

**Statement of Accounts  
2016/17  
East Devon District Council  
Knowle  
Sidmouth  
Devon  
EX10 8HL**

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**Statement of Accounts  
2016/17  
Contents Page**

<b>Contents</b>	<b><u>Page</u></b>
• Contents Page	1
<b>Narrative Report and Written Statements</b>	
• Narrative Report by Strategic Lead Finance	2
• Statement of Responsibilities for the Statement of Accounts	11
<b>Core Financial Statements and Explanatory Notes</b>	
• Expenditure and Funding Analysis (EFA)	12
• Comprehensive Income and Expenditure Statement (CIES)	13
• Movement in Reserves Statement (MiRS)	14
• Balance Sheet (BS)	15
• Cash Flow Statement (CFS)	16
• Index of Explanatory Notes to the Core Financial Statements	17
• Explanatory Notes to Core Financial Statements	18
<b>Supplementary Accounts and Explanatory and Notes</b>	
• HRA Income and Expenditure Statement (HRA)	78
• Statement of Movement in the Housing Revenue Account	79
• Explanatory Notes to the HRA	80
• Collection Fund Statement	85
• Explanatory Notes to the Collection Fund	87
<b>Other Statements</b>	
• Annual Governance Statement	89
• Auditor's Report - Separate document on EDDC website (when published)	
• Glossary of Terms	98

# Narrative Statement by the Strategic Lead Finance

## Introducing East Devon

### Context

The district of East Devon lies at the east of the county of Devon between Exeter to the west and bordering Somerset and Dorset on the north and east. It is the largest of the eight districts in Devon with a population of 138,141.

The district has a dispersed and largely rural population with a mix of market and coastal towns. East Devon is renowned for its beautiful countryside with two thirds of the district recognised as being nationally important for its high landscape quality and designated as Areas of Outstanding Natural Beauty (AONBs). East Devon also has a stunning coastline that runs the length of its southern border, almost the entire coastline is part of a World Heritage Site. The main settlements are the coastal resorts of Exmouth (Devon's largest town – population 35,989) Budleigh Salterton, Sidmouth and Seaton. Inland are Honiton, Ottery St Mary and Axminster.

### Population

The population of East Devon has an older age profile, with the average age of its residents being 50.3 years (national average is 40 years). East Devon has the highest age profile of all of the districts in Devon with the largest percentage of those aged 65+ at 28.19%, this equates to 37,346 people. East Devon also has 2,300 people aged 90+, more than any other district in the county.

An ageing population will have an impact on the provision of health care, housing requirements, the labour market and economic growth. The average household size in the district is 2.2 residents. Predominantly East Devon residents are from a White British background, with just 1.59 per cent of the district's population coming from an ethnic background.

### Employment

It is important to consider what provisions need to be made in order to meet the demand of an ageing population by looking at employment trends. The proportion of the resident working age population who are in employment in East Devon is about average, with the area ranking in the top 40 per cent of districts nationally. In East Devon, 72.6 per cent of the resident working age population are in employment, compared with 76.1 per cent in Exeter and 70.5 per cent nationally. Currently the main types of employment are in the service industry which accounts for 85.7 per cent of the employment in East Devon with a large section of this being in the retail, hospitality and health sectors all of which are predominantly lower paid sectors.

Continued diverse development in the district is essential in order to attract a labour market which will fulfil the future demands of the district and provide quality job opportunities particularly for the young people of East Devon.

### New community of Cranbrook

In the community of Cranbrook, we can already see the much younger demographic profile. To reflect the higher proportion of the town's population being of working age, the requirement for new jobs which are well-paid and less reliant on traditional sectors will be vital to support this thriving community. Elsewhere in the district, the Council will support opportunities to encourage new and diverse business and jobs growth alongside traditional sectors.

## Council Plan

Over the last 12 months the Council has continued to work hard for the people of East Devon, delivering the Council Plan which sets out our main priorities and forms the focus of all that we aim to achieve by 2020.

Our priorities and outcomes set out in the council plan are:

### Encouraging communities to be outstanding

- More good quality, local homes for local people
- Balanced communities for a sustainable future

### Developing an outstanding local economy

- Greater investment and economic growth into East Devon

### Delivering and promoting our outstanding environment

- Abundant leisure opportunities and quality open spaces
- Protection and enhancement of our natural and built environment

### Continuously improving to be an outstanding council

- A culture that promotes continuous improvement, innovation, commercial thinking and new ways of working.
- A council that prioritises keeping our residents informed.

The plan lists our promises to achieve those ambitions for our district ([Council plan 2016-2020](#)). The progress of each promise is reported on quarterly and annually through [our performance reporting pages](#). Some highlights to note in 2016/17 are:

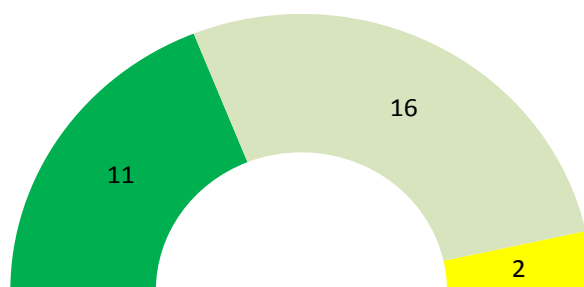
- The economy;
  - The Local Plan was approved which promotes confidence to bring sites forward. Lidl is well underway with 400 jobs eventually projected and opening by the end of 2017. Planning and preparation continues for the remainder of the logistics site. Major Headquarters offices are under construction at Skypark and speculative build offers are underway. Enterprise zone commencement is scheduled for the 1<sup>st</sup> April 2017. Greater Exeter Strategic Plan is being progressed and exploratory site search across the travel to work area is taking place.
  - Seaton Jurassic continues to operate successfully and has been nominated for 5 separate awards. The Seaton Tramway redevelopment planning application is in progress. Sidmouth Port Royal scoping study is underway. Exmouth Mamhead is now open and Queens Drive planning application to be determined in quarter 1 2017/18.
- New recycling scheme introduced - Successful launched phase one of the roll out in Exmouth on 16<sup>th</sup> February. Recycling tonnages have been consistently around 90 tonnes per week, which means for Exmouth the recycling waste has flipped on its head. Prior to the new service we were recycling around 44% in Exmouth. We are now recycling almost 60%. We are now preparing for the phase 2 roll out across the rest of the District to start on 12<sup>th</sup> June.

- The Council confirmed its commitment to relocate from the Knowle as its headquarter building to save money and promote better customer service moving to a smaller more efficient HQ in Honiton and a modernised Exmouth Town Hall to provide services to its biggest town.

These achievements and others are covered in full within our performance reports – extract given below. The performance measures demonstrate that East Devon has continued to thrive despite ongoing austerity measures and continue to provide good services without any reductions to front line service delivery.

## An overview of our performance – Quarter four 2016/17

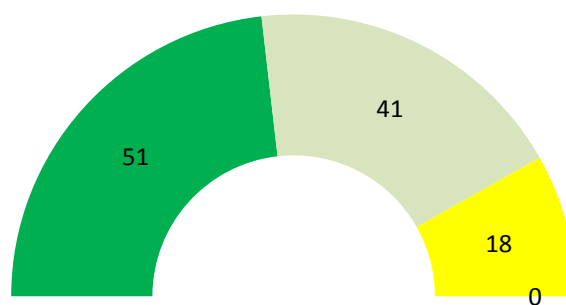
### Performance against our Council Plan 2016/17



**Number of Measures**  
(Total measures for outcome = 29)

■ Achieved   ■ On track   ■ Variation   ■ Concern

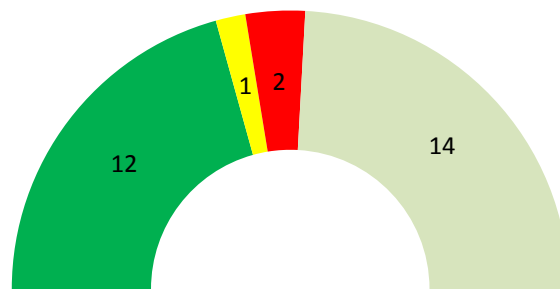
### Performance against our Service Plan Objectives 2016/17



**Number of Measures**  
(Total measures for outcome = 103)

■ Achieved   ■ On track   ■ Variation   ■ Concern

## Performance against Key Performance Indicators 2016/17



**Number of Measures**  
(Total measures for outcome = 29)

■ Achieved / Excellent   ■ Variation   ■ Concern   ■ No target

### Financial Position - Overview

One of the most significant impacts on the Council's finances came from the Comprehensive Spending Review in 2010 and following Spending Reviews where the Government has cut local authorities funding as part of its programme in tackling national debt.

From 2010/11 to 2015/16 there has been a 55% reduction in the main Government grant received by the Council to support services, from £7.030m to £3.164m, this decline in funding for local authorities has continued into 2016/17 with a further cash reduction to the Council of £0.750m.

In addition to government spending cuts, there is the added pressure of inflationary increases, continued low investment income, an increasing call on services, members' ambitions to enhance and improve services and the wish to keep to moderate increases in Council Tax and other fees and charges.

Against this financial background the Council has delivered its spending plans and Council Plan outcomes through careful financial management and planning ahead. Careful decisions have been taken where service savings have been made, initiatives taken in the areas of; asset management, shared service provision, systems thinking principles, the persuasion of customers to use more convenient and cost effective means of transacting with the Council, procurement efficiencies and income generation. These initiatives have been implemented with the overall arching principle required by the Council to protect front line services to the public.

The Council has facilitated and encouraged business and housing growth in the district to deliver its ambitions and this has financial benefited the Council in additional government funding through New Homes Bonus receiving a grant of £4.4m in 2016/17 and extra Business Rate income above base of £0.5m. These are incentivised funding streams by government to encourage growth which link to our Council Plan and provides additional funding to help fund those plans.

A balanced budget was agreed by Council for 2016/17 despite a projected gap of £0.819m for the year alone, this was achieved by following the Council's Transformation Strategy which contained actions that reduced our spending levels or increased the income to us to balance our books.

Further details of the Council Financial Plan (2017 – 2022) and the Councils Transformation Strategy can be here <http://eastdevon.gov.uk/council-and-democracy/council-business/our-finance/financial-information-201718/>

## Looking in more detail - Final Outturn Position Against budget 2016/17

Against this financial overview the Council set a balance budget for 2016/17 with a number of transformation initiatives included in order to manage reduced funding from Government. Details are given below of how the Council financially performed against the budgets set for the year.

### General Fund Revenue

The authority's Revenue Account - known as the General Fund - bears the net cost of providing day-to-day services (excluding provision of council housing). These are the portfolio/service totals identified in the Council's Income & Expenditure Account.

### Comparing Budget to Actual

A report is prepared to the Council's Cabinet Committee giving the financial year end position and compares this to the budgets approved for the year. This can be found here, Item 11 on the Agenda. This report highlights a £0.737m underspend against the net budget set of £16.126m. A variation analysis by portfolio and service is contained in the Revenue and Capital outturns 2016/17 booklet, an indication of the main variations are given below.

<b>General Fund 2016/17 – main outturn variations against budget</b>	<b>Variation £000</b>
Employee savings from vacant posts, most significant savings from; <ul style="list-style-type: none"> <li>• Property &amp; Estates Service Lead</li> <li>• Economic Development Funding &amp; Research Officer</li> <li>• Growth Point/Cranbrook project team positions</li> <li>• Car Parks</li> <li>• Development Management</li> </ul>	(495)
Car Park income higher than projected	(189)
Recycling credits higher than estimated through significant increased volumes	(128)
Increased Revenues & Benefits admin grant for new requirements & initiatives	(227)
Increase in Housing Benefit Payments, offset by additional subsidy and increased benefit overpayments recovered	149

In addition two earmarked reserves previously set aside are now no longer required totalling £0.138m and will be transferred back into the General Fund Balance. The main one being £0.125m from the Growth Point Reserves where external funding has now been secured mitigating the need for this reserve (project work).

This gives the overall General Fund position at the year end with a transfer into the Balance of £0.581m (£0.443m + £0.138m). The updated position for the General Fund Balance is given below.

<b>General Fund Balance Position</b>	<b>£000</b>	<b>£000</b>
<b>Opening Balance 1/4/2016</b>		<b>(3,625)</b>
Supplementary Estimates approved in 2016/17	303	
Outturn variation 2016/17	(737)	(434)
Earmarked Reserves transferred back to General Fund Balance		(138)
<b>Closing Balance 31/3/2017</b>		<b>(4,197)</b>

*Note: No use of the General Fund Balance has been budgeted in 2017/18.*

Taking the General Fund Balance at £4.206m this is £0.606m above the adopted range previously determined by Council, this being between £2.8m and £3.6m. This range is still considered the appropriate level as there has been no key change to the factors used in its determination. This represents approximately 10% of our net budget equivalent to a two year operational period giving £2.8m; to this is added £0.8m headroom to give £3.6m as a top of the

range figure. This is the range we stipulate the General Fund Balance to be within before members need to take action; whether above or below the range.

It was agreed that the sum above the adopted range, £0.606m, is transferred into the Council's Capital Reserve which has been depleted in 2016/17 and the monies are used to help fund the capital programme going forward.

The Council has set aside a reserve to manage the volatility of business rate income; at the beginning of 2016/17 the NNDR Volatility Fund stood at £0.933m. In 2016/17 business rate income received is less than budget by £0.294m, this sum has been taken from the Volatility Fund to make good this loss. It is anticipated that the income will be above budget in 2017/18 and a transfer will be made back into the Reserve.

### Housing Revenue Account

The Housing Revenue Account (HRA) is the ring-fenced account for providing council housing and associated services. This is shown separately on Income & Expenditure Statement.

The 2016/17 budget was set to achieve a surplus of £0.213m, the Outturn position shows a final surplus for the year of £1.935m; the main variations are given below.

HRA 2016/17 – Outturn variations against budget	Variation £000
Revenue Contribution to Capital & Major Repair costs - underspend on capital programme with the level of works anticipated not undertaken in year due to resourcing and an ambitious plan. Also additional capital receipts were received available for funding.	(931)
Rent income (including garage rents) were higher due to collection rates and better void levels than budgeted - a prudent approach was taken.	(342)
A loan was budgeted for £0.7m but this was not taken out as not required.	700
Storm damage insurance claim - which was offset in part by overspends incurred on responsive repairs and other associated works previously funded from the HRA.	(1,043)
Supervision & Management – underspend on employee budget because of vacant posts and late appointments.	(72)
Stock condition survey not commenced as planned, more detailed work required as to the most suitable approach.	(68)

The updated position of the HRA Balance with the surplus transfer of £1.935m is given below.

HRA Balance Position	£000	£000
<b>Opening Balance 1/4/2016</b>		<b>(5,135)</b>
Original Budget approval transfer to Balance in 2016/17	(213)	
Outturn variation 2016/17	(1,722)	(1,935)
<b>Closing Balance 31/3/2017</b>		<b>(7,070)</b>

The adopted minimum level for the HRA Balance is £2.1m, based on £490 per property and this is considered to be the minimum Fund Balance that should be held for unexpected/emergency situations. It has been agreed to introduce a maximum sum to hold thereby creating an adopted range the Council is comfortable holding the HRA Balance between before members need to make a decision; whether above or below the range. It is therefore proposed to add headroom of £1m to the minimum level to give an adopted range for the HRA Balance of between £2.1m and £3.1m. This is in line with the principles agreed with the General Fund Balance.

The HRA balance is therefore significantly above the proposed adopted range by £3.970m and it is proposed that this be transferred into a new Fund - Future Housing Development Fund, to be used to provide additional dwellings within HRA and used to match fund the one to one replacement capital receipts required to be spent within set deadlines or required to be returned to Government with an interest payment.

The HRA also has a HRA Business Plan Volatility Reserve which was created in 2012/13 to provide a cushion for repaying the self-financing loans should adverse fluctuations in spending and/or rent income occur. The balance in the reserve is currently £4.4m. This Reserve has not been required and the HRA continues to meet loan repayments and make annual surpluses, it is therefore questionable whether this Reserve is still required at this level, or at all. However this will best be evidenced with a refresh of the HRA Business Plan alongside an updated of the stock condition survey; it was therefore agreed to transfer £2.8m from the HRA Business Plan Volatility Fund into Future Housing Development Fund funding the next two years of proposed development, thereby still leaving £1.6m to help meet loan repayments should it be required. Its requirement can be revisited once other factors are known.

### Capital Budget

Our capital account shows the income and expenditure transactions when we buy or sell land or property, build new property, improve our existing properties, buy large items of equipment and provide grants to others for the above. This is funded from capital receipts (sale of EDDC property), Public Works Loans Board (PWLB) loans, government grants and partner contributions, the Capital Reserve and revenue contributions.

The revised Capital budget for 2016/17 totalled net expenditure of £19.039m; the Outturn position is lower at £16.242m, a variation of £2.797m. The majority of this underspend is from scheme slippage and a need to re-profile expenditure into 2017/18 or later years. The main variations against the revised budget are given below with further details contained in the Outturn Book.

<b>Capital 2016/17 – main outturn variations against Budget</b>	<b>Variation £000</b>
Knowle Relocation project – re-profiling of budget spend required, underspend carried forward	(581)
Exmouth swimming Pool improvements – LED requests for tranche payments slipped into 2017/18	(212)
Disabled Facility Grants – Demand not as high as budget/grant allocation from Devon County Council.	(336)
New Feniton Flood Alleviation Scheme – slipped to 2017/18 due to ongoing discussions with Network Rail	(893)
Refuse & Recycling vehicles & equipment– slipped to 2017/18 in line with roll out requirements	(516)

The Capital Reserve at the end of 2016/17 is nil, being fully used to fund the 2016/17 capital programme; the use of the Reserve in 2016/17 was £2.405m.

The Capital Reserve being fully used was expected and has been highlighted to Members. The balance of funding in 2016/17, after the use of New Homes Bonus grant, Capital Receipts, Revenue Contributions and finally the Capital Reserve has been met through internal borrowing (£2.189m). This has increased the underlying need for the Council to borrow (Capital Financing Requirement) and the Council's cash flow position is monitored carefully to determine if there is need to actually borrow to meet costs or whether it is preferable to use internally available funds. This is a balance between considering expected interest rates achieved on investments, the cost of borrowing and the Council's future requirement on cash flows. These considerations are all made within the perimeters of the Council's approved Treasury Management Strategy.

The future capital funding position, along with revenue, will be debated further with the presentation of the Financial Plan (2018-2023) to be considered in September/October by the Council's Cabinet once considered by other member working groups of the Council.

## The Statement of Accounts presented

The intention of the Statement of Accounts is to give the reader a view of the finances of East Devon District Council for 2016/17.

### Explanation of the Financial Statements

The authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Chartered Institute of Public Finance and Accountancy (CIPFA), Local Authority (Scotland) Accounts Advisory Committee (LASAAC), Code of Practice on Local authority Accounting in the United Kingdom 2016/17 (the Code) and the Service Reporting Code of Practice for Local Authorities 2016/17 (SeRCOP), supported by International Financial Reporting Standards (IFRS).

The 2016/17 accounts summarise the authority's transactions for the 2016/17 financial year and its position at the year end of 31 March 2017. The Statement comprises:

- **The Statement of Responsibilities for the Statement of Accounts**  
This Statement sets out the respective responsibilities of the authority and the Chief Financial Officer for the accounts.
- **The Auditor's Statement**  
This is the Independent Auditor's Report to Members of East Devon District authority including the Conclusion on Arrangements for Securing Economy, Efficiency and Effectiveness in the Use of Resources. It is called the Audit Opinion.
- **The Annual Governance Statement**  
This gives a public assurance that the authority has proper arrangements in place to manage all of its affairs. It summarises the authority's responsibilities in the conduct of its business, the purpose and key elements of the system of internal control and the processes applied in maintaining, reviewing and developing the effectiveness of those control systems.
- **Comprehensive Income and Expenditure Statement - Core Financial 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 but this may be different from the accounting cost. It includes Pension liabilities that are outside the control of the authority. The taxation position is shown in the Movement in Reserves Statement.
- **Movement in Reserves Statement - Core Financial Statement**  
This statement shows the movement in the year on the different reserves held by the authority, analysed into 'Usable Reserves' (those that can be applied to fund expenditure or reduce local taxation) and "Unusable 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. This is different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax and dwellings rent setting purposes. The Net (Increase)/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves are undertaken by the authority.

- **Balance Sheet - Core Financial Statement**  
The Balance Sheet summarises the authority's financial position at 31 March 2017 showing 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:

- Usable reserves: 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 may only be used to fund capital expenditure or repay debt.
- Unusable Reserves: reserves that the authority is not able to use to provide services. These reserves include the Revaluation Reserve which holds unrealised gains and losses. This would only become available to provide services if the assets were actually sold. Other Unusable Reserves hold timing differences which are shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

- **Cash Flow Statement - Core Financial Statement**

The Cash Flow Statement shows the changes in the authority's cash and cash equivalents 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.

- **Housing Revenue Account (HRA) - Supplementary Financial Statements**

The HRA is a record of revenue expenditure and income relating to the authority's housing stock. Its primary purpose is to ensure that expenditure on managing tenancies and maintaining dwellings is balanced by rents charged to tenants. Therefore the HRA is a statutory account which is ring-fenced from the rest of the General Fund so that rents cannot be subsidised from council tax or vice versa.

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations which may differ from the accounting cost. The (increase) or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

- **Collection Fund - Supplementary Financial Statements**

This account is maintained separately as a statutory requirement. The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and ratepayers and distribution to Local Authorities and the Government of council tax and Non-domestic rates.

### **Inspection of the Accounts**

Under provisions contained in Section 15 and 16 of the Local Audit and Accountability Act 2015 and the Accounts and Audit Regulations 2015, the Statement of Accounts for 2016/17 was available for inspection from 3 July 2017 to 11 August 2017.

### **Auditing of accounts**

The authority's external auditors are KPMG LLP

Simon Davey CPFA  
Strategic Lead Finance

## **The Statement of Responsibilities**

### **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 Strategic Lead for Finance.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

### **The Strategic Lead Finance's Responsibilities**

The Strategic Lead for Finance 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).

In preparing this Statement of Accounts, the Strategic Lead for Finance has:

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

The Strategic Lead Finance has also:

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

I certify that the Statement of Accounts gives a true and fair view of the financial position of the authority at the reporting date and of its expenditure and income for the year ended 31st March 2017.

Simon Davey CPFA  
**Strategic Lead Finance, Section 151 Officer**

I certify on behalf of the Council that the Statement of Accounts 2016/17 was approved in final form by the Audit and Governance Committee on 21 September 2017.

**Councillor Mark Williamson**  
**Chairman of the Audit and Governance Committee**

## Expenditure and Funding Analysis

Portfolio	2016/17			2015/16		
	Net Expenditure Chargeable to the General Fund & HRA £'000	Adjustments between the Funding & Accounting Basis £'000	Net Expenditure in the Comprehensive Income & Expenditure Statement £'000	Net Expenditure Chargeable to the General Fund & HRA £'000	Adjustments between the Funding & Accounting Basis £'000	Net Expenditure in the Comprehensive Income & Expenditure Statement £'000
<b>Corporate Business</b>	119	3	122	83	3	86
<b>Corporate Services</b>	(473)	28	(445)	1,964	54	2,018
<b>Economy</b>	491	(1,210)	(719)	460	1,878	2,338
<b>Environment - General</b>	434	(2,773)	(2,339)	704	6,938	7,642
<b>Environment - Street Scene</b>	7,419	2,023	9,442	7,207	2,554	9,761
<b>Finance</b>	1,404	146	1,550	1,099	205	1,304
<b>Strategic Development &amp; Partnership</b>	1,659	136	1,795	2,315	189	2,504
<b>Sustainable Homes &amp; Communities</b>	(1,622)	662	(960)	(511)	764	253
<b>Strata Solutions Ltd</b>	2,522	136	2,658	(48)	379	331
<b>Housing Revenue Account</b>	(10,479)	(671)	(11,150)	(9,520)	796	(8,724)
<b>Net Cost Of Services</b>	<b>1,474</b>	<b>(1,520)</b>	<b>(46)</b>	<b>3,753</b>	<b>13,760</b>	<b>17,513</b>
<b>Other Income and Expenditure</b>	<b>(2,525)</b>	<b>(13,145)</b>	<b>(15,670)</b>	<b>(3,987)</b>	<b>(8,471)</b>	<b>(12,458)</b>
<b>(Surplus) or Deficit on Provision of Services</b>	<b>(1,051)</b>	<b>(14,666)</b>	<b>(15,716)</b>	<b>(234)</b>	<b>5,289</b>	<b>5,055</b>
<b>Opening General Fund and HRA Balance</b>	(22,702)			(22,468)		
Less / Plus surplus or (Deficit) on General Fund and HRA Balance in year	(1,051)			(234)		
<b>Closing General Fund and HRA Balance</b>	<b>(23,753)</b>			<b>(22,702)</b>		

\*For a split of this balance between the General Fund and the HRA – see Movement in Reserves Statement

## Comprehensive Income and Expenditure Statement

	Note	2016/17			2015/16		
		Expenditure	Income	Net Expenditure	Expenditure	Income	Net Expenditure
		£'000	£'000	£'000	£'000	£'000	£'000
Corporate Business		122	0	122	86	0	86
Corporate Services		373	(818)	(445)	2,880	(862)	2,018
Economy		855	(1,574)	(719)	3,958	(1,620)	2,338
Environment - General		1,835	(4,174)	(2,339)	11,564	(3,922)	7,642
Environment - Street Scene		11,734	(2,292)	9,442	12,169	(2,408)	9,761
Finance		34,152	(32,602)	1,550	34,606	(33,302)	1,304
Strategic Development & Partnership		3,946	(2,151)	1,795	4,466	(1,962)	2,504
Sustainable Homes & Communities		2,030	(2,990)	(960)	2,199	(1,946)	253
Strata Solutions Ltd		2,800	(142)	2,658	647	(316)	331
Housing Revenue Account		15,993	(27,143)	(11,150)	10,628	(19,352)	(8,724)
<b>Total Cost Of Services</b>		<b>73,840</b>	<b>(73,886)</b>	<b>(46)</b>	<b>83,203</b>	<b>(65,690)</b>	<b>17,513</b>
Other Operating Expenditure	11	3,175	(979)	2,196	4,233	(2,261)	1,972
Financing and Investment Income and Expenditure	12	4,389	(455)	3,934	4,460	(538)	3,922
Taxation and Non-Specific Grant Income	13	98	(21,898)	(21,800)	136	(18,488)	(18,352)
<b>(Surplus) or Deficit on Provision of Services</b>		<b>81,502</b>	<b>(97,218)</b>	<b>(15,716)</b>	<b>92,032</b>	<b>(86,977)</b>	<b>5,055</b>
Surplus or deficit on revaluation of non-current assets	35			(31,472)			(2,733)
Impairment losses (chargeable to revaluation reserve)	35			0			0
Surplus or deficit on revaluation of available for sale financial assets	35			(96)			51
Re-measurement of the net defined (benefit) / liability	20			18,642			(7,338)
<b>Other Comprehensive Income and Expenditure</b>				<b>(12,926)</b>			<b>(10,020)</b>
<b>Total Comprehensive Income and Expenditure</b>				<b>(28,642)</b>			<b>(4,965)</b>

## Movement in Reserves Statement

	Note	General Fund Balance £000	Earmarked GF Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 2016</b>		<b>(3,625)</b>	<b>(9,542)</b>	<b>(5,135)</b>	<b>(4,400)</b>	<b>(3,755)</b>	<b>0</b>	<b>(340)</b>	<b>(26,797)</b>	<b>(153,442)</b>	<b>(180,239)</b>
Movement in reserves during 2016/17:											
Surplus or (deficit) on provision of services		(4,913)	0	(10,803)	0	0	0	0	(15,716)	0	(15,716)
Other Comprehensive Expenditure and Income		0	0	0	0	0	0	0	0	(12,926)	(12,926)
<b>Total Comprehensive Expenditure and Income</b>		<b>(4,913)</b>	<b>0</b>	<b>(10,803)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(15,716)</b>	<b>(12,926)</b>	<b>(28,642)</b>
Adjustments between accounting basis & funding basis under regulations	9	5,797	0	8,868	0	(649)	0	66	14,082	(14,082)	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>		<b>884</b>	<b>0</b>	<b>(1,935)</b>	<b>0</b>	<b>(649)</b>	<b>0</b>	<b>66</b>	<b>(1,634)</b>	<b>(27,008)</b>	<b>(28,642)</b>
Transfers to/from Earmarked Reserves	10	(1,456)	1,456	0	0	0	0	0	0	0	0
<b>Increase/Decrease in Year</b>		<b>(572)</b>	<b>1,456</b>	<b>(1,935)</b>	<b>0</b>	<b>(649)</b>	<b>0</b>	<b>66</b>	<b>(1,634)</b>	<b>(27,008)</b>	<b>(28,642)</b>
<b>Balance at 31 March 2017</b>		<b>(4,197)</b>	<b>(8,086)</b>	<b>(7,070)</b>	<b>(4,400)</b>	<b>(4,404)</b>	<b>0</b>	<b>(274)</b>	<b>(28,431)</b>	<b>(180,450)</b>	<b>(208,881)</b>
	Note	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2015</b>		<b>(4,646)</b>	<b>(9,456)</b>	<b>(4,966)</b>	<b>(3,400)</b>	<b>(2,891)</b>	<b>0</b>	<b>(1,174)</b>	<b>(26,533)</b>	<b>(148,741)</b>	<b>(175,274)</b>
Movement in reserves during 2015/16:											
Surplus or (deficit) on provision of services		11,691	0	(6,636)	0	0	0	0	5,055	0	5,055
Other Comprehensive Expenditure and Income		0	0	0	0	0	0	0	0	(10,020)	(10,020)
<b>Total Comprehensive Expenditure and Income</b>		<b>11,691</b>	<b>0</b>	<b>(6,636)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,055</b>	<b>(10,020)</b>	<b>(4,965)</b>
Adjustments between accounting basis & funding basis under regulations	9	(10,756)	0	5,467	0	(864)	0	834	(5,319)	5,319	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>		<b>935</b>	<b>0</b>	<b>(1,169)</b>	<b>0</b>	<b>(864)</b>	<b>0</b>	<b>834</b>	<b>(264)</b>	<b>(4,701)</b>	<b>(4,965)</b>
Transfers to/from Earmarked Reserves	10	86	(86)	1,000	(1,000)	0	0	0	0	0	0
<b>Increase/Decrease in Year</b>		<b>1,021</b>	<b>(86)</b>	<b>(169)</b>	<b>(1,000)</b>	<b>(864)</b>	<b>0</b>	<b>834</b>	<b>(264)</b>	<b>(4,701)</b>	<b>(4,965)</b>
<b>Balance at 31 March 2016</b>		<b>(3,625)</b>	<b>(9,542)</b>	<b>(5,135)</b>	<b>(4,400)</b>	<b>(3,755)</b>	<b>0</b>	<b>(340)</b>	<b>(26,797)</b>	<b>(153,442)</b>	<b>(180,239)</b>

## Balance Sheet as at 31 March 2017

	Note	2016/17 £'000	2015/16 £'000
Property, Plant & Equipment	25	334,612	285,882
Intangible Assets		687	720
Long Term Investments	29	225	225
Long Term Debtors	30	2,898	2,305
<b>LONG TERM ASSETS</b>		<b>338,422</b>	<b>289,132</b>
Assets held for sale (<1yr)	26	50	360
Short Term Investments	29	28,973	30,872
Stock		2	3
Short Term Debtors	30	9,031	9,474
Cash and Cash Equivalents	31	3,827	5,606
<b>CURRENT ASSETS</b>		<b>41,883</b>	<b>46,315</b>
Short Term Borrowing	29	(3,045)	(4,643)
Short Term Creditors	32	(11,145)	(10,734)
Short term Provisions	33	(621)	(1,337)
Grants Receipts in Advance	22	(361)	(361)
<b>CURRENT LIABILITIES</b>		<b>(15,172)</b>	<b>(17,075)</b>
Long Term Borrowing	29	(82,085)	(83,520)
Other Long Term Liabilities	20	(70,707)	(49,412)
Grants Receipts in Advance	22	(3,460)	(5,201)
<b>LONG TERM LIABILITIES</b>		<b>(156,252)</b>	<b>(138,133)</b>
<b>NET ASSETS</b>		<b>208,881</b>	<b>180,239</b>
General Fund Balance		(4,197)	(3,625)
Earmarked GF Reserves	10	(8,086)	(9,542)
Housing Revenue Account Balance		(7,070)	(5,135)
Earmarked HRA Reserves	10	(4,400)	(4,400)
Capital Receipts Reserve		(4,404)	(3,755)
Capital Grants Unapplied		(274)	(340)
Major Repairs Reserve		0	0
<b>USEABLE RESERVES</b>		<b>(28,431)</b>	<b>(26,797)</b>
Accumulating Absences Account	35	108	108
Available-for-Sale Financial Instruments Reserve	35	(49)	47
Capital Adjustment Account	35	(204,711)	(187,434)
Collection Fund Adjustment Account	35	(392)	397
Deferred Capital Receipts	35	0	0
Financial Instrument Adjustment Reserve	35	556	505
Pensions Reserve	35	70,707	49,412
Revaluation Reserve	35	(46,669)	(16,477)
<b>UNUSEABLE RESERVES</b>		<b>(180,450)</b>	<b>(153,442)</b>
<b>TOTAL RESERVES</b>		<b>(208,881)</b>	<b>(180,239)</b>

## The Cash Flow Statement

This statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

	Note	2016/17 £'000	2015/16 £'000
<b>Cash Flows from Operating Activities</b>			
Net Surplus/(Deficit) on Provision of Services		(15,716)	5,055
Depreciation & Impairment	25	(9,352)	(2,820)
Changes in Market Value of Property, Plant & Equipment	25	12,787	(8,777)
Disposal of Assets		3,068	(1,301)
Changes in Stock		1	(3)
Changes in Debtors	30	150	3,280
Changes in Creditors	32	(411)	1,151
Changes in Provisions	33	716	(13)
Changes in Net Pension Liability	20	(2,654)	(3,033)
Other non-cash Movements		(224)	298
Capital Grants Recognised		(1,741)	0
Proceeds on Disposal of Property, Plant & Equipment		4,041	2,261
<b>Net Cash Flows from Operating Activities</b>		<b>(9,335)</b>	<b>(3,902)</b>
<b>Cash Flows from Investing Activities</b>			
Purchase of Property, Plant & Equipment	25	16,319	10,716
Purchase of short term and long term investments	29	(164)	164
Disposal of Intangible assets		(33)	(197)
Proceeds from the Disposal of Property, Plant and Equipment		(4,041)	(2,496)
Net Changes in Short-term and Long-term Investments	29	(1,899)	(4)
<b>Net Cash Flows from Investing Activities</b>		<b>10,182</b>	<b>8,183</b>
<b>Cash Flows from Financing Activities</b>			
Changes in Grants and Contributions	22	(3,365)	(2,069)
Capital Grants and Contributions Recognised		1,741	1,739
Cash Receipts of short term and long term borrowing	29	(1,598)	(1,446)
Repayments of short term and long term borrowing		1,915	1,087
Cash payments for the reduction of the outstanding liabilities relating to finance leases	28	(361)	361
Changes in Council Tax and Business Rates Collected for Third Parties		(83)	(565)
<b>Net Cash Flows from Financing Activities</b>		<b>(1,751)</b>	<b>(893)</b>
<b>Net Increase/Decrease in Cash and Cash Equivalents in the Period</b>		<b>(904)</b>	<b>3,388</b>
<b>Cash and Cash Equivalents at the Beginning of the Period</b>		<b>2,923</b>	<b>6,311</b>
<b>Cash and Cash Equivalents at the End of the Period</b>	<b>31</b>	<b>3,827</b>	<b>2,923</b>
<i>Items included in net cash flow from operating activities include:</i>			
Interest Receivable and similar income		(455)	(538)
Interest Payable (including Finance lease interest)		2,648	2,717
		<b>2,193</b>	<b>2,179</b>

## Index of Notes

1. Accounting Policies
2. Accounting Standards Issued, Not Adopted
3. Critical Judgements in Applying Accounting Policies
4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty
5. Material Items of Income and Expense
6. Events After the Balance Sheet Date
7A. Note to the Expenditure and Funding Analysis
7B. Segmental Income and Expenditure
8. Expenditure and Income Analysed by Nature
9. Adjustments between Accounting Basis and Funding Basis under Regulations
10. Transfers (to)/ from Earmarked Reserves
11. Other Operating Expenditure
12. Financing and investment Income and Expenditure
13. Taxation and Non-specific Grant Income and Expenditure
14. Trading Services
15. Statutory Harbour authority - Axmouth Harbour
16. Community Infrastructure Levy (CIL)
17. Members' Allowances
18. Officers' Remuneration
19. Termination Benefits
20. Defined Benefit Pension Schemes
21. External Audit costs
22. Grant Income
23. Related Parties
24. Interest in Joint Operations
25. Property, Plant and Equipment
26. Assets Held for Sale
27. Capital Expenditure and Capital Financing
28. Leases
29. Financial Instruments
30. Debtors and Payments in Advance
31. Cash & Cash Equivalents
32. Creditors and Receipts in Advance
33. Provisions
34. Usable Reserves
35. Unusable Reserves
36. Contingent Liabilities
37. Contingent Assets

## **Note 1. Accounting Policies**

### **1.1 General Principles**

The Statement of Accounts summarises the authority's transactions for the 2016/17 financial year and its position at the year end of 31 March 2017. The authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and the Service Reporting Code of Practice 2016/17, supported by International Financial Reporting Standards (IFRS).

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.

### **1.2 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.

### **1.3 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 mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

#### **1.4 Changes in Accounting Policies, Prior Period Adjustments 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.

#### **1.5 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 property, plant and equipment 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 property, plant and equipment attributable to the service.

The authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance Minimum Revenue Payment (MRP) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

#### **1.6 Council Tax and Non-domestic Rates**

Billing authorities act as agents collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

## **Accounting for Council Tax and NDR**

The council tax and NDR included in the Comprehensive Income & Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund, is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in reserves Statement.

The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

### **1.7 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 the amounts payable as a result of a decision by the authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement of 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 from 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.

The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the authority.

## The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme.

- The liabilities of the Devon County pension fund attributable to the authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using the annualised yield at the 18 year point on the Merrill Lynch AA rated corporate bond curve which has been chosen to meet the requirements of IAS19 and with consideration of the duration of the Employer's liabilities.
- The assets of Devon County pension fund attributable to the authority are included in the Balance Sheet at their fair value:
  - quoted securities - current bid price
  - unquoted securities - professional estimate
  - unitised securities - current bid price
  - Property - market value.

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

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

- **Contributions paid to the Devon 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 are 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.

### **1.8 Events after the Reporting Period**

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.

### **1.9 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.

For most of the borrowings that the authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Financial guarantees are initially recorded at fair value and subsequently carried at this fair value less accumulated amortisation.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

## **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

## **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. For most of the loans that the authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the authority has made a number of loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that would be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance would be the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement. The authority has applied De Minimis principles to its soft loans resulting in no entries being necessary.

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

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

### **Available-for-Sale Assets (Financial Instruments)**

Available-for-sale assets are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, 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 amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the authority.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – multiple valuation techniques (which include market approach, income approach and cost approach).

The inputs to the measurement techniques are categorised in accordance with the following three levels:

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

- Level 3 inputs – unobservable inputs for the asset.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

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 (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, 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. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

### **1.10 Government Grants and Contributions**

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-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. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

## 1.11 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.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the authority's goods or services.

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 its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted 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.

## 1.12 Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the authority as a joint operator recognises:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its revenue from the sale of its share of the output arising from the joint operation
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly.

Exeter City authority, East Devon District authority and Teignbridge District authority each share control of Strata Service Solutions Ltd, which was incorporated on 15 May 2014 under the Companies Act 2006 for the provision of a shared Information Communications Technology service. The single entity financial statements for each authority reflect their respective shares of Strata Service Solutions Limited. However, the accompanying notes to the authority's

financial statements only include information relating to Strata Service Solutions Limited where this would make a material difference to the usefulness of those notes.

### **1.13 Long term contracts**

Long term contracts are accounted for on the basis of charging the Surplus and Deficit on the Provision of Services with the value of the works and services received under the contract in the financial year.

### **1.14 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.

#### **1.14.1 The authority as Lessee**

##### **Finance Leases**

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue 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.

## **Operating Leases**

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

### **1.14.2 The authority as Lessor**

#### **Finance Leases**

Where the authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, 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. A gain, representing the authority's net investment in the lease, is 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), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

## **Operating Leases**

Where the authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

### **1.15 Overheads and Support services**

The costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance.

### **1.16 Property, Plant and Equipment (PPE)**

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.

#### **PPE 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.

#### **PPE Measurement**

Assets are initially measured at cost, comprising:

- the purchase price
- a de minimus level of £20,000 has been agreed for Capital. Expenditure. Any costs below are charged to revenue.
- 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
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.
- Where an item of Property, Plant and Equipment has major components whose costs is significant in relation to the total cost, the components are depreciated separately.

The authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

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

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

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

### **PPE Impairment**

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

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

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

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

### **PPE Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives.

An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases and charged in the year of disposal, but not acquisition:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – straight-line allocation over the useful life of the vehicle, plant, furniture and equipment as advised by a suitably qualified officer
- infrastructure – straight-line allocation as estimated by the valuer .

Where an item of Property, Plant and Equipment valued at greater than £1,000,000 has major components whose cost is more than 20% 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 previously losses 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. A proportion of receipts relating to housing disposals is payable to the government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of property, plant and equipment 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.

## **1.17 Provisions, Contingent Liabilities and Contingent Assets**

### **Provisions**

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

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

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

## **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.

### **1.18 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, local taxation, retirement and employee benefits and do not represent usable resources for the authority – these reserves are explained in the relevant policies.

### **1.19 Revenue Expenditure Funded from Capital under Statute**

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.

### **1.20 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.

### **1.21 Fair Value Measurement**

The authority measures some of its non-financial assets such as surplus assets and some of its financial instruments such as equity shareholdings as fair value at each reporting date. Fair

value is the price that would be received to sell an assets or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the assets or transfer the liability takes place either:

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

The authority measures the fair value of the asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorized within the fair value hierarchy as follows:

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

## **1.22 Community Infrastructure Levy (CIL)**

The Community Infrastructure Levy (CIL) which was introduced by the planning Act 2008 and the Community Infrastructure Levy Regulations 2010(SI 2010/948) as amended, is a discretionary charge which the Council charges on new development in the area from 1 September 2016.

CIL charges are based on a formula which relates the charge to the size of the development. The proceeds of the levy are spent on infrastructure to support the development of the district. East Devon District Council is the chargeable body and collects the levy on behalf of Town and Parish councils.

CIL is recognised on an accruals basis at the commencement date of the development as part of Taxation and Non Specific Grant Income in the Comprehensive Income and Expenditure Statement.

CIL income applied to meet the administrative expenses of the scheme is recognised immediately in the Comprehensive Income and Expenditure Statement. Administrative expenses are charged to service revenue accounts in accordance with the requirements of the CIPFA Service Reporting Code of Practice 2016/17 (SeRCOP).

## **Note 2. Accounting Standards issued, Not Adopted**

Under The Code of Practice on Local Authority Accounting disclosure of the impact of accounting standards issued but not yet adopted is required. The new standards that would require additional disclosures in the 2016/17 and 2017/18 financial statements are not applicable to the Council.

## **Note 3. Critical Judgements in Applying Accounting Policies**

In applying the accounting policies set out above, 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:

- There is a high degree of uncertainty about future levels of funding for local government. However, the authority has determined that this uncertainty is not sufficient to provide an indication that the assets of the authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The authority's leisure centres and leisure service is operated by LED Ltd, a charitable organisation that leases and operates the leisure centres previously run by the authority. It has been determined that the authority does not have control of the Trust and it is not a subsidiary of the authority.
- With the introduction of Business Rate Retention, the authority has estimated a provision for NNDR rate appeals. We have analysed information from the valuation office and consulted with other Devon Authorities and CIPFA to arrive at the figure in the accounts.
- Strata Service Solutions Ltd is a registered company which has been established to assist the three authorities; Exeter City authority, East Devon District authority and Teignbridge District authority, in the provision and operation of shared ICT services. It is deemed to be a joint operation due to the inherent rights to the assets and obligations for liabilities each authority has relating to the joint arrangement, based upon the following facts and circumstances:
  - The three authorities have joint control of the entity. Each authority has one nominated Director and each Director has one vote. The Directors are responsible for the management of the Company's business, for which purpose they may exercise all the powers of the company with decisions made collectively and unanimously.
  - The Company is required by the authority to carry out the tasks as set out in the Business Plans and Service Plans and is limited to the business and objectives as set by the authority.
  - The Company's revenue derives from the financial allocations set and controlled by each of the authorities.
  - There are no current plans for Strata to do anything other than provide services to the three authorities. The Company has been established as an in-house mutual trading local authority controlled company to assist them in the provision of services.

- Joint operations are not consolidated into group accounts, instead each authority has recognised in its financial statement its share of assets, liabilities, revenue and expenses pertaining to Strata Service Solutions Ltd.

#### **Note 4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty**

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

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<b>Property, Plant and Equipment</b>	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate introduces a risk for local authorities to sustain its current spending on repairs and maintenance, bringing into consideration of the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. As an indication of the sums involved annual depreciation is currently £3.912m for all the authority's assets.
<b>Pensions Liability</b>	Estimation of the net liability to pay pensions depends on a number of complex judgements 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 instance, a 1 year increase in member life expectancy assumption would result in an increase in the pension liability of £5.010m.

This list does not include assets and liabilities that are carried at fair value based on a recently observed market price.

#### **Note 5. Material Items of Income and Expense and Prior Year Adjustments**

There were no material items to be disclosed on the face of the Comprehensive Income and Expenditure Statement in 2016/17.

**Note 6. Events after the Balance Sheet Date**

The Statement of Accounts was authorised for issue by the Strategic Lead - Finance on 30 June 2017 and are likely to be signed off on 21 September 2017. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

**Note 7A. Note to the Expenditure and Funding Analysis**

	2016/17				2015/16			
	Adjustments for CAPITAL Purposes	Net change for the PENSIONS Adjustments	OTHER Differences	Total Adjustments	Adjustments for CAPITAL Purposes	Net change for the PENSIONS Adjustments	OTHER Differences	Total Adjustments
Corporate Business	0	3	0	3	0	3	0	3
Corporate Services	0	28	0	28	0	55	0	54
Economy	(1,280)	70	0	(1,210)	1,777	101	0	1,878
Environment - General	(2,876)	103	0	(2,773)	6,791	147	0	6,938
Environment - Street Scene	1,873	150	0	2,023	2,354	200	0	2,554
Finance	0	146	0	146	0	205	0	205
Strategic Development & Partnership	0	136	0	136	0	189	0	189
Sustainable Homes & Communities	631	31	0	662	717	46	0	764
STRATA	0	136	0	136	210	169	0	379
Housing Revenue Account	(829)	158	0	(671)	579	217	0	796
<b>NET COST OF SERVICES</b>	<b>(2,481)</b>	<b>961</b>	<b>0</b>	<b>(1,520)</b>	<b>12,428</b>	<b>1,332</b>	<b>0</b>	<b>13,760</b>
Other Income and Expenditure	(14,100)	1,693	(738)	(13,145)	(10,213)	1,691	51	(8,471)
<b>Difference between GF surplus/Deficit and CI&amp;ES Surplus/Deficit on Provision of Services</b>	<b>(16,581)</b>	<b>2,654</b>	<b>(738)</b>	<b>(14,665)</b>	<b>2,215</b>	<b>3,023</b>	<b>51</b>	<b>5,289</b>

**Adjustments for Capital purposes:**

- Depreciation, impairments and revaluation gains and losses are added in the service lines;
- Statutory charges for capital financing are deducted from service lines i.e. Minimum Revenue Provision and other revenue contributions;
- Net gains on disposal of non-current assets are added to other operating expenditure;
- Capital Grants applied to capital expenditure are added to taxation and non-specific grant income.

**Net change for Pensions adjustments:**

- Employer contributions made by the Council are reversed from the service lines and replaced with current and past service costs as per IAS19
- Net interest on the defined benefit liability is charged to Financing and investment income and expenditure.

**Allocation of other income and expenditure:**

- Interest payable and receivable reported under Corporate and Central is moved to Financing and investment income and expenditure;
- Trading operations reported under Development and Regulation are moved to Financing and investment income and expenditure;
- Disposals not linked to an asset are charged to the service line.

**Other adjustments:**

- Timing differences for Council tax and Business rate income charged to taxation and non-specific grant income;
- Timing differences for premiums and discounts reported under Corporate and Central;
- Charge to service lines for Unpaid Absences.

The adjustments cover those set out in Note 9 and reclassifications of transactions that are managed by a particular service but are required to be reported corporately as Other Income and Expenditure in the CIES.

## Note 7b. Segmental Income and Expenditure

2016/17	Corporate Services	Economy	Environment General	Environment Street Scene	Finance	Strategic Development & Partnership	Sustainable Homes & Communities	Housing Revenue Account	STRATA
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Expenditure</b>									
Benefit payment	0	0	0	30,952	0	0	0	0	0
Revenue contribution to capital	0	0	0	0	0	0	0	4,540	0
Interest paid	0	0	0	0	0	0	0	2,552	47
Depreciation/Impairment	0	(1,510)	(2,876)	1,711	0	0	29	6,224	334
<b>Income</b>									
Benefits subsidy	0	0	0	0	(31,209)	0	0	0	0
Car park income	0	0	(3,291)	0	0	0	0	0	0
Income from external sources	(818)	(1,574)	(884)	(2,181)	(1,393)	(2,151)	(2,206)	(35,715)	(142)
Income from internal sources	(4,053)	(1,404)	(559)	(2,088)	(2,395)	(606)	(110)	(426)	0

## 7b) Segmental Income and Expenditure

2015/16	Corporate Services	Economy	Environment General	Environment Street Scene	Finance	Strategic Development & Partnership	Sustainable Homes & Communities	Housing Revenue Account	STRATA
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Expenditure</b>									
Benefit payment	0	0	0	0	31,614	0	0	0	0
Revenue contribution to capital	0	0	0	0	0	0	0	4,788	0
Interest paid	0	0	0	0	0	0	0	2,559	51
Depreciation/Impairment	0	98	647	1,598	0	0	208	140	325
<b>Income</b>									
Benefits subsidy	0	0	0	0	(31,874)	0	0	0	0
Car park income	0	0	(3,202)	0	0	0	0	0	0
Income from external sources	(1,024)	(1,614)	(719)	(1,991)	(1,429)	(2,042)	(1,052)	(18,940)	(150)
Income from internal sources	(3,376)	(1,280)	(518)	(1,958)	(2,320)	(583)	(263)	(411)	0

**Note 8. Expenditure and Income Analysed by Nature**

The authority's expenditure and income is analysed as follows:

	2016/17	2015/16
	£'000	£'000
<b>Expenditure</b>		
Employee benefits expenses	16,585	18,025
Other services expenses	54,549	60,679
Support Services recharges	11,367	10,709
Depreciation, amortisation, impairment	799	7,791
Interest payments	4,393	2,717
Precepts and levies	2,739	2,326
Payments to the Housing Capital receipts pool	436	440
<b>Total expenditure</b>	<b>90,868</b>	<b>102,687</b>
<b>Income</b>		
Fees and charged and other service income	(28,534)	(31,950)
Revaluations	(5,296)	0
Interest and investment income	(461)	(538)
Income from council tax, non-domestic rates, district rate income	(13,759)	(12,313)
Government grants and contributions	(45,913)	(41,328)
Gain on the disposal of assets	(980)	(794)
Support Services recharges	(11,641)	(10,709)
<b>Support Services recharges</b>	<b>(106,584)</b>	<b>(97,632)</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>(15,716)</b>	<b>5,055</b>

## **Note 9. Adjustments between Accounting Basis and Funding Basis under Regulations**

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the authority in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the authority to meet future capital and revenue expenditure and sets out a description of the reserves that the adjustments are made against.

### **General Fund Balance**

The General Fund is the statutory fund into which all receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund balance therefore summarises the resources that the council is statutorily empowered to spend on its services or on capital investment (or the deficit of the resources that the Council is required to recover) at the end of the financial year. (However, the balance is not available to be applied to funding HRA services.)

### **Housing Revenue Account Balance**

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the council's landlord function (or where in deficit) that is required to be recovered from tenants in future years.

### **Major Repairs Reserve**

The authority is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to be used on capital expenditure by the HRA. There nil balance shows there are no capital resources yet to be applied at year end.

### **Capital Receipts Reserve**

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

### **Capital Grants Unapplied**

The Capital Grants unapplied reserve holds the grants and contributions received towards capital projects for which the council has met the conditions that would otherwise require repayment of the monies, but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

## Note 9. Adjustments between Accounting Basis and Funding Basis under Regulations

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	Total Useable Reserves
2016/17	£000	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Charges for Depreciation & impairment of non-current assets	(3,090)	(6,224)	0	0	0	(9,314)
Revaluation Losses on Property Plant & Equipment	5,735	7,052	0	0	0	12,787
Capital grants contributions applied	1,610	1,418	0	0	0	3,028
Revenue Expenditure Funded from Capital under Statute	(993)	0	0	0	0	(993)
Amounts of non-current assets written off on disposal or sale as part of gains/loss on disposal to the Comprehensive Income and Expenditure Statement	(373)	(2,376)	0	0	0	(2,749)
Adjustment for share of donated assets	(370)		0	0	0	(370)
<b>Insertion of items not debited or credited to the Comprehensive Expenditure and Income:</b>						
Statutory provision for the financing of capital investment (MRP)	61	1,490	0	0	0	1,551
Capital expenditure charged against the General Fund and HRA balances	4,668	266	0	0	0	4,934
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants & contributions unapplied credited to the Comprehensive Income and Expenditure Statement	138	0	0	0	(138)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	204	204
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of gains/loss on disposal to the Comprehensive Income and Expenditure Statement	301	3,429	(3,730)	0	0	0
Use of Capital Receipts Reserve to finance new capital expenditure	0	0	2,723	0	0	2,723
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(436)	0	436	0	0	0
Repayment of loans	0	0	(78)	0	0	(78)
<b>Adjustments primarily involving the Major Repairs Reserve:</b>						
Reversal of Major Repairs Allowance credited to the HRA	0	4,274	0	(4,274)	0	0
Use of Major Repairs Reserve to finance new capital expenditure	0	0	0	4,274	0	4,274
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from the finance costs chargeable in the year in accordance with statutory requirements	(51)	0	0	0	0	(51)
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(3,885)	(843)	0	0	0	(4,728)
Employer's pensions contributions & direct payments to pensioners payable in the year	1,829	382	0	0	0	2,211
Net Interest Defined liability	(136)		0	0	0	(136)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax income and non-domestic rate income credited to the CIES is different from the council tax income calculated in the year in accordance with statutory requirements	789	0	0	0	0	789
<b>Adjustments between accounting basis and Funding Basis under regulations</b>	<b>5,797</b>	<b>8,868</b>	<b>(649)</b>	<b>0</b>	<b>66</b>	<b>14,082</b>

## Note 9. Adjustments between Accounting Basis and Funding Basis under Regulations

2015/16	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	Total Useable Reserves
£000	£000	£000	£000	£000	£000	£000
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Charges for Depreciation & impairment of non-current assets	(2,551)	(140)	0	0	0	(2,691)
Revaluation Gain/ Losses on Property Plant & Equipment	(8,339)	(439)	0	0	0	(8,778)
Capital grants contributions applied	1,666	0	0	0	0	1,666
Revenue Expenditure Funded from Capital under Statute (England and Wales)	(749)	0	0	0	0	(749)
Amounts of non-current assets written off on disposal or sale as part of gains/loss on disposal to the Comprehensive Income and Expenditure Statement	(265)	(1,036)	0	0	0	(1,301)
Adjustment for share of Donated Assets	(210)	0	0	0	0	(210)
<b>Insertion of items not debited or credited to the Comprehensive Expenditure and Income:</b>						
Statutory provision for the financing of capital investment = MRP	419	1,029	0	0	0	1,448
Capital expenditure charged against the General Fund and HRA balances	1588	24	0	0	0	1,612
<b>Adjustment primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants & contributions unapplied credited to the Comprehensive Income and Expenditure Statement	203	0	0	0	(203)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	1,037	1,037
<b>Adjustment primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of gains/loss on disposal to the Comprehensive Income & Expenditure Statement	489	1772	(2,261)	0	0	0
Use of Capital Receipts Reserve to finance new capital expenditure B728	0	0	1,192	0	0	1,192
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(440)	0	440	0	0	0
Repayment of loans	0	0	(234)	0	0	(234)
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>						
Transfer of deferred sale proceeds credited as part of the gains/loss on disposal to the Comprehensive Income & Expenditure Statement	0	0	(1)	0	0	(1)
<b>Adjustments primarily involving the Major Repairs Reserve:</b>						
Reversal of Major Repairs Allowance credited to the HRA	0	4,764	0	(4,764)	0	0
Use of Major Repairs Reserve to finance new capital expenditure	0	0	0	4,764	0	4,764
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from the finance costs chargeable in the year in accordance with statutory requirements	(432)	0	0	0	0	(432)
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(4,087)	(875)	0	0	0	(4,962)
Employer's pensions contributions & direct payments to pensioners payable in the year	1,582	357	0	0	0	1,939
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax income and residual community charge adjustment credited to the CIES is different from the council tax income calculated in the year in accordance with statutory requirements	300	0	0	0	0	300
<b>Adjustment primarily involving the Accumulated Absences Account:</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from the remuneration chargeable in the year in accordance with statutory requirements	70	11	0	0	0	81
<b>Adjustments between accounting basis and Funding Basis under regulations</b>	<b>(10,756)</b>	<b>5,467</b>	<b>(864)</b>	<b>0</b>	<b>834</b>	<b>(5,319)</b>

## Note 10. Transfers (to) / from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2016/17.

	Balance at 31 March 2015	Transfers In	Transfers out	Balance at 31 March 2016	Transfers In	Transfers out	Balance as at 31 March 2017
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Earmarked Reserves</b>							
Asset Maintenance Reserve	(1,102)	0	67	(1,035)	0	38	(997)
General Capital Reserve	(2,038)	(1,144)	777	(2,405)	(2,470)	4,875	0
New Homes Bonus Reserve	0	(1,031)	1,031	0	0	0	0
Sea Cadet Cap Res Ext 201516	0	(50)	0	(50)	(9)	59	0
Capital Reserve IT projects	(67)	0	32	(35)	0	1	(34)
<b>Total Capital Reserves</b>	(3,207)	(2,225)	1,907	(3,525)	(2,479)	4,973	(1,031)
Transformation fund	(350)	(226)	47	(530)	0	47	(483)
New Homes Bonus Volatility Reserve	(1,166)	(265)	0	(1,431)	0	0	(1,431)
Business Rates Volatility Reserve	(1,069)	(314)	449	(933)	0	294	(639)
IT website development reserve	(386)	0	64	(322)	0	37	(285)
Community Led housing reserve	0	0	0	0	(1,210)	0	(1,210)
Revenue Reserves less than £250k	(2,890)	(646)	956	(2,580)	(907)	774	(2,713)
STRATA Reserves	(388)	(114)	281	(221)	(73)	0	(294)
<b>General Fund Revenue reserves</b>	(6,249)	(1,565)	1,797	(6,017)	(2,190)	1,152	(7,055)
HRA Business Plan Volatility Reserve	(3,400)	(1,000)	0	(4,400)	0	0	(4,400)
<b>Total HRA Earmarked Reserves</b>	(3,400)	(1,000)	0	(4,400)	0	0	(4,400)
<b>TOTAL Earmarked Reserves</b>	<b>(12,856)</b>	<b>(4,790)</b>	<b>3,704</b>	<b>(13,942)</b>	<b>(4,669)</b>	<b>6,125</b>	<b>(12,486)</b>

The **Asset Maintenance Reserve** is for asset refurbishment in excess of normal planned maintenance and any backlogged maintenance.

The **Capital Reserve** is to fund the authority's Capital programme.

The **New Homes Bonus Reserve** funded from central government grant, is used for funding capital spend.

The **Sea cadets Reserve** was used during 2016/17 to complete the project.

The **Capital Reserve IT Projects Reserve** holds funds for spending on the website and other IT projects in 2017/18.

The **Transformation Fund Reserve** is to fund 'invest to save' and performance improvement initiatives including transformation of working practices.

The **New Homes Bonus Volatility Reserve** was established from government grants to mitigate against loss of government revenue funding in future years.

The **Business Rates Volatility Reserve** has been established for revenue funding in future years.

The **Building Control Enhancements Reserve** is from surpluses for service enhancement in future years.

**Growth Point Reserves** are holding external grant income for the Growth Point team for 2017/18.

The **Homelessness Reserve** was established from specific government grants to support homelessness initiatives in future years.

The **Capital Reserve IT Projects Reserve** holds funds for spending on the website and other IT projects in 2017/18.

The **Transformation Fund** is to fund 'invest to save' and performance improvement initiatives including transformation of working practices.

The **New Homes Bonus Volatility Reserve** was established from government grants to mitigate against loss of government revenue funding in future years.

The **IT Website Development Reserve** holds funds for spending on the website in 2017/16.

The **Business Rates Volatility Reserve** has been established for revenue funding in future years.

The **Community led Housing Reserve** was established from a specific government grant to support housing initiatives in future years.

The balance of **Revenue Reserves** <£250k are various revenue reserves established from external income with no conditions attached set aside to provide specific services in future years.

The **Strata Useable Reserves** represents our share of the useable funds held from the Strata joint operation.

## Note 11. Other Operating Expenditure

	2016/17	2015/16
<b>Other Operating Expenditure</b>	<b>£000</b>	<b>£000</b>
Town and Parish precepts	2,739	2,326
Payments to Government Housing Capital Receipts Pool	436	440
Gain/loss on disposal of non-current assets	(979)	(960)
Net loss/(gain) on share of Donated Assets	0	166
	<b>2,196</b>	<b>1,972</b>

## Note 12. Financing and Investment Income and Expenditure

	2016/17	2015/16
<b>Financing and Investment Income and Expenditure</b>	<b>£000s</b>	<b>£000s</b>
Interest Payable and similar charges	50	87
Interest on loans	2,598	2,630
Net interest on the net defined benefit liability	1,741	1,743
Interest Receivable and similar income	(455)	(538)
	<b>3,934</b>	<b>3,922</b>

## Note 13. Taxation and Non Specific Grant Income and Expenditure

	2016/17	2015/16
<b>Taxation and Non-Specific Grant Income</b>	<b>£000s</b>	<b>£000s</b>
Council tax income	(9,893)	(9,247)
Town & Parish Council Tax Support Grant	98	136
Non Domestic Rates	(3,866)	(3,202)
Non ring-fenced government grants	(5,869)	(5,113)
Capital grants and contributions	(2,270)	(926)
	<b>(21,800)</b>	<b>(18,352)</b>

## Note 14. Trading Services

The authority has established 4 trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the authority or other organisations. All services are incorporated into the Comprehensive Income and Expenditure Statement under the relevant service within Cost of Services. Details are as follows:

	2016/17			2015/16		
	Expenditure £'000	Income £'000	Expenditure £'000	Expenditure £'000	Income £'000	Expenditure £'000
The authority manages the <b>Building Control Service</b> . The trading objective is to break even.	497	(498)	(1)	476	(477)	(1)
The authority manages the <b>Land Charges Service</b> . The trading objective is to break even.	253	(258)	(5)	180	(370)	(190)
The authority lets <b>40 units in Industrial Estates</b> located in various parts of the district. As part of the authority's economic development strategy, tenant leases are flexible to allow easy in/out arrangements.	134	(268)	(134)	257	(231)	26
The authority manages a <b>Home safeguard Service</b> providing alarms and support for vulnerable residents. The trading objective is to at least break even.	496	(798)	(302)	537	(954)	(417)
<b>Total Cost of Services</b>	<b>1,380</b>	<b>(1,822)</b>	<b>(442)</b>	<b>1,450</b>	<b>(2,032)</b>	<b>(582)</b>

## Note 15. Statutory Harbour authority – Axmouth Harbour

East Devon District authority is the Harbour authority for the Axmouth Harbour.

An annual Statement of Account relating to harbour activities is required to be prepared, in accordance with the 1964 Harbours Act.

<b>Axmouth Harbour</b>	<b>2016/17</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>
<b>Income</b>		
Fees and Charges	(6)	(6)
<b>Expenditure</b>		
Premises	3	3
Support Services	5	5
Capital Charges	30	30
<b>Net cost of Harbour Activities as included in the Comprehensive Income and Expenditure Statement</b>	<b>32</b>	<b>32</b>

## Note 16. Community Infrastructure Levy (CIL)

The Council has elected to charge a Community Infrastructure Levy (CIL) from 1st September 2016. The levy is charged on new builds (chargeable developments within the Council's administrative area) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, health, and education projects) to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions.

The Council received £2k CIL of which £0.3k (15%) will be paid to Parish and Town Councils and £0.1k (5%) applied to costs of administration and collection. The balance of £1.6k has been retained and is unapplied Capital contributions in 2016/17.

## Note 17. Members' Allowances

The authority paid the following amounts to members of the authority during the year:

<b>Members Allowances</b>	<b>2016/17</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>
Allowances	360	363
Expenses	28	36
<b>Total</b>	<b>388</b>	<b>399</b>

## Note 18. Officers' Remuneration

The remuneration paid to the Council's senior employees in 2016/17 was as follows:

2016/17	Salary (Including Fees & Allowances) £	Expenses Reimbursed £	Benefits in Kind (e.g. Lease Car) £	Total Remuneration Excluding Pension Contributions £	Pension Contributions £	Total Remuneration £
<b><u>Posts Employed for Full Year</u></b>						
Chief Executive	113,549	0	0	113,549	21,366	134,915
Deputy C. Exec	89,939	0	0	89,939	16,853	106,792
Strategic Lead - Finance	79,534	0	0	79,534	14,876	94,410
Strategic Lead - OD	69,209	0	0	69,209	12,944	82,153
Strategic Lead - Legal, Licensing & Member Services	62,965	0	0	62,965	11,963	74,928
Strategic Lead - Housing and Environment	79,688	0	0	79,688	14,905	94,593
East of Exeter Projects Director	66,889	0	0	66,889	12,474	79,363
Service Lead - Revenues & Benefits	55,863	0	0	55,863	10,493	66,355
Service Lead - Environmental Health & Car parks	63,542	0	0	63,542	11,838	75,380
Service Lead - Street Scene	54,459	0	0	54,459	10,112	64,571
Service Lead - Planning Strategy & Development Management	61,675	0	0	61,675	11,718	73,393
Service Lead - Countryside & Leisure	56,463	0	0	56,463	10,493	66,956
<b><u>Posts Employed for Part Year</u></b>						
Service Lead - Regeneration & Property (Feb 17 onwards)	6,081	0	0	6,081	1,155	7,237

The annualised salaries for posts employed during part of the year were: (1) Service Lead - Regeneration & Property (February 2017 onwards) - £55,224

The remuneration paid to the Council's senior employees in 2015/16 was as follows:

2015/16	Salary (Including Fees & Allowances) £	Expenses Reimbursed £	Benefits in Kind (e.g. Lease Car) £	Total Remuneration Excluding Pension Contributions £	Pension Contributions £	Total Remuneration £
<b><u>Posts Employed for Full Year</u></b>						
Chief Executive	115,961	0	0	115,961	24,218	140,179
Deputy C. Exec	89,061	0	0	89,061	16,686	105,747
Strategic Lead - Finance	78,759	0	0	78,759	14,729	93,488
Strategic Lead - OD	63,903	0	0	63,903	11,863	75,766
Strategic Lead - Legal, Licensing & Member Services	59,787	0	0	59,787	11,360	71,147
Strategic Lead - Housing and Environment	78,911	0	0	78,911	14,758	93,669
East of Exeter Projects Director	66,239	0	0	66,239	12,350	78,589
Service Lead - Revenues & Benefits	53,096	0	0	53,096	9,903	62,999
Service Lead - Environmental Health & Car parks	59,743	0	0	59,743	11,116	70,858
Service Lead - Street Scene	52,053	0	0	52,053	9,655	61,707
Service Lead - Planning Strategy & Development Management	52,122	0	0	52,122	9,903	62,025
Service Lead - Countryside & Leisure	53,361	0	0	53,361	9,903	63,264

## Remuneration of Employees

There were no employees earning over £50,000 other than senior officers already mentioned in the note above.

### Note 19. Termination Benefits

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

Exit Package Cost Band (including special payments)	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total number of Exit Packages by Cost Band		Total Cost of Exit Packages in Each Band £'000	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
£0 - £20,000	0	1	5	8	5	9	26	26
£20,001 - £40,000	0	0	0	1	0	1	0	38
£40,001 - £60,000	0	0	0	2	0	2	0	93
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,000 - £100,000	0	0	0	0	0	0	0	0
£100,000 - £150,000	0	0	0	0	0	0	0	0
£150,000<	0	0	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>1</b>	<b>5</b>	<b>11</b>	<b>5</b>	<b>12</b>	<b>26</b>	<b>157</b>

## **Note 20. Defined Benefit Pension Schemes**

### **20.1 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 (for those benefits) and to disclose at the time that employees earn their future entitlement.

The authority participates in two post-employment schemes:

- The Local Government Pension Scheme, administered locally by Devon County authority  
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 liabilities with investment assets.
- 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.

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, and structural changes to the scheme (i.e. large scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and the Housing Revenue Account the amounts required by statute as described in the accounting policies note.

### **20.2 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 and Housing Revenue Account via the Movement in Reserves Statement.

## 20.2 Transactions Relating to Post-employment Benefits

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:

	2016/17	2015/16
	£'000	£'000
<b>Comprehensive Income &amp; Expenditure Statement</b>		
<b>Cost of Services:</b>		
Current Service Cost	3,169	3,390
Past Service Cost/(Gain) – Including Curtailments	0	80
Administration Expense	47	31
<b>Financing and Investment Income and Expenditure:</b>		
Net Interest Expense	1,741	1,742
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>4,958</b>	<b>5,243</b>
<b>Other Comprehensive Income &amp; Expenditure:</b>		
Return on Plan Assets (excluding amounts included in net interest expense)	(11,194)	2,143
Actuarial (Gains) & Losses Arising on Changes in Demographic Assumptions	(141)	0
Actuarial Gains & Losses Arising on Changes in Financial Assumptions	30,785	(9,480)
Experience(Gain)/loss on defined benefit obligation	(2,363)	(1)
Other actuarial (Gains) & Losses on assets	1,555	0
<b>Total Post Employment Benefit Charged to the Comprehensive Income &amp; Expenditure Statement</b>	<b>18,642</b>	<b>(7,338)</b>
	<b>2016/17</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for Post-Employment Benefits in accordance with the Code	(4,958)	(5,243)
Employer's Contributions Payable to the Pension Scheme	2,305	2,220
<b>Total</b>	<b>(2,653)</b>	<b>(3,023)</b>

## 20.3 Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plans is as follows:

	2016/17	2015/16
	£'000	£'000
<b>Pension Assets &amp; Liabilities Recognised in the Balance Sheet</b>		
Present value of the defined benefit obligation	(155,268)	(122,718)
Fair value of plan assets	85,740	74,426
<b>Sub-total</b>	<b>(69,528)</b>	<b>(48,292)</b>
Other movements in the liability	(1,179)	(1,120)
<b>Net liability arising from defined benefit obligation</b>	<b>(70,707)</b>	<b>(49,412)</b>
<b>Assets and Liabilities in relation to Retirement Benefits</b>		

Reconciliation of present value of scheme liabilities and assets are set out below:

	2016/17	2015/16
	£'000	£'000
<b>Reconciliation of Present Value of Scheme Liabilities</b>		
Liabilities as of the Beginning of the Period	(123,838)	(129,148)
Current Service Cost	(3,169)	(3,390)
Interest Cost	(4,410)	(4,214)
Contributions by Scheme Participants	(774)	(734)
Change in financial assumptions	(30,785)	9,480
Change in demographic assumptions	141	0
Experience (Losses)/Gains on defined benefit obligation	2,363	1
Losses on Curtailments	0	(80)
Benefits Paid	4,025	4,247
Past Service Costs	0	0
<b>Liabilities as of the End of the Period</b>	<b>(156,446)</b>	<b>(123,838)</b>
	2016/17	2015/16
	£'000	£'000
<b>Reconciliation of Fair Value of Scheme Assets</b>		
Assets as of the Beginning of the Period	74,426	75,421
Interest on Assets	2,669	2,472
Return assets less interest	11,194	(2,143)
Actuarial Gains/(Losses)	(1,555)	0
Administration expenses	(47)	(31)
Employer Contributions	2,305	2,220
Contributions by Scheme Participants	774	734
Benefits Paid	(4,025)	(4,247)
<b>Assets as of the End of the Period</b>	<b>85,740</b>	<b>74,426</b>

### Impact on the Council's cash Flow

The liabilities show the underlying commitments that the authority has in the long run to pay post-employment (retirement) benefits. The total liability of £156.446m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative overall balance of £70.707m.

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 authority in the year to 31 March 2018 is £2.436m.

The weighted average duration of the defined benefit obligation is 18 years.

## Sensitivity Analysis

Funding levels are monitored on an annual basis, with the last triennial review and valuation completed at 31 March 2016. The fund liability may go up and down depending on assumptions applied.

### Measurement of Pension Liability

The present value of the pension liability depends on a number of factors that are determined on an actuarial basis and the value of the underlying assets. The actual liability of the Council will continue to be subject to volatility, as a result of a number of factors.

The estimated effects of the changes in the key individual assumptions in determining the net pension liability would increase the Council's pension liability as of 31 March 2017 as follows:

<b>Sensitivity Analysis</b>	<b>£'m</b>
0.1% increase in the real discount rate	4.736
1 year increase in member life expectancy	5.010
0.1% increase in the salary increase rate	4.885
0.1% increase in the pension increase rate	4.977

The above table presents the changes in key assumptions in isolation. The information is only indicative of the estimated impact as the assumptions interact in complex ways.

## 20.4 Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for Devon County authority Pension Fund being based on the latest full valuation of the scheme as at 31 March 2016.

The principal assumptions used by the actuary in the calculations are:

<b>Principal Assumptions</b>	<b>2016/17</b>	<b>2015/16</b>
	<b>%</b>	<b>%</b>
Rate of inflation: RPI	3.6	3.2
Rate of inflation :CPI	2.7	2.3
Rate of increase in salaries	4.2	4.1
Rate of increase In pensions	2.7	2.3
Rate of discounting scheme liabilities	2.7	3.6

These assumptions are set with reference to market conditions as at 31 March 2017.

The estimated duration of Employer's liabilities is 18 years.

The discount rate is the annualised yield at the 18 year point on the Merrill Lynch AA-rated corporate bond yield curve which has been chosen to meet the requirements of IAS19 and with consideration of the duration of the Employer's liabilities.

The Retail Prices Index (RPI) increase assumption is set based on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England (BoE), specifically the 18 year point on the BoE market implied inflation curve.

Future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI.

Salaries are assumed to increase at 1.5% p.a. above CPI in addition to a promotional scale.

<b>Mortality Assumptions</b>	<b>2016/17</b>	<b>2015/16</b>
	<b>Years</b>	<b>Years</b>
Longevity at 65 for current pensioners		
Men	23.4	22.9
Women	25.5	26.2
Longevity at 65 for future pensioners		
Men	25.6	25.2
Women	27.8	28.6

The following assumptions have been made:

- Members will exchange half of their commutable pension for cash at retirement.
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age.
- Members opted-in to the 50:50 section at the previous valuation date will continue in this section.

The Local Government Pension Scheme's estimated asset allocation for East Devon District authority consists of the following categories, by proportion of the total assets held:

<b>Estimated Asset Allocation</b>	<b>2016/17</b>	<b>2015/16</b>
	<b>%</b>	<b>%</b>
Equity investments (UK and overseas)	59	56
Gilts	3	3
Property and infrastructure	13	15
Target Return Portfolio	15	15
Cash	3	2
Other bonds	2	3
Alternative assets	5	6
<b>Total</b>	<b>100</b>	<b>100</b>

## **Note 21. 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:

<b>External Audit Costs</b>	<b>2016/17</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>
External audit services carried out by KPMG LLP for the year	51	51
External audit services carried out by KPMG LLP for an earlier year	11	0
Certification of grant claims by KPMG LLP and returns for the year	8	8
Other services carried out by Grant Thornton for the year	3	2
Certification of grant claims by Grant Thornton and returns for the year	0	11
<b>Total</b>	<b>73</b>	<b>72</b>

**Note 22. Grant Income**

The authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement:

	2016/17 £'000	2015/16 £'000
<b>Grants and Contributions credited to Services</b>		
Elections & Electoral Registration Grants	(383)	(127)
Community Led Housing Grants	(1,210)	0
Housing Benefits and council tax Benefits Grants	(32,107)	(31,874)
Disabled facilities & Home Stay Grants	(784)	(468)
AONB/Countryside projects Grants	(133)	(241)
Growth Point Delivery Team Grants	(75)	(379)
Neighbourhood Planning Grants	(269)	(95)
Other Grants and Contributions	(1,278)	(1,901)
<b>Grants and Contributions credited to Services</b>	<b>(36,239)</b>	<b>(35,085)</b>
<b>Credited to Taxation and non-specific Grant income</b>		
	2016/17	2015/16
<b>Non-Ring Fenced Government Grants</b>	<b>£'000</b>	<b>£'000</b>
Revenue Support Grant	(1,203)	(1,877)
Local Area Services support Grant	0	(97)
New Homes Bonus	(4,381)	(3,023)
Council Tax Freeze Grant	0	(73)
Rural Service Delivery Grant	(224)	(43)
Transition Grant	(62)	0
<b>Total</b>	<b>(5,870)</b>	<b>(5,113)</b>
	2016/17	2015/16
<b>Capital Grants And Contributions</b>	<b>£'000</b>	<b>£'000</b>
S106 Receipts	(1,561)	(178)
Feniton Flood alleviation	(347)	(102)
Seaton Jurassic (Discovery Centre)	(415)	(634)
Other Grants and Contributions	(58)	(12)
<b>Total</b>	<b>(2,381)</b>	<b>(926)</b>
	2016/17	2015/16
<b>Grants and Other Contributions</b>	<b>£'000</b>	<b>£'000</b>
As of the Beginning of the Period	(5,562)	(5,029)
Receipts	(45,584)	(44,102)
Conditions Satisfied	47,125	43,569
<b>Closing Balance</b>	<b>(4,021)</b>	<b>(5,562)</b>
	2016/17	2015/16
<b>Capital Grants Yet to be Recognised as Income</b>	<b>£'000</b>	<b>£'000</b>
Short term - Section 106 Receipts	(361)	(361)
Long Term - Section 106 Receipts	(3,460)	(5,201)
<b>Total</b>	<b>(3,821)</b>	<b>(5,562)</b>

## Note 23. Related Parties

The authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the authority or to be controlled or influenced by the authority. Disclosure of these transactions allows readers to assess the extent to which the authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the authority. There were no material third party transactions recorded in 2016/17.

### 23.1 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 set out in the subjective analysis in Note 12 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2016 are also shown in the Debtors Note 30.

### 23.2 Members

Members of the authority have direct control over the authority's financial and operating policies. The total of members' allowances paid in 2015/16 is shown in Note 17.

### 23.3 Other Public Bodies and Entities

Names of Related Parties	2016/17		2015/16	
	Income	Expenditure	Income	Expenditure
	£'000	£'000	£'000	£'000
<b>Government Departments</b>				
Department for Communities & Local Government	(5,133)	436	(7,243)	440
Department for Work & Pensions	(31,876)	0	(31,927)	0
Department for Environment, Food & Rural Affairs	(133)	0	(154)	0
HMRC (VAT, NI, PAYE)	(4,916)	3,409	(4,495)	2,942
Environment Agency	(347)	0	(164)	0
PWLB	(1,799)	4,148	(1,023)	3,717
<b>Other Public Bodies</b>				
Devon County Council	(696)	644	(743)	469
South Somerset District Council (shared services)	(21)	24	(71)	24
Plymouth City Council (NNDR Pool)	0	14,157	0	13,414
<b>Total</b>	<b>(44,921)</b>	<b>22,818</b>	<b>(45,820)</b>	<b>21,006</b>

## **Note 24. Interests in Joint Operations**

East Devon District authority is a Member of SWAP which is a company limited by guarantee and is wholly owned and controlled, as an in-house company, by the members and is a local authority controlled company for the purposes of Part V of the Local Government and Housing Act 1989.

The liability of each member is limited to £1, being the amount that each member undertakes to contribute to the assets of the Company in the event of it being wound up while he is a member or within one year after he ceases to be a member.

Exeter City authority, Teignbridge District authority and East Devon District authority each have interests in a joint operation called Strata Service Solutions Ltd, a registered company (company number 09041662) whose registered office is Civic Centre, Paris Street, Exeter, Devon, EX1 1JN. The Company was established on 1 November.

The business of the Company is the operation and provision of a shared information communications technology service to each of the authorities including;

- A source of expertise regarding information technology
- A resilient and reliable ICT infrastructure
- A service desk that maintains and supports devices, operating systems and core applications
- Information security and information management services
  
- Developing and implementing business systems to meet authority business objectives
- A Street Name and Numbering function

The proportions of ownership interests are; East Devon District authority (36.692%), Exeter City authority (35.936%) and Teignbridge District authority (27.372%). Each authority has equal voting rights, with decisions taken collectively and unanimously.

The figures that have been consolidated into the authority's single entity financial statements are:

	In Year Adjustments to 31 March 2017	Cumulative Adjustments to 31 March 2016
<b>Adjustments to Comprehensive Income and Expenditure</b>	<b>£000</b>	<b>£000</b>
Fees	(142)	(3,890)
Cost of sales	(1,230)	1,497
Admin expenses	1,724	1,748
Adjust Strata Services solutions Ltd REFCUS	35	0
Transfer of pension scheme liability	0	1,160
<b>Cost of Services</b>	<b>387</b>	<b>515</b>
Loss on disposal of assets	0	697
Adjust Strata Services solutions Ltd REFCUS	0	(1,357)
Net interest on the defined benefit liability	47	70
Interest receivable	(2)	(4)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>432</b>	<b>(79)</b>
Re-measurement of the net defined benefit liability	1,167	(147)
<b>Total Comprehensive income and expenditure</b>	<b>1,599</b>	<b>(226)</b>

	In Year 2016/17	Accumulative to 2015/16
<b>Adjustments to Balance Sheet</b>	<b>£000</b>	<b>£000</b>
Property, plant & equipment	(62)	466
Intangible assets	(33)	720
Investment in Strata removed upon consolidation and replaced with proportional share of assets and liabilities	(168)	(164)
<b>Total Long Term Assets</b>	<b>(263)</b>	<b>1,022</b>
Inventories	(1)	3
Short Term Debtors	35	279
Cash & cash equivalents	113	186
<b>Total Current Assets</b>	<b>147</b>	<b>468</b>
Short Term Creditors	(123)	(284)
<b>Total Current Liabilities</b>	<b>(123)</b>	<b>(284)</b>
Capital grants Receipts in advance	(57)	259
Pension Scheme Liability	(1,303)	(1,239)
<b>Total Long Term Liabilities</b>	<b>(1,360)</b>	<b>(980)</b>
<b>Net assets</b>	<b>(1,599)</b>	<b>226</b>
Financed by:		
Usable Reserves	(73)	(221)
Unusable Reserves	1,672	(5)
<b>Total Reserves as at 31 March</b>	<b>1,599</b>	<b>(226)</b>

## Note 25: Property, Plant and Equipment

2016/17

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b><u>Cost/Valuation</u></b>							
As of the beginning of the period	242,900	70,500	12,224	17,238	1,763	5,042	349,667
Additions	7,297	2,082	4,909	1,172	18	841	16,319
Accumulated Depreciation and Impairment written out to GCA	(52,663)	(874)	0	0	0	0	(53,537)
Revaluation increases recognised in the Revaluation Reserve	29,274	2,331	0	0	0	0	31,605
Revaluation decreases recognised in the Revaluation Reserve	0	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	7,052	5,735	0	0	0	0	12,787
Impairment recognised in the Surplus/Deficit on the Provision of Services	(4,890)	(513)	(37)	0	0	0	(5,440)
Reclassifications	0	3,333	0	0	0	0	3,333
Disposals (to Assets Held for Sale)	(1,703)	(1,041)	(223)	0	0	0	(2,967)
Disposals (Other)	0	0	(68)	0	0	0	(68)
<b>As of the end of the period</b>	<b>227,267</b>	<b>81,553</b>	<b>16,805</b>	<b>18,410</b>	<b>1,781</b>	<b>5,883</b>	<b>351,699</b>
<b><u>Accumulated Depreciation</u></b>							
As of the beginning of the period	(51,837)	(2,842)	(6,998)	(5,393)	(69)	0	(67,139)
Depreciation charge	(1,194)	(1,429)	(1,074)	(215)	0	0	(3,912)
Reclassifications	0	0	0	0	0	0	0
Accumulated revaluation written out to GCA	14,499	663	0	0	0	0	15,162
Accumulated impairment written out to GCA	38,164	211	0	0	0	0	38,375
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	0	(132)	(1)	0	0	0	(133)
Disposals (to Assets Held for Sale)	368	0	192	0	0	0	560
Disposals (Other)	0	0	0	0	0	0	0
<b>As of the end of the period</b>	<b>0</b>	<b>(3,529)</b>	<b>(7,881)</b>	<b>(5,608)</b>	<b>(69)</b>	<b>0</b>	<b>(17,087)</b>
<b>Net Book Value at 31 March 2016</b>	<b>227,267</b>	<b>78,024</b>	<b>8,924</b>	<b>12,802</b>	<b>1,712</b>	<b>5,883</b>	<b>334,612</b>

2015/16

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost/Valuation</b>							
As of the beginning of the period	187,408	81,690	13,963	16,993	1,938	2,098	304,090
Additions	5,222	580	337	237	39	2,943	9,358
Depreciation written out to Gross Carrying Amount on Revaluation	0	0	0	0	0	0	0
Revaluation increases recognised in the Revaluation Reserve	0	2,853	52	0	64	0	2,969
Revaluation decreases recognised in the Revaluation Reserve	0	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(439)	(8,109)	0	0	(235)	0	(8,783)
Impairment recognised in the Surplus/Deficit on the Provision of Services	0	(422)	(30)	0	0	0	(452)
Accumulated Depreciation and Impairment written out to GCA	0	(2,584)	(86)	0	(44)	0	(2,714)
Disposals (to Assets Held for Sale)	(1,036)	(360)	0	0	0	0	(1,396)
Disposals (Other)	0	(209)	(2,042)	0	0	0	(2,251)
<b>As of the end of the period</b>	<b>191,155</b>	<b>73,439</b>	<b>12,194</b>	<b>17,230</b>	<b>1,762</b>	<b>5,041</b>	<b>300,821</b>
<b>Accumulated Depreciation</b>							
As of the beginning of the period	(93)	(3,837)	(7,626)	(5,447)	(98)	0	(17,101)
Depreciation charge	(1,139)	(1,011)	(1,285)	(215)	0	0	(3,650)
Reclassifications	0	0	0	0	0	0	0
Depreciation written out to Gross Carrying Amount on Revaluation	0	2,550	16	0	0	0	2,566
Depreciation written out to Gross Carrying Amount on Impairment	0	0	0	0	0	0	0
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	0	(162)	(74)	0	0	0	(236)
Disposals (to Assets Held for Sale)	0	6	1,998	0	0	0	2,004
Disposals (Other)	1,139	33	0	277	29	0	1,478
<b>As of the end of the period</b>	<b>(93)</b>	<b>(2,421)</b>	<b>(6,971)</b>	<b>(5,385)</b>	<b>(69)</b>	<b>0</b>	<b>(14,939)</b>
<b>Net Book Value at 31 March 2015</b>	<b>191,062</b>	<b>71,018</b>	<b>5,223</b>	<b>11,845</b>	<b>1,693</b>	<b>5,041</b>	<b>285,882</b>

### 25.3 Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Authority Dwellings: 23 - 60 years (includes components). Any charge is reversed as part of the annual revaluation process. Depreciation is charged in year of disposal to disposal date, and not charged in year of acquisition
- Infrastructure: 5 -100 years
- Other Land and Buildings: 2 - 60 years
- Vehicles, Plant, & Equipment: 2 -15 years

### 25.4 Capital Commitments

The estimated maximum contractual commitments for capital expenditure for significant schemes (annual value over £250k) that had started, or where legal contracts had been entered into, as of 31 March 2017 are as follows:

Scheme	2016/17	2015/16
	£'000	£'000
HRA Housing schemes	0	294
IT Systems	0	427
Cranbrook Play equipment	0	43
Feniton Flood alleviation scheme	0	230
LED loan	0	400
Regeneration schemes	0	1,665
Refuse and Recycling contract	516	0
<b>Total</b>	<b>516</b>	<b>3,059</b>

### 25.5 Revaluations

The authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. The carrying amounts of assets subject to the 5 year rolling revaluation programme not revalued during the year and revalued at the beginning of the year are not materially different from their fair value.

With the exception of the authority Housing stock, which was valued by the District Valuer, Andrew Doak, (RICS), all valuations were carried out internally by Robert Harrison, (RICS). 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.

Valuations of vehicles, plant and equipment are based on historic cost less depreciation and residual values where there is an active second-hand market. A revaluation of the authority's dwellings using individual beacon site visits was undertaken as at 31 March 2015 and is repeated every five years. All other assets are valued as at 1 April 2017.

The significant assumptions applied in estimating the fair values are:

- there are no title issues which are likely to have an effect on the valuations since last undertaken;
- there are no planning proposals that are likely to have an effect on the value of the premises, unless planning permission has been granted within the year;
- a reasonable standard of repair has been assumed except for buildings with a limited economic life;
- land and properties are not contaminated;
- land and properties are not at risk from environmental matters.

## Property, Plant and Equipment Valuations

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
Carried at Historic Cost:	0	0	16,409	18,410	1781	5,883	42,483
Valued at fair value as at:							
2016/17	227,267	29,998	0	0	0	0	257,265
2015/16	0	6,866	0	0	0	0	6,866
2014/15	0	26,671	0	0	0	0	26,671
2013/14	0	4614	0	0	0	0	4614
2012/13	0	13,404	0	0	0	0	13,404
<b>Total Cost or Valuation</b>	<b>227,267</b>	<b>81,553</b>	<b>16,409</b>	<b>18,410</b>	<b>1,781</b>	<b>5,883</b>	<b>351,303</b>

## Note 26. Assets Held for Sale

	2016/17 £'000	2015/16 £'000
<b>Assets Held For Sale</b>		
As of the Beginning of the Period	360	18
Assets Transferred	2,462	1,396
Sold to Other Entities and Individuals	(2,772)	(1,054)
<b>As at the end of the Period</b>	<b>50</b>	<b>360</b>

## Note 27. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the authority that has yet to be financed. The CFR is analysed in the second part of this note.

	2016/17	2015/16
<b>Capital Financing Requirement</b>	<b>£'000</b>	<b>£'000</b>
Opening Capital Financing Requirement	(2,927)	(1,479)
<b>Capital Investment:</b>		
Property, Plant and Equipment	16,283	9,358
Revenue Expenditure Funded from Capital Under Statute	993	749
Capital investment Strata	168	164
<b>Total Expenditure</b>	<b>17,444</b>	<b>10,271</b>
<b>Sources of Finance:</b>		
Capital Receipts	(2,723)	(1,192)
Government Grants and Other Contributions	(5,387)	(2,703)
Sums Set Aside (MRR, Deferred Capital Receipts etc.)		
Direct Revenue Contributions	(7,053)	(4,841)
Use of Earmarked Reserves	0	(1,535)
Minimum Revenue Reserve	(1,550)	(1,448)
<b>Total Financing</b>	<b>(16,713)</b>	<b>(11,719)</b>
<b>Closing Capital Financing Requirement</b>	<b>(2,196)</b>	<b>(2,927)</b>
	2016/17	2015/16
<b>Capital Financing Requirement</b>	<b>£'000</b>	<b>£'000</b>
Increase/(Decrease) in underlying need to borrow (Supported by government financial assistance)	0	0
Increase/(Decrease) in underlying need to borrow (Unsupported by government financial assistance)	(731)	1,448
Assets Acquired Under Finance Lease	0	0
<b>Increase in Capital Financing Requirement</b>	<b>(731)</b>	<b>1,448</b>

## Note 28. Leases

### 28.1 Authority as Lessee

#### 28.1.1 Finance Leases

The authority did not have any finance leases in 2016/17 as they expired on 31 March 2016.

	Minimum Lease Payments 2016/17 £'000	Finance Lease Liabilities 2016/17 £'000	Minimum Lease Payments 2015/16 £'000	Finance Lease Liabilities 2015/16 £'000
<b>Finance Leases - Council as Lessee - Minimum Lease Payments</b>				
Not later than one year	0	0	400	361
<b>Total</b>	<b>0</b>	<b>0</b>	<b>400</b>	<b>361</b>

#### 28.1.2 Operating Leases

The authority leases a number of land, buildings, vehicles and office equipment under operating leases. The future minimum lease payments due under non-cancellable leases in future years are:

	2016/17 £'000	2015/16 £'000
<b>Operating Leases - Council as Lessee</b>		
Not later than one year	489	785
Later than one year and not later than five years	1,118	1,242
Later than five years	1,243	1,413
<b>Total</b>	<b>2,850</b>	<b>3,440</b>

### 28.2 EDDC as Lessor

#### 28.2.1 Operating Leases

The authority leases out property under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres
- for economic development purposes to provide suitable affordable accommodation for local businesses

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

	2016/17	2015/16
<b>Operating Leases - Council as Lessor - Future Minimum Lease Payments</b>	<b>£'000</b>	<b>£'000</b>
Not later than one year	452	463
Later than one year and not later than five years	1,105	1,254
Later than five years	5,487	5,316
<b>Total</b>	<b>7,044</b>	<b>7,033</b>

## Note 29. Financial Instruments

### Balance Sheet items

The Council is obliged to analyse any Financial Instruments that it holds (whether liabilities such as borrowings or assets such as investments) into certain categories.

The Investments and Debtors disclosed in the Balance Sheet, as set out below (adjusted to exclude statutory debtors), are all categorised as Loans and Receivables, and are carried in the Balance Sheet at amortised cost.

<b>Financial Assets – Amortised Cost</b>	<b>£'000</b>	<b>£'000</b>
Short-term Debtors	5,054	5,991
Long-term Debtors	2,898	2,305
Short-term Investments - cash	3,827	5,606
Short-term Investments - Available-for-sale financial assets	28,973	30,872
Long-term Investments	225	225
<b>Total</b>	<b>40,977</b>	<b>44,999</b>

The investments, cash at bank and accrued interest are not yet due for repayment. No breaches of the Council's counterparty criteria occurred during the reporting period, and the Council does not expect to suffer any financial losses from default on its financial instruments. The Council's maximum potential exposure to credit risk is the carrying value of the financial assets in the Balance Sheet.

Amounts owed by customers represent sums which have been reviewed for impairment and are presented net of any impairment in the Balance Sheet.

The Short-term Creditors are carried at contract value, Long-term Creditors and Long-term Borrowings are carried at amortised cost in the Balance Sheet, as set out in the following table.

<b>Financial Liabilities – Amortised Cost</b>	<b>2016/17</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>
Short-term Creditors	(3,145)	(4,222)
Short-term Borrowings - cash overdrawn	(1,568)	(2,683)
Short-term Borrowings (PWLB)	(1,477)	(1,960)
Long-term Borrowings (PWLB)	(82,085)	(83,520)
<b>Total</b>	<b>(88,275)</b>	<b>(92,385)</b>

The fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the investments, using the following assumptions:

- Ranges of premature repayment discount rates as at 31 March 2017 between -0.09% and 1.64% for loans from the Public Works Loan Board (PWLB).
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate fair value.
- Trade and other receivables are taken to be the invoiced or billed amount.

The fair values are as follows:

<b>Financial Liabilities – Fair Value</b>	<b>2016/17 £'000</b>	<b>2015/16 £'000</b>
Short-term Creditors	(3,145)	(4,222)
Short-term Borrowings - Cash Overdrawn	(1,568)	(2,683)
Short-term & Long-term Borrowings (PWLB)	(102,654)	(100,310)
<b>Total</b>	<b>(107,367)</b>	<b>(107,215)</b>

The Authority has used a transfer value for the fair value of financial liabilities. The exit price fair value of £102.65m has been calculated using early repayment discount rates. The Authority has no contractual obligation to pay these penalty costs and would not incur any additional cost if the loans run to their planned maturity date.

### Refinancing and Maturity Risk

The Council maintains a significant investment portfolio. The prudential indicator limiting the amount of funds placed in investments for terms exceeding one year is a key factor limiting this risk, as is the medium term financial policy on reducing the Council's reliance on interest earnings to fund its core activities.

Trade creditors and debtors are due to be settled within one year. The long-term debtors principally comprise amounts owed by Voluntary Organisations borrowed at below market rates (soft Loans).

All current borrowing by the Council is fixed-term from the PWLB in relation to Self-Financing at a preferential fixed rate. The repayment of these loans is factored into the Housing Revenue Account 30-year plan and as such there is minimal risk that the Council will need to refinance these loans at a time of unfavourable interest rates.

The following table sets out the maturity analysis of Long-term Borrowing by the Council:

<b>Duration</b>	<b>Repayment Type</b>	<b>Interest Frequency</b>	<b>2016/17 £'000</b>	<b>2015/16 £'000</b>
Less than 1 Year	On Maturity	Half Yearly	1,434	1,915
Between 1 and 2 Years	On Maturity	Half Yearly	1,715	1,434
Between 2 and 5 Years	On Maturity	Half Yearly	7,133	6,161
Between 5 and 10 years	On Maturity	Half Yearly	19,119	17,053
More than 10 Years	On Maturity	Half Yearly	54,119	58,872
<b>Total</b>			<b>83,520</b>	<b>85,435</b>

### Liquidity Risk

The Council has access to the money markets for short-term debt to cover revenue expenditure and to the money markets and PWLB for longer-term borrowing. The Council's short and medium term cash forecasting procedures are aimed at ensuring that sufficient funds mature at the right time to cover expenditure. There is no significant risk that the Council would be unable to raise finance to meet its commitments under financial instruments.

## **Interest Rate/Credit Risk**

The Council is exposed to interest rate movements on its investments, and 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. As part of this strategy, the Council sets the prudential indicators which provide maximum and minimum limits for fixed and variable interest rate exposure.

The in-house Treasury Team monitors market and forecast interest rate movements, and selects the most advantageous investments allowed within the limits of the Council's treasury policies.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be easily assessed, generally, as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all the Council's deposits, but there was no evidence at the 31 March 2017 that this risk was likely to crystallise.

## **Price Risk**

The Council does not invest in equity holdings or in financial instruments whose capital value is subject to market fluctuations. It therefore has no exposure to losses arising through price valuations.

## **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.

## **Gains and Losses on Financial Instruments**

Gains and losses on financial instruments are limited to interest received and paid on Loans and Receivables (investments) and Borrowings. The gain arising from interest income, as recorded in the Comprehensive Income and Expenditure Statement, was £0.45m (£0.54m 2015/16). The expense arising from interest payments, as recorded in the Comprehensive Income and Expenditure Statement, was £2.65m (£2.72m 2015/16).

### **29.1 Soft loans made by the Council**

The authority has made a number of loans to voluntary organisations at less than market rates (soft loans). The details of these are shown in the tables below. When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account. 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 Comprehensive Income and Expenditure Statement.

Any gains or losses that arise on de-recognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement.

The soft loans information material to the accounts is as follows:

	Balance brought forward 31 March 2016 £'000	New loans granted £'000	New loans granted (rolled up interest) £'000	Loans repaid £'000	Loans re-financed and no longer defined as soft loan £'000	Fair value adjustment £'000	Balance brought forward 31 March 2017 £'000	Nominal value carried forward 31 March 2017 £'000
<b>Soft Loans - 31 March 2017</b>								
Exeter Science Park Company Limited	811	0	25	0	0	0	836	1,051
Beer Community Land Trust	305	0	0	(15)	(290)	0	0	0
Kennaway House Trust	207	0	13	0	0	0	220	310
LED Ltd	1,209	400	0	(56)	0	(52)	1,501	1,751
<b>Total</b>	<b>2,532</b>	<b>400</b>	<b>38</b>	<b>(71)</b>	<b>(290)</b>	<b>(52)</b>	<b>2,557</b>	<b>3,112</b>

	Balance brought forward 31 March 2015 £'000	New loans granted £'000	New loans granted (rolled up interest) £'000	Loans repaid £'000	Loans re-financed and no longer defined as soft loan £'000	Fair value adjustment £'000	Balance brought forward 31 March 2016 £'000	Nominal value carried forward 31 March 2016 £'000
<b>Soft Loans - 31 March 2016</b>								
Exeter Science Park Company Limited	955	0	25	0	0	(169)	811	1,026
Beer Community Land Trust	488	0	0	(183)	0	0	305	305
Kennaway House Trust	262	0	10	0	0	(65)	207	297
LED Ltd	0	1,450	0	(43)	0	(198)	1,209	1,407
<b>Total</b>	<b>1,705</b>	<b>1,450</b>	<b>35</b>	<b>(226)</b>	<b>0</b>	<b>(432)</b>	<b>2,532</b>	<b>3,035</b>

## Note 30. Debtors and Payments in Advance

### Long-term Debtors

The council makes loans to a number of organisations. An analysis is shown below.

	2016/17	2015/16
Long-term Debtors	£'000	£'000
Other Entities and Individuals	2,898	2,305
<b>Total Long-term Debtors</b>	<b>2,898</b>	<b>2,305</b>

The following table shows the analysis of short term debtors, offset by the bad debt provision held.

	2016/17	2015/16
Short-term Debtors	£'000	£'000
Central Government Bodies	1,411	1,270
Other Local Authorities	2,044	1,713
NHS Bodies	0	0
Public Corporations and Trading Funds	0	0
Other Entities and Individuals	5,576	6,491
<b>Total Short-term Debtors</b>	<b>9,031</b>	<b>9,474</b>

The following Bad Debt impairment Allowances have been included in the above table.

	2016/17	2015/16
Bad Debt Impairment Allowances	£'000	£'000
Sundry Debtors	(94)	(52)
Housing Rents	(49)	(60)
Council Tax/Summons Fees	(30)	(29)
Business Rates/Summons Fees	(123)	(73)
Benefits Overpayments	(301)	(329)
<b>Total Bad Debt Provisions</b>	<b>(597)</b>	<b>(543)</b>

## Note 31. Cash and Cash Equivalents

	2016/17	2015/16
Cash and Cash Equivalents	£'000	£'000
Cash in transit and cash floats	0	425
Bank current accounts	178	2,994
Strata Services Solutions Ltd cash at bank	299	187
Short term deposits	3,350	2,000
<b>Total</b>	<b>3,827</b>	<b>5,606</b>

## Note 32. Creditors and Receipts in Advance

<b>Short-term Creditors</b>	<b>2016/17 £'000</b>	<b>2015/16 £'000</b>
Central Government Bodies	(1,340)	(527)
Other Local Authorities	(1,618)	(978)
NHS Bodies	0	0
Other Entities and Individuals	(8,187)	(9,229)
<b>Total Short-term Creditors</b>	<b>(11,145)</b>	<b>(10,734)</b>

## Note 33. Provisions

	<b>Balance as at 31 March 2016 £'000</b>	<b>Contribution to Provision £'000</b>	<b>Use of Provision £'000</b>	<b>Amounts Reversed Unused £'000</b>	<b>Balance as at 31 March 2017 £'000</b>
<b>Short-term General Fund Provisions</b>					
Business Rates Appeals	(1,337)	932	1,790	(2,006)	(621)
<b>Total Short-term General Fund Provisions</b>	<b>(1,337)</b>	<b>932</b>	<b>1,790</b>	<b>(2,006)</b>	<b>(621)</b>

### Non Domestic Rates Appeals

The Business Rates Retention Scheme requires local authorities to forecast and make provision for the amount of money that they would expect to have to repay as a result of reductions in rateable value following a successful appeal.

This is the authority's share of the estimated outstanding appeals, including backdated appeals, which are likely to be successful. The figure takes into account the authority's option to spread the cost over 5 years.

## Note 34: Usable Reserves

Movements in the authority's Usable Reserves are detailed in the Movement in Reserves Statement and Note 9.

## Note 35: Unusable Reserves

<b>Unusable Reserves</b>	<b>2016/17 £000</b>	<b>2015/16 £000</b>
Accumulated Absences Account	108	108
Available for Sale Financial Instruments Reserve	(49)	47
Capital Adjustment Account	(204,711)	(187,434)
Collection Fund Adjustment Account	(392)	397
Financial Instrument Adjustment Reserve	556	505
Pensions Reserve	70,707	49,412
Revaluation Reserve	(46,669)	(16,477)
<b>Total Unusable Reserves</b>	<b>(180,450)</b>	<b>(153,442)</b>

### 35.1 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.

<b>Accumulated Absences Account</b>	<b>2016/17</b>	<b>2015/16</b>
	<b>£000</b>	<b>£000</b>
<b>Balance at 1 April</b>	<b>108</b>	<b>189</b>
Settlement or cancellation of accrual made at the end of the preceding year	0	(189)
Amounts accrued at the end of the current year	0	108
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	108	108
<b>Balance at 31 March</b>	<b>108</b>	<b>108</b>

### 35.2 Available for Sale Financial Instruments Reserve

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

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

<b>Available for Sale Financial Instruments Reserve</b>	<b>2016/17</b>	<b>2015/16</b>
	<b>£000</b>	<b>£000</b>
<b>Balance at 1 April</b>	<b>47</b>	<b>(4)</b>
Upward revaluation of investments	(96)	0
Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	0	51
	(96)	51
Accumulated gains on Assets sold & maturing assets written out to the Comprehensive Income & Expenditure Statement as part of Other Investment Income	0	0
<b>Balance at 31 March</b>	<b>(49)</b>	<b>47</b>

### 35.3 Collection Fund Adjustment Account

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

<b>Collection Fund Adjustment Account</b>	<b>2016/17</b>	<b>2015/16</b>
	<b>£000</b>	<b>£000</b>
<b>Balance as at 1 April</b>	<b>397</b>	<b>697</b>
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	(789)	(300)
<b>Balance at 31 March</b>	<b>(392)</b>	<b>397</b>

## 35.4 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. Note 9 provides details of the source of all the transactions posted to the Account apart from those involving the Revaluation Reserve.

<b>Capital Adjustment Account</b>	<b>2016/17</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	<b>(187,434)</b>	<b>(188,596)</b>
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income &amp; Expenditure Statement:</b>		
Charges for depreciation and impairment of noncurrent assets	9,314	2,691
Revaluation losses on Property, Plant and Equipment	(12,787)	8,778
Amortisation of intangible assets	0	<b>0</b>
Revenue expenditure funded from capital under Statute	993	959
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	2,749	1,301
Loss on share of donated assets	370	0
	<b>639</b>	<b>13,729</b>
Adjusting amounts written out of the Revaluation Reserve	(1,280)	(1,082)
<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>(641)</b>	<b>12,647</b>
<b>Capital financing applied in the year:</b>		
Use of the Capital Receipts Reserve to finance new capital expenditure	(2,723)	(1,192)
Use of the Major Repairs Reserve to finance new capital expenditure	(4,274)	(4,764)
Capital grants and contributions credited to the CI&E Statement that have been applied to capital financing	(3,028)	(1,666)
Application of grants to capital financing from the Capital Grants Unapplied Account	(204)	(1,037)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(1,551)	(1,448)
Reduction in lease liabilities	0	0
Capital expenditure charged against the General Fund & HRA balances	(4,856)	(1,378)
	<b>(16,636)</b>	<b>(11,485)</b>
<b>Balance at 31 March</b>	<b>(204,711)</b>	<b>(187,434)</b>

### 35.5 Financial Instruments Adjustment Reserve

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

	2016/17	2015/16
	£000	£000
<b>Financial Instrument Adjustment Reserve</b>		
<b>Balance at 1 April</b>	<b>505</b>	<b>73</b>
Proportion of premiums incurred in previous Financial Years charged against General Fund balance in accordance with statutory requirements	51	432
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year accordance with statutory requirements	51	432
<b>Balance at 31 March</b>	<b>556</b>	<b>505</b>

### 35.6 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.

	2016/17	2015/16
	£'000	£'000
<b>Pension Reserve</b>		
Liability at Beginning of the Period	49,412	53,727
Re-measurement of the net defined benefit liability	18,642	(7,338)
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	4,958	5,243
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,305)	(2,220)
<b>Balance at 31 March</b>	<b>70,707</b>	<b>49,412</b>

## 35.7 Revaluation Reserve

The Revaluation Reserve contains the gains made by the authority arising from increases in the value of its Property, Plant and Equipment [and Intangible Assets]. 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

	2016/17 £000	2015/16 £000
<b>Revaluation Reserve</b>		
<b>Balance at 1 April</b>	<b>(16,477)</b>	<b>(14,826)</b>
Upward revaluation of assets	(31,605)	(2,969)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	133	236
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(31,472)	(2,733)
Difference between fair value depreciation and historical cost depreciation	1,014	904
Accumulated gains on assets sold or scrapped	266	178
Amount written off to the Capital Adjustment Account	1,280	1,082
<b>Balance at 31 March</b>	<b>(46,669)</b>	<b>(16,477)</b>

## Note 36. Contingent Liabilities

The Council has resolved and is progressing the refurbishment of Exmouth Town Hall (to be completed in November 2017) and to building a new HQ building at Heathpark, Honiton (to be completed in December 2018). The total gross budget approved for this project is £10.361m plus a further sum of £0.225m to fund a direct access road to the new Headquarters building past the East Devon Business Centre. This expenditure is to be mainly funded from an expected receipt from the sale of the Council's existing offices at the Knowle in Sidmouth which is subject to a conditional sale agreement with a developer for a minimum sum of £7.505m. Should this sale not proceed the Council has still resolved to sale the Knowle but there is uncertainty in relation to how much capital receipt for the sale would be received. The financial implications and mitigations were considered by Council in making the decision to progress with this project.

## Note 37. Contingent Assets

### Section 106 Receipts

The potential receipts from for section 106 payments for planning applications given to the end of March 2017 currently stand at £26.408m.

## Housing Revenue Income and Expenditure Statement for the Year Ended 31 March 2017

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

	HRA Note	2016/17 £'000	2015/16 £'000
<b>Income</b>			
Dwelling Rents (Gross)		(17,610)	(17,744)
Non Dwelling Rents (Gross)		(445)	(714)
Charges for Services & Facilities		(496)	(482)
Contributions Received Towards Expenditure		(1,539)	0
Sums Directed by Secretary of State that are Income in Accordance with the Code		0	0
<b>Total Income</b>		<b>(20,090)</b>	<b>(18,940)</b>
<b>Expenditure</b>			
Repairs and Maintenance		4,037	4,495
Supervision and Management		4,354	4,138
Rents, Rates, Taxes and Other Charges		40	23
Negative Subsidy – Payments to Secretary of State		0	0
Increase in Allowance for Bad and Doubtful Debts		(10)	3
Depreciation and Impairment of Fixed Assets	6	6,224	579
Other Comprehensive Income & Expenditure		273	0
Sums Directed by Secretary of State that are Expenditure in Accordance with the Code		0	0
<b>Total Expenditure</b>		<b>14,918</b>	<b>9,238</b>
<b>Net Expenditure/(Income) of HRA Services as Included in the Comprehensive Income &amp; Expenditure Statement</b>		<b>(5,172)</b>	<b>(9,702)</b>
Non-distributable Costs – Pensions Past Service Cost		134	125
HRA Share of Corporate and Democratic Core		940	853
<b>Net Expenditure/(Income) of HRA Services</b>		<b>(4,098)</b>	<b>(8,724)</b>
<b>HRA Share of Operating Income and Expenditure Included in the Comprehensive Income &amp; Expenditure Account</b>			
(Gain)/Loss on Disposal of Non-Current Assets		(1,053)	(737)
(Gain) or loss on revaluation of Non-Current assets		(7,052)	0
Interest and Investment Income		(39)	(35)
Interest Payments		2,552	2,559
Net Interest on the Net Defined Benefit Liability		305	301
Capital Grants and Contributions Received		(1,418)	0
<b>(Surplus)/Deficit for the Year on HRA Services</b>		<b>(10,803)</b>	<b>(6,636)</b>

## Statement of Movement on the Housing Revenue Account for the Year Ended 31 March 2017

The HRA Income and Expenditure Statement shows the actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the authority is required to raise rents on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the property, plant and equipment are consumed.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

These adjustments are reflected in the statement shown below.

HRA Note	2016/17 £'000	2015/16 £'000
<b>Balance as at 1 April</b>	(5,135)	(4,966)
Movement in Reserves:		
Surplus/(Deficit) on Provision of Services	(10,803)	(6,636)
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>(15,938)</b>	<b>(11,602)</b>
<b>Adjustments Between Accounting Basis and Funding Basis Under Regulations:</b>		
Capital Grants and Contributions Applied	1,418	0
Revenue Expenditure Funded from Capital Under Statute	0	0
Depreciation and Impairment of Non-current Assets	(6,224)	(579)
Reversal of Employee Leave Accrual	0	10
Reversal Revaluation & Impairment (Gains)/Losses on Property Plant & Equipment	7,052	0
Amounts of non-current assets written off on sale as part of the gain on disposal to the Comprehensive Income and Expenditure Statement	(2,376)	(1,036)
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	3,429	1,773
Revenue Contribution to Capital	266	24
Transfer to/(from) Major Repairs Reserve	4,274	4,764
Minimum revenue Provision	1,490	1,029
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and expenditure Statement	(843)	(875)
Employer's Pension Contributions to Pension Fund Payable in the year	382	357
<b>Total Adjustments Between Accounting Basis and Funding Basis Under Regulations</b>	<b>8,868</b>	<b>5,467</b>
<b>Net Increase/(Decrease) Before Transfers to Earmarked Reserves</b>	<b>8,868</b>	<b>5,467</b>
Transfer (to)/from Earmarked Reserves	0	1,000
<b>Increase/(Decrease) in Year</b>	<b>8,868</b>	<b>6,467</b>
<b>Balance as at 31 March</b>	<b>(7,070)</b>	<b>(5,135)</b>

## HRA Note 1. Rents

This is the total rent income collectable for the year after allowance is made for empty properties and irrecoverable amounts. Empty properties accounted for 1.54% (£277k) of the gross rents. In 2015/16 the figure was 1.86% (£345k).

The average weekly rent for dwellings was £81.49 in 2016/17 (£81.89 in 2015/16). The average weekly rent for garages was £11.79.

## HRA Note 2. Rent Arrears

There was an increase of £6,000 in rent arrears and £10,000 decrease in bad debt provision for the year ended 31 March 2017.

	2016/17 £'000	2015/16 £'000
Rents - Current Tenants	186	189
Rents - Former Tenants	50	51
<b>Total Arrears</b>	<b>236</b>	<b>240</b>
Provision for Bad and Doubtful Debts	(50)	(60)
<b>Total Housing Arrears</b>	<b>186</b>	<b>180</b>
<b>Arrears as a percentage of Total Rent Debit</b>	<b>1.03%</b>	<b>1.29%</b>

## HRA Note 3. Housing Stock

The authority was responsible for managing on average 4,215 dwellings during 2016/17. The stock at the year-end was made up as follows:

	31-Mar-16	Reclassified	Additions	Sales & Demolitions	31-Mar-17
Flats & Maisonettes	1,212	0	1	(2)	1,211
Houses (including non-traditional)	2,017	0	11	(26)	2002
Bungalows	988	0	0	0	988
House in multiple occupation	1	0	0	0	1
Other properties not used as dwellings	4	1	0	0	5
<b>Total Dwellings</b>	<b>4,222</b>	<b>1</b>	<b>12</b>	<b>(28)</b>	<b>4207</b>

## HRA Note 4. Housing Property, Plant and Equipment

The Housing Stock and other Housing Revenue Account Assets are included in the Balance Sheet at 31 March 2017 at a value of £231.890m (£195.825m at 1 April 2016). A desktop revaluation of the authority's dwellings as at 31 March 2017 was undertaken and has resulted in the updated beacon values used in the accounts..

2016/17	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b><u>Cost/Valuation</u></b>							
As of the beginning of the period	242,900	4,822	715	155	0	0	248,592
Additions	7,297	1,041	0	0	0	0	8,338
Depreciation written out to Gross Carrying Amount on Revaluation	(52,663)	0	0	0	0	0	(52,663)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	29,274	0	0	0	0	0	29,274
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	7,052	0	0	0	0	0	7,052
Impairment recognised in the Surplus/Deficit on the Provision of Services	(4,890)	0	0	0	0	0	(4,890)
Reclassifications	0	0	0	0	0	0	0
Disposals (to Assets Held for Sale)	(1,703)	(1,041)	0	0	0	0	(2,744)
Disposals (Other)	0	0	0	0	0	0	0
<b>As of the end of the period</b>	<b>227,267</b>	<b>4,822</b>	<b>715</b>	<b>155</b>	<b>0</b>	<b>0</b>	<b>232,959</b>
<b><u>Accumulated Depreciation</u></b>							
As of the beginning of the period	(51,837)	(266)	(663)	0	0	0	(52,766)
Depreciation charge	(1,194)	(95)	(45)	0	0	0	(1,334)
Reclassifications	0	0	0	0	0	0	0
Depreciation written out to Gross Carrying Amount on Revaluation	14,499	0	0	0	0	0	14,499
Depreciation written out to Gross Carrying Amount on Impairment	38,164	0	0	0	0	0	38,164
Disposals (to Assets Held for Sale)	368	0	0	0	0	0	368
Disposals (Other)	0	0	0	0	0	0	0
<b>As of the end of the period</b>	<b>0</b>	<b>(361)</b>	<b>(708)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,069)</b>
<b>Net Book Value at 31 March 2016</b>	<b>227,267</b>	<b>4,461</b>	<b>7</b>	<b>155</b>	<b>0</b>	<b>0</b>	<b>231,890</b>

2015/16

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b><u>Cost/Valuation</u></b>							
As of the beginning of the period	238,117	4,823	715	155	0	0	243,810
Additions	5,222	0	0	0	0	0	5,222
Depreciation written out to Gross Carrying Amount on Revaluation							0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(439)	0	0	0	0	0	(439)
Impairment recognised in the Surplus/Deficit on the Provision of Services		0					0
Reclassifications	0	0	0	0	0	0	0
Disposals (to Assets Held for Sale)	(1,036)	0	0	0	0	0	(1,036)
Disposals (Other)	0	0	0	0	0	0	0
<b>As of the end of the period</b>	<b>241,864</b>	<b>4,823</b>	<b>715</b>	<b>155</b>	<b>0</b>	<b>0</b>	<b>247,557</b>
<b><u>Accumulated Depreciation</u></b>							
As of the beginning of the period	(50,802)	(171)	(619)	0	0	0	(51,592)
Depreciation charge	(1,139)	(95)	(45)	0	0	0	(1,279)
Reclassifications	0	0	0	0	0	0	0
Depreciation written out to Gross Carrying Amount on Revaluation	0	0	0	0	0	0	0
Disposals (to Assets Held for Sale)	0	0	0	0	0	0	0
Disposals (Other)	1,139	0	0	0	0	0	1,139
<b>As of the end of the period</b>	<b>(50,802)</b>	<b>(266)</b>	<b>(664)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(51,732)</b>
<b>Net Book Value at 31 March 2015</b>	<b>191,062</b>	<b>4,557</b>	<b>51</b>	<b>155</b>	<b>0</b>	<b>0</b>	<b>195,825</b>

## HRA Note 5. Vacant Possession Value of HRA Dwellings

Council dwellings had a valuation of £642.843 million as at 1 April 2017 on the basis of existing use value assuming vacant possession. To comply with the requirements of the Resource Accounting regulations, a regional adjustment factor of 35% has to be applied to the Existing Use Value for Social Housing (EUV-SH) valuation. This is to reflect the fact that local authority housing is let at sub-market rents. The reduction in value shows the economic cost to the Government of providing council housing at less than open market rents.

## HRA Note 6. Average Costs per Dwelling

The table below shows the average cost per dwelling of the principal expenditure types and an average rent income.

<b>Type of Cost / Income</b>	<b>2016/17 £'000</b>	<b>2015/16 £'000</b>
Supervision & Management - General	1,033	1,205
Repairs & Maintenance	958	973
Rent un-rebated	(4,178)	(4,094)

## HRA Note 7. Major Repairs Reserve

Regulation 7(5) of the Accounts and Audit Regulations 2003 (as amended) establishes arrangements for the Major Repairs Reserve (MRR) under which the MRA is effectively restricted to being applied towards new capital expenditure, the repayment of debt or meeting liabilities under credit arrangements. The regulation requires a credit to the MRR of an amount in respect of the depreciation charged to the Housing Revenue Account for the year. Together with the Item 8 Determination provisions for transferring the difference between the MRA and depreciation to the MRR, the net effect is to credit a net amount equal to the MRA each year to the MRR.

<b>Major Repairs Reserve</b>	<b>2016/17 £'000</b>	<b>2015/16 £'000</b>
Balance as at 1 April	0	0
<b>Income</b>		
Depreciation	(1,194)	(1,279)
Additional HRA Contribution	(3,696)	(3,485)
<b>Expenditure</b>		
Major Repairs Expenditure	4,890	4,764
<b>Balance as at 31 March</b>	<b>0</b>	<b>0</b>

## HRA Note 8. Capital Expenditure

Capital expenditure within the HRA for 2016/17 and how it was funded is shown below:

<b>Capital Expenditure</b>	<b>2016/17 £'000</b>	<b>2015/16 £'000</b>
Reroofing	211	92
New Affordable Housing	3,447	50
Aids & Adaptations	414	408
Kitchens & Bathrooms	823	726
Doors, Windows, Soffits and Fascias	503	835
Heating	507	1321
Decent Homes and Other Capital Schemes	2,451	1790
<b>Total Capital Expenditure</b>	<b>8,356</b>	<b>5,222</b>
<b>Financed by:</b>		
Capital Receipts	(3,770)	(434)
Major Repairs Reserve	(4,274)	(4,764)
Capital Grants	(46)	0
Revenue Contributions	(266)	(24)
<b>Total Financing</b>	<b>(8,356)</b>	<b>(5,222)</b>

## HRA Note 9. Capital Receipts

Capital receipts during the year from disposals of land and houses within the HRA are as follows:

<b>Capital Receipts</b>	<b>2016/17 £'000</b>	<b>2015/16 £'000</b>
Sale of HRA Dwellings -Right To Buy	(2,388)	(1,332)
Sale of HRA Other land and Buildings	(1,042)	0
Mortgage Repayments	(1)	(1)
Miscellaneous Sales	0	(3)
<b>Total Capital Receipts</b>	<b>(3,431)</b>	<b>(1,336)</b>

## HRA Note 10. HRA share of contributions to/from the Pension Reserve

The authority's pension fund reserve liability increased to £68.165m from £48.173m during 2015/16. It has been estimated that 17.98% of the authority's salary costs relate to the HRA, therefore the HRA's share of the overall pension deficit equates to £12.256m.

**Collection Fund - Income and Expenditure Account 2016/17**

	<b>Business Rates</b>	<b>Council Tax</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Income</b>			
council tax (net)	0	(93,780)	(93,780)
NDR collectable from business ratepayers	(33,399)	0	(33,399)
<b>Total Income</b>	<b>(33,399)</b>	<b>(93,780)</b>	<b>(127,179)</b>
<u>Contributions to previous year's estimated deficit</u>			
Central Government	(662)	0	(662)
Devon County authority	(119)	0	(119)
East Devon District authority	(530)	0	(530)
Devon & Somerset Fire & Rescue authority	(13)	0	(13)
	<b>(34,723)</b>	<b>(93,780)</b>	<b>(128,503)</b>
<b>Expenditure</b>			
<u>Precepts, Demands and Shares</u>			
Central Government	16,654	0	16,654
Devon County authority	2,998	68,115	71,113
Devon & Cornwall Police authority	0	9,749	9,749
East Devon District authority (including towns & parishes)	13,324	9,890	23,214
Devon & Somerset Fire & Rescue authority	333	4,511	4,844
<u>Contributions to previous year's estimated surplus</u>			
Devon County authority	0	1,107	1,107
Devon & Cornwall Police authority	0	162	162
East Devon District authority	0	156	156
Devon & Somerset Fire & Rescue authority	0	75	75
<u>Charges to Collection Fund</u>			
Transitional protection payments	168	0	168
Cost of Collection Allowance	227	0	227
Write offs	83	23	106
Adjustment to Bad Debt provision	126	0	126
Adjustment to Appeals provision	(1,790)	0	(1,790)
Backdated appeals spreading adjustment	0	0	0
Renewable Energy Schemes	242	0	242
<b>Total Expenditure</b>	<b>32,365</b>	<b>93,788</b>	<b>126,153</b>
Movement on fund balance	(2,358)	8	(2,350)
Balance at beginning of Year	2,313	(4,972)	(2,659)
<b>Balance at end of Year</b>	<b>(45)</b>	<b>(4,964)</b>	<b>(5,009)</b>
<b>Shares of Balance</b>			
Devon County Council	(4)	(3,669)	(3,673)
Devon & Cornwall Police Authority	0	(515)	(515)
East Devon District Council (including Parishes)	(18)	(541)	(559)
Devon & Somerset Fire & Rescue Service	(1)	(239)	(240)
DCLG	(22)	0	(22)
	<b>(45)</b>	<b>(4,964)</b>	<b>(5,009)</b>

**Collection Fund - Income and Expenditure Account 2015/16**

	<b>Business Rates</b>	<b>Council Tax</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Income</b>			
council tax (net)	0	(88,807)	(88,807)
NDR collectable from business ratepayers	(32,392)	0	(32,392)
Transitional protection payments	(60)	0	(60)
<b>Total Income</b>	<b>(32,452)</b>	<b>(88,807)</b>	<b>(121,259)</b>
<u>Contributions to previous year's estimated deficit</u>			
Central Government	(792)	0	(792)
Devon County authority	(143)	0	(143)
East Devon District authority	(634)	0	(634)
Devon & Somerset Fire & Rescue authority	(16)	0	(16)
	<b>(34,037)</b>	<b>(88,807)</b>	<b>(122,844)</b>
<b>Expenditure</b>			
<u>Precepts, Demands and Shares</u>			
Central Government	16,168	0	16,168
Devon County authority	2,911	64,205	67,116
Devon & Cornwall Police authority	0	9,369	9,369
East Devon District authority (including towns & parishes)	12,935	9,060	21,995
Devon & Somerset Fire & Rescue authority	323	4,336	4,659
<u>Contributions to previous year's estimated surplus</u>			
Devon County authority	0	738	738
Devon & Cornwall Police authority	0	108	108
East Devon District authority	0	104	104
Devon & Somerset Fire & Rescue authority	0	50	50
<u>Charges to Collection Fund</u>			
Cost of Collection Allowance	227	0	227
Write offs	96	134	230
Adjustment to Bad Debt provision	38	0	38
Adjustment to Appeals provision	(106)	0	(106)
Backdated appeals spreading adjustment	707	0	707
Renewable Energy Schemes	198	0	198
<b>Total Expenditure</b>	<b>33,497</b>	<b>88,104</b>	<b>121,601</b>
Movement on fund balance	(540)	(703)	(1,243)
Balance at beginning of Year	2,853	(4,269)	(1,416)
<b>Balance at end of Year</b>	<b>2,313</b>	<b>(4,972)</b>	<b>(2,659)</b>
<b>Shares of Balance</b>			
Devon County Council	208	(3,670)	(3,462)
Devon & Cornwall Police Authority	0	(529)	(529)
East Devon District Council (including Parishes)	925	(528)	397
Devon & Somerset Fire & Rescue Service	23	(245)	(222)
DCLG	1,157	0	1,157
	<b>2,313</b>	<b>(4,972)</b>	<b>(2,659)</b>

## Note 1. General

This account represents the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to Non-Domestic Rates, council tax and the distribution to the major preceptors and the General Fund. The account is consolidated with other accounts of the Council.

In 2013/14 there was a change to the method for distributing and accounting for business rates income. Prior to 1<sup>st</sup> April 2013 Non-Domestic Rates were collected by the Council and then completed paid over to the Government, who then redistributed these sums across the country in the form of the Non-Domestic rates grant.

From 1<sup>st</sup> April 2013 Business Rates Retention applies, whereby local authorities East Devon District Council (40%), Devon County Council (9%) and Devon & Somerset Fire & Rescue authority (1%) retain 50% of the business rates collected for the area and pay the remaining 50% to central government. In addition the government has set a level of business rates funding deemed to be applicable to each area and every Council receives a top-up (if business rates collected are below this deemed level of funding) or pays a tariff (if business rates collected are above this deemed level of funding).

With the introduction of business rates retention if a local authority increases its business rates base, and thereby increases its business rate income, it is allowed to retain a proportion of this increased income, whilst paying up to a maximum of 50% across to central government. This payment where it occurs is known as a levy payment.

## Note 2. Business Rates

Business Rates is a local tax that is paid by the occupiers of all non-domestic/business property.

Business rates are calculated and collected by the Council. The Government specifies an amount (49.7p in 2016/17; 48.4p for small businesses) and, subject to the effects of transitional arrangements, local businesses pay NNDR calculated by multiplying their rateable value by that amount. The income raised in East Devon is distributed between East Devon District Council, Devon County Council, Devon & Somerset Fire & Rescue authority and Central Government in line with the distribution rules set out in Business Rates legislation.

NNDR income was £33.4m in 2016/17. The rateable value for the Council's area was £92.09m at 31 March 2017 VOA valuation (2015/16: £88.7m).

## Note 3. Provision for Un-collectable Amounts

Provision has been made within the accounts for un-collectable amounts based on guidelines. At the end of 2016/17 the accumulated provision for bad debts stood at £0.582m (£0.455m for 2015/16) made up as follows:

	2016/17	2015/16
	£'000	£'000
<b>Provision for Uncollectable Amounts</b>		
Non Domestic Rates	308	181
Council tax	274	274
<b>Total Provision</b>	<b>582</b>	<b>455</b>

#### Note 4. Council tax Base

The Council tax Base, for tax setting purposes, is calculated by reference to the number of chargeable dwellings in each valuation band, adjusted for dwellings where discounts apply and adjustments made for exempt properties and anticipated amendments. This is then converted to an equivalent number of band D dwellings which is the amount the authority estimates would actually be collected if a tax of £1 is set. The figures for 2016/17 are:

<b>Band</b>	<b>Estimated equivalent no. of taxable properties after effect of discounts</b>	<b>Ratio</b>	<b>Band D Equivalent Dwellings</b>
A*	12	5/9ths	7
A	3,822	6/9ths	2,548
B	9,395	7/9ths	7,307
C	12,273	8/9ths	10,909
D	10,536	9/9ths	10,536
E	9,114	11/9ths	11,139
F	5,649	13/9ths	8,160
G	3,674	15/9ths	6,123
H	162	18/9ths	324
<b>Totals</b>	<b>54,637.00</b>		<b>57,053</b>
Adjustment for collection rate and contributions in lieu (-1.4%)			(799)
Contribution from MOD Properties			150
<b>Council Tax Base 2016/17</b>			<b>56,404</b>
<b>Council Tax Base 2015/16</b>			<b>55,289</b>

A\* = Disabled Band A

The Council tax payable at each band is shown below. This does not include parishes.

<b>Band</b>	<b>Multiplier</b>	<b>East Devon District Council</b>	<b>Devon County Council</b>	<b>Devon &amp; Cornwall Police Authority</b>	<b>Devon &amp; Somerset Fire &amp; Rescue Service</b>	<b>Total</b>
A	6/9ths	84.52	805.08	115.23	53.32	1,058.15
B	7/9ths	98.61	939.26	134.43	62.21	1,234.51
C	8/9ths	112.69	1,073.44	153.64	71.09	1,410.86
D	9/9ths	126.78	1,207.62	172.84	79.98	1,587.22
E	11/9ths	154.95	1,475.98	211.25	97.75	1,939.93
F	13/9ths	183.13	1,744.34	249.66	115.53	2,292.66
G	15/9ths	211.30	2,012.70	288.07	133.30	2,645.37
H	18/9ths	253.56	2,415.24	345.68	159.96	3,174.44

# Annual Governance Statement 2016/2017

## ANNUAL GOVERNANCE STATEMENT

For the year ended 31<sup>st</sup> March 2017

### 1. Corporate Governance

Corporate Governance is about how the Council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. Good governance ensures that the Council provides for effective leadership and management in the use of public money; ensures the delivery of high quality services to all taxpayers and citizens; and achieves the desired outcomes for service users and communities.

East Devon District Council acknowledges its responsibility for ensuring that there is a sound system of governance. The Council has developed a Local Code of Corporate Governance that defines the principles that underpin the governance of the organisation. The Code can be accessed on the Council's website at <http://eastdevon.gov.uk/council-and-democracy/council-business/our-key-policies/code-of-corporate-governance/purpose-and-scope-of-the-policy/> or can be obtained by writing to the Council. The principles upon which it is based are summarised in this Statement.

### 2. The Annual Governance Statement

The Accounts & Audit (England) Regulations 2015 require the Council to prepare and publish an annual governance statement. This is a public document that reports on the extent to which the Council complies with its own code of corporate governance. The Annual Governance Statement explains how the Council makes decisions; manages its resources in line with the Council's priorities; and achieves the required outcomes for service users and communities.

In the Annual Governance Statement the Council:

- Acknowledges its responsibility for ensuring that there is a sound system of governance
- Summarises the key elements of the governance framework and the roles of those responsible for the development and maintenance of the governance environment
- Describes how the Council has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period (Appendix 1)
- Provides details of how the Council has responded to any issue(s) identified in last year's governance statement
- Reports on any significant governance issues identified from this review and provides a commitment to addressing them (Section 6)

### 3. The Governance Framework

#### Scope of Responsibility:

East Devon District Council is responsible for ensuring that:

- Business is conducted in accordance with the law and proper standards
- Public money is safeguarded, properly accounted for and used economically, efficiently and effectively

The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

### **Purpose of the Governance Framework:**

The Council's governance framework comprises the systems, processes, cultures and values by which the Council is directed and controlled and activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money. The framework aims to ensure that in conducting its business the Council:

- Operates in a lawful, open, inclusive and honest manner
- Makes sure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively
- Has effective arrangements for the management of risk
- Secures continuous improvements in the way that it operates

### **The Governance Framework:**

The governance framework sets out how the Council is operating in order to demonstrate compliance, ongoing improvement, its commitment to maintaining the highest ethical standards and levels of governance. The governance framework has been in place at East Devon District Council for the year ended 31 March 2017 and up to the date of approval of the statement of accounts.

The Council has based its governance framework on the CIPFA/SOLACE guidance 2016 'Delivering Good Governance in Local Government'. The framework sets out seven core principles for good governance. Appendix 1 provides a summary of key elements of the Council's governance framework and how they relate to the seven principles.

## **4. Review of Effectiveness**

East Devon District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of:

- Internal Audit (SWAP) Annual Report and Opinion 2016/17– Report presented to Audit & Governance Committee 29<sup>th</sup> June 2017 giving reasonable assurance. Key areas for improvement have been picked up within this Statement in Section 6.
- External audit and inspection (KPMG) – a Report will presented to the Audit Governance Committee in September 2017 but no areas of concern are expected to be raised.
- A specific review of the effectiveness of internal control and compliance to the governance framework undertaken in May 2017 through the completion of assurance statements by the Strategic Management Team. These were then reviewed by the Assistant Director for SWAP, the Strategic Lead Finance (CFO/S151), the Monitoring Officer, Chief Executive and the

Chairman and Vice Chairman of the Audit & Governance Committee for compliance and any apparent organisational improvements are included in this Statement.

- The mechanisms for maintaining and reviewing the effectiveness of the system of internal control throughout the year include.
  - Cabinet is responsible for considering overall financial and performance management and receives comprehensive budget monitoring reports on a frequent basis and Council service performance reports.
  - Overview & Scrutiny Committees hold the Cabinet Committee to account.
  - The Standards Committee meets quarterly when required and at every meeting considers an update report on complaints against councillors which includes learning points and recommended actions. The Committee also keeps under review the Council's policies and procedures for maintaining high ethical standards.
  - The Audit & Governance Committee meet five times a year to provide independent assurance to the Council in relation to the effectiveness of the risk management and internal control environment.
  - The South West Audit Partnership provides an independent and objective assurance service (Internal Audit function) to the Council and completes a programme of reviews each year to inform an opinion on the internal control, risk management and governance arrangements. The service undertakes any fraud investigation and proactive fraud detection work which includes reviewing the control environment in areas where suspected fraud or irregularity has occurred.

The results of the annual review of the effectiveness of the key elements of the Council's governance processes during 2016-17 are set out in the table in Appendix 1.

## **5. Significant Governance Issues - Issues raised in 2015/16 Annual Governance Statement**

Issues raised in last year's Annual Governance Statement related to two specific SWAP investigations within the year. Appropriate actions were reported as having been taken at the time of the audits and no remaining actions are outstanding.

A further weakness was raised in 2015/16 by the Council's external auditors following an objection to the Accounts from a member of the public which resulted in recommendations being agreed on the recording, reporting and accounting for S106 commitments. An update report was reported to Audit & Governance in June 2017 to give members assurance that the necessary improvements in procedures had been made.

## **6. Significant Governance Issues – Issues raised in 2016/17 Annual Governance Statement**

Worth noting from this year's review indicating additional improvements to governance arrangements include:

- A SWAP audit was completed on Committee Decisions which was given a substantial assurance opinion.

- A revised Code of Corporate Governance was reviewed by the Audit & Governance Committee and adopted by Cabinet based on the CIPFA/SOLACE guidance 2016 'Delivering Good Governance in Local Government'.
- SWAP rated the Council with a High Assurance opinion under its recent Combined Assurance – Healthy Organisation assessment. This assurance considers all critical activities and key risks of the Council.
- A number of key policies were reviewed and adopted in the year including Whistle-blowing, Anti-Fraud, Theft and Corruption Policy and Anti-Money Laundering.

Key issues identified in the annual review in relation to improvements required in governance arrangements or internal control procedures are given in the table below.

<b>Key Issue to be addressed</b>	<b>Responsible Officer</b>	<b>Date for implementation</b>
<b>Contract Standing Orders (CSO) &amp; Financial Regulations (FR) require reviewing and updating</b>	Strategic Lead Finance	CSO June/Sept 2017 FR Dec 2017
<b>Recommendations identified in SWAP report on Major Projects as highlighted in the Healthy Organisation Assessment. There will be SWAP follow up 2017/18.</b>	Strategic Lead Finance	September 2017
<b>Recommendations identified in SWAP report on Procurement Audit and highlighted in the Healthy Organisation Assessment. There will be SWAP follow up in 2017/18.</b>	Strategic Lead Finance	September 2017
<b>Completion of Business Continuity Plan</b>	Strategic Lead Housing & Environment	December 2017

Signed & Dated

**Chief Executive 21/9/2017**

Signed & Dated

**Leader of the Council 21/9/2017**

## Appendix 1 – Assessment of key controls

<p><b>CORE PRINCIPLE A</b>  <b>Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.</b></p>	
<p><b>Supporting Principles</b></p>	<p><b>Assessment of the effectiveness of key elements of the Council’s governance processes during 2016-17</b></p>
<p><b>Behaving with Integrity</b></p> <p><b>Demonstrating strong commitment to ethical values</b></p> <p><b>Respecting the rule of law</b></p>	<p>The Council has a robust Constitution in place that sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, proportionate, transparent and accountable. The Constitution was reviewed during 2016/17; this included revisions to the scheme of delegation to Senior Members and Officers.</p> <p>The Constitution contains the Code of Conduct for staff and members. Officers have a clear understanding of their roles and responsibilities through an approved scheme of delegation and through job descriptions and person specifications. All staff have been asked to confirm that they had read and understood the Code of Conduct and is included in the induction for new members and staff.</p> <p>Registers of gifts &amp; hospitality and member &amp; officer interests were maintained. Individual members' interests are published on the Council’s website.</p> <p>The Council has effective arrangements in place for dealing with complaints against members of East Devon District Council. Allegations that a member has failed to comply with the Code of Conduct are assessed initially by the Monitoring Officer, in consultation with an Independent Person, in order to decide whether the allegations merit investigation or another course of action. Details of complaints and the findings of any investigations are reported to the Standards Committee.</p> <p>The Standards Committee comprises five Members of East Devon District Council plus four non-voting independent Persons and regulates and oversees the Code of Conduct. The Committee took an active approach to ensuring high levels of good governance, ethical behaviour and transparency throughout the Council’s decision making processes. The Scrutiny Committee monitored and scrutinised the performance and decision making of the authority.</p> <p>All Legal and Financial advice supporting recommendations made to Council committees are documented.</p> <p>The Council has an appointed Corporate Counter Fraud &amp; Compliance Manager and a report of outcomes for 2016/17 and strategy for 2017/18 has been reviewed by the Strategic Management Team and will be reported to Cabinet.</p> <p>The Council has a whistle-blowing, Anti-Fraud and Corruption Policy and Anti-Bribery Policy.</p> <p>The Council has a designated Monitoring Officer whom ensures compliance with established policies, procedures, laws and regulations. After consulting with the Head of Paid Service and Chief Finance Officer the Monitoring Officer will report to the full Council if it is considered that any proposal,</p>

	<p>decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered. The Council also conforms to the requirements of the CIPFA statement on the Role of the Chief Financial Officer in Local Government.</p> <p>Every contract that the Council enters into adheres to the Public Contract Regulations 2015 and follows Contract Standing Orders and requires high standards of transparency and ethics.</p>
<p><b>CORE PRINCIPLE B</b>  <b>Ensuring openness and comprehensive stakeholder engagement</b></p>	
<p><b>Supporting Principles</b></p>	<p><b>Assessment of the effectiveness of key elements of the Council's governance processes during 2016-17</b></p>
<p><b>Openness</b></p> <p><b>Engaging comprehensively with other organisations that the council needs to work with to improve services and outcomes</b></p> <p><b>Engaging with individual citizens and service users effectively citizens</b></p>	<p>The Council Plan for 2016-20 sets out our main priorities and forms the focus of all that we aim to achieve by 2020.</p> <p>Delivery of the Council Plan is supported by a performance framework with service plans and individual targets for staff agreed through the Performance Framework which is recorded and monitored through the Council's performance management systems. Delivery of the Council Plan is monitored by the Overview and Scrutiny Committees. These Committees drive the scrutiny process on behalf of the public with a view to improving the delivery of public services.</p> <p>Council Plan outcomes for the year are presented in the Annual report.</p> <p>The Council has a communication Plan 2016-20 which amongst other items sets out we will;</p> <ul style="list-style-type: none"> <li>- continue to keep our website up to date using our adopted principles so that the information clear and easy to find</li> <li>- write policies and strategies for intranet and web</li> <li>- involve residents in deciding what good public services means to them</li> <li>- make the most of opportunities for communities and councils to improve their local areas</li> <li>- tailor our communications to specific audiences using different ways to suit different people (for example, some people prefer social media whereas others prefer a newsletter so we will take this into account and monitor how effective we are)</li> <li>- Rigorous use of Communication and Consultation Plans at the outset of larger projects.</li> </ul> <p>The Council has an Engagement Policy and evidence of such engagement can be seen from the Council's viewpoint survey.</p> <p>The Council complies with the Local Government Transparency Code 2015 and the Freedom of Information Act publication scheme and has a stated position towards transparency - In 2014/15 32 reports were considered in Part B of committee agendas, this reduced to only 2 in 2015/16.</p>

**CORE PRINCIPLE C****Defining outcomes in terms of sustainable economic, social, and environmental benefits****Supporting Principles****Assessment of the effectiveness of key elements of the council's governance processes during 2016-17****Defining outcomes  
Sustainable economic,  
social and  
environmental benefits**

The Council Plan for 2016-20 includes priorities and outcomes: Encouraging communities to be outstanding, developing an outstanding local economy, delivering and promoting our outstanding environment and continuously improving to be an outstanding Council.

Delivery of the Council Plan is supported by a performance framework with service plans and individual targets for staff agreed through the Performance Framework which is recorded and monitored through the Council's performance management systems

The Procurement Strategy sets out how the Council will procure goods, works and services by the most economic, efficient, effective and sustainable means to ensure that the needs of the community are met, within a clear framework of accountability and responsibility.

The Council has an adopted Local Plan.

**CORE PRINCIPLE D****Determining the interventions necessary to optimise the achievement of the intended outcomes****Supporting Principles****Assessment of the effectiveness of key elements of the council's governance processes during 2016-17****Determining  
interventions**

The Council operates a Cabinet system including delegation to Lead Members who are members of the Cabinet as defined in the Council's Constitution with a range of thematic portfolios. This gives a clearly defined decision making process.

**Planning interventions****Optimising  
achievement of  
intended outcomes**

The Council's Constitution contains details of the respective roles and responsibilities of elected members, named officer roles and all officers employed by the Council. The Council's Constitution lists statutory roles for officers which ensure legality, financial prudence and transparency in decisions and transactions.

The Council operates an Overview and Scrutiny function. Members can "call in" decisions that have been made but not yet implemented, to enable them to consider whether the decision has been taken in accordance with the Council's decision making principles. The Budget and Public Policy framework is detailed in the Council's Constitution.

The Scrutiny Committee monitors and scrutinises the performance and decision making of the authority. They may make recommendations to the Full Council.

The Council has a robust organisational approach to business planning and performance management. A Performance Framework exists with monthly and quarterly performance monitoring and publication including financial monitoring.

	The Council has an adopted Financial Plan (2017 – 2022) linked to its Transformation Strategy. The Council annual budget approval involves significant Councillor involvement before adoption.
<b>CORE PRINCIPLE E</b> <b>Developing the entity’s capacity, including the capability of its leadership and the individuals within it</b>	
<b>Supporting Principles</b>	<b>Assessment of the effectiveness of key elements of the Council’s governance processes during 2016-17</b>
<b>Developing the entity’s capacity</b>	A corporate Member’s induction programme is in place and ongoing training for Members includes the member code of conduct, personal safety and procedures.
<b>Developing the entity’s leadership</b>	The Council has investors in people Gold award recognising good policies and procedures are in place and working well which externally validated.
<b>Developing the capability of individuals within the entity</b>	This includes having in place a performance framework covering all officers including an appraisal system with targeted, relevant training.  There are regular team meetings, and one to ones. The Authority implements the national agreement on pay and conditions of service. The Authority has achieved its commitment to pay the Living Wage for its entire staff.
<b>CORE PRINCIPLE F</b> <b>Managing risks and performance through robust internal control and strong public management</b>	
<b>Supporting Principles</b>	<b>Assessment of the effectiveness of key elements of the Council’s governance processes during 2016-17</b>
<b>Managing Risk</b>	The Council has an adopted Risk Management Policy with clear accountability and review processes in place. Audit & Governance receive 1/4ly updates on the risk register.
<b>Managing Performance</b>	
<b>Robust Internal Control</b>	The Council has an induction and development programme for Councillors. This is of vital importance, given the technical complexity of the Council’s core operations, the decision making structure and the financial value of the transactions controlled by the Authority. All statutory Officers receive the training and support to carry out their duties effectively and, as appropriate, participate in continuous professional development.
<b>Strong Public Financial Management</b>	The Cabinet meets on a monthly basis at set times to consider key matters including those on performance. Matters are published in the Forward Plan to enable the public to be aware of future decisions. All reports include reference to the Council Plan.  In addition to the quarterly performance reports there are at least quarterly financial reports submitted to Cabinet detailing estimated out-turn against the approved budget.  The annual budget is supported by the Strategic Lead Finance commenting upon its deliverability and is supported by an appropriate reserves policy. The final accounts, of which this statement is an integral part, outline the Outturn of the

	<p>Authority and are prepared in accordance with professional standards and subject to external audit.</p> <p>In order to demonstrate robust internal control the Authority has:</p> <ul style="list-style-type: none"> <li>• A Risk Management Framework linked into the Authority Structure;</li> <li>• An appropriate suite of Anti-Fraud and Corruption Policies;</li> <li>• A balanced budget supported by appropriate reserves</li> <li>• Standards Committee supported by independent Members</li> </ul> <p>The Council has undertaken a survey of all its staff in 2016/17 to assess their views on the management of the organisation. The findings have been considered in the production of service plans and priorities.</p>
<p><b>CORE PRINCIPLE G</b>  <b>Implementing good practices in transparency, reporting, and audit to deliver effective accountability</b></p>	
<p><b>Supporting Principles</b></p>	<p><b>Assessment of the effectiveness of key elements of the Council's governance processes during 2016-17</b></p>
<p><b>Implementing good practice in transparency</b></p> <p><b>Implementing good practices in reporting</b></p> <p><b>Assurance and effective accountability</b></p>	<p>The Council makes as much information as possible available on its website. Support is also available to those residents who cannot access the internet.</p> <p>The Council publishes its statement of accounts on the website.</p> <p>The Council's external auditors KPMG issued their Annual Findings Report 2015/16 in September 2016 which contained an unqualified opinion on the financial statements. KPMG also gave an unqualified value for money conclusion on the Council's arrangements to secure economy efficiency and effectiveness in its use of resources.</p> <p>The Strategic Management Team is responsible for responding to recommendations made by Internal Audit, External Audit.</p> <p>Progress made against the issues identified in the 2015-16 Annual Governance Statement action plan have been monitored by the Strategic Management Team and the Audit &amp; Governance Committee.</p> <p>The Council has a Whistle-blowing Policy which is advertised both inside the Council and on the Council's website. The council updated the Whistleblowing Policy in 2016-17 to encourage and enable staff to raise serious concerns within the council.</p> <p>The Anti-Fraud, Theft and Corruption Policy was updated during 2016/17 and approved by the Audit &amp; Accounts Committee.</p> <p>The Council has a clear process for dealing with Freedom of Information (FOI) requests from the public. It complies with the Transparency Code and has a stated transparency agenda.</p>

## Glossary of Terms

### Accounting Period

The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the balance sheet date.

### Accruals

Sums included in the final accounts to recognise revenue and capital income and expenditure attributable to the accounting period, but for which payment has not been received or made by 31 March.

### Accumulated Compensated Absences Adjustment Account

This account represents the value of any unused holiday, time off in lieu or flexi hours which have not been taken by officers as at the 31 March.

### Assets

An item having value to the Council in monetary terms, categorised as:

- **Current assets** will be consumed within the next financial year (e.g.: cash and stock).
- **Property, plant and equipment** provide benefits over their useful life for more than one year and can be tangible (e.g. sports centres) or intangible (e.g. computer software licences).
- **Community assets** are assets that the local Council intends to hold in perpetuity, that have no determinable useful life and may have restrictions on their disposal (e.g. works of art and picnic sites).
- **Infrastructure assets** that form part of the economic or social framework of the area and whose function is not transferable (e.g. highways, bridges and footpaths).
- **Under Construction** details capital expenditure to date on work in progress.
- **Surplus Assets** are property, plant and equipment held by a council actively being marketed
- **Intangible assets** usually software

### Audit of Accounts

An independent examination of the Authority's financial affairs.

### Balances

The total revenue reserves required to provide a working balance during the financial year, for example in periods when expenditure exceeds income.

### Budget

The forecast of net revenue and capital expenditure over the accounting period.

### Capital Adjustment Account

This records the timing difference between the costs of property, plant and equipment used and the capital financing set aside to pay for them.

### Capital Expenditure

Expenditure on assets which have a long term value. Includes the purchase of land, purchase or cost of construction of buildings and the acquisition of plant, equipment and vehicles.

### Capital Charges

This is a general term used for the notional charges made to service revenue accounts for the use of property, plant and equipment. The term covers the following:

Depreciation, Impairment charges and revenue expenditure funded from capital under statute (included in gross expenditure) offset by the Amortisation of government grants deferred (included in income).

### Capital Receipts

Proceeds received from the sale of property and other property, plant and equipment.

**Carrying Amount**

The Balance Sheet value recorded for an asset or a liability.

**CIPFA**

The Chartered Institute of Public Finance and Accountancy.

**Collection Fund**

A separate fund that records the income and expenditure relating to council tax and non-domestic rates.

**Community Assets**

Fixed Assets the Council intends to hold in perpetuity and which have no determinable useful life. They may also have restriction on their disposal. An example is a cemetery.

**Corporate Democratic Core**

Those activities which the Council is engaged in specifically because it is an elected multi-purpose authority. This includes the costs of corporate policy making, representing local interests, representatives and duties arising from public accountability.

**Creditors**

Amounts owed by the Council for work done, goods received or services rendered but for which payment has not been made at 31 March.

**Debtors**

Sums of money due to the Council but not received at 31 March.

**Depreciation**

The allocation of the cost of the useful economic life of the Council's property, plant and equipment for the accounting period through general wear and tear, consumption or obsolescence.

**Earmarked Reserves**

Those elements of total Council reserves which are retained for specific purposes.

**External Audit**

The independent examination of the activities and accounts of Local Authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices. Also to ensure the Council has made proper arrangements to secure value for money in its use of resources.

**Finance Lease**

A lease whereby all the risks and rewards of ownership of a fixed asset are with the lessee. In substance the asset belongs to the lessee.

**General Fund**

The main revenue fund of the Council. Income from the council tax precept and Government grants are paid into the fund, from which the cost of providing services are met.

**Government Grants**

Payments by Central Government towards local Council expenditure. They are specific for a particular service; and are receivable in respect of both revenue and capital expenditure.

**Housing Revenue Account**

Statutory ring-fenced account required to represent the landlord/tenant obligations for the Council in relation to managing and maintaining its housing stock in return for rental income from tenants.

**Impairment**

A reduction in the value of a fixed asset to below its carrying amount on the balance sheet due to damage, obsolescence or a general decrease in market value.

**Income & Expenditure Account**

The net cost for the year for services provided by the Council for which it is responsible and showing how the cost has been financed from precepts, grants and other income.

**Liquid Resources**

Cash and current Asset investments that can be easily converted to known amounts of cash without penalty, or can be traded on the active market.

**Long Term Debtors**

Sums of money due to the Council originally repayable within a period in excess of twelve months but where payment is not due until future years.

**Net Book Value**

The value of property, plant and equipment included on the balance sheet, being the historical cost or a current revaluation less the cumulative amounts of depreciation.

**Non-distributed Costs**

In the main this represents support service area charges. E.g.: Corporate Management, Finance, Legal, ICT, HR services, etc. In addition to this a number of non-service specific corporate fees are included.

**Operating Lease**

A lease where the risks and rewards, and therefore the ownership of the asset, remains with the lessor.

**Precept**

The amount levied by one authority which is collected by another. E.g. the County Council is the precepting authority and the District Council is the collecting authority.

**Provision**

This is an amount which is put aside to cover future liabilities or losses which are considered to be certain or very likely to occur, but the amounts and timing are uncertain.

**Reserves**

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion on the Council. Some capital reserves such as the capital adjustment account cannot be used to meet current expenditure.

**Revaluation Reserve**

These records net gains from revaluations made after 1 April 2007 not yet realised through sales.

**Revenue Contributions**

This refers to the financing of capital expenditure directly from revenue rather than from loans or other sources.

**Revenue Expenditure**

The day to day expenditure of the Council on such items as employees and equipment.

**Revenue expenditure funded from capital under statute (REFCUS)**

Expenditure which may properly be capitalised but which does not result in tangible property, plant and equipment owned by the Council.

**Revenue Support Grant (RSG)**

The major grant paid by central government to local authorities in aid of service provision.

**Service Reporting Code of Practice (SERCOP)**

Details standard definitions of service and total cost which enables spending comparisons to be made with other local authorities.