Appendix A

West Devon Borough Council

Draft Statement of Accounts

2017/2018

West Devon Borough Council

Appendix A

Contents

Statement of Accounts 2017-18

The Statement of Accounts 2017-18 can be made available in large print, Braille, tape format or other languages upon request.

West Devon Borough Council is committed to reflecting the full diversity of our community and to promoting equality of opportunity for everyone.

Section *1*

Narrative Statement

Appendix A

Introduction to the 2017/18 Statement of Accounts by Councillor P R Sanders, Leader of West Devon Borough Council

It has undoubtedly been a challenging year with our main central government funding coming to an end on 1st April 2018. West Devon has continued to work in partnership with South Hams District Council which has allowed West Devon Borough Council to achieve annual savings of £2.2 million and more importantly protect all statutory front line services.

During the year, we have been unrelenting in seeking and attempting to deliver efficiencies and improving services. The year 2018 has seen the completion of the Joint Transformation Programme (T18) with South Hams District Council. Services are being provided in a completely new way by adopting innovative IT solutions which have been re-designed in line with our customers' requirements and as far as possible future proofed.

The digital services, that the Council offers as an option, have given our residents and customers more choice on how and when they access our services. Our staff continue to strive for positive change and they, together with the Councillors, are proud of what we have achieved in 2017/18.

The proposed merger into a single local authority with South Hams did not go ahead, however the year has seen the Council make good progress with the Joint Local Plan, by working together with South Hams District and Plymouth City Councils. The Joint Local Plan is a strategic planning document which sets out development and growth up until 2034 and will set home building and job targets for all three Councils.

The Council has continued to play an influential role in the sub-regional debate on a number of key topics including devolution and productivity and continues to work closely with the Heart of the South West Local Enterprise Partnership (LEP) to secure Growth Deals to facilitate economic growth, job creation and prosperity in the area.

The underspend for the 2017/18 year of £72,000 (1% of the net budget of £7.42m) demonstrates the Council's prudent management of our finances. Our strategic financial planning enables 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 Council continues to do everything it can to ensure that residents, businesses and front-line services come first. The financial standing of the Council remains secure in the short to medium term, for what will undoubtedly be, very challenging times ahead.

Councillor P R Sanders, Leader of the Council

Foreword by the Executive Director & Head of Paid Service

The Council continues to scrutinise budgets as part of our annual budget setting process to ensure that we target our spending where it is needed most. During 2016/17, the Council applied and was accepted for the four year Government funding agreement. From 2018/19 onwards, we will no longer receive any Revenue Support Grant from the Government and the Council will need to be self-financing.

District Councils such as West Devon have also suffered a large reduction in our New Homes Bonus funding (£0.5 million in 17/18) due to the number of payment years being reduced from six to four years.

In addition, the Government is undertaking a "fair funding review" (due to be implemented in 2020/21), which will set new baseline funding allocations for Councils, based on an assessment of needs and resources. The move towards retention by Councils of 75% of business rates growth is expected to be in place by 2020.

The Council has responded to the consultations on these initiatives and continues to monitor proposals so that we can protect the Council's position as far as possible and continue to provide our full range of services to our communities. We were thrilled to be chosen as one of the pilot areas for business rates growth retention for 2018/19, allowing the Council to retain a higher share of business rates growth income for 2018/19.

There is still much more to be done and the Council is establishing a solid base to be more commercial in our approach to meeting the forecast budget gap of £0.75 million for next year (cumulative budget gap of £3.46 million by 2022/23), whilst protecting its much valued services. In this financial climate, income generation becomes a key priority area.

Using our Medium Term Financial Strategy, the Council will continue to maximise its sources of income in order to maintain and improve services for our residents, businesses and visitors. We will do this through business development, ensuring the best use of our assets, identifying new income streams and actively pursuing all opportunities to increase the resources available and further reduce our costs for the benefit of our communities.

The finance team have accomplished the significant challenge of publishing the Council's Statement of Accounts for 2017/18 one month earlier than usual (due to the new statutory deadline) and I would like to thank them for their continued drive, enthusiasm and commitment.

Sophie Hosking, Executive Director & Head of Paid Service

Message from the Section 151 Officer & Strategic Finance Lead - 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 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 2018 and how the Council has performed against the budget set for 2017/18

- Be assured that the financial position of the Council is secure, with a degree of resilience.

This Narrative Statement provides information about West Devon, including the key issues affecting the Council and its Accounts. The Expenditure and Funding Analysis brings together local authority performance reported on the basis of expenditure, measured under proper accounting practices with statutorily defined charges to the General Fund.

Both the Comprehensive Income and Expenditure Statement and the Expenditure and Funding Analysis include a segmental analysis which requires local authorities to report performance on the basis of how they are structured and how they operate, monitor and manage financial performance. Service costs shown in the CIES are shown by Group Manager area (Strategy & Commissioning, Customer First, Commercial Services and Support Services) and are on the same basis used in the management accounts.

Providing residents and other stakeholders with the confidence that the public money for which we are responsible has been properly accounted for remains very important to us. We have embedded financial management disciplines, processes and procedures.

The financial standing of the Council is secure in the short to medium term, but there is still much work to do to ensure the long-term financial sustainability of the Council. The next four years will be challenging as the Government’s fair funding review and reset of the Business Rates baseline are introduced, coupled with no Government Grant (Revenue Support Grant) and reduced funding from New Homes Bonus.

Mrs Lisa Buckle BSc (Hons), ACA
Section 151 Officer & Strategic Finance Lead

Appendix A

NARRATIVE STATEMENT – INTRODUCTION

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

REVIEW OF THE YEAR – THE REVENUE BUDGET

2. The 2017/18 budget for West Devon was £7.42 million but the actual spend was 1% lower, providing an underspend of £72,000, which will go into the Council's Unearmarked Reserves which now stand at £1.197 million. The main components of the General Fund budget for 2017/18 and how these compare with actual income and expenditure are set out below:

	Estimate £000	**Actual £000**	**Difference Cost/ (Saving) £000**
Cost of services (after allowing for income and reserve contributions)	6,770	6,690	(80)
Parish Precepts	1,286	1,286	-
Interest and Investment income	(70)	(58)	12
Amount to be met from Government grants and taxation	**7,986**	**7,918**	**(68)**
Financed from:			
Revenue Support Grant	(223)	(227)	(4)
Business Rates	(1,539)	(1,539)	-
Council Tax	(5,642)	(5,642)	-
Surplus on Collection Fund	(178)	(178)	-
Transition Grant	(31)	(31)	-
Rural Services Delivery Grant	(373)	(373)	-
UNDERSPEND 2017/18	**-**	**(72)**	**(72)**

3. The underspend is shown in the Movement in Reserves Statement in Section 2C and can be summarised as follows:

	£000
General Fund Balance (un-earmarked revenue reserve) at 1 April 2017	(1,125)
Underspend for the 2017/18 financial year	**(72)**
General Fund Balance (un-earmarked revenue reserve) at 31 March 2018	(1,197)

4. The table below shows a reconciliation of the position shown on the bottom of the Comprehensive Income and Expenditure Statement and the underspend for 17/18.

	£000
Total Comprehensive Income and Expenditure	**(2,485)**
Remeasurements of the net defined benefit pension liability	2,866
Surplus on the revaluation of Property, Plant and Equipment	1,349
Deficit on the revaluation of available for sale financial assets	(16)
The detail of the items below are shown in Note 7 'Adjustments between Accounting Basis and Funding Basis under Regulations'	
Adjustments primarily involving the Capital Adjustment Account	(1,108)
Adjustments primarily involving the Capital Receipts Reserve	18
Adjustments primarily involving the Capital Grants Unapplied Account	101
Adjustments primarily involving the Pensions Reserve	(878)
Adjustments primarily involving the Council Tax Collection Fund Adjustment Account	(99)
Adjustments primarily involving the Business Rates Collection Fund Adjustment Account Capital Adjustment Account	(100)
Adjustments primarily involving the Accumulated Absences Account	(3)
Transfers to earmarked reserves	283
Underspend for the 2017/18 financial year	**(72)**

Appendix A

5. A summary of the main differences from budget in 2017/18 is provided below:

ANALYSIS OF VARIATIONS (% column shows variation against budget)	**£'000**	**% variation**
Increases in expenditure/reduction in income		
Customer First		
Leisure Centre legal fees - the Council externalised the legal work to facilitate negotiations over the terms of the lease arrangements for the new leisure contract. (One-off costs).	80	-
Additional salary costs (budgeted £1.783m salary costs)	15	0.8%
Shortfall in letting income for Kilworthy Park, Tavistock (budgeted £0.159m of letting income)	20	12.6%
Commercial Services		
Waste services – overspend on the vehicle repairs and maintenance of an ageing fleet and on the purchase of equipment. New vehicle fleet were purchased towards the latter end of 2017/18.	40	2.2%
Support Services		
ICT support contracts – extra costs e.g. IEG4 software. The additional costs are offset by additional recovery of housing benefit overpayments. The budgeted amount for ICT support contracts was £0.218m.	120	55.0%
Other small variances	13	-
Reductions in expenditure/additional income		
Customer First		
Housing Benefit – additional overpayment recoveries (budgeted expenditure for Housing Benefit in 2017/18 is £13 million)	(190)	-
Homelessness – the Council received flexible homelessness support grant and reduction in homelessness prevention costs (budgeted £0.139m).	(60)	(43.2)%
Employment Estates – additional rental income and service charges (budgeted £0.23m)	(70)	(30.4)%
Commercial Services		
Car Parking – additional income (budgeted £0.842m)	(40)	(4.8)%
TOTAL UNDERSPEND FOR 2017/18	**(72)**	**(1.0)%**

The 2017/18 budget for West Devon was £7.42 million but the actual spend was 1% lower, providing an underspend of £72,000 as shown above.

KEY AREAS TO NOTE FROM THE 2017/18 STATEMENT OF ACCOUNTS

Pension Liability

6. 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.

7. The Actuary has estimated a net deficit on the funded liabilities within the Pension Fund as at 31 March 2018 of £24.4 million. This compares to £26.4 million as at 31 March 2017. The deficit is derived by calculating the pension assets and liabilities at 31 March 2018. See Note 35 for further information.

Business Rates

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

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

10. In 2017/18 there has been a £267,000 increase in the provision for appeals within the Collection Fund. The surplus on the Business Rates Collection Fund now stands at £152,000 (£402,000 in 2016/17). West Devon Borough Council's share of the surplus is 40% (£60,000). Monies are set aside in the Business Rates Retention Earmarked Reserve to mitigate the impact of volatility in Business Rates income. The balance on this reserve is £509,000 at March 2018. The Council is part of the Devon Business Rates Pool and the pooling gain received was £82,431 for 2017/18.

Business Rates Pilot status for 2018/19

11. The move towards 75% Business Rate Retention of business rates growth is expected to be in place by 2020. Devon has been selected as one of 10 areas to take part in a national pilot allowing Councils to retain 100% of business rates growth. The Council is very pleased to be given this opportunity by Central Government. The pilot is for one year, 2018/19 and will inform whether 75% of business rates retention can be rolled out nationally.

Trading Company

12. West Devon Borough Council and South Hams District Council set up a trading company, Servaco Limited, on 4th September 2014. This is a company limited by shares. The company has not traded in 2017/18 and a set of statutory dormant Accounts will be filed with Companies House for the period 1 April 2017 to 31 March 2018. The future of Servaco Limited will be reviewed during 2018/19.

Borrowing

13. As at 31 March 2018 the Council had £4.75 million of external borrowing (see note 13 – Financial Instruments - for more details).

Capital spending

14. The Council spent £3.2m on capital projects. The main areas of expenditure were as follows:
    - residential renovation grants including disabled facilities grants (£0.329m)
    - leisure centres (£0.913m)
    - purchase of waste fleet (£1.65m)

    The capital programme is funded from capital receipts, capital grants, external contributions and earmarked reserves (please see Note 32).

FINANCIAL NEEDS AND RESOURCES

15. 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.
16. General Fund reserves (which include earmarked reserves) have increased by £0.355m from the preceding year and stand at £5.2m at 31 March 2018.
17. The General Fund Balance (un-earmarked reserve) has increased by £72,000 in 2017/18 and totals £1.197m. Revenue reserves may be used to finance capital or revenue spending plans. The level of Reserves are assessed as adequate for the Council's operations.
18. Capital Reserves are represented by capital receipts and capital contributions unapplied. The balance at 31 March 2018 amounts to £469,000 compared to £625,000 at the end of the previous year.

19. 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.

20. 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 £24.4 million at 31 March 2018. This disclosure follows the implementation of the International Accounting Standards (IAS 19). This standard requires local authorities and other businesses to disclose pension assets and liabilities within the balance sheet.

21. 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.

Transformation Programme 2018 (T18)

22. In 2013, West Devon Borough Council and South Hams District Council embarked on an ambitious and challenging Transformation Programme (T18), to remodel how the Councils worked. This was in light of the acute funding gap (£4.7 million) the Councils were facing.

23. The T18 Closedown report will be presented to the Hub Committee on 5th June 2018. Attached below is a link to the full report:-

    http://mg.swdevon.gov.uk/ieListDocuments.aspx?CId=221&MId=1204&Ver=4

24. The predicted final spend (£2.767million) is £63,000 less than the budget of £2.83 million. The total annual savings realised from the T18 Transformation Programme were £1.505 million per year. The largest element of these savings were staffing savings. Between 2014 and 2015, the majority of employees at both Councils went through a rigorous recruitment process and the workforce was reduced by 30%. The payback period of the Transformation Programme was just under 3 years.

Senior Leadership Team Interim arrangements

25. In February 2018, the Executive Director for Strategy and Commissioning and Head of Paid Service left the employment of the Council. Due to the scale of the challenges ahead for the Council, Members felt that it was important that the Council retained stability and continuity in its strategic leadership and senior management capacity.

26. At a Council meeting in December 2017, Council approved that the Executive Director for Service Delivery and Commercial Development be designated the Head of Paid Service for an interim period of up to 18 months. It was also agreed to allocate additional responsibilities to members of the senior and extended leadership team on an interim basis.

Annual Governance Statement (AGS)

27. The Council's Annual Governance Statement sets out the arrangements for governance which the Council has in place. The AGS is published alongside the Accounts for 2017/18.

LOOKING FORWARD TO THE FUTURE AND NEXT STEPS

28. During the next 12 months, we will continue to review how we interact with our customers, focusing on offering easy to use online solutions and keeping our customers informed. We will provide support to those customers with no or limited access to digital channels and to manage complex enquiries or problems.

Review of key services

29. Over the next 12 months we will be benchmarking our services and performance against others and have invited the Local Government Association to carry out a 'Peer Review'. The review is scheduled for September and the review team will be made up of senior members and officers from other leading and comparable Councils and they will assess our progress in the following areas;

    - Review the various options to secure the financial sustainability of the Council
    - Consider the resource pressures for the Council and the implication for the delivery of non-statutory services and how the Council may manage these services in the future
    - Review the proposed plans for investment and commercial delivery
    - Review the extent that the Council has embraced organisational change and the use of e-technology
    - Review economic growth and housing and how the Council might deliver this

30. In addition we will be working with key stakeholders and current contractors to ensure that front line services continue to perform at a high level and can be developed in the future. Recycling, waste collection, street cleansing and grounds maintenance services will all be market tested for quality, environmental suitability, cost and performance.

Partnership working

31. We will continue to develop our existing partnerships and create new ones to improve our support to individuals and communities, ensuring that we offer joined up services and customers have a clear understanding of where they can get guidance and support. Through the continued development of our Locality teams, we aim to make a real difference on the ground, this could be through signposting services or through enabling access to grants to support local initiatives.

Our financial future

32. With the withdrawal of Government funding, we will need to generate additional income to be able to carry on delivering our current range of services. Over the course of the year, we will be considering and implementing proposals to meet this financial challenge; these are likely to include developing investment opportunities and income generating Services, as well as finding further efficiencies and smarter ways of doing things.

Summary

33. Overall, the Council's finances remain secure in the short to medium term, but there is still much work to do to ensure the long-term financial sustainability of the Council, to meet the challenges ahead.

34. The financial year 2017/18 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) which the Council has embedded since its introduction in 2013, 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 Section 151 Officer & Strategic Finance Lead authorised the unaudited Statement of Accounts 2017/18 for issue on 30 May 2018.

Appendix A

ACHIEVEMENTS FOR 2017-18

The following pages set out the achievements of the Council for 2017-18 by each of the Themes within its Corporate Strategy.

COUNCIL - Delivering efficient and effective services

Action	17/18 Progress
Customer Service	Proactive use of social media, roadshows and simple to use IT systems, has led to a significant reduction in call volumes and a drop in the number of people visiting our offices. Thanks to agile IT provision and improved business continuity and emergency response planning the Beast from the East weather event made little impact on our usual service delivery.
Value for Money	As part of the budget setting process for 2018/19, we have agreed to reduce funding or seek efficiencies to ensure statutory delivery outcomes are prioritised. During the year by working collaboratively with other Devon districts we have reviewed our insurance contract which has resulted in a £30,000 saving.
Lobbying	Participated in a number of consultations during the year, including capital investment and borrowing; business rate retention; the formation of the Heart of the South West Productivity Strategy and Joint Committee and the Fair Funding Review. The Council has also been accepted as one of only 10 new business rate retention pilots in England for 2018/19.
Investment	During the year, we adopted and commenced implementation of a commercial property acquisition strategy. This strategy has multiple objectives, including helping the Council to deliver and/or improve frontline services; support regeneration and the economic activity of the borough, LEP area and the South West peninsula; enhance economic benefit/business rate growth, and, as an ancillary benefit, assist with the financial sustainability of the Council. We are also undertaking research with the LGA (Local Government Association) into investment in housing, affordable housing and the private rented sector.

COMMUNITIES - Council and residents working together to create strong empowered communities

Action	17/18 Progress
Community Project Grants	£23,562 given to 9 projects ranging from renovations to village halls, replacing play equipment and community picnic benches.
Town and Parish (TAP) Funding	£62,571 awarded to 30 community projects including village notice boards, play park refurbishment and Devon Air Ambulance night landing sites.
Seamoor Community Lotto	Agreement secured to proceed with a Council led lottery in partnership with South Hams District Council and Gatherwell Ltd. to support good causes locally.
Community Support	Provided core funding support to a range of local organisation providing services to local communities including the Citizens Advice, CVS (Community Volunteer Service), Ring and Rides, Okehampton Community and Recreation Association and Young Devon.

HOMES - Enabling homes that meet the needs of all

Action	17/18 Progress
Affordable housing	24 affordable homes were completed in North Tawton. Construction has also started on 10 affordable homes in Horrabridge and 6 affordable homes in South Tawton. A further 39 affordable homes are under construction throughout West Devon by working in partnership with developers and housing providers.
Disabled facility grants	Awarded over £213,300 to 45 projects to facilitate independent living through adaptation of homes including level shower access, stair lifts and rails.

HOMES - Enabling homes that meet the needs of all

Action	17/18 Progress
Community Housing Initiative	£250,000 Community Housing Fund targeting homes for those with local connection where the cost of market housing beyond their reach. Internal resource in place and standardised delivery processes being adopted to bring forward a growing number of projects across West Devon.

ENVIRONMENT - Protecting, conserving and enhancing our built and natural environment

Action	17/18 Progress
Joint Local Plan	Conducted 8 community engagement events and invited formal representations on the pre-submission plan. Those representations have been considered by the Inspector.
Waste and Recycling	To improve recycling collections we have been replacing our old, inefficient vehicles as they have come to the end of their useful life. The new vehicles can collect higher volumes of recycling which enables us to collect from more properties before the need for emptying which is more cost effective and reduces the impact on our environment. We have also introduced a charge for garden waste collections to ensure we can continue to offer this discretionary service without compromising other services that the council provides.
Tavistock Town Heritage Initiative	Contributed to this partnership initiative securing £316,457 to date from the Heritage Lottery Fund, restoring 3 listed buildings in 2017/18 including the Pannier Market. Further conservation schemes and public realm enhancements planned for 2018/19.

ENTERPRISE - Creating places for enterprise to thrive and business to grow

Action	**17/18 Progress**
Greater Dartmoor LEAF (Local Enterprise Action Fund)	£265,624 awarded in the past 12 months to 10 projects which are expected to generate 22.6 FTE jobs. Projects include premises refurbishment, equipment investment and business expansion.
Business Support	Funded a business support package which has delivered advice to over 50 businesses, hosted 8 workshops and assisted businesses to recruit over 65 employees.
Teenage Market	Working in partnership with Tavistock College and Tavistock Town Council we launched the first Teenage Market in Tavistock. Providing young people the opportunity to hone their business skills and show their entrepreneurial flair.
Council owned premises	Achieved an average of 89% occupancy rate for all Council owned employment premises.
Sub Regional Productivity Plan	Worked with the Heart of the South West LEP authorities on the draft productivity plan through a series of workshops, consultations and research phases. A joint committee has now been formed to formulate a delivery plan to underpin the strategy. This work is expected to continue through 2018/19.

WELLBEING - Supporting positive, safe and healthy lifestyles and helping those most in need

Action	17/18 Progress
Community Safety Partnership	Part funded the Fire Service Phoenix Project and worked with a dozen hard to reach young people. Held quarterly workshops with 3 local secondary schools. Worked with 2 schools on the Run, Hide, Tell campaign. Trained 91 taxi drivers on safeguarding and child sexual exploitation issues.
Junior Life Skills	Worked with 8 partners including the Police, RNLI, Fire Service, Dog Trust and Tavistock Rotary to present workshops to 549 children year 6 students on safety, wellbeing and responsible citizenship.
Refugees	Honoured our pledge to resettle 4 families as part of the Syrian vulnerable person resettlement scheme.
Leisure Centres	Successful first year for our partners Fusion Lifestyle - 125,000 user sessions at Okehampton and Tavistock, plus 750 swim school members. Capital improvements started and new changing rooms completed at Meadowlands.
Tamar Trails	Usage of the multi-use trails continues to grow with an estimated 20% increase in footfall over the past 12 months.

Appendix A

PERFORMANCE INDICATORS FOR 2017-18

Throughout the year we have continued to improve performance to meet the needs of our customers. We have systematically reviewed areas of poor performance, streamlined processes, embedded new IT solutions and delivered staff training. As a result we have seen a further reduction in call volumes, an increase in transactions online and quicker turnaround times for planning and benefits.

Corporate Balanced Scorecard

Community/Customer

Q1	Q2	Q3	Q4	Yr	
△	△	△	△	△	Overall waste recycling rate %
✓	✓	✓	✓	✓	Residual waste per household
✓	✓	✓	●	✓	Average no. of missed bins
△	△	△	△	△	**CST:** % of calls answered
●	●	△	●	●	**CST:** % of calls answered in 20 secs

Online uptake

Q1	Q2	Q3	Q4	Yr	
✓	✓	✓	✓	✓	% of Benefits new claims online (IEG4)
●	●	●	●	●	% of Benefits change of circumstances online (IEG4)
✓	✓	✓	✓	✓	Ratio of web/call-post-email submissions (W2)

Processes

Q1	Q2	Q3	Q4	Yr	% of planning applications determined within time frame
✓	✓	✓	✓	✓	Major
✓	✓	✓	✓	✓	Non-Major
					Other – no longer report this distinction. Applications captured above

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

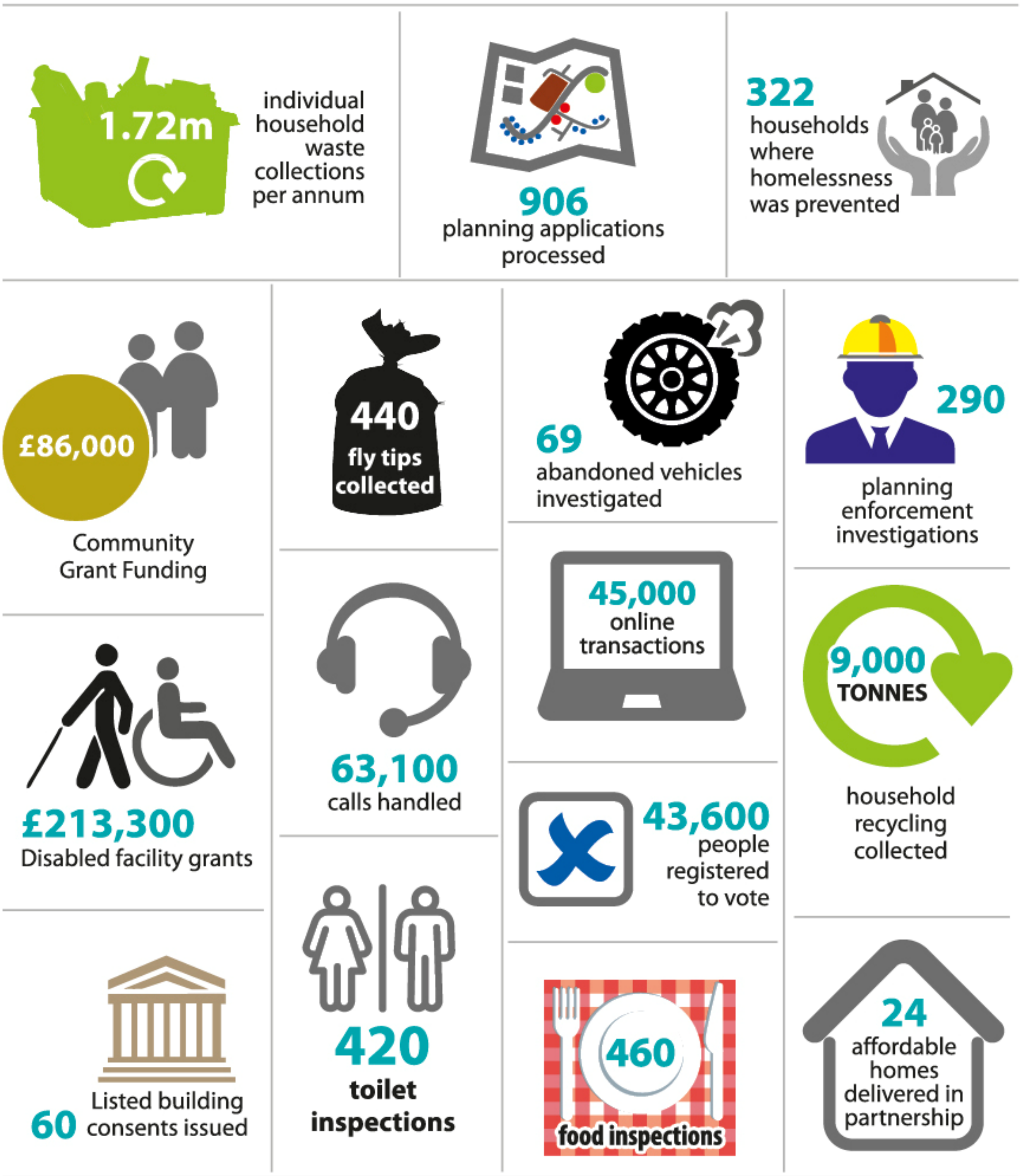
Performance

Q1	Q2	Q3	Q4	Yr	
✓	✓	✓	✓	✓	**EH:** % of nuisance complaints resolved at informal stage
✓	✓	✓	✓	✓	Avg days short term sickness/FTE
✓	✓	△	✓	✓	Complaint response speed

Key

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

A few things we spent your money on in 2017/18



Performance for the year 2017/18

Housing benefit claims processing times 4 days faster than the national average

Online transactions increased by 120% to 45,000 transactions

Missed waste collections equate to 68 in every 100,000

Non major planning determinations delivered on time 90%

Call volume decreased by 21%

Appendix A

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.

Below is an extract mainly from the latest Risk report to the Audit Committee and from the Council's risk register.

Risk	Uncertainties	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. Additionally, income from activities may not materialise or may be reduced, e.g. business rate appeals or a reduction in the commercial property market. The amount of income received can be adversely affected by a fall in collection rates due to economic downturn and other factors such as the bankruptcy/ liquidation of large ratepayers or any sizeable rateable value reductions achieved by business rated properties in the area. The Council is part of the Devon Business Rate Pilot for 2018/19.	Robust horizon scanning to monitor changes in Government policy. Strategic Leadership Team (SLT) awareness of the risks, cautious approach to budgeting and robust systems of financial control. The Council is not intending to rely heavily on sources of income which may not be sustainable. SLT actively participate in Government consultations, MP discussions and keep aware of changes and the response by peer group, ensuring where appropriate the learning from this is incorporated into strategic plans. SLT engaged in the development of the MTFS. Latest budget reports approved by both Councils in February 2018 after Member workshops in October 2017 and the result of the 2018/19 Local Government Finance Settlement being announced.
Data Protection	To manage the risk of non-compliance with Cabinet Office PSN CoCo, PCI DSS, GDPR, Data Protection Act, RIPA, Human Rights Act.	Work underway in respect of data protection / GDPR readiness and audit completed. Data Protection Officer (DPO) now named and is a member of SLT. 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. Look out for advice from the Information Commissioners office. Compliance with relevant PSN CoCo through implementation of security changes required. All staff have been and new starters will be completing a data protection awareness course in via the Council's new eLearning tool.

Risk	**Uncertainties**	**Mitigation**
Governance: Adherence to Council policies & processes and Government guidelines	To maintain effective Member standards and develop new Council Constitution. To continue to raise awareness of the risk of fraud and the implications of the Bribery Act 2010. To ensure that there is on-going review and self-assessment of the effectiveness of governance arrangements within the Council. T18 programme rollout saw service levels reduce but these have now recovered	Promotion of necessary policies via staff intranet. Reviewed and implemented new Council constitution. To provide necessary Annual Governance self-assessment review by the Senior Leadership Team. Audit Committee established with wider terms of reference. External reviews including the Council's external auditors. Appropriate committee monitoring. Service based risk assessments and action plans, with a particular focus on high risk service activity. Training & Development plans being developed. Policies for Health & Safety and wellbeing and lone working all being updated. Statutory Officer Panel set up and meeting Quarterly. Internal Audit programme of work confirmed for 2017/18.
Delivery of local plan (Inc. 5 Year Land Supply)	Lack of detail / contingency around 5 year land supply until the joint local plan is completed.	JLP Submitted to Planning Inspectorate for examination, but more work required on evidence base for housing need assessment.
Political commitment for change	Considerable external change with Devolution and Government funding cuts; leading to uncertainty within the South West and beyond.	Regular Leader & Deputy Leader meetings. Regular surgery and informal sessions for wider membership.
Service Performance	Lack of appropriate resources due to current interim vacancies; ongoing transformation programme specifically IT and process implementation is not yet complete. These two combined have affected our ability to deliver appropriately on occasion. This pressure was increased due to county and general elections in 2017	Getting it right the first time, getting back to people appropriately and more timely. Better channel recognition to clear responses. Keep better records. Appropriate resources in the right places. Plan to commence measuring customer satisfaction during 18/19. Increased customer engagement; new complaints policy in place. Ongoing review of internal and external policies.
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.	Having two HQ locations is main mitigating factor - however an outage of power/ICT at either location would lead to a serious disruption of service. Agile working further reduces reliance on two 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 - priority areas - ICT Networking - Payroll & Creditors Payments; other plans need to be made more robust. Storm Emma provided good evidence of business continuity arrangements through agile working and the IT systems.

Risk	Uncertainties	Mitigation
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. Following the event, the expectation that coastal defences and asset repairs will be urgently undertaken despite competing claims on capital resources.	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
Inadequate Staffing Resources	Performance being reviewed to understand whether resourcing levels are correct; difficult to assess accurately as organisation continues to experience change effects and processes being embedded / roll-out of new technology and working practices	Transitional resource & monitoring arrangements put in place. Staffing arrangements and GAP analysis completed in 16/17. Staff forum embedded; continued SLT engagement with unions and regular staff comms sessions held. Other comms media under review and several improvements made. Staff satisfaction survey re-run in April '18, actions and review underway. Mechanism in place for ELT to appoint within budget where appropriate without recourse to SLT. Apprenticeship scheme being developed by HR.
Inadequate asset maintenance	To manage the health and safety risks of customers and staff and to ensure budgets are managed effectively to maintain assets to a satisfactory standard, To consider and manage the risk of redundant properties / assets.	Effective budget monitoring, sound management of assets/ buildings including a planned maintenance approach along with planned capital expenditure programme. Risk assessments and regular health and safety inspections.

Section 2

Core Financial Statements

SECTION 2A 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 both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2016/17 Restated*				2017/18		
Gross Expenditure £000	**Gross Income £000**	**Net Expenditure £000**	**Segment**	**Gross Expenditure £000**	**Gross Income £000**	**Net Expenditure £000**
19,017	*(16,601)	*2,416	Customer First*	19,703	(16,316)	3,387
3,053	(1,529)	1,524	Commercial Services	4,052	(1,812)	2,240
1,435	(616)	819	Strategy & Commissioning	1,554	(579)	975
1,930	(379)	1,551	Support Services	1,963	(409)	1,554
658	(8)	650	Centrally Held Costs	774	(12)	762
102	(3)	99	Material Items (Note 2)	39	-	39
26,195	***(19,136)**	***7,059**	**Cost of Services**	**28,085**	**(19,128)**	**8,957**
1,243	-	1,243	Other operating expenditure (Note 9)	1,300	(13)	1,287
806	(55)	751	Financing and investment income and expenditure (Note 10)	797	(76)	721
4,164	*(14,649)	*(10,485)	Taxation and non-specific grant income (Note 11)*	3,365	(12,616)	(9,251)
32,408	**(33,840)**	**(1,432)**	**(Surplus) or Deficit on Provision of Services**	**33,547**	**(31,833)**	**1,714**
			(Surplus) or deficit on revaluation of Property, Plant and Equipment			(1,349)
		5,780	Remeasurements of the net defined benefit liability			(2,866)
			(Surplus) or deficit on revaluation of available for sale financial assets			16
		5,780	**Other Comprehensive Income and Expenditure**			**(4,199)**
		4,348	**Total Comprehensive Income and Expenditure**			**(2,485)**

***Restatement Note** - the 2016/17 Comprehensive Income and Expenditure Statement and Expenditure and Funding Analysis (EFA) have been restated to reflect the correct accounting treatment of REFCUS (Revenue Expenditure Funded from Capital Under Statute) grants. In the 2016/17 Statement of Accounts £250,000 was incorrectly reflected in the gross income in the Cost of Services (Customer First) with a corresponding reduction in Capital Grants (within 'Taxation and non-specific grant income' above). There is no overall impact, the 'surplus on the provision of services' remains at £1,432,000 in 2016/17, the restatement is purely for presentational purposes.

SECTION 2B EXPENDITURE AND FUNDING ANALYSIS

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the Authority (ie government grants, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by the Authority in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Authority's service areas. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement in Section 2A.

2017-2018	**Net Expenditure Chargeable to the General Fund £000**	**Adjustments between Funding and Accounting Basis (note 4) £000**	**Net Expenditure in the Comprehensive Income and Expenditure Statement £000**
Customer First	1,804	1,583	3,387
Commercial Services	2,183	57	2,240
Strategy & Commissioning	947	28	975
Support Services	1,497	57	1,554
Centrally Held Costs	762	-	762
Material Items	39	-	39
Net Cost of Services	**7,232**	**1,725**	**8,957**
Other income and expenditure	(7,587)	344	(7,243)
(Surplus)/Deficit on Provision of Services	**(355)**	**2,069**	**1,714**

	General Fund Balance £000	**Earmarked Reserves £000**	**Total General Fund Reserves £000**
Opening Balance at 31 March 2017	**(1,125)**	**(3,732)**	**(4,857)**
(Increase)/decrease in year	(72)	(283)	(355)
Closing Balance at 31 March 2018	**(1,197)**	**(4,015)**	**(5,212)**

2016-2017 Comparatives – restated **(see the restatement note in the CIES in Section 2A on previous page)*	**Net Expenditure Chargeable to the General Fund £000**	**Adjustments between Funding and Accounting Basis (note 4) £000**	**Net Expenditure in the Comprehensive Income and Expenditure Statement £000**
Customer First*	1,788	628	2,416
Commercial Services	1,534	(10)	1,524
Strategy & Commissioning	875	(56)	819
Support Services	1,506	45	1,551
Centrally Held Costs	650	-	650
Material Items	99	-	99
Net Cost of Services	**6,452**	**607**	**7,059**
Other income and expenditure*	(7,859)	(632)	(8,491)
(Surplus)/Deficit on Provision of Services	**(1,407)**	**(25)**	**(1,432)**

	General Fund Balance £000	**Earmarked Reserves £000**	**Total General Fund Reserves £000**
Opening Balance at 31 March 2016	**(1,055)**	**(2,395)**	**(3,450)**
(Increase)/decrease in year	(70)	(1,337)	(1,407)
Closing Balance at 31 March 2017	**(1,125)**	**(3,732)**	**(4,857)**

SECTION 2C: MOVEMENT IN RESERVES

Movement in Reserves Statement

This statement shows the movement from the start of the year to the end on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Movement in Reserves Statement shows how the movements in year of the Authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Increase/Decrease in Year line shows the statutory General Fund Balance movements in the year following these adjustments.

2017/18	General Fund Balance £000	Earmarked General Fund Reserves £000	**Total General Fund Reserves £000**	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Authority Reserves 2017/18 £000**
Balance at 31 March 2017 carried forward	**1,125**	**3,732**	**4,857**	**452**	**173**	**5,482**	**(8,391)**	**(2,909)**
Movement in Reserves during Year								
Total Comprehensive Income & Expenditure	(1,714)	-	**(1,714)**			**(1,714)**	4,199	**2,485**
Adjustments between accounting basis & funding basis under regulations (Note 7)	2,069	-	**2,069**	(105)	(51)	**1,913**	(1,913)	**-**
Transfers to/from Earmarked Reserves (Note 8)	(283)	283	**-**	-	-	**-**	-	**-**
Increase/ (Decrease) in Year	**72**	**283**	**355**	**(105)**	**(51)**	**199**	**2,286**	**2,485**
Balance at 31 March 2018 carried forward	**1,197**	**4,015**	**5,212**	**347**	**122**	**5,681**	**(6,105)**	**(424)**

SECTION 2C: MOVEMENT IN RESERVES

2016/17 **Comparatives**	General Fund Balance £000	Earmarked General Fund Reserves £000	**Total 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 2016 carried forward	**1,055**	**2,395**	**3,450**	**452**	**21**	**3,923**	**(2,484)**	**1,439**
Movement in Reserves during Year								
Total Comprehensive Income & Expenditure	1,432	-	**1,432**	-	-	**1,432**	(5,780)	**(4,348)**
Adjustments between accounting basis & funding basis under regulations (Note 7)	(25)	-	**(25)**	-	152	**127**	(127)	**-**
Transfers to/from Earmarked Reserves (Note 8)	(1,337)	1,337	**-**	-	-	**-**	-	**-**
Increase/ (Decrease) in Year	**70**	**1,337**	**1,407**	**-**	**152**	**1,559**	**(5,907)**	**(4,348)**
Balance at 31 March 2017 carried forward	**1,125**	**3,732**	**4,857**	**452**	**173**	**5,482**	**(8,391)**	**(2,909)**

SECTION 2D. BALANCE SHEET

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

31 March 2017		**Notes**		**31 March 2018**
£000				**£000**
19,311	Property, Plant & Equipment	12		22,315
88	Intangible Assets			123
-	Long Term Investments	13		484
127	Long Term Debtors	14		123
19,526	**Long Term Assets**			**23,045**
-	Short Term Investments	13		3,000
2,541	Short Term Debtors	14		3,760
9,641	Cash and Cash Equivalents	15		4,377
12,182	**Current Assets**			**11,137**
(5,291)	Short Term Creditors	16		(4,367)
(306)	Provisions	17		(413)
(5,597)	**Current Liabilities**			**(4,780)**
(110)	Long Term Creditors	16		(54)
(2,100)	Long Term Borrowing	13		(4,750)
(26,368)	Pension Fund Liabilities	35		(24,380)
(442)	Capital Grants Receipts in Advance	30		(642)
(29,020)	**Long Term Liabilities**			**(29,826)**
(2,909)	**Total Net Assets**			**(424)**
5,482	Usable Reserves	18		5,681
(8,391)	Unusable Reserves	19		(6,105)
(2,909)	**Total Reserves**			**(424)**

The unaudited accounts were issued on 30 May 2018.

SECTION 2E. 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.

2016/17 £000		**2017/18 £000**
(1,432)	**Net (surplus) or deficit on the provision of services**	**1,714**
(686)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 20)	(578)
(3,498)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	360
(5,616)	**Net cash flows from Operating Activities**	**1,496**
(280)	Investing Activities (Note 22)	5,651
451	Financing Activities (Note 23)	(1,883)
(5,445)	**Net (increase) or decrease in cash and cash equivalents**	**5,264**
4,196	Cash and cash equivalents at the beginning of the reporting period	9,641
9,641	**Cash and cash equivalents at the end of the reporting period (Note 15)**	**4,377**

Section 3

Notes to the Financial Statements

Notes to the Financial Statements

1. Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty
2. Material Items of Income and Expenditure
3. Events After the Reporting Period
4. Note to the Expenditure and Funding Analysis
5. Segment Reporting
6. Expenditure and Income Analysed by Nature
7. Adjustments between Accounting Basis and Funding Basis under Regulations
8. Transfers to/from Earmarked Reserves
9. Other Operating Expenditure
10. Financing and Investment Income and Expenditure
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14. Debtors
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    - Revaluation Reserve
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20. Cash Flow Statement – Adjustments for non-cash movements
21. Cash Flow Statement – Adjustments for Investing & Financing Activities
22. Cash Flow Statement – Investing Activities
23. Cash Flow Statement – Financing Activities
24. Trading Operations – Building Control

Notes to the Financial Statements - continued

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 2018 for which there are significant risks of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives which are estimated annually.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. If the depreciation lives of the assets were to change by 1 year across all assets, this would have a £27,000 impact on the Council's finances.
Arrears	The Authority makes a provision every year for the impairment of doubtful debts for Council Tax, Business Rates, Housing Benefit and Sundry Debt. For example at 31 March 2018, the Authority had a balance of Sundry Debtors of £214,000. A review of significant balances suggested that an impairment for doubtful debts of 53% (£114,000) 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 £6,700 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.

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 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 £918,000.
	The value of pension assets is estimated based upon information available at the Balance Sheet date, but these valuations may be earlier than the Balance Sheet date. The actual valuations at the Balance Sheet date, which may not be available until sometime later, may give a different value of pension assets, but this difference is not considered to be material.	The assumptions interact in complex ways. For example, in 2017/18, the Authority's actuaries advised that the pension liability had decreased by £2.5 million as a result of a change in "financial assumptions".
	The Pensions Fund's Actuary has provided updated figures for the year based on the last valuation in 2016. This valuation is based upon cashflow and assets values as at 31 March 2018. Previously cashflow and asset values were determined as at 31 March but the date has been brought forward to facilitate earlier completion of accounts which commences for the 2017/18 Statement of Accounts.	Please refer to note 35 for further information about the assumptions used by the actuaries.

SECTION 3 NOTES TO THE ACCOUNTS

2. MATERIAL ITEMS OF INCOME AND EXPENDITURE

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

	2016/17			2017/18		
Transformation Programme (T18) Investment Costs	**Direct £000**	**Recharges £000**	**Total £000**	**Direct £000**	**Recharges £000**	**Total £000**
GROSS REVENUE EXPENDITURE						
Implementation and design of the future operating model	-	68	68	-	-	-
Redundancy and Pension strain payments	56	57	113	39	-	39
Pension Strain (capitalised cost)	(79)	-	(79)	-	-	-
Sub Total	**(23)**	**125**	**102**	**-**	**-**	**-**
GROSS REVENUE INCOME Shared Service Recharge to South Hams DC	-	(3)	**(3)**	-	-	**-**
Sub Total	**-**	**(3)**	**(3)**	**-**	**-**	**-**
NET REVENUE EXPENDITURE/(INCOME) (as shown in the CIES)	**(23)**	**122**	**99**	**39**	**-**	**39**

3. EVENTS AFTER THE REPORTING PERIOD

The draft Statement of Accounts (SOA) for 2017/2018 was approved for issue by the Section 151 Officer & Strategic Finance Lead on 30 May 2018. This is also the date up to which events after the reporting date have been considered.

4. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

This note explains the main adjustments from net expenditure chargeable to the general fund balances to arrive at the amounts in the Comprehensive Income and Expenditure Statement (CIES).

Adjustments between Funding and Accounting Basis				
2017/18	**Adjustments for capital purposes (Note A) £000**	**Net change for the pensions adjustments (Note B) £000**	**Other Differences (Note C) £000**	**Total adjustments £000**
Customer First	1,470	113	-	**1,583**
Commercial Services	34	23	-	**57**
Strategy and Commissioning	-	28	-	**28**
Support Services	54	-	3	**57**
Net Cost of Services	**1,558**	**164**	**3**	**1,725**
Other income and expenditure from the Expenditure & Funding Analysis	**(569)**	**714**	**199**	**344**
Difference between the General Fund surplus or deficit, and the surplus or deficit on the provision of services in the CIES	**989**	**878**	**202**	**2,069**

Adjustments between Funding and Accounting Basis				
2016/17 Comparatives – restated* *(see the restatement note on the following page)*	**Adjustments for capital purposes (Note A) £000**	**Net change for the pensions adjustments (Note B) £000**	**Other Differences (Note C) £000**	**Total adjustments £000**
Customer First*	827	(199)	-	**628**
Commercial Services	34	(44)	-	**(10)**
Strategy and Commissioning	-	(56)	-	**(56)**
Support Services	43	-	2	**45**
Net Cost of Services*	**904**	**(299)**	**2**	**607**
Other income and expenditure from the Expenditure & Funding Analysis*	**(741)**	**724**	**(615)**	**(632)**
Difference between the General Fund surplus or deficit, and the surplus or deficit on the provision of services in the CIES	**163**	**425**	**(613)**	**(25)**

SECTION 3 NOTES TO THE ACCOUNTS

Note A: Adjustments for Capital Purposes
Adjustments for capital purposes reflect:
For services this column adds in depreciation and impairment and adjusts for revenue expenditure funded from capital under statute.
Other income and expenditure from the Expenditure and Funding Analysis – this adjusts for statutory charges for capital financing i.e. Minimum Revenue Provision and other capital contributions. It also adjusts for capital disposals with a transfer of the income on the disposal and the amounts written-off.

Note B: Net Change for the Pensions Adjustments
Net changes for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:
For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
For other income and expenditure from the Expenditure and Funding Analysis – the net interest on the defined benefit liability is charged to the CIES.

Note C: Other Differences
Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:
For services reflects the change in the annual leave accrual when compared with the previous year.
For other income and expenditure from the Expenditure and Funding Analysis represents the timing difference between what is chargeable under statutory regulations for Council Tax and Business Rates that was projected to be received at the start of the financial year, and the income recognised under generally accepted accounting practices.

***Restatement Note** - the 2016/17 Comprehensive Income and Expenditure Statement (CIES) and Expenditure and Funding Analysis (EFA) have been restated to reflect the correct accounting treatment of REFCUS (Revenue Expenditure Funded from Capital Under Statute) grants. In the 2016/17 Statement of Accounts £250,000 was incorrectly reflected in the gross income in the Cost of Services (Customer First) with a corresponding reduction in Capital Grants (within 'Taxation and non-specific grant income' at the bottom of the CIES). There is no overall impact, the restatement is purely for presentational purposes.

5. SEGMENT REPORTING

The net expenditure figures in the Expenditure and Funding Analysis include the following particular amounts of income and expenditure:

2017/18	**Customer First** **£000**	**Commercial Services** **£000**	**Support Services** **£000**	**Total** **£000**
Expenditure				
Housing Benefit Payments	13,387	-	-	**13,387**
Waste Services	-	2,046	-	**2,046**
Depreciation	434	34	54	**522**
Income				
Housing Benefit Subsidy	(13,342)	-	-	**(13,342)**
Car Parking Income	-	(986)	-	**(986)**
2016/17 comparatives				
Expenditure				
Housing Benefit Payments	13,724	-	-	**13,724**
Waste Services	-	1,945	-	**1,945**
Depreciation	414	34	42	**490**
Income				
Housing Benefit Subsidy	(13,607)	-	-	**(13,607)**
Car Parking Income	-	(1,053)	-	**(1,053)**

6. EXPENDITURE AND INCOME ANALYSED BY NATURE

The Expenditure and Income Analysed by Nature note shows the amounts that make up the surplus or deficit on the provision of services on the CIES, but here they are categorised by nature instead of by service segment.

Expenditure and Income Analysed by Nature	2016/17 Restated* £000	2017/18 £000
Employee Benefits Expenses	6,175	6,560
Other Service Expenses	19,365	19,968
Depreciation, Amortisation and Impairment	654	1,558
Interest Payments	96	97
Pension Fund Administration Expenses	14	14
Net Interest on the net defined benefit liability	710	700
Total Expenditure	**27,014**	**28,897**
Fees, Charges and Other Service Income	(4,869)	(4,647)
Interest and Investment Income	(69)	(58)
Income from Council Tax and Business Rates**	(5,622)	(5,357)
Revenue Grants and Contributions*	(17,484)	(16,811)
Capital Grants and Contributions*	(402)	(279)
(Gains) or losses on disposal of non-current assets	-	(13)
Other Income	-	(18)
Total Income	**(28,446)**	**(27,183)**
(Surplus) or Deficit on Provision of Services	**(1,432)**	**1,714**

*The 2016/17 revenue grants and capital grants have been restated to reflect the correct accounting treatment of REFCUS (Revenue Expenditure Funded from Capital Under Statute) grants. In the 2016/17 Statement of Accounts revenue grants were overstated by £250,000 with a corresponding reduction in capital grants. This is further explained within Section 2A – the Comprehensive Income and Expenditure Statement.

**The figure for Council Tax and Business Rates in this statement is shown net of expenditure (precepts to other bodies). The expenditure detail is shown in Note 11 – Taxation and Non-Specific Grant Income.

7. 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			
2017/18	**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	**468**			**(468)**
Revaluation losses/(gains) on Property Plant and Equipment	**626**			**(626)**
Amortisation of Intangible Assets	**54**			**(54)**
Capital grants and contributions applied	**(177)**			**177**
Revenue expenditure funded from capital under statute (REFCUS)	**409**			**(409)**
Insertion of items not debited or credited to the CIES:				
Statutory provision for the financing of capital investment	**(42)**			**42**
Capital expenditure charged against the General Fund	**(230)**			**230**
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	**(101)**		**101**	**-**
Application of grants to capital financing transferred to the Capital Adjustment Account			**(152)**	**152**
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of unattached capital receipts	**(18)**	**18**		**-**
Use of the Capital Receipts Reserve to finance new capital expenditure		**(123)**		**123**

2017/18	Usable Reserves 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 35)	**1,797**			**(1,797)**
Employer's pensions contributions and direct payments to pensioners payable in the year	**(919)**			**919**
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	**99**			**(99)**
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	**100**			**(100)**
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	**3**			**(3)**
Total Adjustments between the Accounting Basis and Funding Basis under regulations in 2017/18	**2,069**	**(105)**	**(51)**	**(1,913)**

	Usable Reserves			
2016/17 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	**448**			**(448)**
Amortisation of Intangible Assets	**42**			**(42)**
Revenue expenditure funded from capital under statute	**413**			**(413)**
Capital grants and contributions applied	**(249)**			**249**
Insertion of items not debited or credited to the CIES:				
Statutory provision for the financing of capital investment	**(42)**			**42**
Capital expenditure charged against the General Fund	**(297)**			**297**
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	**(152)**		**152**	**-**
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES	**1,328**			**(1,328)**
Employer's pensions contributions and direct payments to pensioners payable in the year	**(903)**			**903**
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	**153**			**(153)**

2016/17 Comparatives	Usable Reserves 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	**(768)**			**768**
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	**2**			**(2)**
Total Adjustments between the Accounting Basis and Funding Basis under regulations in 2016/17	**(25)**		**152**	**(127)**

8. 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 2017/18. The purpose of the largest earmarked reserves are shown below:

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

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 planning policies and planning related activities.

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.

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

16/17 Budget Surplus Contingency – This reserve was created as part of the 2016/17 Budget setting process.

Innovation Fund (Invest to Earn) Reserve – Some of this fund will be used to acquire and develop land within West Devon to support local housing need.

Community Housing Fund – This reserve was set up to hold the Community Housing Fund Grant. We are working on developing a community housing initiative, which is designed to help local residents to determine and deliver appropriate and affordable housing for their communities.

The table below shows the earmarked reserve balances at 31 March 2018 and the movement during 2017/18.

2017/18 **EARMARKED RESERVES**	**Balance at 31 March 2017 £000**	**Transfers Out £000**	**Transfers In £000**	**Balance at 31 March 2018 £000**
General Fund				
Car Parking Maintenance	440	(5)	-	435
ICT Development	24	(19)	25	30
JSG Future Options	46	(35)	-	11
Planning Policy & Major Developments	39	(60)	65	44
16/17 Budget Surplus Contingency	669	(287)	-	382
Innovation Fund (Invest to Earn)	906	(182)	-	724
Outdoor Sports & Recreation	7	-	11	18
Waste & Cleansing Options Review	80	-	-	80
Community Housing Fund	248	(5)	-	243
Leisure Services	174	-	57	231
Support Services Trading	-	-	8	8
Environmental Health Initiatives	-	-	20	20
Habitats Reserve	13	(3)	-	10
Landscape Maintenance	5	-	-	5
Invest to Save	27	-	-	27
Elections	24	-	-	24
DCC Localism Support Officer	4	-	1	5
REIP – Localism Projects	1	(1)	-	-
New Burdens CLG	3	-	-	3
CLG – Assets Community Value	8	-	-	8
Neighbourhood Planning Grants	58	(11)	-	47
World Heritage Key Site	5	-	-	5
Cannons Meadow	16	(3)	-	13
Millwood Homes	15	-	-	15
DCC Public Health	6	-	-	6
Revenue Grants	59	-	161	220
Business Rates Retention Scheme	218	-	291	509
Town Teams & Economic Grants	23	-	-	23
Flood Works	18	(3)	-	15
New Homes Bonus	227	(963)	961	225
Homelessness	30	-	65	95
Strategic Change	111	(51)	227	287
Planning Enforcement	5	-	-	5
Maintenance Fund	223	-	-	223
S106 Monitoring	-	-	19	19
TOTAL EARMARKED REVENUE RESERVES	**3,732**	**(1,628)**	**1,911**	**4,015**

2016/17 Comparatives EARMARKED RESERVES	**Balance at 31 March 2016 £000**	**Transfers Out £000**	**Transfers In £000**	**Balance at 31 March 2017 £000**
General Fund				
Car Parking Maintenance	408	-	32	440
ICT Development	-	(18)	42	24
JSG Future Options	-	-	46	46
Planning Policy & Major Developments	-	-	39	39
16/17 Budget Surplus Contingency	-	-	669	669
Innovation Fund (Invest to Earn)	-	(16)	922	906
Outdoor Sports & Recreation	-	-	7	7
Waste & Cleansing Options Review	-	-	80	80
Community Housing Fund	-	-	248	248
Leisure Services	-	(99)	273	174
LA Business Growth	25	(25)	-	-
Habitats Reserve	15	(2)	-	13
Landscape Maintenance	5	-	-	5
Invest to Save	27	-	-	27
Elections	24	-	-	24
DCC Localism Support Officer	4	-	-	4
REIP – Localism Projects	1	-	-	1
DCC TAP Funds	63	(63)	-	-
New Burdens CLG	3	-	-	3
CLG – Assets Community Value	8	-	-	8
Neighbourhood Planning Grants	65	(7)	-	58
World Heritage Key Site	5	-	-	5
Cannons Meadow	19	(3)	-	16
Millwood Homes	15	-	-	15
Young Persons Prevention Officer	10	(10)	-	-
DCLG Business Support Scheme	13	(13)	-	-
Inspire Annex 111	7	(7)	-	-
DCC Public Health	25	(19)	-	6
Revenue Grants	-	-	59	59
Business Rates Retention Scheme	844	(626)	-	218
Town Teams & Economic Grants	17	-	6	23
Flood Works	20	(2)	-	18
New Homes Bonus	697	(2,288)	1,818	227
Homelessness	30	-	-	30
Strategic Change	-	(81)	192	111
Planning Enforcement	45	(40)	-	5
Maintenance Fund	-	(17)	240	223
TOTAL EARMARKED REVENUE RESERVES	**2,395**	**(3,336)**	**4,673**	**3,732**

9. OTHER OPERATING EXPENDITURE

2016/17		2017/18
£000		**£000**
1,229	Parish council precepts	1,286
-	(Gains) or losses on disposal of non-current assets	(13)
14	Pension administration costs	14
1,243	**Total**	**1,287**

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2016/17		2017/18
£000		**£000**
96	Interest payable and similar charges	97
(55)	Interest receivable and similar income	(58)
-	Other investment income	(18)
710	Pensions interest cost and expected return on pension assets	700
751	**Total**	**721**

11. TAXATION AND NON SPECIFIC GRANT INCOME

2016/17		2017/18
Restated*		
£000		**£000**
	Council Tax	
(5,440)	Income (inc Parish Precepts)	(5,642)
81	Collection Fund Adjustment	30
(208)	Collection Fund – Distribution of Surplus	(109)
77	Support Grant to Parishes	71
	Business Rates	
(4,271)	Income	(4,099)
3,018	Tariff	3,017
-	Pooling Administration Costs	1
(48)	Pooling Gain	(82)
147	Levy	85
-	Safety Net	-
(207)	Transfer of Collection Fund Deficit	86
	Non-ring fenced government grants	
(367)	Small Business Rate Relief Grant	(738)
(627)	Revenue Support Grant	(227)
(1,745)	New Homes Bonus	(961)
(31)	Transition Grant	(31)
(462)	Rural Services Delivery Grant	(373)
(402)	Capital grants and contributions*	(279)
(10,485)	**Total**	**(9,251)**

*The 2016/17 ‘Capital grants and contributions’ have been restated to reflect the correct accounting treatment of REFCUS (Revenue Expenditure Funded from Capital Under Statute) grants. This is further explained within Section 2A – the Comprehensive Income and Expenditure Statement.

12. PROPERTY, PLANT AND EQUIPMENT

Movements in 2017/18:

	Land and Buildings £000	Vehicles, Plant & 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 2017	**19,583**	**1,493**	**1,074**	**83**	**99**	**22,332**
Additions	164	1,653	-	-	932	2,749
Revaluation increases/(decreases) recognised in the Revaluation Reserve	203	-	-	-	-	203
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(650)	-	-	-	-	(650)
At 31 March 2018	**19,300**	**3,146**	**1,074**	**83**	**1,031**	**24,634**
Accumulated Depreciation and Impairment at 1 April 2017	**1,204**	**1,493**	**324**	**-**	**-**	**3,021**
Charge for 2017/18	440	-	28	-	-	468
Depreciation written out to the Revaluation Reserve	(688)	-	-	-	-	(688)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(482)	-	-	-	-	(482)
At 31 March 2018	**474**	**1,493**	**352**	**-**	**-**	**2,319**
Balance Sheet amount at 31 March 2018	**18,826**	**1,653**	**722**	**83**	**1,031**	**22,315**
Balance Sheet amount at 31 March 2017	**18,379**	**-**	**750**	**83**	**99**	**19,311**

Comparative Movements in 2016/17:

	Land and Buildings £000	Vehicles, Plant & 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 2016	**19,583**	**1,493**	**1,074**	**83**	**-**	**22,233**
Additions	-	-	-	-	99	99
Derecognition – disposals	-	-	-	-	-	-
At 31 March 2017	**19,583**	**1,493**	**1,074**	**83**	**99**	**22,332**
Accumulated Depreciation and Impairment at 1 April 2016	**784**	**1,493**	**296**	**-**	**-**	**2,573**
Charge for 2016/17	420	-	28	-	-	448
Derecognition - disposals	-	-	-	-	-	-
At 31 March 2017	**1,204**	**1,493**	**324**	**-**	**-**	**3,021**
Balance Sheet amount at 31 March 2017	**18,379**	**-**	**750**	**83**	**99**	**19,311**
Balance Sheet amount at 31 March 2016	**18,799**	**-**	**778**	**83**	**-**	**19,660**

Depreciation

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

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

Capital Commitments

As at 31 March 2018 the Authority has entered into the following contracts for the construction or enhancement of Property, Plant and Equipment. These commitments relate to:

- Waste Vehicles £949,500
- Leisure Centre investment £488,000

As a comparison, as at 31 March 2017 the Authority had entered into the following contracts for the construction or enhancement of Property, Plant and Equipment. These commitments relate to:

- Waste Vehicles £2.5 million
- Leisure Centre Investment £1.5 million

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Revaluations

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

Fair Value Review at 31 March 2018

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

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

	Land and buildings £000	Vehicles, plant furniture & equipment £000	Total £000
Valued at historical cost	-	1,653	1,653
Valued at current value in:			
2017/2018	9,010	-	9,010
2013/2014	9,817	-	9,817
Total	**18,827**	**1,653**	**20,480**

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.

13. 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

Capitalisation of Borrowing Costs

Due to the costs of the Authority's Capital Programme, the Authority borrowed £2.1 million from the Public Works Loan Board (PWLB) on 2nd August 2007 at a fixed rate of 4.55% for 45 years and 6 months.

On 29 March 2018, the Authority borrowed £2.65 million on an Annuity loan from the Public Works Loan Board (PWLB) at a fixed rate of 1.92% for 9 years.

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

Summary of Financial Instruments

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

	Long-term			Current	
(2016/17 – short term debtors restated*)	31 March 2017 £000	31 March 2018 £000		31 March 2017 £000	31 March 2018 £000
Investments					
Short term investments	-	-		-	3,000
Available-for-sale investments:					
Local Authorities' Property Fund	-	484		-	-
Cash and cash equivalents					
Loans and receivables:					
Money Market Funds and cash	-	-		9,641	4,377
Debtors					
Loans and receivables	127	123		-	-
Short term debtors*	-	-		968*	1,211
Total Financial Assets	**127**	**607**		**10,609**	**8,588**
Borrowings					
Loans at amortised cost:					
PWLB	(2,100)	(4,750)		-	-
Other Long Term Liabilities					
Liabilities at amortised cost:					
Long term creditors	(110)	(54)		-	-
Creditors					
Liabilities at amortised cost:					
Short term creditors	-	-		(2,747)	(1,950)
Total Financial Liabilities	**(2,210)**	**(4,804)**		**(2,747)**	**(1,950)**

*The 2016/17 comparative for short term debtors has been restated. In 2016/17 capital payments in advance (£53,000) were incorrectly classified as a Financial Instrument.

FAIR VALUE OF ASSETS AND LIABILITIES

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

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

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

The fair values are as follows:

	31 March 2017		**31 March 2018**	
	Carrying amount	**Fair Value**	**Carrying amount**	**Fair Value**
	£000	**£000**	**£000**	**£000**
PWLB Debt – Maturity	2,100	3,118	2,100	3,840
PWLB Debt – Annuity	-	-	2,650	2,780
Long Term Debtors	127	127	123	123
Long Term Creditors	110	110	54	54

RECOGNITION AND MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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

14. DEBTORS

31.3.2017 £000		31.3.2018 £000
	Short Term	
367	Central Government bodies*	1,120
593	Other Local Authorities**	209
	Other debtors	
387	Council Tax	716
250	Business Rates	430
944	Other entities and individuals***	1,285
2,541	**Total**	**3,760**
	Long Term	
127	Local Authorities	123
127	**Total**	**123**

*The ‘Central Government bodies’ debtor has increased substantially in 2017/18 due to the end of year position for the Housing Benefit subsidy claim. At 31 March 2018 £637,000 was due from Central Government following completion of the final claim.

**The reduction in 'Other Local Authorities' debtors is mainly due to the timing of shared services recharges with South Hams District Council and changes to the hosting agreement of the Building Control Partnership – see note 25 Trading Operations for further information. There is a similar reduction in 'Other Local Authorities' creditors shown in Note 16.

***The increase in 'Other entities and individuals' debtor for 2017/18 relates mainly to the deposit on a Commercial property purchase in Okehampton. This will be funded from PWLB borrowing in April 2018.

15. CASH AND CASH EQUIVALENTS

31.3.2017 £000		31.3.2018 £000
1,191	Cash held by the Authority	1,177
8,450	Money Market Funds	3,200
9,641	**Total Cash and Cash Equivalents**	**4,377**

16. CREDITORS

31.3.2017 £000		31.3.2018 £000
	Short Term	
(113)	Central Government bodies	-
(1,935)	Other local Authorities*	(840)
(2)	NHS Bodies	(1)
	Other Creditors	
(183)	Council Tax	(44)
(800)	Business Rates	(681)
(2,258)	Other entities and individuals**	(2,801)
(5,291)	**Total**	**(4,367)**
	Long Term	
(73)	Local Authorities	(16)
(37)	Other entities and individuals	(38)
(110)	**Total**	**(54)**

*The reduction in 'Other Local Authorities' creditors is partly due to the timing of shared services recharges with South Hams District Council. There is a similar reduction in 'Other Local Authorities' debtors in Note 14. In addition the balance at 31 March 2017 included some Section 106 deposits due to Devon County Council, which were paid during 2017/18.

**The increase in 'Other entities and individuals' short term creditor for 2017/18 relates mainly to the purchase of new waste vehicles, which are due to be settled in 2018/19.

17. 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 2017/18 or 2016/17. The breakdown of the 2017/18 provision is shown in the following table:

	Business Rates Appeals £000
Balance at 1 April 2017	**(306)**
Provisions made in year	(303)
Amounts used in year	196
Balance at 31 March 2018	**(413)**

Short term – Business 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. In 2017/18 there has been a £267,000 increase in the provision for appeals within the Collection Fund. The Council's share of this is 40% (£107,000). This is further explained in the Narrative Statement.

18. USABLE RESERVES

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

19. UNUSABLE RESERVES

31.3.2017 £000		31.3.2018 £000
5,515	Revaluation Reserve	6,820
12,167	Capital Adjustment Account	11,378
(26,368)	Pensions Reserve	(24,380)
-	Available for Sale Financial Instruments Reserve	(16)
208	Council Tax Collection Fund Adjustment Account	109
161	Business Rates Collection Fund Adjustment Account	61
(74)	Accumulated Absences Account	(77)
(8,391)	**Total Unusable Reserves**	**(6,105)**

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.

31.3.2017 £000	31.3.2017 £000	Revaluation Reserve	31.3.2018 £000	31.3.2018 £000
	5,578	**Balance at 1 April**		**5,515**
-		Upward revaluation of assets	1,934	
-		Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	(585)	
	5,578	**Surplus or (Deficit) on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**		**1,349**
(63)		Difference between fair value depreciation and historical cost depreciation	(44)	
	(63)			**(44)**
	5,515	**Balance at 31 March**		**6,820**

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.

2016/17 £000	2016/17 £000	Capital Adjustment Account	2017/18 £000	2017/18 £000
	12,419	**Balance at 1 April**		**12,167**
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CIES) :		
(448)		▪ Charges for depreciation of non-current assets	(468)	
-		▪ Revaluation losses on Property, Plant and Equipment	(626)	
(42)		▪ Amortisation of Intangible Assets	(54)	
(413)		▪ Revenue expenditure funded from capital under statute (REFCUS)	(409)	
	(903)	**Total**		**(1,557)**
63		Adjusting amounts written out of the Revaluation Reserve	44	
	63	**Net written out amount of the cost of non-current assets consumed in the year**		**44**
		Capital financing applied in the year:		
-		• Use of the Capital Receipts Reserve to finance new capital expenditure	123	
249		• Capital grants and contributions credited to the CIES that have been applied to capital financing	177	
-		• Application of grants to capital financing from the Capitals Grants Unapplied Account	152	
297		• Capital expenditure charged against the General Fund	230	
42		• Statutory provision for the financing of capital investment charged against the General Fund (Minimum Revenue Provision)	42	
	588	**Total**		**724**
	12,167	**Balance at 31 March**		**11,378**

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.

31.3.2017 £000	Pensions Reserve	31.3.2018 £000
(20,163)	**Balance at 1 April**	**(26,368)**
(5,780)	Actuarial gains or (losses) on pension assets and liabilities	2,866
(1,328)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(1,797)
903	Employer's pensions contributions and direct payments to pensioners payable in the year	919
(26,368)	**Balance at 31 March**	**(24,380)**

Available for Sale Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised

31.3.2017 £000	Available for Sale Financial Instruments Reserve	31.3.2018 £000
-	**Balance at 1 April**	**-**
-	Upward revaluation of assets	-
-	Downward revaluation of investments not charged to the Surplus/(Deficit) on the Provision of Services	(16)
-	**Balance at 31 March**	**(16)**

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.

31.3.2017 £000	Council Tax Collection Fund Adjustment Account	31.3.2018 £000
361	**Balance at 1 April**	**208**
(153)	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	(99)
208	**Balance at 31 March**	**109**

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.

31.3.2017 £000	Business Rates Collection Fund Adjustment Account	31.3.2018 £000
(607)	**Balance at 1 April**	**161**
768	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*	(100)
161	**Balance at 31 March**	**61**

*See Note on Business Rates appeals in the Narrative Statement

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.

31.3.2017 £000	31.3.2017 £000	Accumulated Absences Account	31.3.2018 £000	31.3.2018 £000
	(72)	**Balance at 1 April**		**(74)**
72		Settlement or cancellation of accrual made at the end of the preceding year	74	
(74)		Amounts accrued at the end of the current year	(77)	
	(2)	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		**(3)**
	(74)	**Balance at 31 March**		**(77)**

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

2016/17 £000		2017/18 £000
(448)	Depreciation	(468)
-	Impairment & downward valuations	(626)
(42)	Amortisation	(54)
389	(Increase)/decrease in Debtors	861
(160)	Increase/(decrease) in Creditors	709
(425)	Movement in pension liability	(878)
-	Other non-cash items charged to the net surplus or deficit on the provision of services	(122)
(686)	**Total**	**(578)**

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

2016/17 £000		2017/18 £000
502	Capital Grants credited to the net surplus or deficit on the provision of services	342
(4,000)	Proceeds from short-term and long-term investments	0
-	Other non-cash items charged to the net surplus or deficit on the provision of services	18
(3,498)	**Total**	**360**

22. CASH FLOW STATEMENT – INVESTING ACTIVITIES

2016/17 £000		2017/18 £000
134	Purchase of Property, Plant and Equipment, Investment Properties and Intangible Assets	2,749
-	Purchase of short and long term investments	3,500
-	Other payments for investing activities	(140)
-	Proceeds from the sale of Property, Plant and Equipment, Investment Properties & Intangible Assets	(18)
(414)	Other receipts from investing activities (capital grants & contributions)	(440)
(280)	**Net cash flows from investing activities**	**5,651**

23. CASH FLOW STATEMENT – FINANCING ACTIVITIES

2016/17 £000		2017/18 £000
0	Cash receipts of short and long term borrowing	(2,650)
451	Other receipts from financing activity	767
451	**Total**	**(1,883)**

24. 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.

As of 1 April 2017, West Devon Borough Council (WDBC), South Hams District Council (SHDC) and Teignbridge District Council (TDC) entered into an updated partnership agreement and a new hosting agreement with respect to the staff and functions delivered by the Devon Building Control Partnership (DBCP) to the three Council areas. This agreement saw the transfer of all staff who had DBCP responsibilities from WDBC or SHDC to TDC. WDBC and SHDC retain an active participation in the controlling Devon Building Control Partnership Committee.

The Summary Accounts for the year will be detailed in the Devon Building Control Partnership Accounts, which can be found at the following website under the Devon Building Control Partnership Committee 2018-2019:

https://www.teignbridge.gov.uk/committee-meetings-and-agendas/devon-building-control-partnership-committee/devon-building-control-partnership-committee-2018-2019

25. BUSINESS IMPROVEMENT DISTRICTS

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

26. AGENCY SERVICES

(a) The Authority collects land charge search fees on behalf of Devon County Council. These fees are reimbursed to the County Council on a periodic basis. The amount collected was £19,951 in 2017/18 (£15,279 in 2016/17).

(b) The Authority acts as an agent for Devon County Council, Devon and Cornwall Police Authority and Devon & Somerset Fire & Rescue Authority in the collection of council tax and for Central Government for the collection of Non Domestic Business Rates. Details can be found in Section 4 - The Collection Fund.

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

27. 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:

https://www.westdevon.gov.uk/article/3661/Councillor-Allowances-and-Annual-Attendance-

2016/17 £000		2017/18 £000
187	Allowances	187
18	Expenses	16
205	**Total**	**203**

28. 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 £	Total £
Executive Director Head of Paid Service – left 18.2.18	17/18	92,231	1,542	11,660	**105,433**
	16/17	97,869	864	11,940	**110,673**
Strategic Finance Lead & S151 Officer	17/18	56,710	-	7,543	**64,253**
	16/17	58,092	-	7,087	**65,179**
Commercial Services Group Manager	17/18	72,720	4,219	9,672	**86,611**
	16/17	69,667	2,253	8,499	**80,419**
Business Development Group Manager	17/18	62,452	2,722	8,306	**73,480**
	16/17	61,610	3,054	7,517	**72,181**
Monitoring Officer (0.9FTE)	17/18	49,714	90	6,612	**56,416**
	16/17	49,222	383	6,005	**55,610**
Commissioning Manager	17/18	48,220	1,942	6,413	**56,575**
	16/17	-	-	-	**-**
Operational Manager (Environmental Services)	17/18	49,043	1,744	6,523	**57,310**
	16/17	-	-	-	**-**

No other officers earned over £50,000 during 2017/18 or 2016/17.

Note A: Shared Services with South Hams District Council
The total cost of senior employees employed by South Hams District Council has been included in the equivalent note of South Hams District Council's Accounts in accordance with the accounting requirements and is therefore excluded from the table above.
In 2017/18 West Devon Borough Council reimbursed costs amounting to £133,000 (2016/17 £107,000) in respect of members of the Senior Leadership Team, who are employed by South Hams District Council. West Devon Borough Council received a reimbursement in 2017/18 from South Hams District Council of £282,000 (2016/17 £224,000) in respect of the above shared senior employees.

Note B: Senior Leadership Team Interim arrangements
In February 2018, the Executive Director for Strategy and Commissioning and Head of Paid Service left the employment of West Devon Borough Council. Due to the scale of the challenges ahead for the Council, Members felt that it was important that the Council retained stability and continuity in its strategic leadership and senior management capacity.

At a Council meeting in December 2017, Council approved that the Executive Director for Service Delivery and Commercial Development (employed by South Hams District Council) be designated the Head of Paid Service for an interim period of up to 18 months. It was also agreed to allocate additional responsibilities to members of the senior and extended leadership team on an interim basis.

29. 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:

	2016/17 £000	**2017/18 £000**
Fees payable with regard to external audit services	**44**	**45**
Core Audit Fees	39	39
Audit of Grants and Returns	5	6
Rebate from Public Sector Audit Appointments Ltd	**-**	**(6)**
TOTAL	**44**	**39**

30. GRANT INCOME

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

	2016/17 £000 Restated*	2017/18 £000
Credited to Taxation and Non Specific Grant Income		
Capital grants and contributions:		
MHCLG – Disabled Facilities Grants*	(402)	(279)
Non ring - fenced Government grants and contributions:		
Revenue Support Grant	(627)	(227)
New Homes Bonus Grant	(1,745)	(961)
Small Business Rate Relief	(367)	(738)
Rural Services Delivery Grant	(462)	(373)
Transition Grant	(31)	(31)
Total	**(3,634)**	**(2,609)**
Credited to Services		
Rent Allowance subsidy	(13,440)	(13,105)
Housing Benefit administration subsidy	(218)	(201)
Rent rebate subsidy	(55)	(44)
Flexible Homelessness Support Grant	-	(92)
Discretionary housing payments	(112)	(193)
Business Rates cost of collection allowance	(85)	(84)
MHCLG - Community Housing Fund	(248)	-
REFCUS grants applied*	-	-
Section 106 deposits	(2)	(103)
Recycling credits	(301)	(260)
Electoral Commission - General Elections, Referendum and Police & Crime Commissioners	(202)	(162)
County Council Elections	-	(100)
Other grants	(152)	(167)
Total	**(14,815)**	**(14,511)**

*The 2016/17 revenue grants and capital grants have been restated to reflect the correct accounting treatment of REFCUS (Revenue Expenditure Funded from Capital Under Statute) grants. In the 2016/17 Statement of Accounts revenue grants credited to services were overstated by £250,000 with a corresponding reduction in capital grants credited to taxation and non-specific grant income.

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have repayments conditions attached to them. Until these conditions are met these grants are held as receipts in advance. Should these conditions not be met the monies would need to be returned to the grantor. The balances at the year-end are as follows:

Capital Grants Receipts in Advance	31 March 2017 £000	31 March 2018 £000
Land Stabilisation	(10)	(10)
Hayedown	(20)	(20)
Batheway Fields	-	(158)
Other Section 106s	(412)	(454)
Total	**(442)**	**(642)**

31. 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 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 30.

Members
Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2017/18 is shown in Note 27.

iESE Transformation Ltd
West Devon Borough Council and South Hams District Councils have a relationship with iESE Transformation Ltd. (iESE) which has seen the latter providing consultancy support services to the Councils in previous years as part of their T18 Transformation Programme. (Further narrative on the T18 Transformation Programme is included in the Narrative Statement). 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.

32. 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, giving rise to the movement in the Council's Capital Financing Requirement.

Summary of Capital Expenditure and Financing (incorporating the Capital Financing Requirement)	**2016/17** **£000**	**2017/18** **£000**
Opening Capital Financing Requirement	***1,758***	***1,716***
Capital Investment		
Property, Plant and Equipment	-	1,816
Intangible Assets	35	90
Revenue expenditure funded from capital under statute (REFCUS)	413	375
Assets under Construction	99	933
Total expenditure for capital purposes	**547**	**3,214**
Sources of Finance		
Capital receipts	-	(126)
Capital grants and external contributions	(250)	(291)
Earmarked reserves	(297)	(231)
Total funding	**(547)**	**(648)**
Minimum Revenue Provision	**(42)**	**(42)**
Closing Capital Financing Requirement	***1,716***	***4,240***
Movement in Capital Financing Requirement	***(42)***	***2,524***
Explained by:		
Minimum Revenue Provision	(42)	(42)
Underlying need to borrow	-	2,566

33. LEASES

Authority as Lessee

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

Authority as Lessor

The Authority leases various industrial units and commercial properties to external organisations. The gross value of assets held for use in operating leases was £3m as at 31 March 2018.

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

34. EXIT PACKAGES AND TERMINATION BENEFITS

There were no exit packages in 2017/18 (nil in 2016/17). In addition, West Devon Borough Council has not contributed towards exit packages in South Hams District Council in 2017/18 (nil in 2016/17).

35. 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 2013 and currently provides benefits based on career average revalued earnings.

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

Contributions are set every 3 years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out as at 31 March 2019 and will set contributions for the period from 1 April 2020 to 31 March 2023. 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 2019 is £837,000. The Actuary has estimated the duration of the Employer's liabilities to be 19 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.

Service Cost

Of particular note is the substantial movement in the service cost from 2016/17. The increase in 2017/18 is due to a combination of factors which include the discount rate used, inflation and the cost of settlements. Firstly, the reduction in the discount rate increases the cost of service as there is an adverse movement between the benefits that members will have accrued compared with the returns that are anticipated at the discount rate. Secondly, the increase in inflation in 2017/18 increases the benefits members will have accrued from their services.

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 and Expenditure Statement	**2016/17 £000**	**2017/18 £000**
Cost of Services		
Service cost compromising		
- Current Service Cost	604	1,083
Financing and Investment Income and Expenditure		
- Net Interest Expense	710	700
- Administration Expenses	14	14
Total Post-employment benefits charged to the Surplus or Deficit on the Provision of Services	**1,328**	**1,797**
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	(10,701)	2,502
- Change in demographic assumptions	292	-
- Experience loss/(gain)	1,780	-
- Return on fund assets in excess of interest	3,141	364
- Other actuarial gains/(losses) on assets	(292)	-
Total re-measurement recognised	**(5,780)**	**2,866**
Total post-employment benefits charged to the Comprehensive income and expenditure statement	**(4,452)**	**4,663**
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	(1,328)	(1,797)
Actual amount charged against the General Fund Balance for pensions in the year		
- Employers contributions payable to scheme	807	919

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 2017 £000	31 March 2018 £000
Present value of the defined benefit obligation	51,277	49,998
Fair value of Fund assets	(25,921)	(26,558)
Deficit / (Surplus)	**25,356**	**23,440**
Present value of unfunded obligation	1,012	940
Net defined benefit liability / (asset)	**26,368**	**24,380**

Reconciliation of opening and closing balances of the fair value of Fund assets	31 March 2017 £000	31 March 2018 £000
Opening fair value of Fund assets	**22,827**	**25,921**
Interest on assets	812	694
Return on assets less interest	3,141	364
Other actuarial gains/ (losses)	(292)	-
Administration expenses	(14)	(14)
Contributions by employer including unfunded	903	919
Contributions by Scheme participants	166	180
Estimated benefits paid plus unfunded net of transfers in	(1,622)	(1,506)
Closing fair value of Fund assets	**25,921**	**26,558**
Reconciliation of opening and closing balances of the present value of the defined benefit obligation	**31 March 2017 £000**	**31 March 2018 £000**
Opening defined benefit obligation	**42,990**	**52,289**
Current service cost	604	1,083
Interest cost	1,522	1,394
Change in financial assumptions	10,701	(2,502)
Change in demographic assumptions	(292)	-
Experience loss / (gain) on defined benefit obligation	(1,780)	-
Estimated benefits paid net of transfers in	(1,536)	(1,428)
Past service costs, including curtailments	-	-
Contributions by Scheme participants	166	180
Unfunded pension payments	(86)	(78)
Closing defined benefit obligation	**52,289**	**50,938**

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 2018, they have rolled forward the value of the Employer's liabilities calculated for the funding valuation as at 31 March 2016, 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 2017**	**31 March 2018**
Mortality assumptions (in years):		
Longevity at 65 for current pensioners		
- Men	23.4	23.5
- Women	25.5	25.6
Longevity at 65 for future pensioners (in 20 years)		
- Men	25.6	25.7
- Women	27.8	27.9
Financial assumptions (in percentages):		
- RPI increases	3.6%	3.3%
- CPI increases	2.7%	2.3%
- Salary increases	4.2%	3.8%
- Pension increases	2.7%	2.3%
- Discount rate	2.7%	2.55%

The financial assumptions summarised in the table above are set with reference to market conditions at 31 March 2018.

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

Sensitivity analysis	**£000s**	**£000s**	**£000s**
Adjustment to discount rate	+0.1%	0.0%	(0.1%)
Present value of total obligation	50,020	50,938	51,874
Projected service cost	921	948	976
Adjustment to long term salary increase	+0.1%	0.0%	(0.1%)
Present value of total obligation	51,014	50,938	50,862
Projected service cost	948	948	948
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	(0.1%)
Present value of total obligation	51,799	50,938	50,092
Projected service cost	976	948	921
Adjustment to life expectancy assumptions	+ I Year	None	-1 Year
Present value of total obligation	52,964	50,938	48,992
Projected service cost	978	948	919

The estimated asset allocation for West Devon Borough Council as at 31 March 2018 is as follows:

Employer asset share	**31 March 2017**		**31 March 2018**	
	£000	**%**	**£000**	**%**
Gilts	773	3%	833	3%
UK equities	6,233	24%	5,694	22%
Overseas equities	9,014	34%	9,829	37%
Property	2,268	9%	2,471	9%
Infrastructure	1,009	4%	953	4%
Target return portfolio	3,849	15%	3,966	15%
Cash	692	3%	649	2%
Other bonds	662	3%	543	2%
Alternative assets	1,421	5%	1,443	5%
Private equity	-	-	177	1%
Total	**25,921**	**100%**	**26,558**	**100%**

Of the total fund asset at 31 March 2018, 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 2018**	
		% Quoted	**% Unquoted**
Fixed interest government securities	UK	0.1%	-
	Overseas	3.1%	-
Corporate bonds	UK	-	-
	Overseas	2.0%	-
Equities	UK	20.7%	0.7%
	Overseas	32.2%	4.8%
Property	All	-	9.3%
Others	Absolute return portfolio	14.9%	-
	Private Equity	-	0.7%
	Infrastructure	-	3.6%
	Multi sector credit fund	5.4%	-
	Cash/Temporary investments	-	2.4%
Net current assets	Debtors	-	0.1%
	Creditors	-	-
Total		**78.4%**	**21.6%**

36. CONTINGENT LIABILITIES

The Council had no contingent liabilities at 31 March 2018.

37. 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 Council 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.

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 2017/18 was approved by Council and is available on the Council's website. The Council's investment priorities are: -

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

On 5 December 2017, the Council revised its Treasury Management Strategy for 2017/18, to include the proposals within the Council's Commercial Property Acquisition Strategy. The Council's Borrowing Limits were increased by £37.45 million to reflect this.

At Council in February 2017, it was approved (minute CM54 and HC50) that a sum of £500,000 be used to invest in CCLA's (CCLA Investment Management Limited) Local Authorities Property Fund, with the investment being placed in April 2017.

The Council's Counterparty limits are as follows:

£3 million for Money Market Funds
£0.5 million on CCLA Property Investment Fund
£3 million on term deposits with banks and building societies with the UK (£4 million with Lloyds Bank)
No breaches of the Council's counterparty criteria occurred during the reporting period.

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 2018 and is reflected in the current figure of £577,000. This compares to £624,000 in 2016/17. 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 14 to the accounts.

Liquidity risk

The Authority manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. An analysis of the Council's cash and cash equivalents is provided in Note 15 to the accounts.

This seeks to ensure that cash is available when needed.

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

Market Risk

Interest rate risk

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

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

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

The 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. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

Price risk

The Council has an investment of £0.5 million in the CCLA Local Authorities Property Fund which is classified as 'available for sale'. At the end of each financial year the value of the local authority's investment is adjusted to equal the number of units held, multiplied by the published bid price, with gain or loss taken to the Available for Sale Reserve. Movements in the unit price therefore have no impact on the General Fund until the investment is sold or impaired.

Foreign exchange risk

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

Refinancing and Maturity Risk

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

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

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

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

	Approved minimum limits	Approved maximum limits	Actual 31 March 2017 £million	Actual 31 March 2018 £million
Less than 1 year	0%	10%	0	0
Between 1 and 2 years	0%	10%	0	0
Between 2 and 5 years	0%	30%	0	0
Between 5 and 10 years	0%	50%	0	2.65
More than 10 years	0%	100%	2.1	2.1
Total			**2.1**	**2.1**

38. ACCOUNTING POLICIES

a) General Principles

The Statement of Accounts summarises the Authority's transactions for the 2017/18 financial year and its position at the year end of 31 March 2018. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015. 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 2017/18, 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 and capital the de minimis has remained at £5,000 in 2017/18.

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.

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 35.

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 37 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.

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

k) 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) 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.

o) 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.

p) Overheads and Support Services

Costs of overheads and support services are only recharged to services requiring full cost recovery. Apart from these exceptions support services are shown in the Comprehensive Income and Expenditure Statement in their own reporting segment, which is in line with the Council's internal reporting method.

q) 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 and 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
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.

r) <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.

s) <u>Reserves</u>

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.

t) 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.

u) Section 106 Deposits

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

v) Shared Services

West Devon Borough Council and South Hams District Council have been in a shared services arrangement since 2007. Following the implementation of the joint Transformation Programme (T18), all of the Councils' non-manual workforce are shared across both Councils.

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 Community of Practice Leads/Group Managers the relevant recharge requirements for all of the non-manual workforce. On an annual basis, the Audit Committee approve the methodology for recharging the salary cost of shared officers.

w) VAT

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

x) Accounting for Local Taxes

Business Rates

Retained business rate income included in the Comprehensive Income and 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 and 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 and Expenditure Statement (CIES) in the line 'taxation and 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.

y) <u>Minimum Revenue Provision</u>

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

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) introduces changes in accounting policies that will have to be adopted fully by the authority in the 2018/19 financial statements i.e. from 1 April 2018.

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.

IFRS9 Financial Instruments

IFRS 9 *Financial Instruments* has been adopted by the 2018/19 Accounting Code, with an application date of 1 April 2018. IFRS 9 was devised to correct weaknesses in accounting practices that contributed to the global financial crisis: In particular it:

- changes the default accounting treatment for investments from one where gains and losses in value are not recognised as income or expenditure until an investment matures or is disposed of to one where income or expenditure is recognised as fair value gains and losses arise
- changes the model for impairment loss allowances for financial assets from one based on incurred losses to one based on expected losses.

At Council in February 2017, it was approved (minute CM54 and HC50) that a sum of £500,000 be used to invest in CCLA's (CCLA Investment Management Limited) Local Authorities Property Fund (LAPF), with the investment being placed in April 2017. Any fair value gains or losses will be credited or debited to the Surplus/Deficit on the Provision of Services in the Consolidated Income and Expenditure Statement as they arise, however this is not thought to be material for the Council.

The second change relating to impairment losses will require the Council to review the allowances it currently makes for credit risks on debtors and investments to include losses expected to arise in the future rather than just those incurred at the balance sheet date. It is currently estimated that the Council will not have any material impairment losses in 2018/19.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 *Revenue from Contracts with Customers* has been adopted by the 2018/19 Accounting Code, with an application date of 1 April 2018. IFRS 15 introduces a new model for the recognition of contractual income, based on allocating the overall transaction price for the goods and/or services to be provided against the satisfaction of the various performance obligations in the contract. The new model has the potential to change the date at which revenue is recognised compared to the current accounting requirements.

The analysis carried out to date indicates that there will be no material impact on the revenue recognised in relation to the significant contracts entered into by the Council.

40. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 38, 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

COLLECTION FUND FOR THE YEAR ENDED 31 MARCH 2018

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

2016/17 Business Rates £000	**2016/17 Council Tax £000**		**2017/18 Business Rates £000**	**2017/18 Council Tax £000**
		INCOME		
-	(35,295)	Income from Council Tax	-	(37,093)
(10,738)	-	Business Rates Receivable	(9,970)	-
142	-	Transitional Relief	(416)	-
(10,596)	**(35,295)**		**(10,386)**	**(37,093)**
		EXPENDITURE		
		Precepts, Demands and Shares:		
5,339	-	Central Government	5,124	-
961	23,830	Devon County Council	922	25,293
-	3,411	Devon & Cornwall Police Authority	-	3,517
107	1,578	Devon & Somerset Fire Authority	103	1,627
4,271	5,440	West Devon Borough Council (net including Towns/Parishes)	4,099	5,642
114	-	Business Rates written off and change in impairment allowance	3	-
-	230	Council Tax written off and change in impairment allowance	-	506
(800)	-	Business Rates increase/(decrease) in provision for appeals	267	-
85	-	Business Rates – Costs of collection	84	-
		Distribution/collection of previous year's estimated surplus/(deficit):		
(701)	-	Central Government	17	-
(126)	1,211	Devon County Council	3	778
-	177	Devon and Cornwall Police	-	111
(14)	82	Devon and Somerset Fire Authority	-	52
(560)	280	West Devon Borough Council	14	178
8,676	**36,239**		**10,636**	**37,704**
(1,920)	**944**	**MOVEMENT ON BALANCE**	**250**	**611**

SECTION 4 COLLECTION FUND

1. COUNCIL TAX AND COUNCIL TAX BASE

In 2017/18, the Council's average Band D Council Tax was £1,808.61. The charge for each band is a ratio of band D. The 2017/2018 charges therefore were:

Band	Ratio to Band D	Council Tax (£)
Disabled A	5/9	1,004.78
A	6/9	1,205.74
B	7/9	1,406.70
C	8/9	1,607.65
D	1	1,808.61
E	11/9	2,210.52
F	13/9	2,612.44
G	15/9	3,014.35
H	18/9	3,617.22

These charges are before any appropriate discounts or benefits. 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 2017/18 was **19,948.77** as calculated below (19,733.41 in 2016/17).

Band	Dwellings per Valuation List	Adjustment for Disabled Banding Appeals, Discounts and Exemptions	Revised Dwellings	Ratio to Band D	Band D Equivalent
Dis A		8.75	8.75	5/9	4.86
A	3,440.00	(581.50)	2,858.50	6/9	1,905.67
B	6,381.00	(713.00)	5,668.00	7/9	4,408.44
C	5,294.00	(474.75)	4,819.25	8/9	4,283.78
D	4,121.00	(309.50)	3,811.50	1	3,811.50
E	3,334.00	(221.00)	3,113.00	11/9	3,804.78
F	1,761.00	(70.75)	1,690.25	13/9	2,441.47
G	1,013.00	(81.00)	932.00	15/9	1,553.33
H	82.00	(8.75)	73.25	18/9	146.50
Total	**25,426.00**	**(2,451.50)**	**22,974.50**		**22,360.33**
Less allowance for non-collection					(670.81)
Plus adjustment for armed forces dwellings					20.50
Other adjustments including Council Tax Support					(1,761.25)
Tax base					**19,948.77**

2. Rateable value

The total business rates rateable value at 31 March 2018 was £32,137,924. This compares to £29,011,191 at 31 March 2017. The standard business rates multiplier was 49.3p in 2017/18 (2016/17: 49.7p). Without reliefs this would generate a total income of £15,843,996.53 (2016/17 £14,418,561.93). 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

2016/17 Business Rates £000	2016/17 Council Tax £000		2017/18 Business Rates £000	2017/18 Council Tax £000
1,518	(2,256)	Fund balance at 1 April	(402)	(1,312)
(1,920)	944	Deficit/(surplus) for year*	250	611
(402)	**(1,312)**	**Fund balance as at 31 March – deficit/(surplus)***	**(152)**	**(701)**

*The increase in the provision for Business Rates appeals and the subsequent impact on the Business Rates Collection Fund is explained in note 40 – Critical Judgements in Applying Accounting Policies.

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

2016/17 Business Rates £000	2016/17 Council Tax £000		2017/18 Business Rates £000	2017/18 Council Tax £000
(201)	-	Central Government	(76)	-
(36)	(913)	Devon County Council	(13)	(492)
-	(130)	Devon and Cornwall Police	-	(68)
(4)	(61)	Devon and Somerset Fire Authority	(2)	(32)
(241)	**(1,104)**	**Total deficit/(surplus) due to Preceptors**	**(91)**	**(592)**
(161)	(208)	West Devon Borough Council	(61)	(109)
(402)	**(1,312)**	**Fund balance as at 31 March – deficit/(surplus)**	**(152)**	**(701)**

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 Section 151 Officer & Strategic Finance Lead

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

- approve the Statement of Accounts

Responsibilities of the Section 151 Officer & Strategic Finance Lead

The Section S151 Officer & Strategic Finance Lead 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 Section S151 Officer & Strategic Finance Lead 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 Section S151 Officer & Strategic Finance Lead 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 certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority at the reporting date and its income and expenditure for the year ended 31 March 2018.

……………………………………………………

Lisa Buckle BSc (Hons), ACA
Section 151 Officer & Strategic Finance Lead

30 May 2018

Approval of the Statement of Accounts

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

Signed on behalf of West Devon Borough Council

……………………………………………….

Councillor M Davies

Chairman of the Audit Committee

SECTION 6 AUDITORS REPORT

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

GLOSSARY OF TERMS

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

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

LIBID	Acronym for the London Inter-bank Bid Rate, being the interest rate at which a market maker or underwriter will offer to buy bonds and securities.
MINIMUM REVENUE PROVISION (MRP)	This is a statutory requirement to make an annual calculation of an amount or MRP considered prudent to offset against borrowings made under the Prudential Borrowing rules.
PAST SERVICE COST	These will typically be additional benefits awarded on early retirement. This includes added years or augmentation and unreduced pension benefits awarded before eligible retirement age in the pension scheme.
PRECEPT	The levy made by precepting authorities including the County Council and Parish Councils, on the District Council requiring it to collect the required income from council taxpayers on their behalf.
PROJECTED UNIT METHOD	An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to: a) the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases, b) the accrued benefits for members in service on the valuation date. The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.
RATEABLE VALUE	A value placed on all properties subject to Rating. The value is based on a national rent that property could be expected to yield after deducting the cost of repairs.
REVENUE EXPENDITURE	Recurring items of day to day expenditure consisting principally of Salaries and Wages, Debt Charges and general running expenses etc.

SETTLEMENTS	A settlement will generally occur where there is a bulk transfer out of the Pension Fund or from the employer's share of the Fund to a new contractor's share of the Fund as a result of an outsourcing. It reflects the difference between the IAS 19 liability transferred and the assets transferred to settle the liability.
STRAIN ON FUND CONTRIBUTIONS	Additional employers pension contributions as a result of an employee's early retirement
SUNDRY CREDITORS	Amounts owed by the Authority at 31 March.
SUNDRY DEBTORS	Amounts owed to the Authority at 31 March.