



**Statement of Accounts
2018/19
East Devon District Council
Blackdown House
Border Road
Heathpark Industrial Estate
Honiton
EX14 1EJ**

**Contact Name: Simon Davey
Tel: 01395 517490
Email: sdavey@eastdevon.gov.uk**

www.eastdevon.gov.uk

**Statement of Accounts
2018/19
Contents Page**

Contents	<u>Page</u>
• Contents Page	1
Narrative Report and Written Statements	
• Narrative Report by Strategic Lead Finance	2
• Statement of Responsibilities for the Statement of Accounts	14
Core Financial Statements and Explanatory Notes	
• Comprehensive Income and Expenditure Statement (CIES)	15
• Movement in Reserves Statement (MiRS)	16
• Balance Sheet (BS)	17
• Cash Flow Statement (CFS)	18
• Index of Explanatory Notes to the Core Financial Statements	19
• Explanatory Notes to Core Financial Statements	20
Supplementary Accounts and Explanatory and Notes	
• HRA Income and Expenditure Statement (HRA)	85
• Statement of Movement in the Housing Revenue Account	86
• Explanatory Notes to the HRA	87
• Collection Fund Statement	92
• Explanatory Notes to the Collection Fund	94
Other Statements	
• Auditor's Report To The Members Of East Devon District council	96
• Annual Governance Statement	97
• Glossary of Terms	108

Narrative Report by the Strategic Lead Finance

Introducing East Devon

Context

East Devon is the largest of the eight districts in Devon with a population of 138,000, it has a dispersed and largely rural population with a mix of market and coastal towns. East Devon is a good place to live and 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). It 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 36,000) Budleigh Salterton, Sidmouth and Seaton. Inland are Honiton, Ottery St Mary and Axminster.

There are good transport links including the main airport for the south west region. The rural nature of parts of the district means that there is a high level of car ownership. There is a large outflow of workers leaving the district to work in places such as Exeter, Mid Devon and South Somerset.

Levels of home ownership are high with a significant proportion of houses in the top three most expensive Council Tax bands. Affordability of homes is an issue in the district with East Devon being in the top 25% of all Local Authority areas for house prices but one of the lowest nationally in terms of wages. The provision of housing features as a high priority for the Council.

The natural environment is a main attraction of the district and the natural economy brings significant employment and business opportunity to East Devon which the Council supports in variety of ways.

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 37,000 people. East Devon also has 2,300 people aged 90+, more than any other district in the county. The overall population is expected to increase by 8,385 people between 2014 and 2024, a rise of 6%.

An ageing population has 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

The proportion of 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. 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 new 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. The provision of key services and assets to the town is a challenge with the public sector tackling austerity.

Elsewhere in the district, the Council will support opportunities to encourage new and diverse business and jobs growth alongside traditional sectors.

Further details on East Devon as a district can be found in a document called "Knowing East Devon – A people and place profile ([Knowing East Devon](#)).

Governance Arrangements of the Council

The Governance arrangements of the Council is considered in depth within the Annual Governance Statement contained within these Accounts. There are however no significant changes or issues to highlight in this Narrative Report.

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 2018/19 are:

Encouraging Communities to be outstanding

- Delivery of affordable homes is on track to deliver the target in 2018/19 of 200 homes.
- Home Safeguard continues to offer a range of digital peripherals alongside alarms that are appropriate to individual needs, such as pressure mats to indicate someone has fallen out of bed, and alarms to show a person has left the home.

Developing an outstanding economy

- Through the Enterprise Zone and Greater Exeter area council's partnership we will continue to secure significant central government and private investment. Joint working with the County and neighbouring district councils continues. Joint planning and engagement in Growth and Development Board implementation. Support to major energy, transport and communication infrastructure. Joint working with the LEP and two county partners on a local strategy to identify sub regional investment priorities.
- The Council continues to deliver Enterprise Zone projects which either unlock barriers or act as a catalyst to economic growth by forwarded funding schemes to be repaid in future years' business rate income.
- Held a procurement awareness day for existing and potential suppliers of the Council and to provide details and training on using the e-tendering portal in order to tender work for this Council and other public sector organisations.

Delivering and promoting our outstanding environment

- Green Space Plan adopted by Full Council and actions within it are being taken forward by an service wide implementation group
- Green waste service has been successfully rolled out with now 10,000 customers using the service.
- Percentage of Household waste sent for reuse, recycling and composting is at 60% making us one of the highest performers in the country.

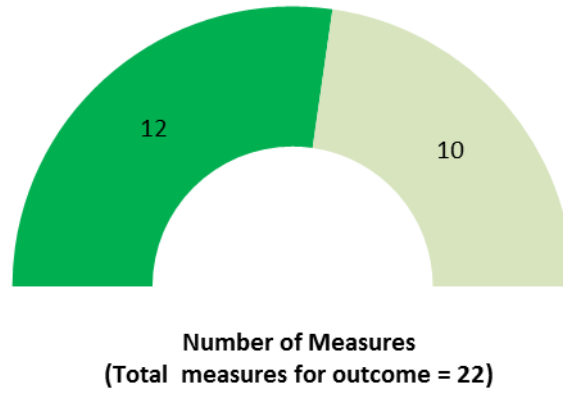
Continuously improving to be an outstanding council

- Construction of the new HQ Blackdown House Honiton was completed on time and in budget with staff now successfully relocated and working in the new environment.
- Continue to develop self service capability of our website so that customers can access services online if they wish. The introduction of Firmstep is a digital platform to help deliver services to customers online has commence to improve a digital platform for service areas will be capturing demand across all customer access channels. This will help determine the prioritisation of development of on line processes in Firmstep

These achievements and others are covered in full within our performance reports – extract given below.

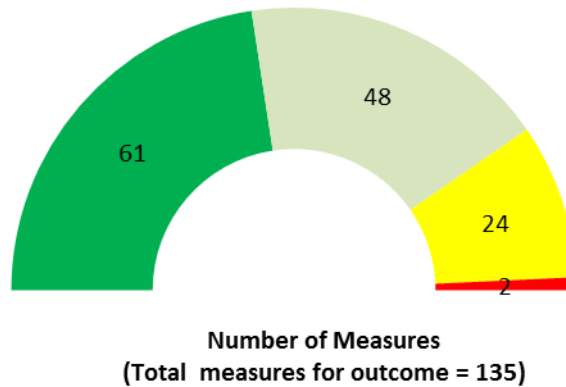
Overview of our performance – Quarter Four 2018/19

Chart a. Performance against our Council Plan 2018/19



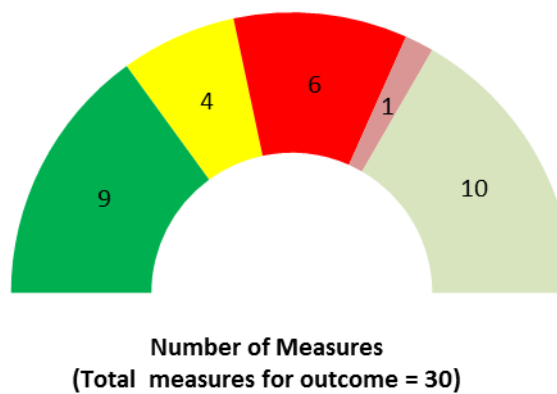
■ Achieved ■ On track ■ Variation ■ Data not yet available ■ Concern

Chart b. Performance against our Service Plan Objectives 2018/19



■ Achieved ■ On Track ■ Variation ■ No data ■ Blank

Chart c. Performance against Key Performance Indicators 2018/19



■ Achieved / Excellent ■ Variation ■ Concern ■ Data not yet available ■ No target

Details behind these charts can be found on the Council's website ([our performance reporting pages.](#))

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.

The Council continues to receive significant cuts in government funding, with funding levels more than halved since 2010/11. Further cuts will be made in 2019/20 to reduce the Revenue Support Grant received by £0.127m to no grant being received. This is from a position where the Council received over £7m in 2010/11.

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 which has also financial benefited the Council in additional government funding through New Homes Bonus and extra Business Rate income.

A balanced budget was agreed by Council for 2018/19 despite a projected gap of £0.735m 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 available to us enabling us to balance our books.

Looking ahead there are tough challenges for the Council in order to continue to produce balanced budgets, further details on projections going forward can be found in the Financial Plan (2019 – 2029) and details of our Transformation Strategy which help us manage this position can be found here: [Financial Information 2019/20](#)

Looking in more detail - Final Outturn Position Against budget 2018/19

The Council set a budget for 2018/19 which required £0.144m to be used from its General Fund balance in order to fund one off items of expenditure, a number of transformation initiatives were 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 will be presented to the Council's Cabinet meeting on 5 June 2019, the agenda will be published on the Council's website. This report highlights a £0.416m underspend against the net budget set of

£14.571m, this ties in with the position shown on the General Fund Balance given in these Accounts. The main variations against budget is given below.

General Fund 2018/19 – main outturn variations against budget	Variation £'000	Comment on Future budget implications
Employee savings mainly from vacant posts, the overall budget for employee costs is £14.050m.	(139)	No implication
Savings returned by Strata higher than budgeted.	(122)	No implication
Car Park income higher than projected - good weather generated high use.	(161)	No implication
Housing Benefit net costs after subsidy above budget. £230k variance against £29.9m expenditure budget is a minor variation in percentage terms but results in a significant sum.	230	No implication
Saving obtained in administration costs in Revenues & Benefits service - Council Tax, Housing Benefit, Council Tax Support, Business Rates, Fraud and Sundry Debtors. Plus additional incentive payments from Government. Savings have been reflected in the 2019/20 budget where continuous.	(226)	No implication
Homesafeguard income down on budget, loss of some corporate customers – marketing strategy being revisited. Income budget was reduced by £34k for 2019/20 budget	77	This will be monitored closely Concern
Additional rental income in a numbers areas including beach huts, cafes, kiosks and other leased commercial properties. Additional income has been reflected in 2019/20 budget.	(99)	No implication
Street Trading income below budget, scheme modified to reflect feedback. Budget reduced by £16k in 2019/20	16	No implication
Public Conveniences overspend on utility and maintenance costs, in particular water charges. Total budget £440k.	32	This will be monitored closely Concern
Recycling & Refuse additional costs associated with extra stock purchases as a mitigation against Brexit (£121k), also income from Green Waste not as high as targeted in the Transformation Strategy (£45k reduction), but these have been more than offset by additional recycling income due to increased volume and better than expected market rates.	(241)	No implication
Savings through procurement on retender of insurance. This has been reflected in 2019/20 budget.	(150)	No implication
Transformation Strategy saving on Legal fee recovery down on budget. Budget reduced in 2019/20 to a more realistic figure	28	No implication

Additional Homelessness Costs.	58	This will be monitored closely
The budget level was not increased in 2019/20, actions have been taken to mitigate costs in relation to more cost effective provision of temporary accommodation.		Concern

The main positive variations relate to volatile areas such as car park income, staff vacancies and recycling income which can vary significantly based on external factors. Budgets in these areas are set prudentially due to the implications on Council finance should adverse variations occur.

A new reserve has been created in 2018/19 with £8,020 for a new online box office system at Manor Pavilion enabling the carry forward of funding for 2019/20. This transfer has been assumed in the outturn position.

The Council was granted 100% business rates pilot status for 2018/19, this has generated additional rating income of £1.1m to be retained by the Council. The bid to Government to obtain this status was on the basis that this additional income would be used to promote and protect economic development in the district. The Council to date have agreed to support two areas from this additional income; £0.6m additional share purchase in Exeter Science Park Company Limited (ESPL) and the purchase of £0.05m founder shares in South West Mutual Ltd (the setting up of South West Mutual Bank). The remaining surplus of £0.450m has been transferred to a reserve making it available for future members' consideration.

The overall General Fund Balance position at year end is given below, this shows the effect of the outturn variation of £0.416m.

General Fund Balance Position	£'000
Opening Balance 1/4/2018	(3,666)
Agreed use of General Fund Balance in 2018/19	144
Outturn variation 2018/19	(416)
Closing Balance 31/3/2019	(3,938)

The General Fund Balance at £3.938m is £0.138m above the Council's adopted range which is between £3m and £3.8m. This represents 10% of our net budget equivalent to a two year operational period which gives £3m; to this is added £0.8m headroom to give £3.8m 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.

In setting the 2019/20 budget Council agreed for £0.261m to be used from the General Fund Balance; £0.080m for the District Election and £0.181m to meet general expenditure. It is therefore proposed to leave the General Fund Balance at £3.938m to enable a small offset of this call on the Fund in 2019/20.

The year end position on the other main Balances/Reserves held for the General Fund are:

- **£1.689m Transformation Reserve.** This sum is set aside to assist the Council's transformation programme by meeting upfront costs necessarily incurred in order to produce savings/efficiencies in future years. Of this sum a further £0.326m has been committed by Council leaving £1.363m available.

- **£0.954m Asset Maintenance Reserve.** Used to support the Council's General Fund Assets and planned maintenance backlog/essential work/asset failure (created from one off VAT refunds). This Reserve is currently used at a rate of around £0.100m to £0.200m annually. Details of spend are agreed by SMT (Strategic Management Team) presented to the Asset Management Forum to ensure they do not conflict with asset strategy.
- **£0.639m Business Rates Volatility Fund.** Available to mitigate the volatility of business rate income should income fall below the expected budget and allows the Council to set a level in the budget with certainty in relation to an income source that can fluctuate.
- **£0.103m Local Authority Business Growth Incentive Scheme Reserve.** The purpose of this reserve is to promote and deliver economic development. A programme of spend and authority for spend has been approved by Council and is spent in consultation with Economy Portfolio Holder.

Other Earmarked Reserves

There are other earmarked reserves for specific projects where funding or contributions have been made in advance of spend and monies are held at year end to fund this work in future years. Complete details are contained in the Accounts.

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 2018/19 budget was set to achieve a surplus of £1.413m, the outturn position gives a surplus for the year of £1.187m; a variation of £0.226m, the main variations are given below.

HRA 2018/19 – Outturn variations against budget	Variation £'000	Comment on Future budget implications
HRA income was extremely close to budget. A variance of only £16k on Council Dwelling income against a budget of £18.2m.	22	No implication
An increase of £8k has been made to the bad provision, not budgeted for as this is a year end assessment.	8	No implication
Supervision & Management saving of £165k of which £97k was through employee savings mainly from vacant posts (employee budget £3.3m).	(165)	No implication
Responsive repairs over budget by £0.476m (budget was reduced by £0.170m from previous year as it thought reductions could be made). This is an area where particular attention has been given in preparing and awarding of a new maintenance contract to be implemented in 2019/20, this will be based on a fixed price per property to control such costs.	561	This area will be monitored closely No implication
Major Repairs spending was £0.253m below budget, of which £0.160m is to be transferred to reserves to be used in 2019/20.	(93)	No implication
Savings in interest paid as internal resources utilised for house purchases	(69)	No implication

The updated position of the HRA Balance is given below.

HRA Balance	£'000
Opening Balance 1/4/2018	(3,901)
Agreed surplus in 2018/19	(1,413)
Outturn variation 2018/19	226
Closing Balance 31/3/2019	(5,088)

£0.165m has been transferred to a Property Maintenance Reserve to undertake works which were budgeted in 2018/19 but will now be carried out in 2019/20, the work mainly relates to a programme of eave replacements. This transfer to reserves has been included in the outturn position.

The adopted minimum level for the HRA Balance is between £2.1m to £3.1m, based on £490 per property with headroom added of £1m. This leaves the HRA Balance at £1.988m above the adopted range.

The Council set an HRA surplus budget for 2018/19 with the option to repay a £1.581m loan due for repayment at year end or to refinance the loan and use the surplus to meet other key housing spending plans. Refinancing was undertaken giving the ability to obtain a fixed loan for a further 20 years at 2.5% taking advantage of still low fixed rates and taking into consideration the request from the Housing Review Board to urgently fund Fire Risk Assessment works and essential lift maintenance totalling £3.550m. The £3.550m cost will be met from the 2018/19 HRA Balance position above the adopted range now confirmed at £1.988m with the remaining sum of £1.562 being available from housing capital receipts. This will leave the HRA Balance at £3.1m

The year end position on other Balances/Reserves held for the HRA are:

- **£1.6m in the HRA Business Volatility Fund.** The HRA self-financing business plan relies on a number of assumptions outside the control of the Council, with significant debt repayment schedules this reserve was established to mitigate this risk giving time if necessary to reshape the HRA budget to accommodate any negative changes.
- **£0.980m New Housing Development Fund.** Used for house purchases to meet 70% of the cost where 30% comes from Right to Buy receipts.
- **£1.901m capital receipts** available for general HRA capital expenditure, after allowing £1.562m committed in 3.5 above leaves £339m available.
- **£3.945m capital receipts** to be spent on Right to Buy replacements. If receipts are not spent within 3 years then they are required to be returned to Government together with an interest payment of 4% above base rate.

Capital Budget

The revised net capital budget (after grants and contributions) for 2018/19 was £21.511m, the outturn position is lower by £4.579m at £16.932m. The majority of this underspend is from scheme slippage which needs to be re-profiled into 2019/20 or later years. From the list below there are a number of property related schemes that have been delayed as a consequence of staff vacancies in the property and estates team, a new team and structure is now in place.

Capital 2018/19 – Outturn variations against budget	Variation £'000
Agreed loan to Beer Community Land Trust was not requested by year end	(170)
Strata Convergence IT Projects – slippage in programme	(305)
Savings on Camperdown & Phear Park Depot improvements	(59)
Relocation Project - Re-profiling of expenditure into 2019/20	(515)
Seaton Workshops – on hold subject to re-evaluation of project	(573)
Disabled Facility Grants under budget and additional funding received – budget carried forward to 2019/20. This is an area that government has continued to fund well and demand at times does not meet the budget.	(498)
Resurfacing of workshop yards and other improvements – work slipped to 2019/20	(259)
Queens Drive Leisure Area Infrastructure expenditure slipped	(1,050)
The Strand Exmouth – Remaining project still to be defined	(125)
Growth Point Projects slipped to 2019/20	(136)
Axe Wetlands Developments and Seaton Jurassic access from Wetlands - complex land ownerships issues	(212)
Delay in sports centre and swimming pool improvement schemes – revised dates agreed with LED.	(812)
Feniton Flood Alleviation Work – project delay through complex negotiations	(706)
Recycling & Refuse slippage in vehicle and equipment purchases	(405)
Gypsy and Traveller sites – location/s still to be identified	(500)
Energy saving/renewable initiatives (EDBC & Industrial Sites)	(132)
Beach Property improvements – scheme slippage	(109)
Magnolia Public Conveniences Improvements – scheme slippage	(100)
Loan made to Norman Lockyer Observatory not in programme, agreed in year by Council	25
Expenditure funded through s106 agreements not in programme	199
Purchase of shares in South West Mutual (proposal for new bank in the South West) not in programme, agreed in year by Council	50
HRA house purchase replacement scheme not included in original programme, separately agreed – funding through HRA resources	3,024
HRA Major Repairs – underspend	(450)

The capital funding position given below takes the gross capital position (before grants and contributions) and was funded as follows:

Capital Programme	£18.821m
<u>Funded by</u>	
HRA Capital Receipts	-£1.945m
Government Grants and other contributions Applicable to be applied in the year	-£0.918m
HRA – Major Repairs Reserve	-£4.152m
New Homes Bonus Grant from revenue	-£2.592m
Monies from 100% business rate pilot	-£0.650m
Other direct revenue contributions	-£2.120m
Increase in underlying need to borrow – cash position met from internal borrowing	-£6,444m

New requirement: The Trade Union (Facility Time Publication Requirements) Regulations 2017 came into effect on 1 April 2017 requiring local authorities to publish data on time spent on Union activity. This information is published on the Council's website <http://eastdevon.gov.uk/council-and-democracy/council-business/trade-union-information/>

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 2018/19.

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 2018/19 (the Code) supported by International Financial Reporting Standards (IFRS).

The 2018/19 accounts summarise the authority's transactions for the 2018/19 financial year and its position at the year end of 31 March 2019. 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.
- **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 2019 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.

- **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.

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 2018/19 will be available for inspection from 1 June 2019 to 12 July 2019.

Auditing of accounts

The authority's external auditor is Grant Thornton UK 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.
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.
- assessed the Authority's [and the Group's] ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- used the going concern basis of accounting on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future; and
- maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 2019.

24 October 2019

Simon Davey CPFA
Strategic Lead Finance, Section 151 Officer

Comprehensive Income and Expenditure Statement

	Note	2018/19			2017/18		
		Expenditure	Income	Net Expenditure	Expenditure	Income	Net Expenditure
		£'000	£'000	£'000	£'000	£'000	£'000
Corporate Business		139	0	139	123	0	123
Corporate Services		0	(381)	(381)	624	(611)	13
Economy		6,347	(1,735)	4,612	7,509	(1,571)	5,938
Environment – General		5,366	(4,373)	993	5,610	(4,234)	1,376
Environment - Street Scene		14,422	(3,378)	11,044	12,902	(2,358)	10,544
Finance		32,887	(30,902)	1,985	34,051	(32,130)	1,921
Strategic Development & Partnership		4,678	(2,076)	2,602	4,570	(1,975)	2,595
Sustainable Homes & Communities		2,566	(2,493)	73	2,082	(1,754)	328
Strata Solutions Ltd		3,355	(414)	2,941	2,908	(34)	2,874
Housing Revenue Account		10,492	(18,353)	(7,861)	13,010	(18,310)	(5,300)
Total Cost Of Services		80,252	(64,105)	16,147	83,389	(62,977)	20,412
Other Operating Expenditure	11	12,304	(3,173)	9,131	6,024	(3,329)	2,695
Financing and Investment Income and Expenditure	12	4,421	(575)	3,846	4,502	(431)	4,071
Taxation and Non-Specific Grant Income	13	396	(24,207)	(23,811)	2,039	(26,367)	(24,328)
(Surplus) or Deficit on Provision of Services		97,373	(92,060)	5,313	95,954	(93,104)	2,850
Surplus or deficit on revaluation of non-current assets	35			(8,816)			(8,351)
Impairment losses (chargeable to revaluation reserve)	35			0			0
Surplus or deficit on revaluation of available for sale financial assets	35			0			65
Re-measurement of the net defined (benefit) / liability	20			(6,213)			(7,214)
Other Comprehensive Income and Expenditure				(15,029)			(15,500)
Total Comprehensive Income and Expenditure				(9,716)			(12,650)

The accompanying notes form part of these financial statements

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
Balance at 31 March 2018		(3,666)	(8,695)	(3,901)	(4,698)	(4,968)	0	(3,662)	(29,590)	(191,941)	(221,531)
Movement in reserves during 2018/19:											
Surplus or (deficit) on provision of services		5,522	0	(209)	0	0	0	0	5,313	0	5,313
Other Comprehensive Expenditure and Income		0	0	0	0	0	0	0	0	(15,029)	(15,029)
Total Comprehensive Expenditure and Income		5,522	0	(209)	0	0	0	0	5,313	(15,029)	(9,716)
Adjustments between accounting basis & funding basis under regulations	9	(5,797)	0	(1,143)	0	(878)	0	(850)	(8,669)	8,668	(1)
Net Increase/Decrease before Transfers to Earmarked Reserves		(275)	0	(1,352)	0	(878)	0	(850)	(3,356)	(6,361)	(9,717)
Transfers to/from Earmarked Reserves	10	3	(3)	2,153	(36)	0	0	0	2,117	(2,117)	0
Increase/Decrease in Year		(272)	(3)	801	(36)	(878)	0	(850)	(1,239)	(8,478)	(9,717)
Balance at 31 March 2019		(3,938)	(8,698)	(3,100)	(4,734)	(5,846)	0	(4,512)	(30,829)	(200,419)	(231,248)
	Note	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2017		(4,197)	(8,086)	(7,070)	(4,400)	(4,404)	0	(274)	(28,431)	(180,450)	(208,881)
Movement in reserves during 2017/18:											
Surplus or (deficit) on provision of services		6,492	0	(3,642)	0	0	0	0	2,850	0	2,850
Other Comprehensive Expenditure and Income		0	0	0	0	0	0	0	0	(15,500)	(15,500)
Total Comprehensive Expenditure and Income		6,492	0	(3,642)	0	0	0	0	2,850	(15,500)	(12,650)
Adjustments between accounting basis & funding basis under regulations	9	(6,570)	0	2,841	0	(564)	0	(3,388)	(7,681)	7,681	0
Net Increase/Decrease before Transfers to Earmarked Reserves		(78)	0	(801)	0	(564)	0	(3,388)	(4,831)	(7,819)	(12,650)
Transfers to/from Earmarked Reserves	10	609	(609)	3,970	(298)	0	0	0	3,672	(3,672)	0
Increase/Decrease in Year		531	(609)	3,169	(298)	(564)	0	(3,388)	(1,159)	(11,491)	(12,650)
Balance at 31 March 2018		(3,666)	(8,695)	(3,901)	(4,698)	(4,968)	0	(3,662)	(29,590)	(191,941)	(221,531)

The accompanying notes form part of these financial statements

Balance Sheet as at 31 March 2019

	Note	2018/19 £'000	2017/18 £'000
Property, Plant & Equipment	25	347,115	337,449
Intangible Assets		558	459
Long Term Investments	29	875	825
Long Term Debtors	30	4,370	2,878
LONG TERM ASSETS		352,918	341,611
Assets held for sale (<1yr)	26	7,508	7,555
Short Term Investments in Pooled Funds	29	29,896	29,908
Inventories		4	5
Short Term Debtors	30	13,568	12,942
Cash and Cash Equivalents	31	7,755	3,915
CURRENT ASSETS		58,731	54,325
Short Term Borrowing	29	(5,072)	(7,934)
Short Term Creditors	32	(18,237)	(12,331)
Short term Provisions	33	(798)	(797)
Grants Receipts in Advance	22	(361)	(361)
CURRENT LIABILITIES		(24,468)	(21,423)
Long Term Borrowing	29	(85,225)	(80,370)
Other Long Term Liabilities	20	(65,429)	(67,834)
Grants Receipts in Advance	22	(5,280)	(4,778)
LONG TERM LIABILITIES		(155,934)	(152,982)
NET ASSETS		231,247	221,531
General Fund Balance		(3,938)	(3,666)
Earmarked GF Reserves	10	(8,698)	(8,695)
Housing Revenue Account Balance		(3,100)	(3,901)
Earmarked HRA Reserves	10	(4,734)	(4,698)
Capital Receipts Reserve		(5,846)	(4,968)
Capital Grants Unapplied		(4,512)	(3,662)
Major Repairs Reserve		0	0
USEABLE RESERVES		(30,828)	(29,590)
Accumulating Absences Account	35	114	113
Available-for-Sale Financial Instruments Reserve	35	0	16
Capital Adjustment Account	35	(203,758)	(206,607)
Collection Fund Adjustment Account	35	(1,419)	129
Deferred Capital Receipts		0	0
Financial Instrument Adjustment Reserve	35	465	505
Pensions Reserve	35	65,429	67,834
Revaluation Reserve	35	(61,261)	(53,931)
Pooled Investment Funds Adjustment Account	35	11	0
UNUSEABLE RESERVES		(200,419)	(191,941)
TOTAL RESERVES		(231,247)	(221,531)

The accompanying notes form part of these financial statements

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	2018/19 £'000	2017/18 £'000
Cash Flows from Operating Activities			
Net Deficit/(Surplus) on Provision of Services		5,313	2,850
Depreciation & Impairment	25	(5,095)	(7,575)
Changes in Market Value of Property, Plant & Equipment	25	(1,654)	(2,021)
Revaluation of Asset Held for Sale		0	(2,003)
Revaluation of Short Term Investments in Pooled Funds	29	(11)	0
Disposal of Assets		(4,853)	1,053
Changes in Inventories		(1)	3
Changes in Debtors	30	2,118	3,891
Changes in Creditors	32	(5,906)	(1,186)
Changes in Provisions	33	(1)	(176)
Changes in Net Pension Liability	20	(3,809)	(4,341)
Changes in Short and Long-Term Borrowings		(43)	(57)
Changes in Grants and Contributions		(502)	(1,318)
Other non-cash Movements		6,026	240
Net Cash Flows from Operating Activities		(8,418)	(10,640)
Cash Flows from Investing Activities			
Purchase of Property, Plant & Equipment	25	15,609	15,964
Purchase of short term and long term investments	29	50	1,600
Acquisition/(Disposal) of Intangible assets		99	(72)
Proceeds from the Disposal of Property, Plant and Equipment		(3,172)	(3,329)
Net Cash Flows from Investing Activities		12,586	14,163
Cash Flows from Financing Activities			
Cash Receipts of short term and long term borrowing	29	(8,561)	(4,554)
Repayments of short term and long term borrowing		6,611	1,436
Cash payments for reduction of liabilities relating to finance leases	28	0	0
Changes in Council Tax and Business Rates Collected for Third Parties		(6,058)	(493)
Net Cash Flows from Financing Activities		(8,008)	(3,611)
Net Increase in Cash and Cash Equivalents in the Period		(3,840)	(88)
Cash and Cash Equivalents at the Beginning of the Period		3,915	3,827
Net Increase in Cash and Cash Equivalents in the Period (see above)		3,840	88
Cash and Cash Equivalents at the End of the Period	31	7,755	3,915
<i>Items included in net cash flow from operating activities include:</i>			
Interest Receivable and similar income		(564)	(426)
Interest Payable (including Finance lease interest)		2,714	2,621
		2,150	2,195

The accompanying notes form part of these financial statements

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 & Other Major Sources of Estimation of uncertainty
5. Material Items of Income and Expense
6. Events After the Balance Sheet Date
7. Expenditure and Funding Analysis
7a. Note to the Expenditure and Funding Analysis
8 Expenditure and Income Analysed by Nature
8a Expenditure and Income Analysed by Nature and by Segmental
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 2018/19 financial year and its position at the year end of 31 March 2019. 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 2018/19 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.

The accounts are prepared on a going concern basis; that is, on the assumption that the functions of the Council will continue in operational existence for the foreseeable future.

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 contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- 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.

The Council therefore treats all fixed term deposits, which have no contractual provision for early redemption, and if they were redeemed early would suffer a penalty of at least a loss of interest, as investments.

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.

The provisions for charges to revenue for non-current assets in the HRA were amended on 1 April 2012 following the introduction of HRA self-financing. The Major Repairs Reserve is increased and the HRA balance is decreased by a sum equal to depreciation on all HRA non-current assets so that the depreciation on non-dwelling assets is now a charge to the HRA.

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.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments) the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

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 Fair value measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as available for sale financial assets at

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

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

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

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

When measuring the fair value of a non-financial asset, the Council 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 Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising 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 Council's financial statements are categorised within the fair value hierarchy, as follows:

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

1.10 Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and initially measured at fair value and 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.

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. Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/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.

1.11 Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- Amortised cost
- Fair value through profit or loss (FVPL)
- Fair value through other comprehensive income (FVOCI); (a separate accounting policy is required for financial instruments held at fair value through other comprehensive income).

The business model of the council is to hold investments to collect contractual cash flows. Financial assets are therefore classified at amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are then 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 financial assets held by the Council, 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 Council has from time to time 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 will 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 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 in the Movement in Reserves Statement.

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

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased substantially since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased substantially or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at FVPL are recognised on the balance sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value.

The Council recognises fair value gains and losses on its pooled Short-term Investment Funds, as they arrive, in the Surplus or Deficit on the Provision of Services. This is a new requirement under IFRS 9. There is a “statutory reversal” which means that the impact of this change in valuation does not hit the “bottom line” or taxpayers. The impact is reversed out and placed in an unusable reserve.

The fair value measurements of the financial assets are based on the following techniques:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis

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.

Any gains or losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure, along with any net gain or loss related to the asset that has accumulated in the unusable reserve.

Financial Assets Measured at Fair Value through Other Comprehensive Income

The Council has acquired shares in certain entities to fulfil the service objectives of the Council. These equity instruments are not held for trading and under IFRS 9, the Council has elected to designate them as Fair Value through Other Comprehensive Income (FVOCI) so that gains and losses will be recognised through Other Comprehensive Income on the face of the Income Statement. There is a “statutory reversal” which means that the impact of this change in valuation does not hit the “bottom line” or taxpayers. Any impact is reversed out and placed in an unusable reserve.

1.12 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.

1.13 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.

1.14 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 Council, East Devon District Council and Teignbridge District Council 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.

1.15 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.

1.16 Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at a cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated, but assets included in the Balance Sheet are revalued sufficiently regularly in a rolling 5 year cycle to ensure that their carrying amount is not materially different from their fair value at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund are therefore reversed out 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.

1.17 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.

1.17.1 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).

1.17.2 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.

1.18 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.

1.19 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.

1.20 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.

1.21 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.

1.22 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.

1.23 Value Added Tax (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.

1.24 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.

1.25 Rounding

The main statements have been adjusted so that rounding issues do not create casting differences. Within the notes, however, figures have been taken directly from working papers. It is not the Councils policy to adjust for immaterial casting differences within the notes or cross-casting differences between the main statements and disclosure notes.

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. There are no new standards that would require additional disclosures in the 2018/19 financial statements.

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 2019 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
Property, Plant and Equipment	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 £4.208m for all the authority's assets.
Pensions Liability	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 £4.762m.

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 2018/19.

Note 6. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Strategic Lead - Finance on 31 May 2019 and approved by the Audit & Governance Committee on 24 October 2019. Events taking place after the approved date are not reflected in the financial statements or notes. No events have taken place between the 31 May 2019 and the 24 October 2019 in terms of information about conditions existing at 31 March 2019.

Note 7. Expenditure and Funding Analysis

Portfolio	2018/19			2017/18		
	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
Corporate Business	66	73	139	116	7	123
Corporate Services	2,199	(2,579)	(380)	(526)	539	13
Economy	861	3,751	4,611	409	5,529	5,938
Environment - General	(39)	1,032	993	458	918	1,376
Environment - Street Scene	6,601	4,444	11,044	7,444	3,100	10,544
Finance	2,140	(156)	1,984	1,554	367	1,921
Strategic Development & Partnership	1,316	1,285	2,601	2,228	367	2,595
Sustainable Homes & Communities	197	(123)	73	370	(42)	328
Strata Solutions Ltd	2,540	402	2,942	2,630	244	2,874
Housing Revenue Account	(9,165)	1,303	(7,862)	(8,926)	3,626	(5,300)
Net Cost Of Services	6,716	9,431	16,147	5,757	14,655	20,412
Other Income and Expenditure	(8,345)	(2,489)	(10,833)	(6,636)	(10,926)	(17,562)
(Surplus) or Deficit on Provision of Services	(1,628)	6,942	5,313	(879)	3,729	2,850
Opening General Fund and HRA Balance	(24,632)			(23,753)		
Less / Plus surplus or (Deficit) on General Fund and HRA Balance in year	(1,628)			(879)		
Closing General Fund and HRA Balance before transfers to/from Earmarked Reserves	(26,260)			(24,632)		

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

Note 7A. Note to the Expenditure and Funding Analysis

	2018/19				2017/18			
	Adjustments for CAPITAL Purposes £'000	Net change for the PENSIONS Adjustments £'000	OTHER Differences £'000	Total Adjustments £'000	Adjustments for CAPITAL Purposes £'000	Net change for the PENSIONS Adjustments £'000	OTHER Differences £'000	Total Adjustments £'000
Corporate Business	0	8	65	73	0	7	0	7
Corporate Services	76	151	(2,806)	(2,579)	159	380	0	539
Economy	4,222	155	(626)	3,751	5,353	176	0	5,529
Environment - General	314	234	484	1,032	673	245	0	918
Environment - Street Scene	3,382	323	739	4,444	2,739	361	0	3,100
Finance	0	316	(471)	(156)	0	367	0	367
Strategic Development & Partnership	0	332	952	1,285	0	367	0	367
Sustainable Homes & Communities	(583)	73	387	(123)	(121)	79	0	(42)
STRATA	402	0	0	402	0	244	0	244
Housing Revenue Account	(240)	354	1,189	1,303	3,230	396	0	3,626
NET COST OF SERVICES	7,573	1,945	(87)	9,431	12,033	2,622	0	14,655
Other Income and Expenditure	(2,848)	1,863	(1,504)	(2,489)	(13,120)	1,719	475	(10,926)
Difference between GF surplus/Deficit and CI&ES Surplus/Deficit on Provision of Services	4,725	3,808	(1,592)	6,942	(1,087)	4,341	475	3,729

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;
- Internal recharges between management accounting lines and between the General Fund and Housing Revenue Account.
- 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 8. Expenditure and Income Analysed by Nature

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

	2018/19 £'000	2017/18 £'000
Expenditure		
Employee Expenses	19,025	18,819
Benefit Payments	30,759	32,003
Depreciation & Amortisation	4,208	5,166
Capital Impairment	887	2,408
Capital Revaluation	1,648	4,026
Interest Payments	2,714	2,626
Internal Recharge Expenditure	12,003	11,515
Internal Recharge Income	(12,003)	(11,515)
Other (including Strata)	37,989	30,906
Total expenditure	97,231	95,954
Income		
Government Grants	(39,316)	(40,117)
Rental Income	(19,633)	(19,356)
Council Tax Precept (EDDC share)	(8,025)	(7,574)
Business Rates Related Income	(13,758)	(13,647)
Business Rates Tariff	9,686	9,737
Contributions to Capital Expenditure	(3,595)	(7,020)
Gain on Disposal of Capital	(3,173)	(3,329)
Other (including Strata)	(14,105)	(11,798)
	(91,918)	(93,104)
Surplus or Deficit on the Provision of Services	5,313	2,850

Note 8a. Expenditure and Income Analysed by Nature and Segmental

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

2018/19

	Corporate Business	Corporate Services	Economy	Environment - General	Environment - Street Scene	Finance	Strategic Development & Partnership	Sustainable Homes & Communities	Strata Solutions Ltd	Housing Revenue Account	Other	TOTAL
Expenditure												
Employee Expenses	69	1,831	1,437	2,161	3,184	3,056	3,048	661	0	3,574	4	19,025
Benefit Payments	0	0	0	0	0	30,759	0	0	0	0	0	30,759
Depreciation & Amortisation	0	0	121	875	1,771	0	0	30	0	1,411	0	4,208
Capital Impairment	0	0	68	24	795	0	0	0	0	0	0	887
Capital Revaluation	0	0	4,033	(585)	(150)	0	0	0	0	(1,650)	0	1,648
Interest Payments	0	0	0	0	0	0	0	0	0	1	2,714	2,714
Internal Recharge Expenditure	65	1,410	864	1,068	2,837	2,023	1,595	497	0	1,644	0	12,003
Internal Recharge Income	0	(4,160)	(1,486)	(584)	(2,071)	(2,495)	(642)	(110)	0	(455)	0	(12,003)
Other (including Strata)	4	777	1,310	2,407	8,055	(457)	677	1,488	3,421	5,967	14,339	37,988
Total expenditure	139	(142)	6,347	5,366	14,422	32,887	4,678	2,566	3,421	10,492	17,057	97,231
Income												
Government Grants	0	(83)	0	(119)	(96)	(30,227)	(397)	(160)	0	(9)	(8,223)	(39,316)
Rental Income	0	0	(579)	(177)	(542)	0	0	(233)	0	(18,101)	0	(19,633)
Council Tax Precept	0	0	0	0	0	0	0	0	0	0	(8,025)	(8,025)
Business Rates Related Income	0	0	0	0	0	0	0	0	0	0	(13,758)	(13,758)
Business Rates Tariff	0	0	0	0	0	0	0	0	0	0	9,686	9,686
Contributions to Capital Expenditure	0	(23)	(0)	(234)	(245)	(123)	(40)	(1,228)	0	(16)	(1,687)	(3,595)
Gain/Loss on Disposal of Capital	0	0	0	0	0	0	0	0	0	0	(3,173)	(3,173)
Other (including Strata)	0	(133)	(1,156)	(3,843)	(2,495)	(552)	(1,639)	(872)	(417)	(227)	(2,772)	(14,105)
Total Income	0	(239)	(1,735)	(4,373)	(3,378)	(30,902)	(2,076)	(2,493)	(417)	(18,353)	(27,952)	(91,918)

2017/18

	Corporate Business	Corporate Services	Economy	Environment - General	Environment - Street Scene	Finance	Strategic Development & Partnership	Sustainable Homes & Communities	Strata Solutions Ltd	Housing Revenue Account	Other	TOTAL
Expenditure												
Employee Expenses	59	1,926	1,458	2,070	3,235	3,044	3,032	650	0	3,331	14	18,818
Benefit Payments	0	0	0	0	0	32,003	0	0	0	0	0	32,003
Depreciation & Amortisation	0	0	117	832	1,907	0	0	30	0	2,280	0	5,166
Capital Impairment	0	0	1,934	63	411	0	0	0	0	0	0	2,408
Capital Revaluation	0	0	3,211	(222)	87	0	0	0	0	950	0	4,026
Interest Payments	0	0	0	0	0	0	0	0	0	0	2,626	2,626
Internal Recharge Expenditure	62	1,395	1,084	1,038	2,455	2,016	1,392	470	0	1,603	0	11,516
Internal Recharge Income	0	(3,753)	(1,592)	(556)	(2,014)	(2,408)	(644)	(110)	0	(439)	0	(11,516)
Other (including Strata)	2	1,057	1,296	2,384	6,820	(603)	789	1,042	2,978	5,284	9,856	30,906
Total expenditure	124	624	7,508	5,609	12,901	34,051	4,569	2,082	2,978	13,010	12,496	95,952
Income												
Government Grants	0	(334)	0	(192)	0	(31,445)	(486)	(153)	0	0	(7,507)	(40,119)
Rental Income	0	0	(527)	(105)	(380)	0	0	(145)	0	(18,199)	0	(19,356)
Council Tax Precept	0	0	0	0	0	0	0	0	0	0	(7,574)	(7,574)
Business Rates Related Income	0	0	0	0	0	0	0	0	0	0	(13,647)	(13,647)
Business Rates Tariff	0	0	0	0	0	0	0	0	0	0	9,737	9,737
Contributions to Capital Expenditure	0	(7)	(17)	(214)	(180)	(168)	(58)	(582)	0	(2)	(5,792)	(7,022)
Gain/Loss on Disposal of Capital	0	0	0	0	0	0	0	0	0	0	(3,329)	(3,329)
Other (including Strata)	0	(270)	(1,026)	(3,722)	(1,798)	(516)	(1,430)	(873)	(36)	(108)	(2,013)	(11,792)
Total Income	0	(611)	(1,570)	(4,234)	(2,358)	(32,129)	(1,975)	(1,754)	(36)	(18,310)	(30,126)	(93,102)

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 Contd

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	Total Useable Reserves
2018/19	£'000	£'000	£'000	£'000	£'000	£'000
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for Depreciation & impairment of non-current assets	(3,685)	(1,411)	0	0	0	(5,096)
Revaluation Gain/ Losses on Property Plant & Equipment	(3,303)	1,650	0	0	0	(1,653)
Capital grants contributions applied	918	0	0	0	0	918
Revenue Expenditure Funded from Capital under Statute (England and Wales)	(1,635)	0	0	0	0	(1,635)
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	(266)	(7,758)	0	0	0	(8,024)
Adjustment relating to STRATA Donated Assets	(402)	0	0	0	0	(402)
Insertion of items not debited or credited to the Comprehensive Expenditure and Income:						
Statutory provision for the financing of capital investment = MRP	182	0	0	0	0	182
Capital expenditure charged against the General Fund and HRA balances	3,242	0	0	0	0	3,242
Adjustment primarily involving the Capital Grants Unapplied Account:						
Capital grants & contributions unapplied credited to the Comprehensive Income and Expenditure Statement	850	0	0	0	(850)	0
Application of grants to capital financing transferred to the Capital Adjustment Account						
Adjustment primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of gains/loss on disposal to the Comprehensive Income & Expenditure Statement	302	2,871	(3,173)	0	0	0
Use of Capital Receipts Reserve to finance new capital expenditure	0	0	1,947	0	0	1,947
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(432)	0	432	0	0	0
Repayment of loans	0	0	(84)	0	0	(84)
Adjustments primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	0	4,152	0	(4,152)	0	0
Use of Major Repairs Reserve to finance new capital expenditure	0	0	0	4,152	0	4,152
Adjustments primarily involving the Financial Instruments Adjustment Account:						
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	45	0	0	0	0	45
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(3,782)	(1,106)	0	0	0	(4,888)
Employer's pensions contributions & direct payments to pensioners payable in the year	2,316	460	0	0	0	2,776
Net interest Defined liability	(1,694)	0	0	0	0	(1,694)
Adjustments primarily involving the Collection Fund Adjustment Account:						
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	1,548	0	0	0	0	1,548
Adjustment primarily involving the Accumulated Absences Account:						
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	(0)	(1)	0	0	0	(1)
Adjustments between accounting basis and Funding Basis under regulations	(5,797)	(1,143)	(878)	0	(850)	(8,669)

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

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	Total Useable Reserves
2017/18	£'000	£'000	£'000	£'000	£'000	£'000
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for Depreciation & impairment of non-current assets	(5,294)	(2,280)	0	0	0	(7,574)
Revaluation Gain/ Losses on Property Plant & Equipment	(3,074)	(950)	0	0	0	(4,024)
Capital grants contributions applied	1,087	0	0	0	0	1,087
Revenue Expenditure Funded from Capital under Statute (England and Wales)	(1,150)	0	0	0	0	(1,150)
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	(278)	(2,002)	0	0	0	(2,280)
Adjustment for share of Donated Assets	(368)	0	0	0	0	(368)
Insertion of items not debited or credited to the Comprehensive Expenditure and Income:						
Statutory provision for the financing of capital investment = MRP	65	1,310	0	0	0	1,375
Capital expenditure charged against the General Fund and HRA balances	3,422	0	0	0	0	3,422
Adjustment primarily involving the Capital Grants Unapplied Account:						
Capital grants & contributions unapplied credited to the Comprehensive Income and Expenditure Statement	3,388	0	0	0	(3,388)	0
Application of grants to capital financing transferred to the Capital Adjustment Account						
Adjustment primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of gains/loss on disposal to the Comprehensive Income & Expenditure Statement	167	3,161	(3,311)	0	0	17
Use of Capital Receipts Reserve to finance new capital expenditure B728	0	0	2,399	0	0	2,399
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(432)	0	432	0	0	0
Repayment of loans	0	0	(84)	0	0	(84)
Adjustments primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	0	4,315	0	(4,315)	0	0
Use of Major Repairs Reserve to finance new capital expenditure	0	0	0	4,315	0	4,315
Adjustments primarily involving the Financial Instruments Adjustment Account:						
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
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(5,546)	(1,154)	0	0	0	(6,700)
Employer's pensions contributions & direct payments to pensioners payable in the year	2,161	441	0	0	0	2,602
Net interest Defined liability	(243)	0	0	0	0	(243)
Adjustments primarily involving the Collection Fund Adjustment Account:						
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	(521)	0	0	0	0	(521)
Adjustment primarily involving the Accumulated Absences Account:						
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	(5)	0	0	0	0	(5)
Adjustments between accounting basis and Funding Basis under regulations	(6,570)	2,841	(564)	0	(3,388)	(7,681)

Note 10. Transfers (to) / from Earmarked Reserves

This note sets out the notable amounts set aside from the General Fund & HRA balances within Earmarked reserves to provide financing for future expenditure plans and the amounts posted back from reserves to meet General Fund & HRA expenditure in 2018/19.

Earmarked Reserves	Balance	Transfers	Transfers	Balance	Transfers	Transfers	Balance
	at 31			at 31			at 31
	March	In	out	March	In	out	March
	2017			2018			2019
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Asset Maintenance Reserve	(997)	0	43	(954)	0	0	(954)
General Capital Reserve	(0)	(406)	406	(0)	0	0	(0)
Other Capital Reserves	(34)	0	0	(34)	0	0	(34)
Total Capital Reserves	(1,031)	(406)	449	(988)	0	0	(988)
Transformation fund	(483)	(1,431)	16	(1,898)	0	209	(1,689)
New Homes Bonus Volatility Reserve	(1,431)	0	1,431	0	0	0	0
Business Rates Volatility Reserve	(639)	0	0	(639)	0	0	(639)
IT Website Development Reserve	(285)	0	25	(260)	0	11	(249)
Community Led housing Reserve	(1,210)	0	30	(1,180)	0	129	(1,051)
Parishes Together Reserve	(172)	(109)	47	(234)	(95)	86	(242)
Business Rates 100% Pilot Reserve	0	0	0	0	(450)	0	(450)
Revenue Reserves less than £250k	(2,541)	(1,150)	497	(3,194)	(857)	955	(3,096)
STRATA Reserves	(294)	(4)	0	(298)	0	9	(289)
General Fund Revenue Reserves	(7,055)	(2,694)	2,045	(7,704)	(1,402)	1,399	(7,706)
HRA Business Plan Volatility Reserve	(4,400)	0	2,800	(1,600)	0	0	(1,600)
HRA Future Housing Development Reserve	0	(6,770)	3,672	(3,098)	0	2,117	(980)
HRA Fire Related Works Reserve	0	0	0	0	(1,988)	0	(1,988)
HRA Other Reserves <£250k	0	0	0	0	(165)	0	(165)
Total HRA Earmarked Reserves	(4,400)	(6,770)	6,472	(4,698)	(2,153)	2,117	(4,734)
TOTAL Earmarked Reserves	(12,486)	(9,870)	8,967	(13,389)	(3,555)	3,516	(13,428)

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

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

The **IT Website Development Reserve** holds funds for spending on the website in 2019/20.

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

The **Parishes Together Reserve** holds funds for grants available to parish councils to deliver local initiatives supported by a grant application to the council.

The **Business Rates 100% Pilot Reserve** holds the unspent balance of the benefit of the pilot to be spent on Economic Development items and projects 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

	2018/19	2017/18
Other Operating Expenditure	£'000	£'000
Town and Parish precepts	3,847	3,316
Payments to Government Housing Capital Receipts Pool	432	432
Gain/loss on disposal of non-current assets	4,853	(1,053)
Net loss/(gain) on share of Donated Assets	0	0
	9,132	2,695

Note 12. Financing and Investment Income and Expenditure

	2018/19	2017/18
Financing and Investment Income and Expenditure	£'000	£'000
Interest Payable and similar charges	73	59
Interest on loans	2,641	2,567
Net interest on the net defined benefit liability	1,696	1,876
Interest Receivable and similar income	(564)	(431)
	3,846	4,071

Note 13. Taxation and Non Specific Grant Income and Expenditure

	2018/19	2017/18
Taxation and Non-Specific Grant Income	£'000	£'000
Council tax income	(12,016)	(11,237)
Town & Parish Council Tax Support Grant	0	43
Non Domestic Rates	(6,344)	(3,948)
Non ring-fenced government grants	(4,168)	(5,366)
Capital grants and contributions	(1,284)	(3,820)
Strata Tax Payable	1	0
	(23,811)	(24,328)

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:

	2018/19			2017/18		
	Expenditure £'000	Income £'000	Net (Income)/ Expenditure £'000	Expenditure £'000	Income £'000	Net (Income)/ Expenditure £'000
The authority manages the Building Control Service . The trading objective is to break even.	566	(555)	11	532	(501)	31
The authority manages the Land Charges Service . The trading objective is to break even.	267	(271)	(4)	242	(322)	(80)
The authority lets 40 units in Industrial Estates 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.	132	(237)	(105)	241	(253)	(12)
The authority manages a Home safeguard Service providing alarms and support for vulnerable residents. The trading objective is to at least break even.	527	(810)	(283)	490	(795)	(305)
Total Cost of Services	1,492	(1,873)	(381)	1,505	(1,871)	(366)

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.

Axmouth Harbour	2018/19	2017/18
	£'000	£'000
Income		
Fees and Charges	(6)	(6)
Expenditure		
Premises	3	3
Support Services	6	7
Capital Charges	30	30
Net cost of Harbour Activities as included in the Comprehensive Income and Expenditure Statement	33	34

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.

Total CIL income for the year was £0.361m, with £1.363m of CIL receipts collected within the year including instalments from prior years' income. Of the collected amount £202k (15%) will be paid to Parish and Town Councils and £67k (5%) applied to costs of administration and collection. The total balance of CIL receipts for 2019 is £3.751m and has been retained as unapplied Capital contributions in 2018/19.

Note 17. Members' Allowances

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

Members Allowances	2018/19	2017/18
	£'000	£'000
Allowances	369	359
Expenses	27	30
Total	396	389

Note 18. Officers' Remuneration

The remuneration paid to the Council's senior employees in 2018/19 was as follows:

	Salary (Including Fees & Allowances)	Expenses Reimbursed	Benefits in Kind (e.g. Lease Car)	Total Remuneration Excluding Pension Contributions	Pension Contributions	Total Remuneration
	£	£	£	£	£	£
2018/19						
<u>Posts Employed for Full Year</u>						
Chief Executive	115,847			115,847	17,377	133,224
Deputy C. Exec	91,379			91,379	13,707	105,086
Strategic Lead - Finance	80,818			80,818	12,123	92,941
Strategic Lead - OD	68,603			68,603	10,290	78,893
Strategic Lead - Legal, Licensing & Member Services	70,184			70,184	10,528	80,712
Strategic Lead - Housing and Environment	80,818			80,818	12,123	92,941
East of Exeter Projects Director	67,633			67,633	10,145	77,778
Service Lead - Revenues & Benefits	59,550			59,550	8,933	68,483
Service Lead - Environmental Health & Car parks	68,539			68,539	10,281	78,820
Service Lead - Street Scene	57,135			57,135	8,570	65,705
Service Lead - Planning Strategy & Development Management	64,866			64,866	9,730	74,596
Service Lead - Countryside & Leisure	59,550			59,550	8,933	68,483
<u>Posts Employed for Part Year</u>						
Service Lead – Housing (1)	47,518			47,518	7,128	54,646

The annualised salaries for posts employed during / part of the year were: (1) Service Lead – Housing (October 2018 onwards) - £51,575

	Salary (Including Fees & Allowances)	Expenses Reimbursed	Benefits in Kind (e.g. Lease Car)	Total Remuneration Excluding Pension Contributions	Pension Contributions	Total Remuneration
	£	£	£	£	£	£
2017/18						
<u>Posts Employed for Full Year</u>						
Chief Executive	115,451	0	0	115,451	17,222	132,673
Deputy C. Exec	89,690	0	0	89,690	13,454	103,144
Strategic Lead – Finance	80,317	0	0	80,317	12,048	92,365
Strategic Lead – OD	68,440	0	0	68,440	10,337	78,776
Strategic Lead - Legal, Licensing & Member Services	67,440	0	0	67,440	10,116	77,556
Strategic Lead - Housing and Environment	80,472	0	0	80,472	12,071	92,543
East of Exeter Projects Director	67,546	0	0	67,546	10,132	77,678
Service Lead - Revenues & Benefits	58,917	0	0	58,917	8,943	67,860
Service Lead - Environmental Health & Car parks	68,072	0	0	68,072	10,112	78,184
Service Lead - Street Scene	56,118	0	0	56,118	8,418	64,536
Service Lead - Planning Strategy & Development Management	63,595	0	0	63,595	9,539	73,134
Service Lead - Countryside & Leisure	59,621	0	0	59,621	8,943	68,564
<u>Posts Employed for Part Year</u>						
Service Lead - Regeneration & Property (part year)	33,182	0	0	33,182	2,886	36,068

The annualised salaries for posts employed during part of the year were: (1) Service Lead - Regeneration & Property (April 2017 onwards) - £55,776

The following table shows the number of employees whose remuneration, excluding pension costs, exceeded £50,000 for the year, excluding those that have been disclosed individually in the following table of Senior Employees.

Total Remuneration	Number of Employees 2018/19	Number of Employees 2017/18
£50,000 - £54,999	0	0
£55,000 - £59,999	1	3
£60,000 - £64,999	3	1
£65,000 - £69,999	3	4
£70,000 - £74,999	1	0
£75,000 - £79,999	0	0
£80,000 - £84,999	2	2
£85,000 - £89,999	0	1
£90,000 - £94,999	1	0
£95,000 - £99,999	0	0
£100,000 - £104,999	0	0
£105,000 - £109,999	0	0
£110,000 - £114,999	0	1
£115,000 - £119,999	1	0
£120,000 - £124,999	0	0
£125,000 - £129,999	0	0
£130,000 - £134,999	0	0
£135,000 - £139,999	0	0
£140,000 - £144,999	0	0
£145,000 - £149,999	0	0
£150,000 - £154,999	0	0
Total	12	12

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	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
£0 - £20,000	0	2	4	4	4	6	8	35
£20,001 - £40,000	0	1	2	2	2	3	72	73
£40,001 - £60,000	0	0	0	0	0	0	0	0
£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
Total	0	3	6	6	6	9	80	108

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 based on career average revalued earnings, 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:

	2018/19	2017/18
	£'000	£'000
Comprehensive Income & Expenditure Statement		
Cost of Services:		
Current Service Cost	4,834	5,062
Past Service Cost/(Gain) – Including Curtailments	0	0
Administration Expense	58	46
Financing and Investment Income and Expenditure:		
Net Interest Expense	1,694	1,876
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	6,586	6,984
Other Comprehensive Income & Expenditure:		
Return on Plan Assets (excluding amounts included in net interest expense)	(2,948)	(1,204)
Actuarial (Gains) & Losses Arising on Changes in Demographic Assumptions	(9,085)	0
Actuarial Gains & Losses Arising on Changes in Financial Assumptions	5,820	(6,010)
Experience(Gain)/loss on defined benefit obligation	0	0
Other actuarial (Gains) & Losses on assets	0	0
Total Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement	(6,213)	(7,214)
	2018/19	2017/18
	£'000	£'000
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for Post-Employment Benefits in accordance with the Code	(6,586)	(6,984)
Employer's Contributions Payable to the Pension Scheme	2,776	2,643
Total	(3,811)	(4,341)

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:

	2018/19	2017/18
	£'000	£'000
Pension Assets & Liabilities Recognised in the Balance Sheet		
Present value of the defined benefit obligation	(156,596)	(155,093)
Fair value of plan assets	92,171	88,361
Sub-total	(64,425)	(66,732)
Other movements in the liability	(1,004)	(1,102)
Net liability arising from defined benefit obligation	(65,429)	(67,834)

Assets and Liabilities in relation to Retirement Benefits

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

	2018/19	2017/18
	£'000	£'000
Reconciliation of Present Value of Scheme Liabilities		
Liabilities as of the Beginning of the Period	(156,194)	(156,466)
Current Service Cost	(4,834)	(5,062)
Interest Cost	(3,933)	(4,182)
Contributions by Scheme Participants	(822)	(810)
Change in financial assumptions	(5,820)	6010
Change in demographic assumptions	9,085	0
Experience (Losses)/Gains on defined benefit obligation	0	0
Losses on Curtailments	0	0
Benefits Paid	4,919	4,296
Past Service Costs	0	0
Liabilities as of the End of the Period	(157,599)	(156,194)

	2018/19	2017/18
	£'000	£'000
Reconciliation of Fair Value of Scheme Assets		
Assets as of the Beginning of the Period	88,361	85,740
Interest on Assets	2,237	2306
Return assets less interest	2,948	1,204
Actuarial Gains/(Losses)	0	0
Administration expenses	(58)	(46)
Employer Contributions	2,779	2,643
Contributions by Scheme Participants	822	810
Benefits Paid	(4,919)	(4,296)
Assets as of the End of the Period	92,170	88,361

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 £157.6m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative overall balance of £65.4m.

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 2019 is £2.690m.

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 2019 as follows:

Sensitivity Analysis	£'m
0.1% increase in the real discount rate	4.636
1 year increase in member life expectancy	4.762
0.1% increase in the salary increase rate	4.865
0.1% increase in the pension increase rate	4.903

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:

Principal Assumptions	2018/19	2017/18
	%	%
Rate of inflation: RPI	3.35	3.35
Rate of inflation :CPI	2.35	2.35
Rate of increase in salaries	3.85	3.80
Rate of increase In pensions	2.35	2.30
Rate of discounting scheme liabilities	2.45	2.60

These assumptions are set with reference to market conditions as at 31 March 2019.

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

An estimate of the Employer's future cash flows is made using notional cash flows based on the estimated duration above. These estimated cash flows are then used to derive a Single Equivalent Discount Rate (SEDR). The discount rate derived is such that the net present value of the notional cash flows, discounted at this single rate, equates to the net present value of the cash flows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30 year point).

Similarly to the approach used to derive the discount rate, the Retail Prices Index (RPI) increase assumption is set using a Single Equivalent Inflation Rate (SEIR) approach, using the notional cash flows described above. The single inflation rate derived is that which gives the same net present value of the cash flows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve, as applying the BoE implied inflation curve. As above, the Merrill Lynch AA rated corporate bond yield spot curve is assumed to be flat beyond the 30 year point and the BoE implied inflation spot curve is assumed to be flat beyond the 40 year point.

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.

Mortality Assumptions	2018/19	2017/18
	Years	Years
Longevity at 65 for current pensioners		
Men	22.4	23.5
Women	24.4	25.6
Longevity at 65 for future pensioners		
Men	24.1	25.7
Women	26.2	27.9

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.
- The proportion of the membership that had taken up the 50:50 option at the previous valuation date will remain the same.

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:

Estimated Asset Allocation	2018/19	2017/18
	%	%
Gilts	3	3
Equity investments (UK and overseas)	59	59
Property and infrastructure	13	13
Target Return Portfolio	14	15
Cash	2	2
Other bonds	2	2
Alternative assets	5	5
Private Equity	2	1
Total	100	100

McCloud/ Sargeant Judgement

A judgement in the Court of Appeal about cases involving judges' and firefighters' pensions (the McCloud / Sargeant judgement) has the potential to impact on the Council. The cases concerned possible age discrimination in the arrangements for protecting certain scheme members from the impact of introducing new pensions arrangements. As the Local Government Pension Scheme was restructured in 2014, with

protections for those members who were active in the Scheme at 2012 and over the age of 55, the judgement is likely to extend to the Scheme.

However, the potential impact is uncertain. Even though the Supreme Court has refused the Government's application to appeal the judgement, no decisions have been made about the remedies that would be required and the extent to which additional costs would fall on the Authority.

On the presumption that the remedy is for the Authority to incur costs in extending protections to all members who were active at 31 March 2012 until their retirement, the Pension Fund's Actuary has advised an indicative impact on the Council of:

- a potential increase in pensions liabilities of £1.112 million (0.8% of total pension liabilities currently in the Balance Sheet at 31 March 2019); and
- an increase in the projected service cost for 2019/20 of £0.107m (2.4% of the service cost before consideration of the McCloud judgement).

The same exercise was undertaken for Strata with an indicative impact on the Council of:

- a potential increase in pensions liabilities of £0.245 million (1.6% of total pension liabilities currently in the Balance Sheet at 31 March 2019) – EDDC proportion £0.090m; and
- an increase in the projected service cost for 2019/20 of £0.021m (2.7% of the service cost before consideration of the McCloud judgement) – EDDC proportion £0.008m.

The Actuary's estimate shows that its best estimate of the impact on the Authority's Statement of Accounts is not material and there is still uncertainty about the cost of the remedy. Consequently, the Authority has not reflected any consequences of this legal judgement in its pension liabilities in the Balance Sheet.

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 auditor:

External Audit Costs	2018/19	2017/18
	£'000	£'000
External audit services carried out by Grant Thornton for the year (2017/18 by KPMG LLP)	39	51
Certification of grant claims by Grant Thornton and returns for the year (2017/18 by KPMG LLP)	12	9
Additional work on grant claims for prior years by KPMG LLP	3	0
Total	54	60

Note 22. Grant Income

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

	2018/19 £'000	2017/18 £'000
Grants and Contributions credited to Services		
Elections & Electoral Registration Grants	(66)	(326)
Community Led Housing Grants	0	0
Housing Benefits and council tax Benefits Grants	(29,942)	(31,139)
Homelessness Prevention	(156)	(140)
Disabled facilities & Home Stay Grants	(1,208)	(568)
AONB/Countryside projects Grants	(109)	(162)
Growth Point Delivery Team Grants	(80)	(202)
Neighbourhood Planning Grants	(129)	(185)
Other Grants and Contributions	(4,669)	(6,984)
Grants and Contributions credited to Services	(36,359)	(39,706)

Credited to Taxation and non-specific Grant income

	2018/19 £'000	2017/18 £'000
Non-Ring Fenced Government Grants		
Revenue Support Grant	0	(533)
New Homes Bonus	(4,168)	(4,590)
Rural Service Delivery Grant	0	(181)
Transition Grant	0	(62)
Total	(4,168)	(5,366)

	2018/19 £'000	2017/18 £'000
Capital Grants And Contributions		
CIL & S106 Receipts	(956)	(3,448)
Other Grants and Contributions	(681)	(373)
Total	(1,637)	(3,821)

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 2018/19 with Members or Officers of the Authority.

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 2019 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 2018/19 is shown in Note 17.

23.3 Other Public Bodies and Entities

Names of Related Parties	2018/19		2017/18	
	Income	Expenditure	Income	Expenditure
	£'000	£'000	£'000	£'000
Government Departments				
Department for Communities & Local Government	(8,751)	0	(8,030)	324
Department for Work & Pensions	(29,997)	0	(31,180)	0
Department for Environment, Food & Rural Affairs	(144)	0	(121)	0
HMRC (VAT,NI,PAYE)	(4,712)	3,553	(4,586)	3,462
Environment Agency	(37)	0	0	0
PWLB	(8,106)	2,111	(1,304)	3,940
Other Public Bodies				
Devon County Council	(1,774)	412	(987)	974
South Somerset District Council (shared services)			(27)	10
Exeter City Council	(325)			
Plymouth City Council (NNDR Pool)		30,092	0	13,937
Total	(53,846)	36,168	(46,235)	22,647

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 2019	Cumulative Adjustments to 31 March 2018
	£'000	£'000
Adjustments to Comprehensive Income and Expenditure		
Fees	(2,776)	(4,066)
Cost of sales	1,198	(910)
Admin expenses	1,950	5,225
Adjust Strata Services solutions Ltd REFCUS	208	60
Transfer of pension scheme liability	0	1,160
Cost of Services	580	1,469
Loss on disposal of assets	2	697
Adjust Strata Services solutions Ltd REFCUS	(4)	(1,357)
Net interest on the defined benefit liability	63	162
Interest receivable	(3)	(8)
(Surplus) or Deficit on Provision of Services	637	963
Re-measurement of the net defined benefit liability	(146)	714
Total Comprehensive income and expenditure	491	1,677

	In Year 2018/19	Accumulative to 2017/18
Adjustments to Balance Sheet	£'000	£'000
Property, plant & equipment	(35)	290
Intangible assets	(56)	615
Investment in Strata removed upon consolidation and replaced with proportional share of assets and liabilities	159	(491)
Total Long Term Assets	68	414
Inventories	(1)	5
Short Term Debtors	267	(47)
Cash & cash equivalents	(68)	516
Total Current Assets	197	474
Short Term Creditors	(21)	(286)
Total Current Liabilities	(21)	(286)
Capital grants Receipts in advance	(653)	200
Pension Scheme Liability	(83)	(2,479)
Total Long Term Liabilities	(735)	(2,279)
Net assets	(491)	(1,677)
Financed by:		
Usable Reserves	7	(296)
Unusable Reserves	485	1,973
Total Reserves as at 31 March	491	1,677

Note 25: Property, Plant and Equipment

2018/19	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
<u>Cost/Valuation</u>							
As of the beginning of the period	233,040	83,582	13,796	18,836	1,801	3,197	354,252
Additions	7,829	1,175	1,005	764	114	4,722	15,609
Accumulated Depreciation and Impairment written out to GCA	(1,292)	(2,756)	(56)	0	0	0	(4,104)
Revaluation increases recognised in the Revaluation Reserve	2,374	6,079	572	0	295	0	9,320
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	1,650	(3,410)	106	0	0	0	(1,654)
Impairment recognised in the Surplus/Deficit on the Provision of Services	0	(752)	0	(135)	0	0	(887)
Reclassifications	(2,833)	6,825	0	0	0	(6,855)	(2,863)
Disposals (to Assets Held for Sale)	(4,926)	(322)	(579)	0	0	0	(5,827)
Disposals (Other)	0	0	(43)	0	0	0	(43)
As of the end of the period	235,842	90,421	14,801	19,465	2,210	1,064	363,803
<u>Accumulated Depreciation</u>							
As of the beginning of the period	(14)	(5,163)	(5,552)	(5,990)	(76)	0	(16,795)
Depreciation charge	(1,278)	(1,307)	(1,413)	(210)	0	0	(4,208)
Reclassifications	0	0	0	0	0	0	0
Accumulated revaluation written out to GCA	1,292	1,973	56	0	0	0	3,321
Accumulated impairment written out to GCA	0	783	0	0	0	0	783
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	0	(504)	0	0	0	0	(504)
Disposals (to Assets Held for Sale)	0	217	498	0	0	0	715
Disposals (Other)	0	0	0	0	0	0	0
As of the end of the period	0	(4,001)	(6,411)	(6,200)	(76)	0	(16,688)
Net Book Value at 31 March 2019	235,842	86,420	8,390	13,265	2,134	1,064	347,115

2017/18

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'001	£'000	£'000
<u>Cost/Valuation</u>								
As of the beginning of the period	232,156	82,067	16,850	18,411	1,781		5,883	357,148
Additions	10,158	3,367	428	425	7		1,579	15,964
Accumulated Depreciation and Impairment written out to GCA	(2,119)	(2,406)	(3,753)	0	0	(809)	0	(9,087)
Revaluation increases recognised in the Revaluation Reserve	696	1,313	680	0	2	6,553	0	9,244
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	(950)	51	(125)	0	11	(2,003)	(1,008)	(4,024)
Reclassifications	0	(569)	0	0	0	(3,741)	(3,256)	(7,566)
Disposals (to Assets Held for Sale)	(6,901)	(242)	(170)	0	0		0	(7,313)
Disposals (Other)	0	0	(123)	0	0		0	(123)
As of the end of the period	233,040	83,581	13,787	18,836	1,801	0	3,198	354,243
<u>Accumulated Depreciation</u>								
As of the beginning of the period	(4,890)	(4,041)	(7,918)	(5,609)	(69)	0	0	(22,527)
Depreciation charge	(2,141)	(1,254)	(1,556)	(214)	0		0	(5,165)
Reclassifications	0	0	0	0	0		0	0
Accumulated revaluation written out to GCA	2,119	2,046	3,439	0	0	10	0	7,614
Accumulated impairment written out to GCA	0	360	314	0	0	799	0	1,473
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	0	(688)	0	0	0	(190)	0	(878)
Impairment recognised in the Surplus/Deficit on the Provision of Services	0	(1,624)	0	(168)	(7)	(609)	0	(2,408)
Disposals (to Assets Held for Sale)	4,899	29	169	0	0		0	5,097
Disposals (Other)	0	10	0	0	0	(10)	0	0
As of the end of the period	(13)	(5,162)	(5,552)	(5,991)	(76)	0	0	(16,794)
Net Book Value at 31 March 2018	233,027	78,419	8,235	12,845	1,725	0	3,198	337,449

2017/18 has been restated to reflect the accounting entries of reclassifying the Knowle office building from Other Land & Buildings asset category to Surplus Assets and then to Assets Held for Sale.

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 2019 are as follows:

Scheme	2018/19	2017/18
	£'000	£'000
HRA Housing schemes	0	0
IT Systems	0	0
Cranbrook Play equipment	0	0
Feniton Flood alleviation scheme	0	0
LED loan	0	0
Regeneration schemes	776	0
Refuse and Recycling contract	0	0
Total	776	0

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 that are not revalued during the year are none-the-less reviewed to ensure that they are not materially different from their fair value at year end.

With the exception of the authority Housing stock, which was valued by the District Valuer, Andrew Doak, (MRICS), all valuations were carried out internally by Robert Harrison, (MRICS). 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 and also CIPFA's Code of practice.

Valuations of vehicles, plant and equipment are based on historic cost less depreciation and residual values where there is an active second-hand market. For housing assets, this is the second year of a 5 year rolling revaluation programme in which one fifth of the authorities individual beacon sites will be visited each year, revaluing all beacons within the 5 year timeframe. The housing assets were valued as at the 31st March 2019. All other assets are valued as at 31 December 2018 and then reviewed to ensure that there is no material difference between that date and year end.

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	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
Carried at Historic Cost:	0	0	14,801	19,465	2,210	1,064	37,540
Valued at fair value as at:							
2018/19	235,842	72,137	0	0	0	0	307,979
2017/18	0	9,084	0	0	0	0	9,084
2016/17	0	0	0	0	0	0	0
2015/16	0	3,560	0	0	0	0	3,560
2014/15	0	5,640	0	0	0	0	5,640
Total Cost or Valuation	235,842	90,421	14,801	19,465	2,210	1,064	363,803

Note 26. Assets Held for Sale

	2018/19	2017/18
	£'000	£'000
Assets Held For Sale		
As of the Beginning of the Period	7,555	50
Assets Transferred	2,863	9,574
Sold to Other Entities and Individuals	(2,913)	(2,069)
As at the end of the Period	7,505	7,555

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.

	2018/19	2017/18
Capital Financing Requirement	£'000	£'000
Opening Capital Financing Requirement	89,128	87,776
Capital Investment:		
Property, Plant and Equipment	15,611	15,964
Revenue Expenditure Funded from Capital Under Statute	1,559	899
Capital Long Term Debtors	1,525	0
Capital Long Term Investments	50	600
Capital Long Term Investment Strata	76	159
Total Expenditure	18,821	17,622
Sources of Finance:		
Capital Receipts	(1,945)	(2,399)
Government Grants and Other Contributions	(918)	(1,087)
Sums Set Aside (MRR, Deferred Capital Receipts etc.)		
Direct Revenue Contributions	(5,362)	(7,331)
Use of Earmarked Reserves	(4,151)	(4,078)
Minimum Revenue Provision	(182)	(1,375)
Total Financing	(12,558)	(16,270)
Closing Capital Financing Requirement	95,391	89,128
	2018/19	2017/18
Capital Financing Requirement	£'000	£'000
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) – note 1	6,263	90,572
Assets Acquired Under Finance Lease	0	0
Increase/(Decrease) in Capital Financing Requirement	6,263	90,572

Note 1: the figure of £90,572 for 2017/18 has been restated for the following:

- a. A £600 addition for the Capital Long Term Investment previously omitted from 2017/18; bringing the revised 2017/18 movement to £1,352.
- b. The remaining £89,220 adjustment relates principally to the inclusion in the Capital Financing Requirement of the Housing Revenue Account (HRA).

Note 28. Leases

28.1 Authority as Lessee

28.1.1 Finance Leases

The authority did not have any finance leases in 2018/19.

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:

	2018/19	2017/18
Operating Leases - Council as Lessee	£'000	£'000
Not later than one year	337	468
Later than one year and not later than five years	785	892
Later than five years	954	1,095
Total	2,076	2,455

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:

	2018/19	2017/18
Operating Leases - Council as Lessor - Future Minimum Lease Payments	£'000	£'000
Not later than one year	458	438
Later than one year and not later than five years	1,190	1,065
Later than five years	8,280	6,656
Total	9,928	8,159

Note 29. Financial Instruments

29.1 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 £0.56m (£0.43m 2017/18). The expense arising from interest payments, as recorded in the Comprehensive Income and Expenditure Statement, was £2.71m (£2.62m 2017/18).

29.2 Fair Value of Assets and Liabilities in the Balance Sheet

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 instruments, and using the following assumptions:

- Pooled Investment Fund assets are carried in the Balance Sheet at their fair value. These fair values are based on public price quotations as there is an active market for the instruments.
- Designated equity investments are carried in the Balance Sheet at their fair value-
- Ranges of premature repayment discount rates as at 31 March 2019 between 0.55% and 1.42% have been used for calculating 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.
- The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

There have been no changes in valuation technique or movements in the fair value hierarchy in the year.

29.2.1		2018/19		2017/18	
Financial Assets – Fair Value through Profit and Loss	Fair Value Level	Carrying Amount	Fair Value	Carrying Amount	Fair Value
		£'000	£'000	£'000	£'000
Pooled Investment Funds	1	29,896	29,896	29,908	29,908
Total		29,896	29,896	29,908	29,908

With the introduction of IFRS 9 the authority has designated the following equity at 31 March 2019 as fair value through other comprehensive income:

29.2.2		2018/19		2017/18	
Investments in Equity Instruments designated at Fair Value through other comprehensive income	Fair Value Level	Carrying Amount	Fair Value	Carrying Amount	Fair Value
		£'000	£'000	£'000	£'000
Exeter Science Park Limited shares	2	825	825	825	825
South West Mutual Limited shares	2	50	50	0	0
Total		875	875	825	825

- i. **Exeter Science Park Limited shares** - The authority holds shares in Exeter Science Park to promote economic generation. As the asset is not held for trading or income generation, rather a longer term policy initiative, the equity has been designated as fair value through comprehensive income.
- ii. **South West Mutual Limited shares** - The authority holds founder shares in South West Mutual Limited, which proposes establishing the first member-owned high street bank dedicated to the residents and small businesses of Cornwall, Devon, Somerset and Dorset. As the asset is not held for trading or income generation, rather a longer term policy initiative, the equity has been designated as fair value through comprehensive income.

Except for the financial assets carried at fair value, (described in the tables above), all other financial assets and financial liabilities held by the authority are carried in the Balance Sheet at amortised cost. The fair values calculated are as follows.

29.2.3		2018/19		2017/18	
Financial Assets – Amortised Cost	Fair Value Level	Carrying Amount	Fair Value	Carrying Amount	Fair Value
		£'000	£'000	£'000	£'000
Short-term Debtors	3	8,430	8,430	9,176	9,176
Long-term Debtors	2	4,370	4,370	2,878	2,878
Short-term Investments - Cash	2	7,755	7,755	3,915	3,915
Financial Assets		20,555	20,555	15,969	15,969
<i>Non-financial Assets - Short-term Debtors</i>		<i>5,138</i>		<i>3,766</i>	
<i>Total</i>		<i>25,693</i>		<i>19,735</i>	

29.2.4		2018/19		2017/18	
Financial Liabilities – Amortised Cost	Fair Value Level	Carrying Amount	Fair Value	Carrying Amount	Fair Value
		£'000	£'000	£'000	£'000
Short-term Creditors	3	7,548	7,548	4,683	4,683
Short-term Borrowings - cash overdrawn	2	2,077	2,077	1,621	1,621
Short-term Borrowings - temporary cash flow borrowing	2	0	0	4,500	4,500
Short-term and Long-term Borrowings (PWL B)	2	88,220	98,069	82,183	98,683
Financial Liabilities		97,845	107,694	92,987	109,487
<i>Non-financial Liabilities - Short-term Creditors</i>		<i>10,689</i>		<i>7,648</i>	
<i>Total</i>		<i>108,534</i>		<i>100,635</i>	

Short-term debtors and short-term creditors are carried at cost as this is a fair approximation of their value.

Long-term debtors comprise soft loans made by the Authority: see 29.4 for further details on these loans and the assumptions made in arriving at their fair value.

The Authority has used a transfer value for the fair value of financial liabilities. We have also calculated an exit price fair value of £98,069m for the PWLB, which is 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.

29.3. Nature and Extent of Risks Arising from Financial Instruments

The Authority's activities expose it to a variety of financial risks. The key risks are:

29.3.1 Liquidity Risk

This is the possibility that the Council might not have funds available to meet its commitments to make payments;

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.

29.3.2 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 at a preferential fixed rate and relates predominantly to Self-Financing loans for the HRA. The repayment of the Self-Financing 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 the principal sums of Long-term Borrowing by the Council.

Duration	Repayment Type	Interest Frequency	2018/19 £'000	2017/18 £'000
Less than 1 Year	On Maturity	Half Yearly	2,890	1,750
Between 1 and 2 Years	On Maturity	Half Yearly	4,715	2,050
Between 2 and 5 Years	On Maturity	Half Yearly	11,549	8,042
Between 5 and 10 years	On Maturity	Half Yearly	18,561	18,667
More than 10 Years	On Maturity	Half Yearly	50,401	51,612
Total			88,116	82,121

29.3.3 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 2019 that this risk was likely to crystallise.

29.3.4 Market Risk

This is the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. A treasury management strategy is formally approved annually by the Council. This identifies all treasury risks and forms the basis of the day to day operating guidance when making decisions on placing any surplus funds (i.e. to whom, for how long, for how much, etc.). This treasury strategy can be found on the Council's website.

29.4 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.

Valuation Assumptions

The interest rates at which the fair values of soft loans have been made are arrived at by taking the authority's prevailing cost of borrowing and adding an allowance for the risk that the loans might not be repaid.

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

	Balance brought forward 31 March 2018 £'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 carried forward 31 March 2019 £'000	Nominal value carried forward 31 March 2019 £'000
Soft Loans - 31 March 2019								
Exeter Science Park Company Limited	894	0	25	0	0	19	938	1,104
Exeter Science Park Company Limited	0	1,500	0		0	(21)	1,479	1,500
Kennaway House Trust	230	0	11	0	0	0	241	331
LED Ltd	1,445	0	0	(78)	0	43	1,410	1,595
Total	2,569	1,500	36	(78)	0	41	4,068	4,530

	Balance brought forward 31 March 2017 £'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 carried forward 31 March 2018 £'000	Nominal value carried forward 31 March 2018 £'000
Soft Loans - 31 March 2018								
Exeter Science Park Company Limited	836	0	28	0	0	30	894	1,079
Kennaway House Trust	220	0	10	0	0	0	230	320
LED Ltd	1,501	0	0	(78)	0	22	1,445	1,673
Total	2,557	0	38	(78)	0	52	2,569	3,072

Note 30. Debtors and Payments in Advance

Long-term Debtors

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

Long-term Debtors	2018/19 £'000	2017/18 £'000
Other Entities and Individuals		
Material Soft Loans	4,068	2,569
Other Soft Loans	105	89
Other Loans	296	307
	4,469	2,965
Less included in Short-term Debtors	(99)	(87)
Total Long-term Debtors	4,370	2,878

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

Short-term Debtors	2018/19 £'000	2017/18 £'000
Central Government Bodies	1,716	2,062
Other Local Authorities	2,676	2,549
NHS Bodies	0	0
Public Corporations and Trading Funds	0	0
Other Entities and Individuals	9,176	8,331
Total Short-term Debtors	13,568	12,942

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

Bad Debt Impairment Allowances	2018/19 £'000	2017/18 £'000
Sundry Debtors	(120)	(131)
Housing Rents	(52)	(44)
Council Tax/Summons Fees	(35)	(31)
Business Rates/Summons Fees	(41)	(52)
Benefits Overpayments	(300)	(300)
Total Bad Debt Provisions	(548)	(558)

The following tables provide an aged analysis of the council tax and business rates arrears balances and the associated bad debt provisions held.

	2018/19			2017/18		
	Gross Debt	Provision	Net Debt	Gross Debt	Provision	Net Debt
	£'000	£'000	£'000	£'000	£'000	£'000
Council Tax						
Up to one year	145	-15	130	114	-11	103
one to three years	73	-12	62	65	-10	55
Over 3 years	54	-9	45	52	-9	42
Total Council Tax	272	-35	237	231	-31	200

	2018/19			2017/18		
	Gross Debt	Provision	Net Debt	Gross Debt	Provision	Net Debt
	£'000	£'000	£'000	£'000	£'000	£'000
Business Rates						
Up to one year	82	-11	71	115	-11	104
one to three years	113	-17	96	146	-21	125
Over 3 years	32	-13	20	57	-20	36
Total Business Rates	227	-41	186	318	-52	265

Note 31. Cash and Cash Equivalents

	2018/19	2017/18
	£'000	£'000
Cash and Cash Equivalents		
Cash in transit and cash floats	3	3
Bank current accounts	204	145
Strata Services Solutions Ltd cash at bank	448	517
Short term deposits	7,100	3,250
Total	7,755	3,915

Note 32. Creditors and Receipts in Advance

	2018/19	2017/18
	£'000	£'000
Short-term Creditors		
Central Government Bodies	(862)	(513)
Other Local Authorities	(9,052)	(5,922)
NHS Bodies	0	0
Other Entities and Individuals	(8,323)	(5,896)
Total Short-term Creditors	(18,237)	(12,331)

Note 33. Provisions

	Balance as at 31 March 2018 £'000	Contribution to Provision £'000	Use of Provision £'000	Balance as at 31 March 2019 £'000
Short-term General Fund Provisions				
Business Rates Appeals	(797)	(199)	198	(798)
Total Short-term General Fund Provisions	(797)	(199)	198	(798)

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

Movements in the authority's Unusable Reserves are detailed in full in the balance sheet.

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.

Accumulated Absences Account	2018/19	2017/18
	£'000	£'000
Balance at 1 April	113	108
Settlement or cancellation of accrual made at the end of the preceding year	0	0
Amounts accrued at the end of the current year	1	5
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	114	113
Balance at 31 March	114	113

35.2 Available for Sale Financial Instruments Reserve

Available for Sale Financial Instruments Reserve	2018/19	2017/18
	£'000	£'000
Balance at 1 April	16	(49)
Change in valuation charged to Surplus/Deficit on Provision of Services of the Other Comprehensive Income and Expenditure Statement	(16)	65
Balance at 31 March	0	16

The Available for Sale Reserve has been cleared down on the adoption of IFRS 9. The changes in Fair Value of Financial Instruments can now be found the Surplus / Deficit on Provision of Services of the Comprehensive Income and Expenditure Statement.

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.

Collection Fund Adjustment Account	2018/19	2017/18
	£'000	£'000
Balance as at 1 April	129	(392)
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	(1,548)	521
Balance at 31 March	(1,419)	129

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.

Capital Adjustment Account	2018/19	2017/18
	£'000	£'000
Balance at 1 April	(206,607)	(204,711)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:		
Charges for depreciation and impairment of noncurrent assets	5,094	7,574
Revaluation losses on Property, Plant and Equipment	1,653	4,024
Amortisation of intangible assets	0	0
Revenue expenditure funded from capital under Statute	1,634	1,150
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	8,023	2,280
Loss on share of donated assets	402	368
	16,806	15,396
Adjusting amounts written out of the Revaluation Reserve	(1,485)	(1,089)
Net written out amount of the cost of non-current assets consumed in the year	15,321	14,307
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(1,945)	(2,399)
Use of the Major Repairs Reserve to finance new capital expenditure	(4,152)	(4,315)
Capital grants and contributions credited to the CI&E Statement that have been applied to capital financing	(918)	(1,087)
Application of grants to capital financing from the Capital Grants Unapplied Account	0	0
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(182)	(1,375)
Reduction in lease liabilities	0	0
Capital expenditure charged against the General Fund & HRA balances	(5,275)	(7,027)
	(12,472)	(16,203)
Balance at 31 March	(203,758)	(206,607)

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.

Financial Instrument Adjustment Reserve	2018/19	2017/18
	£'000	£'000
Balance at 1 April	505	556
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(41)	(51)
Balance at 31 March	464	505

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.

Pension Reserve	2018/19	2017/18
	£'000	£'000
Liability at Beginning of the Period	(67,834)	(70,707)
Re-measurement of the net defined benefit liability	6,213	7,214
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	(6,587)	(6,984)
Employer's pensions contributions and direct payments to pensioners payable in the year	2,776	2,643
Balance at 31 March	(65,429)	(67,834)

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

	2018/19 £'000	2017/18 £'000
Revaluation Reserve		
Balance at 1 April	(53,931)	(46,669)
Upward revaluation of assets	(9,320)	(9,229)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	504	878
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(8,816)	(8,351)
Difference between fair value depreciation and historical cost depreciation	0	941
Accumulated gains on assets sold or scrapped	1,485	148
Amount written off to the Capital Adjustment Account	1,485	1,089
Balance at 31 March	(61,261)	(53,931)

35.8 Pooled Investment Funds Adjustment Account

	2018/19 £'000	2017/18 £'000
Pooled Investment Funds Adjustment Account		
Balance at 1 April	0	0
Change in valuation charged to Surplus/Deficit on Provision of Services of the Other Comprehensive Income and Expenditure Statement	11	0
Balance at 31 March	11	0

Note 36. Contingent Liabilities

None to be noted

Note 37. Contingent Assets

Section 106 Receipts

The potential receipts from section 106 payments for planning applications given to the end of March 2019 currently stand at £8.711m.

Housing Revenue Income and Expenditure Statement for the Year Ended 31 March 2019

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	2018/19 £'000	2017/18 £'000
Income			
Dwelling Rents (Gross)	1	(17,267)	(17,345)
Non Dwelling Rents (Gross)		(426)	(412)
Charges for Services & Facilities		(555)	(511)
Contributions Received Towards Expenditure		(105)	(42)
Sums Directed by Secretary of State that are Income in Accordance with the Code		0	0
Total Income		(18,353)	(18,310)
Expenditure			
Repairs and Maintenance		4,688	4,031
Supervision and Management		4,749	4,448
Rents, Rates, Taxes and Other Charges		25	37
Negative Subsidy – Payments to Secretary of State		0	0
Increase in Allowance for Bad and Doubtful Debts	2	8	(5)
Depreciation and Impairment of Fixed Assets	6	1,411	2,280
Other Comprehensive Income & Expenditure		235	290
Sums Directed by Secretary of State that are Expenditure in Accordance with the Code		0	0
Total Expenditure		11,115	11,081
Net Expenditure/(Income) of HRA Services as Included in the Comprehensive Income & Expenditure Statement		(7,238)	(7,229)
Non-distributable Costs – Pensions Past Service Cost		104	124
HRA Share of Corporate and Democratic Core		922	855
Net Expenditure/(Income) of HRA Services		(6,212)	(6,250)
HRA Share of Operating Income and Expenditure Included in the Comprehensive Income & Expenditure Account			
(Gain)/Loss on Disposal of Non-Current Assets		4,889	(1,160)
(Gain) or loss on revaluation of Non-Current assets		(1,650)	950
Interest and Investment Income		(47)	(27)
Interest Payments		2,520	2,527
Net Interest on the Net Defined Benefit Liability		292	318
Capital Grants and Contributions Received		0	0
(Surplus)/Deficit for the Year on HRA Services		(208)	(3,642)

The accompanying notes form part of these financial statements

Statement of Movement on the Housing Revenue Account for the Year Ended 31 March 2019

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	2018/19 £'000	2017/18 £'000
Balance as at 1 April	(3,901)	(7,070)
Movement in Reserves:		
Surplus/(Deficit) on Provision of Services	(208)	(3,642)
Total Comprehensive Income & Expenditure	(4,109)	(10,712)
Adjustments Between Accounting Basis and Funding Basis Under Regulations:		
Capital Grants and Contributions Applied	0	0
Revenue Expenditure Funded from Capital Under Statute	0	0
Depreciation and Impairment of Non-current Assets	(1,411)	(2,280)
Reversal of Employee Leave Accrual	0	0
Reversal Revaluation & Impairment (Gains)/Losses on Property Plant & Equipment	1,650	(950)
Amounts of non-current assets written off on sale as part of the gain on disposal to the Comprehensive Income and Expenditure Statement	(7,758)	(2,002)
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,870	3,162
Revenue Contribution to Capital	0	0
Transfer to/(from) Major Repairs Reserve	4,152	4,315
Minimum revenue Provision	0	1,310
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and expenditure Statement	(1,106)	(1,154)
Employer's Pension Contributions to Pension Fund Payable in the year	460	440
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	(1)	0
Total Adjustments Between Accounting Basis and Funding Basis Under Regulations	(1,144)	2,841
Net Increase/(Decrease) Before Transfers to Earmarked Reserves	(1,144)	2,841
Transfer (to)/from Earmarked Reserves	2,153	3,970
Increase/(Decrease) in Year	1,009	6,811
Balance as at 31 March	(3,100)	(3,901)

The accompanying notes form part of these financial statements

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 1.01% (£178k) of the gross rents. In 2017/18 the figure was 1.44% (£255k).

The average weekly rent for dwellings was £79.25 in 2018/19 (£79.50 in 2017/18). The average weekly rent for garages was £11.10.

HRA Note 2. Rent Arrears

There was an increase of £26,000 in rent arrears and £8,000 increase in bad debt provision for the year ended 31 March 2019.

	2018/19 £'000	2017/18 £'000
Rents - Current Tenants	203	191
Rents - Former Tenants	64	50
Total Arrears	267	241
Provision for Bad and Doubtful Debts	-52	(44)
Total Housing Arrears	215	197
Arrears as a percentage of Total Rent Debit	1.25%	1.14%

HRA Note 3. Housing Stock

The authority was responsible for managing on average 4,196 dwellings during 2018/19. The stock at the year-end was made up as follows:

	31-Mar-18	Reclassified	Additions	Sales & Demolitions	31-Mar-19
Flats & Maisonettes	1,211	0	5	-2	1,214
Houses (including non-traditional)	2,000	0	10	-24	1,986
Bungalows	984	0	0	-1	983
House in multiple occupation	1	0	1	0	2
Other properties not used as dwellings	5	0	0	0	5
Total Dwellings	4,201	0	16	-27	4,190

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 2019 at a value of £240.111m (£237.340m at 1 April 2018). A 5 year rolling revaluation of the authority's dwellings commenced as at 31 March 2018 and has resulted in the updated beacon values used in the accounts.

2018/19	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
<u>Cost/Valuation</u>							
As of the beginning of the period	233,040	4,465	715	155	0	0	238,376
Additions	7,829	0	0	0	0	0	7,829
Depreciation written out to Gross Carrying Amount on Revaluation	-1,292	-10	0	0	0	0	-1,302
Revaluation increases/(decreases) recognised in the Revaluation Reserve	2,374	87	0	0	0	0	2,461
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	1,650	0	0	0	0	0	1,650
Impairment recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0
Reclassifications	-2,833	0	0	0	0	0	-2,833
Disposals (to Assets Held for Sale)	-4,926	0	0	0	0	0	-4,926
Disposals (Other)	0	0	-16	0	0	0	-16
As of the end of the period	235,844	4,542	699	155	0	0	241,240
<u>Accumulated Depreciation</u>							
As of the beginning of the period	-14	-307	-715	0	0	0	-1,036
Depreciation charge	-1,278	-132	0	0	0	0	-1,411
Reclassifications	0	10	0	0	0	0	10
Depreciation written out to Gross Carrying Amount on Revaluation	1,292	0	0	0	0	0	1,292
Disposals (to Assets Held for Sale)	0	0	0	0	0	0	0
Disposals (Other)	0	0	16	0	0	0	16
As of the end of the period	0	-430	-699	0	0	0	-1,129
Net Book Value at 31 March 2019	235,844	4,112	0	155	0	0	240,111

2017/18

	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
<u>Cost/Valuation</u>							
As of the beginning of the period	232,156	4,822	715	155	0	0	237,848
Additions	10,158	0	0	0	0	0	10,158
Depreciation written out to Gross Carrying Amount on Revaluation	(2,119)	(185)	0	0	0	0	(2,304)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	696	(171)	0	0	0	0	525
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(950)	0	0	0	0	0	(950)
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)	(6,901)	0	0	0	0	0	(6,901)
Disposals (Other)	0	0	0	0	0	0	0
As of the end of the period	233,040	4,466	715	155	0	0	238,376
<u>Accumulated Depreciation</u>							
As of the beginning of the period	(4,890)	(361)	(708)	0	0	0	(5,959)
Depreciation charge	(2,141)	(132)	(7)	0	0	0	(2,280)
Reclassifications	0	185	0	0	0	0	185
Depreciation written out to Gross Carrying Amount on Revaluation	2,119	0	0	0	0	0	2,119
Disposals (to Assets Held for Sale)	4,899	0	0	0	0	0	4,899
Disposals (Other)	0	0	0	0	0	0	0
As of the end of the period	(13)	(308)	(715)	0	0	0	(1,036)
Net Book Value at 31 March 2017	233,027	4,158	0	155	0	0	237,340

HRA Note 5. Vacant Possession Value of HRA Dwellings

Council dwellings had a valuation of £658.750 million as at 1 April 2019 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 for all council dwellings apart from the Houses in Multiple Occupation which have been kept at fair value. This is to reflect the fact that local authority housing is let at sub-market rents on secure tenancies. 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.

Type of Cost / Income	2018/19 £'000	2017/18 £'000
Supervision & Management – General	1,133	1,060
Repairs & Maintenance	1,119	961
Rent un-rebated	(4,121)	(4,134)

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.

Major Repairs Reserve	2018/19 £'000	2017/18 £'000
Balance as at 1 April	0	0
Income		
Depreciation	(1,411)	(2,280)
Additional HRA Contribution	(2,741)	(2,035)
Expenditure		
Major Repairs Expenditure	4,152	4,315
Balance as at 31 March	0	0

HRA Note 8. Capital Expenditure

Capital expenditure within the HRA for 2018/19 and how it was funded is shown below:

Capital Expenditure	2018/19	2017/18
	£'000	£'000
Reroofing	501	124
New Affordable Housing	3,025	5,235
Aids & Adaptations	229	545
Kitchens & Bathrooms	948	693
Doors, Windows, Soffits and Fascias	346	662
Heating	360	611
Decent Homes and Other Capital Schemes	2,419	2,288
Total Capital Expenditure	7,829	10,158
Financed by:		
Capital Receipts	(1,560)	(2,171)
Major Repairs Reserve	(4,152)	(4,315)
Capital Grants	0	0
Revenue Contributions	0	0
Contributions from Earmarked Reserves	(2,117)	(3,672)
Total Financing	(7,829)	(10,158)

HRA Note 9. Capital Receipts

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

Capital Receipts	2018/19	2017/18
	£'000	£'000
Sale of HRA Dwellings -Right To Buy	(2,612)	(3,173)
Sale of HRA Other land and Buildings	(259)	0
Mortgage Repayments	0	0
Miscellaneous Sales	0	0
Total Capital Receipts	(2,871)	(3,173)

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

The authority's single entity pension fund reserve liability decreased to £65.429m from £67.834m during 2018/19. It has been estimated that 21.80% of the authority's salary costs relate to the HRA, therefore the HRA's share of the overall pension deficit equates to £14.261m.

Collection Fund - Income and Expenditure Account 2018/19

	Business Rates £'000	Council Tax £'000	Total £'000
Income			
Council tax (net)	0	(106,940)	(106,940)
NDR collectable from business ratepayers	(36,958)	0	(36,958)
Transitional Protection Payments due for the year from Central Government	(400)	(4)	(404)
Total Income	(37,358)	(106,944)	(144,302)
Expenditure			
<u>Precepts, Demands and Shares</u>			
Central Government	0	0	0
Devon County authority	20,292	78,100	98,392
Devon & Cornwall Police authority	0	11,046	11,046
East Devon District authority (including towns & parishes)	13,758	11,839	25,597
Devon & Somerset Fire & Rescue authority	344	4,929	5,273
<u>Contributions to previous year's estimated surplus/deficit</u>			
Central Government	(1,183)	0	(1,183)
Devon County authority	(213)	924	711
Devon & Cornwall Police authority	0	128	128
East Devon District authority	(947)	138	(809)
Devon & Somerset Fire & Rescue authority	(24)	59	35
<u>Disregarded amounts</u>			
Enterprise Zone Growth	233	0	233
Renewable Energy Schemes	314	0	314
<u>Charges to Collection Fund</u>			
Transitional protection payments	0	0	0
Cost of Collection Allowance	229	0	229
Write offs	(7)	37	30
Adjustment to Bad Debt provision	77	43	120
Appeals charged to the collection fund	(497)	0	(497)
Adjustment to Appeals provision	498	0	498
Total Expenditure	32,874	107,243	140,117
Movement on fund balance	(4,484)	298	(4,186)
Balance at beginning of Year	1,717	(4,840)	(3,123)
In year correction of prior years' balance	707	0	707
Balance at end of Year	(2,060)	(4,542)	(6,602)
Shares of Balance			
Central Government	29	0	29
Devon County Council	(1,244)	(3,328)	(4,572)
Devon & Cornwall Police Authority	0	(501)	(501)
East Devon District Council (including Parishes)	(824)	(505)	(1,329)
Devon & Somerset Fire & Rescue Service	(21)	(208)	(229)
	(2,060)	(4,542)	(6,602)

The accompanying notes form part of these financial statements

Collection Fund - Income and Expenditure Account 2017/18

	Business Rates £'000	Council Tax £'000	Total £'000
Income			
Council tax (net)	0	(100,181)	(100,181)
NDR collectable from business ratepayers	(32,968)	0	(32,968)
Total Income	(32,968)	(100,181)	(133,149)
Expenditure			
<u>Precepts, Demands and Shares</u>			
Central Government	17,058	0	17,058
Devon County authority	3,071	72,876	75,947
Devon & Cornwall Police authority	0	10,132	10,132
East Devon District authority (including towns & parishes)	13,647	10,869	24,516
Devon & Somerset Fire & Rescue authority	341	4,688	5,029
<u>Contributions to previous year's estimated surplus</u>			
Central Government	37	0	37
Devon County authority	7	1,255	1,262
Devon & Cornwall Police authority	0	180	180
East Devon District authority	29	182	211
Devon & Somerset Fire & Rescue authority	1	83	84
<u>Disregarded amounts</u>			
Enterprise Zone Growth	29	0	29
Renewable Energy Schemes	292	0	292
<u>Charges to Collection Fund</u>			
Transitional protection payments	89	0	89
Cost of Collection Allowance	228	0	228
Write offs	(6)	65	59
Adjustment to Bad Debt provision	196	0	196
Appeals charged to the collection fund	(126)	0	(126)
Adjustment to Appeals provision	567	0	567
Total Expenditure	35,460	100,330	135,790
Movement on fund balance	2,492	149	2,641
Balance at beginning of Year	(751)	(4,989)	(5,740)
Balance at end of Year	1,741	(4,840)	(3,099)
Shares of Balance			
Central Government	871	0	871
Devon County Council	157	(3,572)	(3,415)
Devon & Cornwall Police Authority	0	(503)	(503)
East Devon District Council (including Parishes)	696	(539)	157
Devon & Somerset Fire & Rescue Service	17	(226)	(209)
	1,741	(4,840)	(3,099)

The accompanying notes form part of these financial statements

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 1st 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 1st 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.

In 2018/19 the Council was successful in obtaining 100% business rate pilot status along with all other Devon authorities. This meant the government did not take their 50% element and instead this was retained locally in return for no central government funding for the year (no Revenue Support Grant and Rural Services Delivery Grant). This resulted in a £1.2m gain to East Devon which was required to be spent in line with the Council's bid being used for economic development purposes.

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 (49.3p in 2018/19; 48.0p 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 £37.0m in 2018/19. The rateable value for the Council's area was £100.7m at 31 March 2019 VOA valuation (2017/18: £98.8m).

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 2018/19 the accumulated provision for bad debts stood at £0.419m (£0.407m for 2017/18) made up as follows:

	2018/19	2017/18
	£'000	£'000
Provision for Uncollectable Amounts		
Non Domestic Rates	102	131
Council tax	317	276
Total Provision	419	407

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 2018/19 are:

Band	Estimated equivalent no. of taxable properties after effect of discounts	Ratio	Band D Equivalent Dwellings
A*	8	5/9ths	4
A	3,971	6/9ths	2,647
B	9,675	7/9ths	7,525
C	12,849	8/9ths	11,421
D	10,954	9/9ths	10,954
E	9,393	11/9ths	11,480
F	5,831	13/9ths	8,423
G	3,760	15/9ths	6,267
H	157	18/9ths	314
Totals	56,598		59,035
Adjustment for collection rate and contributions in lieu (-0.9%)			(531)
Contribution from MOD Properties			165
Council Tax Base 2018/19			58,669
Council Tax Base 2017/18			57,477

A* = Disabled Band A

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

Band	Multiplier	East Devon District Council	Devon County Council	Devon & Cornwall Police Authority	Devon & Somerset Fire & Rescue Service	Total
A	6/9ths	91.19	887.46	125.52	56.01	1,160.18
B	7/9ths	106.38	1,035.37	146.44	65.34	1,353.53
C	8/9ths	121.58	1,183.28	167.36	74.68	1,546.90
D	9/9ths	136.78	1,331.19	188.28	84.01	1,740.26
E	11/9ths	167.18	1,627.01	230.12	102.68	2,126.99
F	13/9ths	197.57	1,922.83	271.96	121.35	2,513.71
G	15/9ths	227.97	2,218.65	313.80	140.02	2,900.44
H	18/9ths	273.56	2,662.38	376.56	168.02	3,480.52

Independent auditor's report to the members of East Devon District Council Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of East Devon District Council (the 'Authority') for the year ended 31 March 2019 which comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Statement of the Movement on the Housing Revenue Account, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The notes to the financial statements include the Explanatory Notes to the Core Statements, Explanatory Notes to the Housing Revenue Account Statement and Explanatory Notes to the Collection Fund. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19. In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Strategic Lead Finance's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Strategic Lead Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Strategic Lead Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report and the Annual Governance Statement, other than the financial statements and, our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance

Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls. We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Strategic Lead Finance and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 14, 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 Finance. The Strategic Lead Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Strategic Lead Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Strategic Lead Finance is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit and Governance Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the East Devon District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

G.N.Daly

Geraldine Daly, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol

25th October 2019

ANNUAL GOVERNANCE STATEMENT

For the year ended 31st March 2019

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 2019 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 2018/19– Report presented to the Strategic Lead Finance (CFO/S151) in April 2019 and to the Audit & Governance Committee 25th July 2019 giving reasonable/substantial assurance. Key areas for improvement have been picked up within this Statement in Section 6.
- External audit and inspection (Grant Thornton) – a Report will presented to the Audit Governance Committee in July 2019 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 was undertaken in March/April 2019 through the completion of assurance statements by the Strategic Management Team. These were then reviewed by the Strategic Lead Finance, the Monitoring Officer, Chief Executive, Assistant Director SWAP 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 challenge the Cabinet Committee where necessary including the invite of appropriate Cabinet members and Lead Officers to attend to answer questions.
- 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 2017-18 are set out in the table in Appendix 1.

5. Significant Governance Issues - Issues raised in 2017/18 Annual Governance Statement

Issues raised in last year's Annual Governance Statement are copied below with updates on progress.

Key Issue to be addressed	Responsible Officer	Progress
No commitments against budget are recorded for orders raised on the Open Housing System used to manage housing repairs works. This was originally scoped to be included with the implementation of the system implementation but dropped in the first stage implementation to get the system live on time. This element is still outstanding.	Strategic Lead Housing & Environment	<p>Additional manual monitoring of budget spend is in place to mitigate this weakness in the financial controls.</p> <p>New systems and processes are being implemented as part of the roll out of the Housing Maintenance Contract and system updates</p> <p>Implementation by July 2019.</p>

<p>Completion of Business Continuity Plan.</p>	<p>Strategic Lead Organisation Development</p>	<p>Key systems and recovery times agreed by all 3 partners and with Strata. Daft Emergency Plan and BCP now being finalised and planned to be complete by September 2019.</p> <p>This will be followed by SWAP to give A&G Committee reassurance.</p>
<p>“Follow Me” print is not working with the Academy System which heightens the risk of human error in mixing correspondence between customers within envelopes. Because this IT system holds personal data there is a risk of a personal data breach.</p>	<p>Strategic Lead Finance</p>	<p>Mitigation is now in place through dedicated resource to control the printing and despatch of Rev’s & Ben’s letters until a longer term solution can be found.</p>
<p>The General Data Protection Regulations 2016 came into force on 25th May 2018. These bring enhanced obligations on data controllers and processors in respect of processing personal data. There are also enhanced rights for individuals. Greater role on data controllers to be accountable for their actions and ensure that personal data is handled lawfully and is appropriately protected from inappropriate use. The ICO has significant powers, particularly in respect of financial penalties.</p>	<p>All Data Protection Officer</p>	<p>Policy framework and processes where in place by the 25th May 2018 implementation date.</p>

6. Significant Governance Issues – Issues raised in 2018/19 Annual Governance Statement

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

- Financial Regulations were revised, updated and approved by Council in May 2018, these reflect current best practice.
- All SWAP audits carried in 2018/19 that received an assurance rating received either a reasonable or substantial assurance. There were no partial or lower ratings.

- Review of key governance policies by the Audit & Governance Committee;
 - Anti-Fraud and Corruption policy
 - Anti-Bribery Policy
 - Whistleblowing Policy
 - Local Code of Corporate Governance – this included a review of the CIPFA/SOLACE Guidelines.

- Strata Solution Services (IT company which EDDC has a 1/3 share) went through an Investors in People assessment and obtained a silver rating which is rarely given on first attempt and to such a new organisation. This is important measure of the organisations culture that provides a key service to the Council.

- The Audit & Governance Committee requested as a regular agenda item the inclusion of Devon Audit Partnership (DAP) reports on Strata for their review.

- The Audit & Governance Committee now receive at each meeting confirmation of any action under the Regulation of Investigatory Powers Act.

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.

Key Issue to be addressed	Responsible Officer	Date for implementation
Completion of Business Continuity Plan.	Strategic Lead Organisation Development	September 2019
With the New Council, member training will be provided to ensure the Overview and Scrutiny role is fully understood to enhance the role of both functions.	Strategic Lead - Governance & Licensing	July 2019
To ensure processes and financial controls are implemented to manage the new Housing Maintenance Contract with a value of up to £100m. Weakness were identified with existing process, see 2017/18 issues to address. SWAP will review as part of the 2019/20 Audit Plan	Strategic Lead - Housing, Health & Environment	September 2019
To ensure a comprehensive General Data Protection Regulations (GDPR) and Information Asset Register (IAR) is in place.	Strategic Lead - Governance & Licensing - GDPR Strategic Lead Finance – IAR	December 2019
Finalising a central asset register ensuring property related data is held in one place and can be used to inform decision making around ongoing day-to-day management but also strategic decision making.	Senior Manager - Property & Estates	March 2020

Ben Ingham
Leader of the Council
24th October 2019

Mark Williams
Chief Executive
24th October 2019

<p>CORE PRINCIPLE A Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.</p>	
<p>Supporting Principles</p>	<p>Assessment of the effectiveness of key elements of the Council’s governance processes during 2018-19</p>
<p>Behaving with Integrity</p> <p>Demonstrating strong commitment to ethical values</p> <p>Respecting the rule of law</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 2018/19.</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 & hospitality and member & 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 & Compliance Manager and a Strategy has been adopted by Council.</p>

	<p>The Council has a whistle-blowing, Anti-Fraud and Corruption Policy and Anti-Bribery Policy which were reviewed in 2018/19.</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, 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>CORE PRINCIPLE B Ensuring openness and comprehensive stakeholder engagement</p>	
<p>Supporting Principles</p>	<p>Assessment of the effectiveness of key elements of the Council’s governance processes during 2018-19</p>
<p>Openness</p> <p>Engaging comprehensively with other organisations that the council needs to work with to improve services and outcomes</p> <p>Engaging with individual citizens and service users effectively citizens</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"> - continue to keep our website up to date using our adopted principles so that the information clear and easy to find - write policies and strategies for intranet and web - involve residents in deciding what good public services means to them - make the most of opportunities for communities and councils to improve their local areas - 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)

	<p>- Rigorous use of Communication and Consultation Plans at the outset of larger projects.</p> <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.</p>
<p>CORE PRINCIPLE C Defining outcomes in terms of sustainable economic, social, and environmental benefits</p>	
<p>Supporting Principles</p>	<p>Assessment of the effectiveness of key elements of the council's governance processes during 2018-19</p>
<p>Defining outcomes Sustainable economic, social and environmental benefits</p>	<p>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.</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</p> <p>A strategic Planning Committee is in place to oversee development of the Strategic Plan and its delivery.</p> <p>Contract Standing Orders 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.</p> <p>The Council has an adopted Local Plan.</p>
<p>CORE PRINCIPLE D Determining the interventions necessary to optimise the achievement of the intended outcomes</p>	
<p>Supporting Principles</p>	<p>Assessment of the effectiveness of key elements of the council's governance processes during 2018-19</p>
<p>Determining interventions</p> <p>Planning interventions</p> <p>Optimising achievement of intended outcomes</p>	<p>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.</p> <p>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.</p>

	<p>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.</p> <p>The Scrutiny Committee monitors and scrutinises the performance and decision making of the authority. They may make recommendations to the Full Council.</p> <p>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.</p> <p>The Council has an adopted Financial Plan (2019 – 2029) linked to its Transformation Strategy. The Council annual budget approval involves significant Councillor involvement before adoption.</p>
<p>CORE PRINCIPLE E Developing the entity’s capacity, including the capability of its leadership and the individuals within it</p>	
<p>Supporting Principles</p>	<p>Assessment of the effectiveness of key elements of the Council’s governance processes during 2018-19</p>
<p>Developing the entity’s capacity</p> <p>Developing the entity’s leadership</p> <p>Developing the capability of individuals within the entity</p>	<p>A corporate Member’s induction programme is in place and ongoing training for Members includes the member code of conduct, personal safety and procedures.</p> <p>The Council has investors in people Gold award recognising good policies and procedures are in place and working well which is externally validated.</p> <p>This includes having in place a performance framework covering all officers including an appraisal system with targeted, relevant training.</p> <p>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.</p>
<p>CORE PRINCIPLE F Managing risks and performance through robust internal control and strong public management</p>	
<p>Supporting Principles</p>	<p>Assessment of the effectiveness of key elements of the Council’s governance processes during 2018-19</p>
<p>Managing Risk</p> <p>Managing Performance</p>	<p>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.</p> <p>The Council has an induction and development programme for Councillors. This is of vital importance, given the technical</p>

<p>Robust Internal Control</p> <p>Strong Public Financial Management</p>	<p>complexity of the Council's core operations, the decision making structure and the financial value of the transactions controlled by the Authority.</p> <p>All statutory Officers receive the training and support to carry out their duties effectively and as appropriate, participate in continuous professional development.</p> <p>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.</p> <p>In addition to the quarterly performance reports there are at least quarterly financial reports submitted to Cabinet detailing estimated outturn against the approved budget.</p> <p>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 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"> • A Risk Management Framework linked into the Authority Structure; • An appropriate suite of Anti-Fraud and Corruption Policies; • A balanced budget supported by appropriate reserves • Standards Committee supported by independent Members <p>The Council carries out staff surveys 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>CORE PRINCIPLE G Implementing good practices in transparency, reporting, and audit to deliver effective accountability</p>	
<p>Supporting Principles</p>	<p>Assessment of the effectiveness of key elements of the Council's governance processes during 2018-19</p>
<p>Implementing good practice in transparency</p> <p>Implementing good practices in reporting</p> <p>Assurance and effective accountability</p>	<p>The Council makes as much information as possible available on its website and there are approximately 200 services that can be fulfilled on-line. 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 an unqualified opinion on the Council's Financial Statements and Value for Money assessment for 2017/18. The same position is anticipated with the Council's new auditors Grant Thornton for 2018/19.</p>

The Strategic Management Team is responsible for responding to recommendations made by Internal Audit and External Audit.

Progress made against the issues identified in the 2017-18 Annual Governance Statement action plan have been monitored by the Strategic Management Team and the Audit & Governance Committee.

The Council has a Whistle-blowing Policy which is advertised both inside the Council and on the Council's website.

The Council has an Anti-Fraud, Theft and Corruption Policy approved by the Audit & Governance Committee.

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.

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

The accruals principle is that income is recorded when it is earned rather than when it is received, and expenses are recorded when goods or services are received rather than when payment is made.

Accumulated Absences 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 inventories).
- **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 undertaken by the Appointed Auditor, KPMG.

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 Financing

The raising of money to meet the cost of capital expenditure. Capital expenditure may be financed by borrowing, leasing, and contributions from revenue accounts, the proceeds from the sale of capital assets, capital grants and contributions from developers or others.

Capital Receipts

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

Chartered Institute of Public Finance and Accountancy (CIPFA)

CIPFA is the leading professional accountancy body for public services.

Collection Fund

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

Community Assets

Non-current 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.

Current Assets

Assets that can be expected to be consumed or realised during the next accounting period.

Current Liabilities

Amounts that will become due or could be called upon during the next accounting period.

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 Benefit

This is an allowance to persons receiving little or no income to meet, in whole or part, their rent. Benefit is allowed or paid by local authorities but Central Government refunds part of the cost of the benefits and of the running costs of the services to local authorities. Benefits paid to the Authority's own tenants are known as rent rebates and that paid to private tenants as rent allowances.

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.

Interest

An amount received or paid for the use of a sum of money when it is invested or borrowed.

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.

Minimum Revenue Provision (MRP)

The minimum amount that must be charged to an authority's revenue accounts and set aside as a provision for credit liabilities. It is calculated by applying a percentage of outstanding debt in accordance with the Council's approved policy.

Non Domestic Rates (NDR)

NDR is also referred to as business rates; is the levy on business property, based on a national rate in the pound applied to the 'rateable value' of the property. Authorities can voluntarily form a business rate retention pool, where all authorities in the pool can benefit from keeping a proportion of business rate revenue as well as growth on the revenue that is generated in their area to spend on local services.

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.

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 various Authorities that is collected by the District Council on their behalf. The major precepting authorities in East Devon are Devon County Council, Devon and Somerset Fire and Rescue Service and Devon and Cornwall Police Authority.

Property, Plant and Equipment (PPE)

Tangible assets that are held for use in the production or supply of goods and services, for rental to others, or for administration purposes, and are expected to be used during more than one year.

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.

Public Works Loan Board (PWLB)

An arm of Central Government which is the major provider of loans to finance long term funding requirements for Local Authorities.

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 of 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 Financed by 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.⁷