms Financial Strategy (presented in September 2014) has identified a funding gap of £14k over the four years to 31 March 2019.</p> <p>No reports or inspections have identified areas where services are failing.</p>	Green

To support our VfM conclusion against the specified criteria we performed a risk assessment against VfM risk indicators specified by the Audit Commission and additional indicators identified by ourselves. Following completion of our work, we have not noted any residual risks.

A more detailed financial resilience report expanding on the conclusions will be brought to the next Audit Committee meeting

Section 4: Fees, non-audit services and independence

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Fees, non-audit services and independence

We confirm below our final fees charged for the audit

Fees

	Per Audit plan £	Actual fees £
Council audit	57,872	57,872
Grant certification on behalf of Audit Commission	9,770	9,770
Total audit fees	67,642	67,642

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In 2014/15 we did not undertake any other services on behalf of the Council

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Section 5: Communication of audit matters

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Communication of audit matters to those charged with governance

International Standard on Auditing ISA (UK&) 260, as well as other (UK&I) ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (<https://www.psa.co.uk/appointing-auditors/terms-of-appointment/>).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice (the Code) issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

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Appendix A: Action plan

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	The asset software system should be updated to ensure that it agrees with the amounts disclosed in the accounts.	Medium	The Council will continue dialogue with the software provider as to how these amounts can be changed on the software system to show the correct figure.	Capital Accountant December 2015
2	All journals should have a narrative description to explain the nature and purpose of the transaction.	Medium	Agreed. Management will amend the software journal entry procedures to ensure that all journals have a notes facility attachment explaining the reason for the journal.	Finance Community of Practice Lead. September 2015

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Priority
High, Medium or Low

Appendix B: Audit opinion

We anticipate we will provide the Council with an unmodified audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTH HAMS DISTRICT COUNCIL

We have audited the financial statements of South Hams District Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of South Hams District Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Finance Community of Practice Lead and auditor

As explained more fully in the Statement of the Finance Community of Practice Lead's Responsibilities, the Finance Community of Practice Lead is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Finance Community of Practice Lead; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements:
give a true and fair view of the financial position of South Hams District Council as at 31 March 2015 and of its expenditure and income for the year then ended; and
have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We are required to report to you if:
in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or
we designate under section 11 of the Audit Commission Act 1998 a recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the Authority’s arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, South Hams District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Certificate

We certify that we have completed the audit of the financial statements of South Hams District Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Barrie Morris
 Director
 for and on behalf of Grant Thornton UK LLP, Appointed Auditor
 Hartwell House, 55-61 Victoria Street, Bristol, BS1 6FT

24 September 2015



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Report to: **Audit Committee**
Date: **24 September 2015**
Title: **THE USE OF AGENCY STAFF**
Portfolio Area: **Support Services – Cllr S Wright**
Wards Affected: **All**
Relevant Scrutiny Committee: **Overview and Scrutiny Panel**

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

Author: **Mrs Lisa Buckle** Role: **Finance Community of Practice Lead (S151 Officer)**

Contact: **Tel. 01803 861413**
Email: lisa.buckle@swdevon.gov.uk

Recommendations:

- 1. To note the contents of the report; and**
- 2. That the Senior Leadership Team (SLT) continue to monitor the use and cost of using agency workers.**

1. Executive summary

- 1.1 In 2014/15, the total cost of agency staffing was £1.249 million (shared between two Councils) as shown in Section 2.15. This equates to 9.9% of the total cost of both salary costs and agency costs. The use of agency workers to fill vacancies in the short term can reduce the need to make permanent members of staff redundant in the longer term, avoiding both the financial cost of severance payments and helping to secure the longer term employment prospects for existing employees.
- 1.2 There has been a higher than normal use of agency staff during the transition period of the Council's Transformation Programme which has gone live in stages over 2014/15 and 2015/16.

2.1 Background

2.1 The report has been brought to the Audit Committee at the request of the Chairman. The information requested by the Chairman is set out below:-

- The total cost of all Agency staff over the last two years, 2014/15 and 2013/14
- The total cost of Agency staff to date in 2015/16
- The total current number of Agency staff engaged by the Council
- The total amount paid to all Agencies over the past two years
- The total current amount being paid to all Agencies by South Hams District Council

2.2 The managed use of Agency workers remains an important component of the Council's staffing resources and helps to provide the flexibility needed to meet periodic fluctuations in demand for services, to cover for short-term vacancies or absences and where the demand for services is uncertain and subject to change.

2.3 Agency workers can be engaged rapidly in response to changing operational needs without the time and expense associated with recruitment. The use of agency workers also transfers the risk and liability for the worker to the agency. The worker does not accrue employment rights directly enforceable against the Council. However it should be noted that under the Agency Worker Regulations 2010, after a twelve week qualifying period agency workers can claim equal treatment to staff engaged directly by the Council, although they cannot claim unfair dismissal, redundancy pay or request maternity or paternity leave. Agencies generally take responsibility on behalf of the Council for ensuring equal treatment after the twelve week period, obtaining relevant information about basic terms and conditions from the Council.

2.4 The Senior Leadership Team (SLT) consider requests to engage a temporary agency resource through HR Panel meetings which consist of three members of SLT. In some cases, an agency worker is engaged whilst consideration is given to alternative ways of delivering the service without the need for a permanent replacement.

2.5 The use of agency workers to fill vacancies in the short-term can reduce the need to make permanent members of staff redundant in the longer term, avoiding both the financial cost of severance payments and helping to secure the longer term employment prospects for existing employees. Therefore there has been a higher than normal use of agency staff during the transition period of the Council's Transformation Programme (T18).

- 2.6 In December 2014 the Council agreed to a revised business plan for the T18 Programme. The new operating model in partnership with West Devon Borough Council will ensure that both Councils can continue to deliver quality services for customers and communities. An investment budget of £4.61 million has been approved for T18, to deliver annual recurring revenue savings of £3.37 million. The payback period for the Programme is 2.5 years.
- 2.7 The budgeted salary savings to be delivered by the project were £290,000 in 2014/15, rising to £1,375,000 in 2015/16 and £2,464,000 by 2016/17. The Council is on track to make these savings.
- 2.8 The Benefits service use agency staff for several reasons. There is a national shortage of qualified Benefits Assessors as staff retrain in preparation for the role out of Universal Credit, which will remove the administration of Housing Benefit from Local Authorities. This comes at a time when there is a peak in demand due to the raft of welfare reform changes taking place.
- 2.9 In Development Management, agency workers have played a significant part in helping to maintain performance and provide cover during times of recruitment, leave and sickness. Agency staff continue to have a part to play during times of high workload and the transition period for the Transformation Programme.
- 2.10 In Support Services, agency workers have provided additional administrative and ICT support during the transitional period between Phase 1a of the Transformation Programme and the implementation of the new technology that will allow services to be delivered with a reduced workforce.
- 2.11 The use of agency staff within Environment Services has also been higher than usual over the past reported period. This has been due to a combination of:-
- vacancies being covered by agency staff pending the completion of the waste review operational changes and
 - due to agency staff being required to cover long term sickness and service vacancies held over during the period of the transformation programme go live period.

The number of agency staff in this business area has recently been reduced through permanent recruitment and final business reviews are now coming to completion and will be finalised by April 2016.

- 2.12 On 1 November 2013, after a competitive procurement exercise, a Master Vendor contract was entered into between the Council and Acorn Staffing for the provision of agency workers for a maximum period of four years. This same contract was also entered in to by a number of other Devon local authorities.
- 2.13 By entering into a Master Vendor contractual arrangement with Acorn (formerly known as Concept Staffing) the Council is able to secure a competitive and fixed price for the supply of agency workers and to negotiate the waiver of fees normally charged if an agency worker takes up a permanent post with the Council.
- 2.14 In circumstances where the Master Vendor is unable to supply a suitable candidate, the Council engages with other agencies. This is more prevalent in the supply of Specialists.
- 2.15 The table below shows the total cost of agency workers in the past three financial years. For the financial year 2014-15, the total cost of agency workers amounted to 9.9% of the total costs. *The costs shown are the amounts before an element of the costs are recharged to West Devon Borough Council for shared work. Therefore the actual cost paid by South Hams District Council is lower than the figures shown below. Details of the amount recharged to West Devon Borough Council are shown in the tables 2.16 and 2.17.*

Employee and Agency Staffing

Description	14-15	13-14	12-13
Total salary costs (including basic pay, overtime, employer's NI and pension contributions)	11,274,528	11,599,168	11,591,070
Agency Staffing	1,249,704	1,033,613	738,275
Total costs	12,524,232	12,632,781	12,329,345
Agency Staffing %	9.9%	8.2%	6.0%

2.16 The table below shows the distribution of the expenditure during 2014/15 and 2013/14.

EMPLOYEE COSTS (AGENCY STAFFING)

Full year 2014/15

Service	
Non-Manual Workers	£'s
Planning, Economy and Community	279,670
Council Tax, Benefits and Housing Advice	137,211
ICT Services	126,035
Building Maintenance	91,881
Customer Services	69,034
Environment Services	50,309
Legal Services	59,729
Finance	20,903
Personnel & Payroll	16,654
Aggregate of other departments (less than £10K)	31,012
Manual Workers	
Environment Services	309,712
Grounds Maintenance	43,788
Trade Waste	8,152
Street Scene	5,614
TOTAL for 2014/15 (See Note below)	1,249,704
<p>Note – Of this cost of £1.249 million, approximately £150,000 was recharged to West Devon Borough Council. None of the manual workers costs, planning or building maintenance costs are recharged, as the agency staff are carrying out only South Hams work.</p>	

2.17 **EMPLOYEE COSTS (AGENCY STAFFING)**

Full year 2013/14

Service	
Non-Manual Workers	£'s
Planning, Economy and Community Council Tax, Benefits and Housing Advice	245,317 317,074
Building Maintenance	34,549
Customer Services	22,258
Environment Services	19,312
Legal Services	80,429
Land Charges	11,631
Finance	13,923
Aggregate of other departments (less than £10K)	24,490
Manual Workers	
Environment Services	172,899
Grounds Maintenance	31,921
Trade Waste	19,287
Street Scene (incl beach cleaning)	40,523
TOTAL for 2013/14 (See Note below)	1,033,613
<p>Note – of this cost of £1.033 million, approximately £90,000 was recharged to West Devon Borough Council. None of the manual workers costs, planning or building maintenance costs are recharged, as the agency staff are carrying out only South Hams work.</p>	

2.18 **Costs to date for the financial year 2015/16:**

Costs from April 2015 to August 2015:

Service	
Non-Manual Workers	£'s
Planning, Economy and Community Council Tax, Benefits and Housing Advice	188,546
ICT Services	40,125
Building	77,354
Maintenance	17,881
Customer Services	64,424
Environment Services	37,274
Legal Services	48,666
Service Processing	30,046
Natural Environment and Recreation	1,215
Personnel & Payroll	5,726
Aggregate of other departments (less than £10K)	26,975
Manual Workers	
Environment Services	191,308
Grounds Maintenance	40,716
Trade Waste	1,950
Street Scene (incl beach cleaning)	5,716
TOTAL spend to date for 2015/16*	777,922
* Note – Some of this cost will be recharged to West Devon Borough Council.	

- 2.19 As at July 2015, the Council has 130 agency staff, of which 76 are manual staff and 54 are clerical/professional staff.

3 Value for Money External Audit Opinion

- 3.1 The Council's external auditors, Grant Thornton, have assessed the Council's arrangements for securing value for money, as part of their annual audit of the Accounts. Their findings are detailed in the 'Audit Findings' report, which is also an item on this Audit Committee agenda. An extract of their findings is shown below:
- 3.2 Challenging economy, efficiency and effectiveness
We have considered the Council's arrangements to challenge economy, efficiency and effectiveness against the following themes:
- Prioritising resources
 - Improving efficiency & productivity
- The Council's plans prioritise its resources reflecting the financial constraints. The T18 programme has been built upon the re-structuring of all the Council's activities which aims to ensure that all parts of the organisation are focussed on delivering services efficiently.
- 3.3 Overall VfM conclusion from Grant Thornton:
On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

4. Agency expenditure for 2015/16, 2014/15 and 2013/14

4.1 The table below shows agency expenditure broken down by individual agency name.

Agency Name	Expenditure 2015-16 (to date)	Expenditure 2014-15	Expenditure 2013-14
	£	£	£
Acorn (formerly Concept Staffing)	408,246	665,918	533,683
Randstad CPE Ltd	-	-	118,595
The Oyster Partnership Ltd	90,014	105,254	51,382
Matchtech Group (UK) Ltd	69,239	149,482	56,285
Venn Group Ltd	45,328	60,925	57,554
WA Consultants Ltd	35,857	80,389	-
Liberata UK Ltd	-	-	51,218
Morgan Hunt UK Limited	22,747	27,963	42,944
Senitor Associates Limited	19,713	16,405	-
HBHC Synergy Limited	16,688	47,865	72,908
Prism Solutions	15,625	21,625	-
IESE Transformation Ltd	13,118	-	-
Driver Hire	12,145	18,928	-
Trial Balance Consulting Limited	11,908	14,878	-
Cathedral Appointments Ltd	11,040	-	-
Building Recruitment Company Ltd	6,057	22,144	-
Ambridge Harris Associates Ltd	-	5,601	-
Northgate Information Solutions UK Ltd	-	-	13,260
Other	197	12,327	35,784
TOTAL	777,922	1,249,704	1,033,613

5. Proposed Way Forward

The appropriate use of agency workers will continue to be managed and monitored by the Senior Leadership Team, in discussion with HR and Finance.

6. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	<p>The report has been requested by the Chairman of the Audit Committee. The Audit Committee has a responsibility to monitor the value for money arrangements of the Council.</p> <p>In October 2011, the Agency Worker Regulations were introduced and provide that an agency worker must broadly receive the same pay and conditions as a comparable directly employed person once they have worked for the Council for 12 weeks.</p>
Financial	Y	In some cases there can be a higher cost associated with using an agency worker rather than a fixed-term employee. However, when managed correctly, the advantages drawn from the flexible and short term nature of using agency workers offset any increase in cost. Agency staff can be used for relatively short periods without accruing employment rights.
Risk	Y	
Comprehensive Impact Assessment Implications		
Equality and Diversity	N/A	None directly arising from this report.
Safeguarding	N/A	None directly arising from this report.
Community Safety, Crime and Disorder	N/A	None directly arising from this report.
Health, Safety and Wellbeing	N/A	None directly arising from this report.
Other implications	None	None directly arising from this report.

Approval and clearance of report

Process checklist	Completed
Portfolio Holder briefed	Yes
SLT Rep briefed	Yes
Relevant Exec Director sign off (draft)	Yes
Data protection issues considered	Yes
If exempt information, public (part 1) report also drafted. (Committee/Scrutiny)	N/A

Report to: **Audit Committee**
Date: **24 September 2015**
Title: **UPDATE ON PROGRESS ON THE 2015/16
INTERNAL AUDIT PLAN**
Portfolio Area: **Support Services – Cllr S Wright**
Wards Affected: **All**
Relevant Scrutiny Committee: Overview and Scrutiny Panel

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

Author: **Brenda Davis** Role: **Audit Manager**
Robert Hutchins **Head of Partnership**
Contact: Brenda.davis@swdevon.gov.uk **01803 861375**
Robert.hutchins@swdevon.gov.uk **01392 383000**

Recommendations:

It is recommended that the progress made against the 2015/16 internal audit plan, and any key issues arising are noted.

1. Executive summary

- 1) The purpose of this report is to inform members of the principal activities and findings of the Council's Internal Audit team for 2015/16 to the 31 August 2015, by:
 - Providing a summary of the main issues raised by completed individual audits; and
 - Showing the progress made by Internal Audit against the 2015/16 annual internal audit plan, as approved by this Committee in April 2015.

2. Background

The Audit Committee, under its Terms of Reference contained in South Hams Council's Constitution, is required to consider the Chief Internal Auditor's audit reports, to monitor and review the internal audit programme and findings, and to monitor the progress and performance of Internal Audit.

The Accounts and Audit (Amendment) (England) Regulations 2006 introduced the requirement that all Authorities need to carry out an annual review of the effectiveness of their internal audit system, and need to incorporate the results of that review into their Annual Governance Statement (AGS), published with the annual Statement of Accounts.

The Internal Audit plan for 2015/16 was presented to and approved by the Audit Committee in March 2015. Overall, good progress has been made against the 2015/16 audit plan. Progress in the period up to 31 August 2015 has included the finalisation of work carried out in 2014/15 and in completing assignments in accordance with timescales agreed with management.

3. Outcomes/outputs

The Public Sector Internal Audit Standards require the Head of Internal Audit to provide a report providing an opinion that can be used by the organisation to inform its governance statement.

In carrying out our work, Internal Audit assess whether key, and other, controls are operating effectively within the area under review, and an opinion on the adequacy of controls is provided to management as part of the audit report. All final audit reports include an agreed action plan with responsible officers and target dates to address any control issues or recommendations for efficiencies identified.

Overall, and based on work performed to date during 2015/16 and that of our experience from previous years' audits, Internal Audit is able to provide reasonable assurance on the adequacy and effectiveness of the Authority's internal control framework.

- 3.1 The 2015/16 Internal Audit Plan is attached at **Appendix A**. This has been extended to show the final position for each audit.
- 3.2 The reporting of individual high priority recommendations is set out at **Appendix B**. This is an ongoing part of the report to advise the Audit Committee in detail of significant findings since the last report and confirm that the agreed action has been implemented or what progress has been made.
- 3.3 **Appendix C** provides a summary of unplanned work carried out by the team. This work is by definition unexpected work, which ranges from advice to managers on control issues, to the investigation of potential irregularities. Tasks are budgeted from the 'Contingency' line of the audit plan.

4. Options available and consideration of risk

No alternative operation has been considered as the failure to maintain an adequate and effective system of internal audit would contravene the Accounts and Audit Regulations, 2003, 2006, 2011 and 2015.

5. Proposed Way Forward

This is considered on an audit by audit basis.

6. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	<p>The Accounts and Audit Regulations 1996 issued by the Secretary of State for the Environment require every local authority to maintain an adequate and effective internal audit.</p> <p>The work of the internal audit service assists the Council in maintaining high standards of public accountability and probity in the use of public funds. The service has a role in promoting robust service planning, performance monitoring and review throughout the organisation, together with ensuring compliance with the Council's statutory obligations.</p>
Financial	Y	There are no additional or new financial implications arising from this report. The cost of the internal audit team is in line with budget expectations.
Risk	Y	The work of the internal audit service is an intrinsic element of the Council's overall corporate governance, risk management and internal control framework.
Comprehensive Impact Assessment Implications		
Equality and Diversity	N	There are no specific equality and diversity issues arising from this report.
Safeguarding	N	There are no specific safeguarding issues arising from this report.
Community Safety, Crime	N	There are no specific community safety, crime and disorder issues arising from this report.

and Disorder		
Health, Safety and Wellbeing	N	There are no specific health, safety and wellbeing issues arising from this report.
Other implications	N	There are no other specific implications arising from this report.

Supporting Information

Appendices:

There are no separate appendices to this report.

Background Papers:

Annual Internal Audit Plan 2015/16 as approved by the Audit Committee on 12 March 2015.

Approval and clearance of report

Process checklist	Completed
Portfolio Holder briefed	Yes
SLT Rep briefed	Yes
Relevant Exec Director sign off (draft)	Yes
Data protection issues considered	Yes
If exempt information, public (part 1) report also drafted. (Committee/Scrutiny)	N/A

APPENDIX B

Projects agreed in the Audit Plan	Planned Number of Days	Fieldwork started	Issued in draft	Management comments received	Final	Opinion				Comments
						High Standard	Good Standard	Improvements Required	Fundamental Weaknesses	
MAS & Budgetary Control	6									
Banking Arrangements (see cash collection below)	5	■	■	■	■			■		Combined report including cash collection - Summary in App B below.
Creditor Payments	10									
Payroll	10									
Council Tax	10									
Business Rates (NNDR)	10									
Benefits Payments	10									
Treasury Management	5									
Main Financial Systems	66									
Cash Collection (see banking above)	5	■	■	■	■			■		Combined report including cash collection - Summary in App B below.
VAT	10	■	■				■			Draft report issued 28.08.2015
Procurement and Contract Management	10	■	■					■		Draft report issued 17.07.2015
ICT Service Operation	26									
Internet Monitoring	4	■	■	■	■		■			Issued as a combined report – summary in App B below.
Email Monitoring	4	■	■	■	■		■			
Performance Management - PIs	10									
Performance Management –Data Quality	5									
Risk Management	15									

APPENDIX B

Projects agreed in the Audit Plan	Planned Number of Days	Fieldwork started	Issued in draft	Management comments received	Final	Opinion (final reports only)				Comments
						High Standard	Good Standard	Improvements Required	Fundamental Weaknesses	
T18 Transformation Programme	10									
Leisure Centres	10									
Marketing & Tourism	2	■	■				■			Draft report issued 13.08.15
Household Waste Collection	7									
Trade Waste	5									
Recycling	5	■								
Grounds Maintenance	5	■	■				■			
Partmouth Lower Ferry	8									
Street Scene - Car & Boat Parking	8									
Salcombe Harbour	8									
Housing Advice	5	■	■				■			Combined draft report issued 14.07.2015
Homelessness	5	■	■				■			
Building Regulations	7									
Development Control (Enforcement)	10									
Corporate Governance Annual Governance Statement (AGS)	6									Review of the Code of Corporate Governance presented to June 2015 Audit Committee under separate cover.
Corporate Governance (inc Gifts & Hospitality)	5									
Culture & Ethics	6									
Coastal Communities Fund Accountable Body		■								Unplanned work – time to come from contingency - estimate 7 days based on 2014/15 work..

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APPENDIX B

Projects agreed in the Audit Plan	Planned Number of Days	Fieldwork started	Issued in draft	Management comments received	Final	Opinion (final reports only)				Comments
						High Standard	Good Standard	Improvements Required	Fundamental Weaknesses	
Grants –Greater Dartmoor Local Enterprise Action Fund (LEAF) & South Devon Coastal Action Group (LAG)		■								50 days unplanned work - audit time to be recharged to project to provide.
Counter Fraud Work	10	■								
Advice to Information Compliance & Other Groups	5									
Complaints	5	■								
Business Continuity / Emergency Planning	5									
Follow Up of Previous Year's Audits	10	■				-	-	-	-	
Contingency (Unplanned) & Advice	20	-	-	-	-	-	-	-	-	
Audit Management, including <ul style="list-style-type: none"> • Audit Planning • Partnership audit Management • Monitoring against the plan • Reports to management and audit 	18	■	-	-	-	-	-	-	-	Includes attendance at Audit Committee – Annual Report represented Audit Committee on 25 June 2015.
Other Systems & Audit Work)										
Overall Total	345									

Planned Audit 2015/16 – Final Reports

The following tables provide a summary of the audit opinion and main issues raised in the reports issued to managers. In all cases (unless stated) an action plan has been agreed to address these issues.

Definitions of Audit Assurance Opinion Levels

High Standard

The system and controls in place adequately mitigate exposure to the risks identified. The system is being adhered to and substantial reliance can be placed upon the procedures in place. We have made only minor recommendations aimed at further enhancing already sound procedures.

Good Standard

The systems and controls generally mitigate the risk identified but a few weaknesses have been identified and / or mitigating controls may not be fully applied. There are no significant matters arising from the audit and the recommendations made serve to strengthen what are mainly reliable procedures.

Improvements Required

In our opinion there are a number of instances where controls and procedures do not adequately mitigate the risks identified. Existing procedures need to be improved in order to ensure that they are fully reliable. Recommendations have been made to ensure that organisational objectives are not put at risk.

Fundamental Weaknesses Identified

The risks identified are not being controlled and there is an increased likelihood that risks could occur. The matters arising from the audit are sufficiently significant to place doubt on the reliability of the procedures reviewed, to an extent that the objectives and / or resources of the Council may be at risk, and the ability to deliver the service may be adversely affected. Implementation of the recommendations made is a priority.

Planned Audit 2015/16 – Final Reports

Subject	Audit Findings	Management Response
Cash Collection (inc banking arrangements)	<p>Audit Opinion</p> <p>Improvements Required - There are a number of instances where controls and procedures do not adequately mitigate the risks identified. Existing procedures need to be improved in order to ensure that they are fully reliable. Fairly extensive recommendations have been made to ensure that organisational objectives are not put at risk.</p> <p>Conclusions</p> <p>Cash and cheque receipts are processed promptly and can be trailed through both the cash-receipting system and the main accounting system. Bankings are made on a regular basis and the bank reconciliation provides confirmation that monies recorded in the cash-receipting system are credited to the Councils' bank accounts.</p> <p>There are however some areas where controls could be strengthened. The key issues highlighted are:</p> <ol style="list-style-type: none"> 1. The use of generic logins and/or shared tills; 2. The forwarding of cheques to departments without a record being maintained of details; and 3. The need to ensure that the Councils' bank suspense accounts are regularly reviewed and cleared. 	<ol style="list-style-type: none"> 1. This has been reviewed. There is only one area - SH Reception using a generic log-in, all other users have individual log-ins. The one generic log-in will be replaced by end of September. With regards to shared tills, this does not present a high risk at any of the sites, as the floats are checked daily and individual cash-ups are balanced daily. 2. Cheques received in the post at KP are now sent direct to SH for processing through the cash office. We are working towards all cheques being processed in this way. 3. A revised process has been instigated. A specific day each month has been put aside to sign off the clearance of suspense accounts that sit within the Service Processing Team.

<p>Internet and Email Use</p>	<p>Audit Opinion</p> <p>Good Standard - The majority of the areas reviewed were found to be adequately controlled. Generally risks are well managed but a few areas for improvement have been identified.</p> <p>Conclusions</p> <p>The software in use by the Council is able to block undesirable email, websites and files and from testing undertaken. We are pleased to be able to report that the majority of internet access is conducted within the guidelines adopted by the Council.</p> <p>Some areas where controls could be further enhanced are detailed below:</p> <ul style="list-style-type: none"> • Updated policies regarding email and internet use have not been issued to staff and users are not regularly reminded of the policies key issues; • A system is not in place to update the internet and email software to the latest supplier release and place assurance that the software has been tested to expected criteria or in line with Council policies; and • There is no formal plan for the review of internet or email use across the Councils. 	<p>The Council received its security compliance with the Cabinet Office's code of connection for 2015-16.</p> <p>The team will be reviewing change control and release management processes before the end of 2015, utilising the new IT support desk software to provide additional assurance.</p>
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Planned Audit 2015/16 – Work Complete (No Audit Report)

Subject	Comments
System of Internal Control (SIC), and Annual Governance Statement (AGS)	<p>Included within the Internal Audit Annual Report presented to the June Audit Committee was the internal audit opinion providing assurance that the Council's systems contain a satisfactory level of internal control.</p> <p>In addition, there is a requirement for the Council to prepare an AGS statement. Internal Audit provided support and challenge, as appropriate, to the Senior Leadership Team as they drafted the statement in respect of the 2014/15 financial year. The S151 Officer presented the 2014/15 AGS to the Audit Committee on 30 July 2015 with the draft accounts.</p>
Exemptions to Financial Procedure Rules	None to date.

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