Appendix A

South Hams District Council Draft Statement of Accounts 2016/2017

South Hams
District Council

Appendix A

Contents

Statement of Accounts 2016-17

The Statement of Accounts 2016-17 can be made available in large print, Braille, tape format or other languages upon request.

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

Section *1*

Narrative Statement

Introduction to the 2016/17 Statement of Accounts by Councillor Tucker, Leader of South Hams District Council

I am very pleased to welcome you to the 2016/17 Statement of Accounts for South Hams District Council. It has undoubtedly been a challenging year with central funding for local government reducing. South Hams has continued to work in partnership with West Devon Borough Council which has allowed South Hams District Council to achieve annual savings of £3.9 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. We have done this by adopting innovative IT solutions which admittedly haven't been without their glitches but are now steadily improving performance.

The year has also seen the Council make good progress with the Joint Local Plan, a strategic planning document which sets out development and growth up until 2034. Working together South Hams District Council, West Devon Borough and Plymouth City Councils have approved a Joint Local Plan which subject to further community consultation and examination is on track to be adopted later this year and will set home building and job targets for all three authorities.

The Council has continued to play an influential role in 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.

There is still more to be done but the Council is establishing a solid base from which to become more commercial in its approach to meeting the forecast budget gap of £0.6 million for next year (cumulative budget gap of £2.3 million by 2022), whilst protecting its much valued services.

I would like to take this opportunity to acknowledge the hard work that has gone into the monitoring and managing of the budget throughout the year by both staff and Members that has resulted in essentially a break-even position of a £45,000 deficit for the year (0.5% of the £8.75 million net budget). This prudent management of our finances and our strategic financial planning enable 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 make sure that residents, businesses and front-line services come first. The financial standing of the Council remains sound, with a good degree of resilience, for what will undoubtedly be, very challenging times ahead.

Councillor Tucker, Leader of the Council

Appendix A

Foreword by the Executive Director, (Strategy and Commissioning) and the Executive Director (Service Delivery and Commercial Development)

The Council has made substantial progress in designing services which are more in line with our customers' requirements and as far as possible future proofed. Our staff are to be congratulated for the way in which they have managed the significant changes that the organisation has undergone through its Transformation Programme and they, together with the Councillors, are proud of what we have achieved.

During 2016/17 the Government offered Local Authorities the opportunity to apply for a four year agreed funding settlement, subject to the production of an efficiency plan. The Council applied and was accepted for the four year agreement.

By 2018/19 the Council receives no Government funding (Revenue Support Grant) and the Council will need to be self-sufficient. The withdrawal of Government funding has happened two years earlier than expected. The Council's Settlement Funding Assessment (Government Grant and funding from Business Rates) is reducing by a further 39% between now and 2019/20. District Councils such as South Hams have also suffered a large reduction in their New Homes Bonus funding (£0.5 million in 17/18) due to the number of years payments being reduced from six years to five years in 17/18 and four years from 18/19 onwards. The funding being released is to contribute towards adult social care costs, a function carried out by Unitary and County Councils.

In this financial climate, income generation becomes a key priority area. The Council will continue to maximise its current sources of income through business development, ensuring the best use of our assets, identifying new income streams and actively pursuing all opportunities to increase the resources available and further reduce costs. The options that the Council is exploring to secure financial stability are further explained in the Narrative Statement.

It is hugely concerning that the Queen's Speech did not reintroduce the Local Government Finance Bill, which provided the legislative framework for the introduction of 100% Business Rates Retention. With no Revenue Support Grant in 2018/19, the loss of the 100% business rates is a further threat to being able to pay for valuable services. This could have a significant impact on the funding for local government in the future. To address these risks, the Council will continue to focus on long term strategic financial planning.

Steve Jorden, Executive Director (Strategy and Commissioning)
Sophie Hosking, Executive Director (Service Delivery and Commercial Development)

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

The Statement of Accounts has been prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA). The 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 2017 and how the Council has performed against the budget set for 2016/17.

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

This Narrative Report provides information about South Hams, including the key issues affecting the Council and its Accounts. Following the 'Telling the Story' review by CIPFA of the presentation of local authority financial statements, the 2016/17 Code changed the segmental reporting arrangements for the Comprehensive Income and Expenditure Statement and introduced the Expenditure and Funding Analysis. This is a new Statement this year and the changes are just presentational. There is no financial impact on the Council.

The new 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 will no longer be on a Service Code of Practice (SerCOP) basis. They will be shown by Group Manager area (Strategy and 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 we are responsible for has been properly accounted for remains very important to us. We have embedded financial management disciplines, processes and procedures and the financial standing of the Council continues to be robust.

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

NARRATIVE REPORT – INTRODUCTION

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

REVIEW OF THE YEAR – THE REVENUE BUDGET

2. *The 2016/17 budget for South Hams was £8.75 million. A deficit of £45,000 means that the actual spend was 0.5% more than the budget. This small deficit will be funded from the Council's Unearmarked Reserves which stand at £1.8 million.* The main components of the General Fund budget for 2016/17 and how these compare with actual income and expenditure are set out below:

	Estimate £000	**Actual £000**	**Difference Cost/ (Saving) £000**
Cost of services (after allowing for income and reserve contributions)	8,900	8,936	36
Parish precepts	1,845	1,845	-
Interest and Investment income	(148)	(134)	14
Amount to be met from Government grants and taxation	**10,597**	**10,647**	**50**
Financed from:			
Revenue Support Grant	(749)	(754)	(5)
Business Rates	(1,765)	(1,765)	-
Council tax	(7,411)	(7,411)	-
Surplus on Collection Fund	(210)	(210)	-
Transition Grant	(56)	(56)	-
Rural Services Delivery Grant	(406)	(406)	-
DEFICIT FOR 2016/17	**-**	**45**	**45**

3. This deficit 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 2016	(1,810)
Deficit for the 2016/17 financial year	**45**
General Fund Balance (un-earmarked revenue reserve) at 31 March 2017	(1,765)

4. The deficit on the General Fund of £45,000 is essentially a break-even position and represents less than 0.1% of the Council's gross turnover of £69 million.

5. The table below shows a reconciliation of the position shown on the bottom of the Comprehensive Income and Expenditure Statement and the reported deficit for the 2016/17 financial year.

	£000
Total Comprehensive Income and Expenditure Statement	**1,527**
Surplus on the revaluation of Property, Plant and Equipment	1,432
Remeasurements of the net defined benefit pension liability	(10,111)
Transfers to earmarked reserves	(2,389)
The detail of the items below are shown in Note 7 'Adjustments between Accounting Basis and Funding Basis under Regulations' in the General Fund Balance column.	
Adjustments primarily involving the Capital Adjustment Account	(702)
Adjustments primarily involving the Capital Receipts Reserve	567
Adjustments primarily involving the Pensions Reserve	(832)
Adjustments primarily involving the Council Tax Collection Fund Adjustment Account	(106)
Adjustments primarily involving the Business Rates Collection Fund Adjustment Account	10,664
Adjustments primarily involving the Accumulated Absences Account	(5)
Deficit for the 2016/17 financial year	**45**

6. A summary of the main differences from budget in 2016/17 is provided below:

ANALYSIS OF VARIATIONS	**£000**
Increases in expenditure/reduction in income	
Customer First – shortfall in letting income from Follaton House of £40,000 due to a delay in tenants moving in (income target £230,000) and a shortfall in room hire income	52
Customer First – additional salary costs mainly due to temporary resources being used to backfill positions and maternity leave cover	55
Commercial Services - shortfall in recycling credits income (£110,000) due to a reduction in the tonnage of material collected and the market value of materials (income target was £694,000). The Waste Disposal Authority bringing dedicated leaf sweepings into the Devon County Council contract has also had an adverse impact (£35,000).	145
Commercial Services - increase in the salary cost of manual workers due to overtime and agency costs. Due to a combination of factors relating to the winter tonnage increases and pressures on the rate of pay for manual staff. Nationally the wage bill for waste is experiencing rises.	110
Commercial Services – additional salary costs – includes one off costs, to obtain future savings within facilities management	60
Commercial Services - Waste Round review – savings envisaged from a round review were not able to be achieved	40
Commercial Services – shortfall in trade waste income (income target was £754,000)	44
Commercial Services – shortfall in trade waste income for business rated domestic properties (income target was £50,000)	28
Commercial Services - Torr Quarry transfer station extra haulage costs	19
Support Services – additional salary costs	20
Other small variances	79
Reductions in expenditure/additional income	
Commercial Services – additional car parking income (overall income budget of £2.9 million)	(130)
Customer First – additional income from Housing Benefit recoveries of overpayments (£22 million was paid in Housing Benefit payments 16/17)	(52)
Customer First – one-off access agreement income (net of costs)	(34)
Support Services – additional income in legal, design, HR and case management	(79)
Strategy and Commissioning – saving on Members' travel and printing (£25,000) and income on street naming and numbering (£20,000)	(45)
Financing and Investment – transfers from Earmarked Reserves/ Section 106 Income for regeneration	(212)
Financing and Investment – Land and Investment Properties – unbudgeted income in respect of an easement over Council land	(55)
TOTAL DEFICIT FOR 2016/17	**45**

The 2016/17 budget for South Hams was £8.75 million but the actual spend was 0.5% higher, providing a deficit of £45,000 as shown above.

KEY AREAS TO NOTE FROM THE 2016/17 STATEMENT OF ACCOUNTS

Pension Liability

1. 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.

2. The Actuary has estimated a net deficit on the funded liabilities within the Pension Fund as at 31 March 2017 of £53.4 million. This compares to £42.5million as at 31 March 2016. The deficit is derived by calculating the pension assets and liabilities at 31 March 2017. See Note 33 for further information.

Icelandic Banks

3. The Council placed a deposit of £1,250,000 on 25th September 2008 with the Heritable Bank which is a subsidiary of Landsbanki, one of the Icelandic Banks that was affected by the world economic crisis. Of this amount £1,227,517 (98%) has already been repaid to the Council by the Administrators. At the 31 March 2017, the Council had £22,483 frozen in the Heritable Bank.

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

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

Business Rates

6. 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.

7. The Council took a decision to withdraw from the Devon wide Business Rates Pool for 2015/16 and 2016/17, due to the risk of some large Business Rates appeals. If the Council had remained in the Pool, the Council would not receive a safety net payment from the Government if its Business Rate income fell by more than 7.5%. This financial burden would have fallen on all of the Devon Councils if South Hams had remained in the Pool and this financial risk was deemed too high.

8. 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 2015/16 there was a £26.7 million increase in the provision for business rates appeals within the Collection Fund for some significant business rates appeals.

9. In 2016/17 a large part of these outstanding appeals have been settled. As a consequence, there has been a reduction in the business rates appeals provision of £27.1 million in 2016/17. Therefore the Business Rates Collection Fund has moved from a deficit position of £26 million in 2015/16 to a surplus position of £581,000 in 2016/17. South Hams District Council's share of the surplus is 40% (£232,000).

10. Monies have been set aside in the Business Rates Retention Earmarked Reserve to mitigate the impact of business rates income volatility in future years. The balance on this reserve is £4.5 million at 31 March 2017, which reflects the £5.3 million levy payment in 2016/17.

Trading Company

11. South Hams District Council and West Devon Borough Council set up a trading company, Servaco Limited, on 4th September 2014. This is a company limited by shares. The company has not traded in 2016/17 and a set of statutory dormant Accounts will be filed with Companies House for the period 1 April 2016 to 31 March 2017. The future of Servaco Limited is likely to be reviewed during 2017/18.

Borrowing

12. As at 31 March 2017 the Council had no external borrowing.

Capital spending

13. The Council spent £3.0m on capital projects. The main areas of expenditure were as follows:

    - residential renovation grants including disabled facilities grants (£0.7m)
    - purchase of land (£0.5m)
    - scheduled replacement of plant and vehicles (£0.4m)
    - investment in leisure facilities (£0.25m)
    - coastal defence schemes (£0.25m)
    - affordable housing and investments in the community (£0.2m)
    - New roof at an industrial estate (£0.1m) and new Boat Float at Dartmouth (£0.1m)

The capital programme is funded from capital receipts, capital grants, external contributions and earmarked reserves (please see Note 30).

FINANCIAL NEEDS AND RESOURCES

14. 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.

15. General Fund reserves (which include earmarked reserves) have reduced by £2.4m from the preceding year and stand at £14.8m at 31 March 2017. This reflects the £5.3 million reduction in the Business Rates Retention Reserve (as detailed in 9 and 10 above).

16. The General Fund Balance (un-earmarked reserve) has reduced by £45,000 in 2016/17 and totals £1.765m. Revenue reserves may be used to finance capital or revenue spending plans.

17. Capital Reserves are represented by capital receipts and capital contributions unapplied. The balance at 31 March 2017 amounts to £4.0m compared to £4.2m at the end of the previous year.

18. 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.

19. 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 £53.4 million at 31 March 2017. This disclosure follows the implementation of the International Reporting Standards (IAS 19). This standard requires local authorities and other businesses to disclose pension assets and liabilities within the balance sheet.

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

LOOKING FORWARD TO THE FUTURE AND NEXT STEPS

Proposal for a Single Council

21. South Hams and West Devon Councils have a long history of sharing services and following the joint Transformation Programme (T18), the majority of the Councils’ staff are shared. One next step which Councillors are exploring is the formation of a single Council for South Hams and West Devon areas for District services. This proposal would bring the two political structures together to create one single Council for both authorities.

22. Members of both Councils have formed a Joint Steering Group to consider this proposal and while the proposal continues to be worked up it is clear that there is the opportunity to make further savings and generate additional income based on forming a single council from April 2019. In July, we will be asking Members of both Councils to decide whether or not to commence public consultation on the proposal ahead of a submission to Department for Communities and Local Government in the Autumn. If agreed, the Councils propose to undertake consultation through August and September to seek the views of all stakeholders.

Other options to secure financial sustainability

23. Alongside the work to consider a single Council, the Councils are actively investigating other ways in which to ensure their long term financial sustainability. The way in which the Councils commission, design and deliver their front line services is being considered by the Joint Steering Group. This workstream is considering the potential efficiencies that could be achieved through the provision of services through a wholly owned company or through outsourcing. This is in respect of waste and cleansing services, grounds and building maintenance services. Staff are currently undertaking market testing to advise on which options will offer the best value to the Councils.

24. A further proposal being considered by Councillors is the various commissioning options, including in-house options in respect of waste and cleansing services, grounds and building maintenance services. The Councils have been exploring the best options for delivering our front line services such as waste, street cleaning and maintenance. Staff are currently in the process of testing the market to see what options would be available.

25. A third strand of work is to develop and implement a commercial property acquisition strategy. Both Councils have reviewed the criteria to increase the asset base of both Councils, availing themselves of historically low fixed interest borrowing rates and the proposal, if approved, is to acquire commercial properties.

26. The strategy to consider these three distinct but inter-related work streams will help the Councils to generate revenue streams and reduce inefficiencies, thereby contributing to the long term financial sustainability of each Council and enabling them to continue to deliver, and where possible improve, frontline services rather than looking to reduce services in order to deal with budgetary cuts.

27. As the Council works through these ideas, reports will be presented to both Councils who will ultimately make the decision on the future of both Councils and how services will be funded into the future.

‘Do It Online – Save Time’

28. The Council will continue to strive to deliver efficient services that meet the needs of its customers. The Council will do this by improving our use of digital technology to offer more online transactions and make it quicker and easier to find information, request and pay for a service and improve the customer experience.

29. Our new awareness campaign for our digital services offer ‘Do it Online – Save Time’ will run throughout the year. We will focus on getting things right first time, telling customers what level of service they can expect and then aiming to meet and where possible exceed those expectations. We will develop the use of digital social media to complement existing customer communication to widen our engagement with customers getting information quickly and when it is needed. The reduction of call volumes achieved this year will free up staff to become more proactive in engaging with customers who do not have access to our digital services and will allow us to develop services to meet their needs.

Summary

30. Overall, the Council’s finances remain strong, but there are challenges ahead. The financial year 2016/17 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 2014, 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

31. The Finance Community of Practice Lead (S151 Officer) authorised the unaudited Statement of Accounts 2016/17 for issue on 30 June 2017.

ACHIEVEMENTS FOR 2016-17

The following pages set out the achievements of the Council for 2016-17 by each of the Themes within 'Our Plan: South Hams' which is a single strategic document that sets out the vision, objectives and activities of the Council.

HOMES – Enabling homes that meet the needs of all

Action	16/17 Progress
Implement a housing delivery programme	300 new affordable homes granted planning consent for local people. 11 homes delivered through the village housing initiative in smaller rural locations. An additional £115,000 received through planning agreements to invest in affordable housing. 2 properties built and occupied to meet the specific needs of disabled households. £230,000 allocated for the future delivery of housing projects.
Homeless Strategy	Widely consulted and adopted a 5 year homeless strategy setting out the Council's commitment to tackle the causes of homelessness.
Disabled facility grants	Awarded over £487,000 for 118 projects to facilitate independent living through adaptation of homes including level shower access, stair lifts and rails.
Affordable housing	£1.88 million Community Led Housing funding awarded to encourage future homes in the area. Continue to work closely with community housing groups to deliver additional housing.
Sherford	First phase of development commenced - 313 homes in South Hams approved to date including 63 affordable homes.
ATMOS Project, Totnes	Made a Community Right to Build Order to deliver a mixed-use redevelopment to include 62 affordable homes, 37 retirement homes, commercial, community and cultural space, and enhanced public realm including improved access to the River Dart.

ECONOMY – Creating places for enterprise to thrive and business to grow

Action	16/17 Progress
Clarify and deliver an economic development programme	Agreed a programme for 2016-18 including a funded support package for start-up and growing businesses. Continued sub regional partnership delivery. Business database development and provision of business news bulletins.
South Devon Coastal Local Action Group	Acted as accountable body and supported this initiative to create jobs in the rural economy, 8 projects approved to date worth over £131,000+ investment.
Heart of the South West Growth Deal 3	Further funding granted for targeting the final 5% of premises not benefitting from superfast broadband through partnership working.
Better Business For All Partnership	Achieved a Federation of Small Businesses Award for work to this partnership including provision of advice and support to over 500 businesses during routine food inspections.
Council owned premises	Achieved over 90% occupancy rate for all Council owned commercial premises.
Business units	Planning permission and contractors secured to build commercial units at Dartmouth and Totnes.

INFRASTRUCTURE – Securing the services and facilities that meet the needs of our communities

Action	16/17 Progress
Renew strategic infrastructure delivery plan	Plan prepared in consultation with strategic partners and infrastructure providers which seeks to ensure the timely delivery of: transport, highway infrastructure, education, community facilities and open space / formal play areas. (This plan forms parts of the Joint local Plan process)
Waste review	Started Waste Review by conducting 9 waste review roadshows. Moved over 4,000 households to alternate weekly recycling collections allowing for improved recycling services. Also introduced in-cab technology to improve efficiency of service.
Grounds	Review carried out to ensure performance improves

maintenance review	and that we are in a position to take on additional business when opportunities arise to generate income for the Council.
Street Cleansing	Service improvements and consultation on street cleansing and introduction of mechanical sweepers allowing for cleaner streets.

COMMUNITIES – Empowering residents to create strong communities

Action	16/17 Progress
Produce Joint Local Plan	Conducted over 30 community engagement events to canvas local views on the proposed Joint Local Plan due to be adopted in late 2017.
Neighbourhood Parish Plan	3 new plans underway and continued support provided to 30 communities already developing plans.
Community reinvestment fund	Over £153,000 awarded to 8 projects for footpath, village hall and play area improvements.
Town and Parish (TAP) Funding	Over £76,000 awarded to 39 projects including air ambulance night landing sites, equipment for community play groups, bicycle storage racks and dementia action groups.
Sustainable Community Locality Fund	Over £59,000 awarded to 130+ community based projects ranging from sports equipment and composters to community celebrations.
Development Management Towns and Parish Meetings	Attendance at 14 parishes/town meetings to foster a better understanding of the planning process.
Developer Forum	Reinstated and held every 3 months, engaged with 30 agents/developers to update on changes in planning process / legislation and problem solving.
BT Payphone Removal Consultation	Coordinated a consultation to ensure affected communities were well briefed to influence the future of payphones in their communities.
Implement a coordinated community support offer	Review of Partnership working arrangements including Community Safety Partnership, Citizens Advice and Community & Voluntary Service (CVS)

WELLBEING – Supporting positive safe and healthy lifestyles

Action	16/17 Progress
Salcombe Harbour	Hosted over 5,800 visiting vessels. Facilitated cross-harbour swim for 550 entrants (believed to be biggest event of this type in UK). Co-hosted marine crime awareness and safety events with Police, RNLI and others in Salcombe and Kingsbridge.
Implement public health working group	Group established and focussed on coordinating health and wellbeing projects including Social Prescribing. 2 local GP surgeries engaged to date accessing over £43,000 funding.
Community Safety Partnership	Advised 610 year 8/9 pupils on safe internet use, sexting, consent, grooming and exploitation. Supplied internet safety advice to 44 primary schools. Joined in the Fire Service Phoenix Project. Trained 87 taxi drivers to spot the signs of people trafficking, modern slavery, child sexual exploitation and safeguarding issues. Advised all secondary schools on Community Safety issues.
Junior Life Skills	Worked with 7 partners including the Police, RNLI, Fire Service, BT and Western Power to present workshops to over 800 year 6 students on safety, wellbeing and responsible citizenship.
Complete and implement health and wellbeing procurement	Secured a 25 year contract with Fusion Lifestyle to run Council owned leisure facilities and provide capital improvements of £6.4 million including a new swimming pool at Ivybridge and improvements at Kingsbridge.

ENVIRONMENT – Protecting, conserving and enhancing our built environment

Action	16/17 Progress
Support delivery of the agreed improvement programmes for South Devon and Tamar Valley AONBs	Management plan priorities delivered and business plan/income generation strategy in development to diversify income sources. Heritage Lottery Funding application complete for the establishment of a Charitable Incorporated Organisation and development of a Business Membership Scheme and volunteering offer.
Major sea defence repair works	£390,000 repair work completed at Beesands and Torcross including 20m trial sea defence offering improved value for money.

Dog fouling	**Held roadshows in partnership with the Dogs Trust to raise the importance of responsible dog ownership.**
Measures to support design quality	**Policy established to encourage high quality design following guidelines requiring layout, materials and greenspace that integrate with the neighbourhood as well as pedestrian, cycling and public transport connectivity to existing facilities and design that promotes safety.**

HERITAGE – Celebrating our past and protecting our heritage for the future

Action	16/17 Progress
Stowford Mill Site, Ivybridge	**Granted planning permission for renovation and redevelopment of this key heritage asset to provide 38 dwellings, 59 apartments (32 later living), 6772m^2 commercial use and 169m^2 community use.**
Bovisand	**Granted planning permission to include improved public access, heritage interpretation and a new link from quayside to coastal footpath.**

RESOURCES – Promoting energy efficiency and more effective use of our natural resources

Action	16/17 Progress
Solar panels	**Installed on business units in Totnes and Salcombe.**
Support community led energy conservation and generation projects	**Support for Cosy Devon scheme – Local Energy Action Project signposting residents to free energy efficiency advice.**

PERFORMANCE INDICATORS FOR 2016-17

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 significant reduction in call volumes, an increase in transactions online and quicker turnaround times for planning, benefits and disabled facility grants applications.

Corporate Balanced Scorecard

Community/Customer

Q1	Q2	Q3	Q4	
△	✅	✅	△	Overall waste recycling rate %
✅	△	△	✅	Residual waste per household
🔴	✅	✅	🔴	Average No. of Missed Bins
🔴	🔴	-	-	**CST:** Average Call Answer Time
△	△	-	-	**CST:** % of enquiries resolved at first point of contact
🔴	🔴	△	△	**CST:** % of calls answered
🔴	△	△	🔴	**CST:** % of calls answered in 20 secs

Processes

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

Q1	Q2	Q3	Q4	
🔴	✅	✅	🔴	Average End to End time Benefits New Claims
△	✅	✅	✅	Average End to End time Benefits Change of circumstances

T18 Programme

Q1	Q2	Q3	Q4	
△	△	-	-	**T18: Programme timescales on track**
✅	✅	-	-	**T18: Performance vs. Budget**
△	△	-	-	**T18: No. of Processes live**
✅	✅	✅	✅	**T18: Ratio call/web submissions**
-	-	△	△	Ratio of benefits web/post submissions (IEG4)

Some measures were replaced during the year as new systems or processes started.

Performance

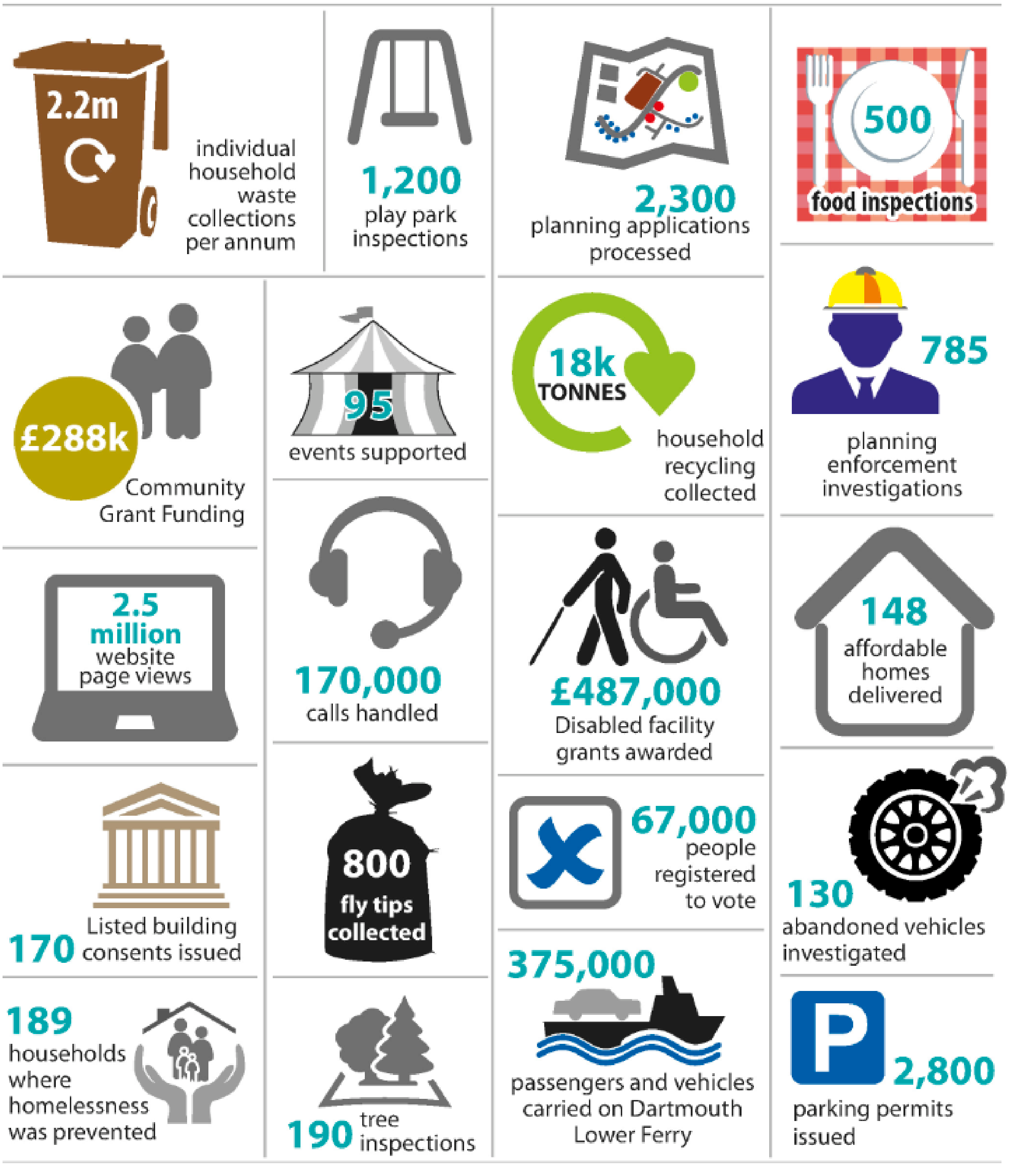
Q1	Q2	Q3	Q4	
△	△	△	✅	**EH:** % of nuisance complaints resolved at informal stage
✅	△	△	✅	Average days short term sickness/FTE
✅	🔴	△	✅	Complaint response speed

Key

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

A few things we spent your money on in 2016/17

Appendix A



Performance for the year 2016/17

Council of the Year Award 2016

Housing benefit claims processing times reduced from 42 to 19 days

Online transactions increased by 17%

Missed waste collections performing 50% above target

Minor planning determinations delivered on time improved to 98%

Call volumes decreased by 25%

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.

There is a culture of risk ownership and management throughout the Council. Throughout 2016/17, particular focus has been given to health and safety and information security. Risks are logged centrally and are updated regularly. For each risk, the uncertainties are identified, along with the consequences, likelihood of occurrence and strategic impacts that would result. The Council's Senior Leadership Team review the corporate risk log monthly and updates are reported to Elected Members via the Audit Committee on a six monthly basis. Elected Members also have the opportunity to raise concerns with the mitigating actions being taken by officers and can suggest new risks for consideration.

Appendix A

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

Risk	Impact	Mitigation
Data Protection	Failure to control the appropriate use of data and unauthorised access.	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 via the Council's new eLearning tool.
Service Performance	Any service failure or degradation of service impacts on the customer, which then impacts on all areas of the Council and Members.	Staff focus on getting it right the first time; getting back to people appropriately and more timely responses, and keeping better records. Also management focus on ensuring appropriate resources in the right places.
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. This could make it difficult to achieve a balanced budget.	Robust horizon scanning to monitor changes in Government policy. Senior leaders aware of the risks, cautious approach to budgeting and robust systems of financial control. Council actively participate in Government consultations, MP discussions and keep aware of changes and the response by peer group, ensuring the learning is incorporated into strategic plans. Latest budget reports approved by both Councils in February 2017 after member workshops in October 2016 and the result of the four year Government Finance Settlement being communicated. A joint steering group has been formed to review options for dealing with the budget position and future working. Other initiatives progressing to help meet forecast budget gaps, such as asset investment.

Risk	Impact	Mitigation
Delivery of local plan (Inc. 5 Year Land Supply)	Risk of speculative development without a 5 year land supply. Risk of designation in relation to Development Management & local plan across both Councils.	Work underway to agree joint strategic working plan between Plymouth, South Hams and West Devon to ensure land supply across the three areas is sufficient. Collaboration agreement signed & consultation underway; member engagement ongoing. On course for examination Sept 2017; inspector to respond Summer 17 with issues to take to examination, meaning we can rely on anything not queried.
Business Continuity	Officers fail to develop robust processes 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. 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 Annual work programme to address critical areas. ICT strategy adopted by both Councils. Going through procurement process for new infrastructure and backup infrastructure.
Procurement	There are a number of contracts to be let by the Council over the next 2 year period which will be in excess of the EU procurement thresholds. These will require specialist input and project teams to ensure best value for money is achieved.	The procurement elements required should be captured and prioritised within the service planning exercise being carried out currently. The service planning process is in progress and Senior Leadership Team (SLT) can ensure that this item is raised, identified and actioned as part of the work stream.

Appendix A

Risk	Impact	Mitigation
Emergency Response, e.g. Coastal Erosion/Storm Damage/ Flooding	Following an event, the expectation that coastal defences and asset repairs will be urgently undertaken despite competing claims on capital resources. The risk relates to how best to support dispersed communities.	Continued management and officer focus on this area to ensure risk is minimised as much as possible; continued close engagement work with Devon County Council and Environment Agency to ensure all parties are aware of each other's responsibilities and capacity. Mild Winter 16/17. Torcross / Slapton works now completed. Emergency response plan updated.
T18 Transformation Programme (Cost reduction, restructure and process redesign) Benefits Not Delivered	Poorly executed delivery could affect quality of customer service; timescales to complete routine tasks and an increase in complaints. Staff morale and reputation can be affected. Failure to deliver sustained benefits from the T18 Programme; Risk of new systems not being fit for purpose during transfer and then for business as usual; Capacity risk once additional resources exhausted.	Regular SLT and member scrutiny over T18 roll-out; T18 programme being managed closely; currently within budget. Regular monitoring reports to Members. Considerable engagement with Civica, some compensatory payments for back filling and resourcing from Civica. SLT have looked & deployed alternatives as required. Budget has been monitored & on budget. Transition resources have been recruited to ease pressure, staff re-allocated to look at services for improvements and programme management temporary resources retained (though reduced) to ensure continuity.

Risk	Impact	Mitigation
Adherence to Council policies and processes and Government guidelines	Failure to manage/enforce s106 conditions. Ombudsman complaints could lead to finding of maladministration due to management of issues, e.g. poor record keeping; time to resolve issues or meet imposed timelines; reputational damage. Failure to meet current and changing needs of customers and to manage customer feedback. There is a risk of failure to respond to changes and to recognise external influences such as changes in government policy; risks of losing judicial reviews, appeals and Ombudsman rulings. T18 programme rollout saw service levels reduce but these have now recovered.	Embedding new process within organisation; Transformation Improvement board now in place. Additional resources recruited to ensure less impact on front line services. Internal audit programme in forthcoming year will help provide assurance. Regular Statutory Officers Group meet. Regulation of Investigatory Powers (RIPA) training for key staff. Policies / Key Strategies being reviewed by CoPs with consultation where appropriate, e.g. Homelessness Strategy. Plan to commence measuring customer satisfaction during 17/18. Increased customer engagement; new complaints policy in place. Ongoing review of internal and external policies.

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.

*From 2016/17 local authorities are required to report their Cost of Services based on the way in which they operate and manage services. There is no longer a requirement for the service expenditure analysis to be based on the Service Reporting Code of Practice for Local Authorities. This new format of segmental reporting means that the cost of services section of the Comprehensive Income and Expenditure Statement supports accountability and transparency as it reflects the way in which services operate and performance is managed. The 2015/16 comparatives within net cost of services have been restated to reflect this new reporting format.

2015/16 Restated *				**2016/17**		
Gross Expenditure £000	**Gross Income £000**	**Net Expenditure £000**	**Segment**	**Gross Expenditure £000**	**Gross Income £000**	**Net Expenditure £000**
34,392	(29,082)	5,310	Customer First**	32,035	(30,671)	1,364
10,868	(6,922)	3,946	Commercial Services	10,403	(7,166)	3,237
1,687	(795)	892	Strategy and Commissioning	1,814	(973)	841
3,163	(818)	2,345	Support Services	3,188	(1,071)	2,117
523	-	523	Centrally Held Costs	565	(42)	523
27	(512)	(485)	Material Items (Note 2)	358	(125)	233
50,660	**(38,129)**	**12,531**	**Cost of Services**	**48,363**	**(40,048)**	**8,315**
1,715	(37)	1,678	Other operating expenditure (Note 9)	1,895	(142)	1,753
1,557	(720)	837	Financing and investment income and expenditure (Note 10)	1,536	(637)	899
21,907	(33,677)	(11,770)	Taxation and non-specific grant Income (Note 11)	17,048	(35,167)	(18,119)
75,839	**(72,563)**	**3,276**	**(Surplus) or Deficit on Provision of Services**	**68,842**	**(75,994)**	**(7,152)**
		(214)	(Surplus) or deficit on revaluation of Property, Plant and Equipment			(1,432)
		(6,605)	Remeasurements of the net defined benefit liability			10,111
		(6,819)	**Other Comprehensive Income and Expenditure**			**8,679**
		(3,543)	**Total Comprehensive Income and Expenditure**			**1,527**

**The reduction in net expenditure in Customer First mainly reflects the receipt of the Community Housing Fund grant in 2016/17 of £1.9 million. In addition there have been various changes to accounting adjustments in respect of pensions (IAS19) and capital between 2015/16 and 2016/17. These are shown in the Expenditure and Funding Analysis in Section 2B and further broken down in Note 4 - Note to the Expenditure and Funding Analysis.

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 (i.e. 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.

2016-2017	**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	505	859	1,364
Commercial Services	2,382	855	3,237
Strategy and Commissioning	878	(37)	841
Support Services	2,074	43	2,117
Centrally Held Costs	523	-	523
Material Items	233	-	233
Net Cost of Services	**6,595**	**1,720**	**8,315**
Other income and expenditure	(4,161)	(11,306)	(15,467)
(Surplus)/Deficit on Provision of Services	**2,434**	**(9,586)**	**(7,152)**

	General Fund Balance £000	**Earmarked Reserves £000**	**Total General Fund Reserves £000**
Opening Balance at 31 March 2016	**(1,810)**	**(15,463)**	**(17,273)**
(Increase)/decrease in year	45	2,389	2,434
Closing Balance at 31 March 2017	**(1,765)**	**(13,074)**	**(14,839)**

2015-2016	**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	2,051	3,259	5,310
Commercial Services	2,193	1,753	3,946
Strategy and Commissioning	711	181	892
Support Services	2,313	32	2,345
Centrally Held Costs	523	-	523
Material Items	(485)	-	(485)
Net Cost of Services	**7,306**	**5,225**	**12,531**
Other income and expenditure	(16,672)	7,417	(9,255)
(Surplus)/Deficit on Provision of Services	**(9,366)**	**12,642**	**3,276**

	General Fund Balance £000	**Earmarked Reserves £000**	**Total General Fund Reserves £000**
Opening Balance at 31 March 2015	**(1,741)**	**(6,166)**	**(7,907)**
(Increase)/decrease in year	(69)	(9,297)	(9,366)
Closing Balance at 31 March 2016	**(1,810)**	**(15,463)**	**(17,273)**

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.

2016/17	General Fund Balance £000	Earmarked 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 2016/17 £000**
Balance at 31 March 2016 carried forward	**1,810**	**15,463**	**17,273**	**3,779**	**377**	**21,429**	**21,937**	**43,366**
Movement in Reserves during 2016/17								
Total Comprehensive Income and Expenditure	7,152	-	**7,152**	-	-	**7,152**	(8,679)	**(1,527)**
Adjustments between accounting basis and funding basis under regulations (Note 7)	(9,586)	-	**(9,586)**	(96)	(33)	**(9,715)**	9,715	**-**
Transfers to/from Earmarked Reserves (Note 8)	2,389	(2,389)	**-**	-	-	**-**	-	**-**
Increase/ (Decrease) in Year	**(45)**	**(2,389)**	**(2,434)**	**(96)**	**(33)**	**(2,563)**	**1,036**	**(1,527)**
Balance at 31 March 2017 carried forward	**1,765**	**13,074**	**14,839**	**3,683**	**344**	**18,866**	**22,973**	**41,839**

SECTION 2C MOVEMENT IN RESERVES

2015/16 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 £00**
Balance at 31 March 2015 carried forward	**1,741**	**6,166**	**7,907**	**4,463**	**348**	**12,718**	**27,105**	**39,823**
Movement in Reserves during 2015/16								
Total Comprehensive Income and Expenditure	(3,276)	-	**(3,276)**	-	-	**(3,276)**	6,819	**3,543**
Adjustments between accounting basis and funding basis under regulations (Note 7)	12,642	-	**12,642**	(684)	29	**11,987**	(11,987)	**-**
Transfers to/from Earmarked Reserves (Note 8)	(9,297)	9,297	**-**	-	-	**-**	-	**-**
Increase/ (Decrease) in Year	**69**	**9,297**	**9,366**	**(684)**	**29**	**8,711**	**(5,168)**	**3,543**
Balance at 31 March 2016 carried forward	**1,810**	**15,463**	**17,273**	**3,779**	**377**	**21,429**	**21,937**	**43,366**

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 were sold and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2016 £000		Notes	31 March 2017 £000
73,991	Property, Plant and Equipment	12	75,392
386	Investment Property		381
208	Intangible Assets		240
188	Long Term Debtors	14	76
74,773	**Long Term Assets**		**76,089**
15,000	Short Term Investments	13	17,000
66	Inventories		79
15,705	Short Term Debtors	14	6,637
2,237	Cash and Cash Equivalents	15	12,852
33,008	**Current Assets**		**36,568**
(6,210)	Short Term Creditors	16	(12,192)
(204)	Short Term Revenue Grants in Advance	28	(24)
(11,653)	Provisions	17	(759)
(18,067)	**Current Liabilities**		**(12,975)**
(19)	Long Term Creditors	16	(26)
(3,743)	Long Term Revenue Grants in Advance - Section 106 Deposits	28	(4,288)
(42,454)	Pensions Liability	33	(53,397)
(132)	Capital Grants - Receipts in Advance	28	(132)
(46,348)	**Long Term Liabilities**		**(57,843)**
43,366	**Net Assets**		**41,839**
21,429	Usable Reserves	18	18,866
21,937	Unusable Reserves	19	22,973
43,366	**Total Reserves**		**41,839**

The unaudited accounts were issued on 30 June 2017.

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.

2015/16 £000		**2016/17 £000**
3,276	**Net (surplus) or deficit on the provision of services**	**(7,152)**
3,563	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 20)	(4,545)
1,193	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 21)	1,700
8,032	**Net cash outflows/ (inflow) from Operating Activities**	**(9,997)**
(4,852)	Net increase / (decrease) in Investing Activities (Note 22)	2,137
(380)	Net cash outflow / (inflow) from Financing Activities (Note 23)	(2,755)
2,800	**Net (increase) or decrease in cash and cash equivalents**	**(10,615)**
5,037	Cash and cash equivalents at the beginning of the reporting period	2,237
2,237	Cash and cash equivalents at the end of the reporting period (Note 15)	12,852

Section 3

Notes to the

Financial Statements

CONTENTS

SECTION 3. NOTES TO THE ACCOUNTS

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

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

The items in the Authority's Balance Sheet at 31 March 2017 for which there are significant risks of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives which are estimated annually.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. If the depreciation lives of the assets were to reduce by 1 year across all assets, this would have an impact of approximately £159,000 on the Council's finances.
Business Rates Appeals Provision	Estimates have been made for the provision for refunding ratepayers who may successfully appeal against the rateable value of their properties. This includes the current and previous financial years. The estimate is based on those ratepayers who have appealed.	There is uncertainty and risk surrounding the calculation of the provision as future events may affect the amount required to settle an obligation.
Arrears	The Authority makes a provision every year for the impairment of doubtful debts for Council Tax, Business Rates, Housing Benefit and Sundry Debt. For example at 31 March 2017, the Authority had a balance of Sundry Debtors of £0.97million. A review of significant balances suggested that an impairment for doubtful debts of 12.5% (£121,000) 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 £6,000 on the Council's finances.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgments relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied. The value of pension assets is estimated based upon information available at the Balance Sheet date, although these valuations could be earlier. The actual valuations at the Balance Sheet date, which may not be available until sometime later, may give a different value of pension assets, but this difference is not considered to be material. 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 28 February 2017. 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.	The effects on the net pension liability of changes in individual assumptions can be measured. For example, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £1.4 million. The assumptions interact in complex ways. For example, in 2016/17, the Authority's actuaries advised that the pension liability has increased by £28 million as a result of a change in "financial assumptions". Please refer to Note 33 for further information about the assumptions used by the actuaries.

2. MATERIAL ITEMS OF INCOME AND EXPENSE

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 detail in the Narrative Statement to the Accounts.

	2015/16			2016/17		
Transformation Programme (T18) Investment Costs	**Direct £000**	**Recharges £000**	**Total £000**	**Direct £000**	**Recharges £000**	**Total £000**
GROSS REVENUE EXPENDITURE						
ICT technology, implementation and workstream development	715	11	726	-	-	-
ICT workstation costs and infrastructure	109	5	114	-	-	-
Training	86	2	88	-	-	-
Accommodation	8	-	8	-	-	-
Implementation and design of the future operating model	2	-	2	140	-	140
Redundancy and Pension Strain payments	370	-	370	559	3	562
Pension Strain (capitalised cost)	344	-	344	-	-	-
See **Note a** below Pension Strain(capitalised cost reversal)	(1,625)	-	(1,625)	(344)	-	(344)
Sub Total	**9**	**18**	**27**	**355**	**3**	**358**
GROSS REVENUE INCOME Shared Service Recharge to West Devon BC	-	(512)	**(512)**	-	(125)	**(125)**
Sub Total	**-**	**(512)**	**(512)**	**-**	**(125)**	**(125)**
NET REVENUE EXPENDITURE/ (INCOME) (as shown in the CIES)	**9**	**(494)**	**(485)**	**355**	**(122)**	**233**

Note a: In 2015/16 the Council made an adjustment to the pension fund liability of £344,000 in relation to timing differences where these figures had not been recognised in the Actuaries Pension Statement. In 2016/17, these figures have been recognised and included within the Councils IAS19 adjustments, therefore the prior year entries have been reversed.

SECTION 3. NOTES TO THE ACCOUNTS

3. EVENTS AFTER THE REPORTING PERIOD

The draft Statement of Accounts (SOA) for 2016/17 was approved for issue by the Finance Community of Practice Lead (S151 Officer) on 30 June 2017. This is also the date up to which events after the reporting period have been considered.

4. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

This note explains the main adjustments from the 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				
2016/17	**Adjustments for capital purposes (Note 1) £000**	**Net change for the pensions adjustments (Note 2) £000**	**Other Differences (Note 3) £000**	**Total adjustments £000**
Customer First	1,029	(170)	-	**859**
Commercial Services	976	(121)	-	**855**
Strategy and Commissioning	4	(41)	-	**(37)**
Support Services	55	(17)	5	**43**
Net Cost of Services	**2,064**	**(349)**	**5**	**1,720**
Other income and expenditure from the Expenditure & Funding Analysis	**(1,929)**	**1,181**	**(10,558)**	**(11,306)**
Difference between the General Fund surplus or deficit, and the surplus or deficit on the provision of services in the CIES	**135**	**832**	**(10,553)**	**(9,586)**

Adjustments between Funding and Accounting Basis				
2015/16	**Adjustments for capital purposes (Note 1) £000**	**Net change for the pensions adjustments (Note 2) £000**	**Other Differences (Note 3) £000**	**Total adjustments £000**
Customer First	2,297	962	-	**3,259**
Commercial Services	758	995	-	**1,753**
Strategy and Commissioning	4	177	-	**181**
Support Services	43	2	(13)	**32**
Net Cost of Services	**3,102**	**2,136**	**(13)**	**5,225**
Other income and expenditure from the Expenditure & Funding Analysis	**(3,086)**	**252**	**10,251**	**7,417**
Difference between the General Fund surplus or deficit, and the surplus or deficit on the provision of services in the CIES	**16**	**2,388**	**10,238**	**12,642**

SECTION 3. NOTES TO THE ACCOUNTS

Note 1: 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 and other capital contributions are deducted. It also adjusts for capital disposals with a transfer of the income on the disposal and the amounts written-off.

Note 2: 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 3: 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.

5. SEGMENT REPORTING

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

2016/17	Customer First £000	Commercial Services £000	Strategy and Commissioning £000	Support Services £000	Total £000
Expenditure					
Housing Benefit Payments	21,412	-	-	-	**21,412**
Leisure Contract Payments	609	-	-	-	**609**
Depreciation	1,356	998	4	3	**2,361**
Income					
Housing Benefit Subsidy	(21,298)	-	-	-	**(21,298)**
Dartmouth Lower Ferry income	-	(833)	-	-	**(833)**
Car Parking Income	-	(2,109)	-	-	**(2,109)**
Income from other external sources	(1,417)	(578)	-	-	**(1,995)**
2015/16 comparatives					
Expenditure					
Housing Benefit Payments	21,965	-	-	-	**21,965**
Leisure Contract Payments	675	-	-	-	**675**
Depreciation	1,290	825	2	1	**2,118**
Income					
Housing Benefit Subsidy	(21,867)	-	-	-	**(21,867)**
Dartmouth Lower Ferry income	-	(826)	-	-	**(826)**
Car Parking Income	-	(2,052)	-	-	**(2,052)**
Income from other external sources	(1,594)	(594)	-	-	**(2,188)**

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	**2015/16 £000**	**2016/17 £000**
Employee Benefits Expenses	15,054	14,221
Other Service Expenses	31,974	31,211
Depreciation, Amortisation and Impairment	3,691	2,992
Interest Payments	1	1
Pension Fund Administration Expenses	33	50
Net Interest on the net defined benefit liability	1,499	1,476
Total Expenditure	**52,252**	**49,951**
Fees, Charges and Other Service Income	(13,211)	(13,342)
Interest and Investment Income	(221)	(149)
Income from Council Tax and Business Rates*	(5,623)	(11,604)
Revenue Grants and Contributions	(29,378)	(31,264)
Capital Grants and Contributions	(126)	(210)
(Gains)/losses on disposal of non-current assets	(37)	(142)
Other Income	(380)	(392)
Total Income	**(48,976)**	**(57,103)**
(Surplus) or Deficit on Provision of Services	**3,276**	**(7,152)**

*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 on the face of the Comprehensive Income and Expenditure Statement.

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			
2016/17	**General Fund Balance £000**	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**	**Movement in Unusable Reserves £000**
Adjustments primarily involving the Capital Adjustment Account (CAA):				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):				
Charges for depreciation and impairment of non-current assets	**2,298**			**(2,298)**
Revaluation losses/(gains) on Property Plant and Equipment	**(448)**			**448**
Movements in the market value of Investment Properties	**5**			**(5)**
Amortisation of intangible assets	**64**			**(64)**
Capital grants and contributions applied	**(1,133)**			**1,133**
Revenue expenditure funded from capital under statute	**1,073**			**(1,073)**
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	**35**			**(35)**
Repayment of mortgage and parish loans		**2**		**(2)**
Insertion of items not debited or credited to the CIES:				
Capital expenditure charged against the General Fund	**(1,192)**			**1,192**
Adjustments primarily involving the Capital Grants Unapplied Account:				
Application of grants to capital financing transferred to the CAA			**(33)**	**33**

	Usable Reserves			
2016/17	**General Fund Balance £000**	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**	**Movement in Unusable Reserves £000**
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income And Expenditure Statement	**(175)**	**175**		**-**
Transfer of unattached capital receipts	**(392)**	**392**		**-**
Use of the Capital Receipts Reserve to finance new capital expenditure		**(665)**		**665**
Repayment of mortgage and parish loans				
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES (see Note 33)	**2,892**			**(2,892)**
Employer's pensions contributions and direct payments to pensioners payable in the year	**(2,060)**			**2,060**
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	**106**			**(106)**
Adjustments primarily involving the Business Rates Collection Fund Adjustment Account:				
Amount by which Business Rates income credited to the CIES is different from Business Rates income calculated for the year in accordance with statutory requirements	**(10,664)**			**10,664**
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	**5**			**(5)**
Total Adjustments between the Accounting Basis and Funding Basis under regulations in 2016/17	**(9,586)**	**(96)**	**(33)**	**9,715**

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

	Usable Reserves			
2015/16 Comparatives	**General Fund Balance £000**	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**	**Movement in Unusable Reserves £000**
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income And Expenditure Statement	**(20)**	**20**		**-**
Transfer of unattached capital receipts	**(381)**	**381**		**-**
Use of the Capital Receipts Reserve to finance new capital expenditure		**(1,087)**		**1,087**
Repayment of mortgage and parish loans		**2**		**(2)**
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES (see Note 33)	**3,943**			**(3,943)**
Employer's pensions contributions and direct payments to pensioners payable in the year	**(1,555)**			**1,555**
Adjustments primarily involving the Council Tax Collection Fund Adjustment Account:				
Amount by which Council Tax income credited to the CIES is different from Council Tax income calculated for the year in accordance with statutory requirements	**(7)**			**7**
Adjustments primarily involving the Business Rates Collection Fund Adjustment Account:				
Amount by which Business Rates income credited to the CIES is different from Business Rates income calculated for the year in accordance with statutory requirements	**10,258**			**(10,258)**
Adjustment primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	**(13)**			**13**
Total Adjustments between the Accounting Basis and Funding Basis under regulations in 2015/16	**12,642**	**(684)**	**29**	**(11,987)**

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 2016/17. The purpose of the largest earmarked reserves are shown below:

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

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

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

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

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

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

Affordable Housing – This reserve helps to support the funding of affordable housing.

16/17 Budget Surplus Contingency – This reserve was created from a one off surplus from the 2016/17 Budget process.

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 2017 and the movement during 2016/17.

2016/17 EARMARKED RESERVES	Balance at 31 March 2016 £000	Transfers Out £000	Transfers In £000	Balance at 31 March 2017 £000
General Fund				
Affordable Housing	540	-	230	770
Community Parks and Open Spaces	98	(17)	16	97
Pension Fund Strain	-	(99)	99	-
Repairs and Maintenance	420	(72)	55	403
Members Sustainable Community	45	(4)	-	41
Marine Infrastructure Reserve	47	-	47	94
Land and Development	226	(76)	55	205
Ferry Repairs and Renewals	313	-	87	400
Economic Initiatives	98	(21)	-	77
Vehicles and Plant Renewals	318	(370)	541	489
Pay and Display Equipment	61	-	20	81
On-Street Parking	44	-	-	44
Print Equipment	8	(8)	-	-
ICT Development	195	(81)	8	122
Sustainable Waste Management	3	-	-	3
District Elections	48	-	10	58
Beach Safety	14	-	-	14
Planning Policy & Major Developments	331	(184)	-	147
Building Control	395	(31)	72	436
Section106 Agreements (no conditions)	38	-	-	38
Revenue Grants	368	(130)	78	316
Capital Programme	1,089	(300)	327	1,116
New Homes Bonus	480	(2,086)	2,080	474
Renovation Grant Reserve	7	-	-	7
Business Rates Retention	9,916	(5,389)	-	4,527
T18 Investment Reserve	70	(70)	-	-
Homelessness Prevention Reserve	25	-	-	25
Strategic Change	-	(219)	219	-
16/17 Budget Surplus Contingency	-	(209)	768	559
Innovation Fund (Invest to Earn)	-	(498)	777	279
Community Housing Fund	-	-	1,881	1,881
Sub Total	**15,197**	**(9,864)**	**7,370**	**12,703**
Specific Reserves – Salcombe Harbour				
Pontoons	68	-	62	130
Harbour Renewals	58	(8)	35	85
General Reserve	140	(30)	46	156
Sub Total	**266**	**(38)**	**143**	**371**
TOTAL EARMARKED REVENUE RESERVES	**15,463**	**(9,902)**	**7,513**	**13,074**

2015/16 Comparatives **EARMARKED RESERVES**	**Balance at 31 March 2015 £000**	**Transfers Out £000**	**Transfers In £000**	**Balance at 31 March 2016 £000**
General Fund				
Affordable Housing	453	(148)	235	540
Strategic Issues	133	(133)	-	-
Community Parks and Open Spaces	108	(27)	17	98
Pension Fund Strain	-	(99)	99	-
Repairs and Maintenance	369	(34)	85	420
Members Sustainable Community	7	-	38	45
Marine Infrastructure	19	-	28	47
Land and Development	184	(18)	60	226
Ferry Repairs and Renewals	263	(37)	87	313
Economic Initiatives	120	(22)	-	98
Vehicles and Plant Renewals	1,735	(1,958)	541	318
Pay and Display Equipment	40	-	21	61
On-Street Parking	44	-	-	44
Print Equipment	76	(68)	-	8
ICT Development	203	(8)	-	195
Sustainable Waste Management	72	(69)	-	3
District Elections	68	(30)	10	48
Beach Safety	14	-	-	14
Planning Policy & Major Developments	596	(265)	-	331
Building Control	271	(6)	130	395
Section106 agreements (no conditions)	41	(3)	-	38
Revenue Grants	393	(49)	24	368
Capital Programme	129	(154)	1,114	1,089
New Homes Bonus	184	(1,398)	1,694	480
Renovation Grant Reserve	1	(5)	11	7
Business Rates Retention	304	(175)	9,787	9,916
T18 Investment Reserve	-	(508)	578	70
Homelessness Prevention Reserve	-	-	25	25
Strategic Change	-	(1,372)	1,372	-
Sub Total	**5,827**	**(6,586)**	**15,956**	**15,197**
Specific Reserves – Salcombe Harbour				
Pontoons	6	-	62	68
Harbour Renewals	130	(102)	30	58
General Reserve	203	(82)	19	140
Sub Total	**339**	**(184)**	**111**	**266**
TOTAL EARMARKED REVENUE RESERVES	**6,166**	**(6,770)**	**16,067**	**15,463**

9. OTHER OPERATING EXPENDITURE

2015/16 £000		2016/17 £000
1,682	Parish council precepts	1,845
(37)	(Gains)/losses on the disposal of non-current assets	(142)
33	Pension administration expenses	50
1,678	**Total**	**1,753**

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2015/16 £000		2016/17 £000
1	Interest payable and similar charges	1
(155)	Interest receivable and similar income	(134)
(380)	Other investment income	(392)
(50)	Investment (gains)/ losses	-
1,499	Net interest on the net defined benefit liability	1,476
(78)	Investment properties	(52)
837	**Total**	**899**

11. TAXATION AND NON SPECIFIC GRANT INCOME

2015/16 £000		2016/17 £000
	Council Tax	
(7,005)	• Income	(7,411)
(7)	• Collection Fund adjustment	106
(100)	• Collection Fund - distribution of surplus	(210)
112	• Support grant to parishes	102
	Business Rates	
(12,081)	• Income	(12,212)
11,256	• Tariff	11,350
17	• Pooling gain	-
(9,862)	• Safety net payment	-
-	• Levy payment	5,257
10,365	• Transfer of Collection Fund deficit/(surplus)	(10,431)
	Non ring - fenced Government grants :	
(1,176)	• Small Business Rate Relief Grant	(1,164)
(1,412)	• Revenue Support Grant	(754)
(1,693)	• New Homes Bonus Grant	(2,080)
(58)	• Council Tax Freeze Grant	-
-	• Rural Services Delivery Grant	(406)
-	• Transition Grant	(56)
(126)	Capital grants and contributions	(210)
(11,770)	**Total**	**(18,119)**

12. PROPERTY, PLANT AND EQUIPMENT

Movements in 2016/17:

	Land and Buildings £000	Vehicles, Plant, Furniture and 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	**65,253**	**9,119**	**9,293**	**737**	**25**	**84,427**
Additions	643	461	429	-	320	1,853
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	582	-	-	-	-	582
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	265	-	-	-	-	265
Derecognition – disposals	(36)	(143)	-	-	-	(179)
At 31 March 2017	**66,707**	**9,437**	**9,722**	**737**	**345**	**86,948**
Accumulated Depreciation and Impairment at 1 April 2016	**2,943**	**5,031**	**2,462**	**-**	**-**	**10,436**
Charge for 2016/17	1,178	759	360	-	-	2,297
Depreciation written out to the Revaluation Reserve	(849)	-	-	-	-	(849)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(184)	(141)	-	-	-	(325)
Derecognition - disposals	(3)	-	-	-	-	(3)
At 31 March 2017	**3,085**	**5,649**	**2,822**	**-**	**-**	**11,556**
Balance Sheet amount at 31 March 2017	**63,622**	**3,788**	**6,900**	**737**	**345**	**75,392**
Balance Sheet amount at 31 March 2016	**62,310**	**4,088**	**6,831**	**737**	**25**	**73,991**

Comparative Movements in 2015/16:

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

Depreciation

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

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

Capital Commitments

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

- New Units, Burke Road, Totnes £600,000
- New Units, Admiral Court, Dartmouth £700,000
- Leisure Centre investment £6.1 million.

As at 31 March 2016 the Authority had not entered into any contracts for the construction or enhancement of Property, Plant and Equipment with a value in excess of £200,000.

Revaluations

All material freehold land and buildings which comprise the Authority's property portfolio are revalued by the Council's Valuer on a rolling basis.

Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The valuations of real estate were carried out by an external contractor under the supervision of Guy Pedrick MRICS, the Council's Senior Specialist (Assets). Assets are valued in accordance with a five year rolling programme (with ad hoc valuations taking place, for example where assets have been enhanced). In addition, a formal impairment review of the entire holding of land and buildings is undertaken at the end of each financial year, to ensure the carrying value reflects the fair value at the Balance Sheet date. The basis of valuation is set out in the Statement of Accounting policies in Note 36.

	Land and buildings £000	Vehicles, plant furniture & equipment £000	Total £000
Valued at historical cost	-	3,788	3,788
Valued at current value in:			
2016/2017*	22,727	-	22,727
2015/2016	24,845	-	24,845
2014/2015	15,112	-	15,112
2013/2014	-	-	-
2012/2013	938	-	938
Total	**63,622**	**3,788**	**67,410**

*The figure for 2016/17 includes a purchase of land in 2016/17 for £473,000.

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

The carrying amount and fair values for investments at 31 March 2017 are shown in the following table:

Investment Type	Carrying Amount (net of interest)	Interest due at year end	Gross carrying Amount	Fair Value
	£000	**£000**	**£000**	**£000**
Short term	17,000	25	17,025	17,031

Heritable Bank
At the 31 March 2017 the Council had £22,483 frozen in the Heritable Bank which is UK registered and regulated, but a subsidiary of Landsbanki, one of the Icelandic Banks that have been affected by the world economic crisis. Heritable Bank is registered in Scotland with a registered address in Edinburgh. Heritable Bank Plc is authorised and regulated by the Financial Services Authority and is on the FSA Register. The bank's shares are owned by Icelandic bank, Landsbanki.

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

The balance outstanding at 31 March 2014 (£72,368) was impaired (written out of the Balance Sheet) in the 2013/14 Accounts.

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

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

SECTION 3. NOTES TO THE ACCOUNTS

Summary of Financial Instruments

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

	Long-term			Current	
	31 March 2016 £000	**31 March 2017 £000**		**31 March 2016 £000**	**31 March 2017 £000**
Cash and cash equivalents	-	-		**2,237**	**12,852**
Investments	**-**	**-**		**15,000**	**17,000**
Debtors					
Loans and receivables	188	76		-	-
Financial assets carried at contract amount	-	-		4,032	3,664
Total Debtors	**188**	**76**		**4,032**	**3,664**
Creditors					
Financial liabilities at amortised cost	(19)	(26)		-	-
Financial liabilities carried at contract amount	-	-		(2,188)	(2,866)
Total Creditors	**(19)**	**(26)**		**(2,188)**	**(2,866)**

14. DEBTORS

31.3.2016 £000		**31.3.2017 £000**
	Short Term	
407	Central Government bodies*	669
2,082	Other Local authorities*	1,965
	Other debtors	
407	Council Tax	568
10,067	Business Rates**	799
2,742	Other entities and individuals*	2,636
15,705	**Total**	**6,637**
	Long Term	
183	Local Authorities	73
5	Other entities and individuals	3
188	**Total**	**76**

* 2015/16 short term debtors have been restated to reclassify capital accruals under the correct headings. Previously capital accruals were all shown under 'Other entities and individuals.'

** The Business Rates debtor for 2015/16 includes the safety net payment due from Central Government due to the high level of the appeals provision in 2015/16.

15. CASH AND CASH EQUIVALENTS

31.3.2016 £000		**31.3.2017 £000**
(613)	Cash held by the Authority	677
2,850	Money Market Funds	12,175
2,237	**Total Cash and Cash Equivalents**	**12,852**

16. CREDITORS

31.3.2016 £000		**31.3.2017 £000**
	Short Term	
(369)	Central Government bodies*	(519)
(719)	Other local authorities*	(1,543)
	Other Creditors	
(964)	Council Tax	(72)
(1,518)	Business Rates**	(6,952)
(2,640)	Other entities and individuals *	(3,106)
(6,210)	**Total**	**(12,192)**
	Long Term	
(9)	Local Authorities	(4)
(10)	Other entities and individuals	(22)
(19)	**Total**	**(26)**

* 2015/16 short term creditors have been restated to reclassify capital accruals under the correct headings. Previously capital accruals were all shown under 'Other entities and individuals.'

** The Business Rates creditor for 2016/17 includes the levy payment due to Central Government for the financial year as explained in the Narrative Statement.

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 2016/17 or 2015/16. The breakdown of the 2016/17 provision is shown in the following table:

	Land Charges £000	Business Rates Appeals £000	Total £000
Balance at 1 April 2016	**(41)**	**(11,612)**	**(11,653)**
Provisions made in year	-	(135)	**(135)**
Amounts used in year	26	10,988	**11,014**
Unused amounts reversed in year	15	-	**15**
Balance at 31 March 2017	**-**	**(759)**	**(759)**

Short term – Land charges:
The land charges case has now been resolved and the associated costs have been settled in 2016/17.

Short term – Non domestic rates appeals:
Provision is made for likely refunds of business rates as a result of appeals against the rateable value of business properties. The provision is based on the total value of outstanding appeals at the end of the financial year as advised by the Valuation Office Agency. Using this information, an assessment was made about the likely success rate of appeals and their value. The Council had some significant appeals outstanding at the year end. In 2016/17 there has been a £27.1 million decrease in the provision for appeals within the Collection Fund. The Council's share of this is 40% (i.e. £10.8 million). 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 and 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

31.3.2016 £000		31.3.2017 £000
24,318	Revaluation Reserve	25,468
50,370	Capital Adjustment Account	50,646
(42,454)	Pensions Reserve	(53,397)
255	Council Tax Collection Fund Adjustment Account	149
(10,432)	Business Rates Collection Fund Adjustment Account*	232
(120)	Accumulated Absences Account	(125)
21,937	**Total Unusable Reserves**	**22,973**

*See further explanatory note on the Business Rates Collection Fund Adjustment Account regarding the movement from 2015/16 to 2016/17.

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.

31.3.2016 £000	31.3.2016 £000	Revaluation Reserve	31.3.2017 £000	31.3.2017 £000
	24,307	**Balance at 1 April**		**24,318**
2,022		Upward revaluation of assets	2,544	
(1,808)		Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	(1,112)	
	214	**Surplus or (Deficit) on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**		**1,432**
(203)		Difference between fair value depreciation and historical cost depreciation	(263)	
-		Accumulated gains on assets sold or scrapped	(19)	
	(203)	**Amount written off to the Capital Adjustment Account**		**(282)**
	24,318	**Balance at 31 March**		**25,468**

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.

2015/16 £000	2015/16 £000	Capital Adjustment Account	2016/17 £000	2016/17 £000
	49,528	**Balance at 1 April**		**50,370**
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CIES) :		
(2,118)		▪ Charges for depreciation of non-current assets	(2,298)	
100		▪ Revaluation losses on Property, Plant and Equipment	448	
(6)		▪ Revaluation gains/(losses) on Investment Properties	(5)	
(53)		▪ Amortisation of intangible assets	(64)	
(1,613)		▪ Revenue expenditure funded from capital under statute (REFCUS)	(1,073)	
(26)		▪ Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(35)	
	(3,716)	**Total**		**(3,027)**
-		Amounts of Revaluation Reserve balance written off on disposal of sale of PPE	19	
203		Adjusting amounts written out of the Revaluation Reserve	263	
	203	**Net written out amount of the cost of non-current assets consumed in the year**		**282**
		Capital financing applied in the year:		
1,087		• Use of the Capital Receipts Reserve to finance new capital expenditure	665	
764		• Capital grants and contributions credited to the CIES that have been applied to capital financing	1,133	
-		• Application of grants to capital financing from the Capitals Grants Unapplied Account	33	
2,506		• Capital expenditure charged against the General Fund	1,192	
(2)		• Repayment of parish loans	(2)	
	4,355	**Total**		**3,021**
	50,370	**Balance at 31 March**		**50,646**

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.

31.3.2016 £000	Pensions Reserve	31.3.2017 £000
(46,671)	**Balance at 1 April**	**(42,454)**
6,605	Actuarial gains or (losses) on pension assets and liabilities	(10,111)
(5,224)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(3,236)
1,555	Employer's pensions contributions and direct payments to pensioners payable in the year	2,060
(344)	Accrued strain payments (see Note 2 'Material Items')	-
1,625	Reversal of accrued strain payments (see Note 2)	344
(42,454)	**Balance at 31 March**	**(53,397)**

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.

31.3.2016 £000	Council Tax Collection Fund Adjustment Account	31.3.2017 £000
248	**Balance at 1 April**	**255**
7	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	(106)
255	**Balance at 31 March**	**149**

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.

31.3.2016 £000	Business Rates Collection Fund Adjustment Account	31.3.2017 £000
(174)	**Balance at 1 April**	**(10,432)**
(10,258)	Amount by which Business Rates income credited to the CIES is different from Business Rates income calculated for the year in accordance with statutory requirements*	10,664
(10,432)	**Balance at 31 March**	**232**

*The significant reduction in the Business Rates Collection Fund Adjustment Account reflects the large reduction in the provision for appeals. This is further explained 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.

31.3.2016		Accumulated Absences Account	31.3.2017	
£000	£000		£000	£000
	(133)	**Balance at 1 April**		**(120)**
133		Settlement or cancellation of accrual made at the end of the preceding year	120	
(120)		Amounts accrued at the end of the current year	(125)	
	13	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		**(5)**
	(120)	**Balance at 31 March**		**(125)**

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

2015/16 £000		**2016/17 £000**
(2,118)	Depreciation	(2,298)
74	Impairment and downward valuations	448
(6)	Movement in market value of investment properties	(5)
(53)	Amortisation	(64)
8,855	Increase/(decrease) in Debtors	40
3,611	Increase/(decrease) in Creditors	(1,812)
(54)	Increase/(decrease) in Inventories	13
4,217	Movement in pension liability	(832)
-	Carrying amount of non-current assets held for sale, sold or derecognised	(35)
(10,963)	Other non-cash items charged to the net surplus or deficit on the provision of services	-
3,563	**Total**	**(4,545)**

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

2015/16 £000		**2016/17 £000**
401	Proceeds from the sale of Property, Plant and Equipment and Investment Properties	567
792	Other non-cash items charged to the net surplus or deficit on the provision of services	1,133
1,193	**Total**	**1,700**

22. CASH FLOW STATEMENT – INVESTING ACTIVITIES

2015/16 £000		**2016/17 £000**
(4,357)	Purchase of property, plant and equipment, investment property and intangible assets	1,949
-	Increase/(decrease) in investments	2,000
(401)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(567)
(94)	Other receipts from investing activities (capital grants and contributions)	(1,245)
(4,852)	**Net cash flows from investing activities**	**2,137**

23. CASH FLOW STATEMENT – FINANCING ACTIVITIES

2015/16 £000		2016/17 £000
(380)	Other receipts from financing activity	(2,755)
(380)	**Total**	**(2,755)**

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 and the Summary Accounts for the year will be detailed in the Devon Building Control Partnership Accounts, which can be found at the following website under the Devon Building Control Partnership Committee 2017-2018:

https://www.teignbridge.gov.uk/committee-meetings-and-agendas/

25. MEMBERS' ALLOWANCES

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

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

2015/16 £000		2016/17 £000
233	Allowances	228
18	Expenses	21
251	**Total**	**249**

26. OFFICERS' REMUNERATION

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

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

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

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

Post	Year	Salary, Fees and Allowances £	Expenses £	Pension Contribution £	Compensation etc. £	Total £
Executive Director Service Delivery & Commercial Development– started 1.1.15	16/17	94,800	500	14,000	-	**109,300**
	15/16	94,000	8,700	13,900	-	**116,600**
Group Manager for Customer First and Support Services – started 1.3.15	16/17	72,500	800	10,700		**84,000**
	15/16	65,800	3,100	9,700	-	**78,600**
Customer First Group Manager – started 1.3.15, left 31.1.16	16/17	-	-	-	-	**-**
	15/16	55,000	-	8,200	11,500	**74,700**
Executive Director Strategic Lead for Transformation – left 10.4.15	16/17	-	-	-	-	**-**
	15/16	1,500	-	200	-	**1,700**

No other officers earned over £50,000 during 2016/17 or 2015/16.

Note 1: Shared Services with West Devon Borough Council
The total cost of senior employees employed by West Devon Borough Council has been included in the equivalent note of West Devon Borough Council's Accounts in accordance with the accounting requirements and is therefore excluded from the table above. In 2016/17 South Hams District Council reimbursed costs amounting to £224,000 (2015/16 £214,000) in respect of some members of the Senior Leadership Team and the Monitoring Officer who are employed by West Devon Borough Council. South Hams District Council received a reimbursement in 2016/17 from West Devon Borough Council of £107,000 (2015/16 £134,000) in respect of the above shared senior employees.

27. 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:

	2015/16 £000	2016/17 £000
Fees payable with regard to external audit services	**51**	**51**
Core Audit Fees	43	43
Audit of Grants and Returns	8	8
Fees payable in respect of other services	**-**	**1**
TOTAL	**51**	**52**

28. GRANT INCOME

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

	2015/16 £000	2016/17 £000
Credited to Taxation and Non Specific Grant Income		
Capital grants and contributions:		
Environment Agency - Coastal Recovery Grant	(175)	(208)
Linden South West - Heathway, Totnes	(62)	-
Other capital grants and contributions	-	(2)
Reclassification of 2014/15 DEFRA grant from Capital to Revenue (AONB)	111	-
Non ring - fenced Government grants and contributions:		
Revenue Support Grant	(1,412)	(754)
New Homes Bonus Grant	(1,693)	(2,080)
Small Business Rate Relief	(1,176)	(1,164)
Council Tax Freeze Grant	(58)	-
Rural Services Delivery Grant	-	(406)
Transition Grant	-	(56)
Total	**(4,465)**	**(4,670)**
Credited to Services		
Rent Allowance subsidy	(21,867)	(21,298)
Housing Benefit administration subsidy	(297)	(246)
Rent rebate subsidy	(47)	(38)
Discretionary housing payments	(54)	(107)
Council Tax benefit administration subsidy	(79)	(89)
Business Rates cost of collection allowance	(206)	(208)
DCLG - Community Housing Fund	-	(1,881)
REFCUS grants applied		
Disabled facilities grant	(366)	(698)
Section 106 deposits	(84)	(120)
Repair and Renew grant	(30)	-
Coastal Recovery grant	(111)	(45)
Second Homes Funding	(77)	(60)
Recycling credits	(457)	(461)
Devon County Council - Torr Quarry Transfer Station	(284)	(298)
DCLG - Local Land Charges	(97)	(7)
Section 106 deposits	(185)	(291)
Electoral Commission - European Elections	(38)	-
Electoral Commission - General Elections	(79)	(1)
Electoral Commission - Police & Crime Commissioners Election	-	(122)
Electoral Commission - Referendum	-	(143)
DCLG - Sherford Resource Funding	(235)	-
Other grants	(432)	(691)
Total	**(25,025)**	**(26,804)**

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

Capital Grants Receipts in Advance	**31 March 2016 £000**	**31 March 2017 £000**
Section 106 Deposit – Penn Torr, Salcombe	(84)	(84)
Other grants	(48)	(48)
Total	**(132)**	**(132)**

Short Term Revenue Grants Receipts in Advance	**31 March 2016 £000**	**31 March 2017 £000**
DCLG – Sherford Resource Funding	(162)	-
DCLG – Custom Self Build Grant	-	(15)
Devon County Council – Public Health Grant	(24)	(7)
Other grants	(18)	(2)
Total	**(204)**	**(24)**

Long Term Revenue Grants Receipts in Advance (Section 106 Deposits)	**31 March 2016 £000**	**31 March 2017 £000**
Langage Energy Centre	(2,129)	(1,868)
Dartmouth Supermarkets	(204)	-
Leyford Close, Wembury	(321)	(183)
Riverside, Totnes	(250)	(459)
Gara Rock, Salcombe	-	(341)
Bonfire Hill, Salcombe	(61)	(194)
Former Old Chapel Inn, Bigbury	(110)	(110)
Trennels, Herbert Road, Salcombe	(107)	(107)
Sawmills Field, Dartington	(3)	(150)
Follaton Oak, Totnes	-	(105)
Plot 2 Godwell Lane, Ivybridge	-	(142)
Various other sites	(558)	(629)
Total	**(3,743)**	**(4,288)**

29. RELATED PARTIES

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

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

Members
Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2016/17 is shown in Note 25.

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

30. 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.

	2015/16 £000	2016/17 £000
Capital Investment		
Property, plant and equipment	2,618	1,533
Intangible assets	101	97
Revenue expenditure funded from capital under statute (REFCUS)	1,613	1,073
Assets under Construction	25	320
Total expenditure	**4,357**	**3,023**
Sources of Finance		
Capital receipts	1,087	665
Government grants and other contributions	764	1,166
Direct revenue contributions (earmarked reserves)	2,506	1,192
Total funding	**4,357**	**3,023**

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

31. LEASES

Operating Leases

Authority as Lessee

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

Detail of lease	Term	Expiry date	Segment in CIES
A parcel of land for car parking	10 years	09.04.2017*	Commercial Services
The fundus of the Salcombe & Kingsbridge Estuary for the provision of harbour activities	21 years	24.03.2028	Commercial Services

*Negotiations are underway to renew the car parking lease but the new lease has not yet been finalised. Therefore the future minimum lease payments as at 31 March 2017 only include amounts due in April 2017 for this particular lease.

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

	31 March 2016 £000	**31 March 2017 £000**
N.B. Rentals for the fundus have been estimated based on income generated from certain harbour activities.		
Not later than one year	201	121
Later than one year & not later than five years**	469	487
Later than five years	862	765
	1,532	**1,373**

**The minimum lease payments have been increased as at 31 March 2016 from £467,000 to £469,000 to reflect the correct expiry date of the car parking lease. The date has been amended from 31 March 2017 to 9 April 2017.

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

	2015/16 £000	**2016/17 £000**
Minimum lease payments	200	205
	200	**205**

Authority as Lessor

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

Detail of lease	Term	Expiry date	Segment in CIES
The operation of a supermarket	99 years	20.12.2077	Customer First
The rental of an industrial unit	25 years	31.05.2029	Customer First
The provision of temporary accommodation	10 years	30.03.2021	Customer First
The rental of office accommodation	20 years	24.07.2032	Customer First
The rental of office accommodation	10 years	29.09.2026	Customer First

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

	31 March 2016 £000	31 March 2017 £000
N.B. Rental income from the temporary accommodation has been estimated (based on rentals paid).		
Not later than one year	746	772
Later than one year & not later than five years	2,984	3,095
Later than five years	34,372	33,904
	38,102	**37,771**

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

32. EXIT PACKAGES AND TERMINATION BENEFITS

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

Exit package cost band (incl. special payments)	Number of voluntary redundancies		Total number of exit packages by cost band		Total cost of exit packages in each band (£)	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
£0 - £20,000	3	-	3	-	**24,000**	**-**
£20,001 - £40,000	3	-	3	-	**99,200**	**-**
£40,001 - £60,000	5	-	5	-	**238,200**	**-**
£60,001 - £80,000	1	-	1	-	**72,800**	**-**
£100,001 - £150,000	-	1	-	1	**-**	**103,100**
TOTAL	**12**	**1**	**12**	**1**	**434,200**	**103,100**

The exit package amount is the cost of redundancy payment plus the cost of pension strain payments.

Note 1: Shared Services with West Devon Borough Council
Of the £103,100 cost of exit packages in 2016/17 (£434,200 in 2015/16), West Devon will be contributing nil to this cost (£139,000 in 2015/16). In addition, South Hams District Council has not contributed towards exit packages in West Devon Borough Council for 2016/17 or 2015/16.

33. 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 2018 is £1.347m. The Actuary has estimated the duration of the Employer's liabilities to be 18 years.

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

Transactions Relating to Post-employment Benefits

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

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

Comprehensive Income and Expenditure Statement	**2015/16 £000**	**2016/17 £000**
Cost of Services		
Service cost compromising		
- Current Service Cost	991	1,837
- Past Service Cost	1,420	183
- Capitalised gains on Settlements	-	(654)
Financing and Investment Income and Expenditure		
- Net Interest Expense	1,499	1,476
- Administration Expenses	33	50

Total Post-employment benefits charged to the Surplus or Deficit on the Provision of Services	**3,943**	**2,892**
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	(8,535)	28,023
- Change in demographic assumptions	-	(448)
- Experience loss/(gain)	(92)	(6,374)
- Return on fund assets in excess of interest	2,022	(10,867)
- Other actuarial gains/(losses) on assets	-	(223)
Total re-measurement recognised	*(6,605)*	*10,111*
Total post-employment benefits charged to the Comprehensive income and expenditure statement	**(2,662)**	**13,003**
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	(3,943)	2,892
Actual amount charged against the General Fund Balance for pensions in the year		
- Employers contributions payable to scheme	1,555	2,060

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 2016 £000	31 March 2017 £000
Present value of the defined benefit obligation	118,473	140,688
Provision for Strain liability arising from future early retirements	344	-
Fair value of Fund assets	(79,294)	(90,451)
Deficit / (Surplus)	**39,523**	**50,237**
Present value of unfunded obligation	2,931	3,160
Net defined benefit liability / (asset)	**42,454**	**53,397**

Reconciliation of opening and closing balances of the fair value of Fund assets	**31 March 2016 £000**	**31 March 2017 £000**
Opening fair value of Fund assets	**82,160**	**79,294**
Interest on assets	2,655	2,811
Return on assets less interest	(2,022)	10,867
Other actuarial gains/ (losses)	-	223
Administration expenses	(33)	(50)
Contributions by employer including unfunded	1,555	2,060
Contributions by Scheme participants	463	493
Estimated benefits paid plus unfunded net of transfers in	(5,484)	(4,413)
Settlement prices received / (paid)	-	(834)
Closing fair value of Fund assets	**79,294**	**90,451**

Reconciliation of opening and closing balances of the present value of the defined benefit obligation	**31 March 2016 £000**	**31 March 2017 £000**
Opening defined benefit obligation	**128,831**	**121,748**
Current service cost	2,272	2,181
Provision for Strain liability	(1,281)	(344)
Interest cost	4,154	4,287
Change in financial assumptions	(8,535)	28,023
Change in demographic assumptions	-	(448)
Experience loss / (gain) on defined benefit obligation	(92)	(6,374)
Liabilities assumed / (extinguished) on settlements	-	(1,488)
Estimated benefits paid net of transfers in	(5,282)	(4,216)
Past service costs, including curtailments	1,420	183
Contributions by Scheme participants	463	493
Unfunded pension payments	(202)	(197)
Closing defined benefit obligation	**121,748**	**143,848**

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 2017, 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 2016**	**31 March 2017**
Mortality assumptions (in years):		
Longevity at 65 for current pensioners		
- Men	22.9	23.4
- Women	26.2	25.5
Longevity at 65 for future pensioners (in 20 years)		
- Men	25.2	25.6
- Women	28.6	27.8
Financial assumptions (in percentages):		
- RPI increases	3.2%	3.6%
- CPI increases	2.3%	2.7%
- Salary increases	4.1%	4.2%
- Pension increases	2.3%	2.7%
- Discount rate	3.6%	2.7%

The financial assumptions summarised in the table above are set with reference to market conditions at 31 March 2017.

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	141,306	143,848	146,439
Projected service cost	3,140	3,220	3,302
Adjustment to long term salary increase	+0.1%	0.0%	(0.1%)
Present value of total obligation	144,107	143,848	143,591
Projected service cost	3,220	3,220	3,220
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	(0.1%)
Present value of total obligation	146,177	143,848	141,560
Projected service cost	3,202	3,220	3,140
Adjustment to life expectancy assumptions	+ I Year	None	-1 Year
Present value of total obligation	149,560	143,848	138,361
Projected service cost	3,323	3,220	3,120

SECTION 3. NOTES TO THE ACCOUNTS

The estimated asset allocation for South Hams District Council as at 31 March 2017 is as follows:

Employer asset share	31 March 2016		31 March 2017	
	£000	%	£000	%
Gilts	2,603	3%	2,701	3%
UK equities	19,066	24%	21,750	24%
Overseas equities	25,749	32%	31,453	34%
Property	8,768	11%	7,914	9%
Infrastructure	3,303	4%	3,520	4%
Target return portfolio	11,488	15%	13,429	15%
Cash	1,471	2%	2,415	3%
Other bonds	2,279	3%	2,312	3%
Alternative assets	4,567	6%	4,957	5%
Total	**79,294**	**100%**	**90,451**	**100%**

Of the total fund asset at 28 February 2017, the following table identifies the split of those assets with a quoted market price and those that do not:

Employer Asset Share – Bid Value		28 February 2017	
		% Quoted	% Unquoted
Fixed interest government securities	UK	0.0%	-
	Overseas	2.9%	-
Corporate bonds	UK	0.1%	-
	Overseas	2.4%	-
Equities	UK	22.7%	1.4%
	Overseas	30.3%	4.6%
Property	All	-	8.7%
Others	Absolute return portfolio	14.8%	-
	Infrastructure	-	3.9%
	Multi sector credit fund	5.5%	-
	Cash/Temporary investments	-	2.7%
Net current assets	Debtors	-	0.1%
	Creditors	-	(0.1%)
Total		**78.7%**	**21.3%**

34. CONTINGENT LIABILITIES

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

35. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Key Risks

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

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

Overall Procedures for Managing Risk

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

- by formally adopting the requirements of the Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution;

- by approving annually in advance prudential and treasury indicators for the following three years limiting:
    - The Council's overall borrowing;
    - Its maximum and minimum exposures to fixed and variable rates;
    - Its maximum and minimum exposures regarding the maturity structure of its debt;
    - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

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

The Annual Treasury Management Strategy which incorporates the prudential indicators was approved by the Executive on 10 March 2016 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.

<u>Credit risk</u>

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures from the Council's customers. An analysis of the Council's investments is provided in Note 13 to the accounts.

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

The full Investment Strategy for 2016/17 was approved by the Executive on 10 March 2016 and is available on the Council's website. The Council's investment priorities are: -

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

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

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

The Council takes a very prudent approach regarding the collection of debts from its customers and calculates an annual provision for bad debts based on the age of its debt. A detailed review of potential bad debts was undertaken at 31 March 2017 and is reflected in the current figure of £583,000. This compares to £525,000 in 2015/16. 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 Council is debt free but has ready access to borrowings from the Money Markets to cover any day to day cash flow need. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure.

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

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

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

Market Risk

Interest rate risk

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

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

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

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

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

If all interest rates had been 1% higher, with all other variables held constant, the financial effect would be that an additional £263,000 in interest would have been generated.

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

Price risk

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

Foreign exchange risk

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

<u>Refinancing and Maturity Risk</u>

The Council maintains a significant investment portfolio. Whilst the cash flow procedures are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature.
The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments for greater than one year, are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team addresses the operational risks within the approved parameters.

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

36. ACCOUNTING POLICIES

a) General Principles

The Statement of Accounts summarises the Authority's transactions for the 2016/17 financial year and its position at the year end of 31 March 2017. 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 2016/17, supported by International Financial Reporting Standards (IFRS) (and statutory guidance issued under section 12 of the 2003 Act).

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

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

b) Accruals of Income and Expenditure

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

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

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

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

The Council operates a de minimis policy for accruals. For revenue expenditure the de minimis increased from £2,500 to £5,000 in 2016/17. The accruals limit for capital expenditure remains at £5,000.

c) Cash and Cash Equivalents

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

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

Key: T = trade date

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

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

d) Material items of Income and Expense

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

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

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

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

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

f) Charges to Revenue for Non-Current Assets

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

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

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

g) Employee Benefits

Benefits Payable during Employment

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

Termination Benefits

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

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 33.

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 35 within 'credit risk' for further information.
Operational creditors	Held at invoiced or billed amount.	Carrying amount is a reasonable approximation of fair value for these short term liabilities.

j) Government Grants and Contributions

General

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

- the Authority will comply with the conditions attached to the payments and

- the grants or contributions will be received.

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

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

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

k) Heritage Assets

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

l) Intangible Assets

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

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

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

m) Inventories

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

n) Investment Property

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

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

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

o) Jointly Controlled Operations

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

p) Leases

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

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

The Authority as Lessee

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

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

The Authority as Lessor

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

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

q) Overheads and Support Services

Costs of overheads and support services are only recharged to services requiring full cost recovery including Building Control and Salcombe Harbour. 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.

r) Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

De minimis policy for capital controls and accounting purposes

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

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

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

Component Accounting

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

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

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

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

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

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

1. Operational Buildings
2. Assets Held for Sale

The following will be considered outside the scope for componentisation:

1. Non-Depreciable Land
2. Assets Under Construction
3. Investment Properties
4. Infrastructure
5. Plant 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
Marine vessels	Fifteen years
IT equipment	Four years

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

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

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

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

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation.
Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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

Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts. The Council operates a disclosure de minimis policy for contingent liabilities and assets of £50,000.

Contingent Assets

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

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

t) Reserves

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

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

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

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

v) Section 106 Deposits

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

w) Shared Services

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

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

x) 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.

y) 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.

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code) introduces changes in accounting policies that will have to be adopted fully by the authority in the 2017/18 financial statements i.e. from 1 April 2017.

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.

There are no accounting standards due to come into force in 2017/18 that would have a material effect on the Council's transactions for 2016/17 and balances at 31 March 2017.

38. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 36, 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. In 2015/16 there was a £26.7 million increase in the provision for business rates appeals within the Collection Fund for some significant business rates appeals. In 2016/17 a large part of these outstanding appeals have been settled. As a consequence there has been a reduction in the business rates appeals provision of £27.1 million in 2016/17.

SECTION 4. COLLECTION FUND

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

2015/16 Business Rates £000	**2015/16 Council Tax £000**		**2016/17 Business Rates £000**	**2016/17 Council Tax £000**
		INCOME		
-	(59,780)	Income from Council Tax	-	(62,744)
(31,512)	-	Business Rates Receivable	(30,856)	
45	-	Less: Transitional Relief	835	
(31,467)	**(59,780)**		**(30,021)**	**(62,744)**
		EXPENDITURE		
		Precepts, Demands and Shares:		
15,101	-	Central Government	15,265	-
2,718	42,510	Devon County Council	2,748	44,687
-	6,204	Devon & Cornwall Police Authority	-	6,396
302	2,871	Devon & Somerset Fire Authority	305	2,960
12,081	7,005	South Hams District Council (net including Towns/Parishes)	12,212	7,411
268	-	Business Rates written off and change in impairment allowance	341	-
-	307	Council Tax written off and change in impairment allowance	-	429
26,702	-	Business Rates increase/(decrease) in provision for appeals *	(27,135)	-
206	-	Business Rates – Costs of collection	208	-
		Distribution/collection of previous year's estimated surplus/(deficit):		
(133)	-	Central Government	(292)	-
(24)	598	Devon County Council	(52)	1,270
-	87	Devon and Cornwall Police	-	185
(3)	40	Devon and Somerset Fire Authority	(6)	85
(107)	100	South Hams District Council	(233)	210
57,111	**59,722**		**3,361**	**63,633**
25,644	**(58)**	**MOVEMENT ON BALANCE ***	**(26,660)**	**889**

*The decrease in the provision for Business Rates appeals and the subsequent impact on the Business Rates Collection Fund is explained in the Narrative Statement and in note 38 – Critical Judgements in Applying Accounting Policies.

SECTION 4. COLLECTION FUND

1. Council tax and council tax base

In 2016/17, the Council's average Band D Council Tax was £1,660.73 (£1,600.52 in 2015/16). The charge for each band is a ratio of band D. The 2016/17 charges therefore were:

Band	Ratio to Band D	Council Tax (£)
Disabled A	5/9	922.63
A	6/9	1,107.15
B	7/9	1,291.68
C	8/9	1,476.20
D	1	1,660.73
E	11/9	2,029.78
F	13/9	2,398.83
G	15/9	2,767.88
H	18/9	3,321.46

These charges are before any appropriate discounts. The Council tax base, which is used in the tax calculation, is based on the number of dwellings in each band on the listing produced by the Listing Officer. This is adjusted for exemptions, discounts, disabled banding changes, appeals and new builds. The tax base estimate for 2016/17 was **37,003.99** as calculated below (36,606.88 in 2015/16).

Band	Dwellings per Valuation List	Adjustment for Disabled Banding Appeals, Discounts and Exemptions	Revised Dwellings	Ratio to Band D	Band D Equivalent
Disabled A		12.25	12.25	5/9	6.81
A	4,917	(822.25)	4,094.75	6/9	2,729.83
B	8,548	(905.25)	7,642.75	7/9	5,944.36
C	8,449	(752.00)	7,697.00	8/9	6,841.78
D	7,847	(598.25)	7,248.75	1	7,248.75
E	6,620	(424.75)	6,195.25	11/9	7,571.97
F	3,638	(173.50)	3,464.50	13/9	5,004.28
G	2,972	(169.50)	2,802.50	15/9	4,670.83
H	331	(22.50)	308.50	18/9	617.00
Total	**43,322**	**(3,855.75)**	**39,466.25**		**40,635.61**
Less allowance for non collection					(812.71)
Plus adjustment for armed forces dwellings					66.40
Other adjustments including Council Tax Support					(2,885.31)
Tax base					**37,003.99**

2. Rateable value

The total business rates rateable value at 31 March 2017 was £83,760,677. This compares to £83,223,035 at 31 March 2016. The standard business rates multiplier was 49.7p in 2016/17 (2015/16: 49.3p). Without reliefs this would generate a total income of £41,629,056.47 (2015/16 £41,028,956.25). 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

2015/16 Business Rates £000	2015/16 Council Tax £000		2016/17 Business Rates £000	2016/17 Council Tax £000
435	(2,062)	Fund balance at 1 April	26,079	(2,120)
25,644	(58)	Deficit/(surplus) for year*	(26,660)	889
26,079	**(2,120)**	**Fund balance as at 31 March – deficit/(surplus)***	**(581)**	**(1,231)**

*The decrease in the provision for Business Rates appeals and the subsequent impact on the Business Rates Collection Fund is explained in the Narrative Statement and in note 38 – Critical Judgements in Applying Accounting Policies.

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

2015/16 Business Rates £000	2015/16 Council Tax £000		2016/17 Business Rates £000	2016/17 Council Tax £000
13,039	-	Central Government	(291)	-
2,347	(1,539)	Devon County Council	(52)	(895)
-	(223)	Devon and Cornwall Police	-	(128)
261	(103)	Devon and Somerset Fire Authority	(6)	(59)
15,647	**(1,865)**	**Total deficit/(surplus) due to Preceptors**	**(349)**	**(1,082)**
10,432	(255)	South Hams District Council	(232)	(149)
26,079	**(2,120)**	**Fund balance as at 31 March – deficit/(surplus)**	**(581)**	**(1,231)**

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

The Authority's responsibilities

The Authority is required to:

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

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

- approve the Statement of Accounts

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

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

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

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

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

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

I 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 2017.

……………………………………………….

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

30 June 2017

Approval of the Statement of Accounts

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

Signed on behalf of South Hams District Council

TBA
………………………………………………

Councillor J A Pearce

Chairman of the Audit Committee

SECTION 6. AUDITORS' REPORT

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

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

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 AND CHARGES	In addition to the income from charge payers and the Government, Local Authorities charge for services, including Planning Consents, Hire of Sporting Facilities, Car Parking etc.
FINANCIAL INSTRUMENTS	A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.
GOVERNMENT GRANTS	Payments by Central Government towards the cost of Local Authority services, including both Revenue and Capital.
IMPAIRMENT ALLOWANCE (“BAD DEBT PROVISION”)	Provisions against income to prudently allow for non collectible amounts.
INTEREST COST	For the pension fund this represents the discount rate at the start of the accounting period applied to the liabilities during the year based on the assumptions at the start of the accounting period.
INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND THE CODE OF PRACTICE (CODE)	Formal financial reporting standards adopted by the accounting profession and to be applied when dealing with specific topics within its accounting Code. The Code is based on approved accounting standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements.
PAST SERVICE COST	These will typically be additional benefits

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