

West Devon Audit Committee



West Devon
Borough
Council

Title:	Agenda
Date:	Tuesday, 29th September, 2015
Time:	10.00 am
Venue:	Chamber - Kilworthy Park
Full Members:	<p style="text-align: center;">Chairman Cllr Davies Vice Chairman Cllr Moody</p> <p><i>Members:</i> Cllr Jory Cllr Watts Cllr Stephens</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

1. Apologies for absence

2. Declarations of interest

Members are invited to declare any personal or disclosable pecuniary interests, including the nature and extent of such interests they may have in any items to be considered at this meeting.

If Councillors have any questions relating to predetermination, bias or interests in items on this Agenda then please contact the Monitoring Officer in advance of the meeting.

3. Items Requiring Urgent Attention

To consider those items which, in the opinion of the Chairman, should be considered by the Meeting as matters of urgency (if any).

4. Confirmation of Minutes

1 - 4

Meeting held on 28 July 2015

5. Annual Governance Statement 2014/15

5 - 26

Report of the Finance COP Lead (S151 Officer)

6. Annual Statement of Accounts 2014/15

27 - 126

Report of the Finance Business Partner

7. The Audit Findings for West Devon Borough Council

127 - 156

Report from Grant Thornton

8. Update on Progress on the 2015-16 Internal Audit Plan

157 - 166

Report of the Internal Audit Manager

9. Annual Treasury Management Report for 2014-15

167 - 178

Report of the Finance Specialist Accountant

Agenda Item 4

At a Meeting of the **AUDIT COMMITTEE** held in the Council Chamber, Council Offices, Kilworthy Park, Drake Road, **TAVISTOCK** on **TUESDAY** the **28th** day of **JULY 2015** at **10.00 am**.

Present: Cllr M Davies (Chairman)

Cllr B Stephens

Cllr L Watts

Substitutes: Cllr W G Cann & J Yelland

Finance Community of Practice Lead
Representative of Devon Audit Partnership
Finance Business Partner (AW)
Monitoring Officer
Case Managers, Strategy & Commissioning

In attendance: Cllrs K Ball, M J R Benson and T G Pearce

***AC 7 APOLOGIES FOR ABSENCE**

Apologies for absence were received from Cllr N Jory (for whom Cllr J Yelland acted as substitute) and Cllr J B Moody (for whom Cllr Cann acted as substitute).

***AC 8 CONFIRMATION OF MINUTES**

The Minutes of the Meeting held on 7th July 2015 were confirmed and signed by the Chairman as a correct record.

***AC 9 DRAFT STATEMENT OF ACCOUNTS 2014/2015**

The s151 Officer introduced the Draft Statement of Accounts 2014/15. In so doing, the officer stated that there was a £70,000 under spend for 2014/15 which had been added to the General Fund Reserve. There was also funding from Central Government of £266,000 towards the upfront investment costs of the Transformation Programme. The pension liability had been increased by £4.5 million. Capital spending was £473,058. In her concluding comments, the officer stated that Council finances remained strong.

Arising from discussions thereon:

1. It was confirmed that business rate debt was accrued over the last 3 years; however some instalment payment plans were over more than 12 months. West Devon's total business rate collection rate was 98.3% compared to the national average of 98.1%.
2. A Member questioned whether Tavistock Business Centre's new replacement boiler should be considered revenue expenditure. In reply, officers were informed that since a near exact replacement boiler was purchased, then this had to be considered as revenue expenditure. In addition, there were very strict rules on what could be classified as capital expenditure by local authorities.

3. It was noted that 94% of invoices were paid within 30 days of receipt. In addition, a further 3% were paid within 30-39 days.
4. The Committee was informed that the Council had paid monies to South Hams District Council towards contributions for the IT contract, agency workers & iESE recruitment work as well as employment costs for shared officers. Officers confirmed that South Hams made similar contributions to the Council in regard to employment costs arising from shared officers and exit packages.

It was **RESOLVED** that the Draft Statement of Accounts, together with the technical appendix for the financial year ended 31 March 2015 be noted.

***AC 10**

DRAFT ANNUAL GOVERNANCE STATEMENT 2014/2015

The Council's s151 Officer introduced the Draft Annual Governance Statement and took Members through the Assurance Framework. In her presentation, the officer reminded Members that the Council remained in the Business Rates Pool, although South Hams had come out for 2015/16 due to risk arising from business rate appeals.

It was **RESOLVED** that:

1. The processes adopted for the production of the 2014/15 Annual Governance Statement be noted;
2. The Adequacy and effectiveness of the system of internal audit be endorsed; and
3. Members have considered the draft Annual Governance Statement (AGS) for 2014/15 and the supporting evidence provided by the presented agenda report and that the AGS be approved prior to the signature by the Leader of the Council and the Executive Director (Strategy and Commissioning).

AC 11

CONTRACT PROCEDURE RULES

The Monitoring Officer introduced the Contract Procedure Rules and explained the need for technical changes to be made to ensure transparency.

It was **RESOLVED** that the Committee has reviewed the update version of the Contract Procedure Rules and the Council be **RECOMMENDED** to approve the revised Rules for inclusion in the Council's Constitution.

***AC 12**

COMMITTEE CONCLUDING COMMENTS

Prior to closing the meeting, Members wished to put on record their gratitude to the s151 Officer and her team for all their work.

(The Meeting terminated at 10.55 am)

This page is intentionally left blank

Report to: **Audit Committee**
Date: **29 September 2015**
Title: **ANNUAL GOVERNANCE STATEMENT 2014-15**
Portfolio Area: **Support Services**
Wards Affected: **All**
Relevant Scrutiny Committee: **Internal**
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 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

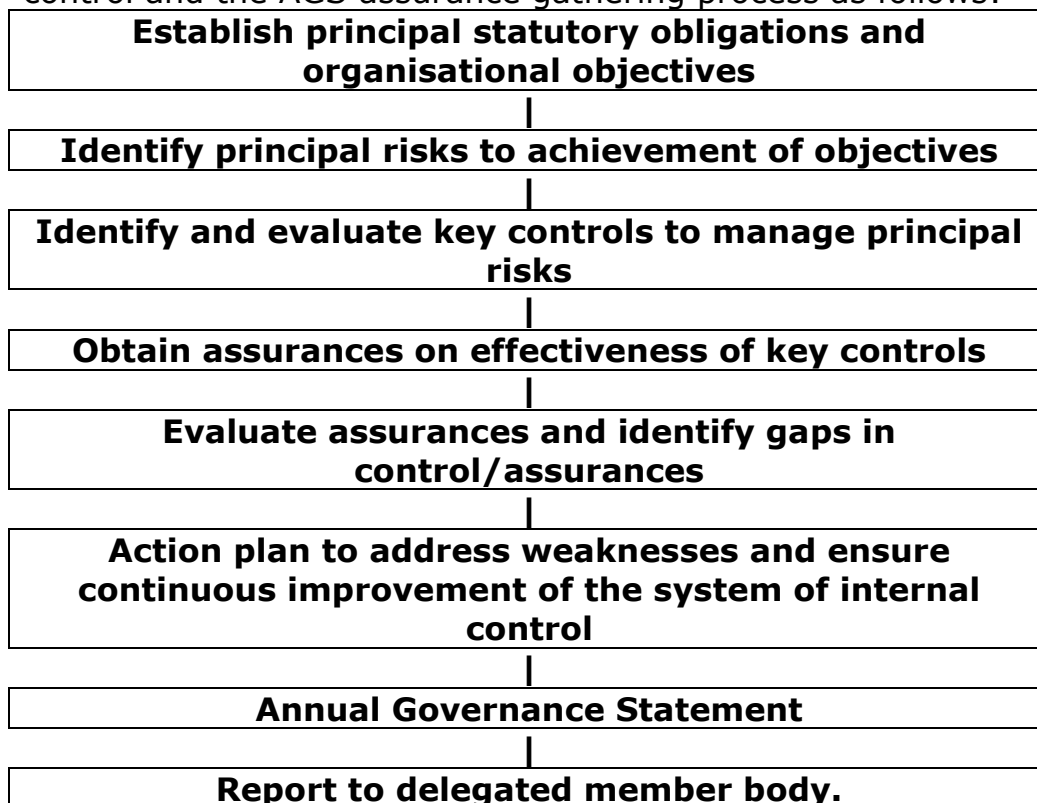
2.1 The Accounts and Audit (Amendment) (England) Regulations 2006 also introduced a requirement to include an annual review of the effectiveness of the internal audit system.

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. 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:



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.

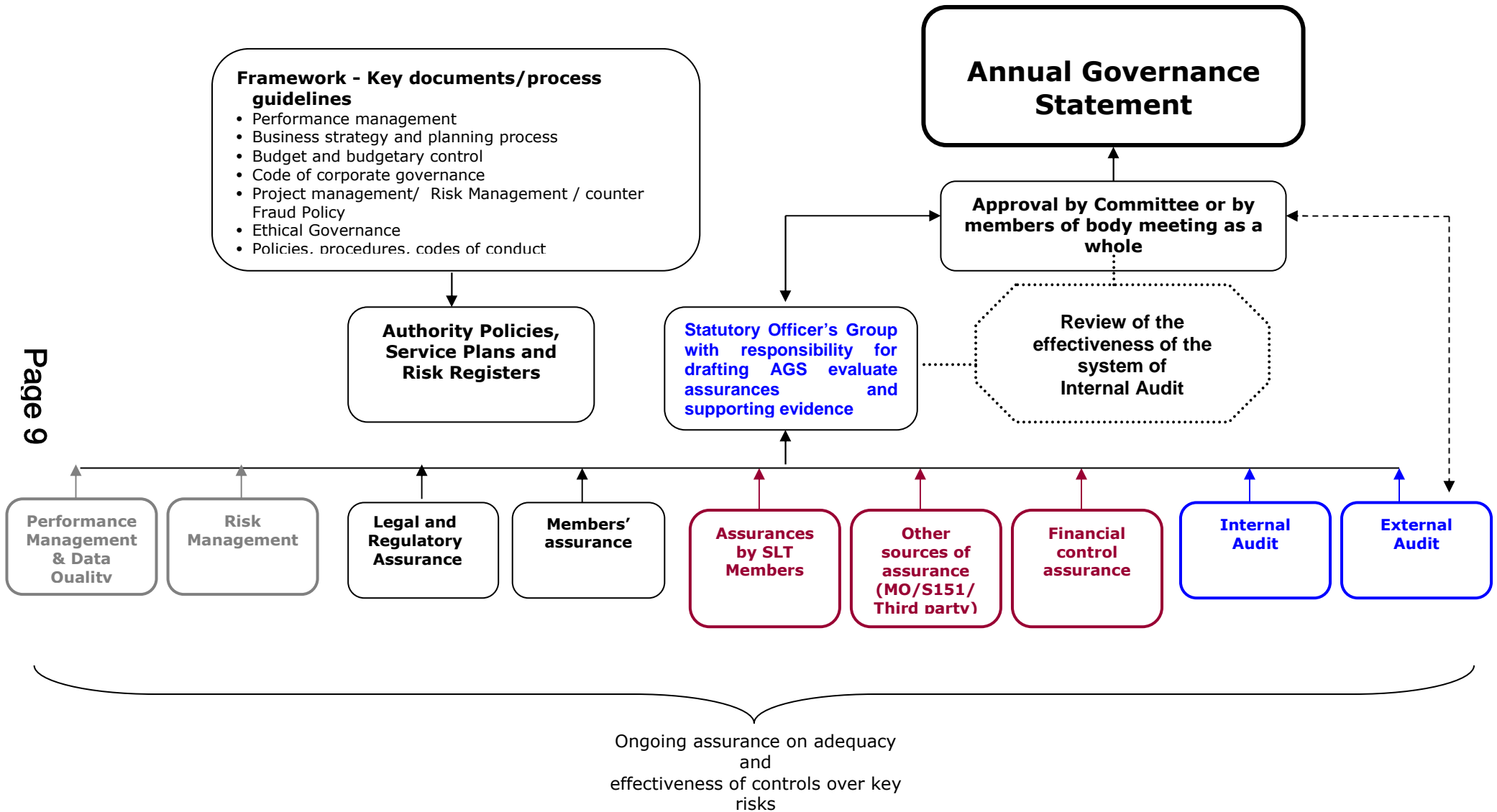
Risk		<p>The statutory responsibility to publish an Annual Governance Statement requires the Council to review its key risks, and to identify and publish the actions that it intends taking to improve or resolve those risks.</p> <p>These risks primarily relate to the achievement of the Council's core 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:

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



West Devon Borough Council Annual Governance Statement 2014 – 2015

1. Scope of Responsibility

West Devon Borough 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, West Devon Borough 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.

West Devon Borough Council and South Hams District 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 West Devon and South Hams. 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 West Devon Borough 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. West Devon Borough 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 'West Devon Living' which also contains contributions from Devon County Council and the National Health Service and is available via Twitter and Facebook;
- On 20 January 2015 the Council 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://wdbcweb.swdevon.lan/article/8508/Tuesday-20th-January-2015>

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 Overview and Scrutiny Committee;

- 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 (Overview and Scrutiny Committee) 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 Resources Committee on 23 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 Standards Committee 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

- There is an established and effective Overview and Scrutiny Committee. Since the May 2015 elections an Internal facing and External facing Overview and Scrutiny Committee system has been implemented to boost the role of Overview and Scrutiny.
- 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 Resources Committee
 - formal quarterly budgetary monitoring reports reviewed as part of the T18 programme by the Overview and Scrutiny Committee (the Internal Overview and Scrutiny Committee from May 2015 onwards)
- 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 January 2015.
- 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 Resources Committee (the Hub Committee from May 2015 onwards) 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.

The Overview and Scrutiny Committee performs a review function which in 2014/15 included specific work on;

- The Locality and Commissioning Model;
- Car parking;
- Grants (including the Community and Economy Grant, the New Homes Bonus and the TAP Fund);
- The Housing Benefit Overpayment Process and Recovery;
- The Legal and Planning protocol.

The Overview and Scrutiny Committee 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 Committee also considered agenda items related to the attendance of representatives from the following external agencies/partners:

- The Community Safety Partnership
- The Citizens' Advice Bureau; and
- Devon Healthwatch.

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/inspectors.

Internal Audit

West Devon'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 7 July 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/inspectories

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>West Devon Borough Council and South Hams District Councils 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>West Devon Borough Council and South Hams District 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 Hub Committee (previously the Resources Committee).</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>
---	---	--

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 West Devon Borough Council and South Hams District Council and was formally signed on 11th March 2015.</p>	<p>The Collaboration Agreement between both West Devon Borough Council and South Hams District 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 West Devon Borough 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 Resources Committee in October 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 October 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 Borough.</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) including West Devon, but not 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, WDBC 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 Tuesday 31st March 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 31st March 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 P. R. Sanders
Leading Member,
on behalf of West Devon Borough Council**

Signed:

**Steve Jordan
Executive Director (Strategy and Commissioning) and
Head of Paid Service, on behalf of West Devon Borough
Council**

29th September 2015

This page is intentionally left blank

Agenda Item 6

Report to: **Audit Committee**
Date: **29 September 2015**
Title: **ANNUAL STATEMENT OF ACCOUNTS
2014/2015**
Portfolio Area: **Support Services**
Wards Affected: **All**
Relevant Scrutiny Committee: **Internal**

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

Author: **Alex Walker** Role: **Finance Business Partner**
Contact: **Tel. 01803 861345**
Email: alexandra.walker@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 and Technical Appendix 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 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 under spend on the General Fund in 2014/2015 of £70,000 is essentially a break-even position and represents less than 0.1% of the Council's gross turnover of £27m. 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 £473,058 in 2014/15, and is analysed in paragraph 20 of the Explanatory Foreword in the SOA.

3) **Audit of Accounts**

The draft SOA was considered by the Audit Committee on 28 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'.

The Executive summary of Grant Thornton's 'Audit Findings Report' states that:

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.

Grant Thornton also acknowledge that the shared finance team has performed well in producing a good set of accounts in their Acknowledgement.

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		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		The financial implications to this report are that an under spend of £70,000 was generated in 2014/2015.

Risk		<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 Council 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

Appendices:

Appendix A – Letter of Representation.

Appendix B – Statements Of Accounts and Technical Appendix 2014/15.

Background Papers:

**Finance Community of Practice final accounts working papers.
Audit Committee 28 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

This page is intentionally left blank

LETTER OF REPRESENTATION

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

29 September 2015

Dear Sirs

West Devon Borough 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 West Devon Borough 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 29 September 2015.

Yours faithfully

Name: Councillor M Davies

Position: Chairman of the Audit Committee

Date: 29 September 2015

Name: Lisa Buckle

Position: Finance Community of Practice Lead (S151 Officer)

Date: 29 September 2015

Signed on behalf of the Council

APPENDIX B(i)

West Devon Borough Council

Statement of Accounts (Audited)

2014/2015

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



**West Devon
Borough
Council**

STATEMENT OF ACCOUNTS 2014/2015

CONTENTS

	PAGE
Section 1 Explanatory Foreword	1-7
• Introduction	
• Review of the year	
• Financial needs and resources	
• Looking forward to the future	
• Further information	
Section 2 Financial Statements	
• A. Movement in Reserves Statement	8-10
• B. Comprehensive Income and Expenditure Statement	11
• C. Balance Sheet	12
• D. Cash Flow Statement	13
Section 3 Notes to the Financial Statements	14-57
Section 4 Notes to the Collection Fund	58-61
Section 5 Statement of Responsibilities/Approval of the Accounts	62-63
Section 6 Auditors' Report	64-66
Section 7 Glossary of Terms	67-70

Contents for the Technical Appendix to the Financial Statements

1. Financial Instruments and Capitalisation of Borrowing Costs	1-3
2. Defined Benefit Pension Schemes	4-11
3. Nature and Extent of Risks Arising from Financial Instruments	12-16

Section 1

Explanatory Foreword

EXPLANATORY FOREWORD

INTRODUCTION

1. Each year West Devon Borough Council publishes a Statement of Accounts that incorporates all the financial statements and disclosure notes required by statute.
2. The Statement of Accounting Policies summarises the framework within which the Authority'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. Financial Performance against Budget in 2014/2015

There is a revenue underspend of £70,000 at the year end. This represents a significant achievement. This successful outcome is the result of much hard work by Council Members, officers and partner organisations.

The budget monitoring report to the Resources Committee on 3rd February 2015 anticipated an underspend of £15,000 for the year. It is pleasing to note that the Council's budget monitoring throughout the year was accurate in forecasting the year end position.

4. The financial standing of the Authority remains sound and sustainable when moving forward despite significant pressures associated with Government funding reductions. General Fund Reserves (Unearmarked Revenue Reserves) have increased by £70,000 and stand at £1,023,000. This is a level which is considered prudent and not excessive as it is sufficient to cover just under two months of continuing operations. The movement in Reserves is detailed in Section 2a.
5. The Medium Term Financial Strategy recommends a minimum level of general fund reserves of £750,000. Revenue reserves may be used to finance capital or revenue spending plans. The table below reconciles the movement on the reserves:

The Use of Unearmarked Revenue Reserves	2014/15
Balance B/fwd 1.4.2014	953
Revenue Outturn Underspend	70
Unearmarked revenue reserves at 31.3.2015 (see Section 2a)	1,023
Earmarked revenue reserves (see note 6 to the financial statements)	1,023

6. In addition to the £2.046m of usable revenue reserves set out in the table above, the Authority has £0.484m in a capital receipts reserve which is available to fund future capital expenditure. These two totals represent the £2.53m of Usable Reserves which are shown in the Balance Sheet.
7. The table below shows a reconciliation of the position shown at the bottom of the Comprehensive Income and Expenditure Account, to that of the year end underspend of £70,000.

	£000
Total Comprehensive Income and Expenditure	5,667
Surplus on the revaluation of Property, Plant and Equipment	(17)
Remeasurements of the net defined benefit pension liability	(3,921)
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	(751)
Adjustments primarily involving the Capital Grants Unapplied Account	-
Adjustments primarily involving the Capital Receipts Reserve	-
Adjustments primarily involving the Pensions Reserve	(730)
Adjustments primarily involving the Council Tax Collection Fund Adjustment Account	143
Adjustments primarily involving the Business Rates Collection Fund Adjustment Account Capital Adjustment Account	439
Adjustments primarily involving the Accumulated Absences Account	7
Transfers from earmarked reserves	(907)
Underspend for the 2014/15 financial year	(70)

8. The table below shows the main variations from the budget set for 2014/15, which total the £70,000 underspend against the budget.

ANALYSIS OF VARIATIONS	£000
Increases in expenditure/reduction in income	
Planning – specialist legal advice on planning issues and appeal and other costs. An amount of £30,000 related to a reserve bid for an additional planning officer which was reported to the Resources Committee on 2 nd December 2014 and 3 rd February 2015.	74
Business Rates – The Council has increased its bad debt provision for business rates from £82,000 in 13/14 to £223,000 in 14/15. The Council's share of this cost is 40% (£56,000).	56
Settlement of a national legal claim	37
Tavistock Business Centre – A capital budget was set aside for the replacement boiler, but this has been treated as revenue expenditure as it was a replacement (rather than an enhancement) of the existing boiler.	30
Tamar Valley Mining Heritage project – On-going legacy implications for the Borough Council, following the completion of the capital work in March 2013, as per a report to the Resources Committee in November 2012.	22
External valuation advice on the Council's Asset valuations	18
Tourist Information Centre (TIC) – The Council has not yet benefited from the full savings as the Council is not able to surrender its lease with the Town Council.	12
Reductions in expenditure/additional income	
Other staffing expenses relating to pension strain costs	(65)
Housing Benefit – mainly recoveries of overpayments (in 2014/15 £13 million was paid in Housing Benefit)	(50)
Additional recycling income (budgeted amount was £447,000)	(44)
The budget for the waste management contract was underspent due to the need to set the budget before actual inflation rates were known and higher estimations of inflationary trends were used.	(34)
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.	(29)
Engineering – mainly salary underspends	(24)
Additional estate management income – high occupancy rates	(16)
Outdoor sports and recreation – mainly salary underspends	(15)
Small items	(42)
TOTAL SURPLUS	(70)

TRANSFORMATION PROGRAMME (T18)

9. West Devon Borough Council and South Hams District 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 have 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 £2.83 million has been approved, to deliver annual recurring revenue savings of £1.64 million. The payback period for the Programme is 2.75 years.
13. The Transformation Programme has received the backing of Central Government and the Council was awarded £266,000 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 will go live in June 2015, with a smaller phase later 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. 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.

16. 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

17. West Devon Borough Council and South Hams District 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

18. International Accounting Standard 19 (IAS19) requires Local Authorities to recognise pension assets and liabilities within their accounts. The pension fund liability at 31 March 2015 is estimated at £22 million which compares with £17.5 million at 31 March 2014. The deficit is derived by calculating the pension assets and liabilities at 31 March 2015. This has resulted in an overall actuarial loss for the year of £3.921m which has been charged to the Consolidated Income and Expenditure Account.

CAPITAL SPENDING

19. The Authority spent £473,058 on capital projects. The main areas of expenditure were as follows:
- Housing renovation grants and disabled facility grants
 - Community projects, namely village hall and parish project grants
20. The capital programme is funded from capital receipts, capital grants and external contributions and earmarked reserves. An analysis of the programme and how it is funded is shown below:

Funding:	£000	Spent on:	£000
Earmarked Reserves	0	Fixed Assets	10
Capital Grants	186	Intangible Assets	95
Capital Receipts and Funds Reserves	287	Revenue Expenditure Funded From Capital (REFCUS)	368
	473		473

21. 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 Authority to build up funds to meet known and potential financial commitments.
22. There are a number of Unusable Reserves which include the Revaluation Reserve, Capital Adjustment Account and Pensions Reserve which are subject to complex accounting arrangements. The Revaluation Reserve and Capital Adjustment Account are used primarily to account for changes in fixed asset values associated with revaluations and new capital expenditure and as such cannot be used to finance capital or revenue expenditure.
23. When reviewing the amount of overall reserves held, consideration should be given to the possible implications of the Pension Fund deficiency disclosed within the notes to the balance sheet. The requirement to recognise the net pension liability in the balance sheet has reduced the reported net worth of the Authority by £22 million at 31 March 2015. This disclosure follows the implementation of the International Reporting Standards (IAS 19). This standard requires local authorities and other businesses to disclose pension assets and liabilities within the balance sheet.
24. It is important to gain an understanding of the accounts to appreciate the nature of this reported deficiency, which is based on a “snapshot” of pension assets and liabilities at the year end. This is quite different from the valuation basis used for the purposes of establishing the employer’s contribution rate and fund shortfall, which are calculated using actuarial assumptions spread over a number of years.

LOOKING FORWARD TO THE FUTURE

25. 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 Hub Committee at its 27th October 2015 meeting.

26. Localisation of Business Rates

The Local Government Finance Act 2012 introduced a Business Rates Retention Scheme (BRRS) that enabled local authorities to retain a proportion of the Business Rates generated in their area, with effect from 1 April 2013.

There is a risk of volatility in the system because Councils are exposed to any loss of income if businesses go into decline. 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, West Devon Borough Council agreed to be part of a Devonwide pooling arrangement and the pooling gain achieved in the second year has equated to £39,927.

In line with good financial management principles, a provision has been made in the Accounts 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 and on advice from them about the likely success rate of appeals.

27. Trading Company

West Devon Borough Council and South Hams District 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

28. 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 for 2014/2015

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

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

SECTION 2A. MOVEMENT IN RESERVES STATEMENT

Movement in Reserves Statement for 2013/2014 (Comparative for 13/14)

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

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000
Balance at 31 March 2013 carried forward	1,030	664	1,055	2,749	3,456	6,205
<u>Movement in Reserves during 2013/14</u>						
Surplus or (deficit) on provision of services	(2,489)	-	-	(2,489)	-	(2,489)
Other Comprehensive Income and Expenditure	-	-	-	-	2,085	2,085
Total Comprehensive Income and Expenditure	(2,489)	-	-	(2,489)	2,085	(404)
Adjustments between accounting basis & funding basis under regulations	3,678	-	(312)	3,366	(3,366)	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	1,189	-	(312)	877	(1,281)	(404)
Transfers (to) / from Earmarked Reserves (See Note 6 – 2013/14 comparative)	(1,266)	1,266	-	-	-	-
Increase/(Decrease) in Year	(77)	1,266	(312)	877	(1,281)	(404)
Balance at 31 March 2015	953	1,930	743	3,626	2,175	5,801

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		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
-	(20)	(20)	Public Health	-	(20)	(20)
1,297	(272)	1,025	Central services to the public	1,249	(461)	788
7,406	(1,999)	5,407	Cultural, environmental, regulatory and planning services	7,085	(2,007)	5,078
660	(985)	(325)	Highways and transport services	737	(1,050)	(313)
15,815	(14,926)	889	Housing services	15,554	(14,631)	923
4,355	(3,188)	1,167	Corporate & Democratic Core	4,043	(3,301)	742
102	-	102	Non Distributed Costs	534	-	534
1,950	-	1,950	Material Item (Note 3)	2,083	(447)	1,636
31,585	(21,390)	10,195	Cost Of Services	31,285	(21,917)	9,368
1,064	-	1,064	Other Operating Expenditure (Note 7)	1,198	-	1,198
874	(28)	846	Financing & Investment Income (Note 8)	847	(41)	806
3,229	(12,845)	(9,616)	Taxation & Non specific Grant Income (Note 9)	3,522	(13,165)	(9,643)
36,752	(34,263)	2,489	(Surplus) or Deficit on Provision of Services	36,852	(35,123)	1,729
		(820)	(Surplus) or deficit on revaluation of non current assets			17
		(1,265)	Re-measurements of the Net Defined Benefit Liability			3,921
		(2,085)	Other Comprehensive Income and Expenditure			3,938
		404	Total Comprehensive Income and Expenditure			5,667

SECTION 2C. BALANCE SHEET

31 March 2014		Notes		31 March 2015
£000				£000
21,742	Property, Plant & Equipment	10		21,126
62	Intangible Assets	11		126
2	Long Term Investments	T.A*		2
142	Long Term Debtors	12		139
21,948	Long Term Assets			21,393
6	Inventory			-
3,094	Short Term Debtors	12		2,634
3,274	Cash and Cash Equivalents	13		7,245
6,374	Current Assets			9,879
(2,387)	Short Term Creditors	14		(6,042)
-	Provisions			(18)
(16)	Short Term Borrowing	T.A*		(16)
(2,403)	Current Liabilities			(6,076)
(37)	Other Long Term Creditors	14		(315)
(2,100)	Long Term Borrowing	T.A*		(2,100)
(17,498)	Pension Fund Liabilities	T.A*		(22,149)
(483)	Capital Grants Receipts in Advance	27		(498)
(20,118)	Long Term Liabilities			(25,062)
5,801	Total Net Assets			134
3,626	Usable Reserves	15		2,530
2,175	Unusable Reserves	16		(2,396)
5,801	Total Reserves			134

*T.A – See details in the Technical Appendix to the financial statements

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

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
(2,489)	Net (surplus) or deficit on the provision of services	(1,729)
2,841	Adjustments to net surplus or deficit on the provision of services for non cash movements (Note 17a)	2,984
978	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	4,691
1,330	Net cash flows from Operating Activities	5,946
(68)	Net Interest (Note 17b)	(55)
(591)	Investing Activities (Note 18)	(3,527)
(184)	Financing Activities (Note 19)	1,607
487	Net increase or decrease in cash and cash equivalents	3,971
2,787	Cash and cash equivalents at the beginning of the reporting period	3,274
3,274	Cash and cash equivalents at the end of the reporting period (Note 13)	7,245

Section 3

Notes to the Financial Statements

Notes to the Financial Statements	
1	Accounting Standards That Have Been Issued But Have Not Yet Been Adopted
2	Critical Judgements in Applying Accounting Policies
3	Material Items of Income and Expenditure
4	Events After the Reporting Period
5	Adjustments between Accounting Basis and Funding Basis under Regulations
6	Transfers to/from Earmarked Reserves
7	Other Operating Expenditure
8	Financing and Investment Income and Expenditure
9	Taxation and Non-Specific Grant Income
10	Property, Plant and Equipment
11	Intangible Assets
12	Debtors
13	Cash and Cash Equivalents
14	Creditors
15	Usable Reserves
16	Unusable Reserves <ul style="list-style-type: none"> • Revaluation Reserve • Capital Adjustment Account • Pensions Reserve • Collection Fund Adjustment Account • Accumulated Absences Account
17	Cash Flow Statement – Operating Activities
18	Cash Flow Statement – Investing Activities
19	Cash Flow Statement – Financing Activities
20	Amounts Reported for Resource Allocation Decisions
21	Trading Operations
22	Business Improvement Districts
23	Agency Services
24	Members' Allowances

25	Officers' Remuneration
	Notes to the Financial Statements - continued
26	External Audit Costs
27	Grant Income
28	Related Parties
29	Capital Expenditure and Capital Financing
30	Leases
31	Termination Benefits
32	Contingent Liabilities
33	Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty
34	Accounting Policies

NOTES TO THE ACCOUNTS

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

The Code of Practice on Local Authority Accounting in the United Kingdom 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.

2. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 33, 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 3 NOTES TO THE ACCOUNTS

3. MATERIAL ITEMS OF INCOME AND EXPENDITURE

Where items of income and expenditure are material, the Authority should disclose their nature and amount separately (International Accounting Standard 1: Presentation of Financial Statements).

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	£000's Direct	£000's Recharges	£000's Total
GROSS REVENUE EXPENDITURE			
ICT technology, implementation and workstream development	12	293	305
ICT workstation costs and infrastructure	24	98	122
Training	-	33	33
Accommodation	15	-	15
Implementation and design of the future operating model	-	144	144
Redundancy payments	582	733	1,315
Pension Strain cost (capitalised cost) See Note a below	149	-	149
Sub Total	782	1,301	2,083
GROSS REVENUE INCOME			
Shared Service Recharge to South Hams District Council	-	(181)	(181)
Transformation Challenge Award (Government grant funding)	(266)	-	(266)
Sub Total	(266)	(181)	(447)
NET REVENUE EXPENDITURE (as shown in the Comprehensive Income and Expenditure Statement)	516	1,120	1,636

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

4. EVENTS AFTER THE REPORTING PERIOD

The unaudited Statement of Accounts for 2014/2015 was authorised for issue by the Community of Practice Lead for Finance (S151 Officer) on 30 June 2015. The Statement of Accounts were then reviewed by the Audit Committee on 28 July 2015 and the audited accounts were authorised for issue on 29 September 2015. This is also the date up to which events after the reporting date have been considered. There are no events which took place after 31 March 2015 which require disclosure.

SECTION 3 NOTES TO THE ACCOUNTS

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

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

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

SECTION 3 NOTES TO THE ACCOUNTS

**5B. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS
(COMPARATIVE FOR 2013/2014)**

Comparative 2013/14	Usable Reserves				
	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Usable Reserves
	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:					
<u>Reversal of items debited or credited to the Comprehensive Income & Expenditure (I&E) Statement:</u>					
Charges for depreciation and impairment of non current assets	505				505
Revaluation losses on Property Plant and Equipment	1,950				1,950
Amortisation of intangible assets	30				30
Revenue expenditure funded from capital under statute	491				491
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive I&E Statement					0
<u>Insertion of items not debited or credited to the Comprehensive I&E Statement:</u>					
Statutory provision for the financing of capital investment					
Capital grants and contributions applied	(178)				(178)
Adjustments primarily involving the Capital Grants unapplied Account:					
Capital grants and contributions unapplied credited to the Comprehensive I&E Statement					
Adjustments primarily involving the Capital Receipts Reserve:					
Use of the Capital Receipts Reserve to finance new capital expenditure			(312)		(312)
Adjustments involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive I & E Statement	1,589				1,589
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,040)				(1,040)
Adjustments involving the Collection Fund Adjustment Account:					
Amount by which council tax income credited to the Comprehensive I & E Statement is different from council tax income calculated for the year in accordance with statutory requirements	(15)				(15)
Amount by which business rates income credited to the Comprehensive I & E Statement is different from council tax income calculated for the year in accordance with statutory requirements	346				346
Adjustment involving the Accumulated Absences Account					
Amount by which officer remuneration charged to the Comprehensive I & E Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements					
Total Adjustments	3,678		(312)		3,366

SECTION 3 NOTES TO THE ACCOUNTS

6. TRANSFERS TO/FROM EARMARKED RESERVES

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

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

SECTION 3 NOTES TO THE ACCOUNTS

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.

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

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

2013/2014 Comparatives EARMARKED RESERVES	Balance at 31 March 2013	Transfers Out 2013/14	Transfers In 2013/14	Balance at 31 March 2014
	£000	£000	£000	£000
Transformation Programme (T18)	0	60	(860)	(800)
Business Rates Retention Scheme	0		(321)	(321)
Car Parking Maintenance	(182)		(70)	(252)
New Homes Bonus 13/14	0	953	(1,038)	(85)
Sparsity Grant and additional Revenue Support Grant	0		(57)	(57)
Local Authority Business Growth Incentive (LABGI)	(43)			(43)
Habitats Earmarked Reserve	(51)	9		(42)
Waste Management	(40)			(40)
Revenue Grant	(34)			(34)
New Homes Bonus 12/13	(52)	25		(27)
Contingency Funding 13/14			(25)	(25)
Cannons Meadow	(27)	3		(24)
County Election	(73)	49		(24)
Landscape Maintenance	(20)			(20)
Fifth Wave Neighbourhood	(20)			(20)
DCLG Business Support Scheme	0		(20)	(20)
DCC Public Health 102505	0		(20)	(20)
Other Reserves below £15,000	(122)	73	(27)	(76)
TOTAL	(664)	1,172	(2,438)	(1,930)

SECTION 3 NOTES TO THE ACCOUNTS

7. OTHER OPERATING EXPENDITURE

2013/14		2014/15
£000		£000
1,052	Parish council precepts	1,100
-	Loss on disposal of non-current asset	86
12	Pension Administration costs	12
1,064	Total	1,198

8. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2013/14		2014/15
£000		£000
96	Interest payable and similar charges	96
778	Pensions interest cost and expected return on pension assets	752
(28)	Interest receivable and similar income	(42)
846	Total	806

9. TAXATION AND NON SPECIFIC GRANT INCOME

2013/14		2014/15
£000		£000
Restated*	Council Tax	
(4,851)	Income (inc Parish Precepts)	(5,023)
(134)	Collection Fund Adjustment	(142)
(76)	Collection Fund – Distribution of Surplus	0
120	Support Grant to Parishes	103
	Business Rates	
(4,100)	Income	(4,083)
2,882	Tariff	2,938
(24)	Pooling Gain	(28)
	Levy	18
347	Transfer of Collection Fund Deficit	24
	Non-ringfenced government grants	
(259)	Small Business Rate Relief Grant	(448)
(2,437)	Revenue Support Grant	(1,700)
(46)	Rural Services Support Grant	-
(1,038)	New Homes Bonus	(1,254)
0	Capital grants and contributions	(48)
(9,616)	Total	(9,643)

* Restated to show the breakdown of Business Rates figures in 2013/14

SECTION 3 NOTES TO THE ACCOUNTS

10. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000
Cost or Valuation					
At 1 April 2014	20,731	2,349	1,074	83	24,237
Additions	10	-	-	-	10
Derecognition - Disposals	(88)	(856)	-	-	(944)
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	-	-	-	-	-
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-
Other movements in Cost or Valuation	-	-	-	-	-
As at 31 March 2015	20,653	1,493	1,074	83	23,303
Accumulated Depreciation and Impairment					
At 1 April 2014	(36)	(2,219)	(240)	-	(2,495)
Depreciation charge	(429)	(89)	(21)	-	(539)
Depreciation written out to the Revaluation Reserve	-	-	-	-	-
Depreciation written out to the Surplus/Deficit on the Provision of Services					
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services					
Derecognition – disposals	1	856			857
As at 31 March 2015	(464)	(1,452)	(261)	0	(2,177)
Net Book Value					
At 31 March 2015	20,189	41	813	83	21,126
At 31 March 2014	20,695	130	834	83	21,742

SECTION 3 NOTES TO THE ACCOUNTS

2013/2014 Comparatives Property, Plant and Equipment	Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000
Cost or Valuation					
At 1 April 2013	23,397	2,349	1,074	83	26,903
Additions					
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(157)				(157)
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,509)				(2,509)
Other movements in Cost or Valuation					
As at 31 March 2014	20,731	2,349	1,074	83	24,237
Accumulated Depreciation and Impairment					
At 1 April 2013	(1,222)	(2,084)	(219)	0	(3,525)
Depreciation charge	(349)	(135)	(21)		(505)
Depreciation written out to the Revaluation Reserve	977				977
Depreciation written out to the Surplus/Deficit on the Provision of Services	558				558
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services					
As at 31 March 2014	(36)	(2,219)	(240)	0	(2,495)
Net Book Value					
At 31 March 2014	20,695	130	834	83	21,742
At 31 March 2013	22,175	265	855	83	23,378

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

SECTION 3 NOTES TO THE ACCOUNTS

Fair Value Review at 31 March 2015

In addition, a formal impairment review of the entire holding of assets is undertaken at the end of each financial year, to ensure the carrying value reflects the fair value at the Balance Sheet date. This was undertaken by Stephen Forsey FRICS, the Council's Development Surveyor.

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

Depreciation

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

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

Capital Commitments

There were no significant contracts for future capital expenditure as at 31st March, 2015.

11. Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets would include both purchased licenses and internally generated software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful lives assigned to the major software suites used by the Authority is 3 years.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £30,771 charged to revenue in 2014/15 was charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

	2013/14	2014/15
	£000	£000
Balance at start of year:		
• Gross carrying amounts	973	973
• Accumulated amortisation	(881)	(911)
Net carrying amount at start of year	92	62
Assets reclassified	0	0

SECTION 3 NOTES TO THE ACCOUNTS

Disposals – write out gross value	0	(831)
Disposals – write out accumulated amortisation		831
Additions	0	95
Impairment losses recognised or reversed directly in the Revaluation Reserve	0	0
Amortisation for the period	(30)	(31)
Net carrying amount at end of year	62	126
Comprising:		
• Gross Carrying amounts	973	237
• Accumulated amortisation	(911)	(111)
	62	126

12. Debtors

	Short Term		
31 March 2014			31 March 2015
£000			£000
1,187	Central government bodies		629
727	Other local authorities		963
0	NHS bodies		9
0	Public corporations and trading funds		0
1,180	Other entities and individuals		1,033
3,094	Total		2,634
	Long Term		
10	Other entities and individuals		-
132	Other local authorities		139
142	Total		139

13. CASH AND CASH EQUIVALENTS

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

31 March 2014		31 March 2015
£000		£000
1,274	Bank current accounts	1,245
0	Current account overdraft	0
0	Money Market Funds	4,000
2,000	Short Term Deposits	2,000
3,274	Total Cash & Cash Equivalents	7,245

SECTION 3 NOTES TO THE ACCOUNTS

14. CREDITORS

31 March 2014	Short Term	31 March 2015
£000		£000
301	Central government bodies	448
490	Other local authorities	1,559
2	NHS bodies	2
1,594	Other entities and individuals	4,033
2,387	Total	6,042
	Long Term	
37	Other entities and individuals	315

15. USABLE RESERVES

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

16. UNUSABLE RESERVES

31 March 2014		31 March 2015
£000		£000
5,701	Revaluation Reserve	5,684
14,261	Capital Adjustment Account	13,769
(17,498)	Pensions Reserve	(22,149)
134	Collection Fund Adjustment Account Council Tax	277
(347)	Collection Fund Adjustment Account NNDR	92
(76)	Accumulated Absences Account	(69)
2,175	Total Unusable Reserves	(2,396)

Unusable Reserves have moved into a negative figure due to the fact that the Pensions Reserve has moved from (£17,498) in 2013/14 to (£22,149) in 2014/15. This is mainly due to the discount rate assumption falling from 4.4% to 3.3% which has increased the net pension liability. See page 11 of the Technical Appendix to the Accounts which shows that the pension liability increased by £5.244 million due to changes in financial assumptions.

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:

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

SECTION 3 NOTES TO THE ACCOUNTS

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

2013/14 £000		2014/15 £000
4,982	Balance at 1 April	5,701
820	Upwards/(Downward) revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-
(101)	Difference between fair value depreciation and historical cost depreciation	-
-	Accumulated gains on assets sold or scrapped	(17)
5,701	Balance at 31 March	5,684

Capital Adjustment Account

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

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

SECTION 3 NOTES TO THE ACCOUNTS

2013/14		2014/15
£000		£000
16,646	Balance at 1 April	14,261
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(505)	• Charges for depreciation and impairment of non current assets	(539)
(1,950)	• Revaluation losses on Property, Plant and Equipment	0
(30)	• Amortisation of intangible assets	(31)
(491)	• Revenue expended from capital under statute (REFCUS)	(154)
0	• Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(86)
(2,976)		(810)
101	Adjusting amounts written out of the Revaluation Reserve	17
-	Net written out amount of the cost of non current assets consumed in the year	-
	Capital financing applied in the year:	
312	• Use of the Capital Receipts Reserve to finance new capital expenditure	259
178	• Capital grants, credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	-
-	• Application of grants to capital financing from the Capital Grants Unapplied Account	-
-	• Revenue contribution to finance capital	-
-	• Statutory provision for the financing of capital investment charged against the General Fund (Minimum revenue provision)	42
591		318
14,261	Balance at 31 March	13,769

Pensions Reserve

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

SECTION 3 NOTES TO THE ACCOUNTS

2013/14		2014/15
£000		£000
(18,214)	Balance at 1 April	(17,498)
1,265	Actuarial gains or (losses) on pensions assets and liabilities	(3,921)
(1,589)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(1,419)
1,040	Employer's pensions contributions and direct payments to pensioners payable in the year	838
-	Provision for strain payments	(149)
(17,498)	Balance at 31 March	(22,149)

Collection Fund Adjustment Account Council Tax

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2013/14		2014/15
£000		£000
119	Balance at 1 April	134
15	Amount by which Council Tax income credited to the Comprehensive income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	143
134	Balance at 31 March	277

Collection Fund Adjustment Account Business Rates

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

31 March 2014		31 March 2015
£000		£000
-	Balance at 1 April	(347)
(347)	Amount by which non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from non domestic rates income calculated for the year in accordance with statutory requirements	439
(347)	Balance at 31 March	92

SECTION 3 NOTES TO THE ACCOUNTS

17. CASH FLOW STATEMENT – OPERATING ACTIVITIES

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

2013/14 £000		2014/15 £000
535	Depreciation	539
1,950	Impairment, downward valuations & revaluation reversals	0
23	(Increase)/decrease in creditors	(2,708)
(635)	Increase/(decrease) in debtors	443
2	Increase/(decrease) in inventories	0
1,589	Movement in pension liability	1,419
312	Revenue expenditure funded from capital under statute (REFCUS) financed from capital receipts	154
(1,266)	Contributions to reserves	(907)
331	Other non cash items charged to the net surplus or deficit on the provision of services	4,044
2,841		2,984

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

2013/14 £000		2014/15 £000
28	Interest received	41
(96)	Interest paid	(96)
(68)	Total	(55)

c) 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
-	Proceeds from sale of Property, Plant & Equipment & Investment Properties	-
2,841	Other non-cash items charged to the net surplus or deficit on the provision of services	2,984
2,841	Total	2,984

SECTION 3 NOTES TO THE ACCOUNTS

18. CASH FLOW STATEMENT – INVESTING ACTIVITIES

2013/14 £000		2014/15 £000
(86)	Purchase of property, plant and equipment, investment property and intangible assets	0
(1,000)	Net (increase)/decrease in investments	(4,000)
495	Other receipts from investing activities	473
(591)	Net cash flows from investing activities	(3,527)

19. CASH FLOW STATEMENT – FINANCING ACTIVITIES

2013/14 £000		2014/15 £000
520	Net NNDR Receipts Paid to/(received) from Central Government	139
(704)	Net Council Tax receipts paid to/(received) from major preceptors	1,468
(184)	Net cash flows from financing activities	1,607

20. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

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

SECTION 3 NOTES TO THE ACCOUNTS

	Central Services	Cultural, Environmental & Planning	Highways, Roads & Transport	Housing	Corporate & Democratic Core	Public Health	Non Distributed Costs	Material Items	Total 2014/15	Total 2013/14
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, Charges & Other Service income	(296)	(1,908)	(1,050)	(152)	(3,295)	(20)	0	(181)	(6,902)	(7,044)
Government grants and contributions	(165)	(99)	0	(14,479)	(6)	0	0	(266)	(15,015)	(14,346)
Total Income	(461)	(2,007)	(1,050)	(14,631)	(3,301)	(20)	0	(447)	(21,917)	(21,390)
Employee expenses (inc FRS 17)	442	1,983	138	474	2,501	0	534	1,465	7,537	6,462
Other service expenses	79	3,842	468	14,882	1,300	0	0	618	21,189	20,629
Support Service recharges	728	1,260	131	198	242	0	0	0	2,559	2,544
Total Expenditure	1,249	7,085	737	15,554	4,043	0	534	2,083	31,285	29,635
Net Expenditure	788	5,078	(313)	923	742	(20)	534	1,636	9,368	8,245

21. TRADING OPERATIONS

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

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

22. BUSINESS IMPROVEMENT DISTRICTS

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

SECTION 3 NOTES TO THE ACCOUNTS

23. AGENCY SERVICES

(a) The Authority carried out civil parking enforcement service on behalf of Devon County Council. The staffing and other costs incurred were reimbursed by Devon County Council. This arrangement ceased in 2014/15.

	2013/14 £000	2014/15 £000
Expenditure incurred in carrying out the civil parking enforcement service	49	-
Management fee payable by Devon County Council	(49)	-
Net surplus arising on the agency arrangement	-	-

(b) The Authority collect land charge search fees on behalf of Devon County Council. These fees are reimbursed to the County Council on a periodic basis. The amount collected was £17,000 in 2014/15 (£15,000 in 2013/14).

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

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

24. MEMBERS' ALLOWANCES

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

	2013/14 £'000	2014/15 £'000
Members' Allowances	169	167
Travelling & Subsistence	23	15

The current allowance scheme can be found on the Authority's website at:

<http://wdbcweb.swdevon.lan/article/3695/Councillor-Allowances>

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.

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

SECTION 3 NOTES TO THE ACCOUNTS

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

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

The remuneration paid to the Authority's senior employees for the year 2014/15:

(All Shared Roles with South Hams District Council)

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

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

SECTION 3 NOTES TO THE ACCOUNTS

Note 1: Senior Management Team Restructure

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

Note 2: Shared Services

In 2014/15, West Devon Borough Council received a reimbursement of salary costs amounting to £180,000 (2013/14 £262,700) from South Hams District Council, in respect of shared members of the Senior Leadership Team employed by West Devon Borough Council.

Similarly, West Devon Borough Council contributed £209,000 (2013/14 £203,300) to South Hams District Council for salary costs in respect of shared members of the Senior Leadership Team who are employed by South Hams District Council.

Senior Officer Remuneration for the year 2013/14:

	Salary	Benefits	Total	Employers Pension Contribution	Total Remuneration Inc Employers Pension Contribution
Chief Executive	£115,000	£271	£115,271	£21,045	£136,316
Head of Service (Finance & Audit) S151 Officer	£46,497	£240	£46,737	£8,509	£55,246
Head of Service (ICT & Customer Services)	£62,620	£311	£62,931	£11,459	£74,390
Head of Service (Environment Services)	£62,620	£55	£62,675	£11,459	£74,134
Head of Service (Planning, Economy & Community)	£62,620	£333	£62,953	£11,459	£74,412
Acting S151 Officer	£15,866	£72	£15,938	£1,903	£17,841
Monitoring Officer	£41,250	£29	£41,279	£7,549	£48,828

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

SECTION 3 NOTES TO THE ACCOUNTS

EXIT PACKAGES

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

Exit Package Cost Band (incl special payments)	No of Voluntary Redundancies		No of Compulsory Redundancies		No of other departures agreed		Total No of exit packages by cost band		Total cost of exit packages in each band	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
£0 - £20,000	-	14	1	2	-	3	1	19	£6,860	£169,264
£20,001 - £40,000	-	12	1	1	1	-	2	13	£47,063	£358,224
£40,001 - £60,000	-	-	-	-	-	-	-	-	-	-
£60,001 - £80,000	-	-	-	1	-	-	-	1	-	£71,419
Total	-	26	2	4	1	3	3	33	£53,923	£598,907

Note 1: Transformation Programme (T18)

West Devon Borough Council and South Hams District 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 the Transformation Programme, expressions of interest for voluntary redundancy were invited. Staff were recruited into the new operating 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, West Devon Borough Council (WDBC) and South Hams District Council (SHDC) agreed to move forward with a radical Senior Management Team Restructure and to operate without a Chief Executive. An Executive Director Model has been adopted by both Councils and Senior Leadership Team responsibilities will be shared between two Executive Directors, supported by four Group Managers to reflect the requirements of the new operating model for the Transformation Programme. All six posts within the Senior Leadership Team were appointed to through an external recruitment exercise with open competition. The annual savings from the restructure of the Senior Management Team are £280,000 shared between the two Councils.

Note 3: Shared services

West Devon Borough Council contributed £466,000 in 2014/2015 (£nil 2013/2014) to the South Hams District Council exit package costs. Conversely, West Devon Borough Council received £138,000 in 2014/2015 (£nil 2013/2014) from South Hams District Council for exit package costs for the 2014/15 period.

SECTION 3 NOTES TO THE ACCOUNTS

26. EXTERNAL AUDIT COSTS

The Authority incurred the following fees relating to external audit and inspection:

Audit Fees	2013/14	2014/15
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor	51,628	51,628
Fees payable to Grant Thornton for the certification of grant claims and returns	7,787	7,120
Fees payable in respect of other services provided by the appointed auditor	1,050	900
Rebate from the Audit Commission in relation to 2012/13 audit fee		(7,065)
Rebate from the Audit Commission in relation to 2013/14 audit fee		(5,306)
Total Audit Fees	60,465	47,277

27. GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2014/15:

	2013/14* (Restated – see Note 1 below)	2014/15
Credited to Taxation and Non Specific Grant Income		
Capital Grants & Contributions	£000	£000
Disabled Facility Grants	(178)**	(186)
**Note 2 – This figure has been restated, as the 13/14 Accounts disclosed this figure as Private Sector Renewal Grants		
Section 106s	-	(68)
Non ring-fenced Government grants & contributions:		
Revenue Support Grant	(2,437)	(1,700)
New Homes Bonus Grant	(1,038)	(1,254)
Small Business Rates Relief	(259)	(448)
Rural Services Support Grant	(46)	-
Total	(3,958)	(3,656)
Credited to Services		
Rent Allowance Subsidy	(13,422)	(14,162)
Housing Benefit and Council Tax benefit administration subsidy	(318)	(280)
Business Rates cost of collection allowance	(84)	(85)
Transformation Challenge Award funding from DCLG	-	(266)
Other Grants	-	(222)
Total	(13,824)	(15,015)

*Note 1 – The Grant Income note has been expanded in 2014/15, with comparatives for 2013/14 also being added to the note.

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 may require the monies or property to be returned to the giver. The balances at the year end are as follows:

	31 March 2014	31 March 2015
Capital Grants Receipts in Advance	£000	£000
Land Stabilisation	(10)	(10)
Hayedown	(20)	(20)
Section 106s	(453)	(468)
Total	(483)	(498)

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

CENTRAL GOVERNMENT

Central Government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework, within which the Authority operates, provides the majority of its funding in the form of grants, and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are detailed in Note 9 and 27.

MEMBERS

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

iESE

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

SECTION 3 NOTES TO THE ACCOUNTS

29. CAPITAL EXPENDITURE AND CAPITAL FINANCING

Total capital expenditure in 2014/15 amounted to £473,058. How this is financed is shown below:-

2013/14 £000		2014/15 £000
-	Earmarked Reserves	-
178	Capital Grants	186
-	External Contributions	28
312	Capital Receipts and Funds Reserves	259
490		473

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

CFR (£m)	31 March 2014 Actual	31 March 2015 Actual
Actual	£1,842,000	£1,799,000

The borrowing activity is constrained by prudential indicators for net borrowing and the CFR, and by the authorised limit. The Minimum Revenue Provision was applied in 2014/15 and was calculated at £42,000 per year. This is the borrowing of £2.1 million, divided by the life of the asset of 50 years, which equates to £42,000 per annum.

30. LEASES

Authority as Lessee

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

Authority as Lessor

The Authority leases various industrial units and commercial properties to external organisations. The gross value of assets held for use in operating leases was £3m as at 31 March 2015.

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

31. TERMINATION BENEFITS

The details of the Shared Service arrangements are explained on Page 2 of the Explanatory Foreword to the Accounts. Please also see note 25 on exit packages.

SECTION 3 NOTES TO THE ACCOUNTS

32. CONTINGENT LIABILITIES

The Council had no contingent liabilities at 31 March 2015.

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

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

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

The items in the Authority's Balance Sheet at 31 March 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 change by 1 year across all assets, this would have a £7,500 impact 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>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 £799,000.</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 £5.2 million as a result of a change in "financial assumptions".</p> <p>Please refer to the Technical Appendix for further information about the assumptions used by the actuaries.</p>

SECTION 3 NOTES TO THE ACCOUNTS

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	<p>For 2014/15, the Actuary has calculated the capitalised cost of the strain liability for 2 former employees who had left the Council's employment at £47,000. However, to this figure, the Council has added a further cost of £149,000 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.</p> <p>The capitalized cost which is based on actual assumptions differs from the cash cost payable to the Pension Fund by the Council. The figure of £149,000 was estimated from the cash costs that had previously been calculated for each employee in question.</p>	
Arrears	<p>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 £477,000. A review of significant balances suggested that an impairment for doubtful debts of 32% (£151,000) was appropriate.</p>	<p>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 £2,500 on the Council's finances.</p>

34. 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. 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 201/15, 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).

SECTION 3 NOTES TO THE ACCOUNTS

B. Accruals of Income and Expenditure

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

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

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management. Our policy is shown in the following table:

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

Key: *T = trade date*

SECTION 3 NOTES TO THE ACCOUNTS

D. Material Items

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

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

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

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

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

F. Charges to Revenue for Non-Current Assets

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

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

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

G. Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority.

An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

SECTION 3 NOTES TO THE ACCOUNTS

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 and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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

Post Employment Benefits

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

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

- The liabilities of the Devon County Council Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices
- The assets of the pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value.

The Local Government Scheme

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

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

SECTION 3 NOTES TO THE ACCOUNTS

- Liabilities are discounted to their value at current prices, using a discount rate.
- The assets of the pension fund attributable to the Authority are included in the Balance Sheet at their fair value.

For further information please refer to the Technical Appendix.

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

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

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the

SECTION 3 NOTES TO THE ACCOUNTS

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

Discretionary Benefits

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

H. Events After the Reporting Date

Events after the Reporting date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue.

Two types of events can be identified:

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

Events taking place after the date of authorisation for issue (29th September 2015) are not reflected in the Statement of Accounts.

I. Financial Instruments

Financial Liabilities

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

Financial Assets

Financial assets are classified into two types:

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

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

SECTION 3 NOTES TO THE ACCOUNTS

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

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

J. Government Grants and Contributions

General

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

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

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

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

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

SECTION 3 NOTES TO THE ACCOUNTS

K. Assets

Fixed Assets owned by the Authority includes:

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

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

Intangible Assets

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

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

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

SECTION 3 NOTES TO THE ACCOUNTS

L. Inventories

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

M. Leases

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

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

The Authority as Lessee

Finance Leases

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

Operating Leases

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

The Authority as Lessor

Finance Leases

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

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease).

Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

N. Overheads and Support Services

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

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

SECTION 3 NOTES TO THE ACCOUNTS

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

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

O. Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

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

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

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

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

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

Where decreases in value are identified, they are accounted for by:

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

SECTION 3 NOTES TO THE ACCOUNTS

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

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

Impairment

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

Where impairment losses are identified, they are accounted for by:

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

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

Depreciation

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

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.

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

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

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the

SECTION 3 NOTES TO THE ACCOUNTS

loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

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

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

Heritage Assets

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

P. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than

SECTION 3 NOTES TO THE ACCOUNTS

probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received by the Authority.

Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

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

Q. Reserves

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

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

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

S. Section 106 deposits

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

SECTION 3 NOTES TO THE ACCOUNTS

T. Recharging the salaries of shared services officers

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

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

U. VAT

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

V. Accounting for Local Taxes

Business Rates

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

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

Council Tax

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

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

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

SECTION 3 NOTES TO THE ACCOUNTS

W. Minimum Revenue Provision

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

SECTION 4 COLLECTION FUND

COLLECTION FUND FOR THE YEAR ENDED 31 MARCH 2015

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

2013/14 £'000	2013/14 £'000	INCOME	2014/15 £'000	2014/15 £'000
Business Rates	Council Tax		Business Rates	Council Tax
	31,189	Council Tax		32,642
	0	Council Tax Benefit		0
10,421		Business Rates	10,417	
(72)		Transitional Relief	(41)	
10,349	31,189		10,376	32,642
		EXPENDITURE		
		<i>Precepts & Demands</i>		
980	21,123	- Devon County Council	907	21,844
109	1,426	- Devon & Somerset Fire & Rescue Authority	101	1,475
	3,083	- Devon & Cornwall Police Authority		3,188
4,359	4,849	- West Devon Borough Council (Inc Parishes)	4,032	5,023
5,449		- Central Government	5,040	
		<i>Business Rates</i>		
		- Payments to National Pool		
84		- Costs of Collection	85	
368		Rates increase/decrease in provision for appeals	11	
44	34	Write-offs	120	55
(178)		Movement in Provision for Uncollectable Rates	140	
	91	Movement in Provision for Uncollectable Council Tax		151
		Contribution towards previous year's Collection Fund surplus/(deficit) transferred to		
	352	- Devon County Council	(104)	
	23	- Devon & Somerset Fire & Rescue Authority	(12)	
	49	- Devon & Cornwall Police Authority		
	76	- West Devon Borough Council	(463)	
		- Central Government	(579)	
11,215	31,106		9,278	31,736
866	(83)	<i>Movement on Fund Balance</i>	(1,098)	(907)
0	(754)	Balance brought forward at 1 April	866	(837)
866	(837)	Balance carried forward at 31 March	(232)	(1,744)
(520)	704	Balance attributable to major precepting bodies	(139)	(1,468)
(346)	133	Balance attributable to WDBC	(93)	(276)
(866)	837		(232)	(1,744)

The Collection Fund is consolidated with the other accounts of the Authority. The sources of income to the Collection Fund are Council Tax, which amounted to £32.6m (£31m in 2013/14) and the National Non Domestic Rates (Business Rates), which amounted to £10.4m (£10.3m in 2013/14).

SECTION 4 COLLECTION FUND

1. INCOME FROM COUNCIL TAX

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

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

Band	Council Tax	No. of Dwellings after Discounts and Exemptions	Multiplier	Band D Equivalent Number
A-	913.03	11.75	5/9	6.53
A	1,095.63	2,781.00	6/9	1,854.00
B	1,278.24	5,598.50	7/9	4,354.39
C	1,460.84	4,629.00	8/9	4,114.67
D	1,643.45	1,671.15	1	1,671.15
E	2,008.66	3,027.50	11/9	3,700.28
F	2,373.87	1,629.25	13/9	2,353.36
G	2,739.08	932.25	15/9	1,553.75
H	3,286.90	74.75	18/9	149.50
				19,757.63
Less allowance for non-collection				(592.73)
Plus adjustment for armed forces dwellings				20.60
Tax base				19,185.50

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

The basic amount of Council Tax for a Band D property was £1,643.45 for 2014/15 (£1,610.98 for 2013/14). The income credited to the Collection Fund can be analysed as follows:-

	2013/14 £'000	2014/15 £'000
Actual Income from Council Tax	31,189	32,642

The tax base multiplied by the Band D Council Tax for the year of £1,643.45, including parishes, would have produced income amounting to £31,530,481 (See Note 3). The actual income of £32,462,965 differed from this figure due to changes in the Council Tax Base and the tax collection rate during the year and equates to approximately 2% of total income.

SECTION 4 COLLECTION FUND

2. INCOME FROM BUSINESS RATES

The total non-domestic rateable value at 31 March 2015 was £28,811,376. This compares to £28,806,351 at 31 March 2014. The standard non-domestic rate multiplier was 48.2p in 2014/15 (2013/2014 47.1p). Without reliefs this would generate a total income of £13,887,083.23 (2013/2014 £13,567,791.32). These figures are a snapshot only and differ from the value of NNDR bills issued mainly due to changes in rateable values during the year, small business rate relief, void properties and charitable relief.

3. PRECEPTS AND DEMANDS

The following authorities made a demand upon the Collection Fund:

	2013/14	2014/15
	£	£
Devon County Council	21,122,413	21,844,418
Devon & Somerset Fire & Rescue Authority	1,426,438	1,475,173
Devon & Cornwall Police Authority	3,082,575	3,187,863
West Devon Borough Council	4,849,567	5,023,027
TOTAL	30,480,993	31,530,481

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

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

During the year there was not any surplus for 2014/15 relating to Council Tax transferred to Devon County Council, Devon & Somerset Fire & Rescue Authority, Devon & Cornwall Police Authority and West Devon Borough Council.

The amounts transferred were as follows:

	2013/14	2014/15
	£	£
Devon County Council	352,123	-
Devon & Somerset Fire & Rescue Authority	22,654	-
Devon & Cornwall Police Authority	49,454	-
West Devon Borough Council	75,769	-
Total	500,000	Nil

SECTION 4 COLLECTION FUND

5. ACCOUNTING FOR THE COLLECTION FUND BALANCE

The opening balance on the Collection Fund for Council Tax 2014/15 was a surplus of £837,689. The balance as at 31 March 2015 was a surplus of £1,744,338. Surpluses and deficits are shared with the other major precepting bodies that make a demand of the Fund. The Council accounted for the Collection Fund in its 2014/15 Statement of Accounts as follows:

2013/14 £'000	Major Precepting Bodies:	2014/15 £'000
580	Devon County Council	1,212
39	Devon & Somerset Fire & Rescue Authority	81
85	Devon & Cornwall Police Authority	175
704	Balance attributable to major precepting bodies	1,468
133	Balance attributable to WDBC	276
837	Total Collection Fund Surplus – Council Tax	1,744

The opening balance on the Collection Fund for Business Rates 2014/15 was a deficit of £866,545. The balance as at 31 March 2015 was a surplus of £231,591. Surpluses and deficits are shared with the other major precepting bodies that make a demand of the Fund. The Council accounted for the Collection Fund in its 2014/15 Statement of Accounts as follows:

2013/14 £'000	Major Precepting Bodies:	2014/15 £'000
78	Devon County Council	21
9	Devon & Somerset Fire & Rescue Authority	2
433	Central Government	116
520	Balance attributable to major precepting bodies	139
346	Balance attributable to WDBC	93
866	Total Collection Fund deficit – Rates	232

The Council's Responsibilities

The Council is required to:-

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

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

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

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

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

The S151 Officer has also:

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

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

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

29th September 2015

Approval of the Statement of Accounts

I confirm that these accounts were approved by the Audit Committee as its meeting held on 29 September 2015.

Signed on behalf of West Devon Borough Council

.....

Councillor M Davies

Chairman of the Audit Committee

29 September 2015

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WEST DEVON BOROUGH COUNCIL

We have audited the financial statements of West Devon Borough 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 West Devon Borough 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.

SECTION 6 AUDITORS' OPINION

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of West Devon Borough 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

SECTION 6 AUDITORS' OPINION

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, West Devon Borough 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 West Devon Borough 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

29 September 2015

SECTION 7 GLOSSARY OF TERMS

ACCRUALS	A sum included in the account to cover income or expenditure attributable to an accounting period for goods received or work done, but for which payment has not been received/made by the end date of the period for which the accounts have been prepared.
ACTUARIAL GAINS & LOSSES	These are changes in actuarial deficits or surpluses that arise because either actual experience or events have not been exactly the same as the assumptions adopted at the previous valuation (experience gains and losses) or the actuarial assumptions have changed.
BALANCES	The surplus or deficit on any account at the end of the year. Amounts in excess of that required for day to day working may be used to reduce the demand on the Collection Fund.
BUSINESS IMPROVEMENT DISTRICT (BID)	A Business Improvement District is a partnership between a local authority and the local business community to develop projects and services that will benefit the trading environment within the boundary of a clearly defined commercial area.
CAPITAL EXPENDITURE	Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.
CAPITAL RECEIPTS	Income received from sale of assets which is available to finance other capital expenditure or to repay debt on assets financed from loan.
CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY	The governing body responsible for issuing the statement of recommended practice to prepare the accounts.
COLLECTION FUND	A separate fund which must be maintained by a district for the proper administration of Council Tax and Non Domestic Rates.
CURRENT SERVICE COST	

SECTION 7 GLOSSARY OF TERMS

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

CURTAILMENTS

The amount the Actuary estimates as costs to the authority of events that reduce future contributions to the scheme, such as granting early retirement.

DEFINED BENEFIT SCHEME

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

DEMAND

The charging authorities own Demand is, in effect, its precept on the fund.

FEES & CHARGES

In addition to the income from charge payers and the Governments, Local Authorities charge for services, including Planning Consents, Hire of Sporting Facilities, Car Parking etc.

FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

GOVERNMENT GRANTS

Payments by Central Government towards the cost of Local Authority services, including both Revenue and Capital.

IMPAIRMENT ALLOWANCE ("BAD DEBT PROVISION")

Provisions against income to prudently allow for non collectable amounts.

INTEREST COST

For the pension fund this represents the discount rate at the start of the accounting period applied to the liabilities during the year based on the assumptions at the start of the accounting period.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) &

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

SECTION 7 GLOSSARY OF TERMS

THE CODE OF PRACTICE (CODE)	Standards Board and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements.
LIBID	Acronym for the London Inter-bank Bid Rate, being the interest rate at which a market maker or underwriter will offer to buy bonds and securities.
MINIMUM REVENUE PROVISION (MRP)	This is a statutory requirement to make an annual calculation of an amount or MRP considered prudent to offset against borrowings made under the Prudential Borrowing rules
PAST SERVICE COST	These will typically be additional benefits awarded on early retirement. This includes added years or augmentation and unreduced pension benefits awarded before eligible retirement age in the pension scheme.
PRECEPT	The levy made by precepting authorities including the County Council and Parish Councils, on the District Council requiring it to collect the required income from council taxpayers on their behalf.
PROJECTED UNIT METHOD	<p>An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:</p> <ul style="list-style-type: none">a) the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases, andb) the accrued benefits for members in service on the valuation date. <p>The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.</p>
RATEABLE VALUE	A value placed on all properties subject to Rating. The value is based on a national rent that property

SECTION 7 GLOSSARY OF TERMS

could be expected to yield after deducting the cost of repairs.

**REVENUE
EXPENDITURE**

Recurring items of day to day expenditure consisting principally of Salaries and Wages, Debt Charges and general running expenses etc.

SETTLEMENTS

A settlement will generally occur where there is a bulk transfer out of the Pension Fund or from the employer's share of the Fund to a new contractor's share of the Fund as a result of an outsourcing. It reflects the difference between the IAS 19 liability transferred and the assets transferred to settle the liability

**STRAIN ON FUND
CONTRIBUTIONS**

Additional employers pension contributions as a result of an employee's early retirement

SUNDRY CREDITORS

Amounts owed by the Authority at 31 March.

SUNDRY DEBTORS

Amounts owed to the Authority at 31 March.

This page is intentionally left blank

WEST DEVON BOROUGH COUNCIL – TECHNICAL APPENDIX TO THE FINANCIAL STATEMENTS 2014/15

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

1. FINANCIAL INSTRUMENTS

CAPITALISATION OF BORROWING COSTS

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

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

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

FINANCIAL INSTRUMENTS BALANCES

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

	Long-term		Current	
	31 March 2014 £000	31 March 2015 £000	31 March 2014 £000	31 March 2015 £000
Cash and cash equivalents	-	-	1,274	1,245
Investments				
Loans and receivables (principal)	2	2	2,000	6,000
Loans and receivables (accrued interest)	-	-	1	3
Total Investments	2	2	2,001	6,003
Debtors				
Loans and receivables	142	139	-	-
Financial assets carried at contract amount	-	-	3,860	2,360

WEST DEVON BOROUGH COUNCIL – TECHNICAL APPENDIX TO THE FINANCIAL STATEMENTS 2014/15

Total Debtors	142	139	3,860	2,360
Creditors				
Financial liabilities at amortised cost (principle)	(2,100)	(2,100)	-	-
Financial liabilities (accrued interest)	-	-	(16)	(16)
Financial liabilities at amortised cost	(37)	(315)	-	-
Financial liabilities carried at contract amount	-		(2,339)	(4,767)
Total Creditors	(2,137)	(2,415)	(2,355)	(4,783)

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

FAIR VALUE OF ASSETS AND LIABILITIES

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

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

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

WEST DEVON BOROUGH COUNCIL – TECHNICAL APPENDIX TO THE FINANCIAL STATEMENTS 2014/15

The fair values are as follows:

£000s	31 March 2014		31 March 2015	
	Carrying amount	Fair Value	Carrying amount	Fair Value
PWLB debt	2,100	2,639	2,100	3,394
Long Term Debtors	142	142	139	139
Long Term Creditors	37	37	315	315

RECOGNITION AND MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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

2. DEFINED BENEFIT PENSION SCHEMES

A. GENERAL

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

The Authority participates in the Local Government Pension Scheme (LGPS).

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

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

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

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

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

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

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

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

WEST DEVON BOROUGH COUNCIL – TECHNICAL APPENDIX TO THE FINANCIAL STATEMENTS 2014/15

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

B. DATA SOURCE

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

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

ASSETS

The return on the fund for the year to 31 March 2015 is estimated to be 11%. This is based on the estimated Fund value used at the previous accounting date and the estimated Fund value used at this accounting date. The actual return on Fund assets over the year may be different.

The estimated asset allocation for West Devon Borough Council as at 31 March 2015 is as follows:

	Asset split at 31 March 2015 %	£000's	Asset split at 31 March 2014 %	£000's
Equities	59	13,914	60	13,045
Property	10	2,352	9	1,956
Gilts	6	1,497	7	1,522
Other bonds	3	818	5	1,087
Cash	2	406	2	435
Target return portfolio	15	3,469	15	3,261
Infrastructure	3	652	2	435
Alternative assets	2	418		
Total	100	23,526	100	21,741

Appendix B(ii)

WEST DEVON BOROUGH COUNCIL – TECHNICAL APPENDIX TO THE FINANCIAL STATEMENTS 2014/15

The bid values have been estimated where necessary. Based on the above, the Employer's share of assets of the Fund is approximately 1%.

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%

EMPLOYER MEMBERSHIP STATISTICS

The table below summaries the membership data, as at 31 March 2014 for members receiving funded benefits, and as at 31 March 2015 for any members receiving unfunded benefits.

Member data summary	Number	Salaries/Pensions £000's	Average Age
Active	117	2,944	45
Deferred Pensioners	85	206	46
Pensioners	155	1,241	71
Unfunded Pensioners	38	88	77

UNFUNDED BENEFITS

In the year to 31 March 2015, £88,807 of unfunded benefits was paid.

C. ACTUARIAL METHODS AND ASSUMPTIONS

Valuation Approach

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

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

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

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

Valuation Method

As required under IAS19, the projected unit method of valuation has been used to calculate the service cost.

Demographic/Statistical Assumptions

Life Expectancy in years from age 65		31.3.2015	31.3.2014
Retiring today	Males	22.8	22.7
	Females	26.1	26.0
Retiring in 20 years	Males	25.1	24.9
	Females	28.4	28.3

WEST DEVON BOROUGH COUNCIL – TECHNICAL APPENDIX TO THE FINANCIAL STATEMENTS 2014/15

Financial Assumptions

Financial Assumptions used for the purpose of the IAS19 calculations are as follows:

Assumptions as at	31 March 2015		31 March 2014		31 March 2013	
	% p.a.	Real	% p.a.	Real	% p.a.	Real
RPI Increases	3.2	-	3.6	-	3.4	-
CPI Increases	2.4	-0.8	2.8	-0.8	2.6	-0.8
Salary Increases	4.2	1.0	4.6	1.0	4.8	1.4
Pension Increases	2.4	-0.8	2.8	-0.8	2.6	-0.8
Discount Rate	3.3	0.1	4.4	0.8	4.4	1.0

D. RESULTS AND DISCLOSURES**Balance Sheet Disclosure as at 31 March 2015**

Pension asset as at	31 March 2015 £000's	31 March 2014 £000's	31 March 2013 £000's
Present value of funded obligation	44,426	38,186	38,168
Fair Value of scheme assets	(23,526)	(21,741)	(20,962)
Strain Payment	149	-	-
Net Liability	20,900	16,445	17,206
Present value of unfunded obligation	1,100	1,053	1,008
Net Liability in Balance Sheet	22,000	17,498	18,214
TOTAL Liability in Balance Sheet	22,149	17,498	18,214

Income and Expenditure Account Costs for the year to 31 March 2015

The amounts recognised in the I & E Account statement are	Year to 31 March 2014 £000's	Year to 31 March 2015 £000's
Service Cost	799	655
Net interest on the defined liability (asset)	778	752
Administration expenses	12	12
Total	1,589	1,419
Actual return on scheme assets	967	2,295

WEST DEVON BOROUGH COUNCIL – TECHNICAL APPENDIX TO THE FINANCIAL STATEMENTS 2014/15

Asset and Benefit Obligation Reconciliation for the Year to 31 March 2015

Reconciliation of opening and closing balance of the present value of the defined benefit obligation	Year to 31 March 2014 £000's	Year to 31 March 2015 £000's
Opening defined benefit obligation	39,176	39,239
Current service cost	799	608
Provision for strain liability arising from early retirements	-	149
Interest cost	1,691	1,698
Changes in financial assumptions	833	5,244
Changes in demographic assumptions	250	-
Experience loss/(gain) on defined benefit obligation	(2,027)	26
Liabilities assumed/(extinguished) on settlements	-	-
Estimated benefits paid net of transfers in	(1,586)	(1,430)
Past service costs, including curtailments	-	47
Contributions by scheme participants	189	183
Unfunded pension payments	(86)	(89)
Closing defined benefit obligation	39,239	45,675

Reconciliation of opening and closing balances of the fair value of Scheme assets	Year to 31 March 2014 £000's	Year to 31 March 2015 £000's
Opening fair value of scheme assets	20,962	21,741
Interest on assets	913	946
Return on assets less interest	54	1,349
Other actuarial gains/(losses)	267	-
Administration expenses	(12)	(12)
Contribution by employer including unfunded benefits	1,040	838
Contributions by scheme participants	189	183
Estimated benefits paid	(1,586)	(1,430)
Unfunded benefits	(86)	(89)
Closing fair value of fund assets	21,741	23,526

WEST DEVON BOROUGH COUNCIL – TECHNICAL APPENDIX TO THE FINANCIAL STATEMENTS 2014/15

Remeasurements in Other Comprehensive Income	Year to 31 March 2014 £000's	Year to 31 March 2015 £000's
Return on plan assets in excess of interest	54	1,349
Other actuarial gains/(losses) on assets	267	-
Changes in financial assumptions	(833)	(5,244)
Changes in demographic assumptions	(250)	-
Experience gain/(loss) on defined benefit obligation	2,027	(26)
Changes in effect of asset ceiling	-	-
	1,265	(3,921)

Projected Pension Expense for the year to 31 March 2016	Year to 31 March 2016 £000's
Service cost	543
Net Interest on defined liability (asset)	715
Administration costs	13
TOTAL	1,271
Employer Contributions	658

Note that these figures exclude the capitalised cost of any early retirements or augmentations which may occur after 31 March 2015. These projections are based on the assumptions as at 31 March 2015.

Amounts for the current and previous periods	Year to Mar 2015 £000's	Year to Mar 2014 £000's	Year to Mar 2013 £000's	Year to Mar 2012 £000's	Year to Mar 2011 £000's
Defined Benefit Obligation	(45,526)	(39,239)	(39,176)	(35,605)	(30,242)
Scheme assets	23,526	21,741	20,962	18,512	18,376
Surplus (Deficit)	(22,000)	(17,498)	(18,214)	(17,093)	(11,866)
Experience adjustments on Scheme liabilities	(26)	2027	17	10	1,424
Percentage of Liabilities	0%	5.1%	0%	0%	4.7%

WEST DEVON BOROUGH COUNCIL – TECHNICAL APPENDIX TO THE FINANCIAL STATEMENTS 2014/15

Sensitivity Analysis

	£000	£000	£000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	44,727	45,526	46,340
Projected Service cost	529	543	557
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	45,625	45,526	45,428
Projected Service cost	543	543	543
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	46,248	45,526	44,818
Projected Service cost	557	543	529
Adjustment to mortality age rating assumption	+1 Year	None	-1 Year
Present value of total obligation	43,924	45,526	47,143
Projected Service cost	525	543	562

3. Nature and Extent of Risks Arising from Financial Instruments

Key risks

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

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

Overall procedures for managing risk

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

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

WEST DEVON BOROUGH COUNCIL – TECHNICAL APPENDIX TO THE FINANCIAL STATEMENTS 2014/15

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

The annual treasury management strategy and annual investment strategy and the Capital Programme which incorporates the prudential indicators was approved by Council in 2014. All of these documents are available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2014/15 was set at £6m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £3m. This is the expected level of debt and other long term liabilities during the year.

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

Credit risk

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

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

www.westdevon.gov.uk

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

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £2 million cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of recoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2014 that this was likely to crystallise.

WEST DEVON BOROUGH COUNCIL – TECHNICAL APPENDIX TO THE FINANCIAL STATEMENTS 2014/15

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

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

	31 March 2014 £000's	31 March 2015 £000's
Less than three months	165	288
Three to six months	11	19
Six months to one year	38	29
More than one year	111	130
Total	325	466

Collateral

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

Liquidity risk

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

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

The maturity analysis of financial assets, excluding sums due from customers, is as follows:

	31 March 2014 £million	31 March 2015 £million
Less than one year	2	6
Between one and two years	0	0
Between two and three years	0	0
More than three years	0	0
Total	2	6

Refinancing and Maturity risk

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

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

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

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

	Approved minimum limits	Approved maximum limits	Actual 31 March 2014 £million	Actual 31 March 2015 £million
Less than 1 year	0%	10%	0	0
Between 1 and 2 years	0%	10%	0	0
Between 2 and 5 years	0%	30%	0	0
Between 5 and 10 years	0%	50%	0	0
More than 10 years	0%	100%	2.1	2.1
Total			2.1	2.1

Market risk

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

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

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

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

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

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

The Audit Findings for West Devon Borough Council

Year ended 31 March 2015

29 September 2015

Page 127

Barrie Morris

Director

T 0117 305 7708

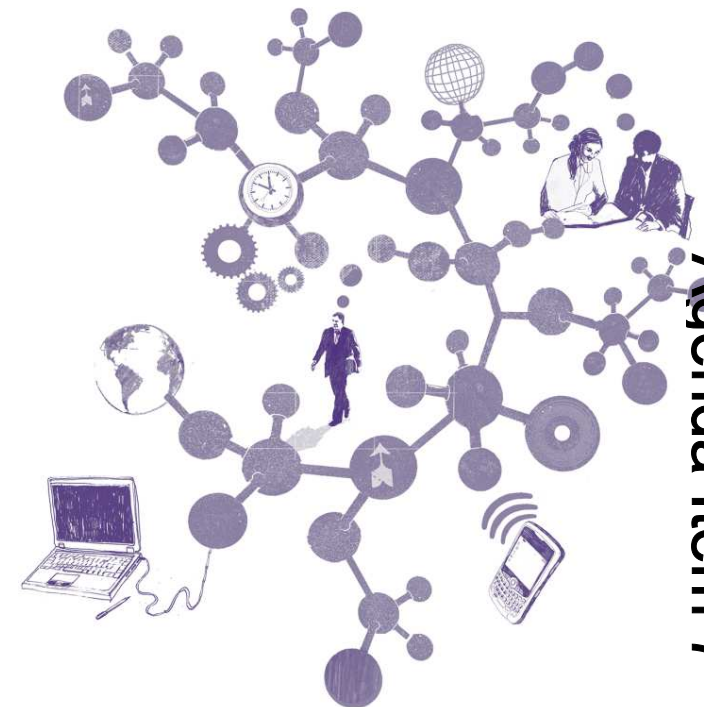
E barris.morris@uk.gt.com

Steve Johnson

Audit Manager

T 07880 456 134

E steve.p.johnson@uk.gt.com



Agenda Item 7

The Audit Committee
West Devon Borough Council
Kilworthy Park
Drake Road
Tavistock
Devon PL19 0BZ

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

+44 (0)117 3057600
www.grant-thornton.co.uk

Dear Members

Audit Findings for West Devon Borough 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 West Devon Borough 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

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: Grant Thornton House, Melton Street, Euston Square, London NW1 2EP. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority.
Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions. Please see grant-thornton.co.uk for further details.

Contents

Section	Page
1. Executive summary	4
2. Audit findings	7
3. Value for Money	17
4. Fees, non-audit services and independence	21
5. Communication of audit matters	23

Appendices

- A Action plan
- B Audit opinion

Page 129

Section 1: Executive summary

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of [West Devon Borough 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 28 April 2015.

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

- journals
- investments
- cash
- Housing Benefits
- 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 have 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
29 September 2015

Section 2: Audit findings

01. Executive summary

02. **Audit findings**

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

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 29 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 28 April 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 135	<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
Operating expenses Page 136	Creditors understated or not recorded in the correct period	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> • Review of system documentation and transaction walkthrough testing. • Agreement of creditors to the ledger. • Review 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. 	Our audit work has not identified any significant issues in relation to the risk identified.
Employee remuneration	Employee remuneration accrual understated	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> • Review of system documentation and transaction walkthrough testing. • Used predictive analytical review techniques to assess reasonableness. • Substantively tested a sample of remuneration transactions. • Reviewed the calculation of redundancy costs. 	Our audit work has not identified any evidence that employee remuneration accruals are understated.
Welfare expenditure	Welfare benefit expenditure improperly computed	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> • Review of system documentation and transaction walkthrough testing. • Used predictive analytical review techniques to assess reasonableness. We were able to rebut the risk that welfare benefit expenditure improperly computed.	Our audit work has not identified any evidence that welfare benefit is improperly computed.

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

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.

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, Operating Expenses and Welfare benefits 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	Recommendation
1. Page 139	●	<p>Our analysis of the journals for the year highlighted the following:</p> <ul style="list-style-type: none"> • there were Journals without a narrative description; • journals could be input and authorised by the same officer; and • one journal for £3k had been input by the Finance Community of Practice Lead. 	<p>The procedures should be altered to ensure that:</p> <ul style="list-style-type: none"> • All journals have a narrative description to explain the nature and purpose of the transaction • Journals should be raised and authorised by separate individuals. • The Finance Community of Practice Lead should not be able to process journals.

Assessment

- Significant deficiency – risk of significant misstatement
- Deficiency – risk of inconsequential misstatement

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>

Page 140

Assessment

- ✓ Action completed
- X Not yet addressed

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.

There were no adjusted misstatements

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	Collection fund note 4	Previous year's comparatives have been added to the note.
2 Disclosure	n/a	Note 10 Property, Plant & Equipment	Additional table added to show previous year movements.
3 Disclosure	n/a	Note 10 Property, Plant & Equipment	Additional disclosure to show the dates of revaluations and the details of the fair value review.
4 Disclosure	n/a	Note 24 Members allowances	Initially it was thought that this needed amending, however on a detailed check the figure has been demonstrated to be correct.
5 Disclosure	n/a	Technical Appendix 1	The Financial Instrument disclosures included all debtors and creditors and not the financial payable and receivables
6 Disclosure	n/a	Various notes	Some minor amendments to narrative and presentation. These did not impact on the understanding of the accounts.
All the above items have been adjusted			

Page 142

Section 3: Value for Money

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

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.

The 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 £70k for 2014/15. Whilst there were a number of over and underspends in individual service areas, the overall outcome reflects the good financial planning and robust monitoring processes in place throughout the year. Looking forwards, the successful delivery of future budgets is largely dependent on the Council continuing to receive a high level of new homes bonus and the Council should consider how it would address any shortfall should this important revenue source decrease or be stopped.

Usable reserves at 31 March 2015 were £2.0m which remains lower than the Council's nearest neighbours. The Council's Medium Term Financial Strategy (MTFS) recognises the need for savings of £0.5m in 2015/16 and the medium term financial strategy recognises a cumulative funding gap of £0.4m.

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 Page 145	<p>As reported in previous years the Council's reserves are low compared to the family average. The General reserve is currently £1,023k and Earmarked Reserves are also at £1,023k, a total of £2,046k against a family average of £6.467m. We recognise that the General Fund balance is above the Council's approved level of £750k.</p> <p>Debtors and Creditors have both risen at the year end as a result of the accruals required to account for T18 costs and the recharges between the Council and South Hams. The result is that the council's ratio of current assets to current liabilities has decreased from 2.6 to 1.6 (family average 3.6).</p> <p>The Value for Money profile highlights a few areas for which the Council's performance is below its nearest neighbours. These are known and link to the Council's priorities.</p>	Green
Strategic financial planning	<p>The Council's strategic financial planning was set in the Medium Term Financial Strategy 2014/15 to 2017/18. As part of the budget setting process for 2015/16 this was updated.</p> <p>The summary position for the four years to 31 March 2019 shows a cumulative deficit of £44k. The finance gap for 2015/16 was £597k and savings or funding has been identified to close this shortfall.</p> <p>The MTFS relies on the use of New Homes bonus annually. There are indications that the level of New homes bonus distributed to Councils may not be sustained over the life of the current government and the Council should consider what actions it would need to take if this source of funding decreased or was stopped altogether in the future. We recognise that the Transformation programme will help to reduce the dependency over time.</p>	Green
Financial governance	<p>The Council monitors the delivery of the budget quarterly. The MTFS is refreshed annually.</p> <p>The Council has a performance dashboard that reports the indicators of the Council's performance. An</p>	Green

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
Financial control Page 146	<p>The Council has a good track record of achieving its plans and the 2014/15 financial statements report a £70k underspend for the year.</p> <p>The Budget setting process does not rely on one-off fixes to achieve the projected funding gap, however, as noted above, the MTFs assumes a level of New homes bonus that may not be sustained in future years.</p> <p>The Finance team has, along with other areas of the Council, been re-structured and is now shared with South Hams District Council. This significant change has not had a detrimental impact on financial controls for either Council.</p> <p>The Council's Audit Committee monitors the corporate risk register and ensures that agreed action plans are implemented.</p>	Green
Prioritising resources	<p>Management team receive and assess the in year savings plans and these are analysed to ensure there is a strategic fit with the Council's priorities.</p> <p>The annual budget and the updated MTFP are monitored and reviewed by management team before being scrutinised and approved by Members.</p> <p>The T18 programme has been built upon the re-structuring of all the Council's activities, which ensures that all parts of the organisation is focused on delivering services efficiently.</p>	Green
Improving efficiency & productivity	<p>The Council understands its areas of high cost. Analysis shows these are linked to priority areas, or reflect decisions made to keep services in-house compared to Councils that have developed alternative delivery methods.</p> <p>The Performance dashboard focuses on the council's key areas.</p>	Green

Section 4: Fees, non-audit services and independence

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

Fees, non-audit services and independence

We confirm below our final fees charged for the audit.

Fees

	Per Audit plan £	Actual fees £
Council audit	52,528	52,528
Grant certification on behalf of Public Sector Audit Appointments Ltd	7,120	7,120
Total audit fees	59,648	59,648

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

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

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.

	Audit Plan	Audit Findings
Our communication plan		
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

Page 151

Appendix A: Action plan

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	<p>The procedures should be altered to ensure that:</p> <ul style="list-style-type: none"> All journals have a narrative description to explain the nature and purpose of the transaction Journals should be raised and authorised by separate individuals. The Finance Community of Practice Lead should not be able to process journals. 	Medium	<ul style="list-style-type: none"> Authorisation: Once the two council's operations were harmonised, controls were enhanced to prevent this occurring. Narrative: Management will amend the software journal entry procedures to ensure that all journals have a notes facility attachment explaining the reason for the journal. The Finance Community of Practice Lead no longer has the facility to input journals. 	<ul style="list-style-type: none"> Now addressed Finance Community of Practice Lead.(September 2015) Now addressed

Page 152

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 West Devon Borough COUNCIL

We have audited the financial statements of West Devon Borough 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 West Devon Borough 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 West Devon Borough 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, West Devon Borough 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 West Devon Borough 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

29 September 2015



© 2015 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton is a member firm of Grant Thornton International Ltd (Grant Thornton International). References to 'Grant Thornton' are to the brand under which the Grant Thornton member firms operate and refer to one or more member firms, as the context requires. Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered independently by member firms, which are not responsible for the services or activities of one another. Grant Thornton International does not provide services to clients.

grant-thornton.co.uk

This page is intentionally left blank

Report to: **Audit Committee**
Date: **29 September 2015**
Title: **UPDATE ON PROGRESS ON THE 2015-16
INTERNAL AUDIT PLAN**
Portfolio Area: **Support Services**
Wards Affected: **All**
Relevant Scrutiny Committee: **Internal Committee**

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 West Devon Borough 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 February 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 and Disorder	N	There are no specific community safety, crime and disorder issues arising from this report.
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

Background Papers:

Annual Internal Audit Plan 2015/16 as approved by the Audit Committee on 24 February 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	4									
Creditor Payments	4									
Payroll	4									
Council Tax	4									
Business Rates (NNDR)	4									
Benefits Payments	6									
VAT	4	■	■				■			Draft report issued 28.08.2015
Main Financial Systems	30									
Cash Collection and Banking	3	■	■	■	■			■		Summary in App B below.
Partnership Management	-									Deferred to 2016/17. The 3 days used for Procurement & Contract Management review below.
Procurement and Contract Management	3	■	■					■		This review was brought forward from 2016/17 plan. Draft report issued 17.07.2015
ICT Service Operation	4									
Internet Monitoring	1	■	■	■	■			■		Issued as a combined report – summary in App B below.
Email Monitoring	1	■	■	■	■			■		
Performance Management - Pls	5									
Risk Management	5									
T18 Transformation Programme	4									
Leisure Centres	3									

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	
Waste Management	3									
Car Parking	4									
Building Regulations	3									
Commercial Enforcement	4	■								
Corporate Governance Annual Governance Statement (AGS)	3									Review of the Code of Corporate Governance presented to June 2015 Audit Committee under separate cover.
Counter Fraud Work	5	■								
Follow Up of Previous Year's Audits	4	■				-	-	-	-	
Contingency (Unplanned) & Advice	8	-	-	-	-	-	-	-	-	
Audit Management, including • Audit Planning • Partnership audit Management • Monitoring against the plan • Reports to management and audit	7	■	-	-	-	-	-	-	-	Includes attendance at Audit Committee – Annual Report represented Audit Committee on 7 July 2015.
Other Systems & Audit Work)	70									
Overall Total	100									

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
<p>Cash Collection (inc banking arrangements)</p>	<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 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. The use of shared tills has been considered but 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>
--------------------------------------	---	---

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.

Agenda Item 9

Report to: **Audit Committee**
Date: **29 September 2015**
Title: **ANNUAL TREASURY MANAGEMENT REPORT
2014/15**
Portfolio Area: **Support Services**

Wards Affected: **ALL**

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

Author: Lisa Buckle Role: **Finance Community of
Practice Lead**
David Bennett **Specialist Accountant**

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

Recommendations:

That the Audit Committee:

- 1. Approves the actual 2014/15 prudential and treasury indicators in this report**
- 2. Notes the Annual Treasury Management Report for 2014/15**

1. Executive summary

Income from investments this year was £41,193 which is £872 higher than the budget of £40,321 at an average return of 0.45%. (Appendix A Benchmarking Exercise) The comparable performance indicator (Benchmark) is the average 7-day LIBID rate which was 0.35%. Therefore the Council achieved 0.10% return on investments over the benchmark for 14/15.

2. Background

Introduction

This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2014/15. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

Treasury management is defined as:

"The management of the local authority's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks "

During 2014/15 the minimum reporting requirements were that the full Council should receive the following reports:

- An annual treasury strategy in advance of the year (Audit Committee 11/02/2014 – AC 32)
- A mid-year (minimum) treasury update report (Council 09/12/2014 – CM61)
- An annual review following the end of the year describing the activity compared to the strategy (this report)

The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is therefore important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

This Council also confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Audit Committee before they were reported to the full Council.

The Economy and Interest Rates

The original market expectation at the beginning of 2014/15 was for the first increase in Bank Rate to occur in quarter 1 2015 as the unemployment rate had fallen much faster than expected through the Bank of England's initial forward guidance target of 7%. In May, however, the Bank revised its forward guidance. A combination of very weak pay rises and inflation above the rate of pay rises meant that consumer disposable income was still being eroded and in August the Bank halved its forecast for pay inflation in 2014 from 2.5% to 1.25%. Expectations for the first increase in Bank Rate therefore started to recede as growth was still heavily dependent on buoyant consumer demand. During the second half of 2014 financial markets were caught out by a halving of the oil price and the collapse of the peg between the Swiss franc and the euro.

By the end of 2014, it was clear that inflation in the UK was going to head towards zero in 2015 and possibly even turn negative. In turn, this made it clear that the MPC would have great difficulty in starting to raise Bank Rate in 2015 while inflation was around zero and so market expectations for the first increase receded back to around quarter 3 of 2016.

Overall Treasury Position as at 31 March 2015

At the beginning and the end of 2014/15 the Council's treasury position was as follows:

Investment Type	As at 31/03/2014		As at 31/03/2015	
	Principal	Interest	Principal	Interest
	£	%	£	%
Call Account	1,630,072	0.30	1,456,341	0.30
Short Fixed	2,000,000	0.39	2,000,000	0.46
Money Market Funds	-		4,000,000	0.40
Total	3,630,072	0.35	7,456,341	0.40

The Following is a list of our fixed investments at 31 March 2015

	Fixed to	£	Interest Rate
Barclays Bank	29/05/2015	2,000,000	0.46%

The Strategy for 2014/15

The Treasury Management Strategy is risk averse with no investments allowed for a period of more than a year and very high credit ratings are required together with a limit of £2m per counterparty. This has resulted in only a small number of institutions in which we can invest (see Appendix B).

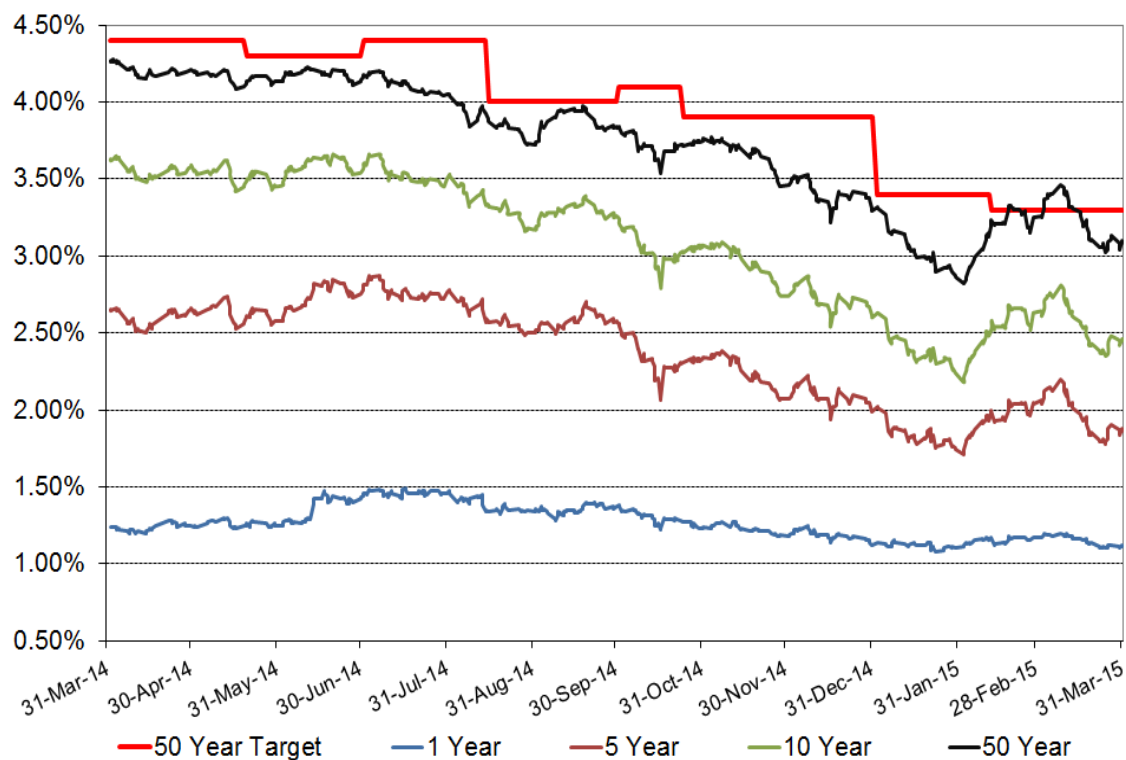
The Borrowing Requirement and Debt

The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR).

	31 March 2014 Actual	31 March 2015 Budget	31 March 2015 Actual
CFR General Fund (£m)	1,842	1,800	1,799

Borrowing Rates in 2014/15

PWLB borrowing rates - the graph below shows how PWLB certainty rates have fallen to historically very low levels during the year.



Borrowing Outturn for 2014/15

Repayments

On 30/07/2014 & 31/01/2015 the Council repaid £47,775 at an average rate of 4.55%

Investment Rates in 2014/15

Bank Rate remained at its historic low of 0.5% throughout the year; it has now remained unchanged for six years. Market expectations as to the timing of the start of monetary tightening started the year at quarter 1 2015 but then moved back to around quarter 3 2016 by the end of the year. Deposit rates remained depressed during the whole of the year, primarily due to the effects of the Funding for Lending Scheme.

Investment Outturn for 2014/15

Investment Policy – the Council’s investment policy is governed by the Department for Communities and Local Government (DCLG) guidance, which has been implemented in the annual investment strategy approved by the Audit Committee on 11/02/2014 (AC32). This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.).

The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

Income from investments this year was £41,193 which is £872 higher than the budget of £40,321 at an average return of 0.45%. The comparable performance indicator (Benchmark) is the average 7-day LIBID rate which was 0.35%. Therefore the Council achieved 0.10% return on investments over the benchmark for 14/15.

3. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	Statutory powers are provided by the Local Government Act 1972 Section 151 and the Local Government Act 2003

Financial	Y	Income from Treasury Management activities amounted to £41,193 in 2014/15. Consideration of the Annual Treasury Report forms an essential component of the Council's systems for public accountability. It also provides a platform for future investment planning.
Risk	Y	<p>The security risk is the risk of failure of a counterparty. The liquidity risk is that there are liquidity constraints that affect the interest rate performance. The yield risk is regarding the volatility of interest rates/inflation.</p> <p>The Council has adopted the CIPFA Code Of Practice for Treasury Management and produces an Annual Treasury Management Strategy and Investment Strategy in accordance with CIPFA guidelines.</p> <p>The Council engages a Treasury Management advisor and a prudent view is always taken regarding future interest rate movements. Investment interest income is reported quarterly to SLT and Members.</p>
Comprehensive Impact Assessment Implications		
Equality and Diversity	N	N/a
Safeguarding	N	N/a
Community Safety, Crime and Disorder	N	N/a
Health, Safety and Wellbeing	N	N/a
Other implications	N	none

Supporting Information

Appendices:

Appendix A – Benchmarking Exercise 2014/15

Appendix B – Lending list as at 31 March 2015

Appendix C - Prudential and Treasury Indicators 2014/15

Background Papers:

Annual treasury strategy in advance of the year (Audit Committee 11/02/2014 – AC 32)

A mid-year (minimum) treasury update report (Council 09/12/2014 – CM 61)

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 A

Benchmarking Exercise 2014/15 (internal managed Funds)

Investment	Ref	Weighted Amount	Start	Maturity	Borrower	Interest Rate	No. of days in period	Interest Paid
2,000,000	1212	306,849	17/02/2014	14/04/2014	Barclays Bank plc	0.39%	56	1,196.71
2,000,000	1212	241,096	14/04/2014	28/05/2014	Barclays Bank plc	0.40%	44	959.56
2,000,000	1215	432,877	15/04/2014	03/07/2014	Lloyds TSB Bank Plc	0.30%	79	1,298.63
2,000,000	1216	465,753	15/05/2014	08/08/2014	Nationwide BS	0.47%	85	2,189.04
2,000,000	1217	504,110	16/06/2014	16/09/2014	Barclays Bank plc	0.47%	92	2,369.32
2,000,000	1218	493,151	15/07/2014	13/10/2014	Lloyds TSB Bank Plc	0.57%	90	2,810.96
2,000,000	1219	367,123	15/08/2014	21/10/2014	Nationwide BS	0.46%	67	1,688.77
2,000,000	1217	383,562	16/09/2014	25/11/2014	Barclays Bank plc	0.45%	70	1,726.03
2,000,000	1218	504,110	13/10/2014	13/01/2015	Lloyds TSB Bank Plc	0.57%	92	2,873.42
1,400,000	1220	26,849	15/10/2014	22/10/2014	Debt Management Office	0.25%	7	67.12
1,000,000	1221	169,863	04/11/2014	05/01/2015	Nationwide BS	0.46%	62	781.37
1,000,000	1222	134,247	17/11/2014	05/01/2015	Nationwide BS	0.44%	49	590.68
1,000,000	1223	21,918	17/11/2014	25/11/2014	Debt Management Office	0.25%	8	54.79
2,000,000	1224	306,849	15/12/2014	09/02/2015	Barclays Bank plc	0.37%	56	1,135.34
1,000,000	1225	19,178	15/12/2014	22/12/2014	Debt Management Office	0.25%	7	47.95
1,000,000	1226	167,123	15/01/2015	17/03/2015	Lloyds TSB Bank Plc	0.47%	61	785.48
1,500,000	1227	106,849	14/01/2015	09/02/2015	Debt Management Office	0.25%	26	267.12
2,000,000	1228	334,247	15/01/2015	17/03/2015	Nationwide BS	0.46%	61	1,537.53
700,000	1229	19,178	27/02/2015	09/03/2015	Debt Management Office	0.25%	10	47.95
2,000,000	1230	400,000	17/03/2015	29/05/2015	Barclays Bank plc	0.46%	73	1,840.00
	Total	5,404,932					Total	24,267.78

Total Interest for 2014/15 financial year on a weighted capital sum of £5,404,932 amounts £24,267.78 interest which equates to an investment return as follows:

$$\frac{24,267.78}{5,404,932} \times \frac{100.00}{1} = 0.45\%$$

Average 3 month LIBID 0.35%

Favourable variance 0.10%

APPENDIX B

West Devon Borough Council lending list as at 31 March 2015.

Barclays Bank Plc
HSBC Bank plc
Lloyds Banking Group Plc: <ul style="list-style-type: none">• Bank of Scotland plc• Lloyds Bank plc
Nationwide Building Society
Royal Bank of Scotland Group Plc: <ul style="list-style-type: none">• The Royal Bank of Scotland plc• National Westminster Bank plc
Government UK Debt Management Facility
Local Authorities (as defined under Section 23 of the Local Government Act 2003)
AAA rated Money Market Funds

PRUDENTIAL AND TREASURY INDICATORS 2014/15**CAPITAL PRUDENTIAL INDICATORS**

The Council's capital expenditure plans are the key driver of treasury management activity. The outputs of the capital expenditure plans are reflected in prudential indicators, which are designed to assist members to overview and confirm capital expenditure plans.

Capital Expenditure.

This prudential Indicator is a summary of the Council's capital expenditure.

Capital Expenditure	2013/14 Actual £000	2014/15 Estimate £000	2014/15 Actual £000
Total spend	490	841	473

The table below summarises the financing of the Council's capital programme. Any shortfall of resources would result in a funding need (borrowing).

Capital Expenditure	2013/14 Actual £000	2014/15 Estimate £000	2014/15 Actual £000
Total spend			
Financed by:			
Capital receipts	312	100	259
Capital grants	178	186	186
Revenue reserves	0	0	28
New Homes Bonus	0	555	0
Total funding	490	841	473

Nb. Please note that the estimate for 2014-15 represents the approved capital programme for that year. However, actual capital spend includes not only expenditure on projects within that capital programme, but also expenditure on schemes carried forward from previous capital programmes.

The Council's Borrowing Need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). It is essentially a measure of the Council's underlying need to borrow if the figure is greater than zero.

	2013/14 Actual £000	2014/15 Estimate £000	2014/15 Actual £000
Total CFR	1,842	1,800	1,799
Movement in CFR	42	42	42

AFFORDABILITY PRUDENTIAL INDICATORS

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:

Ratio of financing costs to net revenue stream

This indicator identifies the trend in the receipt of net investment income against the net revenue stream. It is calculated by dividing investment income and interest received by the Council's Net Budget.

	2013/14 Actual	2014/15 Estimate	2014/15 Actual
Ratio of net investment income to net revenue stream (surplus).	1.65%	1.50%	1.24%

Estimates of the incremental impact of capital investment decisions on council tax

This indicator calculates the notional cost of the impact of lost investment income on the Council Tax, from spending capital resources.

**Incremental impact of capital investment decisions on the band D council tax
(notional cost as explained above)**

	2013/14 Actual £	2014/15 Estimate £	2014/15 Actual £
Future incremental impact of capital investment decisions on the Band D council tax (Notional cost)	0.03	0.03	0.03

TREASURY INDICATORS: LIMITS TO BORROWING ACTIVITY

The Operational Boundary – This is the limit beyond which external debt is not normally expected to exceed. This is the maximum level of external debt for cash flow purposes.

Operational Boundary	2013/14 £	2014/15 £
Borrowing	3,000,000	3,000,000
Other long term liabilities	-	-
Total	3,000,000	3,000,000

The Authorised Limit for External Debt – A further key prudential indicator represents a control on the overall level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by Full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

This provides headroom over and above the operational boundary for unusual cash movements. This is the maximum amount of money that the Council could afford to borrow.

This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although no control has yet been exercised.

Authorised limit	2013/14 £	2014/15 £
Borrowing	6,000,000	6,000,000
Other long term liabilities	0	
Total	6,000,000	6,000,000