



**Statement of Accounts
2014/15
East Devon District Council
Knowle
Sidmouth
Devon
EX10 8HL**

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Statement of Accounts

2014/15

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Introduction

Welcome to East Devon District Council's Statement of Accounts for 2014/15

The Council continued to provide good services without any significant reductions in front line service delivery despite ongoing Government austerity measures. This was the fourth year of our 2012 - 16 Council Plan and we have continued to build on the actions that are contained in that Plan, further details on the achievements for 2014/15 can be found in the Council's Annual Report. The Council continues to be recognised for its sound financial management and providing good value services.

The Accounts show a saving/underspend against budgets for both our revenue and capital budgets for the year with budget variations explained in detail within the Council's Outturn Book 2014/15 available here: [EDDC 2014/15 Outturn Book](#) The Council has maintained the level of reserves and balances in line with its adopted levels, sums have been retained to mitigate risk and reserves set up to deal with timings in funding service expenditure to be undertaken in future years.

East Devon District Council as a billing authority, collected Council Tax for Devon County Council, Devon & Cornwall Police & Crime Commissioner, Devon & Somerset Fire and Rescue Authority and town and parish councils as well as East Devon District Council itself. East Devon's element of a typical council tax bill in 2014/15 was just £121.78. This was held at the same level as in for the fifth year running due to good financial management and the receipt of a Council Tax Freeze grant from the Government, equivalent to a 1% increase in Council Tax.

The pages which follow will explain the services we provide and how your council tax was spent during the year. The Council's accounts have been prepared in line with International Financial Reporting Standards.

We are always looking to improve the way we present our financial information because we feel it's important that residents understand the Council's finances. If there is anything that you would like to tell us so that we can improve things for the future, please do not hesitate to get in touch with us.

Finally, we thank you for showing an interest in East Devon District Council's finances.

Simon Davey CPFA (S151/CFO)
Strategic Lead for Finance
East Devon District Council
Council Offices
Knowle
Sidmouth
EX10 8HL

EXPLANATORY FOREWORD

The intention of the Statement of Accounts is to give the reader a view of the finances of East Devon District Council for 2014/15.

Any documents referred to in links to the EDDC website can be obtained in hard copy on request.

The Explanatory Forward is divided into the following sections:

- 1. Inspection of the Accounts**
- 2. 2014/15 Performance - Outturn**
 - 2.1 General Fund Revenue
 - 2.2 Housing Revenue Account
 - 2.3 Capital Programme
 - 2.4 Reserves and Balances
 - 2.5 Review of Key Objectives and Events
- 3. Looking Forward to 2015/16**
 - 3.1 Issues affecting 2015/16 Budget
 - 3.2 Future Year Budgets
- 4. Key Accounting Information**
 - 4.1 Summary of Purpose and Relationship Between Statements
 - 4.2 Change in Accounting Policies
 - 4.3 Prior Year Adjustments
 - 4.4 Preparation of the Accounts
 - 4.5 Annual report

1. Inspection of the Accounts

Under provisions contained in Section 15 and 16 of the Audit Commission Act 1998 and the Accounts and Audit Regulations 2011, the Statement of Accounts for 2014/15 was available for inspection from 1 July 2015 to 28 July 2015.

The Council's external auditors are Grant Thornton UK LLP.

2.0 2014/15 Performance (Outturn)

2.1 General Fund Revenue

The Council's Revenue Account - known as the General Fund - bears the net cost of providing day-to-day services (excluding provision of council housing).

2.1.1 Comparing Budget to Actual - explaining the big differences.

Details at Portfolio and individual services level are available in the [EDDC 2014/15 Outturn Book](#) which was published at the Cabinet meeting on 17th June 2015.

| Major Outturn Budget Variations 2014/15 | Variations £000 |
|---|----------------------------|
| Environment Services | |
| Public Health Licensing income and other efficiencies | (92) |
| Savings on car park cash collection contract and other areas | (52) |
| Car Park income below budget; pay and display income budget set too optimistically and permit sales also down on expected budget level | 178 |
| Street Scene Services | |
| Savings on cleansing and grounds maintenance services mainly from extended equipment and machinery life | (138) |
| Recycling and Refuse contract payments – additional collections required earlier than expected | 101 |
| Finance Services | |
| Revenues & Benefits; additional external funding achieved, income from identification and recovery, payments below budget including discretionary rate relief | (270) |
| Strategic Development & Partnership Services | |
| Planning income – additional phase of Cranbrook received | (391) |
| Additional external funding secured by Growth Point Team | (90) |
| Sustainable Homes & Communities Services | |
| Homelessness – reduced costs through successful initiatives to reduce homelessness and costs involved | (91) |
| All services | |
| Savings from vacant posts and structure changes during the year | (729) |
| Premises savings across a number of assets mainly from utility costs | (248) |

2.1.2 Treasury Management performance including interest payable

General Fund and HRA interest of £0.279m received for 2014/15 was only £6k in excess of the budget.

No restructuring of debt or early repayment of loans took place.

Full details of performance are available in the Annual Treasury Management report presented to Cabinet on 17 June 2015, [2014/15 Annual Treasury Management Review](#) and under the financial instruments notes in the accounts. Further details of the EDDC [2014/15 Treasury Management Strategy](#) are available on the website.

2.1.3 Material items of Income and expenditure

Most large items of expenditure are covered in the Council's capital programme detailed below.

The following item is included in the 2014/15 Comprehensive Income and Expenditure:

The cost to EDDC for pension provision for 2014/15 was £2.126m payable to the Local Government Pension Scheme administered by Devon County Council.

2.2 Housing Revenue Account

The Housing Revenue Account (HRA) is the ringfenced account for providing council housing and associated services.

2.2.1 Comparing Budget to Actual - explaining the big differences

| HRA 2014/15 | Variations £000 |
|---|----------------------------|
| Rent income higher due to reduced void times & excellent collection rates | (238) |
| Other Income including garden licences, individual garden maintenance, sold flats recovery of costs, rent of land and supporting people self-funders income | (141) |
| Day to day repairs – increase in demand and storm damage costs | 491 |
| Programmed maintenance – includes additional works identified as a result of solid fuel & gas servicing | 94 |
| Catch up Repairs – this budget is spent across other budget heads associated with the actual spend | (275) |
| Major Repairs | (386) |
| Revenue contribution to capital lower than anticipated due to lower costs than budgeted , slippage and use of capital receipts to fund capital expenditure | (183) |

Further details are available in the [EDDC 2014/15 Outturn Book](#) which was published at Cabinet on 17th June 2015.

2.3 Capital Programme

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

The capital programme is approved each year in February at full Council for the next three years with estimated spend and sources of funding. As at 1 April 2015, the predicted balance remaining on our Capital Reserve at 31 March 2018 was £6.615m.

2.3.1 Comparing Budget to Actual - explaining the big differences

| Capital Programme 2014/15 | Variations £000 |
|---|----------------------------|
| Economy & Regeneration | |
| Seaton Visitor Centre – budget should have been profiled more accurately, there is some scheme slippage | (2,171) |
| Seaton Workshop provision – this scheme is on hold awaiting a new report. Circumstances have changed | (519) |
| Manstone Workshop provision – this scheme is on hold awaiting a new report | (109) |
| Environment | |
| LED loan for Exmouth Sports Centre extension – legal complications have delayed expected payments but we have met LED cashflow requirements | (1,451) |
| Feniton Flood Alleviation Scheme – slippage to 2015/16, scheme complications | (297) |
| Street Scene | |
| Axe Wetlands development – budget should have been profiled more accurately and there is some slippage | (186) |
| Community HRA | |
| HRA Housing System – scheme to be completed in 2015/16, significant work involved in ensuring system is implemented correctly | (159) |
| Housing in multiple occupation Exmouth – scheme slippage to 2015/16 | (168) |

Details at Portfolio and individual project level are available in the [EDDC 2014/15 Outturn Book](#) which was published for the June Cabinet meeting.

2.3.2 Details of significant projects

Expenditure of £8.341m on Growth Point infrastructure including roads in and around Cranbrook was funded by the central government Regional Growth Fund.

There was also expenditure of £1.560m on Exmouth and Seaton regeneration development. Grants to help disabled people in their own homes were paid out totalling £0.463m.

Loans of £1.0m to Exeter Science Park to facilitate building of the Science Park Centre, and £0.755m to Beer Community Land Trust for provision of affordable houses within the village.

In addition to £5.153m expenditure on improvements to existing EDDC council stock, the HRA funded the purchase of three affordable houses for £0.483m.

2.4 Reserves and Balances

2.4.1 Summary of major reserves

| | Opening Balance | Movement in Year | Closing Balance |
|-----------------------------|-----------------|------------------|-----------------|
| | £000 | £000 | £000 |
| General Fund Reserve | (3,925) | (721) | (4,646) |
| HRA Reserve | (3,891) | (1,075) | (4,966) |
| Capital Reserve | (2,509) | 471 | (2,038) |
| Total | (10,325) | (1,325) | (11,650) |

2.4.2 General Fund balance

The movement in the General Fund balance in year of £0.721m is detailed in the [EDDC 2014/15 Outturn Book](#) on the Summary page. In addition a contribution was made of £0.619m to the Business Rate Volatility Fund. A further transfer will be made from the General Fund balance of £0.941m to the Capital reserve in 2015/16 as agreed by Council in the 2014/15 Outturn report.

Other movements and the final General Fund Balance are detailed in the Movement in Reserves Statement (MIRS) within the Statement of Accounts.

2.4.3 HRA balance

Contributions to the HRA balance in the year of £1.075m are detailed in the [EDDC 2014/15 Outturn Book](#) from page 57. The HRA also contributed a further £0.500m to the HRA Business Plan Volatility Reserve to provide a cushion for repayment of the HRA self financing loans bringing the balance in the reserve to £3.4m.

Other movements and the final HRA balance are detailed in the Movement in Reserves Statement (MIRS) within the Statement of Accounts.

2.4.4 Earmarked Reserves

These represent funds set aside for specific purposes in future years. They are created from unspent external funding for specific projects or revenue underspends due to slippage of projects within the year.

Overall, earmarked reserves have increased by £1.167m. See Note 8 in the Accounts for a summary of movements and in the [EDDC 2014/15 Outturn Book](#) for details of individual reserves.

2.4.5 Capital Reserve

This reserve helps fund our Capital Programme. The Capital reserve was used to fund £0.887m of the Capital programme in 2014/15 leaving £2.038 for future years. Details of estimated future expenditure are in the [EDDC 2014/15 Outturn Book](#).

2.4.6 Pensions Liability

The money owed by us at 31 March includes a £53.727m pension liability. The pension liability is estimated by our pension fund actuary and shows the commitment that we have, in the long-term, to pay retirement benefits.

2.5 Review of Key Objectives and Events**2.5.1 Performance - using Revenue and Capital resources**

The annual Capital and Revenue budgets are approved by full Council each February for the following 1 April to 31 March. These budgets are the product of a process starting in September of the prior financial year and are scrutinised by service managers, the Finance Team, the Strategic Management Team and finally Cabinet, Overview and Scrutiny and full Council. The Annual Revenue and Capital Budget book is available on the EDDC website here <http://eastdevon.gov.uk/council-and-democracy/council-business/our-finance/financial-information-201415/>.

The performance of EDDC is measured by the actual use of these revenue and capital resources against budget and is monitored on a monthly basis with reports to Cabinet. These reports cover the General Fund, HRA, the Capital Programme and levels of reserves. They also detail any additional expenditure required and the source of funding. These reports are within the monthly Cabinet Agendas which are available on the EDDC website (<http://eastdevon.gov.uk/council-and-democracy/committees-and-meetings/cabinet/>)

The Council also produces Quarterly Performance Monitoring reports and an Annual Report, again available on the EDDC website.

2.5.2 Key Issues in 2014/15

Spending plans and income was affected in 2014/15 by decreasing central government funding, however a balanced budget was set with the final outturn achieving savings that were required.

All balances and reserves are held within the required limits as set at Council

2.5.3 Major changes in Assets and Liabilities on the Balance Sheet

The decrease in the value of Other Land & Buildings assets of £9.965m is mainly due to the reclassification of The Knowle as Assets held for Sale and revaluations.

The increase of £1.330m on Short Term Debtors is mainly due to Housing Benefits overpayments to be recouped from claimants and a general increase in debts for other council services provided.

Cash and Cash Equivalents fluctuate every year purely depending on the timing of payments made and cash received as at 31 March.

The increase of £5.037 on Short Term Creditors is mainly due to the balance of Regional Growth Fund grant owed to Devon County Council for infrastructure works in the west of the district.

2.5.4 Current Borrowing Facilities and Capital Borrowing

Details of the Council's authorised borrowing limits are in the annual Prudential Indicators report which is presented as an appendix to the Revenue and Capital Estimates. It is presented to Cabinet and then full Council in February each year and is available on the EDDC website at [Revenue and Capital Estimates 2014/15](#).

The report provides details of the prudent level of borrowing that the council can take out for capital financing. Capital financing is needed for funding the capital programme that is not met by capital receipts, grants or reserves.

There was no restructuring of debt or early repayment during 2014/15.

3. Looking forward to 2015/16

3.1 Issues affecting 2015/16 budget

Central Government funding for local authorities continues to reduce against increasing pressures and costs for councils to continue to deliver services for its customers. In 2014/15 the Council received a further reduction in funding of 14%, or £0.794m in its main Government service grant.

In leading up to setting the 2015/16 budget, significant work was undertaken by a Member Group (Budget Working Party) who made recommendations on a number of initiatives to address the budget shortfall in 2014/15 with an eye to balancing 2015/16 at the same time. This meant the Council set a balanced budget for 2015/16 within available funding resources within a well managed approach and timescale.

3.2 Future years

Going forward, the Council will continue to find it difficult to afford its spending plans against further government spending cuts, the added pressure of inflationary increases in costs and pay awards, 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.

The Council's Financial Plan which looks at the projected finances of the Council up to 2021 estimates a funding gap of £2.6m by 2020/21 if service costs remain the same when compared against funding levels. Alongside the Financial Plan sits a Transformation Strategy which outlines East Devon District Council's purpose is to be a successful district council delivering or commissioning the services our council tax payers expect despite the huge reductions in grants. Both these documents were presented to July 2015 Cabinet for approval.

The Transformation Strategy is intended to be a dynamic 5 year strategy which will require review and update on at least an annual basis over the period so that we can track progress and savings made.

The following 'strategic themes' make up our Transformation Strategy.

- 1) Deliver our Worksmart Strategy and transform our culture through new ways of working underpinned by the right technology at the right time
- 2) Deliver improved online services through our Open for Business project
- 3) Implement systems thinking reviews across all services
- 4) Maximise the value of our assets through commercial thinking with a focus on income generation, sustainability and developing local economies
- 5) Actively pursue alternative service delivery methods and models

The 'strategic themes' of this Transformation Strategy will be used to ensure that spending and savings proposals can be tested on an ongoing basis against pre-agreed criteria. Keeping the 'strategic imperatives' in mind will help everyone in the council keep a firm focus on how it directs its human and financial resources so that we steer a steady course to deliver despite the reductions in government funding.

4. Key Accounting Information

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011 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 2014/15 (the Code) and the Service Reporting Code of Practice for Local Authorities 2014/15 (SeRCOP), supported by International Financial Reporting Standards (IFRS).

The 2014/15 accounts summarise the Council's transactions for the 2014/15 financial year and its position at the year end of 31 March 2015.

4.1 Summary of Purpose and Relationship Between Statements

4.1.1 The Statement of Responsibilities for the Statement of Accounts

This Statement sets out the respective responsibilities of the Council and the Chief Financial Officer for the accounts.

4.1.2 The Auditor's Statement

This is the Independent Auditor's Report to Members of East Devon District Council including the Conclusion on Arrangements for Securing Economy, Efficiency and Effectiveness in the Use of Resources. It is called the Audit Opinion.

4.1.3 The Annual Governance Statement

This gives a public assurance that the Council has proper arrangements in place to manage all of its affairs. It summarises the Council'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.

4.1.4 Movement in Reserves Statement - Core Financial Statement

This statement shows the movement in the year on the different reserves held by the Council, 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 Council'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 Council.

4.1.5 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 Council. The taxation position is shown in the Movement in Reserves Statement.

The 2014/15 deficit of £17.641m is mainly due to increased costs to the pension fund of £11.063m. This is reversed out in the Movement on Reserves Statement to the Pension Reserve on the Balance Sheet resulting in a nil effect on the General Fund Balance.

4.1.6 Balance Sheet - Core Financial Statement

The Balance Sheet summarises the Council's financial position at 31 March 2015 showing the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council.

Reserves are reported in two categories:

Usable reserves: reserves that the Council 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.

4.1.6 Balance Sheet - Core Financial Statement

Unusable Reserves : reserves that the Council 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'.

As at 31 March 2015, our balance sheet has a net decrease of £17.641m due to an increase on Usable reserves of £3.127m relating to revenue and capital underspends, and a decrease in Unusable reserves of £20.768m due to pension and capital adjustments.

4.1.7 Cash Flow Statement - Core Financial Statement

The Cash Flow Statement shows the changes in the Council's cash and cash equivalents during the reporting period. The statement shows how the Council 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 Council are funded by way of taxation and grant income, or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council'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 Council.

4.1.8 Housing Revenue Account (HRA) - Supplementary Financial Statements

The HRA is a record of revenue expenditure and income relating to the Council'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 ringfenced 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.

4.1.9 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.

4.2 Change in Accounting Policies

4.3 Prior Year adjustments

Due to the spreading of the back dated appeals provision for NNDR, the following restatement of items in the CIES and MIRS and Balance Sheet for 2013/14 have been necessary:

Comprehensive Income & Expenditure Account:

The NNDR income line within Taxation and Non-domestic grant income/expenditure has decreased by £0.377m resulting in a restated Net Surplus of £0.102m.

MIRS:

The General Fund Balance Surplus and Deficit on the Provision of Service line has been adjusted by £0.377m and then been reversed on the Adjustments between accounting basis and funding basis under regulations line below, to the Collection Fund Adjustment account.

4.3 Prior Year adjustments Contd.

This results in no change to the General Fund balance, and an increase to the Collection Fund Adjustment Account balance carried forward.

Balance Sheet:

The £0.377m increase to the Collection fund Adjustment Account has a corresponding decrease in the short term provision line in the Balance sheet resulting in a nil net effect on the Balance Sheet.

4.4 Preparation of the Accounts

The accounts are prepared in accordance with proper practices as set out by CIPFA/LASAAC code of practice. See the Statement of Responsibilities for details.

4.5 Annual Report

The Council produces an Annual Report which details the Council's plans for 2014/15 and compares this to actual performance. Details of the objectives and the Performance Indicators are contained in the report which will be published on the EDDC website in July 2015.

Simon Davey CPFA
Strategic Lead for Finance

The Statement of Responsibilities

The Council's Responsibilities

The Council 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 Council, 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 for Finance Responsibilities

The Strategic Lead for Finance is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code).

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

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

The Strategic Lead for Finance has also:

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

The unaudited accounts were issued on 30 June 2015 and the audited accounts were authorised for issue on 24 Sept 2015.

Simon Davey CPFA
Strategic Lead for Finance

I certify on behalf of the Council that the Statement of Accounts 2014/15 were approved in final form by the Audit & Governance Committee on 24th September 2015.

Councillor Mark Williamson
Chairman of the Audit and Governance Committee

Movement in Reserves Statement

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

| | General Fund Balance | Earmarked General Fund Reserves | Housing Revenue Account | Earmarked HRA Reserves | Capital Receipts Reserve | Capital Grants Unapplied | Total Usable Reserves | Unusable Reserves | Total Council Reserves |
|---|----------------------|---------------------------------|-------------------------|------------------------|--------------------------|--------------------------|-----------------------|-------------------|------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance at 31 March 2013 | (3,810) | (7,996) | (2,970) | (1,710) | (175) | (3,399) | (20,060) | (165,990) | (186,050) |
| Movement in reserves during 2013/14: | | | | | | | | | |
| (Surplus) / Deficit on the provision of services | *4,527 | 0 | (4,629) | 0 | 0 | 0 | *(102) | 0 | *(102) |
| Other Comprehensive Income and Expenditure | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (6,763) | (6,763) |
| Total Comprehensive Income and Expenditure | *4,527 | 0 | (4,629) | 0 | 0 | 0 | (102) | (6,763) | (6,875) |
| Adjustments between accounting basis & funding basis under regulations (Note 7) | *(5,434) | 0 | 2,518 | 0 | (1,758) | 1,431 | *(3,243) | *3,244 | *0 |
| Net (Increase) / Decrease before Transfers to/from Earmarked Reserves | *(908) | 0 | (2,111) | 0 | (1,758) | 1,431 | (3,346) | (3,519) | (6,865) |
| Transfers to/from Earmarked Reserves (Note 8) | 793 | (793) | 1,190 | (1,190) | 0 | 0 | 0 | 0 | 0 |
| (Increase)/Decrease in 2013/14 | (115) | (793) | (921) | (1,190) | (1,758) | 1,431 | *(3,346) | *(3,519) | *(6,865) |
| Balance at 31 March 2014 | (3,925) | (8,789) | (3,891) | (2,900) | (1,933) | (1,968) | (23,406) | *(169,509) | *(192,915) |
| (Surplus) or deficit on the provision of services | 7,323 | 0 | (1,947) | 0 | 0 | 0 | 5,376 | 0 | 5,376 |
| Other Comprehensive Income and Expenditure | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 12,265 | 12,265 |
| Total Comprehensive Income and Expenditure | 7,323 | 0 | (1,947) | 0 | 0 | 0 | 5,376 | 12,265 | 17,641 |
| Adjustments between accounting basis & funding basis under regulations (Note 7) | (8,711) | 0 | 372 | 0 | (958) | 794 | (8,503) | 8,503 | 0 |
| Net (Increase) / Decrease before Transfers to/from Earmarked Reserves | (1,388) | 0 | (1,575) | 0 | (958) | 794 | (3,127) | 20,768 | 17,641 |
| Transfers to/from Earmarked Reserves (Note 8) | 667 | (667) | 500 | (500) | 0 | 0 | 0 | 0 | 0 |
| (Increase)/Decrease in 2014/15 | (721) | (667) | (1,075) | (500) | (958) | 794 | (3,127) | 20,768 | 17,641 |
| Balance at 31 March 2015 | (4,646) | (9,456) | (4,966) | (3,400) | (2,891) | (1,174) | (26,533) | (148,741) | (175,274) |

*Restated for NNDR spreading adjustment.

Comprehensive Income and Expenditure Statement

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

| Comprehensive Income and Expenditure Statement For the year ended 31 March 2015 | | | | | | |
|--|------------------------------------|---|--|---|------------------------------------|---------------------------------------|
| 2013/14 Gross Expenditure £000 | 2013/14 Gross Income £000 | 2013/14 Restated Net Expenditure £000 | | 2014/15 Gross Expenditure £000 | 2014/15 Gross Income £000 | 2014/15 Net Expenditure £000 |
| 2,114 | (1,081) | 1,033 | Central services to the public | 2,229 | (1,277) | 952 |
| 7,099 | (2,264) | 4,835 | Cultural and related services | 8,883 | (1,689) | 7,194 |
| 9,647 | (2,266) | 7,381 | Environmental and regulatory services | 10,050 | (2,481) | 7,569 |
| 6,105 | (4,202) | 1,903 | Planning services | 13,549 | (11,649) | 1,900 |
| 3,457 | (4,226) | (769) | Highways & transport services | 1,313 | (3,410) | (2,097) |
| | | | Housing services: | | | |
| 12,003 | (18,525) | (6,522) | Local Council housing (HRA) | 15,670 | (19,231) | (3,561) |
| 34,430 | (33,103) | 1,327 | Other housing services | 34,562 | (33,239) | 1,323 |
| 1,985 | (226) | 1,759 | Corporate & Democratic Core | 3,170 | (1,705) | 1,465 |
| 428 | (120) | 308 | Non Distributed Costs | 2,605 | (202) | 2,403 |
| 77,267 | (66,013) | 11,254 | Cost of Services | 92,031 | (74,883) | 17,148 |
| | | 1,099 | Other operating expenditure (Note 9) | | | 1,854 |
| | | 4,113 | Financing & investment income & expenditure (Note10) | | | 4,022 |
| | | | Taxation and non-specific grant income/expenditure (Note 11) | | | |
| | | (8,571) | Council tax income | | | (8,857) |
| | | 184 | Parish Council Tax Support | | | 158 |
| | | *(1,634) | Non domestic rates | | | (1,956) |
| | | (5,571) | Non-ringfenced government grants | | | (5,828) |
| | | (976) | Capital grants and contributions | | | (1,165) |
| | | *(102) | (Surplus) or Deficit on Provision of Services | | | 5,376 |
| | | (2,433) | (Surplus) or Deficit on revaluation of Property, Plant & Equipment assets | | | 1,265 |
| | | 71 | (Surplus) or Deficit on revaluation of Available for Sale financial assets | | | (63) |
| | | (4,401) | Remeasurement of the net defined benefit liability | | | 11,063 |
| | | (6,763) | Other Comprehensive Income and Expenditure | | | 12,265 |
| | | *(6,865) | Total Comprehensive Income and Expenditure | | | 17,641 |

*In accordance with the code of practice, the 2013/14 comparatives have been adjusted to reflect a prior year adjustment for spreading of back dated NNDR appeals.

The Balance Sheet as at 31 March 2015

| Restated 31 March 2014 | | Note | 31 March 2015 | |
|---------------------------|--|-------|---------------|------------------|
| £000 | | | £000 | £000 |
| 189,388 | Council Dwellings | | 187,315 | |
| 84,453 | Other Land and Buildings | | 74,488 | |
| 7,134 | Vehicles, Plant, Furniture & Equipment | | 6,337 | |
| 11,726 | Infrastructure Assets | | 11,546 | |
| 1,714 | Community Assets | | 1,840 | |
| 645 | Asset Under Construction | | 2,098 | |
| 295,060 | Total Property, Plant & Equipment | 24 | | 283,624 |
| 1,071 | Intangible Assets | | 791 | |
| 231 | Long Term Investments | 27 | 226 | |
| 685 | Long Term Debtors | 27 | 1,659 | |
| 297,047 | Long Term Assets | | | 286,300 |
| 60 | Assets Held for Sale (<1year) | 26 | 3,383 | |
| 30,860 | Short Term Investments | 27 | 30,923 | |
| 0 | Inventories | | 5 | |
| 5,786 | Short Term Debtors and PIA | 29 | 7,116 | |
| 2,466 | Cash and Cash Equivalents | 30 | 8,499 | |
| 39,172 | Current Assets | | | 49,926 |
| (2,132) | Bank Overdraft | 30 | (2,188) | |
| (636) | Short Term Borrowing | 28 | (1,118) | |
| (7,890) | Short Term Creditors | 31 | (12,927) | |
| (407) | Other Short Term Liabilities | 27 | (361) | |
| *(628) | Short Term Provision | 34 | (818) | |
| (3,033) | Grants and Receipts in Advance | 21 | (347) | |
| (14,726) | Current Liabilities | | | (17,759) |
| (85,116) | Long Term Borrowing | 28 | (84,784) | |
| (40,557) | Other Long Term Liabilities | 19/27 | (53,727) | |
| (2,905) | Grants and Receipts in Advance | 21 | (4,682) | |
| (128,578) | Long-term Liabilities | | | (143,193) |
| 192,915 | Net Assets | | | 175,274 |
| (23,406) | Total Usable Reserves | 35 | | (26,533) |
| *(169,509) | Total Unusable Reserves | 36 | | (148,741) |
| (192,915) | Total Reserves | | | (175,274) |

The Cash Flow Statement

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

| Restated 2013/14 £000 | THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2015 | 2014/15 £000 |
|-----------------------------|--|-------------------------|
| *(102) | Net (surplus) or deficit on the provision of services | 5,376 |
| (11,962) | Adjustments to net surplus or deficit on the provision of services for non-cash movements | (13,355) |
| 4,276 | Adjustments to net surplus or deficit on the provision of services that are investing and financing activities | (563) |
| (7,788) | Net cash flows from Operating Activities (Note 37) | (8,542) |
| 9,258 | Purchase of property, plant and equipment, investment property and intangible assets | 10,552 |
| 12,093 | Purchase of short-term and long-term investments | 0 |
| (3,205) | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (2,215) |
| (12,093) | Proceeds from short-term and long term investments | 0 |
| (1,691) | Other receipts from investing activities | (3,027) |
| 4,362 | Net cash flows from Investing Activities | 5,310 |
| (305) | Cash receipts of short and long-term borrowing | (755) |
| (751) | Other receipts from financing activities | (3,033) |
| 568 | Cash payments for the reduction of the outstanding liabilities relating to finance leases | 407 |
| 2,760 | Repayments of short and long term borrowing | 636 |
| 477 | Other payments for financing activities | 0 |
| 2,749 | Net cash flows from Financing Activities | (2,745) |
| (677) | Net (increase) or decrease in cash and cash equivalents | (5,977) |
| 343 | Cash and cash equivalents at the beginning of the reporting period | (334) |
| (334) | Cash and cash equivalents at the end of the reporting period (Note 30) | (6,311) |

*In accordance with the code of practice, the 2013/14 comparatives have been adjusted to reflect a prior year adjustment for spreading of back dated NNDR appeals.

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Note 1. Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year end of 31 March 2015. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the Service Reporting Code of Practice 2014/15, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

1.2 Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- 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 Available-for-Sale Assets (Financial Instruments)

Available-for-sale assets 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. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

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

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – valued at historic cost

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

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

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

1.4 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

1.5 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 Council'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.

1.6 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.

1.6 Charges to Revenue for Non-Current Assets Contd.

The Council 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 Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance Minimum Revenue Payment (MRP) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

1.7 Employee Benefits

1.7.1 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 Council. 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.

1.7.2 Post Employment Benefits

Employees of the Council 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 Council.

1.7.3 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 Council 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 at 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. This is consistent with the approach used at the last accounting date.
- The assets of Devon County pension fund attributable to the Council 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.

1.7.3 The Local Government Pension Scheme Contd.

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 Non Distributed Costs
 - pensions interest cost and expected return on pensions assets, i.e. net interest expense for the Council - 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 in 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.
- **Remeasurements comprising:**
 - The return on plan assets – excluding amounts included in the pensions interest cost and expected return on pensions 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 Council 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.

1.7.4 Discretionary Benefits

The Council 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 Balance Sheet Date

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

for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period - the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

1.9 Financial Instruments

1.9.1 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 are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

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

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

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

1.9.2 Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments

1.10 Government Grants and Contributions

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

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

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

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

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

1.11 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council 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 Council.

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 Council 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 Council'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 Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.12 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.

1.12.1 The Council as Lessee

1.12.1.1 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 Council 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 Council at the end of the lease period).

The Council 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.

1.12.1.2 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).

1.12.2 The Council as Lessor

1.12.2.1 Finance Leases

Where the Council 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 Council'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.

1.12.2.2 Operating Leases

Where the Council 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.

1.13 Loans and Receivables

Loans and receivables 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 subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

1.13 Loans and Receivables Contd:

However, the Council has made a number of loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, accounting treatment requires a loss to be recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that would be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest would be credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet.

Statutory provisions require that the impact of soft loans on the General Fund Balance would be the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance would be managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement. The Council has applied De Minimus principles to its soft loans resulting in no entries being necessary. (See Note 27.3)

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

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

1.14 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.

1.15 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.

1.15 Disposals and Non-current Assets Held for Sale contd.

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 Council'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.

1.16 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the *CIPFA Service reporting Code of Practice 2013/14* (SERCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multifunctional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

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

1.17 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.

1.17.1 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 Council 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.

1.17.2 PPE Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council 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 Council). 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 Council.

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)
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

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

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

1.17.3 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.

1.17.4 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 asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

1.18 Provisions, Contingent Liabilities and Contingent Assets

1.18.1 Provisions

Provisions are made where an event has taken place that gives the Council 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 Council 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 Council 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.

1.18.1 Provisions contd.

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 Council settles the obligation.

1.18.2 Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council 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 Council. 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.

1.18.3 Contingent Assets

A contingent asset arises where an event has taken place that gives the Council 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 Council.

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.

1.19 Reserves

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

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

1.20 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 Council 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.

1.21 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.

1.22 Tax Income - Council Tax and Non-Domestic Rates (NDR)

NDR, the tariff payment and Council Tax will be recognised in the Comprehensive Income & Expenditure Statement in the line Taxation & Non-Specific Grant Income. As a billing authority the difference between the NDR and Council Tax included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund shall be taken to the Collection Fund Adjustment Account and reported in the Movement in Reserve Statement. Each major preceptor's share of the accrued NDR and Council Tax income will be available from the information that is required to be produced in order to prepare the Collection Fund Statement.

The income for Council Tax and NDR is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the Council, and the amount of the revenue can be measured reliably.

Revenue relating to such things as council tax and business rates shall be measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

1.22.1 Non Domestic Rates (NDR)

Retained Business Rate income included in the Comprehensive Income & Expenditure Statement for the year will be treated as accrued income.

The tariff payment included in the Comprehensive Income & Expenditure Statement for the year will be treated as accrued expenditure.

1.22.2 Council Tax

Council Tax income included in the Comprehensive Income & Expenditure Statement for the year will be treated as accrued income.

1.23 Joint Operations

Jointly controlled operations are arrangements where contractual agreements are in place under which two or more parties share control. The parties each have rights to the assets and obligations for the liabilities relating to that arrangement.

Joint operations are recognised in the Council's single entity statements by bringing in its share of the assets, liabilities, revenue and expenses of the arrangement.

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 Council'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.

Note 2. Accounting Standards issued, Not Adopted

The Code of Practice on Local Authority Accounting requires the disclosure of information relating to the expected impact of accounting changes that will be required by a new standard that has been issued but not yet adopted due to the timing of the accounts.

In compiling the 2014/15 accounts the following accounting policies have not been adopted:

- IFRS 13: Fair Value Measurement. This standard will provide a standard definition of 'fair value' in respect of financial and non-financial assets and liabilities. It defines fair value as the price that would be received or paid, taking into account condition, location and restrictions on use. The standard will also require significant disclosure where fair value has been

Note 2. Accounting Standards issued, Not Adopted contd.

calculated using techniques not derived from market information. Operational property, plant and equipment assets are outside the scope of IFRS 13 so this standard is not expected to have a material impact on the Statement of Accounts.

- IFRIC 21 Levies. This standard provides guidance on levies imposed by government in the financial statements of entities paying the levy. The IFRIC specifies the obligating event as the activity that triggers the timing of the payment of the levy. The amount payable may be based on information relating to a period before the obligation to pay arises or the levy is payable only if a threshold is reached, or both. This standard will not have a material impact on the Statement of Accounts.
- Annual Improvements to IFRSs (2011 – 2013 Cycle). These improvements are minor, principally providing clarification and will not have a material impact on the Statement of Accounts.

Note 3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out above, the Council 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 Council has determined that this uncertainty is not sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Council's leisure centres and leisure service is operated by Leisure East Devon, a charitable organisation that leases and operates the leisure centres previously run by the Council. It has been determined that the Council does not have control of the Trust and it is not a subsidiary of the Council.
- With the introduction of Business Rate Retention, the council 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 Council, East Devon District Council and Teignbridge District Council, 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 Councils 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 Councils
 - The Company's revenue derives from the financial allocations set and controlled by each of the Councils

Note 3. Critical Judgements in Applying Accounting Policies contd.

- There are no 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 Council 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 Council's Balance Sheet at 31 March 2015 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 makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. | If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. As an indication of the sums involved annual depreciation is currently £3.970m for all the Council'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 Council 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 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £2.271m. A 0.1% decrease would result in an increase of £2.314m. |
| Arrears | At 31 March 2015, the Council had a balance of sundry debtors of £1.712m. A review of significant balances suggested that an impairment of doubtful debts of £0.042m was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient. | If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £0.042m to set aside as an allowance. |

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 2014/15.

There is a prior year adjustment of £0.377m increase to the Collection fund Adjustment Account and a corresponding decrease in the short term provision line in the Balance sheet resulting in a nil net effect on the Balance Sheet.

Note 6. Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Strategic Lead - Finance on 30 June 2015 and are likely to be signed off on 24 September 2015. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2015, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Note 7. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

| 2014/15 | Usable Reserves | | | | | Movement in Unusable Reserves |
|--|----------------------|-------------------------|--------------------------|-----------------------|--------------------------|-------------------------------|
| | General Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Adjustments primarily involving the Capital Adjustment Account: | | | | | | |
| Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement: | | | | | | |
| Charges for depreciation and impairment of non-current assets | (3,195) | (144) | | | | 3,339 |
| Revaluation gain / (losses) on Property Plant and Equipment | (4,373) | (6,059) | | | | 10,432 |
| Amortisation of intangible assets | (263) | (16) | | | | 279 |
| Capital grants and contributions applied | 10,560 | | | | | (10,560) |
| Revenue expenditure funded from capital under statute | (8,431) | | | | | 8,431 |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement | (1,439) | (1,648) | | | | 3,087 |
| Loss on share of Donated Assets | (531) | 0 | | | | 531 |
| Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement: | | | | | | |
| Statutory provision for the financing of capital investment | 464 | 580 | | | | (1,044) |
| Capital expenditure charged against the General Fund and HRA balances | 915 | 342 | | | | (1,257) |

Note 7 Adjustments between Accounting Basis and Funding Basis under Regulations Contd.

| 2014/15 | Usable Reserves | | | | | Movement in Unusable Reserves |
|---|----------------------|-------------------------|--------------------------|-----------------------|--------------------------|-------------------------------|
| | General Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Adjustment primarily involving the Capital Grants Unapplied Account: | | | | | | |
| Application of grants to capital financing transferred to the Capital Adjustment Account | | | | | 794 | (794) |
| 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 | 143 | 2,852 | (2,995) | | | 0 |
| Use of Capital Receipts Reserve to finance new capital expenditure | | | 2,131 | | | (2,131) |
| Contribution from the Capital Receipts Reserve towards administrative costs of non-current assets disposal | (100) | (1) | 101 | | | 0 |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool | (385) | | 385 | | | 0 |
| Repayment of loans | | | (580) | | | 580 |
| Adjustments primarily involving the Deferred Capital Receipts Reserve: | | | | | | |
| Transfer of deferred sale proceeds credited as part of the gains/loss on disposal to the Comprehensive Income & Expenditure Statement | | | (1) | | | 1 |
| Adjustments primarily involving the Major Repairs Reserve: | | | | | | |
| Reversal of Major Repairs Allowance credited to the HRA | | 4,849 | | (4,849) | | 0 |
| Use of Major Repairs Reserve to finance new capital expenditure | | | | 4,849 | | (4,849) |

Note 7 Adjustments between Accounting Basis and Funding Basis under Regulations Contd.

| 2014/15 | Usable Reserves | | | | | Movement in Unusable Reserves |
|---|----------------------|-------------------------|--------------------------|-----------------------|--------------------------|-------------------------------|
| | General Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| 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 | (73) | | | | | 73 |
| Adjustments primarily involving the Pensions Reserve: | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 19) | (2,646) | (724) | | | | 3,370 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 1,783 | 337 | | | | (2,120) |
| STRATA adjustments | (1,218) | | | | | 1,218 |
| Adjustments primarily involving the Collection Fund Adjustment Account: | | | | | | |
| Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements | 47 | | | | | (47) |
| Adjustment primarily involving the Accumulated Absences Acct: | | | | | | |
| 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 | 32 | 4 | | | | (36) |
| Total Adjustments | (8,710) | 372 | (959) | 0 | 794 | 8,503 |

Note 7 Adjustments between Accounting Basis and Funding Basis under Regulations Contd.

| 2013/14 | Usable Reserves | | | | | Movement in Unusable Reserves £000 |
|--|----------------------|-------------------------|--------------------------|-----------------------|--------------------------|---------------------------------------|
| | General Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | |
| | £000 | £000 | £000 | £000 | £000 | |
| Adjustments primarily involving the Capital Adjustment Account: | | | | | | |
| Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement: | | | | | | |
| Charges for depreciation and impairment of non-current assets | (2,681) | (143) | | | | 2,824 |
| Revaluation gain / (losses) on Property Plant and Equipment | (87) | (3,519) | | | | 3,606 |
| Amortisation of intangible assets | (515) | | | | | 515 |
| Capital grants and contributions applied | 3,951 | 36 | | | | (3,987) |
| Revenue expenditure funded from capital under statute | (4,269) | | | | | 4,269 |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement | (975) | (1,095) | | | | 2,070 |
| Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement: | | | | | | |
| Statutory provision for the financing of capital investment | 623 | 5 | | | | (628) |
| Capital expenditure charged against the General Fund and HRA balances | 850 | 65 | | | | (915) |
| Adjustment primarily involving the Capital Grants Unapplied Account: | | | | | | |
| Capital grants & contributions unapplied credited to the Comprehensive Income & Expenditure Statement | 38 | | | | (38) | 0 |
| Application of grants to capital financing transferred to the Capital Adjustment Account | | | | | 1,469 | (1,469) |

Note 7 Adjustments between Accounting Basis and Funding Basis under Regulations Contd.

| 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 | 1,348 | 1,917 | (3,265) | | | 0 |
| Use of Capital Receipts Reserve to finance new capital expenditure | | | 1,153 | | | (1,153) |
| Contribution from the Capital Receipts Reserve towards administrative costs of non-current assets disposal | (14) | (1) | 15 | | | 0 |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool | (350) | | 350 | | | 0 |
| Repayment of loans | | | (10) | | | 10 |
| Adjustments primarily involving the Deferred Capital Receipts Reserve: | | | | | | |
| Transfer of deferred sale proceeds credited as part of the gains/loss on disposal to the Comprehensive Income & Expenditure Statement | | | | | | 0 |
| Adjustments primarily involving the Major Repairs Reserve: | | | | | | |
| Reversal of Major Repairs Allowance credited to the HRA | | 5,635 | | (5,635) | | 0 |
| Use of Major Repairs Reserve to finance new capital expenditure | | | | 5,635 | | (5,635) |

Note 7 Adjustments between Accounting Basis and Funding Basis under Regulations Contd.

| 2013/14 | Usable Reserves | | | | | Movement in Unusable Reserves |
|---|----------------------|-------------------------|--------------------------|-----------------------|--------------------------|-------------------------------|
| | General Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Adjustments primarily involving the Pensions Reserve: | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 19) | (4,068) | (633) | | | | 4,701 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 1,714 | 255 | | | | (1,969) |
| Adjustment primarily involving the Collection Fund Adjustment Account: | | | | | | |
| Amount by which council tax & NDR income credited to the Comprehensive Income and Expenditure Statement is different from council tax & NDR income calculated for the year in accordance with statutory requirements | *(933) | | | | | 933 |
| Adjustment primarily involving the Accumulated Absences Account: | | | | | | |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | (67) | (5) | | | | 72 |
| Total Adjustments | (5,435) | 2,517 | (1,757) | 0 | 1,431 | 3,243 |

*Restated for NNDR spreading adjustment.

Note 8. Transfers (to) / from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2014/15.

| | Balance at 31 March 2013 | Transfers Out 2013/14 | Transfers In 2013/14 | Balance at 31 March 2014 | Transfers Out 2014/15 | Transfers In 2014/15 | Balance at 31 March 2015 |
|--|--------------------------|-----------------------|----------------------|--------------------------|-----------------------|----------------------|--------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| General Fund Reserves | | | | | | | |
| Asset Maintenance Reserve | (1,244) | 62 | 0 | (1,182) | 80 | 0 | (1,102) |
| Capital Reserve | (2,594) | 92 | (7) | (2,509) | 887 | (416) | (2,038) |
| Capital Projects Reserve | (83) | 46 | (68) | (105) | 107 | (69) | (67) |
| New Homes Bonus Reserve | (323) | 731 | (408) | 0 | 0 | 0 | 0 |
| General Fund Capital Reserves | (4,244) | 931 | (483) | (3,796) | 1,074 | (485) | (3,207) |
| Business Rates Volatility Reserve | 0 | 15 | (789) | (774) | 325 | (620) | (1,069) |
| Building Control service enhancements | 0 | 0 | (69) | (69) | 6 | (50) | (113) |
| Growth Point Reserves | (253) | 6 | (54) | (301) | 83 | (31) | (249) |
| Homelessness Grant/Local welfare support | (53) | 0 | (29) | (82) | 0 | (20) | (102) |
| IT website development | 0 | 0 | 0 | 0 | 0 | (386) | (386) |
| LABGI Reserve | (246) | 2 | 0 | (244) | 44 | 0 | (200) |
| Local Plan Inspection Reserve | (50) | 0 | (93) | (143) | 11 | 0 | (132) |
| Localised council tax reform | (62) | 0 | (4) | (66) | 0 | (214) | (280) |
| New Homes Bonus Volatility Fund | (273) | 0 | 0 | (273) | 0 | (893) | (1,166) |
| Parishes Together Fund | (79) | 29 | (94) | (144) | 120 | (100) | (124) |
| Planning Reserve | 0 | 0 | (200) | (200) | 0 | (40) | (240) |
| Transformation Fund | (1,139) | 324 | (424) | (1,239) | 1,278 | (390) | (351) |
| STRATA Useable Reserves | 0 | 0 | 0 | 0 | 0 | (388) | (388) |
| Revenue Reserves less than £100k | (1,597) | 663 | (524) | (1,458) | 589 | (580) | (1,449) |
| General Fund Revenue Reserves | (3,752) | 1,039 | (2,280) | (4,993) | 2,456 | (3,712) | (6,249) |
| HRA Reserves | | | | | | | |
| HRA Business Plan Volatility Reserve | (1,710) | 0 | (1,190) | (2,900) | 0 | (500) | (3,400) |
| HRA Reserves Total | (1,710) | 0 | (1,190) | (2,900) | 0 | (500) | (3,400) |
| Total Earmarked Reserves | (9,706) | 1,970 | (3,953) | (11,689) | 3,530 | (4,697) | (12,856) |

Further details of individual reserve movements are available in the Revenue and Capital Outturns 2014/15 Book pages 4-5 on the EDDC website at:

<http://eastdevon.gov.uk/council-and-democracy/council-business/our-finance/financial-information-201415/>

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

Note 8. Transfers (to) / from Earmarked Reserves Contd.

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

The **Capital Projects Reserves** are contributions from revenue underspends for Capital Project spend in 2015/16 – These are Thelma Hulbert Gallery signage and Streetscene IT projects.

The **New Homes Bonus Reserve** was fully used to fund the 2013/14 Capital programme.

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

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

Growth Point Reserves are holding external grant income for the Growth Point team to 2015/16.

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

The **IT Website Development Reserve** holds funds for spending on projects in 2015/16.

The **LABGI Reserve** was established from grant funding to support local businesses.

The **Local Plan Inspection Reserve** is to fund costs of the Local Plan inspection which have slipped to 2015/16.

The **Localised Council Tax Reform Reserve** funded by a specific government grant is to support Localised Council Tax Support scheme changes.

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

The **Parishes Together Fund** holds the balance of grants awarded in year but not yet claimed.

The **Planning Reserve** established from revenue income is to fund additional short term staff resources needed to cover the increased volume of applications.

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

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

The balance of **Revenue Reserves <£100k** are various revenue reserves established from external income with no conditions attached set aside to provide specific services in future years.

Note 9. Other Operating Expenditure

| 2013/14 £000 | | 2014/15 £000 |
|-----------------|--|-----------------|
| 1,965 | Parish council precepts | 2,102 |
| 350 | Payments to the Government Housing Capital Receipts Pool | 385 |
| (1,216) | (Gains) / losses on the disposal of non-current assets | (1,164) |
| 0 | Net loss on share of STRATA assets | 531 |
| 1,099 | Total | 1,854 |

Note 10. Financing and Investment Income and Expenditure

| 2013/14 £000 | | 2014/15 £000 |
|-----------------|---|-----------------|
| 107 | Interest payable and similar charges | 89 |
| 2,583 | Interest on loans | 2,594 |
| 1,799 | Net interest on the net defined benefit liability | 1,723 |
| (376) | Interest receivable and similar income | (384) |
| 4,113 | Total | 4,022 |

Note 11. Taxation and Non Specific Grant Income and Expenditure

| 2013/14 £000 | | 2014/15 £000 |
|-----------------|-----------------------------------|-----------------|
| (8,571) | Council tax income | (8,857) |
| 184 | Parish Council tax support grant | 158 |
| *(1,634) | Non domestic rates | (1,956) |
| (5,571) | Non-ring fenced government grants | (5,828) |
| (976) | Capital grants and contributions | (1,165) |
| (16,568) | Total | (17,648) |

*Restated for NNDR spreading adjustment.

Note 12. Amounts Reported for Resource Allocation Decisions

12.1 Subjective Analysis

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Service Reporting Code of Practice*. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across Portfolios. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

Depreciation is the only charge made in relation to capital expenditure based on the previous year's charge. All other capital charges (revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations) are excluded but charged to services in the Comprehensive Income and Expenditure Statement.

The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year. The income and expenditure of the Council's principal portfolios recorded in the budget reports for the year is as follows:

12.1 Subjective Analysis Contd.

| Portfolio Income and Expenditure 2014/15 | HRA £000 | Total Corporate Services £000 | Environment Car Parks £000 | St Scene Refuse £000 | Finance Revenues & Benefits £000 | Total Strategic Develpt & P'ship £000 | Total Sustainable Homes & Comm'ties £000 | All other Segments £000 | Total £000 |
|---|---------------------|--|---|-------------------------------------|---|--|---|--|-----------------------|
| Fees, charges & other service income | (18,356) | (417) | (3,139) | (1,768) | 0 | (2,038) | (683) | (3,122) | (29,523) |
| Government grants | (435) | (669) | (3) | (5) | (31,318) | (489) | (280) | (1,695) | (34,894) |
| Support Service Recharges Income | (440) | (3,276) | 0 | 0 | 0 | (635) | (222) | (6,290) | (10,863) |
| Total Income | (19,231) | (4,362) | (3,142) | (1,773) | (31,318) | (3,162) | (1,185) | (11,107) | (75,280) |
| Employee expenses | 2,424 | 2,164 | 189 | (29) | 0 | 2,007 | 586 | 7,772 | 15,113 |
| Other operating expenses | 11,303 | 2,737 | 751 | 5,969 | 31,047 | 674 | 706 | 7,869 | 61,056 |
| Support Service Recharges | 1,667 | 1,265 | 144 | 0 | 0 | 1,331 | 425 | 6,031 | 10,863 |
| Total Expenditure | 15,394 | 6,166 | 1,084 | 5,940 | 31,047 | 4,012 | 1,717 | 21,672 | 87,032 |
| Net Expenditure | (3,837) | 1,804 | (2,058) | 4,167 | (271) | 850 | 532 | 10,565 | 11,752 |
| Portfolio Income and Expenditure 2013/14 | HRA £000 | Total Corporate Services £000 | Environment Car Parks £000 | St Scene Refuse £000 | Finance Revenues & Benefits £000 | Total Strategic Develpt & P'ship £000 | Total Sustainable Homes & Comm'ties £000 | All other Segments £000 | Total £000 |
| Fees, charges & other service income | (17,661) | (193) | (3,143) | (1,700) | 0 | (1,781) | (740) | (2,957) | (28,175) |
| Government grants | (375) | (221) | (195) | (5) | (30,997) | (353) | (257) | (1,639) | (34,042) |
| Support Service Recharges Income | (496) | (3,530) | 0 | 0 | 0 | (466) | (222) | (6,274) | (10,988) |
| Total Income | (18,532) | (3,944) | (3,338) | (1,705) | (30,997) | (2,600) | (1,219) | (10,870) | (73,205) |
| Employee expenses | 2,085 | 2,379 | 453 | 128 | 0 | 1,909 | 644 | 7,412 | 15,010 |
| Other operating expenses | 10,087 | 1,702 | 795 | 5,399 | 30,827 | 603 | 793 | 7,966 | 58,172 |
| Support Service Recharges | 1,675 | 1,466 | 184 | 223 | 0 | 1,217 | 499 | 5,724 | 10,988 |
| Total Expenditure | 13,847 | 5,547 | 1,432 | 5,750 | 30,827 | 3,729 | 1,936 | 21,102 | 84,170 |
| Net Expenditure | (4,685) | 1,603 | (1,906) | 4,045 | (170) | 1,129 | 717 | 10,232 | 10,965 |

12.2 Reconciliation of Portfolio Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

| 2013/14 £000 | | 2014/15 £000 |
|-----------------|--|-----------------|
| 10,965 | Net expenditure in the Portfolio Analysis | 11,752 |
| (4,405) | Net expenditure of services and support services not included in the Analysis | (4,849) |
| 4,694 | Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis | 10,061 |
| 0 | Amounts included in respect of Strata Service Solutions Ltd | 184 |
| 11,254 | Cost of Services in Comprehensive Income and Expenditure Statement | 17,148 |

12.3 Reconciliation to Subjective Analysis

This analysis shows how the figures in the Portfolio Analysis relate to a subjective analysis of the Surplus and Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

| 2014/15 | Portfolio Analysis £000 | Services and support services not in analysis £000 | Amounts not reported to management for decision making £000 | Amounts not included in I&E £000 | Adjustments Strata Service Solutions Ltd £000 | Cost of Services £000 | Corporate Amounts £000 | Total £000 |
|---|----------------------------|---|--|-------------------------------------|--|--------------------------|---------------------------|------------------|
| Fees, charges & other service income | (29,523) | 0 | 0 | 0 | (1,481) | (31,004) | 0 | (31,004) |
| Government grants and contributions | (34,894) | 0 | (9,395) | 0 | 0 | (44,289) | (6,993) | (51,282) |
| Support Service Recharges Income | (10,863) | 0 | 0 | 0 | 0 | (10,863) | 0 | (10,863) |
| Interest and investment income | 0 | 0 | 0 | 0 | 0 | 0 | (385) | (385) |
| Council Tax & Non-domestic rates income | 0 | 0 | 0 | 0 | 0 | 0 | (10,813) | (10,813) |
| Total Income | (75,280) | 0 | (9,395) | 0 | (1,481) | (86,156) | (18,191) | (104,347) |
| Employee expenses | 15,113 | 0 | (490) | 0 | 1,160 | 15,783 | 1,723 | 17,506 |
| Other service expenses | 61,056 | (375) | 10,416 | (4,849) | 505 | 66,753 | 158 | 66,911 |
| Support Service recharges | 10,863 | 0 | 0 | 0 | 0 | 10,863 | 0 | 10,863 |
| Depreciation, amortisation and impairment | 0 | 0 | 9,905 | 0 | 0 | 9,905 | 0 | 9,905 |
| Interest Payments | 0 | 0 | 0 | 0 | 0 | 0 | 2,683 | 2,683 |
| Loan repayments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Precepts & Levies | 0 | 0 | 0 | 0 | 0 | 0 | 2,102 | 2,102 |
| Payments to Housing Capital Receipts Pool | 0 | 0 | 0 | 0 | 0 | 0 | 385 | 385 |
| Gain /Loss on Disposal of Property/ plant equipt | 0 | 0 | 0 | 0 | 0 | 0 | (632) | (632) |
| Total Expenditure | 87,032 | (375) | 19,831 | (4,849) | 1,665 | 103,304 | 6,419 | 109,723 |
| Surplus/deficit on the provision of services | 11,752 | (375) | 10,436 | (4,849) | 184 | 17,148 | (11,772) | 5,376 |

12.3 Reconciliation to Subjective Analysis Contd.

| 2013/14 | Portfolio Analysis £000 | Services and support services not in analysis £000 | Amounts not reported to management for decision making £000 | Amounts not included in I&E £000 | Cost of Services £000 | Corporate Amounts £000 | Total £000 |
|---|----------------------------|---|---|--|--------------------------|---------------------------|------------------|
| Fees, charges & other service income | (28,175) | 0 | 0 | 0 | (28,175) | 0 | (28,175) |
| Government grants and contributions | (34,042) | 0 | (3,049) | 0 | (37,091) | (6,547) | (43,638) |
| Support Service Recharges Income | (10,988) | 0 | 0 | 0 | (10,988) | 0 | (10,988) |
| Interest and investment income | 0 | 0 | 0 | 0 | 0 | (376) | (376) |
| *Council Tax & Non- domestic rates income | 0 | 0 | 0 | 0 | 0 | *(10,205) | *(10,205) |
| Total Income | (73,205) | 0 | (3,049) | 0 | (76,254) | *(17,128) | *(93,382) |
| Employee expenses | 15,010 | 0 | 1,005 | 0 | 16,015 | 1,799 | 17,814 |
| Other service expenses | 58,172 | (629) | 4,269 | (4,405) | 57,407 | 184 | 57,591 |
| Support Service recharges | 10,988 | 0 | 0 | 0 | 10,988 | 0 | 10,988 |
| Depreciation, amortisation and impairment | 0 | 0 | 3,098 | 0 | 3,098 | 0 | 3,098 |
| Interest Payments | 0 | 0 | 0 | 0 | 0 | 2,690 | 2,690 |
| Precepts & Levies | 0 | 0 | 0 | 0 | 0 | 1,965 | 1,965 |
| Payments to Housing Capital Receipts Pool | 0 | 0 | 0 | 0 | 0 | 350 | 350 |
| Gain or Loss on Disposal of Property, plant and equipment | 0 | 0 | 0 | 0 | 0 | (1,216) | (1,216) |
| Total Expenditure | 84,170 | (629) | 8,372 | (4,405) | 87,508 | 5,772 | 93,280 |
| Surplus or deficit on the provision of services | 10,965 | (629) | 5,323 | (4,405) | 11,254 | *(11,356) | *(102) |

*Restated for NNDR spreading adjustment.

Note 13. Trading

The Council 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 Council or other organisations. All services are incorporated into the Comprehensive Income and Expenditure Statement under relevant service within Cost of Services. Details are as follows:

| 2013/14 £000 | 2013/14 £000 | | | 2014/15 £000 | 2014/15 £000 |
|-----------------|-----------------|---|-------------|-----------------|-----------------|
| (534) 475 | | The Council manages the Building Control Service . The trading objective is to break even. | Turnover | (514) | (36) |
| | (59) | | Expenditure | 478 | |
| | | | Surplus | | |
| (315) 253 | | The Council manages the Land Charges Service . The trading objective is to break even. | Turnover | (300) | 47 |
| | (62) | | Expenditure | 347 | |
| | | | Surplus | | |
| (235) 286 | | The Council lets 40 units in Industrial Estates located in various parts of the district. As part of the council's economic development strategy, rents can be set at less than the market rate to support small businesses. | Turnover | (228) | 385 |
| | 51 | | Expenditure | 613 | |
| | | | Surplus | | |
| (718) 670 | | The Council manages a Homesafeguard Service providing alarms and support for vulnerable residents. The trading objective is to break even. | Turnover | (749) | (93) |
| | (48) | | Expenditure | 656 | |
| | | | Surplus | | |
| | (118) | Net Deficit on Trading Operations | | | 303 |

Note 14. Statutory Harbour Authority – Axmouth Harbour

East Devon District Council 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.

| 2013/14 £000 | 2013/14 £000 | Axmouth Harbour | 2014/15 £000 | 2014/15 £000 |
|-----------------|-----------------|---|-----------------|-----------------|
| (8) | | Income | | |
| | | Fee and charges | (2) | |
| | (8) | Expenditure | | (2) |
| 2 | | Premises | 2 | |
| 0 | | Supplies and Services | 4 | |
| 3 | | Support Services | 4 | |
| 30 | | Capital Charges | 30 | |
| | 35 | | | 40 |
| | 27 | Net cost of Harbour Activities as included in the Comprehensive Income and Expenditure Statement | | 38 |

Note 15. Agency Services

The Authority no longer provides the On Street Parking services for Devon County Council, this ceased from 01.04.2014.

| 2013/14 £000 | | 2014/15 £000 |
|-------------------------|--|-------------------------|
| 365 | Expenditure incurred in providing On Street Parking services to Devon County Council | 0 |
| (196) | Grant payable by Devon County Council | 0 |
| (169) | Income generated by excess parking charges | 0 |
| 0 | Net (Surplus) / Deficit Arising on Agency Services | 0 |

Note 16. Members' Allowances

The Council paid the following amounts to members of the council during the year:

| 2013/14 £000 | | 2014/15 £000 |
|-------------------------|--------------|-------------------------|
| 363 | Allowances | 362 |
| 35 | Expenses | 35 |
| 398 | Total | 397 |

Note 17. Officers' Remuneration - The remuneration paid to the Council's senior employees is as follows:

| 2014-2015 | | | | | | |
|---|------------------------------------|-----------------------------------|--|---------------------------|------------------------------|----------------|
| Post | Salary & Car Allowances | Taxable Expense allowances | Compensation for loss of office | Total Remuneration | Pension Contributions | Total |
| Chief Executive (a) | 128,000 | 3,000 | 0 | 131,000 | 18,000 | 149,000 |
| Deputy C. Exec (b) | 22,000 | 0 | 100,000 | 122,000 | 3,000 | 125,000 |
| Deputy C. Exec | 88,000 | 0 | 0 | 88,000 | 12,000 | 100,000 |
| Strategic Lead - Finance | 78,000 | 0 | 0 | 78,000 | 11,000 | 89,000 |
| Strategic Lead - OD | 68,000 | 0 | 0 | 68,000 | 9,000 | 77,000 |
| Strategic Lead - Legal, Licensing & Member Services | 55,000 | 0 | 95,000 | 150,000 | 8,000 | 158,000 |
| Strategic Lead - Housing and Environment | 78,000 | 0 | 0 | 78,000 | 11,000 | 89,000 |
| East of Exeter Projects Director | 57,000 | 0 | 0 | 57,000 | 8,000 | 65,000 |
| Corporate Manager ICT (c) | 21,000 | 0 | 0 | 21,000 | 3,000 | 24,000 |
| | 595,000 | 3,000 | 195,000 | 793,000 | 83,000 | 876,000 |
| 2013-2014 | | | | | | |
| Post | Salary & Car Allowances | Taxable Expense allowances | Compensation for loss of office | Total Remuneration | Pension Contributions | Total |
| Chief Executive | 128,000 | 3,000 | 0 | 131,000 | 19,000 | 150,000 |
| Deputy C. Exec | 70,000 | 0 | 0 | 70,000 | 10,000 | 80,000 |
| Deputy C. Exec | 87,000 | 0 | 0 | 87,000 | 12,000 | 99,000 |
| Strategic Lead - Finance | 64,000 | 0 | 0 | 64,000 | 9,000 | 73,000 |
| Strategic Lead - OD | 60,000 | 0 | 0 | 60,000 | 9,000 | 69,000 |
| Strategic Lead - Legal, Licensing & Member Services | 55,000 | 0 | 0 | 55,000 | 8,000 | 63,000 |
| Strategic Lead - Housing and Environment | 64,000 | 0 | 0 | 64,000 | 8,000 | 72,000 |
| East of Exeter Projects Director | 57,000 | 0 | 0 | 57,000 | 9,000 | 66,000 |
| Corporate Manager ICT and Interim COO (Strata) | 62,000 | 0 | 0 | 62,000 | 8,000 | 70,000 |
| Totals | 647,000 | 3,000 | 0 | 650,000 | 92,000 | 742,000 |

(a) The Chief Executive provide services to both the council and South Somerset District Council. The Chief Executive is formally employed by this council and 50% of the salary and other remuneration is recharged.

(b) The Deputy Chief Executive left on 24.07.2014.

(c) The Corporate Manager ICT was in post between 01.08.2014 and 31.10.2014 and on 01.11.2014 TUPE'd to Strata Service Solutions Ltd.

Note 17. Officers' Remuneration Contd.

The total number of employees whose remuneration, **excluding employer's pension contributions**, was £50,000 or more in bands of £5,000 was:

| Number of Employees 2013/14 | Pay Band | Number of Employees 2014/15 |
|--------------------------------|---------------------|--------------------------------|
| 0 | £50,000 - £54,999 | 1 |
| 2 | £55,000 - £59,999 | 1 |
| 4 | £60,000 - £64,999 | 0 |
| 1 | £65,000 - £69,999 | 1 |
| 0 | £75,000 - £79,999 | 2 |
| 0 | £80,000 - £84,999 | 0 |
| 1 | £85,000 - £89,999 | 1 |
| 0 | £120,000 - £124,999 | 1 |
| 1 | £130,000 - £134,999 | 1 |
| 0 | £150,000 - £154,999 | 1 |
| 9 | | 9 |

Note 18. Termination Benefits

| Exit Package Cost Bands | Number of Compulsory Redundancies | | Number of Other Departures | | Total Number of Exit Packages | | Total Cost of Exit Packages | |
|----------------------------|---|----------|-------------------------------|----------|----------------------------------|----------|--------------------------------|-----------------|
| | 2013/14 | 2014/15 | 2013/14 | 2014/15 | 2013/14 | 2014/15 | 2013/14 £000 | 2014/15 £000 |
| 0-£20,000 | 2 | 2 | 3 | 1 | 5 | 3 | 45 | 25 |
| £20,001-£40,000 | 0 | 2 | 0 | 1 | 0 | 3 | 0 | 86 |
| £40,001-£100,000 | 0 | 2 | 0 | 0 | 0 | 2 | 0 | 195 |
| Total | 2 | 6 | 3 | 2 | 5 | 8 | 45 | 306 |

Note 19. Defined Benefit Pension Schemes**19.1 Participation in Pension Schemes**

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until

19.1 Participation in Pension Schemes contd.

employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose at the time that employees earn their future entitlement.

The Council participates in two post employment schemes:

- The Local Government Pension Scheme, administered locally by Devon County Council
 - this is a funded defined benefit final salary scheme, meaning that the Council 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 Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (ie 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.

19.2 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.

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:

| 2013/14 £000 | Funded Liabilities: Local Government Pension Scheme | 2014/15 £000 |
|--|---|-----------------|
| | Comprehensive Income and Expenditure Statement | |
| | Cost of Services: | |
| 2,863 | Current service cost | 2,712 |
| 1 | Past service costs | 0 |
| 0 | Settlement on transfer of staff to Strata* | 155 |
| 38 | Administration expense | 39 |
| | Financing and Investment Income and Expenditure: | |
| 1,799 | Net interest expense | 1,723 |
| 4,701 | Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services | 4,629 |
| | Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement: | |
| | Remeasurement of the net defined benefit liability comprising: | |
| (177) | Return on plan assets in excess of interest | (3,971) |
| 109 | Other actuarial (gains)/losses on assets | 0 |
| 1,954 | Change in financial assumptions | 15,008 |
| 177 | Change in demographic assumptions | 0 |
| (6,464) | Experience(gain)/loss on defined benefit obligation | 26 |
| (4,401) | | 11,063 |
| 300 | Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement | 15,692 |
| 19.2 Transactions Relating to Post-employment Benefits contd. | | |
| | Movement in Reserves Statement: | |
| (4,701) | Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code | (4,629) |
| | Actual amount charged against the General Fund Balance for pensions in the year: | |
| 1,969 | Employer's contributions payable to scheme | 2,161 |

*As a result of some members of staff transferring to Strata during the year, liabilities have been settled at a cost different to the accounting reserve.

19.3 Pensions Assets and Liabilities Recognised in the Balance Sheet

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

| 2013/14 £000 | Local Government Pension Scheme | 2014/15 £000 |
|-----------------|--|-----------------|
| 108,571 | Present value of the defined benefit obligation | 127,936 |
| (69,523) | Fair value of plan assets | (75,421) |
| 39,048 | Sub total | 52,515 |
| 1,148 | Other movements in the liability (asset) | 1,212 |
| 40,196 | Net liability arising from defined benefit obligation at 31 March | 53,727 |

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets:

| 2013/14 £000 | Local Government Pension Scheme | 2014/15 £000 |
|-----------------|--|-----------------|
| 67,747 | Opening balance as at 1 April | 69,523 |
| 2,955 | Interest on assets | 3,034 |
| | Remeasurement gain/(loss): | |
| 177 | Return on plan assets less interest | 3,971 |
| (109) | Other actuarial gains/(losses) | 0 |
| (38) | Administration expenses | (39) |
| 1,969 | Contributions from employer | 2,161 |
| 659 | Contributions from employees into the scheme | 710 |
| (3,837) | Benefits paid | (3,982) |
| 0 | Settlement prices paid (Strata) | 43 |
| 69,523 | Closing balance at 31 March | 75,421 |

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation):

| 2013/14 £000 | Local Government Pension Scheme | 2014/15 £000 |
|-----------------|--|-----------------|
| 109,612 | Opening balance as at 1 April | 109,719 |
| 2,863 | Current service cost | 2,712 |
| 4,754 | Interest cost | 4,757 |
| 659 | Contributions from scheme participants | 710 |
| | Remeasurement (gains) and losses: | |
| 1,954 | Change in financial assumptions | 15,008 |
| 177 | Change in demographic assumptions | 0 |
| (6,464) | Experience loss/(gain) on defined benefit obligation | 26 |
| 1 | Past service costs including curtailments | 0 |
| (3,837) | Benefits paid | (3,982) |
| 0 | Liabilities extinguished on settlements (Strata) | 198 |
| 109,719 | Closing balance at 31 March | 129,148 |

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £129.148m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance of £53.727m.

However, statutory arrangements for funding the deficit mean that the financial position of the Council 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.

19.3 Assets and Liabilities in Relation to Post-employment Benefits Contd.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2016 is £1.927m.

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

19.4 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 Council Pension Fund being based on the latest full valuation of the scheme as at 31 March 2013.

The significant assumptions used by the actuary have been:

| 2013/14 | Local Government Pension Scheme | 2014/15 |
|---------|--|---------|
| | Long-term expected rate of return on assets in the scheme: | |
| 4.4% | Expected return (see (a) below) | 3.3% |
| | Mortality Assumptions: | |
| | Longevity at 65 for current pensioners | |
| 22.7 | Men | 22.8 |
| 26.0 | Women | 26.1 |
| | Longevity at 65 for future pensioners (currently aged 45) | |
| 24.9 | Men | 25.1 |
| 28.3 | Women | 28.4 |
| 3.6% | Rate of Inflation: RPI | 3.2% |
| 2.8% | Rate of Inflation: CPI | 2.4% |
| 4.6% | Rate of Increase in Salaries | 4.2% |
| 2.8% | Rate of increase in Pensions | 2.4% |
| 4.4% | Rate for discounting scheme liabilities | 3.3% |

19.4 Basis for Estimating Assets and Liabilities contd.

- (a) For accounting years beginning on or after 1 January 2013, the expected return and the interest cost has been replaced with a single net interest cost which effectively sets the expected return equal to the IAS19 discount rate.

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.
- 10% of active members will take up the option under the new LGPS to pay 50% of contributions for 50% of benefits.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity for example, assume that life expectancy increases or decreases for men and women. In practice this is unlikely to occur and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, ie on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

| Sensitivity Analysis | Increase in assumption of 0.1% | Decrease in assumption of 0.1% |
|---|---------------------------------------|---------------------------------------|
| | £000 | £000 |
| Adjustment to discount rate – present value of total obligation projected service cost | 126,877 3,039 | 131,462 3,187 |
| Adjustment to long term salary increase - present value of total obligation projected service cost | 129,480 3,113 | 128,818 3,111 |
| Adjustment to pension increases and deferred revaluation - present value of total obligation projected service cost | 131,148 3,186 | 127,185 3,040 |
| Adjustment to mortality age rating assumption – present value of total obligation projected service cost | +1 Year 124,635 3,006 | -1 Year 133,702 3,219 |

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

| 2013/14 % | Estimated Asset Allocation | 2014/15 % |
|------------------|--------------------------------------|------------------|
| 60 | Equity investments (UK and overseas) | 59 |
| 7 | Gilts | 6 |
| 11 | Property and infrastructure | 13 |
| 15 | Target Return Portfolio | 15 |
| 2 | Cash | 2 |
| 5 | Other bonds | 3 |
| 0 | Alternative assets | 2 |
| 100 | Total | 100 |

Note 20. External Audit Costs

The Council 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 Council's external auditors:

| 2013/14 £000 | | 2014/15 £000 |
|-----------------|---|-----------------|
| 67 | Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year | 67 |
| 0 | Fees payable to Grant Thornton with regard to Strata Project Governance review | 11 |
| 15 | Fees payable to Grant Thornton for the certification of grant claims and returns for the year | 14 |
| 6 | Fees payable in respect of other services provided by Grant Thornton and the Audit Commission during the year including National Fraud Initiative | 30 |
| (9) | Audit Commission Rebate | (6) |
| 79 | Total | 116 |

Note 21. Grant Income

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

| 2013/14 £000 | Grants and contributions credited to Services | 2014/15 £000 |
|-----------------|--|-----------------|
| | Major grants | |
| (371) | HRA – supporting people | (419) |
| (196) | Corporate Services – elections & electoral registration | (231) |
| 0 | Corporate Services – Devon shared IT project | (971) |
| (93) | Sustainable Homes & Communities – supporting people | (105) |
| (145) | Sustainable Homes & Communities – Local Welfare Support | (142) |
| (472) | Sustainable Homes & Communities – disabled facilities & home stay grants | (509) |
| (500) | Economy – Honiton Community Centre | 0 |
| (1,108) | Economy – Regional Growth Fund – Science Park | 0 |
| (195) | Environment – on street parking | 0 |
| (290) | Environment – AONB/Countryside projects | (245) |
| (887) | Environment – Cranbrook infrastructure | (8,206) |
| (30,821) | Finance - Housing Benefits and Council Tax Benefits | (31,173) |
| (176) | Finance – Discretionary housing payments | (145) |
| (709) | Finance - Housing Benefits admin grant | (489) |
| (44) | Finance – other DWP grants | (50) |
| (228) | Finance – NDR cost of collection | (228) |
| (67) | Finance – Localised Council Tax Benefit | (251) |
| (139) | Finance – Parishes Together Fund | (98) |
| (284) | Strategic Development & Partnership – Growth Point Delivery Team | (270) |
| (40) | Strategic Development & Partnership – Neighbourhood Planning | (90) |
| | Other grants and contributions | |
| (5) | HRA | (16) |
| (25) | Corporate Services | (18) |
| (20) | Sustainable Homes & Communities | (132) |
| (11) | Economy | (41) |
| (67) | Environment | (98) |
| (4) | Finance | (63) |
| (29) | Strategic Development & Partnership | (56) |
| (167) | Streetscene | (243) |
| (37,093) | Total Grants and Contributions Credited to Services | (44,289) |

Note 21. Grant Income contd.

| 2013/14 £000 | Credited to Taxation and Non Specific Grant Income | 2014/15 £000 | 2014/15 £000 |
|-----------------|---|-----------------|-----------------|
| | Non-ring Fenced Government grants | | |
| (3,232) | Revenue Support Grant | (2,666) | |
| (99) | DCLG Local Services Support grant | (99) | |
| (245) | DCLG Council Tax Freeze grant | (71) | |
| (1,196) | DCLG - New Homes Bonus | (1,831) | |
| (774) | DCLG – Small Business Rate Relief grant | (1,155) | |
| 0 | DCLG – Rural Services Delivery grant | (6) | |
| (7) | DCLG – Inspire grant | 0 | |
| (18) | DCLG – Capitalisation grant | 0 | |
| | | | (5,828) |
| | Capital Grants | | |
| (100) | Environment Agency – Feniton Flood Alleviation | 0 | |
| (113) | Environment Agency – Axe Wetlands | 0 | |
| 0 | Environment Agency – Sidmouth Shingle Recycling | (94) | |
| 0 | Seaton Jurassic (Discovery Centre) | (501) | |
| | Capital Contributions | | |
| (459) | S106 receipts | (147) | |
| 0 | Feniton Flood Alleviation | (100) | |
| (8) | Devon County Council – sports centres | 0 | |
| (133) | Seaton Jurassic (discovery centre) | (298) | |
| (163) | Other contributions | (25) | |
| | | | (1,165) |
| (6,547) | Total Credited to Taxation and Non Specific Grant Income | | (6,993) |

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that could require the monies or property to be returned to the giver. The balances at the 31 March are as follows:

| 31 March 2013 | | | Grants and Contributions Receipts in Advance | 31 March 2014 | | |
|-----------------------|----------------------|----------------|---|-----------------------|----------------------|----------------|
| Short Term £000 | Long Term £000 | Total £000 | | Short Term £000 | Long Term £000 | Total £000 |
| (2,301) | 0 | (2,301) | Low Carbon Infrastructure Fund | 0 | 0 | 0 |
| (37) | 0 | (37) | Environment Agency - Axe Wetlands | (12) | 0 | (12) |
| (262) | 0 | (262) | Regional Growth Fund | 0 | 0 | 0 |
| (433) | (2,905) | (3,338) | Section 106 Receipts | (334) | (4,682) | (5,016) |
| (3,033) | (2,905) | (5,938) | Total | (346) | (4,682) | (5,028) |

Note 22. Related Parties

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

22.1 Central Government

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council 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 2015 are also shown in the Debtors Note 29.

22.2 Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2014/15 is shown in Note 16.

22.3 Other Public Bodies and Entities

| 2013/14 | | | 2014/15 | | Net Year End (Debtor) / Creditor |
|-----------------|---------------------|--|-----------------|---------------------|-------------------------------------|
| Income £000 | Expenditure £000 | Government Departments | Income £000 | Expenditure £000 | £000 |
| (6,566) | 343 | Department for Communities & Local Government | (7,690) | 385 | 462 |
| (31,751) | 0 | Department for Work & Pensions | (31,851) | 0 | (74) |
| (221) | 0 | Department for Environment, Food and Rural Affairs | (134) | 0 | (35) |
| 0 | 0 | Environment Agency | 0 | 0 | (178) |
| (3,024) | 3,082 | HMRC | (3,661) | 3,000 | (497) |
| 0 | 2,643 | PWLB | (574) | 3,230 | 30 |
| | | | | | |
| | | Other Public Bodies | | | |
| (457) | 627 | Devon County Council | (489) | 406 | 6,196 |
| (87) | 23 | South Somerset District Council (Shared Services) | (89) | 24 | (21) |
| 0 | 13,432 | Plymouth City Council (NNDR Pool) | 0 | 13,171 | (14) |
| | | | | | |
| (42,106) | 20,150 | Total | (44,488) | 20,216 | 5,869 |

East Devon District Council 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.

Note 23. Leases

23.1 Council as Lessee

23.1.1 Finance Leases

The Council has acquired a number of leased vehicles under finance leases; this includes a fleet of refuse & recycling vehicles under its contract for the provision of waste collection with Sita. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

| 31 March 2014 £000 | Finance Leases | 31 March 2015 £000 |
|--------------------------|------------------------------------|--------------------------|
| 469 | Vehicles, Plant, and Equipment | 219 |
| 469 | Lessee Finance Leases Total | 219 |

23.1.1 Finance Leases contd

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the vehicles acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

| 31 March 2014 £000 | Finance Lease Liabilities (Net present value of minimum lease payments) | 31 March 2015 £000 |
|-----------------------|--|-----------------------|
| 407 | Current | 361 |
| 361 | Non-current | 0 |
| 81 | Finance costs payable in future years | 39 |
| 849 | Lessee Minimum lease payments | 400 |

The minimum lease payments will be payable over the following periods:

| Minimum Lease Payments | Finance Lease Liabilities | Minimum Lease Payments | Minimum Lease Payments | Finance Lease Liabilities |
|------------------------------|---------------------------------|--|------------------------------|---------------------------------|
| 31 March 2014 £000 | 31 March 2014 £000 | | 31 March 2015 £000 | 31 March 2015 £000 |
| 449 | 407 | Not later than one year | 400 | 361 |
| 400 | 361 | Later than one year and not later than five years | 0 | 0 |
| 849 | 768 | Total Lessee | 400 | 361 |

23.1.2 Operating Leases

The Council 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:

| 31 March 2014 £000 | Operating Leases | 31 March 2015 £000 |
|-----------------------|---|-----------------------|
| 476 | Not later than one year | 768 |
| 1,036 | Later than one year and not later than five years | 1,162 |
| 1,793 | Later than five years | 1,638 |
| 3,305 | Total Lessee Operating Leases | 3,568 |

23.2 EDDC as Lessor

23.2.1 Operating Leases

The 2013/14 accounts included a table in relation to finance leases whereby the authority was lessor. As at 31 March 2014 the lease liability and associated minimum lease payments were £17,000 and £23,000 respectively. These leases have been reassessed during 2014/15 and have now been categorised within operating leases and are reflected in the table above. The comparative figures have also been restated in this respect.

The Council 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:

23.2.1 Operating Leases contd

| 31 March 2014 £000 | Restated 31 March 2014 £000 | Operating Leases | 31 March 2015 £000 |
|-------------------------------|--|---|-------------------------------|
| 362 | 367 | Not later than one year | 391 |
| 1,129 | 1,144 | Later than one year and not later than five years | 1,258 |
| 5,516 | 5,519 | Later than five years | 5,381 |
| 7,007 | 7,030 | Total Lessor Operating Leases | 7,030 |

Note 24: Property, Plant and Equipment

| 24.1 Movements in 2014/15 | Council Dwellings & Land £000 | Other Land & Building £000 | Vehicle, Plant & Equipment £000 | Infrastructur e Assets £000 | Community Assets £000 | Assets Under Construction £000 | Total Assets £000 |
|--|--|---|--|--|--------------------------------------|---|------------------------------|
| Cost or Valuation | | | | | | | |
| At 1 April 2014 | 189,481 | 87,636 | 14,260 | 16,684 | 1,862 | 823 | 310,746 |
| Additions | 5,635 | 294 | 469 | 314 | 65 | 1,885 | 8,662 |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 0 | (1,209) | 0 | 0 | 61 | 0 | (1,148) |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (6,060) | (4,368) | 0 | (5) | 0 | 0 | (10,433) |
| Derecognition - disposals | 0 | (459) | (1,316) | 0 | 0 | 0 | (1,775) |
| Assets reclassified (to)/from Held for Sale | (1,648) | (3,383) | 0 | 0 | 0 | 0 | (5,031) |
| Other movements in cost or valuation | 0 | (186) | 0 | 0 | (50) | (610) | (846) |
| Other movements –Strata Service Solutions Ltd | 0 | 0 | 550 | 0 | 0 | 0 | 550 |
| At 31 March 2015 | 187,408 | 78,325 | 13,963 | 16,993 | 1,938 | 2,098 | 300,725 |
| Accumulated Depreciation & Impairment | | | | | | | |
| At 1 April 2014 | 93 | 3,183 | 7,126 | 4,958 | 148 | 178 | 15,686 |
| Depreciation charge | 1,090 | 897 | 1,493 | 490 | 0 | 0 | 3,970 |
| Depreciation charge written out of the Revaluation Reserve | 0 | (334) | 0 | 0 | 0 | 0 | (334) |
| Impairment losses/(reversals) recognised in the Revaluation Reserve | 0 | 115 | 0 | 0 | 0 | 0 | 115 |
| Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services | 0 | 460 | 0 | 0 | 0 | 0 | 460 |
| Derecognition - disposals | 0 | (437) | (993) | 0 | 0 | 0 | (1,430) |
| Other movements in depreciation and impairment | (1,090) | (47) | 0 | (1) | (50) | (178) | (1,366) |
| At 31 March 2015 | 93 | 3,837 | 7,626 | 5,447 | 98 | 0 | 17,101 |
| Net Book Value | | | | | | | |
| At 31 March 2015 | 187,315 | 74,488 | 6,337 | 11,546 | 1,840 | 2,098 | 283,624 |
| At 31 March 2014 | 189,388 | 84,453 | 7,134 | 11,726 | 1,714 | 645 | 295,060 |

Note 24: Property, Plant and Equipment Contd.

| 24.2 Comparative movements in 2013/14 | Council Dwellings & Land £000 | Other Land & Buildings £000 | Vehicle, Plant & Equipment £000 | Infrastructure Assets £000 | Community Assets £000 | Assets Under Construction £000 | Total Assets £000 |
|--|--|--|--|---|--------------------------------------|---|------------------------------|
| Cost or Valuation | | | | | | | |
| At 1 April 2013 | 187,248 | 86,444 | 14,103 | 16,100 | 745 | 137 | 304,777 |
| Additions | 6,792 | 256 | 429 | 583 | 132 | 610 | 8,802 |
| Revaluation increases recognised in the Revaluation Reserve | 0 | 1,752 | 0 | 0 | 751 | 0 | 2,503 |
| Revaluation (decreases) recognised in the Surplus/Deficit on the Provision of Services | (3,520) | (87) | 0 | 0 | 0 | 0 | (3,607) |
| Derecognition - disposals | | (155) | (272) | 0 | 0 | 0 | (427) |
| Assets reclassified (to)/from Held for Sale | (1,039) | 0 | 0 | 0 | 0 | 0 | (1,039) |
| Other movements in cost or valuation | 0 | (574) | 0 | 1 | 234 | 76 | (263) |
| At 31 March 2014 | 189,481 | 87,636 | 14,260 | 16,684 | 1,862 | 823 | 310,746 |
| Accumulated Depreciation & Impairment | | | | | | | |
| At 1 April 2013 | 93 | 2,370 | 5,866 | 4,733 | 148 | 0 | 13,210 |
| Depreciation charge | 1,089 | 884 | 1,518 | 225 | 0 | 0 | 3,716 |
| Depreciation charge written out of the Revaluation Reserve | 0 | (161) | 0 | 0 | 0 | 0 | (161) |
| Impairment losses/(reversals) recognised in the Revaluation Reserve | 0 | 71 | 0 | 0 | 0 | 0 | 71 |
| Impairment losses recognised in the Surplus/Deficit on the Provision of Services | 0 | 197 | 0 | 0 | 0 | 0 | 197 |
| Derecognition - disposals | 0 | 0 | (258) | 0 | 0 | 0 | (258) |
| Other movements in depreciation and impairment | (1,089) | (178) | 0 | 0 | 0 | 178 | (1,089) |
| At 31 March 2014 | 93 | 3,183 | 7,126 | 4,958 | 148 | 178 | 15,686 |
| Net Book Value | | | | | | | |
| At 31 March 2014 | 189,388 | 84,453 | 7,134 | 11,726 | 1,714 | 645 | 295,060 |
| At 31 March 2013 | 187,155 | 84,074 | 8,237 | 11,367 | 597 | 137 | 291,567 |

24.3 Depreciation

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

Council 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

24.4 Capital Commitments

The Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2015/16 and future years budgeted to cost £3.361m. Similar commitments at 31 March 2014 were £0.587m. The major commitments are:

| 31 March 2014 £000 | Scheme | 31 March 2015 £000 |
|-----------------------------------|--|-----------------------------------|
| 118 | Housing grants | 93 |
| 49 | Street cleansing machinery | 50 |
| 56 | Grounds maintenance machinery | 73 |
| 113 | IT Systems | 209 |
| 97 | Cranbrook play equipment | 108 |
| 0 | HRA housing schemes | 183 |
| 0 | Manor Pavilion roof and windows upgrade | 27 |
| 0 | Seaton youth facilities | 80 |
| 88 | Feniton flood alleviation scheme | 687 |
| 66 | Public convenience Lifeboat Station, Exmouth | 0 |
| 0 | LED loan | 1,851 |
| 587 | Total | 3,361 |

24.5 Revaluations

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

With the exception of the Council Housing stock, which was valued by the District Valuer, Andrew Doak, (RICS), all valuations were carried out internally by Robert Harrison, (RICS). Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Valuations of vehicles, plant and equipment are based on historic cost less depreciation and residual values where there is an active second-hand market. A revaluation of the Council's dwellings using individual site visits was undertaken as at 31 March 2011 and is repeated every five years. This has been updated using beacon values to 31 March 2015. All other assets are valued as at 1 April 2014.

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.

24.5 Revaluations contd.

| | Council Dwellings & Land | Other Land & Buildings | Total |
|----------------------------|---|---|----------------|
| | £000 | £000 | £000 |
| Carried at historical cost | | 1,061 | 1,061 |
| Valued as at: | | | |
| 2014-2015 | 187,408 | 33,242 | 220,650 |
| 2013-2014 | | 4,614 | 4,614 |
| 2012-2013 | | 14,108 | 14,108 |
| 2011- 2012 | | 0 | 0 |
| 2010-2011 | | 29,338 | 29,338 |

Note 25. 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 Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

| 2013/14 £000 | Capital Expenditure and Capital Financing | 2014/15 £000 |
|-------------------------|--|-------------------------|
| 857 | Opening Capital Financing Requirement | 229 |
| | Capital investment: | |
| 8,800 | Property, Plant and Equipment | 8,668 |
| 89 | Intangible Assets | 0 |
| 305 | Loan for Beer Community Land Trust and Exeter Science Park | 1,755 |
| 4,269 | Revenue Expenditure Funded from Capital under Statute | 9,237 |
| 0 | Capital Investment in STRATA | 515 |
| | Sources of finance: | |
| (1,153) | Capital receipts | (2,132) |
| (5,456) | Government grants and other contributions | (11,355) |
| | Sums set aside from revenue: | |
| (5,706) | Direct revenue contributions | (5,291) |
| (843) | Use of earmarked reserves | (814) |
| (305) | PWLB Loan and Self-funding | (1,247) |
| (628) | Minimum Revenue Payment | (1,044) |
| 229 | Closing Capital Financing Requirement | (1,479) |

| 2013/14 £000 | Explanation of Movements in the Year | 2014/15 £000 |
|-------------------------|---|-------------------------|
| (628) | Increase/(Decrease) in underlying need to borrow (unsupported by government financial assistance) | (1,708) |
| 0 | Assets acquired under finance leases | 0 |
| (628) | Decrease in Capital Financing Requirement | (1,708) |

Note 26. Assets Held for Sale

| As at 31 March 2014 £000 | | As at 31 March 2015 £000 |
|--------------------------------|--------------------------------------|--------------------------------|
| 920 | Balance outstanding at start of year | 60 |
| 1,039 | Reclassified in year | 5,031 |
| (1,899) | Assets sold | (1,708) |
| 60 | Total Assets Held for Sale | 3,383 |

Note 27. Financial Instruments**27.1 Balance Sheet items**

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

| Long Term | *Restated Current | | Long Term | Current |
|--------------------------|--------------------------|--|--------------------------|--------------------------|
| 31 March 2014 £000 | 31 March 2014 £000 | Financial Instruments | 31 March 2015 £000 | 31 March 2015 £000 |
| | | Investments | | |
| 0 | 2,466 | Loans and receivables | 0 | 8,499 |
| 0 | 30,860 | Available-for-sale financial assets | 0 | 30,923 |
| 231 | 0 | Unquoted equity investment at cost | 226 | 0 |
| 231 | 33,326 | Total Investments | 226 | 39,422 |
| | | Debtors | | |
| 685 | *2,855 | Loans and receivables | 1,659 | 4,415 |
| 685 | *2,855 | Total included in Debtors | 1,659 | 4,415 |
| | | Borrowings | | |
| (85,116) | (2,768) | Financial liabilities at amortised cost | (84,784) | (3,306) |
| (85,116) | (2,768) | Total Borrowings | (84,784) | (3,306) |
| | | Other Long Term Liabilities | | |
| (361) | (407) | Finance liabilities at amortised cost | 0 | (361) |
| (361) | (407) | Total included in Other Long Term Liabilities | 0 | (361) |
| | | Creditors | | |
| 0 | *(4,085) | Financial liabilities at amortised cost | 0 | (7,526) |
| 0 | * (4,085) | Total included in Creditors | 0 | (7,526) |

* The current debtors and creditors have been restated for the period ended 31 March 2014 to take account of statutory items and receipts in advance previously included in this note, which have been removed in order to comply with the Code.

27.2 Income, Expenses, Gains and Losses

| 2013/14 | | | | | 2014/15 | | | |
|---|--|---|---------------|--|---|--|---|--------------|
| Financial Liabilities measured at amortised cost £000 | Financial Assets: Loans and receivables £000 | *Restated Financial Assets: Available for Sale £000 | Total £000 | | Financial Liabilities measured at amortised cost £000 | Financial Assets: Loans and receivables £000 | Financial Assets: Available for Sale £000 | Total £000 |
| 2,644 | 0 | 0 | 2,644 | Interest expense | 2,638 | 0 | 0 | 2,638 |
| 0 | 0 | 0 | 0 | Losses on Derecognition | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | Reductions in fair value | 0 | 73 | 0 | 73 |
| 0 | 0 | 45 | 45 | Fee expense | 0 | 0 | 45 | 45 |
| 2,644 | 0 | 45 | 2,689 | Total Expense in Surplus or Deficit on the Provision of Services | 2,638 | 73 | 45 | 2,756 |
| 0 | (51) | (325) | (376) | Interest Income | 0 | (83) | (302) | (385) |
| 0 | 0 | 0 | 0 | Gains on Derecognition | 0 | 0 | 0 | 0 |
| 0 | (51) | (325) | (376) | Total Income in Surplus or Deficit on the Provision of Services | 0 | (83) | (302) | (385) |
| 0 | 0 | *71 | *71 | Deficit/(surplus) arising on revaluation of financial assets in Other Comprehensive Income and Expenditure | 0 | 0 | (63) | (63) |
| 2,644 | (51) | *(209) | *2,384 | Net (Gain)/Loss for the Year | 2,638 | (10) | (320) | 2,308 |

*The restatement is to reflect the £0.071m as a deficit on revaluation. Last year this note disclosed the amount as a surplus, but this did not affect other areas of the accounts.

27.3 Soft Loans made by the Council

The Council 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. The detailed soft loans information is as follows:

Exeter Science Park Company Limited

The Council has been committed to the development of a Science Park within its district for a number of years; it is a shareholder of the Exeter Science Park Company which was created to facilitate the creation of a Science Park. This is in line with the Council's objective of the creation of jobs, specifically those which will provide an additional benefit to the wider economy including the supply chain.

27.3 Soft Loans made by the Council Contd.

The provision of this loan was to assist with the set up of the site infrastructure. The loan was for a period of 10 years, and is due for redemption in 2024. The interest rate chargeable is 2.55%.

| Exeter Science Park Company Limited | 31 March 2014 £000 | 31 March 2015 £000 |
|--|-------------------------------|-------------------------------|
| Opening Balance | 0 | 0 |
| + New loans granted | 0 | 1,000 |
| - Fair value adjustment | 0 | (45) |
| + Increase in the discounted amount | 0 | 0 |
| Balance carried forward | 0 | 955 |
| Nominal value carried forward | 0 | 1,000 |

Valuation Assumptions

The interest rate at which the fair value of this soft loan has been made is arrived at by taking the authority's prevailing cost of borrowing at the date the loan was issued of 2.76% and 2.78%, as the loan was issued in two tranches, and adding an allowance for the risk that the loan might not be repaid by the Exeter Science Park Company Ltd, in this case a zero rate.

Beer Community Land Trust

This loan was provided to support a local community housing development project. The aim of which was to provide affordable housing. The loan was issued in two tranches and will be redeemed in full during 2016.

| Beer Community Land Trust | 31 March 2014 £000 | 31 March 2015 £000 |
|--------------------------------------|-------------------------------|-------------------------------|
| Opening Balance | 0 | 305 |
| + New loans granted | 305 | 755 |
| - Loans repaid | 0 | (572) |
| Balance carried forward | 305 | 488 |
| Nominal value carried forward | 305 | 488 |

Valuation Assumptions

At the year-end £0.183m of this loan has been classified as a current asset as this is the proportion of the balance which is repayable within 12 months after the balance sheet date. The fair value of this soft loan is consistent with its carrying value as the interest rates payable by the Land Trust are consistent with the authority's prevailing cost of borrowing at the date the elements of the loan were issued of 1.74% and 1.98%, and adding an allowance for the risk that the loan might not be repaid by the Beer CLT, in this case a zero rate.

Otterton Community Shop Limited

Otterton Community Shop Ltd is an Industrial and Provident Society for the benefit of the community. The provision of this loan was to assist with the set up of a village shop in Otterton. The loan has been provided on an interest free basis for a period of 5 years.

| Otterton Community Shop Limited | 31 March 2014 £000 | 31 March 2015 £000 |
|--|-------------------------------|-------------------------------|
| Opening Balance | 0 | 0 |
| + New loans granted | 0 | 10 |
| Balance carried forward | 0 | 10 |
| Nominal value carried forward | 0 | 10 |

27.3 Soft Loans made by the Council Contd.

Valuation Assumptions

Although this is an interest free loan, the loan is being carried at its nominal value as this is not materially different to its fair value.

Kennaway House Trust

This loan has been in place since 2009 and is for a period of 25 years. The purpose of the loan was to assist the Trust in the restoration of this historic property. The loan was renegotiated during this year in terms of the timing of repayments. This has resulted in a fair value adjustment being required in the current year.

| Kennaway House | 31 March 2014 £000 | 31 March 2015 £000 |
|--|-------------------------------|-------------------------------|
| Opening Balance | 250 | 250 |
| + New loans granted (rolled up interest) | 0 | 37 |
| - Fair value adjustment | 0 | (25) |
| + Increase in the discounted amount | 0 | 0 |
| Balance carried forward | 250 | 262 |
| Nominal value carried forward | 250 | 287 |

Valuation Assumptions

The interest rate at which the fair value of this soft loan has been made is arrived at by taking the authority's prevailing cost of borrowing at the date the loan was previously renegotiated in 2013, of 4.19% and adding an allowance for the risk that the loan might not be repaid by Kennaway House, in this case a zero rate. The interest chargeable to Kennaway House is also 4.19% and the fair value adjustment has arisen due to the repayment schedule renegotiation this financial year.

Poltimore House Trust

This loan was provided to assist the Poltimore House Trust to preserve the structure of this historic grade 2* listed building. The loan has been provided for a period of 25 years interest free and is due to be redeemed in 2034.

| Poltimore House Trust | 31 March 2014 £000 | 31 March 2015 £000 |
|--------------------------------------|-------------------------------|-------------------------------|
| Opening Balance | 51 | 48 |
| - Loans repaid | (3) | (2) |
| Balance carried forward | 48 | 46 |
| Nominal value carried forward | 48 | 46 |

Valuation Assumptions

Although this is an interest free loan, the loan is being carried at its nominal value as this is not materially different to its fair value.

27.3 Soft Loans made by the Council Contd.

Axminster Town Council

This interest free loan was issued to the Town Council to assist in fire escape works at the Guildhall. It is for a term of 20 years and is due for redemption in 2022.

| Axminster Town Council | 31 March 2014 £000 | 31 March 2015 £000 |
|--------------------------------------|-------------------------------|-------------------------------|
| Opening Balance | 10 | 9 |
| - Loans repaid | (1) | (1) |
| Balance carried forward | 9 | 8 |
| Nominal value carried forward | 9 | 8 |

Valuation Assumptions

Although this is an interest free loan, the loan is being carried at its nominal value as this is not materially different to its fair value.

Axminster Town Council

This interest free loan was issued to assist with the refurbishment of the Guildhall. It is for a term of 20 years and is due for redemption in 2024.

| Axminster Town Council | 31 March 2014 £000 | 31 March 2015 £000 |
|--------------------------------------|-------------------------------|-------------------------------|
| Opening Balance | 60 | 55 |
| - Loans repaid | (5) | (5) |
| Balance carried forward | 55 | 50 |
| Nominal value carried forward | 55 | 50 |

Valuation Assumptions

Although this is an interest free loan, the loan is being carried at its nominal value as this is not materially different to its fair value.

27.4 Fair Values of Assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their 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, using the following assumptions:

- estimated ranges of interest rates at 31 March 2015 from 0.99% to 5.31% for loans from the PWLB and other loans receivable and payable using new loan rates at the time the instruments were issued.
- no early repayment or impairment is recognised in these values.

27.4 Fair Values of Assets and Liabilities Contd.

The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values in relation to PWLB loans compared to the carrying amounts are as follows:

| 31 March 2014 | | | 31 March 2015 | |
|-------------------------|--------------------|------------------------------|-------------------------|--------------------|
| Carrying Amount £000 | Fair value £000 | | Carrying amount £000 | Fair Value £000 |
| 85,753 | 77,753 | Financial liabilities | 85,902 | 89,937 |

The fair value of the liabilities differs to the carrying amount because the Council's portfolio of loans drawn from PWLB includes a number of fixed rate loans where the interest rate payable is different to the prevailing borrowing rate at the balance sheet date.

| 31 March 2014 | | | 31 March 2015 | |
|-------------------------|--------------------|--------------------------|-------------------------|--------------------|
| Carrying Amount £000 | Fair value £000 | | Carrying amount £000 | Fair Value £000 |
| 683 | 645 | Long-term debtors | 1,658 | 1,624 |

Excluded from the above table is £0.001m (£0.002m in 2013/14) in "soft loans" which, after a review of financial instruments, the Council considers to be immaterial to the Accounts. These are monies that have been previously advanced to support local village halls and sports and recreational facilities, although no new loans of this type have been made during 2014/15.

Available for sale assets are carried in the Balance Sheet at their fair value. These fair values are based on public price quotations where there is an active market for the instrument.

The Council has the following financial investments that are valued at historic cost as a fair value cannot be established due to lack of any market.

| 31 March 2014 £000 | Financial Investments Valued at Historic Cost | 31 March 2015 £000 |
|--------------------------|---|--------------------------|
| | Exeter Science Park | |
| 225 | 7.12% Shareholding | 225 |
| | HM Treasury Stock | |
| 5 | 3.5% War Stock | 0 |
| 1 | 2.5% Consolidated Stock | 1 |
| 231 | | 226 |

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement. There were no indications of impairment in 2014/15 (2013/14 none).

Note 28 Nature and Extent of Risks Arising from Financial Instruments

28.1 Nature of Risk

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

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

28.2 Overall Procedures for Managing Risk

The Council's overall risk management programme focus on the unpredictability of financial markets, and seeks to minimise potential adverse effects on the resources available to fund services. The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
 - The Council's overall borrowing;
 - Its maximum and minimum exposures to fixed and variable rates;
 - Its maximum and minimum exposures to the maturity structure of its debt;
 - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government guidance.

These are required to be reported and approved before the start of the year to which they relate. These items are reported with the annual Treasury Management Strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The annual 2014/15 Treasury Management Strategy and the prudential indicators were approved by Cabinet on 5th February 2014 and ratified by Full Council on 26th February 2014 and are available on the Council's website. The key parameters within the strategy are:

28.2 Overall Procedures for Managing Risk Contd.

- The Authorised Limit for 2014/15 was set at £102,326m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £96,488m. This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure for borrowing were set at 100% and 20% respectively.
- The maximum amounts of fixed and variable interest rate exposure for investments were set at 40% and 100% respectively.

These policies are implemented by the Financial Services team.

28.3 Credit Risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. The strategy also imposes a limit on the amount invested in the financial institution.

The credit criteria in respect of financial assets held by the Council are as detailed below:

| Cash Flow/Internal Investments (Maximum duration 6 months) | | |
|---|---|---------------------------|
| Organisation | Criteria | Max Amount |
| Deposit Building Societies | Top 20 by Total Assets with over £5 billion in total assets | £3 million |
| Deposit Building Societies | Top 20 by Total Assets with over £1 billion in total assets | £2 million |
| Deposit with UK Incorporated Banks | Minimum F1, A1 or P1 short term backed up by A long term credit rating | £2 million |
| Deposit with Banks incorporated outside the UK but entitled to accept UK deposits | Minimum F1+, A1+ or P1+ short term backed up by AA- long term credit rating | £2 million |
| Money Market Funds | AAAmmf long-term rating | £3 million |
| UK Local, Police & Fire Authorities | | £3 million |
| External (Long Term) Investment Fund | | |
| Organisation | Criteria | Max Amount |
| Investment schemes (e.g. bond funds) | AAA long-term rating backed up with lowest volatility rating (V1/S1) | 60%of External Fund total |

The Council's maximum exposure to credit risk in relation to its investments in banks, building societies, and externally managed funds of £39.1m cannot be assessed generally because 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. There is an inherent risk of irrecoverability in relation to investments, which applies to all of the Council's deposits, but there was no evidence at the 31 March 2015 that this was likely to crystallise.

28.3 Credit Risk Contd.

No credit limits were exceeded during the period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The following analysis summarises the Council's potential maximum exposure to credit risk on other short term financial assets, based on experience of default and uncollectability:

| | Amount at 31 March 2015 £000 | Historical experience of Default % | Estimated Maximum Exposure to default & uncollectability at 31 March 2015 £000 |
|-------------------|------------------------------------|--|--|
| Customers* | | | |
| Housing Benefits | 1,797 | 18.31% | 329 |
| Rental | 209 | 27.34% | 57 |
| Sundry Debtors | 1,707 | 2.46% | 42 |
| Total | 3,713 | | 428 |

*Excluding statutory debtors such as council tax, NNDR and amounts receivable from HMRC.

28.4 Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting of prudential indicators, and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available as needed.

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

28.5 Refinancing and Maturity Risk

The council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This is more relevant to the Council in terms of longer term financial liabilities.

The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of existing debt; and,
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs.

28.5 Refinancing and Maturity Risk contd.

The maturity analysis of financial liabilities in relation to loans is as follows:

| 31 March 2014 £000 | Maturity Risk | 31 March 2015 £000 |
|-----------------------|---------------------------------|-----------------------|
| 637 | Less than one year | 1,118 |
| 1,087 | Between one and two years | 2,610 |
| 4,881 | Between two and five years | 5,010 |
| 13,111 | Between five and ten years | 14,844 |
| 40,988 | Between ten and twenty years | 44,683 |
| 24,823 | Between twenty and thirty years | 17,438 |
| 226 | Between thirty and forty years | 199 |
| 85,753 | Total | 85,902 |

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

28.6 Market Risk

28.6.1 Interest Rate Risk

The Council is exposed to risk in terms of interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- borrowings at fixed rates – the fair value of the liabilities borrowings will fall.
- investments at fixed rates – the fair value of the assets will fall.
- Investments at variable rates – the interest income credited to the surplus or deficit on the provision of services will rise.

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

In addition the Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team monitors market and forecast interest rates within the year to adjust exposures accordingly. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer fixed term rate borrowing would be postponed.

According to this assessment strategy, at 31 March 2015, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

| Interest Rate Risk | 31 March 2015 £000 |
|--|-----------------------|
| Increase in interest payable on variable rate borrowings | 0 |
| Increase in interest receivable on variable rate investments | 352 |
| Decrease in the fair value of fixed rate investment assets | 0 |
| Impact on Surplus or Deficit on the Provision of Services | 352 |

28.6.1 Interest Rate Risk contd.

Due to the rates obtained on investments in the current market, in that not all investments are achieving a 1% return, the impact of a 1% fall in interest rates would reduce the return to nil from the current position of £323,000.

28.6.2 Price Risk

The Council does not generally invest in equity shares or marketable bonds.

However it does have investments in unquoted equity shares with a value of £224,927. This relates to a joint venture with other councils and Exeter University. This shareholding has arisen in the acquisition of a specific interest and will not be traded.

As such it is unnecessary for the Council to limit its exposure to price movements by diversifying its portfolio.

Note 29: Debtors and Payments in Advance

| As at 31 March 2014 £000 | Debtors and Payments in Advance | As at 31 March 2015 £000 |
|--------------------------------|--|--------------------------------|
| | Central Government Bodies: | |
| 436 | Government Departments | 307 |
| 781 | HMRC | 803 |
| 1,608 | Other Local Authorities | 1,798 |
| | Other entities and individuals: | |
| 210 | Housing Tenants | 209 |
| 204 | Council Tax payers | 210 |
| 304 | Non domestic ratepayers | 269 |
| 1,384 | Housing Benefit Overpayments | 1,797 |
| 1,173 | Debts for Council Services Provided | 1,808 |
| 0 | Debts of Strata Service Solutions Ltd | 113 |
| 180 | Other | 316 |
| (494) | Less Provision for Doubtful Debts | (514) |
| 5,786 | Total | 7,116 |

Note 30. Cash and Cash Equivalents

| As at 31 March 2014 £000 | Cash and Cash Equivalents | As at 31 March 2015 £000 |
|--------------------------------|--|--------------------------------|
| 629 | Cash in transit and cash floats | 556 |
| 1,837 | Bank current accounts | 5,138 |
| 0 | Strata Services Solutions Ltd cash at bank | 505 |
| 0 | Short term deposit | 2,300 |
| 2,466 | Cash and Cash Equivalents | 8,499 |
| (2,132) | Bank overdraft | (2,188) |
| 334 | Total Cash and Cash Equivalents | 6,311 |

Note 31: Creditors and Receipts in Advance

| As at 31 March 2014 £000 | Creditors and Receipts in Advance | As at 31 March 2015 £000 |
|--------------------------------|---|--------------------------------|
| | Central Government Bodies: | |
| (151) | Government Departments | (487) |
| (250) | HMRC | (306) |
| (1,485) | Other Local Authorities | (3,728) |
| | Other entities and individuals: | |
| (65) | Housing Tenants | (70) |
| (146) | Council Tax Receipts in Advance | (164) |
| (2,052) | Council Tax Major Preceptors | (3,671) |
| (270) | Non domestic rates Receipts in Advance | (153) |
| 0 | Creditors of Strata Service Solutions Ltd | (122) |
| (3,471) | Sundry Creditors | (4,226) |
| (7,890) | Total | (12,927) |

Note 32. Contingent Liabilities

We continue to underwrite a share of a contingency up to £0.350m of a margin on a £20m loan from DCLG to accelerate the development of Cranbrook and provide key infrastructure if required.

Note 33. Contingent Assets**Sale of Knowle**

The potential sale of The Knowle in Sidmouth could realise a substantial capital receipt. However, this is dependent on planning permissions being granted. The Knowle is included in Note 26 Assets held for sale.

Property Searches

The Council has provided £0.145m during 2014/15 in relation to the property litigation case (Note 34). It is expected that Central Government will reimburse an element of this expenditure via New Burdens Funding, however at this stage it is not possible to estimate the financial effect, nor has the Council been notified of a date for settlement.

Note 34: Provisions

| | NDR Appeals £000 | Other Provisions £000 | Total |
|---|---------------------|-----------------------------|--------------|
| Balance at 1 April 2014 | (251) | 0 | (251) |
| Adjustment in respect of spreading of backdated NDR appeals | (377) | 0 | (377) |
| Amounts used in 2014/15 | 1,371 | 0 | 1,371 |
| Additional provision made in 2014/15 | (1,416) | (145) | (1,561) |
| Balance at 31 March 2015 | (673) | (145) | (818) |

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

Note 34: Provisions Contd**Other Provisions**

The additional provision made during the year is in respect of claims for fees for personal searches of the local land charges register, interest on those search fees, and an estimate of the associated legal costs.

During 2013/14 the Council received a conditional grant from Central Government of £34,000, to offset these charges, which were less certain at that time. This grant was released to income in the current year due to the outcome of the case now being more certain. It is expected that additional Central Government funding will be received during 2015/16 to further offset the above provision, however due to the relative uncertainty in relation to this reimbursement it has been disclosed as a contingent asset, (Note 33).

Note 35: Usable Reserves

Movements in the Council's Usable Reserves are detailed in the Movement in Reserves Statement and Note 7.

Note 36: Unusable Reserves

| 31 March 2014 Restated £000 | | 31 March 2015 £000 |
|--------------------------------|--|-----------------------|
| 225 | Accumulated Absences Account | 189 |
| 59 | Available for Sale Financial Instruments Reserve | (4) |
| (193,414) | Capital Adjustment Account | (188,596) |
| *744 | Collection Fund Adjustment Account | 697 |
| (2) | Deferred Capital Receipts Reserve | (1) |
| 0 | Financial Instrument Adjustment Reserve | 73 |
| 40,196 | Pensions Reserve | 53,727 |
| (17,317) | Revaluation Reserve | (14,826) |
| (169,509) | Total Unusable Reserves | (148,741) |

*Restated for NNDR spreading adjustment of £377k.

36.1 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.

| 2013/14 £000 | | 2014/15 £000 | 2014/15 |
|-----------------|---|-----------------|------------|
| 153 | Balance at 1 April | | 225 |
| (153) | Settlement or cancellation of accrual made at the end of the preceding year | (225) | |
| 225 | Amounts accrued at the end of the current year | 189 | |
| 72 | 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 | | (36) |
| 225 | Balance at 31 March | | 189 |

36.2 Available for Sale Financial Instruments Reserve

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

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

| 2013/14 £000 | Available for Sale Financial Instruments Reserve | 2014/15 £000 | 2014/15£000 |
|-----------------|---|-----------------|-------------|
| (12) | Balance at 1 April | | 59 |
| 0 | Upward revaluation of investments | (63) | |
| 71 | Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services | 0 | |
| 71 | Accumulated gains on assets sold and maturing | | (63) |
| 0 | Assets written out to the Comprehensive Income & Expenditure Statement as part of Other Investment Income | | 0 |
| 59 | Balance at 31 March | | (4) |

36.3 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.

| 2013/14 £000 Restated | | 2014/15 £000 |
|-----------------------------|--|-----------------|
| (190) | Balance at 1 April | 744 |
| *934 | Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements | (47) |
| 744 | Balance at 31 March | 697 |

*Restated for NNDR spreading adjustment of £377k

36.4 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 Council 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 Council. 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 7 provides details of the source of all the transactions posted to the Account apart from those involving the Revaluation Reserve.

36.4 Capital Adjustment Account Contd.

| 2013/14 £000 | Capital Adjustment Account | 2014/15 £000 | 2014/15 £000 |
|-------------------|--|-----------------|-------------------|
| (191,144) | Balance at 1 April | | (193,414) |
| | Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement: | | |
| 2,824 | Charges for depreciation and impairment of noncurrent assets | 3,339 | |
| 3,606 | Revaluation losses on Property, Plant and Equipment | 10,432 | |
| 515 | Amortisation of intangible assets | 279 | |
| 4,269 | Revenue expenditure funded from capital under Statute | 8,431 | |
| 2,070 | Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement | 3,087 | |
| 0 | Loss on share of value of assets donated to Strata Services Solutions Ltd | 531 | |
| 13,284 (1,776) | Adjusting amounts written out of the Revaluation Reserve | | 26,099 (1,226) |
| 11,508 | Net written out amount of the cost of non-current assets consumed in the year | | 24,873 |
| | Capital financing applied in the year: | | |
| (1,153) | Use of the Capital Receipts Reserve to finance new capital expenditure | (2,131) | |
| (5,635) | Use of the Major Repairs Reserve to finance new capital expenditure | (4,849) | |
| (3,987) | Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | (10,560) | |
| (1,470) | Application of grants to capital financing from the Capital Grants Unapplied Account | (794) | |
| (628) | Statutory provision for the financing of capital investment charged against the General Fund and HRA balances | (1,043) | |
| 0 | Reduction in lease liabilities | 0 | |
| (905) | Capital expenditure charged against the General Fund and HRA balances | (678) | |
| (13,778) | | | (20,055) |
| (193,414) | Balance at 31 March | | (188,596) |

36.5 Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

| 2013/14 £000 | | 2014/15 £000 |
|-----------------|---|-----------------|
| (2) | Balance at 1 April | (2) |
| 0 | Transfer to the Capital Receipts Reserve upon receipt of cash | 1 |
| (2) | Balance at 31 March | (1) |

36.6 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 Council 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 Council 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 Council 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.

| 2013/14 £000 | Pensions Reserve | 2014/15 £000 |
|-----------------|--|-----------------|
| 41,865 | Balance at 1 April | 40,196 |
| (4,401) | Remeasurement of the net defined benefit liability | 11,063 |
| 4,701 | 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 | 3,370 |
| 0 | Transfer of Strata Service Solution Ltd pension liability | 1,218 |
| (1,969) | Employer's pensions contributions and direct payments to pensioners payable in the year | (2,120) |
| 40,196 | Balance at 31 March | 53,727 |

36.7 Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council 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

| 2013/14 £000 | Revaluation Reserve | 2014/15 £000 | 2014/15 £000 |
|-----------------|---|-----------------|-----------------|
| (16,660) | Balance at 1 April | | (17,317) |
| (2,504) | Upward revaluation of assets | (6,955) | |
| 71 | Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | 8,220 | |
| (2,433) | Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services | | 1,265 |
| 894 | Difference between fair value depreciation and historical cost depreciation | 1,159 | |
| 882 | Accumulated gains on assets sold or scrapped | 67 | |
| 1,776 | Amount written off to the Capital Adjustment Account | | 1,226 |
| (17,317) | Balance at 31 March | | (14,826) |

Note 37. Cash Flow Statement - Operating Activities

| 2013/14 Restated £000 | | 2014/15 £000 |
|-----------------------------|--|-----------------|
| *(102) | Total (surplus)/deficit on provision of services | 5,376 |
| | <i>Adjust for items included in net surplus or deficit on provision of services that are investing and financing activities:</i> | |
| 3,300 | Proceeds from the sale of property, plant & equipment | 2,464 |
| 976 | Capital grants and contributions | (3,027) |
| | <i>Adjust net surplus or deficit on provision of services for noncash movements:</i> | |
| (6,945) | Depreciation, impairment & amortisation charged to revenue | (14,050) |
| 0 | Net movement of bad debt provision through CIES | (9) |
| (2,751) | Net adjustments made in respect of IAS19 pensions | (2,469) |
| (2,070) | Carrying amount of the gain /loss on disposal of property, plant and equipment | (3,087) |
| 676 | Grants applied to finance capital expenditure or received to meet principal repayments on borrowing by statute | 313 |
| *(933) | Other noncash movements | 47 |
| | Movement in Noncash Assets and liabilities | |
| (55) | (Increase) / decrease in creditors | 2,891 |
| 116 | Increase / (decrease) in debtors and payments in advance | 3,005 |
| 0 | Increase in Stock/Inventories | 5 |
| (7,686) | | (13,918) |
| (7,788) | Cash flows from operating activities | (8,542) |
| | <i>Items included in the net cash flow from operating activities include:</i> | |
| (375) | Interest received | (395) |
| 2,670 | Interest paid | 2,637 |
| 2,295 | Net interest | 2,242 |

Note 38. Interests in Joint Operations

Exeter City Council, Teignbridge District Council and East Devon District Council 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 Councils 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

Note 38. Interests in Joint Operations contd.

- Developing and implementing business systems to meet Council business objectives
- A Street Name and Numbering function

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

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

| Adjustments to the Comprehensive Income and Expenditure Statement | 2014/15 £000 |
|--|-------------------------|
| Fees | (1,481) |
| Cost of sales | 427 |
| Admin expenses | 191 |
| Adjust Strata Service Solutions Ltd Refcus | (628) |
| Transfer to Depreciation sinking fund | 515 |
| Transfer of pension scheme liability | 1,160 |
| Cost of Services | 184 |
| Loss on disposal of assets | 531 |
| Adjust Strata Service Solutions Ltd Refcus | (1,357) |
| Net interest on the defined benefit liability | 19 |
| Interest receivable | (1) |
| (Surplus) or Deficit on Provision of Services | (624) |
| Remeasurement of the net defined benefit liability | 258 |
| Total Comprehensive Income and Expenditure | (366) |

| Adjustments to the Balance Sheet | 2014/15 £000 |
|---|-------------------------|
| Property, plant & equipment | 550 |
| Intangible assets | 791 |
| Total Long Term Assets | 1,341 |
| Inventories | 5 |
| Short Term Debtors | 113 |
| Cash & Cash Equivalents | 505 |
| Total Current Assets | 1,964 |
| Short Term Creditors | (122) |
| Total Current Liabilities | 1,842 |
| Pension Scheme Liability | (1,476) |
| Total Long Term Liabilities | (1,476) |
| Net assets | 366 |
| Financed by: | |
| Usable Reserves | (388) |
| Unusable Reserves | 22 |
| Total Reserves | (366) |

Housing Revenue Income and Expenditure Statement for the Year Ended 31 March 2015

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.

| 2013/14 Net Expenditure £000 | Housing Revenue Account Income and Expenditure Statement | 2014/15 Net Expenditure £000 |
|---|--|---|
| | Expenditure | |
| 3,576 | Repairs and Maintenance | 4,377 |
| 3,826 | Supervision and Management | 4,210 |
| 30 | Rents, rates, taxes and other charges | 36 |
| | Depreciation and Impairment of non-current assets | |
| 3,520 | Dwellings | 6,059 |
| 143 | Other Assets | 75 |
| (10) | Movement in the allowance for bad debts | (28) |
| 11,085 | Total Expenditure | 14,729 |
| | Income | |
| (17,042) | Dwelling Rents (Gross) | (17,421) |
| (438) | Non dwelling rents (Gross) | (572) |
| (675) | Charges for services and facilities | (819) |
| (371) | Contribution towards expenditure | (419) |
| (18,526) | Total Income | (19,231) |
| (7,441) | Net Expenditure or Income of HRA Services as included in the whole Council Comprehensive Income and Expenditure Statement | (4,502) |
| 827 | HRA share of Corporate and Democratic Core | 843 |
| 92 | HRA share of other amounts included in the whole Council Net Cost of Services but not allocated to specific services | 98 |
| (6,522) | Net Expenditure/(Income) on HRA Services | (3,561) |
| | HRA share of the operating income and expenditure included in the whole Council Comprehensive Income and Expenditure Statement: | |
| (851) | (Gain) on sale of HRA non-current assets | (1,204) |
| (27) | HRA interest and investment income | (32) |
| 2,564 | Interest payable | 2,563 |
| 244 | Pensions interest cost and expected return on pensions assets | 286 |
| (36) | Capital grants and contributions receivable | 0 |
| (4,628) | Surplus for the Year on HRA Services | (1,948) |

Movement on the HRA Statement for the Year Ended 31 March 2015

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 Council 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.

| 2013/14 Expenditure £000 | Movement on the HRA Statement | 2014/15 Expenditure £000 |
|--------------------------------|--|--------------------------------|
| (2,970) | Balance on the HRA as at the end of the previous year | (3,891) |
| (4,628) | Surplus for the year on the HRA Income & Expenditure Statement | (1,948) |
| 2,517 | Adjustments between accounting basis and funding basis under statute | 373 |
| (2,111) | Net Increase in year on the HRA | (1,575) |
| 1,190 | Transfers to earmarked reserves | 500 |
| (3,891) | Balance on the HRA as at the end of the current year | (4,966) |

HRA Note 1. Reconciliation of Movement on HRA Balance

This requires a reconciling note that breaks down the amounts which are not included within the HRA Income & Expenditure Statement but are adjustments between the accounting basis and the funding basis under statute.

| 2013/14 Expenditure £000 | | 2014/15 Expenditure £000 |
|--------------------------------|---|--------------------------------|
| | Amounts included in the HRA I & E Statement but required by statute to be excluded when determining the movement on the HRA Balance for the year | |
| (3,662) | Depreciation and impairment of property, plant and equipment | (6,219) |
| 820 | Gain on sale of HRA non current assets | 1,204 |
| (5) | Accumulated absences | 4 |
| (633) | Net charges made for retirement benefits in accordance with IAS19 | (724) |
| (3,480) | | (5,735) |
| | Amounts not included in the HRA I & E Statement but required by statute to be included when determining the movement on the HRA Balance for the Year | |
| 65 | Capital expenditure funded by the Housing Revenue Account | 342 |
| 5,635 | Transfer to Major Repairs Reserve | 4,849 |
| 255 | Employer's contributions payable to the DCC Pension Fund and retirement Benefits payable direct to pensioners | 337 |
| 6 | Minimum Revenue Provision | 580 |
| 36 | Capital grants & contributions | 0 |
| 5,997 | | 6,108 |
| 2,517 | Net adjustments between accounting basis and funding basis under statute | 373 |

HRA Note 2. 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 1.80% of the gross rents. In 2013/14 the figure was 1.40%.

The average weekly rent for dwellings was £80.02 in 2014/15 (£75.94 in 2013/14). The average weekly rent for garages was £11.72.

HRA Note 3. Rent Arrears

There was no increase in rent arrears in the year to 31 March 2015.

| 2013/14 £000 | Rent Arrears | 2014/15 £000 |
|-----------------|---|-----------------|
| 209 1.17% | Rent Arrears as at 31 st March Percentage of total rent debit | 209 1.14% |

HRA Note 4. Bad Debt Provision

| 2013/14 £000 | Bad Debt Provision | 2014/15 £000 |
|-----------------|--|-----------------|
| 85 | Rent Payers Bad Debts Provision as at 31 st March | 57 |

The bad debt provision has been decreased by £28,000. Former tenant arrears have increased by £7,000 to £60,000 at the 31 March 2014 (£53,000 at the 31 March 2014).

HRA Note 5. Housing Stock

The Council was responsible for managing on average 4,262 dwellings during 2014/15. The stock at the year end was made up as follows:

| Numbers as at 31 March 2014 | Housing Stock by Type | Numbers as at 31 March 2015 |
|--------------------------------|--|--------------------------------|
| 1,214 | Flats & Maisonettes | 1,215 |
| 2,069 | Houses (including non-traditional) | 2,036 |
| 990 | Bungalows | 989 |
| 1 | House in multiple occupation | 1 |
| 4 | Other properties not used as dwellings | 4 |
| 4,278 | Total | 4,245 |

The Housing Stock and other Housing Revenue Account Assets are included in the Balance Sheet at 31 March 2015 at a value of £192.218m (£194.750m at 1 April 2014). A full revaluation of the Council's dwellings as at 31 March 2011 was undertaken and has been updated using beacon values to 31 March 2014.

HRA Note 5. Housing Stock Contd.

| | Council Dwellings & Land | Other Land & Buildings | Vehicles, Plant & Equipment | Infra-structure | Assets Under Construct'n | Total |
|--|-------------------------------------|-----------------------------------|--|------------------------|---------------------------------|----------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost or Valuation | | | | | | |
| At 1 April 2014 | 189,481 | 5,103 | 715 | 155 | 90 | 195,544 |
| Additions | 5,635 | 0 | 0 | 0 | 104 | 5,739 |
| Revaluation increases recognised in the Revaluation Reserve | 0 | (225) | 0 | 0 | 0 | (225) |
| Revaluation (decreases) recognised in the Surplus/Deficit on the Provision of Services | (6,060) | 0 | 0 | 0 | 0 | (6,060) |
| Derecognition disposals | 0 | 0 | (194) | 0 | 0 | (194) |
| Assets reclassified (to) Held for Sale | (1,648) | 0 | 0 | 0 | 0 | (1,648) |
| Other movements in cost or valuation | 0 | (55) | 194 | 0 | (194) | (55) |
| At 31 March 2015 | 187,408 | 4,823 | 715 | 155 | 0 | 193,101 |
| Accumulated Depreciation & Impairment | | | | | | |
| At 1 April 2014 | 93 | 131 | 570 | 0 | 0 | 794 |
| Depreciation charge | 1,090 | 95 | 65 | 0 | 0 | 1,250 |
| Depreciation charge written out of the Revaluation Reserve | 0 | (55) | 0 | 0 | 0 | (55) |
| Other movements in depreciation & impairment | (1,090) | 0 | (16) | 0 | 0 | (1,106) |
| At 31 March 2014 | 93 | 171 | 619 | 0 | 0 | 883 |
| Net Book Value: | | | | | | |
| At 31 March 2015 | 187,315 | 4,652 | 96 | 155 | 0 | 192,218 |
| At 31 March 2014 | 189,388 | 4,972 | 145 | 155 | 90 | 194,750 |

The actual Housing Stock figure at 31 March 2015 was 4,245 properties, of which 4 properties were not used to house tenants directly (e.g. Community Areas, offices & shop). The remaining 4,241 properties are valued at £187.315m and are included within the 31 March 2015 Balance Sheet figure. These properties have been valued based on Existing Use Value for Social Housing. The value of these properties based on Vacant Possession would be £603.686m. The difference between these two figures of £416.371m represents the cost 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.

| 2013/14 £ | Type of Expenditure/(Income) | 2014/15 £ |
|--------------|------------------------------------|--------------|
| £891.88 | Supervision & Management - General | £1,009.46 |
| £827.32 | Repairs & Maintenance | £965.71 |
| (£3,981.82) | Rent un-rebated | (£4,094.19) |

HRA Note 7. Major Repairs Reserve

In 2014/15 the sum of £1.192m, equivalent to the total HRA depreciation, was transferred into the Major Repairs Reserve along with an additional contribution of £3.657m. This sum was used in full during the year to fund major repairs on Council houses. No balance remained on the Reserve as at 31 March 2015.

| 2013/14 £000 | Major Repairs Reserve | 2014/15 £000 |
|-----------------|-----------------------------|-----------------|
| 0 | Balance b/f | 0 |
| (1,232) | Depreciation | (1,192) |
| (4,403) | Additional HRA contribution | (3,657) |
| 5,635 | Major Repairs Expenditure | 4,849 |
| 0 | Balance c/f | 0 |

HRA Note 8. Capital Expenditure

Capital expenditure within the HRA for 2014/15 and how it was funded is shown below:

| 2013/14 £000 | Capital Expenditure | 2014/15 £000 |
|-----------------|--|-----------------|
| | Expenditure: | |
| 6,754 | Council Houses - Improvements & Enhancements | 5,636 |
| 90 | Other HRA capital expenditure | 104 |
| 6,844 | Total Capital Expenditure | 5,740 |
| | Funded by: | |
| 5,635 | Major Repairs Reserve | 4,849 |
| 65 | Revenue Contribution | 342 |
| 351 | S106 receipts | 25 |
| 214 | Capital Receipts – for provision of new social housing | 145 |
| 0 | Capital Reserve | 0 |
| 579 | Capital Receipts – other HRA | 379 |
| 6,844 | Total | 5,740 |

HRA Note 9. Capital Receipts

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

| 2013/14 £000 | Source of Receipt | 2014/15 £000 |
|-------------------------|-------------------------------------|-------------------------|
| 1,833 | Council Houses – Right to Buy Sales | 2,852 |
| 1 | Principal on Mortgage Repayments | 0 |
| 115 | Miscellaneous Sales | 29 |
| (350) | Less contribution to HM Treasury | (384) |
| 1,599 | Total HRA Capital Receipts | 2,497 |

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

The Council's pension fund reserve liability increased to £52.251m from £40.196m during 2014/15. It has been estimated that 16.78% of the Council's salary costs relate to the HRA, therefore the HRA's share of the overall pension deficit equates to £8.768m.

Collection Fund for Year Ended 31 March 2015

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, East Devon District Council, in relation to the collection from taxpayers and ratepayers and distribution to local authorities and the Government of council tax and non-domestic rates.

| Collection Fund Account | | | | |
|--------------------------------|---|--|---|-----------------------------------|
| 2013/14 £000 | | 2014/15 Business Rates £000 | 2014/15 Council Tax £000 | 2014/15 Total £000 |
| | Income | | | |
| (81,783) | Council Tax (net) | 0 | (85,149) | (85,149) |
| (31,532) | NDR collectable from business ratepayers | (31,510) | 0 | (31,510) |
| (172) | Transitional protection payments | (157) | 0 | (157) |
| | Contributions to previous year's estimated deficit | | | |
| 0 | Central Government | (678) | 0 | (678) |
| 0 | Devon County Council | (122) | 0 | (122) |
| 0 | East Devon District Council | (543) | 0 | (543) |
| 0 | Devon & Somerset Fire & Rescue Authority | (13) | 0 | (13) |
| (113,487) | | (33,023) | (85,149) | (118,172) |
| | Expenditure | | | |
| | Precepts | | | |
| 16,165 | Central Government | 15,807 | 0 | 15,807 |
| 62,034 | Devon County Council | 2,845 | 61,537 | 64,382 |
| 8,629 | Devon & Cornwall Police Authority | 0 | 8,980 | 8,980 |
| 21,347 | East Devon District Council (including parishes) | 12,646 | 8,684 | 21,330 |
| 4,316 | Devon & Somerset Fire & Rescue Authority | 316 | 4,156 | 4,472 |
| | Contributions to previous year's estimated surplus | | | |
| 527 | Devon County Council | 0 | 0 | 0 |
| 75 | Devon & Cornwall Police Authority | 0 | 0 | 0 |
| 73 | East Devon District Council | 0 | 0 | 0 |
| 35 | Devon & Somerset Fire & Rescue Authority | 0 | 0 | 0 |
| 228 | Cost of Collection Allowance | 228 | 0 | 228 |
| 155 | Write offs | 185 | 91 | 276 |
| 69 | Adjustment to Bad Debt provision | 17 | 42 | 59 |
| 1,571 | Adjustment to Appeals provision | 935 | 0 | 935 |
| 0 | Backdated appeals spreading adjustment | 236 | 0 | 236 |
| 0 | Renewable Energy Schemes | 122 | 0 | 122 |
| 115,224 | | 33,337 | 83,490 | 116,827 |
| 1,737 | Movement on fund balance | 314 | (1,659) | (1,345) |

Council Tax Collection Fund balance and movement split between the major preceptors:

| 2013/14 £000 | | Devon County Council | Devon & Cornwall Police Authority | East Devon District Council | Devon & Somerset Fire Authority | 2014/15 £000 |
|-----------------|--------------------|----------------------------|--|-----------------------------------|--|-----------------|
| (1,809) | Balance b/f | (1,928) | (281) | (272) | (130) | (2,611) |
| (802) | Movement | (1,224) | (179) | (173) | (83) | (1,659) |
| (2,611) | Balance c/f | (3,152) | (460) | (445) | (213) | (4,269) |

Non-Domestic Rates Collection Fund Balance and Movement Split between the Major Preceptors:

| 2013/14 £000 | | Devon County Council | Central Government | East Devon District Council | Devon & Somerset Fire Authority | 2014/15 £000 |
|-----------------|--------------------|----------------------------|-----------------------|--------------------------------------|--|-----------------|
| 0 | Balance b/f | 228 | 1,270 | 1,016 | 25 | 2,539 |
| 2,539 | Movement | 28 | 157 | 125 | 3 | 314 |
| 2,539 | Balance c/f | 257 | 1,427 | 1,141 | 28 | 2,853 |

CF Note 1. Income from Business Rates

| 2013/14 | | 2014/15 |
|----------|---|----------|
| £85.193m | Total non domestic rateable value at end of year (31 March) | £85.688m |
| 0.471 | National non domestic rate multiplier for the year | 0.482 |
| 0.462 | Small business non domestic rating multiplier | 0.471 |

CF Note 2. 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, with deductions 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 Council estimates would actually be collected if a tax of £1 is set.

The figures for 2014/15 are:

| Band | Dwellings | Adjustments | Council Tax Support discounts | Net Properties | Conversion Factor | Band D equivalent |
|--------------------------------|-----------|-------------|-------------------------------------|----------------|----------------------|----------------------|
| A* | 0 | 10 | (2) | 8 | 5/9ths | 4 |
| A | 5,968 | (1,041) | (1,292) | 3,635 | 6/9ths | 2,423 |
| B | 12,631 | (1,629) | (2,182) | 8,820 | 7/9ths | 6,860 |
| C | 14,430 | (1,401) | (1,614) | 11,415 | 8/9ths | 10,147 |
| D | 11,904 | (1,036) | (693) | 10,175 | 9/9ths | 10,175 |
| E | 9,827 | (739) | (265) | 8,823 | 11/9ths | 10,784 |
| F | 5,956 | (350) | (92) | 5,514 | 13/9ths | 7,965 |
| G | 3,925 | (264) | (23) | 3,638 | 15/9ths | 6,063 |
| H | 199 | (41) | 0 | 158 | 18/9ths | 316 |
| Total Band D Equivalent | | | | | | 54,737 |

CF Note 2. Council Tax Base Contd.

The comparative figures for 2013/14 were:

| Band | Dwellings | Adjustments | 2 nd Homes @ 40% | Net Properties | Conversion Factor | Band D equivalent |
|--------------------------------|-----------|-------------|-----------------------------|----------------|-------------------|-------------------|
| A* | 0 | 10 | (3) | 7 | 5/9ths | 4 |
| A | 5,841 | (1,022) | (1,308) | 3,511 | 6/9ths | 2,341 |
| B | 12,501 | (1,609) | (2,240) | 8,652 | 7/9ths | 6,729 |
| C | 14,162 | (1,419) | (1,655) | 11,088 | 8/9ths | 9,856 |
| D | 11,799 | (1,111) | (708) | 9,980 | 9/9ths | 9,980 |
| E | 9,756 | (763) | (280) | 8,713 | 11/9ths | 10,650 |
| F | 5,914 | (389) | (95) | 5,430 | 13/9ths | 7,843 |
| G | 3,906 | (291) | (25) | 3,590 | 15/9ths | 5,983 |
| H | 197 | (45) | 0 | 152 | 18/9ths | 304 |
| Total Band D Equivalent | | | | | | 53,690 |

| 2013/14 £000 | Tax Base | 2014/15 £000 |
|-----------------|--|-----------------|
| 52,831 | Collection Rates at 98.5% (98.4% in 2013/14) | 53,916 |
| 131 | Contribution from MOD properties | 131 |
| 52,962 | Tax Base | 54,047 |

CF Note 3. The major preceptors on the Collection Fund

The figures include contributions from/to the previous year's surplus/deficit.

| Council Tax 2013/14 £000 | Non Domestic Rates 2013/14 £000 | Major Preceptors | Council Tax 2014/15 £000 | Non Domestic Rates 2014/15 £000 |
|--------------------------------|---------------------------------------|--|--------------------------------|---------------------------------------|
| 59,651 | 2,910 | Devon County Council | 61,537 | 2,723 |
| 8,704 | 0 | Devon & Cornwall Police Authority | 8,980 | 0 |
| 8,488 | 12,932 | East Devon District Council (including parishes) | 8,684 | 12,103 |
| 4,028 | 323 | Devon & Somerset Fire and Rescue Authority | 4,156 | 303 |
| 0 | 16,165 | Central Government | 0 | 15,129 |
| 80,871 | 32,330 | | 83,357 | 30,258 |

CF Note 4. Provision for Un-collectable Amounts

Provision has been made within the accounts for un-collectable amounts based on guidelines. At the end of 2014/15 the accumulated provision stood at £0.417m (£0.359m for 2013/14) made up as follows:

| 2013/14 £000 | Provision for Uncollectable Amounts | 2014/15 £000 |
|-----------------|-------------------------------------|-----------------|
| 126 | Non Domestic Rates | 143 |
| 233 | Council Tax | 274 |
| 359 | Total Provision | 417 |

Glossary of Terms

Accounting Period

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

Accruals

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

Accumulated Compensated Absences Adjustment Account

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

Assets

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

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

Audit of Accounts

An independent examination of the Authority's financial affairs.

Balances

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

Budget

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

Capital Adjustment Account

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

Capital Expenditure

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

Capital Charges

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

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

Glossary Contd.**Capital Receipts**

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

Carrying Amount

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

CIPFA

The Chartered Institute of Public Finance and Accountancy.

Collection Fund

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

Community Assets

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

Corporate Democratic Core

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

Creditors

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

Debtors

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

Depreciation

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

Earmarked Reserves

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

External Audit

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

Finance Lease

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

General Fund

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

Glossary Contd.**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.

Glossary Contd.**Housing Revenue Account**

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

Impairment

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

Income & Expenditure Account

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

Liquid Resources

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

Long Term Debtors

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

Net Book Value

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

Non-distributed Costs

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

Operating Lease

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

Precept

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

Provision

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

Reserves

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

Revaluation Reserve

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

Revenue Contributions

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

Revenue Expenditure

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

Glossary Contd.

Glossary contd.

Revenue expenditure funded from capital under statute (REFCUS)

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

Revenue Support Grant (RSG)

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

Service Reporting Code of Practice (SERCOP)

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