South Hams District Council

Draft
Statement of Accounts

2010/2011

South Hams
District Council

Contents

INTRODUCTION

1. Each year South Hams District Council publishes a Statement of Accounts that incorporates all the financial statements and disclosure notes required by statute.

2. The Statement of Accounting Policies summarises the framework within which the Council's accounts are prepared and published. This foreword intends to give a general guide to the significant matters reported in the statements and provides a summary of the overall financial position.

REVIEW OF THE YEAR

The revenue budget

3. The main components of the General Fund budget for 2010/2011 and how these compare with actual income and expenditure are set out below:

	Estimate £000s	**Actual £000s**	**Difference Cost/(Saving) £000s**
Cost of services (after allowing for income and reserve contributions)	11,065	11,092	27
Parish precepts	1,475	1,475	0
Interest and Investment income	(375)	(506)	(131)
Amount to be met from government grants And taxation	**12,165**	**12,061**	**(104)**
Financed from:			
Formula Grant	(5,549)	(5,549)	0
Council tax	(6,586)	(6,586)	0
Surplus on collection fund	(30)	(30)	0
Area Based Grant	-	(35)	(35)
SURPLUS	**0**	**(139)**	**(139)**

4. The surplus on the General Fund of £139,000 represents less than 1% of the Council's gross turnover of £52M. A summary of the main differences from budget is provided below:

ANALYSIS OF VARIATIONS	£000
Increases in expenditure/reductions in income	
Senior Management Review – provision for redundancy costs (further details are provided in paragraph 6)	587
Waste Management – additional fuel costs and repairs and maintenance.	99
Car Parks – reduction in net income due to economic conditions	87
Dartmouth Ferry – mainly increased insurance premium for vessels	39
Reductions in expenditure/additional income	
Inflation – central provision for pay awards not required	(120)
Computer Maintenance Contracts – full budget provision not required as a number of contracts were not renewed	(118)
Housing – mainly additional subsidy relating to Housing Benefit	(118)
Investment Income - the increase in income reflects increased cash flow.	(69)
Insurance – new procurement arrangements are generating significant savings for the Council.	(80)
Employment Units – additional rental income and reduction in utility costs.	(77)
Concessionary Fares – full budget provision not required	(68)
Rent review – interest received from lessee following significant delay in reaching agreement over new lease arrangements.	(62)
Office computers – rephrasing of replacement programme	(50)
Follaton House – reduction in utility costs	(42)
Release of covenant relating to land	(40)
Grounds Maintenance – updated work specifications enabling grounds maintenance, winter projects and tree maintenance work previously contracted out to be brought back in house	(38)
Award of Area Based grant from Central Government	(35)
Planning Applications – significant increase in size of applications in the latter part of the financial year	(34)
TOTAL SURPLUS	**(139)**

Implementation of international financial reporting standards (IFRS)

5. The Statement of Accounts for 2010/11 are the first to be prepared under International Financial Reporting Standards (IFRS). This is a departure from a UK GAAP basis of accounting. There have been no changes in accounting policies apart from the requirements to reassess various balances and transactions in 2009/10 (and calculate similarly for 2010/11) under IFRS. Principally this has affected the treatment of employee costs, grants and contributions received, property, plant and equipment, income in advance, cash and cash equivalents and leasing. The changes are detailed in Note 41 of the notes to the financial statements.

Senior Management Review

6. In November 2010, the Chief Executive for West Devon Borough Council and South Hams District Council carried out a senior management review to rationalise the senior staffing structure and achieve efficiency savings. The restructuring at the senior management level covered all Corporate Directors and Heads of Service and was undertaken to enhance joint capacity to deliver a comprehensive range of shared services and to enable both Councils to realise the ambitions set out in the Councils' “Shared Services and Beyond” document.

7. In March 2011, a new management team, shared with West Devon Borough Council was appointed. Two Corporate Directors and seven Heads of Service are now working across both Councils and the new team replaces four Corporate Directors and fifteen Heads of Service.

8. A provision of £587,000 has been made for the redundancy costs from the senior Management Review. An accrual of £328,000 for pension “strain” payments has also been provided for. As a result of early retirement, strain payments are required to be made to the pension fund to compensate for pensions being drawn down before the normal retirement age of 60. A summary of the transactions is provided in Note 2 ((Exceptional Items)

9. The total estimated savings arising from the senior management review shared between both Councils is approximately £500,000 per annum. The annual share of the savings is in the region of £300,000 for South Hams District Council.

Pension Liability

10. International Accounting Standard 19 (IAS19) requires Local Authorities to recognise pension assets and liabilities within their accounts. The pension fund liability at 31 March 2011 is estimated at £15M which compares with £37M at 31 March 2010. The significant reduction in the net deficit is mainly due to the Government proposals to increase future pensions in line with the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). A "past service" gain of £7.8M has been recognised in the Comprehensive Income and Expenditure Account as an exceptional item. The deficit is derived by calculating the pension assets and liabilities at 31 March 2011. See Note 35 for further information.

Icelandic Banks

11. At the 30 April 2011 the Council had £544,067 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.

12. The Council placed a deposit of £1,250,000 on 25th September 2008. At the time the deposit was placed the risk rating of Heritable was 'A' (long term deposits) and F1 (short term deposits) which were within the deposit policy approved by the Council. Both these ratings indicate low risk.

13. The Administrators have paid seven dividends to date with an eighth expected in July 2011 and they have said that up to 85% of liabilities should eventually be paid. The Administrators have kept the bank trading and will slowly wind down the business over a period of years. Further information is provided in Note 12.

Capital spending

14. The Council spent more than £3m on capital projects. The main areas of expenditure were as follows:
    - Improvements to parks and open spaces (£1.0m)
    - house renovation grants (£1.0m)
    - vehicle replacements (£0.6m)
    - car & boat parking (0.4m)

    The capital programme is funded from capital receipts, capital grants and external contributions and earmarked reserves (please see Note 31).

Issue of accounts

15. The draft Statement of Accounts (SOA) for 2010/11 was certified by the Head of Finance and Audit 0n 30 June 2011. This is also the date up to which events after the balance sheet date have been considered. The SOA will be reviewed by the Audit Committee on 14 July 2011.

FINANCIAL NEEDS AND RESOURCES

16. 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.

17. Revenue reserves have decreased by £559,000 from the preceding year and stand at £9m at 31 March 2011. Revenue reserves may be used to finance capital or revenue spending plans.

18. Capital Reserves are represented by capital receipts and capital contributions unapplied on the balance sheet. The balance at 31 March 2011 amounts to £6.8 M which compares to £7.7M at the end of the previous year.

19. Overall, the Council's finances remain strong. In order to maintain this position, the Council operates continuous monitoring of both income and expenditure. This ensures that services are delivered within approved budgets, and value for money is achieved for our residents. In addition, a planning mechanism is in place which focuses, not only on one year, but also on the longer term. The Council's Medium Term Financial Strategy is being considered by the Executive on 14 July 2011.

FURTHER INFORMATION

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

Lisa Buckle BSc, ACA
<u>Head of Finance and Audit</u>

Section 2

Core Financial Statements

SECTION 2A. MOVEMENT IN RESERVES STATEMENT

Movement in Reserves Statement

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

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Authority Reserves £000**
Balance at 31 March 2009	**1,785**	**8,587**	**7,586**	**159**	**18,117**	**35,678**	**53,795**
Movement in reserves during 2009/10							
Surplus or (deficit) on the provision of services	(6,384)	0	0	0	(6,384	0	(6,384
Other Comprehensive Income and Expenditure	0	0	0	0	0	(9,963)	(9,963)
Total Comprehensive Income and Expenditure	**(6,384)**	**0**	**0**	**0**	**(6,384**	**(9,963**	**(16,347)**
Adjustments between accounting basis & funding basis under regulations (Note 4)	5,490	0	9	(52)	**5,447**	**(5,447)**	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves	**(894)**	**0**	**9**	**(52)**	**(937)**	**(15,410)**	**(16,347)**
Transfers to/from Earmarked Reserves (Note 5)	709	(709)	0	0	**0**	**0**	**0**
Increase/Decrease in 2009/10	**(185)**	**(709)**	**9**	**(52)**	**(937)**	**(15,410)**	**(16,347)**
2009/10 surplus/ (deficit)	**68**						

SECTION 2A. MOVEMENT IN RESERVES STATEMENT

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Authority Reserves £000**
Balance at 31 March 2010 Carried forward	**1,600**	**7,878**	**7,595**	**107**	**17,180**	**20,268**	**37,448**
Movement in Reserves during 2010/11							
Surplus or (deficit) on provision of Services	2,447	0	0	0	2,447	0	2,447
Other Comprehensive Income and Expenditure	0	0	0	0	0	21,014	21,014
Total Comprehensive Income and Expenditure	**2,447**	**0**	**0**	**0**	**2,447**	**21,014**	**23,461**
Adjustments between accounting basis & funding basis under regulations (Note 4)	(3,006)	0	(1,064)	113	(3,957)	3,957	0
Net Increase/Decrease before Transfers to Earmarked Reserves	**(559)**	**0**	**(1,064)**	**113**	**(1,510)**	**24,971**	**23,461**
Transfers to/from Earmarked Reserves (Note 5)	275	(275)	0	0	0	0	0
Increase/Decrease in Year	**(284)**	**(275)**	**(1,064)**	**113**	**(1,510)**	**24,971**	**23,461**
Balance at 31 March 2011 Carried forward	**1,316**	**7,603**	**6,531**	**220**	**15,670**	**45,239**	**60,909**
2010/11 surplus/ (deficit)	**139**						

SECTION 2B. COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2009/10				2010/11		
Gross Expenditure £000	**Gross Income £000**	**Net Expenditure £000**	**Service Division**	**Gross Expenditure £000**	**Gross Income £000**	**Net Expenditure £000**
7,692	(6,653)	1,039	Central services to the public	8,731	(7,444)	**1,287**
4,107	(471)	3,636	Cultural & Related	3,130	(708)	**2,422**
8,051	(2,254)	5,797	Environmental	8,194	(1,985)	**6,209**
4,300	(5,147)	(847)	Highways and transport	4,154	(5,196)	**(1,042)**
22,534	(21,068)	1,466	Housing	22,943	(21,622)	**1,321**
4,671	(2,851)	1,820	Planning & Development	6,432	(2,804)	**3,628**
1,945	(24)	1,921	Corporate and democratic core	2,227	(93)	**2,134**
213	(69)	144	Non distributed costs	43	(50)	**(7)**
			Exceptional Items	(6,588)	(302)	**(6,890)**
53,513	**(38,537)**	**14,976**	**Cost of Services**	**49,266**	**(40,204)**	**9,062**
2,461	0	2,461	Other operating expenditure (Note 6)	1,474	(15)	1,459
2,110	(985)	1,125	Financing and investment income and expenditure (Note 7)	981	(1,231)	(250)
0	(12,178)	(12,178)	Taxation and non-specific grant income (Note 8)	0	(12,719)	(12,719)
58,084	**(51,700)**	**6,384**	**(Surplus) or Deficit on Provision of Services**	**51,721**	**(54,169)**	**(2,448)**
		(3,687)	(Surplus) or deficit on revaluation of Property, Plant and Equipment			(4,726)
		13,650	Actuarial (gains)/losses on pension assets / liabilities			(16,288)
		9,963	**Other Comprehensive Income and Expenditure**			**(21,014)**
		16,347	**Total Comprehensive Income and Expenditure**			**(23,462)**

SECTION 2C. BALANCE SHEET

1 April 2009	31 March 2010		Notes	31 March 2011
55,106	56,794	Property, Plant & Equipment	9	59,344
1,953	378	Investment Property	10	459
249	240	Intangible Assets	11	165
10,048	2,843	Long Term Investments	12	158
-	106	- accrued interest on investments		-
28	24	Deferred Credits		21
21	27	Long Term Debtors	14	129
67,405	**60,412**	**Long Term Assets**		**60,276**
6,850	11,704	Short Term Investments	12	14,729
660	350	- accrued interest on investments		157
80	105	Inventories	13	106
2,417	5,825	Short Term Debtors	14	3,661
3,501	5,383	Cash and Cash Equivalents	15	5,611
13,508	**23,367**	**Current Assets**		**24,264**
(3,889)	(4,644)	Short Term Creditors	16	(3,834)
0	(300)	Provisions	17	(933)
(3,889)	**(4,944)**	**Current Liabilities**		**(4,767)**
(1,299)	(3,491)	Section 106 Deposits		(3,448)
-	(300)	Provisions	17	(141)
(21,320)	(37,034)	Pensions Liability	35	(14,861)
(610)	(862)	Capital Grants- Receipts in Advance	29	(414)
(23,229)	**(41,687)**	**Long Term Liabilities**		**(18,864)**
53,795	**37,448**	**Net Assets**		**60,909**
18,117	17,180	Usable Reserves	18	15,670
35,678	20,268	Unusable Reserves	19	45,239
53,795	**37,448**	**Total Reserves**		**60,909**

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

SECTION 2D. CASH FLOW STATEMENT

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

2009/10 £000		**2010/11 £000**
6,384	**Net (surplus) or deficit on the provision of services**	**(2,447)**
(6,497)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	3,187
(5,830)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(5,426)
(1,005)	Interest received	(669)
(6,948)	**Net cash outflows/ (inflow) from Operating Activities**	**(5,355)**
(1,878)	Net increase/ (decrease) in Investing Activities (Note 20)	1,689
6,944	Net cash outflow/ (inflow) from Financing Activities (Note 21)	3,438
(1,882)	**Net (increase) or decrease in cash and cash equivalents**	**(228)**
3,501	Cash and cash equivalents at the beginning of the reporting period	5,383
5,383	**Cash and cash equivalents at the end of the reporting period (Note 15)**	**5,611**

Section 3

Notes to the

Financial Statements

CONTENTS

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

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

The item in the Authority's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year is as follows:

Item	**Uncertainties**	**Effect if Actual Results Differ from Assumptions**
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgments relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For example, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £8M million. Please refer to Note 35 for further information about the assumptions used by the actuaries.

2. MATERIAL ITEMS OF INCOME AND EXPENSE

The following exceptional items are included on the face of the CIES:

	Expenditure £000	Income* £000	Net £000
Pension Liability – past service gain	**(7,805)**		**(7,805)**
Senior Management Review:			
• Redundancy provisions*	783	(196)	**587**
• Strain payment provisions**	434	(106)	**328**
TOTAL	**(6,588)**	**(302)**	**(6,890)**

*NB * Includes direct payments in respect of South Hams employees and contributions paid to West Devon BC in respect of their costs.*
*** Represents contributions received from West Devon BC*

Further information is provided in the Explanatory Foreword.

3. EVENTS AFTER THE BALANCE SHEET DATE

The draft Statement of Accounts (SOA) for 2010/11 was certified by the Head of Finance and Audit 0n 30 June 2011. This is also the date up to which events after the balance sheet date have been considered. The SOA will be reviewed by the Audit Committee on 14 July 2011.
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4. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATION

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			
2010/11	**General Fund Balance £000**	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**	**Movement in Unusable Reserves £000**
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	**1,621**			**(1,621)**
Revaluation losses on Property Plant and Equipment	**2,754**			**(2,754)**
Movements in the market value of Investment Properties	**(272)**			**272**
Amortisation of intangible assets	**113**			**(113)**
Capital grants and contributions applied	**(371)**			**371**
Revenue expenditure funded from capital under statute	**247**			**(247)**
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	**127**			**(127)**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Capital expenditure charged against the General Fund	**(508)**			**508**
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	**(131)**		**131**	**0**
Application of grants to capital financing transferred to the Capital Adjustment Account			**(18)**	**18**

	Usable Reserves			
2010/11	**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	**(120)**	**120**		**0**
Transfer of unattached capital receipts	**(335)**	**335**		
Use of the Capital Receipts Reserve to finance new capital expenditure		**(1,559)**		**1,559**
Capital financing accrual reversing		**36**		**(36)**
Repayment of mortgage and parish loans		**4**		**(4)**
Adjustments primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	**(236)**			**236**
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 35)	**(5,170)**			**5,170**
Reversal of items relating to accrued strain payments	**293**			**(293)**
Employer's pensions contributions and direct payments to pensioners payable in the year	**(1,008)**			**1,008**

	Usable Reserves			
2010/11	**General Fund Balance £000**	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**	**Movement in Unusable Reserves £000**
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	**(17)**			**17**
Adjustment primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	**7**			**(7)**
Total Adjustments	**(3,006)**	**(1,064)**	**113**	**3,957**

	Usable Reserves			
2009/10 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:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	**(1,562)**			**1,562**
Revaluation losses on Property Plant and Equipment	**(1,463)**			**1,463**
Amortisation of intangible assets	**(98)**			**98**
Capital grants and contributions applied	**29**			**(29)**
Revenue expenditure funded from capital under statute (REFCUS) – capital receipts	**(197)**			**197**
REFCUS funded from capital grants	**(36)**			**36**
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	**(2,416)**			**2,416**
Capital financing accrual reversing	**(44)**			**44**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Capital expenditure charged against the General Fund	**504**			**(504)**
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	**9**		**(9)**	**0**
Transfer of capital grants to revenue	**(25)**		**25**	**0**
Capital grants and contributions received in year				**0**
Application of grants to capital financing transferred to the Capital Adjustment Account	**204**		**36**	**(240)**

	Usable Reserves			
2009/10 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	**1,475**	**(1,475)**		**0**
Use of the Capital Receipts Reserve to finance new capital expenditure		**1,469**		**(1,469)**
Repayment of mortgage and parish loans		**(3)**		**3**
Adjustments primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	**124**			**(124)**
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 35)	**(3,385)**			**3,385**
Employer's pensions contributions and direct payments to pensioners payable in the year	**1,321**			**(1,321)**

	Usable Reserves			
2009/10 Comparatives	**General Fund Balance £000**	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**	**Movement in Unusable Reserves £000**
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	**59**			**(59)**
Adjustment primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	**11**			**(11)**
Total Adjustments	**(5,490)**	**(9)**	**52**	**5,447**

5. TRANSFERS TO/ FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2010/11.

	Balance at 31 March 2010	Transfers Out	Transfers In	Balance at 31 March 2011
	£ 000	£ 000	£ 000	£ 000
EARMARKED RESERVES				
General Fund				
Working Balance	750			750
Contingency	117			117
Affordable Housing	992	(46)		946
Drawing Office	10			10
Strategic Issues	294	(259)	1,061	1,096
Community Parks and Open Spaces	82	(25)	17	74
Economic Regeneration & Community Wellbeing	53	(32)	15	36
Pension Fund Strain	-	(216)	216	-
Repairs and Maintenance	195	(67)	121	249
Single Status	750	(1,050)	300	-
Members Sustainable Community Locality Fund	16	(16)		-
Land and Development	474	(104)	30	400
Ferry Repairs and Renewals	317		25	342
Economic Initiatives	290	(37)		253
Vehicles and Plant Renewals	376	(574)	490	292
Pay and Display Equipment	84		21	105
On-Street Parking	22		11	33
Print Equipment	75	(13)	4	66
ICT Development	564	(22)		542
Sustainable Waste Management	255	(40)		215
Community Grants	52	(38)		14
District Elections	21	(1)	26	46
Beach Safety	17			17
Planning Policy & Major Developments	1,677	(467)		1,210
Building Control	-		49	49
Section 106 agreements	31	(86)	150	95
Revenue Grants	0	(46)	289	243
Sub Total	**7,514**	**(3,139)**	**2,825**	**7,200**
Specific Reserves – Salcombe Harbour				
Pontoons	93		47	140
Harbour Renewals	98	(3)	28	123
General Reserve	168	(83)	50	135
Sub Total	**359**	**(86)**	**125**	**398**
Trust & Bequest	**5**			**5**
TOTAL EARMARKED REVENUE RESERVES	**7,878**	**(3,225)**	**2,950**	**7,603**

6. OTHER OPERATING EXPENDITURE

2009/10 £000s		2010/11 £000s
1,041	Parish council precepts	1,474
1,420	(Gains)/losses on the disposal of non-current assets	(15)
2,461	**Total**	**1,459**

7. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2009/10 £000s		2010/11 £000s
0	Interest payable and similar charges	10
(801)	Interest receivable and similar income	(563)
(120)	Other investment income	(335)
(47)	Investment (gains)/ losses	16
2,106	Pensions interest cost and expected return on pensions assets	827
(13)	Investment properties	(205)
1,125	**Total**	**(250)**

8. TAXATION AND NON SPECIFIC GRANT INCOMES

2009/10 £000s		2010/11 £000s
(6,336)	Council tax income	(6,586)
(59)	Collection Fund adjustment:	(17)
0	Collection Fund - distribution of surplus	(30)
(4,452)	Non domestic rates	(4,845)
	Non ring- fenced government grants :	
(1,028)	• Formula Grant	(704)
(38)	• LABGI	0
(23)	• Area Based Grant	(35)
(242)	Capital grants and contributions	(502)
(12,178)	**Total**	**(12,719)**

9. PROPERTY, PLANT AND EQUIPMENT

Movements in 2010/11:

	Land and Buildings £000	Vehicles, Plant, Furniture & Equipm't £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation						
At 1 April 2010	**51,340**	**6,972**	**3,556**	**410**	**748**	**63,026**
additions	312	1,070	10	261	518	2,171
revaluation increases/ (decreases) recognised in the Revaluation Reserve	3,715					3,715
revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,682)					(2,682)
derecognition – disposals		(495)				(495)
other movements in cost or valuation	(36)					(36)
At 31 March 2011	**52,649**	**7,547**	**3,566**	**671**	**1,266**	**65,699**
Accumulated Depreciation and Impairment						
at 1 April 2010	1,983	3,138	1,090			6,211
depreciation charge	663	775	183			1,621
Depreciation written out to the Revaluation Reserve	(742)					(742)
impairment losses/(reversals)	(268)					(268)
derecognition – disposals	-	(488)				(488)
other movements in depreciation and impairment	21					21
At 31 March 2011	**1,657**	**3,425**	**1,273**	**0**	**0**	**6,355**
Accumulated Impairment at 1 April 2010	21	-		-	-	21
Charge for 2010/11	-	-	-		-	-
Derecognition – disposals	(21)					(21)
At 31 March 2011	-	-	-	-	-	-
Net Book Value						
at 31 March 2010	**49,336**	**3,834**	**2,466**	**410**	**748**	**56,794**
at 31 March 2011	**50,992**	**4,122**	**2,293**	**671**	**1,266**	**59,344**

Comparative Movements in 2009/10:

	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation							
At 1 April 2009	49,974	6,326	4,213	355		89	60,957
additions	75	742	334	55		659	1,865
revaluation increases/ (decreases) recognised in the Revaluation Reserve	4,202						4,202
revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,426)						(1,426)
derecognition – disposals	(1,581)	(536)	(1,280)				(3,397)
other movements in cost or valuation	96	440	289				825
At 31 March 2010	**51,340**	**6,972**	**3,556**	**410**	**0**	**748**	**63,026**
Accumulated Depreciation and Impairment							
at 1 April 2009	1,643	2,867	1,340				5,850
depreciation charge	656	740	166				1,562
depreciation written out to the Revaluation Reserve	(68)						(68)
Impairment losses/reversals	(21)						(21)
derecognition – disposals	(136)	(542)	(416)				(1,094)
other movements in depreciation and impairment	(70)	73	0				3
at 31 March 2010	**2,004**	**3,138**	**1,090**	**0**	**0**	**0**	**6,232**
Net Book Value							
at 31 March 2009	**48,331**	**3,459**	**2,873**	**355**	**0**	**89**	**55,107**
at 31 March 2010	**49,336**	**3,834**	**2,466**	**410**	**0**	**748**	**56,794**

Depreciation

Council provides depreciation on all fixed assets other than freehold land 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 a fixed asset is revised, the carrying amount of the fixed asset is depreciated over the revised remaining life.

Capital Commitments

The Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment. The major commitments are as follows:

1. Improvements to Public Open Space £1,900,000.
2. Dartmouth Ford Leat, re-route underground £300,000
3. Dartmouth Town Jetty and Pontoon, replacement £350,000

All schemes due for completion in 2011/12

Revaluations

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

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

	Land and Buildings	Vehicles, plant furniture & equipment	Total
	£000s	**£000s**	**£000s**
Valued at historical cost	2,964	6,022	**8,986**
New certified valuation included in balance sheet :			
2010/2011	25,008		25,008
2009/2010	11,755		11,755
2008/2009	6,144		6,144
2007/2008	3,017		3,017
2006/2007	4,434		4,434
Total	**53,322**	**6,022**	**59,344**

10. INVESTMENT PROPERTIES

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2009/10 £000	**2010/11 £000**
Rental income from investment property	(64)	(61)
Direct operating expenses arising from investment property	51	53
Net (gain)/ loss	**(13)**	**(8)**

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal.

The following table summarises the movement in the fair value of investment properties over the year:

	2009/10 £000	**2010/11 £000**
Balance at start of the year	**1,953**	**378**
Additions	0	
Disposals	(753)	**(119)**
Net gains/losses from fair value adjustments	0	200
Transfers (to) / from Property, Plant and Equipment	(822)	
Balance at end of the year	**378**	**459**

11. INTANGIBLE ASSETS

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets comprise purchased licenses only (the Council does not currently have any internally generated software on its balance sheet).

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

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £113,000 charged to revenue in 2010/11 was charged to the cost centres holding the assets.

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

	2009/10 £000s	2010/11 £000s
Gross carrying amount	**580**	**340**
Accumulated amortisation	(331)	(100)
Net carrying amount at start of year	**249**	**240**
Purchases	133	38
Amortisation for the period	(98)	(113)
Other changes - reversal of creditor accrual	(44)	-
Net carrying amount at end of year	**240**	**165**

Comprising:

Gross carrying amount	**340**	**285**
Accumulated amortisation	(100)	(120)
Net carrying amount at end of year	**240**	**165**

12. 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

Fair Values of Assets and Liabilities

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

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of cash flows that will take place over the remaining term of the instruments by using the following assumptions:
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

Any difference between the carrying amount (balance sheet value) and fair value (arm’s length price) should be disclosed in the notes to the accounts.

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.
Investments – Forward Purchases	Fair value through Income & Expenditure	Please refer to next section.
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.
Operational creditors	Held at invoiced or billed amount	Carrying amount is a reasonable approximation of fair value for these short term liabilities

The carrying amount and fair values for investments at 31 March 2011 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**
Long term – Heritable Bank*	158	N/A	158**	N/A
Short term – Heritable Bank*	227	32	259**	N/A
Short term – other	14,502	118	14,620	14,715
TOTAL	**14,887**	**150**	**15,037**	

***** *The fair value of the investments is higher than the carrying amount, because the Council's portfolio of investments include a number of fixed rate loans where the interest rate is higher than the rates available for similar loans at the balance sheet date. Please note that no fair valuation is available for the Heritable Bank investment due to impairment issues (see next section).*

** *The Council anticipates receiving repayments of £259,000 in 2011-12 and £158,000 in 2012-13.*

Icelandic Banks

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. This authority had £1.25m deposited with the Heritable Bank at an interest rate of 6.25%.

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the authority will be determined by the administrators / receivers.

The current situation with regards to recovery of the sums deposited varies between each institution. Based on the latest information available the authority considers that it is appropriate to consider an impairment adjustment for the deposits, and has taken the action outlined below. As the available information is not definitive as to the amounts and timings of payments to be made by the administrators / receivers, it is likely that further adjustments will be made to the accounts in future years.

Heritable Bank

Heritable bank is a UK registered bank under English law. The company was placed in administration on 7 October 2008.

For the 2009/10 accounts the authority decided to recognise an impairment based on it recovering 85p in the £ following guidance received from the Local Authority Accounting Panel (LAAP).

The administrators issued a creditors report in January 2010. This report noted that current projections suggest a base case return to creditors of 79 to 85 pence in the pound. The seventh progress report from the administrators was issued on 10 February 2011. As the report does not suggest any changes to the total amount estimated to be received, it is anticipated that the previous range remains appropriate.

In cash terms a total of £628,000 has now been received by South Hams District Council at 31 March 2011.

In view of this information, LAAP recommends that the following repayment schedule is used to estimate the recoverable amount at 31 March 2011. The schedule is based on expected total dividends of 84.98% of the claim.

This estimate is at the top end of the range quoted by the administrators. This is in line with the approach taken in LAAP Bulletin 82, where it was noted that a strategy of winding up the bank by 2012 was expected to produce a return at the top end of the range; a strategy of winding up the bank before 2012 would lead to lower returns. On this basis, the Local Authority Accounting Panel considers that a recovery at the top end of the estimate is the most likely outcome, and this therefore forms its best estimate:

Date	Repayment	Date	Repayment
April 2011	6.25%	April 2012	5.00%
July 2011	5.00%	July 2012	5.00%
October 2011	5.00%	October 2012	5.00%
January 2012	5.00%		

Recoveries are expressed as a percentage of the authority's claim in the administration, which includes interest accrued up to 6 October 2008.

The impairment loss recognised in the Income and Expenditure Account has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the authority until monies are recovered.

Adjustments to the assumptions will be made in future accounts as more information becomes available.

Summary details of the investment made are as follows:

Date Invested	Maturity Date	Amount Invested £	Interest Rate %	Dividends Received £	Carrying Amount £	Impairment £
25/09/08	22/12/08	1,250,000	6.25%	628,000	385,000	237,000

In previous years the Authority has taken advantage of the Capital Finance Regulations to defer the impact of the impairment on the General Fund, and a sum of £237,000 was transferred to the Financial Instruments Adjustment Account. However, this was a temporary arrangement and the potential impairment loss has been brought into account in the 2010/11 financial year.

Forward Deposits

The Council committed £7.5m in “Forward Deposits” which were included as derivatives in the Balance Sheet i.e. at “fair value through profit and loss” in 2008/09. A forward deal is regarded as a derivative between the period of trade date and start date. When the investment passes the start date it is classified under loans and receivables.

The details are summarised in the following table:

Deposit value	£2,500,000	£5,000,000
Trade date	05/06/2007	05/06/2007
Start (settlement) date	23/07/2008	31/07/2008
Maturity Date	22/07/2011	30/07/2010
Forward Interest Rate	6.15%	6.18%
Market Interest Date at 23/07/08 and 31/07/08	5.88%	5.64%
Duration (years)	3.0	2.0
Deposit Value – amortised cost at year end	£2,502,070	0 (de-recognised)

Any gains (or losses) are unwound after the contract has been settled and continue until maturity. There are no statutory reversals for these transactions. As a result, any such gains or losses are recognised in each financial year for the duration of the investment, but are neutral over its life.

Summary of Financial Instruments

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

	Long-term			Current	
	31 March 2010 £000	**31 March 2011 £000**		**31 March 2010 £000**	**31 March 2011 £000**
Loans and receivables (principal)	2,843	158		11,704	14,729
Loans and receivables (accrued interest)	106			342	150
Total investments	2,949	158		12,046	14,879
Debtors					
Loans and receivables	51	150			
Financial assets carried at contract amounts				4,140	3,455
Total Debtors	51	150		4,140	3,455
Creditors					
Financial liabilities at amortised cost	(4,653)	(4,003)			
Financial liabilities carried at contract amount				(3,930)	(3,814)
Total creditors	(4,653)	(4,003)		(3,930)	(3,814)

Income, Expense, Gains & Losses

	Financial Assets 2009/10			**Financial Assets 2010/11**		
	Investments £000	**Investments at Fair Value through I & E £000**	**Total £000**	**Investments £000**	**Investments at Fair Value through I & E £000**	**Total £000**
Losses on derecognition						
Reductions in fair value						
Impairment losses						
Total expense in Surplus or deficit on the provision of Services	**0**	**31**	**31**	**1**	**15**	**16**
Interest income	(343)	(411)	**(754)**	(361)	(107)	**(468)**
Interest income accrued on impaired financial assets	(46)		**(46)**	(32)		**(32)**
Increases in fair value	(78)		**(78)**			**0**
Total expense in Surplus or deficit on the provision of Services	**(467)**	**(411)**	**(878)**	**(393)**	**(107)**	**(500)**
Net (gain)/loss for the year	**(467)**	**(380)**	**(847)**	**(392)**	**(92)**	**(484)**

13. INVENTORIES

2009/10 TOTAL £000		Depot 2010/11 £000	Printing Materials 2010/11 £000	TOTAL £000
80	**Balance at 1 April**	**90**	**11**	**101**
740	Purchases	698	20	**718**
(715)	Recognised as an expense in the year	(696)	(17)	**(713)**
105	**Balance at 31 March**	**92**	**14**	**106**

14. DEBTORS

Short term

31.3.2010 £000s		31.3.2011 £000s
296	Central Government bodies	1,541
736	Other local authorities	518
1,615	NNDR Debtor (Government)	146
70	Council tax payers	60
3,108	Other entities & individuals	1,396
5,825	**Totals**	**3,661**

Long term

31.3.2010 £000s		31.3.2011 £000s
0	Strain payments payable to West Devon Borough Council	106
27	Parish loans	23
27	**Totals**	**129**

15. CASH AND CASH EQUIVALENTS

31.3.2010 £000s		31.3.2011 £000s
(1,037)	Cash held by the Authority	(894)
6,420	Bank current accounts	4,000
0	Money Market Funds	2,505
5,383	**Total Cash and Cash Equivalents**	**5,611**

16. CREDITORS

31.3.2010 £000s		31.3.2011 £000s
(265)	Inland Revenue	(248)
(1,136)	Other Government departments	(167)
(260)	Other local authorities	(397)
(2,157)	Sundry creditors	(1,949)
(112)	Employee benefits	(120)
(44)	Council taxpayers	(47)
(670)	Council taxpayers – preceptors a/c	(906)
(4,644)		**(3,834)**

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. The two elements have been combined in the following table:

	Leisure Staffing £000s	**Senior Management Review £000s**	**Total £000s**
Balance at 1 April 2010	**300**	**0**	**300**
Provisions made in year	-	924	924
Amounts used in year	(150)	0	(150)
Balance at 1 April 2011	**150**	**924**	**1,074**

Leisure Centre Staffing - The provision listed above reflects the maximum potential payment to the Council's Leisure Contractor in consideration of an agreement to vary the terms of the Business Transfer Agreement in order to remove the obligations relating to Single Status.

Senior Management Review – A short term provision of £783,000 has been made to reflect the redundancy payments payable to employees leaving in 2011. In addition, a long term provision of £141,000 has been made which represents a contribution towards the pension fund strain payments incurred by West Devon Borough Council from its departing staff. This sum is not payable until 2012/13. Please refer to the Explanatory Foreword for a summary of the Management Review.

18. USABLE RESERVES

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

19. UNUSABLE RESERVES

31.3.2010 £000s		31.3.2011 £000s
7,823	Revaluation Reserve	12,432
49,714	Capital Adjustment Account	47,657
(236)	Financial Instruments Adjustment Account	0
(37,034)	Pensions Reserve	(14,861)
113	Collection Fund Adjustment Account	130
(112)	Accumulated Absences Account	(119)
20,268	**Total Unusable Reserves**	**45,239**

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

31.3.2010 £000s		**£000s**	**31.3.2011 £000s**
4,284	**Balance at 1 April**		**7,823**
4,239	Upward revaluation of assets	5,602	
(502)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(876)	
8,021	**Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**		**4,726**
(58)	Difference between fair value depreciation and historical cost depreciation	(117)	
(140)	Accumulated gains on assets sold or scrapped	-	
(198)	**Amount written off to the Capital Adjustment Account**		**(117)**
7,823	**Balance at 31 March**		**12,432**

Capital Adjustment Account

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

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

2009/10 £000		2010/11 £000	2010/11 £000
53,142	**Balance at 1 April**		**49,714**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(1,562)	▪ Charges for depreciation of non-current assets	(1,621)	
(1,462)	▪ Revaluation losses on Property, Plant and Equipment	(2,753)	
	▪ Revaluation gains on Investment Properties	272	
(98)	▪ Amortisation of intangible assets	(113)	
(197)	▪ Revenue expenditure funded from capital under statute (REFCUS) – funded from capital receipts	(247)	
(36)	▪ Reversal of REFCUS funded from capital grants		
(2,416)	▪ Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(127)	
(5,771)	***Total***		**(4,589)**
148	Adjusting amounts written out of the Revaluation Reserve		117
(5,623)	Net written out amount of the cost of non-current assets consumed in the year		(4,472)
	Capital financing applied in the year:		
1,469	Use of the Capital Receipts Reserve to finance new capital expenditure	1,559	
29	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	371	
240	Application of grants to capital financing from the Capital Grants Unapplied Account	17	
(44)	Reversal of capital financing accrual	(36)	
504	Capital expenditure charged against the General Fund	508	
(3)	Repayment of parish loans	(4)	
2,195	***Total***		***2,415***
49,714	**Balance at 31 March**		**47,657**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

The Authority has used this Account to mitigate the effects of the potential impairment losses on the Council's investment with the Heritable Bank on the Income and Expenditure Account in previous financial years as permitted by regulations (Statutory Instrument 2009 No.321). However, this is a temporary arrangement and these entries are required to be fully reversed in the financial year beginning on 1st April 2010. The impact on the General Fund has been negated by a contribution from the Strategic Issues Reserves.

31.3.2010 £000s		31.3.2011 £000s
(360)	**Balance at 1 April**	**(236)**
46	Investment Interest Due	
78	Movement in impairment (increase)/ decrease	
0	Transfer of balance to Comprehensive Income & Expenditure Account	236
(236)	**Balance at 31 March**	**0**

Pensions Reserve

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

31.3.2010 £000s		**31.3.2011 £000s**
(21,320)	**Balance at 1 April**	**(37,034)**
(13,650)	Actuarial gains or losses on pensions assets and liabilities	16,288
(3,385)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	4,809
1,321	Employer's pensions contributions and direct payments to pensioners payable in the year	1,369
	Accrued strain payments*	(293)
(37,034)	**Balance at 31 March**	**(14,861)**

* *Relates to Senior Management Review – please refer to Explanatory Foreword.*

Collection Fund Adjustment Account

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

31.3.2010 £000s		31.3.2011 £000s
54	**Balance at 1 April**	**113**
59	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	17
113	**Balance at 31 March**	**130**

SECTION 3. NOTES TO THE ACCOUNTS

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.

31.3.2010 £000s			**31.3.2011 £000s**
(123)	**Balance at 1 April**		**(112)**
123	Settlement or cancellation of accrual made at the end of the preceding year	112	
(112)	Amounts accrued at the end of the current year	(120)	
	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(7)
(112)	**Balance at 31 March**		**(119)**

20. CASH FLOW STATEMENT – INVESTING ACTIVITIES

2009/10 £000s		2010/11 £000s
1,894	Purchase of property, plant and equipment, investment property and intangible assets	2,169
(2,398)	Net (increase)/decrease in investments	164
(1,341)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(157)
(33)	Other receipts from investing activities (capital grants & contributions)	(487)
(1,878)	**Net cash flows from investing activities**	**1,689**

21. CASH FLOW STATEMENT – FINANCING ACTIVITIES

The cash flows for financing activities are as follows:

2009/10 £000s		2010/11 £000s
2,317	Net NNDR receipts paid to/ (received) from Central Government	(1,544)
4,627	Net Council Tax receipts paid to / (received) from major preceptors	4,982
6,944	**Total**	**3,438**

22. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

Service Income & Expenditure 2010-11

	Central Services	Cultural, Environ-mental, & Planning etc.	Highways	Housing	CDC	NDC	Exceptional Items	TOTAL
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(831)	(3,916)	(4,944)	(848)	(57)	(50)	(302)	(10,948)
Government grants & contributions	(6,613)	(1,581)	(252)	(20,774)	(36)			(29,256)
Total Income	**(7,444)**	**(5,497)**	**(5,196)**	**(21,622)**	**(93)**	**(50)**	**(302)**	**(40,204)**
Employee expenses	1,250	6,247	1,296	1,038	226	43	1,217	11,317
Adjustment re pension liability							(7,805)	(7,805)
Other service expenses	6,426	6,513	2,444	21,305	718			37,406
Depreciation / amortisation	10	3,097	151	216				3,474
Support service recharges	1,045	1,899	263	384	1,283			4,874
Total Expenditure	**8,731**	**17,756**	**4,154**	**22,943**	**2,227**	**43**	**(6,588)**	**49,266**
Net Expenditure	**1,287**	**12,259**	**(1,042)**	**1,321**	**2,134**	**(7)**	**(6,890)**	**9,062**

23. TRADING OPERATIONS - GENERAL

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. The Council operates a number of trading services:

2009/10 (Surplus)/ Deficit £000s	Service	Turnover £000s	Expenditure £000s	2010/11 (Surplus)/ Deficit £000s
(1,106)	Car & Boat Parking	(2,963)	1,254	(1,709)
(51)	Dartmouth Ferry	(822)	807	(15)
(532)	Employment Estates*	(1,312)	2,583	1,271
(68)	Pannier Markets	(120)	47	(73)
(31)	Salcombe Harbour	(1,013)	963	(50)
37	Trade Refuse	(762)	772	10
(1,751)	**Net surplus on trading units**	**(6,992)**	**6,426**	**(566)**

N.B. Employment estates were revalued in 2010/11 and incurred revaluation losses of £2,067,000

Car & Boat Parking
The Council provides off-street parking at an appropriate level according to demand and environmental impact. Charges are made to at a level which will ensure that the provision and management are not a cost burden to local Council Tax payers.

Dartmouth Ferry
The Council operates a public ferry service for cars and foot passengers across the River Dart between Kingswear and Dartmouth.

Employment Estates
The Council undertakes the programmed development and letting of identified employment sites to generate quality employment opportunities.

Pannier Markets
The Council operates weekly markets in Totnes, Kingsbridge and Ivybridge as permitted by statutory powers and thereby maintains the tradition of market towns for the benefit of customers, traders and the towns as a whole.

Salcombe Harbour
The Harbour Board aims to improve, maintain and manage the whole of the Salcombe-Kingsbridge Estuary for the benefit of users, who include commercial fishermen and the sailing communities.

Trade Refuse
The Council operates a trade refuse collection service.

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 – 'details of the scheme for setting charges'. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the building control unit divided between the chargeable and non-chargeable activities.

Total Building Control 2009/2010 £000s		**Chargeable £000s**	**Non – Chargeable £000s**	**Total Building Control 2010/2011 £000s**
	Expenditure			
452	Employee expenses	248	117	365
0	Premises	0	22	22
37	Supplies and Services	7	7	14
29	Transport	22	9	31
77	Support Services	46	40	86
595	***Total Expenditure***	***323***	***195***	***518***
	Income			
(355)	Building Regulations Charges	(408)		(408)
(21)	Other Income	0	(23)	(23)
(376)	***Total Income***	***(408)***	***(23)***	***(431)***
219	**(Surplus)/ Deficit for Year**	**(85)**	**172**	**87**

25. AGENCY SERVICES

Certain statutory powers allow the Council to undertake work on behalf of other public bodies. The main arrangement under these powers is the collection of land charge search fees on behalf of Devon County Council. These fees are included within the standard search fee and reimbursed to the County Council on a periodic basis. The amount collected was £33,000 in 2010/2011 (£37,000 in 2009/2010).

26. MEMBERS' ALLOWANCES

The Authority paid the following amounts to Members of the Council during the year.

2009/10 £000s		2010/11 £000s
250	Allowances	252
26	Expenses	21
276	**Total**	**273**

27. OFFICERS' REMUNERATION

Regulation 4 of the Accounts and Audit (Amendment No.2) (England) Regulations 2009 [SI 2009 No. 3322)] introduced a new 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 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 Allowances £**	**Pension Contribution £**	**Total £**
Strategic Director (Community)	2010/11	80,000	100	11,400	**91,500**
	2009/10	79,900	200	11,400	**91,500**
Strategic Director (Resources)	2010/11	79,900	100	12,000	**92,000**
	2009/10	79,900	100	12,000	**92,000**
Legal Services Manager / Monitoring Officer	2010/11	56,700	100	8,500	**65,300**
	2009/10	43,000	100	6,400	**49,500**

Note: South Hams District Council (SHDC) shares a Chief Executive with West Devon Borough Council (WDBC). The shared Chief Executive is employed by WDBC, but 50% of the employment costs (£90,500) are reimbursed to WDBC by SHDC. However the total cost of employing the Chief Executive has to be included in full in the equivalent note of WDBC's Accounts in accordance with the accounting requirements and is therefore excluded from the table above.

Other officers earning over £50,000

Remuneration band	**2009/2010 Number of employees Total**	**2009/2010 Left during year**	**2010/2011 Number of employees Total**	**2010/2011 Left during year**
£50,000 - £54,999	4		4	
£55,000 - £59,999	3		2	
£60,000 - £64,999	3		4	
£65,000 - £69,999				
£70,000 - £74,999		1		
£75,000 - £79,999				
£80,000 - £84,999				
£85,000 - £89,999		2		

28. EXTERNAL AUDIT COSTS

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

	2009/10 **£ 000**	**2010/11** **£ 000**
External audit services	66	69
Statutory Inspection (Use of Resources/ Value For Money Conclusion)	28	30
Certification of grant claims and returns	21	20
Other services	-	2
TOTAL	**115**	**121**

29. GRANT INCOME

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

	2009/10 £000	2010/11 £000
Credited to Taxation and Non Specific Grant Income		
Taxation:		
Council Tax income	(6,336)	(6,586)
Adjustment re Collection Fund in respect of previous year		(30)
Adjustment re Collection Fund in respect of current year	(59)	(17)
Non domestic rates	(4,452)	(4,845)
Capital grants & contributions:		
- Devon County Council – Second Homes Funding		
- Department for Communities & Local Government – Disabled Facility Grants		
- Government Office South West – Shared Outreach Services	(61)	
- Section 106 Deposit – Totnes Southern Area	(55)	
- Devon County Council – Playbuilder Project		(135)
- Wakefield Trust – Heath's Garden		(120)
- Section 106 Deposit – Fallapit House		(87)
Other capital grants & contributions	(126)	(160)
Non ring- fenced Government grants:		
- Revenue Support Grant	(1,028)	(704)
- Local Authority Business Growth Incentive Grant	(38)	
- Area Based Grant	(23)	(35)
Total	**(12,178)**	**(12,719)**
Credited to Services		
Department for Transport – Concessionary Fares	(413)	(180)
Devon County Council – Torr Quarry Transfer Station	(255)	(228)
Natural England – Area of Outstanding Natural Beauty	(206)	(177)
Rural Development Agency – Local Action Groups	(174)	
Section 106 Deposit – Landscaping Projects, Langage	(160)	(100)
DCLG – Housing/Planning Delivery Grant	(136)	
Other grants	(212)	(593)
Total	**(1,556)**	**(1,278)**

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:

	31 March 2011 £000
Capital Grants Receipts in Advance	
Department for Communities & Local Govt. – Regional Housing Pot	(216)
Department for Communities & Local Govt – Implementing E Govt. Grant	(73)
Section 106 Deposit – Penn Torr, Salcombe	(84)
Other grants	(41)
Total	**(414)**

	31 March 2011 £000
Revenue Grants Receipts in Advance	
Devon County Council – Walking for Health	(25)
Various Devon Local Authorities – Member Development Role	(18)
Other grants	(24)
Total	**(67)**

30. 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 29.

Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2010/11 is shown in Note 26.

Tor Homes

The Council is a member of Tor Homes which is a company limited by guarantee and a registered charity which was set up to own and manage the stock previously owned by the Council. The Council's voting rights as a member of the Company amount to (and are limited by the Company's constitution to) 33.3 per cent. The Council also has the right to appoint four of the Company's twelve trustees (who are the company's board of directors), and four of its Councillors currently serve in this capacity. Their membership of the board does not constitute a controlling interest and indeed these individuals are unable to vote on issues which involve the interests of the District Council.

31. 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.

	2009/10 £000s	2010/11 £000s
Capital Investment		
Property, Plant & Equipment	1,867	2,171
Intangible fixed assets	133	38
Revenue expenditure funded from capital under statute (REFCUS)*	1,350	1,111
Loans	10	0
Total expenditure	**3,360**	**3,320**
Sources of Finance		
Capital receipts	1,469	1,559
Government grants and other contributions	1,328	1,221
Direct revenue contributions (earmarked reserves)	563	540
Total funding	**3,360**	**3,320**

NB The Council did not finance any of its capital expenditure by borrowing and as such it's capital financing requirement was unchanged at -£98,000.

32. LEASES

Authority as Lessee

The Authority uses certain land and buildings under the terms of operating leases. The most significant is shown in the following table:

Asset	Annual Payment 2009/10 £000	Annual Payment 2010/11 £000	Date of expiry
Land for car parking	72	72	31/03/2017

Authority as Lessor

The Authority leases various parcels of land to external organisations. The most significant is shown in the following table:

Asset	Annual Payment 2009/10 £000	Annual Payment 2010/11 £000	Date of expiry
Land for operation of supermarket	510	510	20/12/2077

33. 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 Note 9 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.

34. TERMINATION BENEFITS

The Authority terminated the contracts of two employees in 2010/11, incurring liabilities of £ 35,000. In 2009/10, four employees were made redundant at a cost of £246,000. Council policy requires a payback in terms of salary savings within five years of any redundancy being made.

35. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

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

The authority participates in the Local Government Pension Scheme, administered locally by Devon County Council – this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liability with investment assets.

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

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

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

Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	2010/11	2009/10
Comprehensive Income and Expenditure Statement		
Cost of Services:		
▪ current service cost	2,169	1,191
▪ past service costs/ (gains)	(7,805)	-
▪ settlements and curtailments (accrued*)	293*	88
Financing and Investment Income and Expenditure		
▪ interest cost	4,902	4,765
▪ expected return on scheme assets	(4,075)	(2,659)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**(4,516)**	**3,385**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
▪ actuarial (gains) and losses	**(16,288)**	**13,650**
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(16,288)**	**13,650**
Movement in Reserves Statement		
▪ reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	**(4,516)**	**3,385**
Actual amount charged against the General Fund Balance for pensions in the year:		
▪ employer's contributions payable to scheme	1,175	1,122
▪ retirement benefits payable to pensioners	194	199

** Liabilities arising from the Senior Management Review for those staff retiring early*

Assets and liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation)	**2010/11**	**2009/10**
Opening balance at 1 April	**102,650**	**71,460**
Current service cost	2,169	1,191
Interest cost	4,902	4,765
Actuarial (gains) and losses	(19,042)	27,045
Curtailments (accrued)	293	88
Benefits paid	(2,888)	(2,298)
Past service costs	(7,805)	-
Contributions by scheme participants	598	598
Unfunded pension payments	(195)	(199)
Closing balance at 31 March	**80,682**	**102,650**

Reconciliation of fair value of the scheme (plan) assets:	**2010/11 £000**	**2009/10 £000**
Opening balance at 1 April	**65,616**	**50,140**
Expected rate of return	4,075	2,659
Actuarial gains and losses	(2,754)	13,395
Employer contributions	1,369	1,321
Contributions by scheme participants	598	598
Benefits paid	(3,083)	(2,497)
Closing balance at 31 March	**65,821**	**65,616**

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e. as at 1 April 2010 for the year to 31 March 2011). The returns on gilts and other bonds are assumed to be the gilt yield and corporate bond yield (with an adjustment to reflect default risk) at the relevant date. The returns on equities and property are then assumed to be a margin above gilt yields.

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2011 is estimated to be 7.4%. This is based on the estimated Fund value used at the previous accounting date and the estimated Fund value used at this accounting date. The actual return on Fund assets over the year may be different.

Scheme History

	2006/07 £000	**2007/08 £000**	**2008/09 £000**	**2009/10 £000**	**2010/11 £000**
Present value of liabilities	71,470	67,750	71,460	102,650	80,389
Accrual for future strain payments					293
Fair value of assets in the Local Government Pension Scheme	63,580	63,310	50,140	65,616	65,821
Surplus/(deficit) in the scheme	**(7,890)**	**(4,440)**	**(21,320)**	**(37,034)**	**(14,861)**

The liabilities show the underlying commitments that the authority has in the long run to pay post employment (retirement) benefits. The total liability of £14.9M has a substantial impact on the net worth of the authority as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

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

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2013 is £1M. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2013 are £200,000.

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 as at 31 March 2011, the actuaries have rolled forward the value of the Employer's liabilities calculated for the Triennial valuation as 31 March 2010 allowing for the different financial assumptions required under IAS19. A similar roll-forward approach was taken for the report as at 31 March 2010.

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.

	31/03/11	**31/03/10**
Long-term expected rate of return on assets in the scheme:		
Equity investments	7.4%	7.5%
Gillts	4.4%	4.5%
Other Bonds	5.5%	5.5%
Property	5.4%	6.5%
Cash	3.0%	3.0%
Target Return Portfolio	5.0%	5.0%
Total	**6.5%**	**6.6%**
Mortality assumptions:		
Retiring today		
➢ Men	20.3	23.1
➢ Women	24.4	25.0
Retiring in 20 years		
➢ Men	22.4	25.4
➢ Women	26.3	27.3
Financial Assumptions		
RPI increases	3.5%	3.9%
CPI increases	2.7%	n/a
Rate of increase in salaries	5.0%	5.4%
Rate of increase in pensions	2.7%	3.9%
Rate for discounting scheme liabilities	5.5%	5.5%

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2011 is estimated to be 7.4%. This is based on the estimated Fund value used at the previous accounting date and the estimated Fund value used at this accounting date.

The estimated asset allocation for South Hams District Council as at 31 March 2011 is as follows:

Employer Asset Share – Bid Value	**31/03/11 £000**	**31/03/11 %**	**31/03/10 £000**	**31/03/10 %**
Equities	46,075	70%	45,275	69
Gilts (Government bonds)	11,190	17%	11,155	17
Other bonds	0	0	0	-
Property	3,291	5%	3,937	6
Cash	4,607	7%	4,593	7
Target Return Portfolio	658	1%	656	1
Total	**65,821**	**100**	**65,616**	**100**

Based on the above, the Employer's share of the assets of the Fund is approximately 3%.

History of Experience Gains and Losses

The actuarial gains/losses identified as movements on the Pensions Reserve can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities.

Amounts for the current and previous periods	**2010/11 £000**	**2009/10 £000**	**2008/09 £000**	**2007/08 £000**	**2006/07 £000**
Differences between expected level of liabilities and actual experience	5,079	148	(350	(990)	(160)
Percentage of liabilities	*6.3%*	*0.1%*	*-0.5%*	*1.5%*	*0.2%*
Differences between the expected and actual return on assets	(2,754)	13,395	(16,940)	(4,150)	580
Percentage of assets	*-4.2%*	*20.4*	*-33.8*	*-6.6%*	*0.9%*

36. CONTINGENT LIABILITIES

a) 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 Tor Homes) 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).

b) During 1992 the Council's insurers, Municipal Mutual Insurance Ltd (MMI) ceased accepting new business or renewing policies as they expired due to a lack of sufficient solvency to meet the Department of Trade and Industry's requirements. Whilst the Council has insured elsewhere from 1 June 1993, it had a number of outstanding claims with MMI and arrangements are in place for the orderly settlement of the sums due. A contingent liability exists in that it is possible that if at some time in the future the Directors of MMI cannot foresee the conclusion of such orderly settlement, the company would invoke a Scheme of Arrangement with its major creditors, one of which is this Council. Should the Scheme of Arrangement be invoked the Council's maximum exposure to loss would be £118,608. MMI is a party to litigation (Durham v BAI (run off) Ltd and others 2008, known as the "Employers Liability Policy Trigger Litigation"). The original case was heard in the high Court in June/July 2008 and the ruling confirmed that the "causation date" should be the date of inhalation of asbestos. A discussion took place on the date of assumed sub-clinical injury and this has been reduced from 10 years to 5 years prior to first symptoms arising. Leave to appeal was granted and the Appeal Court hearing took place in November 2009. Details of the judgement were published on 8 October 2010 but this failed to provide definitive clarification and it is expected that the case will be referred to the Supreme Court in order to achieve that. It is understood that judgement could follow by Easter 2012. As at 30 June 2009, the Annual Report and Accounts stated that the Directors foresaw a solvent run-off. At the Creditors' Committee of 17 November 2010, the Finance Director reported that the Company's solvency was dependent upon a successful result to the litigation and the resolution of uncertainties surrounding claim provisions. The Company's leading Counsel believes that the Company had a good chance of a successful appeal.

c) In July 2009, Executive decided that no further progress towards single status could be made at that time. It is now the Council's intention to work toward convergence of terms and conditions of employment for all staff across the two Authorities which includes Pay. This will commence in June 2011 and it is anticipated that the budget reserved for single status would be used to fund any financial pressure. It is not possible to estimate the cost of such convergence and it is difficult to foresee to what extent the Council will be subject to equal pay claims.

d) There is a risk of significant costs associated with progressing the proposal for the new community at Sherford. Negotiations relating to the s.106 Agreement stalled last year as the economic climate appeared to make it difficult for the applicant to comply with the adopted planning policies of the Council. During the winter a stale mate had been reached and it appeared likely that the applicant would appeal against non-determination of the submission. The appeal would be costly for both the applicant and the Council because of the scale of the issues which would need to be addressed and the requirement for external legal and professional support. In a major appeal there is also the risk of an award of costs. Since February 2011 more positive discussions have been re-established and the immediate risk of appeal has receded. The ongoing conflict over the cost of legal fees is also progressing more positively. It is difficult to judge the likely scale of risk or the potential cost at this stage, but depending on the nature of the appeal possible costs could range from £250,000 to £500,000.

37. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Key Risks

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

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

Overall Procedures for Managing Risk

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

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

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

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

The annual treasury management strategy which incorporates the prudential indicators was approved by the Executive on 21 January 2010 and is available on the Council's website.

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

Credit risk

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

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

The full Investment Strategy for 2010/11 was approved by the Executive on 21 January 2010 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 annually a provision for bad debts based on the age of its debt. This provision is adequate to deal with the historical experience of default and there is no reason to believe that it needs adjustment for current market conditions at the 31 March 2011.

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.

There is therefore 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.

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 I & E account will rise
- Investments at fixed rates – the fair value of the assets will fall

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

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The Finance team will monitor market 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 £200,000 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.

Foreign exchange risk

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

Refinancing and Maturity Risk

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

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed 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 provide stability of maturities and returns in relation to the longer term cash flow needs.

38. ACCOUNTING POLICIES

i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011 (SI 2011 No. 817). These regulations require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the *Best Value Accounting Code of Practice 2010/11*, 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.

ii. 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.

iv. 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.

v. Exceptional Items

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

vi. 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.

vii. Charges to Revenue for Non-Current Assets

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

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

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

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

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

Post Employment Benefits

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

The Local Government Scheme

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

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

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

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

For further information please refer to Note 35

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

- **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 arising from current year decisions 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

- **interest cost** – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- **expected return on assets** – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- **gains or losses on settlements and curtailments** – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

- **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 – debited to the Pensions Reserve

- **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.

ix. Events After the Balance Sheet Date

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

Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts 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.

x. 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 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.

xii. 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.

Area Based Grant

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ring-fenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

xiii. Intangible Assets

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

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

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

xv. Inventories

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

xvi. Investment Property

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

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

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

xvii. 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 its incurs and the share of income it earns from the activity of the operation.

xviii. 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 lessee

Operating Leases

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

Income and Expenditure Statement and is credited in accordance with the lease terms.

xix. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2010/11* (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early.

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

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

Cost	**Basis of allocation**
Staffing and related overheads	Cost of time spent by staff based on timesheets
Administrative buildings	Area occupied
IT costs	Usage of major systems plus a standard charge per PC/printer

xx. Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

Where decreases in value are identified, they are accounted for 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.

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 asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the 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 fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

xxii. Provisions, Contingent Liabilities and Contingent Assets Provisions

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.

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.

xxiii. 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.

xxiv. 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.

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.

xv. 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.

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

For 2010/11 the only accounting policy change that needs to be reported relates to FRS 30 Heritage Assets.

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) has introduced a change in accounting policy in relation to the treatment of heritage assets held by the Authority, which will need to be adopted fully by the authority in the 2011/12 financial statements.

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 standard that has been issued, but is not yet required to be adopted by the Authority, in this case, heritage assets. As is set out above, full adoption of the standard will be required for the 2011/12 financial statements. However, the Authority is required to make disclosure of the estimated effect of the new standard in these (2010/11) financial statements. The new standard will require that a new class of asset, heritage assets, is disclosed separately on the face of the Authority's Balance Sheet in the 2011/12 financial statements.

Heritage assets are assets that are held by the authority principally for their contribution to knowledge or culture. The Council does not currently recognise any such assets.

40. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 38, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- The assumptions made by the actuary in determining the value of the pension liability are appropriate and reasonable.

- The value of the impairment relating to the investment of funds with the Heritable Bank is calculated on an appropriate and realistic basis.

41. TRANSITION TO IFRS

The Statement of Accounts for 2010/11 is the first to be prepared on an International Financial Reporting Standards (IFRS) basis. As detailed in the Explanatory Foreword this is a departure from a UK GAAP basis of accounting to an IFRS basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

The following notes explain the material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements. The relevant International Accounting Standard (IAS) is identified for each area.

Short-term accumulating compensated absences (IAS19)

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Authority. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render service that increases their entitlement to future compensated absences. As a result, the Authority is required to accrue for any annual leave earned but not take at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

The Government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

Accruing for short-term accumulating compensated absences has resulted in the following changes being made to the 2009/10 financial statements:

Opening 1 April 2009 Balance Sheet

	Adjustments Made £'000
Creditors	(123)
Accumulated Absences Account	123

31 March 2010 Balance Sheet

	Adjustments Made £'000
Creditors	(112
Accumulated Absences Account	112

2009/10 Comprehensive Income and Expenditure Statement

Cost of services (net):

	Adjustments Made £'000
Corporate and Democratic Core	(11)

<u>Government Grants (IAS20)</u>

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 balance sheet.
- Proportions of government grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.
- Grants were received in 2009/10 but not used. Previously, no

income was recognised in respect of these grants, which were shown in the Grants Unapplied Account within the liabilities section of the balance sheet. Following the change in accounting policy, some of these grants have been recognised in full in the Comprehensive Income and Expenditure Account, and transferred to the Capital Grants Unapplied Account within the reserves section of the balance sheet. Those with conditions and therefore repayable have been posted to the 'capital grants receipts in advance account'.

This has resulted in the following changes being made to the 2009/10 financial statements:

Opening 1 April 2009 Balance Sheet:

	Adjustments Made £'000
Government Grants Deferred Account	3,857
Capital Adjustment Account	(3,857
Capital Contributions Unapplied	769
Capital Grants – receipts in advance	(610)
Capital Grants Unapplied	(159)

31 March 2010 Balance Sheet:

	Adjustments Made £'000
Government Grants Deferred Account	3,575
Capital Adjustment Account	(3,575)
Capital Contributions Unapplied	968
Capital Grants – receipts in advance	(862)
Capital Grants Unapplied	(106)

2009/10 Comprehensive Income and Expenditure Account:

	Adjustments Made £'000
Central services to the public	23
Cultural and Related Services, Regulatory and Planning Services	48
Environmental	158
Highways, Roads & Transport	19
Other Housing services	36
Planning & Development	247
Cost of services net:	**531**
Taxation and non specific grant income	**(242)**

Other income in advance and long term liabilities

Other revenue grants and contributions and long term liabilities (including S.106 planning agreements) were analysed to clarify whether any contained conditions. Only grants with repayment conditions can be treated as creditors. The following adjustments have arisen:

Opening 1 April 2009 Balance Sheet:

	Adjustments Made £'000
Short term creditors	324
Long term liabilities	53
General Fund Balance	(377)

31 March 2010 Balance Sheet:

	Adjustments Made £'000
Short term creditors	245
Long term liabilities	178
General Fund Balance	(423)

Cash and cash equivalents

The changes here are covered by IAS7 – Cash equivalents are held for the purpose of meeting short term cash commitments rather than for investment or other purposes under the Code.
Under IAS7 – to qualify as a cash equivalent an investment must be readily convertible to a known amount of cash subject to insignificant risk of changes in value. It has been assessed that short term deposits up to a period of 3 months are considered to be readily convertible to cash. The impact here has been to alter the opening 1 April Balance Sheet 2009 only as follows:

Opening 1 April 2009 Balance Sheet:

	Adjustments Made £'000
Cash and cash equivalents	3,150
Short term investments	(3,150)

31 March 2010 Balance Sheet:

	Adjustments Made £'000
Cash and cash equivalents	6,420
Short term investments	(6,420)

Property, Plant & Equipment, Investment Property & Assets Held for Sale

The changes here are covered by IAS16 (property, Plant & Equipment), IAS36 (Impairment of assets) and IAS40 (Investment Property).

The key change for the Council relates to the removal of the revaluation reserve balance for investment properties:

Opening 1 April 2009 Balance Sheet:

	Adjustments Made £'000
Revaluation Reserve	553
Capital Adjustment Account	(553)

31 March 2010 Balance Sheet:

	Adjustments Made £'000
Revaluation Reserve	135
Capital Adjustment Account	(135)

SECTION 4. COLLECTION FUND

This statement shows the transactions of the Council as the charging authority in relation to the Council Tax, and how these have been distributed between the Council's General Fund and other precepting authorities. It also summarises the transactions relating to the collection of business rates on behalf of the Government, which are held in a national pool. The total amount held in that pool is re-distributed to local authorities on the basis of population.

2009/2010 £000s		Notes	2010/2011 £000s
	Income		
(50,700)	Council Tax	***1***	(52,195)
(5,738)	Council Tax Benefits		(6,004)
(21,200)	Business Rates	***2***	(29,775)
(72)	Less: Transitional Relief / (Surcharge)		5,995
(77,710)			**(81,979)**
	Expenditure		
	Precepts and Demands		
41,188	*Devon County Council*		42,419
5,615	*Devon and Cornwall Police*		5,950
2,603	*Devon and Somerset Fire Authority*		2,727
6,336	*South Hams District Council*		6,586
	Business Rates		
20,871	*Payment to national pool*		23,317
197	*Costs of collection allowance*		201
	Distribution of previous year's estimated surplus		
-	*Devon County Council*		192
-	*Devon and Cornwall Police*		26
-	*Devon and Somerset Fire Authority*		12
-	*South Hams District Council*		30
	Bad and doubtful debts		
	Write Offs		
130	*Council Tax*		117
148	*Business Rates*		307
	Provisions		
59	*Council Tax*		(8)
55	*Business Rates*		(45)
77,202			**81,831**
(508)	**MOVEMENT ON FUND BALANCE**		**(148)**

SECTION 4. COLLECTION FUND

1. Council tax and council tax base

In 2010/2011, the Council's average Band D Council Tax was £1,518.06. The charge for each band is a ratio of band D. The 2010/2011 charges therefore were:

Band	Ratio to Band D	Council Tax (£)
Disabled A	5/9	843.37
A	6/9	1,012.04
B	7/9	1,180.71
C	8/9	1,349.39
D	1	1,518.06
E	11/9	1,855.41
F	13/9	2,192.75
G	15/9	2,530.10
H	18/9	3,036.12

These charges are before any appropriate discounts or benefits. The Council tax base, which is used in the tax calculation, is based on the number of dwellings in each band on the listing produced by the Listing Officer. This is adjusted for exemptions, discounts, disabled banding changes, appeals and new builds. The tax base estimate for 2010/2011 was 37,997.17 as calculated below.

Band	Dwellings per Valuation List	Adjustment for Disabled Banding Appeals, Discounts and Exemptions	Revised Dwellings	Ratio to Band D	Band D Equivalent
Disabled A	0	10.00	10.00	5/9	5.56
A	4,842.00	(955.25)	3,886.75	6/9	2,591.17
B	8,407.00	(1,094.85)	7,312.15	7/9	5,687.23
C	8,302.00	(904.85)	7,397.15	8/9	6,575.24
D	7,774.00	(464.90)	7,309.10	1	7,309.10
E	6,240.00	(549.75)	5,690.25	11/9	6,954.75
F	3,490.00	(235.35)	3,254.65	13/9	4,701.16
G	2,884.00	(245.20)	2,638.80	15/9	4,398.00
H	275.00	(35.10)	239.90	18/9	479.80
Total	**42,214.00**	**(4,475.25)**	**37,738.75**		**38,702.01**
Less allowance for non collection					(774.04)
Plus adjustment for armed forces dwellings					69.20
Tax base					**37,997.17**

2. Rateable value

The total non-domestic rateable value at 31 March 2011 was £82,429,038 (a revaluation year). This compares to £52,044,579 at 31 March 2010. The standard non-domestic rate multiplier was 43.3p in 2010/11 (2009/10: 48.5p). Without reliefs this would generate a total income of £35,691,773.45 (2009/10 £25,241,620.81). These figures are a snapshot only and differ from the value of NNDR bills issued due to changes in rateable values during the year, small business rate relief, void properties and charitable relief.

3. Collection fund balance

2009/2010 £000s		2010/2011 £000s
(481)	Fund balance at 1 April	(989)
(508)	(Surplus) / Deficit for year	(148)
(989)	**Fund balance as at 31 March**	**(1,137)**

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

2009/2010 £000s	Preceptor	2010/2011 £000s
(728)	Devon County Council	(836)
(101)	Devon and Cornwall Police	(117)
(47)	Devon and Somerset Fire Authority	(54)
(876)	Total surplus due to Preceptors	(1,007)
(113)	South Hams District Council	(130)
(989)	**Fund balance as at 31 March – (surplus)/deficit**	**(1,137)**

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 Head of Finance and Audit

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

- approve the Statement of Accounts

Responsibilities of the Head of Finance and Audit

The Head of Finance and Audit 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 Head of Finance and Audit 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 Head of Finance and Audit has also:

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

The Statement of Accounts present a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2011.

……………………………………………….

Lisa Buckle BSc, ACA
– Head of Finance and Audit

30 June 2011

TO FOLLOW

SECTION 7. AUDITORS' REPORT

TO FOLLOW

SECTION 8. GLOSSARY OF TERMS

ACCRUALS	A sum included in the account to cover income or expenditure attributable to an accounting period for goods received or work done, but for which payment has not been received/made by the end date of the period for which the accounts have been prepared.
ACTUARIAL GAINS & LOSSES	These are changes in actuarial deficits or surpluses that arise because either actual experience or events have not been exactly the same as the assumptions adopted at the previous valuation (experience gains and losses) or the actuarial assumptions have changed.
BALANCES	The surplus or deficit on any account at the end of the year. Amounts in excess of that required for day to day working may be used to reduce the demand on the Collection Fund.
CAPITAL EXPENDITURE	Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.
CAPITAL RECEIPTS	Income received from sale of assets which is available to finance other capital expenditure or to repay debt on assets financed from loan.
CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (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 Non Domestic Rates.
CURRENT SERVICE COST	Amount chargeable to Services based on the Actuary's assessment of pension liabilities arising and chargeable to the financial year.
CURTAILMENTS	This is the amount the Actuary estimates as the cost to the authority of events that reduce future contributions to the scheme, such as granting early retirement.
DEFINED BENEFIT SCHEME	A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and

	the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).
DEMAND	The charging authorities own Demand is, in effect, its precept on the fund.
FEES & CHARGES	In addition to the income from charge payers and the Governments, Local Authorities charge for services, including Planning Consents, Hire of Sporting Facilities, Car Parking etc.
FINANCIAL INSTRUMENTS	A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.
GOVERNMENT GRANTS	Payments by Central Government towards the cost of Local Authority services, including both Revenue and Capital.
IMPAIRMENT ALLOWANCE ("BAD DEBT PROVISION")	Provisions against income to prudently allow for non collectable amounts.
INTEREST COST	For the pension fund this represents the discount rate at the start of the accounting period applied to the liabilities during the year based on the assumptions at the start of the accounting period.
INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) & THE CODE OF PRACTICE (CODE)	Formal financial reporting standards adopted by the accounting profession and to be applied when dealing with specific topics within its accounting Code. The Code is based on approved accounting standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements.
LIBID	Acronym for the London Inter-bank Bid Rate, being the interest rate at which a market maker or underwriter will offer to buy bonds and securities.
PAST SERVICE COST	These will typically be additional benefits awarded on early retirement. This includes added years or augmentation and unreduced pension benefits awarded before eligible retirement age in the pension scheme.

PRECEPT
The levy made by precepting authorities including the County Council and Parish Councils, on the District Council requiring it to collect the required income from council taxpayers on their behalf.

PROJECTED UNIT METHOD
An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

a) the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases, and
b) the accrued benefits for members in service on the valuation date.

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

RATEABLE VALUE
A value placed on all properties subject to Rating. The value is based on a national rent that property could be expected to yield after deducting the cost of repairs.

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

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

STRAIN ON FUND CONTRIBUTIONS
Additional employers pension contributions as a result of an employee's early retirement

SUNDRY CREDITORS
Amounts owed by the Council at 31 March.

SUNDRY DEBTORS
Amounts owed to the Council at 31 March.