South Hams District Council
Draft Statement of Accounts
2015/2016

South Hams District Council

Contents

Statement of Accounts 2015-16

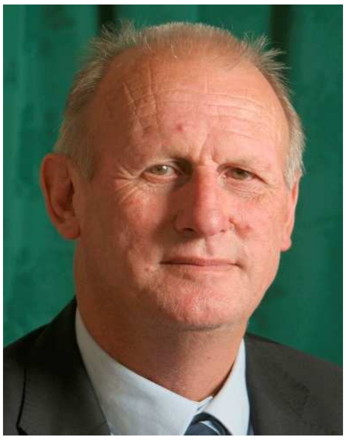
The Statement of Accounts 2015-16 can be made available in large print, Braille, tape format or other languages upon request.

South Hams District Council is committed to reflecting the full diversity of our community and to promoting equality of opportunity for everyone.

Section *1*

Narrative Statement

Introduction to the 2015/16 Statement of Accounts by Councillor Tucker, Leader of South Hams District Council



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

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

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

The investment budget for T18 is £4.61 million (this is South Hams share of the cost) which is delivering recurring annual savings for South Hams of £3.37 million with a payback period of 2.5 years. This investment has meant that the Council is now well placed to meet the continued financial challenges brought about by year on year reductions in Local Government funding. There is still more to be done but the Council has established a solid base from which to meet the forecast budget gap of £1.01 million by 2020/2021. The organisation has become more commercial in its approach whilst continuing to protect its much valued services.

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

I would like to take this opportunity to acknowledge the hard work that has gone into the monitoring and managing of the budget throughout the year by both staff and Members. This has resulted in a surplus of £69,000 which is essentially a break-even position. This prudent management of our finances alongside strategic financial planning has enabled the Council to make fully informed decisions and to deliver the quality of services that our residents, visitors and businesses have every right to expect. The financial standing of the Council, despite the challenges we face, remains sound and secure.

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

Councillor Tucker, Leader of the Council

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

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

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

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

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

By 2018/19 the Council will receive no Government funding (Revenue Support Grant) and the Council will need to be self-sufficient. The withdrawal of Government funding has happened two years earlier than expected. Since 2013, the Council has seen a 40% reduction in Government funding.

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

Steve Jorden, Executive Director (Strategy and Commissioning)

Message from the Finance Community of Practice Lead (Section 151 Officer) - Lisa Buckle

The Statement of Accounts has been prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA). The Accounts provide reassurance to residents and other stakeholders that the public money for which we are responsible is very important to us and has been accounted for properly.

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

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

- Understand the financial position of the Council as at 31 March 2016 and how the Council has performed against the budget set for 2015/16.

- Be assured that the financial position of the Council is sound and secure and that the Council can demonstrate financial resilience moving forwards.

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

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

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

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

Mrs Lisa Buckle BSc (Hons), ACA
Finance Community of Practice Lead (Section 151 Officer)

NARRATIVE REPORT – INTRODUCTION

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

REVIEW OF THE YEAR – THE REVENUE BUDGET

2. *The 2015/16 budget for South Hams was £8.84 million. A saving of £69,000 means that the actual spend was 0.8% less than the budget. This saving will go into the Council's Unearmarked Reserves which now stand at £1.8 million.* The main components of the General Fund budget for 2015/16 and how these compare with actual income and expenditure are set out below:

	Estimate £000	**Actual £000**	**Difference Cost/ (Saving) £000**
Cost of services (after allowing for income and reserve contributions)	8,962	8,931	(31)
Parish precepts	1,682	1,682	-
Interest and Investment income	(123)	(155)	(32)
Amount to be met from Government grants and taxation	**10,521**	**10,458**	**(63)**
Financed from:			
Formula Grant	(3,358)	(3,364)	(6)
Council tax	(7,005)	(7,005)	-
Council tax freeze grant	(58)	(58)	-
Surplus on collection fund	(100)	(100)	-
SURPLUS FOR 2015/16	**-**	**(69)**	**(69)**

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

	£000
General Fund Balance (un-earmarked revenue reserve) at 1 April 2015	(1,741)
Surplus for the 2015/16 financial year	**(69)**
General Fund Balance (un-earmarked revenue reserve) at 31 March 2016	(1,810)

4. The surplus on the General Fund of £69,000 is essentially a break-even position and represents 0.1% of the Council's gross turnover of £75 million.

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

	£000
Total Comprehensive Income and Expenditure Statement	**(3,543)**
Surplus on the revaluation of Property, Plant and Equipment	214
Remeasurements of the net defined benefit pension liability	6,605
Transfers to earmarked reserves	9,297
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	(446)
Adjustments primarily involving the Capital Grants Unapplied Account	29
Adjustments primarily involving the Capital Receipts Reserve	401
Adjustments primarily involving the Pensions Reserve	(2,388)
Adjustments primarily involving the Council Tax Collection Fund Adjustment Account	7
Adjustments primarily involving the Business Rates Collection Fund Adjustment Account	(10,258)
Adjustments primarily involving the Accumulated Absences Account	13
Surplus for the 2015/16 financial year	**(69)**

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

ANALYSIS OF VARIATIONS	£000
Increases in expenditure/reduction in income	
Recycling income – Reduction in income following significant changes in the market which was subject to external factors such as the closure of a major paper mill and a change in oil prices. The Council's material prices are tracked according to market values. The yield was lower than that budgeted at the time of the waste review. This is a 22% reduction under the budgeted income target for 2015/16 of £925,000.	208
Commercial Services - Manual workers' salaries – Staffing and agency costs for waste and recycling, street and beach cleaning and public conveniences are overspent by 4.9% against the budget of £2.1 million. This is due to the implementation of the living wage and includes the consolidation of bonuses for the manual workforce. There has been an increase in agency drivers' rates and additional costs to cover long term sickness and holiday.	103
Street Cleaning - Projected savings of £95,000 have not been met in 2015/16 due to having part time interim management in the waste operations team. The focus had to remain on statutory service delivery and legally required transport and waste related duties. A delay in implementing the scheduled efficiencies via a more mechanically focused service for cleansing has resulted. The new mechanical equipment has now been procured and received to realise the savings within 2016/2017.	95
Trade Waste – This reflects the increase in disposal costs and tipping charges, which occurred after the fees and charges were set. There have also been legislative changes adversely affecting the service.	95
Follaton House – There have been delays in tenants moving in. In addition, savings from reduced running costs at Follaton House following agile working, the smarter use of energy and utilities and the workforce occupying less space have not yet all been realised.	82
Dartmouth Ferry – Shortfall of income of 8% from budgeted income levels of £907,000. Indications are that not all of the business lost during the 2013 period of the ferry being out of action (due to essential slipway maintenance) has returned.	72
Waste transfer station – The costs of haulage of organic and residual waste from both Torbay Transfer station and Torr Quarry Transfer Station to Heathfield IVC and MVV continued to rise.	69
Licensing income – Shortfall in crab licensing income.	19
Private water sampling – Shortfall of income.	17

ANALYSIS OF VARIATIONS	£000
Pannier Markets – Shortfall of income.	13
Municipal Mutual Insurance – The second levy payable by all scheme creditors following the trigger of the Scheme of Arrangement.	12
Reductions in expenditure/additional income	
Planning Applications – Additional income due to a number of large applications for renewable energy.	(212)
Car parking income – A change in accounting treatment from an accruals basis to a cash basis for car parking permit income.	(175)
Local Land Charges - Property search new burdens grant – A reimbursement from the Government for the costs of the national legal case regarding land charges.	(97)
Land and Investment Properties Easement income – One off receipts in respect of easements over Council land.	(85)
Heritable Dividend – Further dividend from the Heritable Bank, a subsidiary of Landsbanki, one of the Icelandic Banks affected by the world economic crisis. 98% of the £1.25 million invested by the Council in September 2008 has now been recovered (see note 9).	(50)
Employment Estates income – Additional income mainly in respect of boat launch fees, landing charges and rents. There were also underspends on utilities.	(47)
Homelessness prevention – The Council receives a Government grant towards the cost of homelessness prevention. The Council has predominantly funded homelessness costs through the Local Welfare Support Grant which has reduced the amount spent against the Government grant.	(45)
Members' Allowances and travel expenses – In May 2015 the number of Members reduced from 40 to 31 resulting in a saving on Member Allowances and travel expenses.	(43)
Housing Benefit recoveries – Additional income from the recovery of overpayments.	(36)
Additional investment income – The Council has secured a better rate for Money Market Fund investments that are used to manage day to day cashflows. In addition, the use of fixed term deals with the Banks available to lend to on the Council's current agreed Counterparty list has improved.	(32)
Private Sector Housing Renewal – Underspend on professional fees.	(15)
Small underspends	(17)
TOTAL SURPLUS FOR 2015/16	**(69)**

The 2015/16 budget for South Hams was £8.84 million but the actual spend was 0.8% lower, providing a saving of £69,000 as shown above.

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

Pension Liability

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

8. The Actuary has estimated a net deficit on the funded liabilities within the Pension Fund as at 31 March 2016 of £42.5million. This compares to £46.7million as at 31 March 2015. The deficit is derived by calculating the pension assets and liabilities at 31 March 2016. See Note 31 for further information.

Icelandic Banks

9. The Council placed a deposit of £1,250,000 on 25th September 2008 with the Heritable Bank which is a subsidiary of Landsbanki, one of the Icelandic Banks that was affected by the world economic crisis. Of this amount £1,227,517 (98%) has already been repaid to the Council by the Administrators. At the 31 March 2016, the Council had £22,483 frozen in the Heritable Bank.

10. At the time the deposit was placed, the risk rating of Heritable was 'A' (long term deposits) and F1 (short term deposits). Both ratings indicated low risk and were within the deposit policy approved by the Council. Heritable Bank is registered in Scotland with an address in Edinburgh. Heritable Bank Plc is authorised and regulated by the Financial Services Authority and is on the FSA Register. The bank's shares are owned by Icelandic bank, Landsbanki.

11. Administrators have kept the bank trading and are winding down the business over a period of years. The Administrators have paid fifteen dividends amounting to 98% of the original deposit. However, they do not intend to make any further distributions until the conclusion of a legal dispute with Landsbanki.

Business Rates

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

13. The Council took a decision to withdraw from the Devon wide Business Rates Pool for 2015/16, due to the risk of some large Business Rates appeals. If the Council had remained in the Pool, the Council would not receive a safety net payment from the Government if its Business Rate income fell by more than 7.5%. This financial burden would have fallen on all of the Devon Councils if South Hams had remained in the Pool and this financial risk was deemed too high.

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

15. In 2015/16 there has been a £26.7 million increase in the provision for appeals within the Collection Fund. This has resulted in a deficit in the Business Rates Collection Fund of £26 million. South Hams District Council's share of the deficit is 40% (£10.4 million).

16. The Council will need to pay additional sums into the Collection Fund in future years to bring the Fund back into balance. Monies have been set aside in the Business Rates Retention Earmarked Reserve to mitigate the impact of this in future years and to fund volatility in Business Rates income. The balance on this reserve is £9.9 million at 31 March 2016 which is mainly due to the Council accounting for a safety net payment of £9.9 million in 2015/16. Depending on when and at what value the appeals are settled, the Council will either receive future years' safety net payments or will be able to use resources from the £26.7 million added to the appeals provision to offset any remaining Collection Fund deficit.

Trading Company

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

Borrowing

18. As at 31 March 2016 the Council had no external borrowing.

Capital spending

19. The Council spent £4.4m on capital projects. The main areas of expenditure were as follows:

    - scheduled replacement of plant and vehicles (£2.0m)
    - capital grants including coastal defence schemes and affordable housing schemes (£1.1m)
    - house renovation grants including disabled facilities grants (£0.4m)
    - refurbishment of HQ Building (£0.2m) – £0.16m of this amount is funded by the Transformation Programme accommodation budget
    - coastal defence schemes (£0.2m)

    The capital programme is funded from capital receipts, capital grants, external contributions and earmarked reserves (please see Note 28).

FINANCIAL NEEDS AND RESOURCES

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

21. Revenue reserves (which include earmarked reserves) have increased by £9.4m from the preceding year and stand at £17.3m at 31 March 2016. This reflects the increase in the Business Rates Retention Reserve from the business rates safety net payment of £9.86 million in 15/16 (as detailed in 16 above).

22. The General Fund Balance (un-earmarked reserve) has increased by £69,000 in 2015/16 and totals £1.8m. Revenue reserves may be used to finance capital or revenue spending plans.

23. Capital Reserves are represented by capital receipts and capital contributions unapplied. The balance at 31 March 2016 amounts to £4.2m compared to £4.8m at the end of the previous year.

24. 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.

25. 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 £42.5 million at 31 March 2016. This disclosure follows the implementation of the International Reporting Standards (IAS 19). This standard requires local authorities and other businesses to disclose pension assets and liabilities within the balance sheet.

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

LOOKING FORWARD TO THE FUTURE AND NEXT STEPS

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

Local Authority Controlled Company

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

Transformation Programme (T18)

29. The Council will continue embedding the IMPACT behaviours and attitudes to ensure T18 continues to progress and a new and innovative way of working is created. This in itself will create revenue as the Council will be ideally placed to not only weather the increasing financial

constraints placed upon it but will also be ideally suited to offer those services to other Councils who are not as ably prepared.

Developing our Assets

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

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

Channel shift in 2016/17

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

Devolution

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

IN SUMMARY

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

Issue of the Accounts

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

PERFORMANCE INDICATORS FOR 2015-16 CORPORATE BALANCED SCORECARD

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

Community/Customer

Q1	Q2	Q3	Q4	
✓	△	△	△	Overall waste recycling rate %
✓	△	✓	△	Residual waste per household
⬣	⬣	⬣	⬣	CST: Average Call Answer Time
✓	✓	△	△	CST: % of enquiries resolved at first point of contact

Processes

Q1	Q2	Q3	Q4	% of planning applications determined within time frame
✓	⬣	✓	✓	Major(Statutory):
⬣	⬣	⬣	✓	Minor:
⬣	⬣	⬣	✓	Other

Q1	Q2	Q3	Q4	
⬣	⬣	⬣	⬣	Avg End to End time Benefits New Claims
✓	✓	✓	✓	Avg End to End time Benefits Change of circumstances

T18 Programme

Q1	Q2	Q3	Q4	
-	△	△	△	T18: Programme timescales on track
-	✓	✓	✓	T18: Performance vs. Budget
-	△	⬣	△	T18: No. of Processes live
-	✓	✓	⬣	T18: Ratio call/web submissions

Performance

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

Key

⬣	Below target performance
△	Narrowly off target, be aware
✓	On or above target

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

Code and Name	Managed by	Prev Status	Last Qtr.	Q4 2015/16		Action Response
			Q3	Value	Target	
Average Call Answer Time **The average time in minutes for a call to be answered. This time shows as an average over each quarter.**	Anita Ley		3.2	2.12	1 min	Work started to simplify the call scripts in May and reduce both the time during a call and the wrap-up required afterwards on some of the higher volume processes to improve call answer time. The continuing movement of processes onto Workflow360 has allowed the switching off of two systems that are no longer required reducing the complexity and training demands of new team members. This needs to be compared with the additional processes now dealt with by customer services that previously were passed immediately to the back office. Whilst better for the customer and case management it does place additional strain on the CST with increased call length
Average End to End time - Benefits New Claims	Allison Lewis		28.08	32.01	24	New claims current processing times are high partly because of reduction in staff and channel shift not being completed, this should be in place in June. The processing time also reflects the length of time it takes the customer to supply all relevant evidences to be able to process their claim. The new IEG4 software solution and integration with W2 will allow us to automate the reminder and subsequent shutdown of processes over 30 days if no response comes from the customer in a timely fashion. This should have a positive effect on this measure and the customer.

Code and Name	Managed by	Prev Status	Last Qtr.	Q4 2015/16		Action Response
			Q3	Value	Target	
T18: Ratio call/web submissions	Jim Davis		Calls: 1120 Web: 218 11% online (Dec data)	Calls: 5866 Web: 1392 14% online	20%	Further delays on Civica providing fixes continued into Quarter 4. Fixes for the existing problems were provided late into the quarter but the website suffered from a specific problem. The website was timing customers out and the issue worsened as the quarter went on, making it harder for customers to submit forms. This problem was difficult to identify as it appeared inconsistently but simple to solve. The issue turned significantly worse into April but this enabled better understanding of the problem and eventual fixing. This single cause was eventually fixed and the ratio of web submissions has started to normalise again back up to around 20%. New processes that offer better functionality for online submissions have gone live in May and should help to increase the ratio of web submissions.

Performance Indicator (PI) Information Report

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

PI Description	Managed By	2014/15 Year To Date or total	2015/16 Year To Date or total	Comment (If Applicable)
Planning Enforcement (Workload) Change: Due to issues extracting the information, breaking down the action in each enforcement case isn't possible. Volume of all current outstanding work is being reported instead	Pat Whymer	-	N/A – There are currently 500 outstanding cases	The fix required from Civica was delayed due to testing failures and wasn't installed in qtr. 4. The process is now live in Workflow360 and partial data will be reported next qtr. to O&S. Live data will be made available in the dashboards later this month. We have funding to clear this backlog until December. A reasonable level of active cases would be around 200-250 although historically it has consistently been higher. Around 500 cases closed each year would be expected.
All: Complaints received Complaints logged against each Service per quarter. Highlights changes over time and the effects of initiatives.	Assets	7	3	*The existing complaints software still utilises the old service area distinctions. As we move onto the new system reporting will be simplified to enable easier grouping for better analysis, breaking down into Stage 1/2, and capturing our response time. Average time to respond will be available for next quarter as the complaints process has moved into Workflow360. Live data will be made available via the dashboards. 10% reduction in complaints compared to the previous year*
	Corporate Services	3	0	
	Environment Services	73	97	
	Environmental Health	9	4	
	Finance	1	2	
	ICT & CS	70	74	
	Planning	81	40	
Long term sickness (days) Number of days lost due to long term sickness	Andy Wilson	2585	1987	Equivalent to 1.79 days/FTE for the Qtr. 6 days/FTE for the year

PI Description	Managed By	2014/15 Year To Date or total	2015/16 Year To Date or total	Comment (If Applicable)
Short term sickness (days) Number of days lost due to short term sickness	Andy Wilson	1396	822	Equivalent to 0.9 days/FTE for the quarter. 2.47 days/FTE for the year This figure reflects the reduced number of employees on the Establishment following voluntary redundancies during 2015 but per FTE is still set to be significantly lower than last year. Public sector averages are around 8-9days/FTE
% of customer contact through online interaction Demonstrating channel shift	Kate Hamp	-	Quarter 4 2015/16 was 13.98%	The overall number of web submissions directly into W2 has been steadily increasing. The overall % of online customer contact took a hit this quarter from issues with the website making it harder for customers to submit forms. We saw a corresponding increase in customers choosing email submission of work to us instead, whilst not as efficient as web submitting this still reduces load on the call centre. Once fixed the number web submissions started improving and we are back up to the 20% mark. An increasing number of W2 processes (fully integrated needing no additional admin) are now available online and the usage should start to increase as the service is advertised. A number of reporting processes that offer improved functionality for the customer to submit online rather than through the call centre have just gone live, mostly circumventing case managers to route directly to operational staff to deal with.

PI Description	Managed By	2014/15 Year To Date or total	2015/16 Year To Date or total	Comment (If Applicable)
Average call answer time The average time in minutes for a call to be answered. This time shows as an average over each month	Anita Ley	1.7	2.44	Historical average around 1.5-1.6 minutes. To give some context the call centre received 73,000 calls over the quarter around 10% higher than the same period last year. Work started to simplify the call scripts in May and reduce both the time during a call and the wrap-up required afterwards on some of the higher volume processes to improve call answer time. This needs to be compared with the additional processes now dealt with by customer services that previously were passed immediately to the back office. Whilst better for the customer and case management it does place additional strain on the Customer Services Team.
Total number of online transactions	Kate Hamp	-	*Quarter 4 2015/16 :Via Workflow 360:1412 Goss forms: 1126*	All web submissions received
% of calls resolved at first point of contact Percentage of calls which are resolved at initial contact with CST	Anita Ley	72.33%	64%	This is an internal measure that we count quite strictly. Many other local authorities include additional processes which stretches the definition. This gives a truer impression of the number of cases being dealt with solely by the CST. As more W2 processes go live this should improve as they have been designed to enable first point of contact resolution but the simpler processes being available online means the more complex processes remain with the customer service team.

PI Description	Managed By	2014/15	2015/16	Comment (If Applicable)
		Year To Date or total	Year To Date or total	
Nuisance complaints Received	Ian Luscombe	-	Quarter 4 2015/16 : 54	The nuisance process (covering noise, odours, smoke, etc) has now gone into W2, this has moved the processes into the CST and case management with specialist involvement only required later for more complex investigation. It is planned to run antisocial behaviour reporting through the same process in the future. Breakdown to area will be provided from next quarter
Average time taken for processing Disabled Facilities Grants (Portion under council control) (Days)	Ian Luscombe	-	3 days	This is the portion of the process completely under the council's control (from application to approval). Our target is completion within 5 days The average number of days is 3. Total of 24 approvals for SH

PRINCIPAL RISKS AND UNCERTAINTIES

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

A risk report is presented to the Council's Audit Committee every six months. Below is an extract mainly from the Risk report to the Audit Committee on 24 March 2016 and from the Council's risk register.

Risk	Impact	Mitigation
Adherence to Medium Term Financial Strategy (MTFS), due to changes in Government policy and/or income streams	Reduction in Government Grant, increasing demand for services and other cost pressures and increased risks associated with localised business rates and council tax support.	Senior Leadership Team to keep watching brief over Government changes in policy and proposals to alter funding – strategically amending the MTFS and local plans to adapt to changes. Officers to develop income generation response as part of MTFS; 'Invest to Earn' budgets allocated to seed fund income initiatives. Report to Executive in October 2015 covering asset strategy. Housing options and income generation principles.
Strategic Leisure Review	Risk that the Councils may not end up receiving a bid that meets its requirements	Detailed joint procurement process (with West Devon) and constant monitoring; wide review team of officers; affordability criteria highlighted as part of tender process.
Local Authority Controlled Company (LACC)	Capacity impact on staff and business as usual delivery. Business case to assess the market for the LACC.	The Councils have engaged external consultants to prepare a business case and implementation plan. This will help to determine the validity of the business proposition and help the Senior Leadership Team (SLT) and Members assess timescales and impact on capacity.
Business Continuity	Processes need to be robust to ensure business continuity in the event of a significant event occurring e.g. failure to ensure the continuous availability of critical IT systems.	Agile working reduces the reliance on two main office buildings. Locality workers can be despatched more easily to ensure customer engagement can be maintained during any incident. Business Continuity Plans have been updated.

Risk	Impact	Mitigation
Transformation Programme (T18) benefits not all delivered	Risk that sustained benefits from the T18 Programme are not fully embedded. Capacity risk post March 2016 when funding for some temporary staff ceases. Risk of new IT systems not being sufficiently fit for purpose on schedule.	Regular SLT and Member scrutiny with quarterly monitoring reports to Members. T18 programme is within budget. On 16th June 2016 the Executive considered a report on Transitional Resources. The Executive have recommended to Council (on 30th June) to approve the re-investment of £0.5 million of T18 savings and new homes bonus funding, to fund the transitional staffing resources set out in the report. The Council's Head of Paid Service and Group Manager have regular weekly meetings with the IT software supplier.
Provision for Business Rates appeals	There is uncertainty and risk surrounding the calculation of the provision for business rates appeals as future events may affect the amount required to settle an obligation. South Hams has withdrawn from the Devon Business Rates pool in 2015/16 due to the risk of business rates appeals.	In 2015/16 there has been a £26.7 million increase in the provision for appeals within the Collection Fund. The Council's share of this is 40% (i.e. £10.68 million). The Council maintains a Business Rates Retention Earmarked Reserve to fund the volatility in Business Rates and funding issues from the new accounting arrangements. The balance on this reserve is £9.916 million at 31 March 2016 and this is mainly due to the Council having accounted for a safety net payment of £9.86 million in 2015/16.
Emergency response, e.g. coastal erosion/storm damage/flooding	Support is needed to communities during coastal erosion/storm damage/flooding events as well as engagement in longer term recovery	Continued management and officer focus on this area to ensure risk is minimised as much as possible; continued close engagement work with DCC and Environment Agency to ensure all parties are aware of each other's responsibilities and capacity.
Safeguarding	Risk that the Council and/or contractors fail to adhere to meet safeguarding obligations as set out in legislation such as the Children's Act 2004, section 11.	Policies in place and key staff and management have received appropriate training and contact details to be able to spot and report safeguarding issues.

Risk	Impact	Mitigation
Data Protection	To manage the risk of non-compliance with Cabinet Office PSN CoCo, PCI DSS, Data Protection Act, RIPA and Human Rights Act.	Information Security Policy; All employees responsible for adequacy of data security arrangements within their control. Access to electronic data is only available via council managed devices. Take into account advice from the Information Commissioners office. Compliance with relevant PSN CoCo through implementation of security changes required. Staff will be completing a data protection awareness course in the near future via the Council's new eLearning tool.
Waste Round Review	Risk of reputational issue to the Council if the project fails to run to project timeframe and deliverables. Risk to identified efficiency savings if project is not run on time.	Project group are meeting weekly and the operational plan is supported by a communications plan. Additional staff are included in the customer contact/case management plan.

Section 2

Core Financial Statements

Movement in Reserves Statement

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

2015/16	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Authority Reserves 2015/16 £000**
Balance at 31 March 2015 carried forward	**1,741**	**6,166**	**4,463**	**348**	**12,718**	**27,105**	**39,823**
Movement in Reserves during Year							
Surplus or (deficit) on provision of Services	(3,276)	-	-	-	(3,276)	-	(3,276)
Other Comprehensive Income and Expenditure	-	-	-	-	-	6,819	6,819
Total Comprehensive Income and Expenditure	**(3,276)**	**-**	**-**	**-**	**(3,276)**	**6,819**	**3,543**
Adjustments between accounting basis & funding basis under regulations (Note 4)	12,642	-	(684)	29	11,987	(11,987)	-
Net Increase / (Decrease) before Transfers to Earmarked Reserves	**9,366**	**-**	**(684)**	**29**	**8,711**	**(5,168)**	**3,543**
Transfers to/from Earmarked Reserves (Note 5)	(9,297)	9,297	-	-	-	-	-
Increase/ (Decrease) in Year	**69**	**9,297**	**(684)**	**29**	**8,711**	**(5,168)**	**3,543**
Balance at 31 March 2016 carried forward	**1,810**	**15,463**	**3,779**	**377**	**21,429**	**21,937**	**43,366**

SECTION 2A MOVEMENT IN RESERVES STATEMENT

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

SECTION 2B COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2014/15				2015/16		
Gross Expenditure £000	**Gross Income £000**	**Net Expenditure £000**	**Service Division**	**Gross Expenditure £000**	**Gross Income £000**	**Net Expenditure £000**
2,306	(1,176)	1,130	Central services to the public	1,996	(1,241)	755
3,588	(750)	2,838	Cultural and Related	2,905	(405)	2,500
8,900	(2,710)	6,190	Environmental and Regulatory	9,295	(2,451)	6,844
3,371	(4,865)	(1,494)	Highways and Transport	3,439	(5,037)	(1,598)
25,745	(24,388)	1,357	Other Housing	25,187	(23,644)	1,543
4,359	(3,524)	835	Planning	4,734	(3,490)	1,244
1,637	(162)	1,475	Corporate and Democratic Core	1,435	(142)	1,293
554	(26)	528	Non Distributed Costs	435	-	435
5,173	(1,734)	3,439	Material items (Note 2)	27	(512)	(485)
55,633	**(39,335)**	**16,298**	**Cost of Services**	**49,453**	**(36,922)**	**12,531**
1,639	(4)	1,635	Other operating expenditure (Note 6)	1,715	(37)	1,678
1,439	(703)	736	Financing and investment income and expenditure (Note 7)	1,557	(720)	837
12,275	(25,159)	(12,884)	Taxation and non-specific grant income (Note 8)	21,907	(33,677)	(11,770)
70,986	**(65,201)**	**5,785**	**(Surplus) or Deficit on Provision of Services**	**74,632**	**(71,356)**	**3,276**
		(1,001)	(Surplus) or deficit on revaluation of Property, Plant and Equipment			(214)
		9,827	Remeasurements of the net defined benefit liability			(6,605)
		8,826	**Other Comprehensive Income and Expenditure**			**(6,819)**
		14,611	**Total Comprehensive Income and Expenditure**			**(3,543)**

SECTION 2C. BALANCE SHEET

31 March 2015 £000		Notes	31 March 2016 £000
73,178	Property, Plant & Equipment	9	73,991
392	Investment Property		386
160	Intangible Assets		208
282	Long Term Debtors	11	188
74,012	**Long Term Assets**		**74,773**
15,000	Short Term Investments	10	15,000
120	Inventories		66
6,850	Short Term Debtors *	11	15,705
5,037	Cash and Cash Equivalents	12	2,237
27,007	**Current Assets**		**33,008**
(9,851)	Short Term Creditors *	13	(6,210)
(174)	Short Term Revenue Grants in Advance	26	(204)
(973)	Provisions *	14	(11,653)
(10,998)	**Current Liabilities**		**(18,067)**
(16)	Long Term Creditors	13	(19)
(3,379)	Long Term Revenue Grants in Advance - Section 106 Deposits	26	(3,743)
(46,671)	Pensions Liability	31	(42,454)
(132)	Capital Grants - Receipts in Advance	26	(132)
(50,198)	**Long Term Liabilities**		**(46,348)**
39,823	**Net Assets**		**43,366**
12,718	Usable Reserves	15	21,429
27,105	Unusable Reserves	16	21,937
39,823	**Total Reserves**		**43,366**

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

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

The unaudited accounts were issued on 30 June 2016.

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.

2014/15 £000		**2015/16 £000**
5,785	**Net (surplus) or deficit on the provision of services**	**3,276**
(8,551)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 17)	3,563
774	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 18)	1,193
(2,133)	**Net cash outflows/ (inflow) from Operating Activities**	**8,032**
1,550	Net increase / (decrease) in Investing Activities (Note 19)	(4,852)
(1,930)	Net cash outflow / (inflow) from Financing Activities (Note 20)	(380)
(2,372)	**Net (increase) or decrease in cash and cash equivalents**	**2,800**
2,665	Cash and cash equivalents at the beginning of the reporting period	5,037
5,037	Cash and cash equivalents at the end of the reporting period (Note 12)	2,237

Section 3

Notes to the

Financial Statements

CONTENTS

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

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

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives which are estimated annually.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. If the depreciation lives of the assets were to reduce by 1 year across all assets, this would have an impact of approximately £170,000 on the Council's finances.
Business Rates Appeals Provision	Estimates have been made for the provision for refunding ratepayers who may successfully appeal against the rateable value of their properties. This includes the current and previous financial years. The estimate is based on those ratepayers who have appealed.	There is uncertainty and risk surrounding the calculation of the provision as future events may affect the amount required to settle an obligation.
Arrears	The Authority makes a provision every year for the impairment of doubtful debts for Council Tax, Business Rates, Housing Benefit and Sundry Debt. For example at 31 March 2016, the Authority had a balance of Sundry Debtors of £1.08million. A review of significant balances suggested that an impairment for doubtful debts of 13.3% (£144,000) was appropriate.	The impairment for doubtful debts is reviewed annually in order to respond to changes in collection rates. If Council Tax arrears were to change by 1%, this would have an impact of £5,000 on the Council's finances.

Item	**Uncertainties**	**Effect if Actual Results Differ from Assumptions**
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgments relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied. The value of pension assets is estimated based upon information available at the Balance Sheet date, although these valuations could be earlier. The actual valuations at the Balance Sheet date, which may not be available until sometime later, may give a different value of pension assets, but this difference is not considered to be material. For 2015/16, the Actuary has calculated the capitalised cost of the strain liability for 31 former employees who had left the Council's employment at £1,420,000. However, to this figure, the Council has added a further cost of £344,000 to increase the provision for those employees who were over 55 and left the Council's employment under either voluntary or compulsory redundancy as part of the Transformation Programme. The capitalised cost which is based on actual assumptions differs from the cash cost payable to the Pension Fund by the Council. The figure of £344,000 was estimated from the cash costs that had previously been calculated for each employee in question.	The effects on the net pension liability of changes in individual assumptions can be measured. For example, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £1.5 million. The assumptions interact in complex ways. For example, in 2015/16, the Authority's actuaries advised that the pension liability has decreased by £8.5 million as a result of a change in "financial assumptions". Please refer to Note 31 for further information about the assumptions used by the actuaries.

2. MATERIAL ITEMS OF INCOME AND EXPENSE

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

	2014/15			2015/16		
Transformation Programme (T18) Investment Costs	**Direct £000**	**Recharges £000**	**Total £000**	**Direct £000**	**Recharges £000**	**Total £000**
GROSS REVENUE EXPENDITURE						
ICT technology, implementation and workstream development	595	6	601	715	11	726
ICT workstation costs and infrastructure	274	11	285	109	5	114
Training	90	-	90	86	2	88
Accommodation	58	11	69	8	-	8
Implementation and design of the future operating model	288	-	288	2	-	2
Redundancy payments	2,062	153	2,215	370	-	370
Pension Strain (capitalised cost) See **Note a** below	1,625	-	1,625	344	-	344
Pension Strain(capitalised cost reversal from 2014/15)	-	-	-	(1,625)	-	(1,625)
Sub Total	**4,992**	**181**	**5,173**	**9**	**18**	**27**
GROSS REVENUE INCOME Shared Service Recharge to West Devon BC	-	(1,300)	(1,300)	-	(512)	**(512)**
Transformation Challenge Award (Government grant)	(434)	-	(434)	-	-	**-**
Sub Total	**(434)**	**(1,300)**	**(1,734)**	**-**	**(512)**	**(512)**
NET REVENUE EXPENDITURE/(INCOME) (as shown in the CIES)	**4,558**	**(1,119)**	**3,439**	**9**	**(494)**	**(485)**

Note a: In 2014/15 the Council made an adjustment to the pension fund liability in relation to timing differences where these figures have not yet been recognised in the Actuaries Pension Statement.

In 2015/16, these figures have been recognised and included within the Councils IAS19 adjustments, therefore the prior year entries are reversed. In addition, there is a further adjustment of £344,000 in relation to timing differences in 2015/16.

3. EVENTS AFTER THE REPORTING PERIOD

The draft Statement of Accounts (SOA) for 2015/16 was approved for issue by the Finance Community of Practice Lead (S151 Officer) on 30 June 2016. This is also the date up to which events after the reporting period have been considered.

4. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

	Usable Reserves			
2015/16	**General Fund Balance £000**	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**	**Movement in Unusable Reserves £000**
Adjustments primarily involving the Capital Adjustment Account (CAA):				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):				
Charges for depreciation and impairment of non-current assets	**2,118**			**(2,118)**
Revaluation losses/(gains) on Property Plant and Equipment	**(100)**			**100**
Movements in the market value of Investment Properties	**6**			**(6)**
Amortisation of intangible assets	**53**			**(53)**
Capital grants and contributions applied	**(764)**			**764**
Revenue expenditure funded from capital under statute	**1,613**			**(1,613)**
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	**26**			**(26)**
Insertion of items not debited or credited to the CIES:				
Capital expenditure charged against the General Fund	**(2,506)**			**2,506**
Adjustments primarily involving the Capital Grants Unapplied Account:				
Application of grants to capital financing transferred to the CAA	**(140)**		**140**	**-**
Transfer of capital grants to revenue	**111**		**(111)**	**-**
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income And Expenditure Statement	**(20)**	**20**		**-**
Transfer of unattached capital receipts	**(381)**	**381**		**-**
Use of the Capital Receipts Reserve to finance new capital expenditure		**(1,087)**		**1,087**
Repayment of mortgage and parish loans		**2**		**(2)**

	Usable Reserves			
2015/16	**General Fund Balance £000**	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**	**Movement in Unusable Reserves £000**
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES (see Note 31)	**3,943**			**(3,943)**
Employer's pensions contributions and direct payments to pensioners payable in the year	**(1,555)**			**1,555**
Adjustments primarily involving the Council Tax Collection Fund Adjustment Account:				
Amount by which Council Tax income credited to the CIES is different from Council Tax income calculated for the year in accordance with statutory requirements	**(7)**			**7**
Adjustments primarily involving the Business Rates Collection Fund Adjustment Account:				
Amount by which Business Rates income credited to the CIES is different from Business Rates income calculated for the year in accordance with statutory requirements	**10,258**			**(10,258)**
Adjustment primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	**(13)**			**13**
Total Adjustments between the Accounting Basis and Funding Basis under regulations in 2015/16	**12,642**	**(684)**	**29**	**(11,987)**

	Usable Reserves			
2014/15 Comparatives	**General Fund Balance £000**	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**	**Movement in Unusable Reserves £000**
Adjustments primarily involving the Capital Adjustment Account (CAA):				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):				
Charges for depreciation and impairment of non-current assets	**2,121**			**(2,121)**
Revaluation losses/(gains) on Property Plant and Equipment	**286**			**(286)**
Movements in the market value of Investment Properties	**(55)**			**55**
Amortisation of intangible assets	**46**			**(46)**
Capital grants and contributions applied	**(1,604)**			**1,604**
Revenue expenditure funded from capital under statute	**1,500**			**(1,500)**
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	**2**			**(2)**
Insertion of items not debited or credited to the CIES:				
Capital expenditure charged against the General Fund	**(1,408)**			**1,408**
Adjustments primarily involving the Capital Grants Unapplied Account:				
Application of grants to capital financing transferred to the CAA	**(230)**		**230**	**-**
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of unattached capital receipts	**(506)**	**506**		**-**
Use of the Capital Receipts Reserve to finance new capital expenditure		**(542)**		**542**
Repayment of mortgage and parish loans		**2**		**(2)**
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES (see Note 31)	**5,807**			**(5,807)**
Employer's pensions contributions and direct payments to pensioners payable in the year	**(1,667)**			**1,667**
Adjustments primarily involving the Council Tax Collection Fund Adjustment Account:				
Amount by which Council Tax income credited to the CIES is different from Council Tax income calculated for the year in accordance with statutory requirements	**(35)**			**35**

	Usable Reserves			
2014/15 Comparatives	**General Fund Balance £000**	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**	**Movement in Unusable Reserves £000**
Adjustments primarily involving the Business Rates Collection Fund Adjustment Account:				
Amount by which Business Rates income credited to the CIES is different from Business Rates income calculated for the year in accordance with statutory requirements	**(916)**			**916**
Adjustment primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	**(18)**			**18**
Total Adjustments between the Accounting Basis and Funding Basis under regulations in 2014/15	**3,323**	**(34)**	**230**	**(3,519)**

5. TRANSFERS TO/ FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2015/16. The purpose of the largest earmarked reserves are shown below:

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

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

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

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

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

Transformation Programme (T18) – The Council has funded the investment costs for the Transformation Programme in 2014/15 and 2015/16, where funding was set aside in previous years for this purpose. The Transformation Programme is described in the Narrative Statement.

Strategic Change Reserve – This reserve was set up to finance one off investments under the Council's Transformation Programme that are required for development or the release of ongoing efficiencies.

The table below shows the earmarked reserve balances at 31 March 2016 and the movement during 2015/16.

2015/16 **EARMARKED RESERVES**	**Balance at 31 March 2015 £000**	**Transfers Out £000**	**Transfers In £000**	**Balance at 31 March 2016 £000**
General Fund				
Affordable Housing	453	(148)	235	540
Strategic Issues	133	(133)	-	-
Community Parks and Open Spaces	108	(27)	17	98
Pension Fund Strain	-	(99)	99	-
Repairs and Maintenance	369	(34)	85	420
Members Sustainable Community	7	-	38	45
Marine Infrastructure Reserve	19	-	28	47
Land and Development	184	(18)	60	226
Ferry Repairs and Renewals	263	(37)	87	313
Economic Initiatives	120	(22)	-	98
Vehicles and Plant Renewals	1,735	(1,958)	541	318
Pay and Display Equipment	40	-	21	61
On-Street Parking	44	-	-	44
Print Equipment	76	(68)	-	8
ICT Development	203	(8)	-	195
Sustainable Waste Management	72	(69)	-	3
District Elections	68	(30)	10	48
Beach Safety	14	-	-	14
Planning Policy & Major Developments	596	(265)	-	331
Building Control	271	(6)	130	395
Section 106 Agreements	41	(3)	-	38
Revenue Grants	393	(49)	24	368
Capital Programme	129	(154)	1,114	1,089
New Homes Bonus	184	(1,398)	1,694	480
Renovation Grant Reserve	1	(5)	11	7
Business Rates Retention	304	(175)	9,787	9,916
T18 Investment Reserve	-	(508)	578	70
Homelessness Prevention Reserve	-	-	25	25
Strategic Change	-	(1,372)	1,372	-
Sub Total	**5,827**	**(6,586)**	**15,956**	**15,197**
Specific Reserves – Salcombe Harbour				
Pontoons	6	-	62	68
Harbour Renewals	130	(102)	30	58
General Reserve	203	(82)	19	140
Sub Total	**339**	**(184)**	**111**	**266**
TOTAL EARMARKED REVENUE RESERVES	**6,166**	**(6,770)**	**16,067**	**15,463**

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

SECTION 3. NOTES TO THE ACCOUNTS

6. OTHER OPERATING EXPENDITURE

2014/15 £000		2015/16 £000
1,596	Parish council precepts	1,682
(4)	(Gains)/losses on the disposal of non-current assets	(37)
43	Pension administration expenses	33
1,635	**Total**	**1,678**

7. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2014/15 £000		2015/16 £000
1	Interest payable and similar charges	1
(137)	Interest receivable and similar income	(155)
(506)	Other investment income	(380)
-	Investment (gains)/ losses	(50)
1,415	Net interest on the net defined benefit liability	1,499
(37)	Investment properties	(78)
736	**Total**	**837**

8. TAXATION AND NON SPECIFIC GRANT INCOME

2014/15 £000		2015/16 £000
	Council Tax	
(6,868)	• Income	(7,005)
(35)	• Collection Fund adjustment	(7)
(60)	• Collection Fund - distribution of surplus	(100)
125	• Support grant to parishes	112
	Business Rates	
(11,948)	• Income	(12,081)
11,045	• Tariff	11,256
1	• Pooling administration costs	-
(87)	• Pooling gain	17
-	• Safety net payment	(9,862)
49	• Levy payment	-
139	• Transfer of Collection Fund deficit	10,365
	Non ring - fenced Government grants :	
(1,113)	• Small Business Rate Relief Grant	(1,176)
(1,985)	• Revenue Support Grant	(1,412)
(1,365)	• New Homes Bonus Grant	(1,693)
-	• Council Tax Freeze Grant	(58)
(782)	Capital grants and contributions	(126)
(12,884)	**Total**	**(11,770)**

9. PROPERTY, PLANT AND EQUIPMENT

Movements in 2015/16:

	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infra-structure Assets £000	Community Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation						
At 1 April 2015	**64,829**	**8,722**	**9,113**	**737**	**-**	**83,401**
Additions	415	2,023	180	-	25	2,643
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(82)	-	-	-	-	(82)
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	91	-	-	-	-	91
Derecognition – disposals	-	(1,626)	-	-	-	(1,626)
At 31 March 2016	**65,253**	**9,119**	**9,293**	**737**	**25**	**84,427**
Accumulated Depreciation and Impairment at 1 April 2015	**2,204**	**5,904**	**2,115**	**-**	**-**	**10,223**
Charge for 2015/16	1,043	728	347	-	-	2,118
Depreciation written out to the Revaluation Reserve	(296)	-	-	-	-	(296)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(8)	-	-	-	-	(8)
Derecognition - disposals	-	(1,601)	-	-	-	(1,601)
At 31 March 2016	**2,943**	**5,031**	**2,462**	**-**	**-**	**10,436**
Balance Sheet amount at 31 March 2016	**62,310**	**4,088**	**6,831**	**737**	**25**	**73,991**
Balance Sheet amount at 31 March 2015	**62,625**	**2,818**	**6,998**	**737**	**-**	**73,178**

Comparative Movements in 2014/15:

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

Depreciation

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

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

Capital Commitments

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

Revaluations

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

The valuations of real estate were carried out by an external contractor under the supervision of Guy Pedrick MRICS, the Council's Senior Specialist (Assets). Assets are valued in accordance with a five year rolling programme (with ad hoc valuations taking place, for example where assets have been enhanced). In addition, a formal impairment review of the entire holding of land and buildings is undertaken at the end of each financial year, to ensure the carrying value reflects the fair value at the Balance Sheet date. The basis of valuation is set out in the Statement of Accounting policies in Note 34.

	Land and buildings £000	Vehicles, plant furniture & equipment £000	Total £000
Valued at historical cost	-	4,088	4,088
Valued at current value in:			
2015/2016	24,816	-	24,816
2014/2015	15,703	-	15,703
2013/2014	17,180	-	17,180
2012/2013	956	-	956
2011/2012	3,655	-	3,655
Total	**62,310**	**4,088**	**66,398**

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

10. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

Liabilities
- trade payables and other payables
- borrowings
- financial guarantees

Assets
- bank deposits
- trade receivables
- loans receivables
- investments

Derivatives
- swaps
- forwards
- options

The carrying amount and fair values for investments at 31 March 2016 are shown in the following table:

Investment Type	Carrying Amount (net of interest)	Interest due at year end	Gross carrying Amount	Fair Value
	£000	£000	£000	£000
Short term	15,000	27	15,027	15,029

Heritable Bank
At the 31 March 2016 the Council had £22,483 frozen in the Heritable Bank which is UK registered and regulated, but a subsidiary of Landsbanki, one of the Icelandic Banks that have been affected by the world economic crisis. Heritable Bank is registered in Scotland with a registered address in Edinburgh. Heritable Bank Plc is authorised and regulated by the Financial Services Authority and is on the FSA Register. The bank's shares are owned by Icelandic bank, Landsbanki.

SECTION 3. NOTES TO THE ACCOUNTS

The Council placed a deposit of £1,250,000 on 25th September 2008 with the Heritable Bank. Of this amount £1,227,517 (98%) has already been repaid to the Council by the Administrators.

The balance outstanding at 31 March 2014 (£72,368) was impaired (written out of the Balance Sheet) in the 2013/14 Accounts. Therefore the additional dividend received on 7 September 2015 of £49,885 is additional income for 2015/16.

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

Administrators have kept the bank trading and are winding down the business over a period of years. The Administrators have paid fifteen dividends amounting to 98% of the original deposit. However, they do not intend to make any further distributions until the conclusion of a legal dispute with Landsbanki.

Summary of Financial Instruments

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

	Long-term			**Current**	
	31 March 2015 £000	**31 March 2016 £000**		**31 March 2015 £000**	**31 March 2016 £000**
Cash and cash equivalents	**-**	**-**		**5,037**	**2,237**
Investments	**-**	**-**		**15,000**	**15,000**
Debtors					
Loans and receivables	282	188		-	-
Financial assets carried at contract amount *	-	-		4,589	4,032
Total Debtors	**282**	**188**		**4,589**	**4,032**
Creditors					
Financial liabilities at amortised cost	(16)	(19)		-	-
Financial liabilities carried at contract amount				(4,609)	(2,188)
Total Creditors	**(16)**	**(19)**		**(4,609)**	**(2,188)**

* Financial assets have been restated for 2014/15 to exclude the Housing Benefit bad debt provision which is not recognised as a Financial Instrument.

11. DEBTORS

31.3.2015 £000		31.3.2016 £000
	Short Term	
705	Central Government bodies	321
1,913	Other Local authorities	1,993
	Other debtors	
333	Council Tax	407
657	Business Rates*	10,067
3,242	Other entities & individuals	2,917
6,850	**Total**	**15,705**
	Long Term	
275	Local Authorities	183
7	Other entities & individuals	5
282	**Total**	**188**

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

12. CASH AND CASH EQUIVALENTS

31.3.2015 £000		31.3.2016 £000
(1,113)	Cash held by the Authority	(613)
400	Bank current accounts	-
5,750	Money Market Funds	2,850
5,037	**Total Cash and Cash Equivalents**	**2,237**

13. CREDITORS

31.3.2015 £000		31.3.2016 £000
	Short Term	
(1,553)	Central Government bodies	(367)
(1,165)	Other local authorities	(632)
	Other Creditors	
(1,089)	Council Tax	(964)
(1,108)	Business Rates*	(1,518)
(4.936)	Other entities & individuals	(2,729)
(9,851)	**Total**	**(6,210)**
	Long Term	
(16)	Local Authorities	(9)
-	Rent Deposits	(10)
(16)	**Total**	**(19)**

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

14. PROVISIONS

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

	Land Charges £000	Business Rates Appeals* £000	Total £000
Balance at 1 April 2015	**(41)**	**(932)**	**(973)**
Provisions made in year	-	(10,680)	**(10,680)**
Amounts used in year	-	-	**-**
Balance at 31 March 2016	**(41)**	**(11,612)**	**(11,653)**

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

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

Short term – Non domestic rates appeals:
Provision is made for likely refunds of business rates as a result of appeals against the rateable value of business properties. The provision is based on the total value of outstanding appeals at the end of the financial year as advised by the Valuation Office Agency. Using this information, an assessment was made about the likely success rate of appeals and their value. The Council had some significant appeals outstanding at the year end. In 2015/16 there has been a £26.7 million increase in the provision for appeals within the Collection Fund. The Council's share of this is 40% (i.e. £10.68 million). This is further explained in the Narrative Statement.

15. USABLE RESERVES

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement in Section 2A. The Council has the following usable reserves:

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

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

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

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

16. UNUSABLE RESERVES

31.3.2015 £000		**31.3.2016 £000**
24,307	Revaluation Reserve	24,318
49,528	Capital Adjustment Account	50,370
(46,671)	Pensions Reserve	(42,454)
248	Council Tax Collection Fund Adjustment Account	255
(174)	Business Rates Collection Fund Adjustment Account	(10,432)
(133)	Accumulated Absences Account	(120)
27,105	**Total Unusable Reserves**	**21,937**

Revaluation Reserve

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

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

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

31.3.2015 £000	31.3.2015 £000	Revaluation Reserve	31.3.2016 £000	31.3.2016 £000
	23,526	**Balance at 1 April**		**24,307**
1,273		Upward revaluation of assets	2,022	
(272)		Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	(1,808)	
	1,001	**Surplus or (Deficit) on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**		**214**
(220)		Difference between fair value depreciation and historical cost depreciation	(203)	
	(220)	**Amount written off to the Capital Adjustment Account**		**(203)**
	24,307	**Balance at 31 March**		**24,318**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement, as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to an 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.

2014/15 £000	2014/15 £000	Capital Adjustment Account	2015/16 £000	2015/16 £000
	49,656	**Balance at 1 April**		**49,528**
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CIES) :		
(2,121)		▪ Charges for depreciation of non-current assets	(2,118)	
(286)		▪ Revaluation losses on Property, Plant and Equipment	100	
55		▪ Revaluation gains/(losses) on Investment Properties	(6)	
(46)		▪ Amortisation of intangible assets	(53)	
(1,500)		▪ Revenue expenditure funded from capital under statute (REFCUS)	(1,613)	
(2)		▪ Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(26)	
	(3,900)	**Total**		**(3,716)**
220		Adjusting amounts written out of the Revaluation Reserve	203	
	220	**Net written out amount of the cost of non-current assets consumed in the year**		**203**
		Capital financing applied in the year:		
542		Use of the Capital Receipts Reserve to finance new capital expenditure	1,087	
1,604		Capital grants and contributions credited to the CIES that have been applied to capital financing	764	
1,408		Capital expenditure charged against the General Fund	2,506	
(2)		Repayment of parish loans	(2)	
	3,552	**Total**		**4,355**
	49,528	**Balance at 31 March**		**50,370**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement (CIES) as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds, or eventually pays any pensions for which it is directly responsible. The debit balance on the

Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

31.3.2015 £000	Pensions Reserve	31.3.2016 £000
(32,704)	**Balance at 1 April**	**(46,671)**
(9,827)	Actuarial gains or (losses) on pension assets and liabilities	6,605
(4,182)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(5,224)
1,667	Employer's pensions contributions and direct payments to pensioners payable in the year	1,555
(1,625)	Accrued strain payments (see Note 2 'Material Items')	(344)
-	Reversal of accrued strain payments (see Note 2)	1,625
(46,671)	**Balance at 31 March**	**(42,454)**

Council Tax Collection Fund Adjustment Account

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

31.3.2015 £000	Council Tax Collection Fund Adjustment Account	31.3.2016 £000
213	**Balance at 1 April**	**248**
35	Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	7
248	**Balance at 31 March**	**255**

Business Rates Collection Fund Adjustment Account

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

31.3.2015 £000	Business Rates Collection Fund Adjustment Account	31.3.2016 £000
(1,090)	**Balance at 1 April**	**(174)**
916	Amount by which Business Rates income credited to the CIES is different from Business Rates income calculated for the year in accordance with statutory requirements	(10,258)
(174)	**Balance at 31 March**	**(10,432)**

Accumulated Absences Account

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

31.3.2015 £000	31.3.2015 £000	Accumulated Absences Account	31.3.2016 £000	31.3.2016 £000
	(151)	**Balance at 1 April**		**(133)**
151		Settlement or cancellation of accrual made at the end of the preceding year	133	
(133)		Amounts accrued at the end of the current year	(120)	
	18	Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		**13**
	(133)	**Balance at 31 March**		**(120)**

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

2014/15 £000		**2015/16 £000**
(2,121)	Depreciation	(2,118)
(286)	Impairment & downward valuations	74
55	Movement in market value of investment properties	(6)
(46)	Amortisation	(53)
862	Increase/(decrease) in Debtors*	8,855
(4,431)	Increase/(decrease) in Creditors*	3,611
27	Increase/(decrease) in Inventories	(54)
(4,140)	Movement in pension liability	4,217
(2)	Carrying amount of non-current assets held for sale, sold or derecognised	-
1,531	Other non-cash items charged to the net surplus or deficit on the provision of services*	(10,963)
(8,551)	**Total**	**3,563**

* Short Term Debtors, Creditors and Provisions have been restated to show the gross Business Rates position as at 31 March 2015.

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

2014/15 £000		**2015/16 £000**
506	Proceeds from the sale of Property, Plant & Equipment & Investment Properties	401
268	Other non-cash items charged to the net surplus or deficit on the provision of services	792
774	**Total**	**1,193**

19. CASH FLOW STATEMENT – INVESTING ACTIVITIES

2014/15 £000		**2015/16 £000**
2,562	Purchase of property, plant and equipment, investment property and intangible assets	(4,357)
-	(Increase)/decrease in investments	-
(6)	Proceeds from the sale of property, plant and equipment, investment property & intangible assets	(401)
-	Interest received	-
(1,006)	Other receipts from investing activities (capital grants & contributions)	(94)
1,550	**Net cash flows from investing activities**	**(4,852)**

20. CASH FLOW STATEMENT – FINANCING ACTIVITIES

2014/15 £000		2015/16 £000
(1,930)	Other receipts from financing activity	(380)
(1,930)	**Total**	**(380)**

21. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

Service Income & Expenditure

	Central Services	Cultural and Related	Environmental & Regulatory	Highways and Transport	Other Housing	Planning	CDC & NDC	Material Items	TOTAL 2015/16	TOTAL 2014/15
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(673)	(238)	(1,319)	(5,002)	(812)	(3,227)	(114)	(512)	(11,897)	(12,436)
Government grants & contributions	(568)	(167)	(1,132)	(35)	(22,832)	(263)	(28)	-	(25,025)	(26,899)
Total Income	**(1,241)**	**(405)**	**(2,451)**	**(5,037)**	**(23,644)**	**(3,490)**	**(142)**	**(512)**	**(36,922)**	**(39,335)**
Employee expenses	970	211	4,680	1,412	1,261	2,538	707	(908)	10,871	14,029
Other service expenses	248	1,671	3,395	1,755	22,352	1,131	542	935	32,029	34,173
Depreciation/ amortisation	3	906	541	44	1,208	428	10	-	3,140	3,413
Support service recharges	775	117	679	228	366	637	611	-	3,413	4,018
Total Expenditure	**1,996**	**2,905**	**9,295**	**3,439**	**25,187**	**4,734**	**1,870**	**27**	**49,453**	**55,633**
Net Expenditure	**755**	**2,500**	**6,844**	**(1,598)**	**1,543**	**1,244**	**1,728**	**(485)**	**12,531**	**16,298**

Note – The 2014/15 Comparative for Employee expenses includes £3.4 million of one-off investment costs relating to the Council's Transformation Programme. This is shown in further detail in Note 2 to the Accounts, Material Items of Income and Expense.

22. TRADING OPERATIONS – BUILDING CONTROL

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

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

23. MEMBERS' ALLOWANCES

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

http://southhams.gov.uk/article/4930/Councillor-Allowances

2014/15 £000		**2015/16 £000**
247	Allowances	233
23	Expenses	18
270	**Total**	**251**

24. OFFICERS' REMUNERATION

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

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

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

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

Post	Year	Salary, Fees and Allowances £	Expenses £	Pension Contribution £	Compensation etc £	Total £
Executive Director Service Delivery & Commercial Development– started 1.1.15	15/16	94,000	8,700	13,900	-	**116,600**
	14/15	23,300	2,300	4,300	-	**29,900**
Support Services Group Manager – started 1.3.15	15/16	65,800	3,100	9,700	-	**78,600**
	14/15	5,300	3,200	1,000	-	**9,500**
Customer First Group Manager – started 1.3.15, left 31.1.16	15/16	55,000	-	8,200	11,500	**74,700**
	14/15	5,200	-	900	-	**6,100**
Executive Director for Communities and Delivery – left 6.2.15	15/16	-	-	-	-	**-**
	14/15	75,900	2,300	13,900	-	**92,100**
Executive Director Strategic Lead for Transformation – left 10.4.15	15/16	1,500	-	200	-	**1,700**
	14/15	79,100	1,400	14,500	-	**95,000**
Head of Corporate Services – left 23.1.15	15/16	-	-	-	-	**-**
	14/15	51,200	2,500	9,400	-	**63,100**
Head of Environmental Health & Housing – left 6.2.15	15/16	-	-	-	-	**-**
	14/15	58,600	3,400	10,700	-	**72,700**
Head of Assets – left 6.3.15	15/16	-	-	-	-	**-**
	14/15	59,000	1,700	10,800	-	**71,500**

Note 1: Senior Management Team Restructure

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

Note 2: Shared Services with West Devon Borough Council
The total cost of senior employees employed by West Devon Borough Council has been included in the equivalent note of West Devon Borough Council's Accounts in accordance with the accounting requirements and is therefore excluded from the table above. In 2015/16 South Hams District Council reimbursed costs amounting to £214,000 (2014/15 £180,000) in respect of the Senior Leadership Team, S151 Officer and Monitoring Officer employed by West Devon Borough Council. South Hams District Council received a reimbursement in 2015/16 from West Devon Borough Council of £134,000 (2014/15 £209,000) in respect of the above shared senior employees.

<u>Other officers earning over £50,000</u>

Remuneration band	2014/2015 Number of employees		2015/2016 Number of employees	
	Total	Left during year	Total	Left during year
£50,000 - £54,999	1	1	-	-

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

25. PAYMENTS TO EXTERNAL AUDITORS

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

	2014/15 £000	2015/16 £000
Fees payable with regard to external audit services	**61**	**51**
Core Audit Fees	51	43
Audit of Grants and Returns	10	8
Fees payable in respect of other services	**1**	**-**
TOTAL	**62**	**51**

26. GRANT INCOME

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

	2014/15 £000	2015/16 £000
Credited to Taxation and Non Specific Grant Income		
Capital grants & contributions:		
Environment Agency - Coastal Recovery Grant	(693)	(175)
European Fisheries Fund - Salcombe Fish Quay	(27)	-
South West Water - Ford Leat, Dartmouth	(56)	-
Linden South West - Heathway, Totnes	-	(62)
Other capital grants & contributions	(6)	-
Reclassification of 2014/15 DEFRA grant from Capital to Revenue (AONB)	-	111
Non ring - fenced Government grants & contributions:		
Revenue Support Grant	(1,985)	(1,412)
New Homes Bonus Grant	(1,365)	(1,693)
Small Business Rate Relief	(1,113)	(1,176)
Council Tax Freeze Grant	-	(58)
Total	**(5,245)**	**(4,465)**
Credited to Services		
Rent Allowance subsidy	(22,037)	(21,867)
Rent Allowance subsidy re previous years	(707)	-
Housing Benefit administration subsidy	(338)	(297)
Rent rebate subsidy	(59)	(47)
Discretionary housing payments	(137)	(54)
Council Tax benefit administration subsidy	(89)	(79)
Business Rates cost of collection allowance	(206)	(206)
Transformation Challenge Award grant	(434)	-
REFCUS grants applied		
Disabled facilities grant	(285)	(366)
Section 106 deposits	(376)	(84)
Repair & Renew grant	(121)	(30)
Coastal Recovery grant	(261)	(111)
Second Homes Funding	-	(77)
Other grants	(10)	-
Recycling credits	(487)	(457)
Devon County Council - Torr Quarry Transfer Station	(280)	(284)
Dept. for Comm. & Local Govt. - Local Land Charges	-	(97)
Section 106 deposits	(99)	(185)
Electoral Commission - European Elections	(92)	(38)
Cabinet Office IER Funding - General Elections	-	(79)
Devon County Council - County Council Elections	(15)	-
Dept. for Comm.& Local Govt. - Sherford Resource Funding	(218)	(235)
Other grants	(648)	(432)
Total	**(26,899)**	**(25,025)**

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

Capital Grants Receipts in Advance	**31 March 2015 £000**	**31 March 2016 £000**
Section 106 Deposit – Penn Torr, Salcombe	(84)	(84)
Other grants	(48)	(48)
Total	**(132)**	**(132)**

Short Term Revenue Grants Receipts in Advance	**31 March 2015 £000**	**31 March 2016 £000**
Devon County Council – Cycling & Walking Works	(6)	-
Devon County Council – Public Health Grant	(38)	(24)
DCLG – Sherford Resource Funding	(123)	(162)
Other grants	(7)	(18)
Total	**(174)**	**(204)**

Long Term Revenue Grants Receipts in Advance (Section 106 Deposits)	**31 March 2015 £000**	**31 March 2016 £000**
Langage Energy Centre	(2,238)	(2,129)
Dartmouth Supermarkets	(225)	(204)
Leyford Close, Wembury	-	(321)
Riverside, Totnes	-	(250)
Various other sites	(916)	(839)
Total	**(3,379)**	**(3,743)**

27. RELATED PARTIES

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

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 26.

Members
Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2015/16 is shown in Note 23.

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

28. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

	2014/15 £000	2015/16 £000
Capital Investment		
Property, plant & equipment	1,941	2,618
Intangible assets	113	101
Revenue expenditure funded from capital under statute (REFCUS)	1,500	1,613
Assets under Construction	-	25
Total expenditure	**3,554**	**4,357**
Sources of Finance		
Capital receipts	542	1,087
Government grants and other contributions	1,604	764
Direct revenue contributions (earmarked reserves)	1,408	2,506
Total funding	**3,554**	**4,357**

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

29. LEASES

Operating Leases

Authority as Lessee

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

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

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

	31 March 2015 £000	**31 March 2016 £000**
N.B. Rentals for the fundus have been estimated based on income generated from certain harbour activities.		
Not later than one year	191	201
Later than one year & not later than five years	529	467
Later than five years	947	862
	1,667	**1,530**

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

	2014/15 £000	**2015/16 £000**
Minimum lease payments	190	200
	190	**200**

Authority as Lessor

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

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

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

	31 March 2015 £000	31 March 2016 £000
N.B. Rental income from the temporary accommodation has been estimated (based on rentals paid).		
Not later than one year	746	746
Later than one year & not later than five years	2,984	2,984
Later than five years	35,118	34,372
	38,848	**38,102**

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

30. EXIT PACKAGES

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

Exit package cost band (incl. special payments)	Number of voluntary redundancies		Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band (£)	
	2014/15*	2015/16	2014/15*	2015/16	2014/15*	2015/16	2014/15*	2015/16	2014/15*	2015/16
£0 - £20,000	36	3	4	-	-	-	40	3	**425,600**	**24,000**
£20,001 - £40,000	25	3	2	-	1	-	28	3	**807,100**	**99,200**
£40,001 - £60,000	8	5	-	-	-	-	8	5	**378,200**	**238,200**
£60,001 - £80,000	8	1	1	-	-	-	9	1	**647,900**	**72,800**
£80,000 - £100,000	3	-	1	-	-	-	4	-	**356,200**	**-**
£100,001 - £150,000	2	-	-	-	-	-	2	-	**228,500**	**-**
£150,001 - £200,000	3	-	-	-	-	-	3	-	**516,100**	**-**
£200,001 - £250,000	1	-	-	-	-	-	1	-	**221,300**	**-**
TOTAL	**86**	**12**	**7**	**-**	**2**	**-**	**95**	**12**	**3,580,900**	**434,200**

* The 2014/15 comparative has been restated to include future pension strain liability costs.

Note 1: Transformation Programme (T18) and Senior Management Restructure
Of the £434,200 cost of exit packages in 2015/16 (£3.58 million in 2014/15), £139,000 of this cost (£785,000 in 2014/15) will be paid for by West Devon Borough Council at the point at which the redundancy liability or pension strain liability arises. In addition, South Hams District Council will contribute Nil towards West Devon Borough Council’s cost of exit packages for 2015/16 (£160,000 in 2014/15).

The main phase of the Councils’ Transformation Programme (T18) occurred during 2014/15. Across both Councils there has been a 30% reduction in staffing numbers for the non manual workforce. South Hams District Council will annually save £2.6 million from the staff salary savings realised by the T18 Transformation Programme.

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

31. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

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

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

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

Contributions are set every 3 years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out during 2016/17 (as at 31 March 2016) and will set contributions for the period from 1 April 2017 to 31 March 2020. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions. Funding levels are monitored on an annual basis. The total contributions expected to be made to the LGPS by the Council in the year to 31 March 2017 is £1.248m. The Actuary has estimated the duration of the Employer's liabilities to be 18 years.

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

Transactions Relating to Post-employment Benefits

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

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

Comprehensive Income & Expenditure Statement	**2014/15 £000**	**2015/16 £000**
Cost of Services		
Service cost compromising		
- Current Service Cost	3,742	991
- Past Service Cost	607	1,420
Financing and Investment Income and Expenditure		
- Net Interest Expense	1,415	1,499
- Administration Expenses	43	33
Total Post-employment benefits charged to the Surplus or Deficit on the Provision of Services	**5,807**	**3,943**
Other post-employment benefits charged to the comprehensive income and expenditure statement		
Re-measurement of the net defined benefit liability compromising;		
- Change in financial assumptions	14,503	(8,535)
- Experience loss/(gain)	39	(92)
- Return on fund assets in excess of interest	(4,715)	2,022
Total re-measurement recognised	*9,827*	*(6,605)*
Total post-employment benefits charged to the Comprehensive income and expenditure statement	**15,634**	**(2,662)**
Movement in Reserves Statement		
- Reversal of net charges made to the surplus or deficit on the provision of services for post-employment benefits in accordance with the code	(5,807)	(3,943)
Actual amount charged against the General Fund Balance for pensions in the year		
- Employers contributions payable to scheme	1,667	1,555

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the balance sheet arising from the Authority's obligation in respect of its defined benefit plans is as follows:

Net Pension Liability	**31 March 2015 £000**	**31 March 2016 £000**
Present value of the defined benefit obligation	123,966	118,473
Provision for Strain liability arising from future early retirements	1,625	344
Fair value of Fund assets	(82,160)	(79,294)
Deficit / (Surplus)	**43,431**	**39,523**
Present value of unfunded obligation	3,240	2,931
Net defined benefit liability / (asset)	**46,671**	**42,454**

Reconciliation of opening and closing balances of the fair value of Fund assets	**31 March 2015 £000**	**31 March 2016 £000**
Opening fair value of Fund assets	**75,990**	**82,160**
Interest on assets	3,304	2,655
Return on assets less interest	4,715	(2,022)
Administration expenses	(43)	(33)
Contributions by employer including unfunded	1,667	1,555
Contributions by Scheme participants	537	463
Estimated benefits paid plus unfunded net of transfers in	(4,010)	(5,484)
Closing fair value of Fund assets	**82,160**	**79,294**

Reconciliation of opening and closing balances of the present value of the defined benefit obligation	**31 March 2015 £000**	**31 March 2016 £000**
Opening defined benefit obligation	**108,694**	**128,831**
Current service cost	2,117	2,272
Provision for Strain liability	1,625	(1,281)
Interest cost	4,719	4,154
Change in financial assumptions	14,503	(8,535)
Experience loss / (gain) on defined benefit obligation	39	(92)
Estimated benefits paid net of transfers in	(3,805)	(5,282)
Past service costs, including curtailments	607	1,420
Contributions by Scheme participants	537	463
Unfunded pension payments	(205)	(202)
Closing defined benefit obligation	**128,831**	**121,748**

Basis for estimating assets and liabilities

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

To assess the value of the Employer's liabilities at 31 March 2016, they have rolled forward the value of the Employer's liabilities calculated for the funding valuation as at 31 March 2013, using financial assumptions that comply with IAS19.

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

The major assumptions are summarised in the following table:

Basis for estimating assets and liabilities	**31 March 2015**	**31 March 2016**
Mortality assumptions (in years):		
Longevity at 65 for current pensioners		
- Men	22.8	22.9
- Women	26.1	26.2
Longevity at 65 for future pensioners (in 20 years)		
- Men	25.1	25.2
- Women	28.4	28.6
Financial assumptions (in percentages):		
- RPI increases	3.2%	3.2%
- CPI increases	2.4%	2.3%
- Salary increases	4.2%	4.1%
- Pension increases	2.4%	2.3%
- Discount rate	3.3%	3.6%

The financial assumptions summarised in the table above are set with reference to market conditions at 31 March 2016.

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

Basis for estimating assets and liabilities	**Decrease in assumption £000**	**No change £000**	**Increase in assumption £000**
Rate of change in RPI inflation (increase or decrease by 1%)	41,095	42,454	43,813
Rate of change in CPI inflation (increase or decrease by 1%)	41,478	42,454	43,430
Rate of increase in salaries (increase or decrease by 1%)	40,713	42,454	44,195
Rate of increase in pensions (increase or decrease by 1%)	41,478	42,454	43,430
Rate of discounting scheme liabilities (increase or decrease by1%)	40,926	42,454	43,982

The estimated asset allocation for South Hams District Council as at 31 March 2016 is as follows:

Employer asset share	**31 March 2015**		**31 March 2016**	
	£000	**%**	**£000**	**%**
Gilts	5,227	6%	2,603	3%
UK equities	20,253	25%	19,066	24%
Overseas equities	28,341	34%	25,749	32%
Property	8,213	10%	8,768	11%
Infrastructure	2,277	3%	3,303	4%
Target return portfolio	12,115	15%	11,488	15%
Cash	1,416	2%	1,471	2%
Other bonds	2,857	3%	2,279	3%
Alternative assets	1,461	2%	4,567	6%
Total	**82,160**	**100%**	**79,294**	**100%**

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

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

32. CONTINGENT LIABILITIES

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

33. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Key Risks

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

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

Overall Procedures for Managing Risk

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

- by formally adopting the requirements of the Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
    - The Council's overall borrowing;
    - Its maximum and minimum exposures to fixed and variable rates;
    - Its maximum and minimum exposures regarding the maturity structure of its debt;
    - Its maximum annual exposures to investments maturing beyond a year.

- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

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

The Annual Treasury Management Strategy which incorporates the prudential indicators was approved by the Executive on 5 March 2015 and is available on the Council's website.

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

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures from the Council's customers. An analysis of the Council's investments is provided in Note 10 to the accounts.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with Fitch and Moody's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

The full Investment Strategy for 2015/16 was approved by the Executive on 10 March 2016 and is available on the Council's website. The Council's investment priorities are: -

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

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

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

The Council takes a very prudent approach regarding the collection of debts from its customers and calculates an annual provision for bad debts based on the age of its debt. A detailed review of potential bad debts was undertaken at 31 March 2016 and is reflected in the current figure of £525,000. This compares to £627,000 in 2014/15. The bad debt provision is adequate to deal with the historical experience of default and current market conditions. An analysis of the Council's debtors is provided in Note 11 to the accounts.

Liquidity risk

The Council is debt free but has ready access to borrowings from the Money Markets to cover any day to day cash flow need. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure.

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

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through cash flow management procedures required by the Code of Practice. An analysis of the Council's cash and cash equivalents is provided in Note 12 to the accounts.

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

Market Risk

Interest rate risk

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

- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Account will rise
- Investments at fixed rates – the fair value of the assets will fall

Changes in interest receivable on variable rate investments are posted to the Comprehensive Income and Expenditure Account and affect the General Fund Balance £ for £.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements.

From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The Finance team will monitor markets and forecast interest rates within the year to adjust exposures appropriately.

If all interest rates had been 1% higher, with all other variables held constant, the financial effect would be that an additional £290,000 in interest would have been generated.

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

Price risk

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

Foreign exchange risk

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

<u>Refinancing and Maturity Risk</u>

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

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

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

34. ACCOUNTING POLICIES

a) General Principles

The Statement of Accounts summarises the Authority's transactions for the 2015/16 financial year and its position at the year end of 31 March 2016. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011 (SI 2011 No. 817). These regulations require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the *Service Reporting Code of Practice for Local Authorities (SeRCOP)*, supported by International Financial Reporting Standards (IFRS) (and statutory guidance issued under section 12 of the 2003 Act).

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

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

b) Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.

- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.

- 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. For revenue expenditure the de minimis increased from £1,000 to £2,500 in 2015/16. The accruals limit for capital expenditure remains at £5,000.

c) Cash and Cash Equivalents

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

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

Key: T = trade date

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

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority’s cash management.

d) Material items of Income and Expense

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

e) Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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

f) Charges to Revenue for Non-Current Assets

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

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

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

g) Employee Benefits

Benefits Payable during Employment

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date, or an officer's decision to accept voluntary redundancy in exchange for those benefits. These benefits are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement, to terminate at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring.

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

Post-Employment Benefits

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

The Local Government Scheme

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

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

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

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

For further information please refer to Note 31.

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

- **Service cost comprising:**
  - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - net interest on the net defined benefit liability (asset), i.e. net interest expense for the Authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

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

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

Discretionary Benefits

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

h) Events after the Reporting Period

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

Two types of events can be identified:

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

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

i) Financial Instruments

Financial Liabilities

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

Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market

- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments (the Council does not currently hold any available-for-sale assets).

Loans and Receivables

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

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

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

Fair Value

The Council measures some of its assets and liabilities at their fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes places either:

a) in the principal market for the asset or liability, or

b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of its assets and liabilities in line with the highest and best use definition within the accounting standard. The highest and best use of the asset or liability being valued is considered from the perspective of a market participant.

Inputs to the valuation techniques in respect of the Council's fair value measurement of its assets and liabilities are categorised within the fair value hierarchy as follows:

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

Recognition and measurement of financial instruments

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

Financial Instrument	**Basis of Measurement**	**Note**
Investments – Fixed Rate	Carrying amount adjusted for interest owed at year end.	Investments have both fixed term and fixed interest rates.
Investments – Other	Held at carrying value on basis of materiality.	See also accounting policy on cash equivalents.
Operational debtors	Held at invoiced or billed amount less an estimate for non-collection of debts.	Carrying amount is a reasonable approximation of fair value for these short term receivables with no stated interest rate. The carrying amount has been adjusted for an assessment of bad debts. See Note 33 within 'credit risk' for further information.
Operational creditors	Held at invoiced or billed amount.	Carrying amount is a reasonable approximation of fair value for these short term liabilities.

j) Government Grants and Contributions

General

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

k) Heritage Assets

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

l) Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority. As with Property, Plant and Equipment a de minimis level of £10,000 has been set for capitalisation.

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

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

m) Inventories

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

n) Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. Investment properties are measured initially at cost and subsequently at fair value, based on the amount that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

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

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

o) Jointly Controlled Operations

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

p) Leases

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

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

The Authority as Lessee

Finance Leases

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

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made in accordance with the lease terms.

The Authority as Lessor

Finance Leases

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

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement and is credited in accordance with the lease terms.

q) Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2015/16* (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multifunctional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early.

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

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

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

r) Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

De minimis policy for capital controls and accounting purposes

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

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

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

Component Accounting

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

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

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

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

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

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

1. Operational Buildings
2. Assets Held for Sale

The following will be considered outside the scope for componentisation:

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

The criteria for components to be separately valued are that:

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

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

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

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

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

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

- Plant and equipment and engineering services
- Structure

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

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

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

Impairment

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

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

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

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

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

Depreciation

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

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

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

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

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

Disposals and Non-current Assets Held for Sale

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

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts.

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

s) <u>Provisions, Contingent Liabilities and Contingent Assets</u>

Provisions

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

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

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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. The Council operates a disclosure de minimis policy for contingent liabilities and assets of £50,000.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

t) Reserves

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

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

u) Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

v) Section 106 Deposits

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

w) Shared Services

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

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

x) <u>VAT</u>

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.

y) <u>Accounting for Local Taxes</u>

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.

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

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

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

36. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 34, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

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

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

SECTION 4. COLLECTION FUND

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

2014/15 Business Rates £000	2014/15 Council Tax £000		2015/16 Business Rates £000	2015/16 Council Tax £000
		INCOME		
-	(58,038)	Income from Council Tax	-	(59,780)
(28,857)	-	Business Rates Receivable	(31,512)	-
(1,624)	-	Less: Transitional Relief	45	-
(30,481)	**(58,038)**		**(31,467)**	**(59,780)**
		EXPENDITURE		
		Precepts, Demands & Shares:		
14,934	-	Central Government	15,101	-
2,688	41,274	Devon County Council	2,718	42,510
-	6,023	Devon & Cornwall Police Authority	-	6,204
299	2,787	Devon & Somerset Fire Authority	302	2,871
11,948	6,868	South Hams District Council (net including Towns/Parishes)	12,081	7,005
281	-	Business Rates written off and change in impairment allowance	268	-
-	295	Council Tax written off and change in impairment allowance	-	307
473	-	Business Rates increase in provision for appeals *	26,702	-
206	-	Business Rates – Costs of collection	206	-
		Distribution/collection of previous year's estimated surplus/(deficit):		
(1,319)	-	Central Government	(133)	-
(237)	363	Devon County Council	(24)	598
-	53	Devon and Cornwall Police	-	87
(26)	24	Devon and Somerset Fire Authority	(3)	40
(1,055)	60	South Hams District Council	(107)	100
28,192	**57,747**		**57,111**	**59,722**
(2,289)	**(291)**	**MOVEMENT ON BALANCE ***	**25,644**	**(58)**

*The increase in the provision for Business Rates appeals and the subsequent impact on the Business Rates Collection Fund is explained in the Narrative Statement.

SECTION 4. COLLECTION FUND

1. Council tax and council tax base

In 2015/16, the Council's average Band D Council Tax was £1,600.52 (£1,571.09 in 2014/15). The charge for each band is a ratio of band D. The 2015/16 charges therefore were:

Band	Ratio to Band D	Council Tax (£)
Disabled A	5/9	889.18
A	6/9	1,067.01
B	7/9	1,244.85
C	8/9	1,422.68
D	1	1,600.52
E	11/9	1,956.19
F	13/9	2,311.86
G	15/9	2,667.53
H	18/9	3,201.04

These charges are before any appropriate discounts. The Council tax base, which is used in the tax calculation, is based on the number of dwellings in each band on the listing produced by the Listing Officer. This is adjusted for exemptions, discounts, disabled banding changes, appeals and new builds. The tax base estimate for 2015/16 was **36,606.88** as calculated below (36,250.26 in 2014/15).

Band	Dwellings per Valuation List	Adjustment for Disabled Banding Appeals, Discounts and Exemptions	Revised Dwellings	Ratio to Band D	Band D Equivalent
Disabled A		10.75	10.75	5/9	5.97
A	4,880.00	(812.25)	4,067.75	6/9	2,711.83
B	8,543.00	(940.00)	7,603.00	7/9	5,913.44
C	8,426.00	(755.00)	7,671.00	8/9	6,818.67
D	7,880.00	(3,694.24)	4,185.76	1	4,185.76
E	6,516.00	(432.75)	6,083.25	11/9	7,435.08
F	3,593.00	(162.50)	3,430.50	13/9	4,955.17
G	2,948.00	(154.25)	2,793.75	15/9	4,656.25
H	327.00	(23.25)	303.75	18/9	607.50
Total	**43,113.00**	**(6,963.49)**	**36,149.51**		**37,289.67**
Less allowance for non collection					(745.79)
Plus adjustment for armed forces dwellings					63.00
Tax base					**36,606.88**

2. Rateable value

The total business rates rateable value at 31 March 2016 was £83,223,035. This compares to £82,739,172 at 31 March 2015. The standard business rates multiplier was 49.3p in 2015/16 (2014/15: 48.2p). Without reliefs this would generate a total income of £41,028,956.25 (2014/15 £39,880,280.90). These figures are a snapshot only and differ from the value of business rate bills issued due to changes in rateable values during the year, small business rate relief, void properties and charitable relief.

3. Collection fund balance

2014/15 Business Rates £000	2014/15 Council Tax £000		2015/16 Business Rates £000	2015/16 Council Tax £000
2,724	(1,771)	Fund balance at 1 April	435	(2,062)
(2,289)	(291)	Deficit/(surplus) for year*	25,644	(58)
435	**(2,062)**	**Fund balance as at 31 March – deficit/(surplus)***	**26,079**	**(2,120)**

*The increase in the provision for Business Rates appeals and the subsequent impact on the Business Rates Collection Fund is explained in the Narrative Statement.

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

2014/15 Business Rates £000	2014/15 Council Tax £000		2015/16 Business Rates £000	2015/16 Council Tax £000
218	-	Central Government	13,039	-
39	(1,495)	Devon County Council	2,347	(1,539)
-	(218)	Devon and Cornwall Police	-	(223)
4	(101)	Devon and Somerset Fire Authority	261	(103)
261	**(1,814)**	**Total deficit/(surplus) due to Preceptors**	**15,647**	**(1,865)**
174	(248)	South Hams District Council	10,432	(255)
435	**(2,062)**	**Fund balance as at 31 March – deficit/(surplus)**	**26,079**	**(2,120)**

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

The Authority's responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Finance Community of Practice Lead (S151 Officer)

- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets

- approve the Statement of Accounts

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

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

In preparing this Statement of Accounts, the Finance Community of Practice Lead (S151 Officer) has:

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

The Finance Community of Practice Lead (S151 Officer) has also:

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

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

……………………………………………

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

30 June 2016

Approval of the Statement of Accounts

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

Signed on behalf of South Hams District Council

TBA
………………………………………………

Councillor K R H Wingate

Chairman of the Audit Committee

SECTION 6. AUDITORS' REPORT

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

SECTION 7. GLOSSARY OF TERMS

ACCRUALS	A sum included in the accounts to cover income or expenditure attributable to an accounting period for goods received or works done, but for which payment has not been received/made by the end date of the period for which the accounts have been prepared.
ACTUARIAL GAINS & LOSSES	These are changes in actuarial deficits or surpluses that arise because either actual experience or events have not been exactly the same as the assumptions adopted at the previous valuation (experience gains and losses) or the actuarial assumptions have changed.
BALANCES	The surplus or deficit on any account at the end of the year. Amounts in excess of that required for day to day working may be used to reduce the demand on the Collection Fund.
CAPITAL EXPENDITURE	Expenditure on the acquisition of an asset or expenditure which adds to and not merely maintains the value of an existing asset.
CAPITAL RECEIPTS	Income received from sale of assets which is available to finance other capital expenditure or to repay debt on assets financed from loan.
CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)	The governing body responsible for issuing the statement of recommended practice to prepare the accounts.
COLLECTION FUND	A separate fund which must be maintained by a district for the proper administration of council tax and business rates.
CURRENT SERVICE COST	Amount chargeable to Services based on the Actuary's assessment of pension liabilities arising and chargeable to the financial year.
CURTAILMENTS	This is the amount the Actuary estimates as the cost to the Authority of events that reduce future contributions to the scheme, such as granting early retirement.

DEFINED BENEFIT SCHEME	A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable and 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.
FAIR VALUE	The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
FEES & CHARGES	In addition to the income from charge payers and the Government, Local Authorities charge for services, including Planning Consents, Hire of Sporting Facilities, Car Parking etc.
FINANCIAL INSTRUMENTS	A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.
GOVERNMENT GRANTS	Payments by Central Government towards the cost of Local Authority services, including both Revenue and Capital.
IMPAIRMENT ALLOWANCE ("BAD DEBT PROVISION")	Provisions against income to prudently allow for non collectible amounts.
INTEREST COST	For the pension fund this represents the discount rate at the start of the accounting period applied to the liabilities during the year based on the assumptions at the start of the accounting period.
INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) & THE CODE OF PRACTICE (CODE)	Formal financial reporting standards adopted by the accounting profession and to be applied when dealing with specific topics within its accounting Code. The Code is based on approved accounting standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements.

PAST SERVICE COST	These will typically be additional benefits awarded on early retirement. This includes added years or augmentation and unreduced pension benefits awarded before eligible retirement age in the pension scheme.
PRECEPT	The levy made by precepting authorities including the County Council and Parish Councils, on the District Council requiring it to collect the required income from council taxpayers on their behalf.
PROJECTED UNIT METHOD	An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings.
RATEABLE VALUE	A value placed on all properties subject to Rating. The value is based on a national rent that property could be expected to yield after deducting the cost of repairs.
REVENUE EXPENDITURE	Recurring items of day to day expenditure consisting principally of salaries and wages, and general running expenses etc.
SETTLEMENTS	A settlement will generally occur where there is a bulk transfer out of the Pension Fund or from the employer's share of the Fund to a new contractor's share of the Fund as a result of an outsourcing. It reflects the difference between the IAS 19 liability transferred and the assets transferred to settle the liability.
STRAIN ON FUND CONTRIBUTIONS	Additional employers pension contributions as a result of an employee's early retirement.
SUNDRY CREDITORS	Amounts owed by the Council at 31 March.
SUNDRY DEBTORS	Amounts owed to the Council at 31 March.