East Devon
District Council

# Statement of Accounts 2010/11

## East Devon District Council

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# Statement of Accounts

# 2010/11

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## EXPLANATORY FOREWORD

### Introduction
The intention of the Statement of Accounts is to give the reader a view of the finances of East Devon District Council.

### 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 2010/11 was available for inspection from 11 July 2011 to 5 August 2011.

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

### Background
The Council incurs both revenue and capital expenditure.

Broadly, revenue expenditure relates to day to day running costs, the largest element of this being front line delivery of services including recycling and refuse collection, street cleansing, provision of leisure facilities including sports centres, maintenance of parks, gardens, open land and nature reserve sites, provision of business start up premises and industrial units for rent and public conveniences . In addition the Council administers a number of services such as planning applications, housing benefit administration, council tax and business rate collection. Revenue expenditure is funded by fees and charges levied for some of the services provided, Central Government Grants and Council Tax.

Capital expenditure relates broadly to expenditure on assets which have a life beyond one year, mainly new sites and buildings, building improvement works, major IT systems and operational equipment. Capital expenditure is funded through specific grants from government if related to such expenditure as coast defence, capital receipts generated from the sale of Council assets, agreements reached with developers of new build in relation to planning permission to aid infrastructure provision, reserves held by the Council and borrowing where appropriate to fund schemes.

### Sections within the Accounts
To assist the reader an explanation of the various sections contained within the Statement of Accounts is set out below:

- **Introduction by the Chief Finance Officer (Head of Finance) (pages 2-7)**
  This provides a brief background to the Authority's budget for 2010/11, the final outturn position and an assessment of the Authority's future financial prospects.

- **Statement of Responsibilities for the Statement of Accounts (page 8)**
  This statement describes the authority's responsibilities regarding its financial affairs and also names the individual officer who is responsible for the completion of the Statement of Accounts.

- **Movement in Reserves Statement (page 9)**
  This statement shows the movement in the year on the different reserves held by the authority, this is analysed into 'usable reserves' (those that can be applied to fund expenditure or reduce local taxation) and other reserves.

  The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and for council 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.

- **Comprehensive Income and Expenditure Statement (page 10)**
  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.

- **Balance Sheet (page 11)**
  The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority.

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

- **Cash Flow Statement (page 12)**
  The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

- **Accounting Policies (pages 13-26)**
  Accounting policies explain the way in which the Council deals with various items shown in the accounts and how accounting conventions, principles and practices have been followed. They also explain how the statutory rules have been applied and what discretionary treatment has been used where applicable.

- **Notes to the four primary statements**
  These notes support the four primary statements with detail not presented on the face of the statements.

- **The Housing Revenue Account Income and Expenditure Statement and Notes** (page 67)
  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. 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 rents raised, is shown in the Movement on the HRA Statement.

- **Collection Fund and Notes** (page 74)
  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 distribution to local authorities and the Government of council tax and non-domestic rates.

- **The Annual Governance Statement** (page 80)
  This statement is a statutory requirement and gives an overview of the Council's internal financial control procedures (including risk management) and also comments upon any areas of concern.

**Material assets aquired and liabilities incurred**

The council built 17 Affordable Homes for £1.327m and purchased a cottage for housing purposes for £0.212m. Sidmouth Pool was refurbished as part of the capital programme for £0.259m. As at 31 March 2011, there was £1.900m lent to Newcastle Building Society for three weeks and £0.650m to Bank of Scotland for 2 weeks for cash flow purposes. There are 10 individual Certificates of Deposits invested on our behalf by Investec with 9 institutions ranging from £0.601m to £5.408m, totalling £30.191m. Borrowing of £1.245m for financing of Capital items (refuse collection and social housing) was incurred in March 2011. There is a reduction in the pensions liability of £7.376m relating to a change from RPI to CPI by the chancellor on 22 June 2010. (See note 47 Defined Benefit Pension Schemes).

**Changes in Accounting Policies**

In prior years the accounts were based on UK Generally Accepted Accounting Principles (UK GAAP). The Authority is now required to produce the accounts under International Financial Reporting Standards (IFRS), a change that has required prior year figures to be restated for comparability. There are notes within the accounts that explain the impact that this change has had on the accounts of Council.

The transition to IFRS based accounts means that some items in the restated Comprehensive Income and Expenditure Statement and items on the Balance Sheet for 2009/10 have changed materially compared to their SORP based equivalents. A summary of key items that have changed in the IFRS based 1 April 2009 Balance Sheet, the 31 March 2010 Balance Sheet and the 2009/10 Comprehensive Income and Expenditure Statement can be found in note 51 to the core financial statements. Overall the changes are financially neutral as reflected in the fact the General Fund balance is unchanged and earmarked reserves are stable.

**Introduction by the Chief Finance Officer (Head of Finance)**

The format of these Accounts is prescribed by statute and covers a significant amount of detail. Below are the key financial points to be drawn from the Accounts, looking at the revenue and then capital expenditure of the Council.

**The Revenue Outturn Position**

**General Fund (Revenue expenditure on all council services with the exception of council houses)**

In February 2010 the Council set a gross General Fund budget of £62.3m (million) for 2010/11. This required an increase in Council Tax of 2.99%, giving a Band D annual council tax figure of £121.78. This was the 16th lowest council tax out of 202 other like authorities.

A sum of £0.604m was required to be taken from the Council's balance in order to balance the 2010/11 budget; however officers were expected to look in year to reduce the need for this sum. The final year end position is that savings were made of £0.946m, thereby actually making a contribution to the General Fund balance of £0.357m. Savings came from a number of areas ranging from additional fee income to a reduction in salary costs through holding posts vacant. Further details of the savings made against the set budget can be found in the Council's Outturn report to its Cabinet on 30th June 2011 (http://www.eastdevon.gov.uk/combined_cabinet_agenda_and_reports_150611-2.pdf)

The year end position on the Balances/Reserves held by the Council relating to General Fund services are:

**General Fund balance is as follows:**

| | |
|---|---|
| **General Fund Balance at 31 March 2010** | **£4.031m** |
| Actual surplus for year | £0.357m |
| **General Fund Balance at 31 March 2011** | **£4.388m** |

The General Fund Balance is currently above the minimum level by £2.9m. Members considered it sensible at year end to hold such a sum because of areas of uncertainty in the current economic climate (to be reviewed again in setting the 2012/13 budget). Other areas of concern/risk are:

- A number of budgets, particularly maintenance provisions, have been reduced significantly in 2011/12 with a possibility of requests coming forward in the course of the year for supplementary estimates for legitimate reasons where expenditure cannot be capped within the tight budgets.

- A further risk relates to future grant settlements in the final 2 years of the current Comprehensive Spending Review period and predicted deficits showing on our Medium Term Financial Plan calculations over the next 4 years.

- Future funding of the Capital Programme is of concern and if schemes are deemed essential there maybe a need to fund through revenue contributions and a need to utilise the General Fund balance.

In addition the Council started the year with £2.351m in a T**ransformation Reserve** (an amount contained within the General Fund Balance but in addition to the sum detailed above). In 2010/11 one-off redundancy costs of £0.743m were met from this Reserve. This leaves a current balance on the Reserve of **£1.608m**.

The Council also has an **Asset Management & Maintenance** Reserve available to General Fund services. There was a balance of £1.210m in the reserve at the start of the year. In 2010/11 a total of £0.129m has been spent primarily on temporary boiler plant at Exmouth Sports Centre (£0.097m), reroofing work at Seaton Town Hall (£0.015m), the Knowle accommodation review (£0.006m) and various other smaller works (£0.004m). A windfall vat refund of £0.224m in respect of the sports centres was received during the year and this has been transferred into the reserve. This leaves a balance of **£1.306m** in the reserve.

**Housing Revenue Account (Revenue expenditure on council houses only)**

The Housing Revenue Account had a gross budget set for 2010/11 of £14.7m; this required an increase in council house rents of 3.1% (inline with the Government guidelines).

This budget was overspent at year end by £0.395m leaving the Housing Revenue Account Balance/Reserve at £0.511m; £0.542m below the Council's adopted recommended level.

This position has been discussed with the Housing Service and action is required to be taken in 2011/12 to make savings in order to bring the balance back in line with the agreed level. There is recognition of the need to exercise tighter financial controls as the self-financing regime for the Housing Revenue Account in 2012/13 is approaching.

**Capital Outturn**

A capital budget was set of £6.223m for 2010/11. This budget was revised in year because of slippage on schemes from 2009/10 moving into 2010/11 (£0.661m) and various net savings reported in year totalling £0.383m. The final position taking these amendments into account was an underspend on the budget of £2.335m, details of variations are shown below which include projects totalling £1.685m which slipped (carried forward) into 2011/12.

The main areas of variation are summarised below:

| **Areas of main variation** | **£'000** |
|---|---|
| ICT projects – £115k of which has slipped to 11/12 | (200) |
| Energy efficiency schemes grants – slipped to 11/12 | (156) |
| Exmouth Regeneration projects slipped to 11/12 | (574) |
| Growth Point – offset by grants received | 67 |

| | |
|---|---|
| Combined Heat & Power Plant | (29) |
| Seaton Regeneration – slipped to 11/12 | (41) |
| Pennington Point – awaiting review | (10) |
| Flood alleviation schemes – slipped to 11/12 | (53) |
| Ottery St Mary cycle path - slipped into 11/12 | (377) |
| Grounds maintenance equipment – slipped to 11/12 | (79) |
| Public conveniences - slipped to 11/12 | (28) |
| Refuse contract grant not in budget | (139) |
| Making it Local Grant for Axe Wetlands not in budget | (69) |
| 17 social rent homes - £398k savings – balance to 11/12 for retention | (583) |
| Other scheme variations – net amount | (64) |
| **Total Variations** | **(2,335)** |

The final outturn and funding position is shown below:

| | £ | £ |
|---|---|---|
| **Net Capital Programme Budget (Exec Board 10/02/10)** | | **6,223,000** |
| Previous Revisions including 2009/10 underspend | 660,990 | |
| Month 10 Programme revisions | (383,180) | |
| Year End variations | (2,334,920) | |
| **Outturn Requirement** | | **4,165,890** |
| | **£** | **£** |
| **Financed by** | | |
| Capital Receipts | (770,650) | |
| PWLB Loans for Refuse & Social Housing | (1,244,500) | |
| S.106 contributions | (350,850) | |
| General Fund Contribution | (119,640) | |
| Grants and contributions received in advance | (142,160) | |
| Homes and Communities Agency Grants | (238,030) | |
| HRA Contribution (includes interest) | (274,060) | |
| **Capital Reserve requirement** | **(1,026,000)** | |
| **Total Funding** | | **(4,165,890)** |

This leaves a **net shortfall of £1.026m** to be taken from the Capital Reserve in 2010/11:

| **Capital Reserve** | **£m's** |
|---|---|
| **Capital Reserve as at 31 March 2010** | 6.329 |
| Use in year | (1.026) |
| **Capital Reserve as at 31 March 2011** | 5.303 |
| Budgeted use of Reserve in 2011/12 | (4.108) |
| **Estimated Capital Reserve 31 March 2012** | **1.196** |

Based on current estimates of the future programme for 2011/12 and 2012/13, this reserve is likely to be fully utilised in 2012/13.

**Outlook for the Future**

**General Fund Services (Revenue non council houses)**

The Council has set a balanced budget for 2011/12 against the background of the Government tackling the national debt problem and significant reductions in funding to local authorities. East Devon has seen its formula grant (the main source of government funding to assist local authorities deliver core services), on a like-for-like basis, cut by 26% from 2011/12 to 2012/13 from £7.031m to £5.232m. Also the Council saw a negative funding effect compared with real costs incurred when the responsibility for

the "free bus scheme" was transferred to Devon County Council from the District Council on 1 April 2011.

In order to set the 2011/12 budget a number of savings had to be made to meet the level of reductions in grant funding, the savings ranged from a management restructure (reducing management posts) along with a reduction in other posts resulting in a 9% reduction in staffing levels. The focus of these reductions is to protect front line services. Savings were also made on administration, training and maintenance budgets and savings through better value procurement. Further details can be found on the Council's website with reports to the Council's Executive Board in January and February 2011 (http://www.eastdevon.gov.uk/index/your_council/councillors_and_meetings/committee_minutes_and_agendas/executive_board_agenda_050111.htm
and http://www.eastdevon.gov.uk/exec_b_agenda_parta_090211-2.pdf )

As further reductions in central government funding are made going forward and other factors are taken into account it is estimated the Council will need to continue to save annually in the order of £0.5m. This is seen as achievable and the Council has already taken a number of steps to meet this level of future savings.

**Housing Revenue Account (Revenue on council houses)**

A balanced Housing Revenue Account budget has also been set for 2011/12; however, as mentioned earlier, this will need revising to reduce costs in 2011/12 to make good the £0.395m overspend in 2010/11. There are new challenges facing the Council in the housing area; from 2012/13 the Council will no longer have to make a growing contribution to central Government from this account (£6.028m in 2011/12) but as a cost to secure this position the Council will have to pay the Government a one-off capital contribution of £84m. This will be met by way of a loan taken out by the Council and annual finance charges will have to be met from this account. Initial calculations show that the Council will be financially better off under this arrangement rather than making an annual payment to Government. This change has been brought about by legislation and the Council has no option but to operate under this regime. It is seen to be advantageous for the Council but the risks of taking on such debt need to be managed.

**Capital**

The Capital Reserve is estimated to stand at £1.196m at the end of 2011/12 and will not be available to fund the capital programme as it has done in the past. This is a key concern of the Council.

A number of actions and principles have been agreed to address this issue ranging from work on asset management looking at reducing costs in this area and possibly generating capital receipts, the self financing of capital expenditure from the Housing Revenue Account on council housing capital spend, the possibility of using external interest as a contribution to costs and, if appropriate, the possibility of borrowing to finance spend.

**In summary there are financial challenges facing the Council in the medium term, members have already taken or agreed the necessary steps to address these issues and the Council is currently in a good financial position.**

Simon Davey CPFA
Head of Finance

**The Statement of Responsibilities**

**The Authority's Responsibilities**

The authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Head of Finance.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

**The Head of Finance's Responsibilities**

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

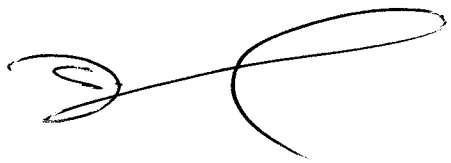
In preparing this Statement of Accounts, the Head of Finance has:

- 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 Head of Finance has also:

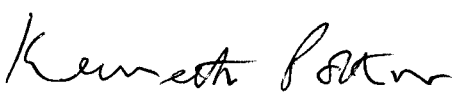
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Statement of Accounts 2010/11 gives a true and fair view of the financial position of the Council at 31 March 2011 and its income and expenditure for the year ended 31 March 2011.



Simon Davey CPFA
**Head of Finance**

I certify on behalf of the Council that the Statement of Accounts 2010/11 was approved in final form by the Audit & Governance Committee on 29 September 2011.



Councillor Ken Potter
**Chairman of the Audit & Governance Committee**

## Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance 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 £000 | Earmarked General Fund Reserves £000 | Housing Revenue Account £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Total Usable Reserves £000 | Unusable Reserves £000 | Total Authority Reserves £000 |
|---|---|---|---|---|---|---|---|---|
| **Balance at 31 March 2009** | **(7,494)** | **(8,459)** | **(1,295)** | **(248)** | **(1,252)** | **(18,748)** | **(312,288)** | **(331,036)** |
| **Movement in reserves during 2009/10:** (Surplus) or deficit on the provision of services | 8,549 | | (13,279) | | | **(4,730)** | | **(4,730)** |
| Other Comprehensive Income and Expenditure | | | | | | **0** | (4,945) | **(4,945)** |
| **Total Comprehensive Income and Expenditure** | **8,549** | **0** | **(13,279)** | **0** | **0** | **(4,730)** | **(4,945)** | **(9,675)** |
| Adjustments between accounting basis & funding basis under regulations (Note 7) | (8,310) | | 13,668 | 248 | (2,770) | **2,836** | (2,836) | **0** |
| **Net Increase/Decrease before Transfers to Earmarked Reserves** | **239** | **0** | **389** | **248** | **(2,770)** | **(1,894)** | **(7,781)** | **(9,675)** |
| Transfers to/from Earmarked Reserves (Note 8) | 873 | (16) | 0 | 0 | 0 | **857** | (857) | **0** |
| **Increase/Decrease in 2009/10** | 1,112 | (16) | 389 | 248 | (2,770) | **(1,037)** | (8,638) | **(9,675)** |
| **Balance at 31 March 2010 carried forward** | **(6,382)** | **(8,475)** | **(906)** | **0** | **(4,022)** | **(19,785)** | **(320,926)** | **(340,711)** |
| **Movement in reserves during 2010/11:** (Surplus) or deficit on the provision of services | (3,127) | | 73,264 | | | **70,137** | 0 | **70,137** |
| Other Comprehensive Income and Expenditure | 0 | | 0 | | | **0** | (19,665) | **(19,665)** |
| **Total Comprehensive Income and Expenditure** | **(3,127)** | **0** | **73,264** | **0** | **0** | **70,137** | **(19,665)** | **50,472** |
| Adjustments between accounting basis & funding basis under regulations (Note 7) | 3,543 | | (72,869) | (3) | (2,010) | **(71,339)** | 71,339 | **0** |
| **Net Increase / Decrease before Transfers to/from Earmarked Reserves** | **415** | **0** | **395** | **(3)** | **(2,010)** | **(1,202)** | **51,674** | **50,472** |
| Transfers to/from Earmarked Reserves (Note 8) | (29) | 1,056 | 0 | 0 | 0 | **1,026** | (1,026) | **0** |
| **Increase/Decrease in 2010/11** | **386** | **1,056** | **395** | **(3)** | **(2,010)** | **(176)** | **50,648** | **50,472** |
| **Balance at 31 March 2011** | **(5,996)** | **(7,419)** | **(511)** | **(3)** | **(6,032)** | **(19,961)** | **(270,278)** | **(290,239)** |

## 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 2011**

| 2009/10 Gross Expenditure Restated | 2009/10 Gross Income Restated | 2009/10 Net Expenditure Restated | | 2010/11 Gross Expenditure | 2010/11 Gross Income | 2010/11 Net Expenditure |
|---|---|---|---|---|---|---|
| £000 | £000 | £000 | SERVICE | £000 | £000 | £000 |
| 10,030 | (8,438) | 1,592 | Central services to the public | 11,280 | (10,048) | 1,232 |
| 21,262 | (6,996) | 14,266 | Cultural, environmental regulatory & planning services | 22,537 | (6,722) | 15,815 |
| 3,202 | (4,021) | (819) | Highways & transport services | 3,027 | (4,046) | (1,019) |
| | | | Housing services: | | | |
| 1,677 | (15,082) | (13,405) | Local authority housing (HRA) | 89,582 | (15,258) | 74,324 |
| 31,988 | (28,109) | 3,879 | Other housing services | 31,119 | (31,125) | (6) |
| 2,184 | (46) | 2,138 | Corporate & Democratic Core | 2,599 | (367) | 2,232 |
| 572 | (227) | 345 | Non Distributed Costs | (7,031) | (121) | (7,152) |
| **70,915** | **(62,919)** | **7,996** | **Cost of Services** | **153,113** | **(67,687)** | **85,426** |
| 1,913 | | 1,913 | Other operating expenditure (Note 9) | 2,283 | | 2,283 |
| 4,808 | (2,780) | 2,065 | Financing & investment income & expenditure (Note10) | 5,216 | (4,152) | 1,064 |
| | | | Taxation and non-specific grant income (Note 11) | | | |
| | | (8,461) | Council tax income | | | (8,836) |
| | | (6,458) | Non domestic rates | | | (7,123) |
| | | (1,513) | Non-ringfenced government grants | | | (1,075) |
| | | (272) | Capital grants and contributions | | | (1,602) |
| | | **(4,730)** | **(Surplus) or Deficit on Provision of Services** | | | **70,137** |
| | | (23,006) | Surplus or deficit on revaluation of non-current assets | | | 864 |
| | | (45) | Surplus or deficit on revaluation of available for sale financial assets | | | (22) |
| | | 18,106 | Actuarial (gains) /losses on pension assets and liabilities | | | (20,507) |
| | | **(4,945)** | **Other Comprehensive Income and Expenditure** | | | **(19,665)** |
| | | **(9,675)** | **Total Comprehensive Income and Expenditure** | | | **50,472** |

## The Balance Sheet

| BALANCE SHEET AS AT 31 MARCH 2011 | | | | | |
|---|---|---|---|---|---|
| 1 April 2009 Restated | 31 March 2010 Restated | | Note | 31 March 2011 | |
| £000 | £000 | | | £000 | £000 |
| | | Property, plant & equipment: | 12 | | |
| 254,046 | 271,598 | Council Dwellings | | 188,823 | |
| 67,055 | 79,200 | Other Land and Buildings | | 85,660 | |
| 5,748 | 5,841 | Vehicles, Plant, Furniture & Equipment | | 6,961 | |
| 11,364 | 11,276 | Infrastructure Assets | | 11,241 | |
| 456 | 451 | Community Assets | | 635 | |
| 1,833 | 828 | Asset Under Construction | | 514 | |
| 0 | 0 | Assets held for Sale | 20 | 0 | |
| **340,502** | **369,194** | **Property, Plant & Equipment** | | | **293,834** |
| 3,275 | 6 | Long Term Investments | 15 | 6 | |
| 476 | 384 | Long Term Debtors | 15 | 398 | |
| **344,253** | **369,584** | **Long Term Assets** | | | **294,238** |
| 29,239 | 26,910 | Short Term Investments | 15 | 30,191 | |
| 3,383 | 6,467 | Short Term Debtors and PIA | 18 | 4,413 | |
| 1,418 | 6,940 | Cash and cash equivalents | 19 | 1,414 | |
| **34,040** | **40,317** | **Current Assets** | | | **36,018** |
| (10,000) | (8,300) | Short Term Borrowing | 15 | (3,200) | |
| (6,410) | (6,446) | Short Term Creditors | 21 | (6,617) | |
| **(16,410)** | **(14,746)** | **Total Current Liabilities** | | | **(9,817)** |
| 0 | 0 | Long term borrowing | 15 | (1,244) | |
| (28,810) | (48,704) | Other long term liabilities (pensions) | 15 | (22,881) | |
| (2,037) | (5,740) | Capital Grants Receipts in Advance | 38 | (6,075) | |
| **(30,847)** | **(54,444)** | **Long-term Liabilities** | | | **(30,200)** |
| **331,036** | **340,711** | **Net Assets** | | | **290,239** |
| 7,494 | 6,382 | General Fund Balance | | 5,996 | |
| 8,459 | 8,475 | Earmarked GF Reserves | | 7,419 | |
| 1,295 | 906 | Housing Revenue Account Balance | | 511 | |
| 248 | 0 | Capital Receipts Reserve | | 3 | |
| 1,252 | 4,022 | Government Grants and Capital Contributions Unapplied | | 6,032 | |
| **18,748** | **19,785** | **Usable Reserves** | 23 | | **19,961** |
| 8,361 | 25,250 | Revaluation Reserve | | 15,724 | |
| (4) | 41 | Available for Sale Reserve | | 19 | |
| 332,839 | 344,500 | Capital Adjustment Account | | 277,434 | |
| 28 | 10 | Deferred Capital Receipts | | 6 | |
| (28,810) | (48,704) | Pensions Reserve | | (22,881) | |
| 143 | 111 | Collection Fund Adjustment Account | | 174 | |
| (269) | (282) | Accumulated Absences | | (198) | |
| **312,288** | **320,926** | **Unusable Reserves** | 24 | | **270,278** |
| **331,036** | **340,711** | **Total Reserves** | | | **290,239** |

**The Cash Flow Statement**

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

| 2009/10 Restated £000 | THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2011 | 2010/11 £000 |
|---|---|---|
| (4,730) | **Net (surplus) or deficit on the provision of services** | 70,137 |
| 4,403 | Adjustments to net surplus or deficit on the provision of services for non-cash movements | (76,092) |
| 0 | Adjustments to net surplus or deficit on the provision of services that are investing and financing activities | 1,694 |
| (327) | **Net cash flows from Operating Activities** (Note 25) | (4,261) |
| (8,570) | **Investing Activities** (Note 26) | 6,978 |
| 3,375 | **Financing Activities** (Note 27) | 2,809 |
| **(5,522)** | **Net (increase) or decrease in cash and cash equivalents** | **5,526** |
| **(1,418)** | Cash and cash equivalents at the beginning of the reporting period | **(6,940)** |
| **(6,940)** | **Cash and cash equivalents at the end of the reporting period** (Note 19) | **(1,414)** |

## NOTES:

### Note 1. Accounting Policies

### Accounting Policies
### General Principles

The Statement of Accounts summarises the Authority's transactions for the 2010/11 financial year and its position at the year end of 31 March 2011. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, those Regulations require the Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 7 of the Regulations.

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.

### Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### 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 are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

### Exceptional Items

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

**Note 1 Contd.**

**Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

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

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

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

**Charges to Revenue for Non-Current Assets**

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

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

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

**Employee Benefits**

Benefits Payable During Employment

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

**Note 1 Contd.**

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

Post Employment Benefits

Employees of the Authority are members of the Local Government Pensions Scheme, administered by Devon County Council.

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

The Local Government Pension Scheme

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

Liabilities are discounted to their value at current prices, using a discount rate of 5.5% (based on the yield on the iBoxx AA rated over 15 year corporate bond index).

The assets of Devon County pension fund attributable to the Authority are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value.

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

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve

**Note 1 Contd.**

- contributions paid to the Devon pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense. In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

**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.

**Financial Instruments**

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

**Note 1 Contd.**

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

Financial Assets

Financial assets are classified into two types:

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

**Loans and Receivables**

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

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

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.

**Note 1 Contd.**

**Available-for-Sale Assets**

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

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

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

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).

**Foreign Currency Translation**

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

**Government Grants and Contributions**

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

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

**Note 1 Contd.**

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

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

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

**Intangible Assets**

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

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

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

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

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

**Inventories and Long Term Contracts**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the weighted average costing formula.

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

**Note 1 Contd.**

**Investment Property**

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

**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.

**The Authority as Lessee**

Finance Leases

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

Lease payments are apportioned between:

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

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

**Note 1 Contd.**

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

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

**The Authority as Lessor**

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

**Note 1 Contd.**

**Overheads and Support Services**

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

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

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

**Property, Plant and Equipment**

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

**Note 1 Contd.**

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.

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.

**Note 1 Contd.**

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Deprecation is calculated on the following bases:

- 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 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.

**Disposals and Non-current Assets Held for Sale**

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

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.
The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

**Note 1 Contd.**

**Provisions, Contingent Liabilities and Contingent Assets**

Provisions

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

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

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.
Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority.
Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

**Reserves**

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

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

**Note 1 Contd.**

**Revenue Expenditure Funded from Capital under Statute**

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

**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.

**Note 2. Accounting Standards Issued, Not adopted**

This note is not applicable in 20010/11.

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

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Authority's leisure centres and leisure service is operated by Leisure East Devon Trust, a charitable organisation that leases and operates the leisure centres previously run by the Authority. It has been determined that the Authority does not have control of the Trust and it is not a subsidiary of the Authority.

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

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

**Note 4 Contd.**

The items in the Authority's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year 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 Authority 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 £6.395m 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 Authority with expert advice about the assumptions to be applied. | The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £1.869m. A 0.1% decrease would result in an increase of £2.023m. However, the assumptions interact in complex ways. During 2010/11, the authority's actuaries advised that the net pension liability had increased by £5.519m as a result of estimates being corrected as a result of experience and decreased by £14.587m due to updating of the assumptions. |
| Arrears | At 31 March 2011, the Authority had a balance of sundry debtors for £1.353m. A review of significant balances suggested that an impairment of doubtful debts of £0.070m 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 £0.070m 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**

Items are disclosed on face of the Comprehensice Income and Expenditure account.

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

The Statement of Accounts was authorised for issue by the Head of Finance on 30 September 2011. 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 2011, 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 Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

| 2010/11 | Usable Reserves | | | | | |
|---|---|---|---|---|---|---|
| | General Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | Movement in Unusable Reserves |
| | £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: | | | | | | 0 |
| Charges for depreciation and impairment of non-current assets | (3,027) | (3,702) | | | | 6,729 |
| Revaluation losses on Property Plant and Equipment | (361) | (70,390) | | | | 70,751 |
| Movements in the market value of Investment Properties | | | | | | 0 |
| Amortisation of intangible assets | | | | | | 0 |
| Capital grants and contributions applied | 1,520 | 1,042 | | | | (2,562) |
| Movement in the Donated Assets Account | | | | | | 0 |
| Revenue expenditure funded from capital under statute | (1,637) | | | | | 1,637 |
| 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 | (332) | 176 | | | | 156 |
| **Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement:** | | | | | | |
| Statutory provision for the financing of capital investment | | | | | | |
| Capital expenditure charged against the General Fund and HRA balances | 120 | 274 | | | | (394) |

**Note 7 Contd.**

| 2010/11 | Usable Reserves | | | | | |
|---|---|---|---|---|---|---|
| | General Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | Movement in Unusable Reserves |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| **Adjustment primarily involving the Capital Grants Unapplied Account:** | | | | | | |
| Capital grants & contributions unapplied credited to the Comprehensive Income & Expenditure Statement | 2,077 | | | | (2,077) | 0 |
| Application of grants to capital financing transferred to the Capital Adjustment Account | | | | | 67 | (67) |
| **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 | | | (1,041) | | | 1,041 |
| Use of Capital Receipts Reserve to finance new capital expenditure | | | 771 | | | (771) |
| Contribution from the Capital Receipts Reserve towards administrative costs of non-current assets disposal | | | | | | 0 |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool | (267) | | 267 | | | 0 |
| Transfer from Deferred Capital Receipts Reserve on receipt of cash | | | | | | 0 |
| **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 | | 2,696 | | (2,696) | | 0 |
| Use of Major Repairs Reserve to finance new capital expenditure | | (2,696) | | 2,696 | | 0 |

**Note 7 Contd.**

| 2010/11 | Usable Reserves | | | | | |
|---|---|---|---|---|---|---|
| | General Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | Movement in Unusable Reserves |
| | £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 finance costs chargeable in the year in accordance with statutory requirements | | | | | | 0 |
| **Adjustments primarily involving the Pensions Reserve:** | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and ExpenditureStatement (see Note 47) | 3,823 | (459) | | | | (3,364) |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 1,736 | 216 | | | | (1,952) |
| **Adjustments primarily involving the Collection Fund Adjustment Acct:** | | | | | | |
| 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 | 63 | | | | | (63) |
| **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 | (172) | (26) | | | | 198 |
| **Total Adjustments** | **3,543** | **(72,869)** | **(3)** | **0** | **(2,010)** | **71,339** |

**Note 7 Contd.**

| 2009/10 Comparative Figures | Usable Reserves | | | | | |
|---|---|---|---|---|---|---|
| | General Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | Movement in Unusable Reserves |
| **Adjustments primarily involving Capital Adjustment Account:** | £000 | £000 | £000 | £000 | £000 | £000 |
| **Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:** | | | | | | |
| Charges for depreciation and impairment of non-current assets | (5,344) | (3,081) | | | | 8,425 |
| Revaluation losses on Property Plant and Equipment | (3,475) | 13,933 | | | | (10,458) |
| Govt Grants Deferred | (25) | | | | | 25 |
| Amortisation of intangible assets | 90 | | | | | (90) |
| Capital grants and contributions applied | (1,404) | | | | | 1,404 |
| Movement in the Donated Assets Account | | | | | | 0 |
| Revenue expenditure funded from capital under statute | (531) | | | | | 531 |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comp Income & Expenditure Statement | (29) | | | | | 29 |
| **Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement:** | | | | | | |
| Statutory provision for the financing of capital investment | | | | | | 0 |
| Capital exp charged against General Fund & HRA bals | 1,243 | 280 | | | | (1,523) |

**Note 7 Contd.**

| 2009/10 Comparative Figures | Usable Reserves | | | | | |
|---|---|---|---|---|---|---|
| | General Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | Movement in Unusable Reserves |
| **Adjustment primarily involving the Capital Grants Unapplied Account:** | £000 | £000 | £000 | £000 | £000 | £000 |
| Capital grants & contributions unapplied credited to the Comprehensive Income & Expenditure Statement | 3,042 | | | | (3,042) | 0 |
| Application of grants to capital financing transferred to the Capital Adjustment Account | | | | | 272 | (272) |
| **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 | | | (1,816) | | | 1,816 |
| Use of Capital Receipts Reserve to finance new capital expenditure | | | 1,786 | | | (1,786) |
| Contribution from the Capital Receipts Reserve towards administrative costs of non-current assets disposal | | | | | | 0 |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool | (278) | | 278 | | | 0 |
| Transfer from Deferred Capital Receipts Reserve on receipt of cash | | | | | | |
| **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 | | | | | | |
| **Adjustments primarily involving the Major Repairs Reserve:** | | | | | | |
| Reversal of Major Repairs Allowance credited to the HRA | | 2,770 | | (2,770) | | 0 |
| Use of Major Repairs Reserve to finance new capital expenditure | | | | 2,770 | | (2,770) |

**Note 7 Contd.**

| 2009/10 Comparative Figures | Usable Reserves | | | | | |
|---|---|---|---|---|---|---|
| | General Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | Movement in Unusable Reserves |
| **Adjustments primarily involving the Financial Instruments Account:** | £000 | £000 | £000 | £000 | £000 | £000 |
| Amount by which finance costs charged to the Comprehensive income & Expenditure Statement are different from the finance costs chargeable in the year in accordance with statutory requirements | | | | | | |
| **Adjustments primarily involving the Pensions Reserve:** | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and ExpenditureStatement (see Note 47) | (3,250) | (457) | | | | 3,707 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 1,696 | 223 | | | | (1,919) |
| **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 | (32) | | | | | (32) |
| **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 | (12) | (1) | | | | 13 |
| **Total Adjustments** | **(8,310)** | **13,668** | **248** | **0** | **(2,770)** | **(2,836)** |

## 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 2010/11.

| | Balance at 1 April 2009 £000 | Transfers Out 2009/10 £000 | Transfers In 2009/10 £000 | Balance at 31 March 2010 £000 | Transfers Out 2010/11 £000 | Transfers In 2010/11 £000 | Balance at 31 March 2011 £000 |
|---|---|---|---|---|---|---|---|
| **General Fund:** | | | | | | | |
| General Capital Reserve | (6,784) | 455 | | **(6,329)** | **1,026** | | **(5,303)** |
| LABGI | (683) | 84 | (146) | **(745)** | **209** | | **(536)** |
| Local Government Review | (125) | 125 | | **0** | | | **0** |
| Revenue Contribution to purchase of Refuse Bins | (403) | 403 | | **0** | | | **0** |
| Asset Management & Maintenance | (260) | 238 | (1,189) | **(1,211)** | **129** | **(224)** | **(1,306)** |
| Planning Delivery Grant | (189) | 48 | | **(141)** | **15** | | **(126)** |
| DCLG Council Tax Efficiency | (5) | | | **(5)** | | | **(5)** |
| Habitats Regulations Assessment Grant | 0 | | (34) | **(34)** | **9** | **(16)** | **(41)** |
| Manor Pavilion Donation | (10) | | | **(10)** | **6** | | **(4)** |
| LPSA2 (street cleansing) | | | | **0** | **25** | **(123)** | **(98)** |
| **Total** | **(8,459)** | **1,353** | **(1,369)** | **(8,475)** | **1,419** | **(363)** | **(7,419)** |

## Note 9. Other Operating Expenditure

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| 1,606 | Parish council precepts | 1,826 |
| | Levies | |
| 278 | Payments to the Government Housing Capital Receipts Pool | 267 |
| 29 | (Gains) / losses on the disposal of non-current assets | 190 |
| **1,913** | **Total** | **2,283** |

## Note 10. Financing and Investment Income and Expenditure

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| 4 | Interest payable and similar charges | 53 |
| 2,498 | Pensions interest cost and expected return on pensions assets | 1,447 |
| (437) | Interest receivable and similar income | (436) |
| 0 | Other investment income | 0 |
| **2,065** | **Total** | **1,064** |

## Note 11. Taxation and Non Specific Grant Income

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| (8,461) | Council tax income | (8,836) |
| (6,458) | Non domestic rates | (7,123) |
| (1,513) | Non-ringfenced government grants | (1,075) |
| (282) | Capital grants and contributions | (1,602) |
| **(16,714)** | **Total** | **(18,636)** |

## Note 12: Property Plant and Equipment
## Movements in 2010/11

| | Council Dwellings & Land £000 | Other Land & Buildings £000 | Vehicle, Plant & Equipment £000 | Infrastructure Assets £000 | Community Assets £000 | Surplus Assets £000 | Assets Under Construction £000 | Operational Assets |
|---|---|---|---|---|---|---|---|---|
| **Cost or Valuation** | | | | | | | | |
| **At 1 April 2010** | **271,598** | **81,793** | **10,922** | **15,379** | **466** | **0** | **828** | **380,986** |
| Additions | 5,419 | 778 | 1,291 | 167 | 81 | 0 | 372 | **8,108** |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | (13,852) | 4,555 | 0 | 0 | 286 | 0 | 0 | **(9,011)** |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (70,390) | (1,046) | **0** | **0** | **0** | 0 | 0 | **(71,436)** |
| Derecognition - disposals | 0 | (194) | 0 | | (195) | 0 | 0 | **(389)** |
| Derecognition - other | 0 | 0 | | | | 0 | | **0** |
| Assets reclassified (to)/from Held for Sale | (345) | (102) | (23) | 0 | 0 | 0 | 0 | **(470)** |
| Other movements in cost or valuation | 78 | 0 | 580 | 16 | 12 | 0 | (686) | **0** |
| Other movements in cost or valuation – Componentisation | (3,592) | 2,757 | 835 | | 0 | 0 | 0 | **0** |
| **At 31 March 2011** | **188,916** | **88,541** | **13,605** | **15,562** | **650** | **0** | **514** | **307,788** |
| **Accumulated Depreciation & Impairment** | | | | | | | | |
| **At 1 April 2010** | **0** | **2,593** | **5,081** | **4,103** | **15** | **0** | **0** | **11,792** |
| Depreciation charge | 3,499 | 1,175 | 1,579 | 218 | 0 | 0 | 0 | **6,471** |
| Depreciation charge written out ot the Revaluation Reserve | 0 | (1,046) | 0 | 0 | 0 | 0 | **0** | **(1,046)** |
| Depreciation written out to the Surplus/Deficit on the Provision of Services | 0 | 0 | 0 | 0 | 0 | 0 | **0** | **0** |
| Impairment losses/(reversals) recognised in the Revaluation Reserve | 0 | 0 | 0 | 0 | 0 | 0 | **0** | **0** |
| Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services | 93 | 159 | 7 | 0 | 0 | 0 | **0** | **259** |
| Derecognition - disposals | 0 | 0 | (23) | 0 | 0 | 0 | 0 | **(23)** |
| Other movements in depreciation and impairment | (3,499) | 0 | 0 | 0 | 0 | 0 | 0 | **(3,499)** |
| **At 31 March 2011** | **93** | **2,881** | **6,644** | **4,321** | **15** | **0** | **0** | **13,954** |
| **Net Book Value:** | | | | | | | | |
| **At 31 March 2011** | **188,823** | **85,660** | **6,961** | **11,241** | **635** | **0** | **514** | **293,834** |
| **At 31 March 2010** | **271,598** | **79,200** | **5,841** | **11,276** | **451** | **0** | **828** | **369,194** |

**Note12 Contd.**

| Comparative Movements in 2009/10 | Dwellings & Land £000 | Other Land & Buildings £000 | Vehicle, Plant & Equipment £000 | Infrastructure Assets £000 | Community Assets £00 | Surplus Assets £000 | Assets Under Construction £000 | Operational Assets |
|---|---|---|---|---|---|---|---|---|
| **Cost or Valuation** | | | | | | | | |
| **At 1 April 2009** | **254,049** | **71,091** | **9,490** | **15,213** | **471** | **0** | **1,833** | **352,147** |
| Additions | 3,919 | 754 | 1,345 | 104 | 55 | 0 | 955 | **7,131** |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 13,852 | 99 | 0 | 0 | 0 | 0 | 0 | **13,951** |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | 0 | 11,290 | 0 | 0 | 3 | 0 | 0 | **11,293** |
| Derecognition - disposals | (240) | (1,441) | (23) | 0 | 0 | 0 | 0 | **(1,704)** |
| Derecognition - other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Assets reclassified (to)/from Held for Sale | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Other movements in cost or valuation | 18 | 0 | 109 | 62 | (62) | 0 | (1,960) | **(1,833)** |
| **At 31 March 2010** | **271,598** | **81,793** | **10,921** | **15,379** | **466** | **0** | **828** | **380,985** |
| **Accumulated Depreciation & Impairment** | | | | | | | | |
| **At 1 April 2009** | **0** | **4,036** | **3,742** | **3,849** | **15** | **0** | **0** | **11,642** |
| Depreciation charge | 3,083 | 1,069 | 1,354 | 254 | 0 | 0 | 0 | **5,760** |
| Depreciation charge written out of the Revaluation Reserve | 0 | (2,510) | 0 | 0 | 0 | 0 | 0 | **(2,510)** |
| Depreciation written out to the Surplus/Deficit on the Provision of Services | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Impairment losses/(reversals) recognised in the Revaluation Reserve | 0 | 126 | 0 | 0 | 0 | 0 | 0 | **126** |
| Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services | 0 | (128) | 0 | 0 | 0 | 0 | 0 | **(128)** |
| Derecognition - disposals | (3) | 0 | (16) | 0 | 0 | 0 | 0 | **(19)** |
| Derecognition - other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Other movements in depreciation and impairment | (3,083) | 0 | 0 | 0 | 0 | 0 | 0 | **(3,083)** |
| **At 31 March 2010** | **0** | **2,593** | **5,080** | **4,103** | **15** | **0** | **0** | **11,791** |
| **Net Book Value** | | | | | | | | |
| **At 31 March 2010** | **271,598** | **79,200** | **5,841** | **11,276** | **451** | **0** | **828** | **369,194** |
| **At 31 March 2009** | **254,046** | **67,055** | **5,748** | **11,364** | **456** | **0** | **1,833** | **340,502** |

**Note 12 Contd.**

**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.
Other Land and Buildings: 2 - 60 years
Vehicles, Plant, Furniture & Equipment: 2 -15 years
Infrastructure: 5 -100 years

**Capital Commitments**
The Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2011/12 and future years budgeted to cost £1,853,610. Similar commitments at 31 March 2010 were £996,884. The major commitments are:

| 31 March 2010 £ | Scheme | 31 March 2011 £ |
|---|---|---|
| 440,000 | Housing grants | 61,406 |
| 509,760 | Refuse & recycling | 0 |
| 0 | Cleansing machinery | 152,380 |
| 0 | Grounds maintenance machinery | 81,478 |
| 0 | Public conveniences efurbishment | 47,440 |
| 0 | Ottery cycle path | 829,232 |
| 0 | Pollution prevention - Imperial Field | 46,676 |
| 0 | Stowford Rise affordable housing | 155,000 |
| 0 | The Strand - Exmouth | 400,000 |
| 0 | Retention 17 affordable houses | 80,000 |
| 37,124 | Information communication technology programme | 0 |
| 10,000 | Parks & Pleasure grounds | 0 |
| **996,884** | **Total** | **1,853,612** |

**Effect of changes in estimates:**
In 2010/11, the Authority made one material change to its accounting estimates for Property, Plant and Equipment:

- During the revaluation, assets which have a significant proportion of their value attributable to plant and machinery have been componentised, including pool plant and mechanical and engineering equipment found in swimming pools and sports centres, resulting in a change in depreciation rates for the identified components.

**Revaluations:**
The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. With the exception of the Council Housing stock, which was valued by the District Valuer, Andrew Doak, (RICS), all valuations were carried out internally. 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, furniture and equipment are based on historic cost less residual values where there is an active second-hand market. HRA property is revalued in full each year on the 31st March.
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.

**Note 12 Contd.**

| | Council Dwellings £000 | Other Land & Buildings £000 | Vehicles, Plant, Furniture & Equipment £000 | Surplus Assets £000 |
|---|---|---|---|---|
| Carried at historical cost | | | 13,605 | |
| Valued at fair value as at: | | | | |
| 31 March 2011 | 278,205 | 35,398 | | |
| 31 March 2010 | 277,874 | 56,162 | | |
| 31 March 2009 | 260,325 | 1,534 | | 602 |
| 31 March 2008 | 295,267 | 10,223 | | 731 |
| 31 March 2007 | 302,398 | | | |
| Total Cost or Valuation | 278,205 | 85,051 | 13,605 | |

**Note 13: Investment Properties**

The Authority had no investment properties at 31 March 2011.

**Note 14: Intangible Assets**

The Authority had no intangible assets at 31 March 2011.

**Note 15: Financial Instruments**

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

| Long Term 31 March 2010 £000 | Current 31 March 2010 £000 | | Long Term 31 March 2011 £000 | Current 31 March 2011 £000 |
|---|---|---|---|---|
| | | **Investments** | | |
| 0 | 6,940 | Loans and receivables | 0 | 1,414 |
| 0 | 26,910 | Available-for-sale financial assets | 0 | 30,191 |
| 6 | 0 | Unquoted equity investment at cost | 6 | 0 |
| 0 | 0 | Financial assets at fair value through profit & loss | 0 | 0 |
| **6** | **33,850** | **Total investments** | **6** | **31,605** |
| | | **Debtors** | | |
| 429 | 5,116 | Loans and receivables | 398 | 4,223 |
| (45) | 0 | Rates Deferral Scheme - Long Term Debtors | 0 | 0 |
| 0 | 0 | Financial assets carried at contract amounts | 0 | 0 |
| **384** | **5,116** | **Total Debtors** | **398** | **4,223** |
| | | **Borrowings** | | |
| 0 | 8,300 | Financial liabilities at amortised cost | 1,245 | 3,200 |
| 0 | 0 | Financial liabilities at fair value through profit and loss | 0 | 0 |
| **0** | **8,300** | **Total borrowings** | **1,245** | **3,200** |
| | | **Creditors** | | |
| 0 | 5,314 | Financial liabilities at amortised cost | 0 | 4,264 |
| 0 | 0 | Financial liabilities carried at contract amount | 0 | 0 |
| **0** | **5,315** | **Total creditors** | **0** | **4,264** |

**Note 15 Contd.**

**Income, Expense, Gains and Losses**

| 2009/10 | | | | | 2010/11 | | | |
|---|---|---|---|---|---|---|---|---|
| Financial Liabilities measured at amortised cost £000 | Financial Assets: Loans and rec'bles £000 | 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 |
| 1 | 0 | 0 | **1** | Interest expense | 1 | 0 | 0 | **1** |
| 0 | 0 | 4 | **4** | Losses on Derecognition | 0 | 0 | 4 | **4** |
| 0 | 0 | 0 | **0** | Reductions in fair value | 0 | 0 | 0 | **0** |
| 0 | 0 | 0 | **0** | Impairment losses | 0 | 0 | 0 | **0** |
| 0 | 0 | 48 | **48** | Fee expense | 0 | 0 | 44 | **44** |
| **1** | **0** | **52** | **53** | **Total expense in Surplus or Deficit on the Provision of Services** | **1** | **0** | **48** | **49** |
| 0 | 40 | 402 | **442** | Interest Income | 0 | 75 | 319 | **394** |
| 0 | 0 | 0 | **0** | Interest income accrued on impaired financial Assets | 0 | 0 | 0 | **0** |
| 0 | 0 | 0 | **0** | Increases in Fair Value | 0 | 0 | 0 | **0** |
| 0 | 0 | 0 | **0** | Gains on Derecognition | 0 | 0 | 38 | **38** |
| 0 | 0 | 0 | **0** | Fee Income | 0 | 0 | 0 | **0** |
| **0** | **40** | **402** | **442** | **Total income in Surplus or Deficit on the Provision of Services** | **0** | **75** | **357** | **419** |
| 0 | 0 | 0 | **0** | Gains on revaluation | 0 | 0 | 0 | **0** |
| 0 | 0 | 0 | **0** | Losses on revaluation | 0 | 0 | 0 | **0** |
| 0 | 0 | 0 | **0** | Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment | 0 | 0 | 0 | **0** |
| 0 | 0 | 0 | **0** | Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure | 0 | 0 | 0 | **0** |
| **0** | **0** | **0** | **0** | **Net gain/(loss) for the Year** | **0** | **0** | **0** | **0** |

**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 2011 from 2.01% to 5.31% for loans from the PWLB and other loans receivable and payable
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

**Note 15 Contd.**

The fair values calculated are as follows:

| 31 March 2010 | | | 31 March 2011 | |
|---|---|---|---|---|
| Carrying Amount £000 | Fair value £000 | | Carrying amount £000 | Fair Value £000 |
| 0 | 0 | Financial liabilities | 1,245 | 1,245 |
| 0 | 0 | Long-term creditors | 0 | 0 |

The fair value of the liabilities is the same as the carrying amount as this is a PWLB loan taken out on the balance sheet date.

| 31 March 2010 | | | 31 March 2011 | |
|---|---|---|---|---|
| Carrying Amount £000 | Fair value £000 | | Carrying amount £000 | Fair Value £000 |
| 0 | 0 | Loans and receivables | 0 | 0 |
| 404 | 370 | Long-term debtors | 384 | 325 |

Excluded from the above table is £13,164 (£14,253 in 2009/10) in "soft loans" which, after a review of financial instruments, the council considers to be immaterial to the Accounts.

Examples of "soft loans" 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 2010/11.

The fair value of the assets is lower than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is lower than the rates available for similar loans at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2011) attributable to the commitment to receive interest below current market rates.

Available for sale assets and assets and liabilities at fair value through profit or loss 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.

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

**Note 16: Inventories**

There are no inventories.

**Note 17: Construction Contracts**

At 31 March 2011 the Authority had no significant construction contracts in progress.

## Note 18: Debtors

| As at 31 March 2010 £000 | | As at 31 March 2011 £000 |
|---|---|---|
| | **Central Government Bodies:** | |
| 1,189 | Government Departments | 393 |
| 1,854 | HMRC | 438 |
| 91 | **Other Local Authorities** | 308 |
| | **Other entities and individuals:** | |
| 573 | Housing Tenants | 282 |
| 148 | Council Tax Payers | 145 |
| 1,017 | Housing Benefit Overpayments | 1,035 |
| 1,356 | Debts for Council Services Provided | 903 |
| 735 | Other | 1,404 |
| (496) | Less Provision for Doubtful Debts | (495) |
| **6,467** | **Total** | **4,413** |

## Note 19. Cash and Cash Equivalents

| As at 31 March 2010 £000 | | As at 31 March 2011 £000 |
|---|---|---|
| 801 | Cash held by the Authority | 665 |
| 1,139 | Bank current accounts | (1,151) |
| 5,000 | Short-term deposits with building societies | 1,900 |
| **6,940** | **Total Cash and Cash Equivalents** | **1,414** |

## Note 20: Assets Held for Sale

| As at 31 March 2010 £000 | | As at 31 March 2011 £000 |
|---|---|---|
| 0 | Balance outstanding at start of Year | 0 |
| 0 | Reclassified in Year | 470 |
| 0 | Assets sold | (470) |
| **0** | **Total Assets Held for Sale** | **0** |

## Note 21: Creditors

| As at 31 March 2010 £000 | | As at 31 March 2011 £000 |
|---|---|---|
| | **Central Government Bodies:** | |
| 518 | Government Departments | 811 |
| 496 | HMRC | 543 |
| 301 | **Other Local Authorities** | 211 |
| | **Other entities and individuals:** | |
| 263 | Housing Tenants | 70 |
| 137 | Council Tax Receipts in Advance | 134 |
| 995 | Council Tax Major Preceptors | 1,476 |
| 3,736 | Sundry | 3,372 |
| **6,446** | **Total** | **6,617** |

## Note 22: Provisions

The authority had no provisions at the balance sheet date.

## Note 23: Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and Note 7.

## Note 24: Unusable Reserves

| 31 March 2010 £000 | | 31 March 2011 £000 |
|---|---|---|
| (25,250) | Revaluation Reserve | (15,724) |
| (41) | Available for Sale Financial Instruments Reserve | (19) |
| (344,500) | Capital Adjustment Account | (277,434) |
| 0 | Financial Instruments Adjustment Account | 0 |
| (10) | Deferred Capital Receipts Reserve | (6) |
| 48,704 | Pensions Reserve | 22,881 |
| (111) | Collection Fund Adjustment Account | (174) |
| 282 | Accumulated Absences Account | 198 |
| **(320,926)** | **Total Unusable Reserves** | **(270,278** |

### Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment [and Intangible Assets]. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.
-

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

| 2009/10 £000 | Revaluation Reserve | 2010/11 £000 | 2010/11 £000 |
|---|---|---|---|
| **(8,361)** | **Balance at 1 April** | | **(25,250)** |
| (23,006) | Upward revaluation of assets | (5,195) | |
| 5,570 | Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | 13,852 | |
| (17,436) | Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services | | 8,657 |
| 429 | Difference between fair value depreciation and historical cost depreciation | 480 | |
| 118 | Accumulated gains on assets sold or scrapped | 389 | |
| 547 | Amount written off to the Capital Adjustment Account | | 869 |
| **(25,250)** | **Balance at 31 March** | | **(15,724)** |

### Available for Sale Financial Instruments Reserve

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

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

**Note 24 Contd.**

| 2009/10 £000 | Available for Sale Financial Instruments Reserve | 2010/11 £000 | 2010/11 £000 |
|---|---|---|---|
| **4** | **Balance at 1 April** | | **(41)** |
| (45) | Upward revaluation of investments | (149) | |
| 0 | Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services | 171 | |
| (41) | | | 22 |
| 0 | Accumulated gains on assets sold and maturing Assets written out to the Comprehensive Income & Expenditure Statement as part of Other Investment Income | | 0 |
| **(41)** | **Balance at 31 March** | | **(19)** |

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 7 provides details of the source of all the transactions posted to the Account apart from those involving the Revaluation Reserve.

| Capital Adjustment Account 2009/10 £000 | Capital Adjustment Account | 2010/11 £000 | 2010/11 £000 |
|---|---|---|---|
| **(332,839)** | **Balance at 1 April** | | **(344,500)** |
| | Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement: | | |
| (11,302) | Charges for depreciation and impairment of noncurrent assets | 6,729 | |
| 3,404 | Revaluation losses on Property, Plant and Equipment | 70,751 | |
| (90) | Amortisation of intangible assets | 0 | |
| 531 | Revenue expenditure funded from capital under Statute | 1,637 | |
| 718 | 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 | 328 | |
| (339,578) | | | 79,445 |
| 25 | Adjusting amounts written out of the Revaluation Reserve | | (3,084) |
| **(339,553)** | **Net written out amount of the cost of non-current assets consumed in the year** | | **(268,139)** |
| | Capital financing applied in the year: | | |
| (1,786) | Use of the Capital Receipts Reserve to finance new capital expenditure | (3,360) | |
| (2,770) | Use of the Major Repairs Reserve to finance new capital expenditure | (2,912) | |
| 1,404 | Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | (2,562) | |
| (272) | Application of grants to capital financing from the Capital Grants Unapplied Account | (67) | |
| 0 | Statutory provision for the financing of capital investment charged against the General Fund and HRA balances | 0 | |
| (1,523) | Capital expenditure charged against the General Fund and HRA balances | (394) | |
| (344,500) | | | (9,295) |
| **0** | Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement | | 0 |
| 0 | Movement in the Donated Assets Account credited to the mComprehensive come and Expenditure Statement | | 0 |
| **(344,500)** | **Balance at 31 March** | | **(277,434)** |

**Note 24 Contd.**

**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 Authority 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.

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| (28) | **Balance at 1 April** | (10) |
| 0 | Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 0 |
| 18 | Transfer to the Capital Receipts Reserve upon receipt of cash | 4 |
| (10) | **Balance at 31 March** | (6) |

**Pensions Reserve**

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

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| 28,810 | **Balance at 1 April** | 48,704 |
| 18,106 | Actuarial (gains) or losses on pensions assets and liabilities | (20,507) |
| 3,707 | 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 | (3,364) |
| (1,919) | Employer's pensions contributions and direct payments to pensioners payable in the year | (1,952) |
| 48,704 | **Balance at 31 March** | 22,881 |

**Collection Fund Adjustment Account**

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund. The fund includes the balance of Community Charge receipts (£0.008m) which are for the benefit of East Devon residents only.

**Note 24 Contd.**

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| (143) | **Balance at 1 April** | (111) |
| 32 | 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 | (63) |
| (111) | **Balance at 31 March** | (174) |

**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, eg 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.

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| 269 | **Balance at 1 April** | 282 |
| (269) | Settlement or cancellation of accrual made at the end of the preceding year | (282) |
| 282 | Amounts accrued at the end of the current year | 198 |
| 13 | 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 | (84) |
| 282 | **Balance at 31 March** | 198 |

## Note 25. Cash Flow Statement – Operating Activities

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| (4,730) | **Total (Surplus) / deficit on provision of services** | **70,137** |
| | *Adjust for items included in net surplus or deficit on provision of services that are investing and financing activities:* | |
| | Capital grants | 1,694 |
| | *Adjust net surplus or deficit on provision of services for noncash movements:* | |
| 5,100 | Depreciation & impairment charged to revenue | (77,481) |
| 209 | Net movement of bad debt provision through CIES | 1 |
| (531) | Grants applied to finance capital expenditure or received to meet principal repayments on borrowing by statute | (1,637) |
| (1,794) | Net adjustments made in respect of IAS19 pensions | 5,322 |
| (1,394) | Proceeds from the sale of property, plant & equipment | (1,291) |
| 0 | Gain/loss from short term and long term investments | 34 |
| (28) | Carrying amount of the gain /loss on disposal of fixed assets | 1,101 |
| (22) | Other noncash movements | 84 |
| | **Movement in Noncash Assets and liabilities** | |
| (202) | Increase in creditors | (170) |
| 3,065 | Increase in debtors and payments in advance | (2,055) |
| 4,403 | | (74,398) |
| **(327)** | **Cash flows from revenue activities** | **(4,261)** |
| | | |
| | *Items included in the net cash flow from operating activities include:* | |
| (47) | Interest received | (421) |
| 10 | Interest paid | 409 |
| 0 | Dividends received | 0 |
| **(37)** | **Net cash flows from operating activities** | **(12)** |

## Note 26. Cash Flow Statement – Investing Activities

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| 7,461 | Purchase of property, plant and equipment, investment property and intangible assets | 9,288 |
| 84,450 | Purchase of short-term and long-term investments | 107,780 |
| 0 | Other payments for investing activities | 0 |
| (1,835) | Proceeds from the sale of property, plant and equipment,investment property and intangible assets | (1,041) |
| (89,450) | Proceeds from short-term and long-term investments | (106,781) |
| (9,196) | Other receipts from investing activities | (2,268) |
| **(8,570)** | **Net cash flows from investing activities** | **6,978** |

## Note 27. Cash Flow Statement – Financing Activities

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| (8,651) | Cash receipts of short- and long-term borrowing | (4,445) |
| 1,595 | Other receipts from financing activities | (1,450) |
| 0 | Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts | 0 |
| 10,000 | Repayments of short- and long-term borrowing | 8,300 |
| 431 | Other payments for financing activities | 404 |
| **3,375** | **Net cash flows from financing activities** | **2,809** |

## Note 28. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Best Value Accounting Code of Practice.*
However, decisions about resource allocation are taken by the Authority's Executive 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 Authority's principal portfolios recorded in the budget reports for the year is as follows:

**Note 28 Contd.**

| Portfolio Income and Expenditure 2010/11 | HRA £000 | Total Communicat'ns £000 | Total Com'ty £000 | Economy Car Parks £000 | St Scene Refuse £000 | Total Envirnmt £000 | Total Strategic Planning £000 | Revenues & Benefits £000 | All other Segments £000 | Total £000 |
|---|---|---|---|---|---|---|---|---|---|---|
| Fees, charges & other service income | (14,873) | (423) | (926) | (3,363) | (1,805) | (1,915) | (1,249) | 1,153 | (2,884) | (26,285) |
| Government grants | 0 | (106) | (92) | 0 | 0 | 0 | (117) | (36,883) | (604) | (37,802) |
| Support Service Recharges Income | (417) | (3,531) | (641) | 0 | 0 | (266) | (745) | 0 | (5,033) | (10,633) |
| **Total Income** | **(15,290)** | **(4,060)** | **(1,659)** | **(3,363)** | **(1,805)** | **(2,181)** | **(2,111)** | **(35,730)** | **(8,521)** | **(74,720)** |
| Employee expenses | 1,875 | 2,525 | 1,642 | 446 | 154 | 1,144 | 1,874 | 0 | 6,492 | 16,152 |
| Other operating expenses | 12,356 | 1,253 | 1,209 | 517 | 5,090 | 1,226 | 372 | 35,606 | 8,593 | 66,222 |
| Support Service Recharges | 1,481 | 1,497 | 799 | 248 | 166 | 1,002 | 1,411 | 0 | 4,029 | 10,633 |
| **Total Expenditure** | **15,712** | **5,275** | **3,650** | **1,211** | **5,410** | **3,372** | **3,657** | **35,606** | **19,114** | **93,007** |
| **Net Expenditure** | **422** | **1,215** | **1,991** | **(2,152)** | **3,605** | **1,191** | **1,546** | **(124)** | **10,593** | **18,287** |

| Portfolio Income and Expenditure 2009/10 Comparative Figures | HRA £000 | Total Communicat'ns £000 | Total Com'ty £000 | Economy Car Parks £000 | St Scene Refuse £000 | Total Envirnmt £000 | Total Strategic Planning £000 | Revenues & Benefits £000 | All other Segments £000 | Total £000 |
|---|---|---|---|---|---|---|---|---|---|---|
| Fees, charges & other service income | (14,562) | (705) | (920) | (3,348) | (1,256) | (1,793) | (943) | 0 | (2,846) | (26,372) |
| Government grants | (10) | (97) | (3) | 0 | 0 | 0 | (557) | (33,012) | (1,789) | (35,469) |
| Support Service Recharges Income | (556) | (3,267) | (674) | 0 | 0 | (271) | (681) | 0 | (5,049) | (10,498) |
| **Total Income** | **(15,128)** | **(4,069)** | **(1,596)** | **(3,348)** | **(1,256)** | **(2,064)** | **(2,181)** | **(33,012)** | **(9,685)** | **(72,338)** |
| Employee expenses | 1,976 | 2,233 | 1,508 | 439 | 134 | 1,119 | 1,990 | 0 | 6,327 | 15,727 |
| Other operating expenses | 11,678 | 1,173 | 1,174 | 587 | 4,466 | 1,106 | 778 | 32,507 | 7,532 | 61,000 |
| Support Service Recharges | 1,563 | 1,547 | 789 | 227 | 250 | 942 | 1,361 | 0 | 3,820 | 10,498 |
| **Total Expenditure** | **15,217** | **4,953** | **3,470** | **1,252** | **4,850** | **3,167** | **4,128** | **32,507** | **17,679** | **87,225** |
| **Net expenditure** | **89** | **884** | **1,874** | **(2,095)** | **3,594** | **1,103** | **1,948** | **(505)** | **7,995** | **14,886** |

**Note 28 Contd.**

**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.

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| 14,886 | Net expenditure in the Portfolio Analysis | 18,287 |
| (6,920) | Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis | 67,139 |
| **7,966** | **Cost of Services in Comprehensive Income and Expenditure Statement** | **85,426** |

**Reconciliation to Subjective Analysis**

This reconciliation shows how the figures in the analysis of Portfolios' income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

| 2010/11 | 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 | Allocation of Recharges £000 | Cost of Services £000 | Corporate Amounts £000 | Total £000 |
|---|---|---|---|---|---|---|---|---|
| Fees, charges & other service income | (19,253) | 0 | 0 | 0 | 0 | **(19,253)** | 0 | **(19,253)** |
| Government grants and contributions | (37,801) | 0 | 0 | 0 | 0 | **(37,801)** | (18,636) | **(56,603)** |
| Support Service Recharges Income | (10,633) | 0 | 0 | 0 | 0 | **(10,633)** | 0 | **(10,633)** |
| Interest and investment income | 0 | 0 | 0 | 0 | 0 | **0** | (4,152) | **(4,152)** |
| **Total Income** | **(67,687)** | **0** | **0** | **0** | **0** | **(67,687)** | **(22,788)** | **(90,475)** |
| Employee expenses | 9,119 | 0 | (6,450) | 0 | 0 | **2,699** | **0** | **2,699** |
| Other service expenses | 66,223 | 0 | (1,391) | | | **64,832** | 0 | **64,832** |
| Support Service recharges | 10,633 | 0 | 0 | 0 | 0 | **10,633** | 0 | **10,633** |
| Depreciation, amortisation and impairment | 0 | 0 | 74,949 | 0 | 0 | **74,979** | 0 | **74,979** |
| Interest Payments | 0 | 0 | 0 | 0 | 0 | **0** | 5,216 | **5,216** |
| Precepts & Levies | 0 | 0 | 0 | 0 | 0 | **0** | 1,826 | **1,826** |
| Payments to Housing Capital Receipts Pool | 0 | 0 | 0 | 0 | 0 | **0** | 267 | **267** |
| Gain or Loss on Disposal of Fixed Assets | 0 | 0 | 0 | 0 | 0 | **0** | 190 | **190** |
| **Total Expenditure** | **85,975** | **0** | **67,138** | **0** | **0** | **153,113** | **7,499** | **160,612** |
| **Surplus or deficit on the provision of services** | **18,288** | **0** | **67,138** | **0** | **0** | **85,426** | **(15,289)** | **70,137** |

**Note 28 Contd.**

| 2009/10 comparative figures | 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 | Allocation of Recharges £000 | Cost of Services £000 | Corporate Amounts £000 | Total £000 |
|---|---|---|---|---|---|---|---|---|
| Fees, charges & other service income | (16,953) | 0 | 0 | 0 | 0 | **(16,953)** | (230) | **(17,183)** |
| Government grants and contributions | (35,469) | 0 | 0 | 0 | 0 | **(35,469)** | (7,971) | **(43,440)** |
| Support Service Recharges Income | (10,498 | 0 | 0 | 0 | 0 | **(10,498)** | 0 | **(10,498)** |
| Interest and investment income | 0 | 0 | 0 | 0 | 0 | **0** | (2,739) | **(2,739)** |
| **Total Income** | **(62,919)** | **0** | **0** | **0** | **0** | (62,919) | **(10,940)** | **(73,859)** |
| Employee expenses | 15,727 | 272 | (9,456) | 166 | 0 | **6,709** | (272) | **6,437** |
| Other service expenses | 61,000 | | 0 | 0 | | **61,000** | 29 | **61,029** |
| Support Service recharges | 10,498 | 0 | 0 | 0 | 0 | **10,498** | 94 | **10,592** |
| Depreciation, amortisation and impairment | 0 | 0 | (7,266) | 0 | 0 | **(7,266)** | 70 | **(7,196)** |
| Interest Payments | 0 | 0 | 50 | 0 | 0 | **50** | 4,804 | **4,854** |
| Precepts & Levies | 0 | 0 | 0 | 0 | 0 | **0** | (6,855) | **(6,855)** |
| Payments to Housing Capital Receipts Pool | 0 | 0 | 0 | 0 | 0 | **0** | 278 | **278** |
| Gain or Loss on Disposal of Fixed Assets | 0 | 0 | (75) | 0 | 0 | **(75)** | 29 | **(46)** |
| **Total Expenditure** | **87,225** | **272** | **(16,747)** | **166** | **0** | 70,915 | **(1,823)** | 69,093 |
| **Surplus or deficit on the provision of services** | **24,305** | **272** | **(16,747)** | **203** | **0** | 7,996 | **(12,763)** | **(4,730)** |

**Note 29. Acquired and Discontinued Operations**

No operations have been acquired or discontinued in the year.

**Note 30. Trading Services**:

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

| 2009/10 £000 | 2009/10 £000 | | | 2010/11 £000 | 2010/11 £000 |
|---|---|---|---|---|---|
| (507) | | The Authority manages the Building Control Service. The trading objective is to break even. | Turnover | (548) | |
| 439 | | | Expenditure | 456 | |
| | (68) | | Surplus | | (92) |
| (312) | | The Authority manages the Land Charges Service. The trading objective is to break even. | Turnover | (240) | |
| 243 | | | Expenditure | 238 | |
| | (69) | | Surplus | | (2) |
| (208) | | The Authority 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 | (210) | |
| 130 | | | Expenditure | 635 | |
| | (78) | | Surplus | | 425 |
| (556) | | The Authority manages a Homesafeguard service providing alarms and support for vulnerable residents. The trading objective is to break even. | Turnover | (648) | |
| 663 | | | Expenditure | 679 | |
| | 106 | | Deficit | | 31 |
| | **(109)** | **Net (surplus) / deficit on trading operations** | | | **362** |

Industrial Estates expenditure includes charges of £492k for impairment due to demolition of the old depot in Heathpark Honiton.

**Note 31. Agency Services**

The Authority provided payroll services for Leisure East Devon, involving the payment of around £2.624m to employees and £0.557m to Her Majesty's Revenue and Customs. LED pay a fee of 1.94% of the payments made. The Authority's contract with Leisure East Devon has been terminated with effect from 01/04/2011.

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| 49 | Expenditure incurred in providing payroll services to Leisure East Devon | 51 |
| (49) | Management fee payable by Leisure East Devon | (51) |
| **0** | **Net surplus arising on the agency arrangement** | **0** |

The Authority provides On Street Parking services on behalf of Devon County Council, creating an income from excess parking charges of £0.196m. The agreed contribution of £0.145m covers staff, transport, supplies and services in providing this service. Devon County Council pays a fee of 95.26%.

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| 274 | Expenditure incurred in providing On Street Parking services to Devon County Council | 358 |
| (107) | Grant payable by Devon County Council | (145) |
| (177) | Income generated by excess parking charges | (196) |
| **(10)** | **Net (surplus) / deficit arising on the agency arrangement** | **17** |

## Note 32. Road Charging Schemes

The Authority had no road charging schemes.

## Note 33. Pooled Budgets

The Authority had no pooled budgets in 2010/11.

## Note 34. Members' Allowances

The Authority paid the following amounts to members of the council during the year.

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| 371,000 | Allowances | 369,000 |
| 36,000 | Expenses | 33,000 |
| **407,000** | **Total** | **402,000** |

## Note 35. Officers' Remuneration

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

| | See below | | Salary Fees & Allowances £ | Expense allowances £ | Compensation for Loss of Office £ | Pension contr'ns £ | Total £ |
|---|---|---|---|---|---|---|---|
| Chief Executive | (a) | 2010/11 | 121,303 | 3000 | | 18,150 | **142,453** |
| | | 2009/10 | 112,065 | 81 | | 16,599 | **128,745** |
| Corporate Director / Deputy C. Exec | (b) | 2010/11 | 70,359 | 150 | | 10,368 | **80,877** |
| | | 2009/10 | 67,919 | 150 | | 10,010 | **78,079** |
| Peter Jeffs Corporate Director | (c) | 2010/11 | 86,487 | 0 | 101,477 | 12,787 | **200,751** |
| | | 2009/10 | 83,529 | 0 | | 12,346 | **95,875** |
| Corporate Director | (d) | 2010/11 | 81,812 | 0 | | 11,151 | **92,963** |
| | | 2009/10 | 83,504 | 0 | | 12,346 | **95,850** |
| Diccon Pearse Corporate Director | (e) | 2010/11 | 86,487 | 0 | 101,477 | 12,787 | **200,751** |
| | | 2009/10 | 83,653 | 0 | | 12,346 | **95,999** |
| Head of Finance | | 2010/11 | 60,913 | 0 | | 8,951 | **69,864** |
| | | 2009/10 | 58,805 | 0 | | 8,642 | **67,447** |
| Head of ICT | | 2010/11 | 60,913 | 150 | | 0 | **61,063** |
| | | 2009/10 | 58,797 | 150 | | 0 | **58,947** |
| Head of Organisational Development | | 2010/11 | 60,913 | 150 | | 8,951 | **70,014** |
| | | 2009/10 | 47,892 | 150 | | 7,007 | **55,049** |
| Head of Legal & Member Services | (f) | 2010/11 | 54,946 | 150 | | 8,056 | **63,152** |
| | | 2009/10 | 53,025 | 150 | | 7,778 | **60,953** |
| Head of Street Scene | | 2010/11 | 3,046 | 0 | | 448 | **3,494** |
| | | 2009/10 | 58,860 | 0 | | 8,642 | **67,502** |
| Head of Planning | | 2010/11 | 60,913 | 57 | | 8,951 | **69,921** |
| | | 2009/10 | 58,795 | 150 | | 8,642 | **67,587** |
| Head of Housing | | 2010/11 | 60,913 | 0 | | 8,951 | **69,864** |
| | | 2009/10 | 58,858 | 0 | | 8,642 | **67,500** |
| Head of Environmental Health | (g) | 2010/11 | 53,791 | 150 | | 7,883 | **61,824** |
| | | 2009/10 | 35,740 | 150 | | 5,185 | **41,075** |
| Head of Environmental Health | (g) | 2010/11 | 12,864 | 0 | 16,267 | 0 | **29,131** |
| | | 2009/10 | 24,216 | 0 | | 0 | **24,216** |
| East of Exeter Projects Director | | 2010/11 | 60,793 | 0 | | 0 | **60,793** |
| | | 2009/10 | 60,810 | 0 | | 0 | **60,810** |
| **Totals** | | **2010/11** | **936,453** | **3,807** | **219,221** | **117,434** | **1,276,914** |
| | | **2009/10** | **946,468** | **981** | **0** | **118,185** | **1,065,634** |

**(a)** The Chief Executive provides services to both this 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 Corporate Director/Deputy Chief Executive Works 30 hours a week. The whole time equivalent salary is £85,248 per year.

**(c)** The Corporate Director's redundancy was agreed during 2010/11. The post holder will actually be redundant from 27/05/2011.

**(d)** The Corporate Director resigned with effect from 13/02/2011.

**(e)** The Corporate Director's redundancy was agreed during 2010/11. The post holder will actually be redundant from 29/04/2011.

**(f)** The Head of Legal & Member Services works 30 hours a week. The whole time equivalent salary is £59,674 per year.

**(g)** For part of the year the Head of Environment was a job share. In August this became a fulltime post and the second post holder took redundancy. The whole time equivalent salary is £59,674 per year.

**Note 35 Contd.**

The number of employees whose remuneration (salaries, all expenses and compensation for loss of office), excluding employer's pension contributions, was £50,000 or more in bands of £5,000 was:

| Number of Employees 2009/10 | Pay Band | Number of Employees 2010/11 |
|---|---|---|
| 1 | £50,000 - £54,999 | 1 |
| 5 | £55,000 - £59,999 | 2 |
| 1 | £60,000 - £64,999 | 7 |
| 1 | £65,000 - £69,999 | 1 |
| 0 | £70,000 - £74,999 | 1 |
| 0 | £75,000 - £79,999 | 1 |
| 3 | £80,000 - £84,999 | 1 |
| 0 | £85,000 - £89,999 | 1 |
| 0 | £90,000 - £94,999 | 0 |
| 0 | £95,000 - £99,999 | 0 |
| 0 | £100,000 - £104,999 | 0 |
| 0 | £105,000 - £109,999 | 0 |
| 1 | £110,000 - £114,999 | 0 |
| 0 | £115,000 - £119,999 | 0 |
| 0 | £120,000 - £124,999 | 1 |
| 0 | £125,000 - £129,999 | 0 |
| 0 | £130,000 - £134,999 | 0 |
| 0 | £135,000 - £139,999 | 0 |
| 0 | £140,000 - £144,999 | 0 |
| 0 | £145,000 - £149,999 | 0 |
| 0 | £150,000 - £154,999 | 0 |
| 0 | £155,000 - £159,999 | 0 |
| 0 | £160,000 - £164,999 | 0 |
| 0 | £165,000 - £169,999 | 0 |
| 0 | £170,000 - £174,999 | 0 |
| 0 | £175,000 - £179,999 | 0 |
| 0 | £180,000 - £184,999 | 0 |
| 0 | £185,000 - £189,999 | 2 |
| **12** | | **18** |

**Note 36. External Audit Costs**

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

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| 110 | Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year | 117 |
| 8 | Fees payable to Grant Thornton in respect of statutory inspections | 0 |
| 32 | Fees payable to Grant Thornton for the certification of grant claims and returns for the year | 35 |
| 1 | Fees payable in respect of other services provided by Grant Thornton and the Audit Commission during the year | 4 |
| **151** | **Total** | **157** |

The fees for other services in 2010/11 related to specialist advice on shared services paid to Grant Thornton and the national fraud initiative paid to the Audit Commission (in 2009/10 this was for the national fraud initiative only).

### Note 37. Dedicated Schools Grants

Not applicable to the authority.

### Note 38. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11:

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| | **Credited to Taxation and Non Specific Grant Income** | |
| 6,458 | Non domestic rates | 7,123 |
| 1,490 | Revenue support grant | 1,034 |
| | Other grants: | |
| 23 | DCLG Area Based Grant | 41 |
| 282 | Growth point - DCLG | |
| | Environment Agency – Rockbeare Flood Alleviation | 96 |
| | Making It Local – Axe Wetlands | 69 |
| | Homes & Communities Agency – HRA new builds | 1,043 |
| | Contributions: | |
| | S106 receipt for purchase of property | 148 |
| | Devon County Council – refuse containers | 139 |
| | Other contributions | 107 |
| **8,253** | **Total credited to Taxation and Non Specific Grant Income** | **9,800** |

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| | **Major grants and contributions credited to Services** | |
| 443 | HRA – supporting people | 493 |
| 183 | Communications - elections | |
| 111 | Community – supporting people | 122 |
| 587 | Economy – concessionary fares | 604 |
| 108 | Economy – on street parking | 144 |
| 133 | Economy – LABGI schemes | |
| 485 | Environment – AONB/Countryside projects | 549 |
| 33,012 | Resources - Housing Benefits | 35,800 |
| 891 | Resources - Housing Benefits Admin grant | 807 |
| 222 | Resources – NNDR cost of collection | 225 |
| 3,866 | Strategic Planning & Regeneration – Growth Point | 207 |
| | Streetscene – street cleansing LPSA2 | 123 |
| | | |
| | **Other grants and contributions credited to Services** | |
| 24 | HRA | 1 |
| 21 | Communications | 118 |
| 119 | Community | 153 |
| 82 | Economy | 97 |
| 65 | Environment | 63 |
| 33 | Resources | 57 |
| 14 | Strategic Planning & Regeneration | 21 |
| 60 | Streetscene | 51 |
| **40,459** | **Total all grants and contributions credited to Services** | **39,635** |

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

| 31 March 2010 £000 | Capital Grants Receipts in Advance | 31 March 2011 £000 |
|---|---|---|
| 3,900 | Low Carbon Infrastructure Fund | 3,929 |
| 0 | Environment Agency - Axe Wetlands | 150 |
| 1,840 | Section 106 Receipts | 1,996 |
| **5,740** | **Total** | **6,075** |

## Note 39. Related Parties

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

### Central Government

Central government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (eg council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 28 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2011 are also shown in Note 38.

### Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2010/11 is shown in Note 34.

### Other Public bodies and Entities

| 2009/10 | | | 2010/11 | | Net Year End (Debtor) / Creditor |
|---|---|---|---|---|---|
| Income | Expenditure | | Income | Expenditure | |
| | | **Government Departments** | | | |
| 0 | 0 | Homes & Communities Agency | (1,043) | 0 | (465) |
| (12,855) | 29,602 | Department for Commuities & Local Government | (11,649) | 30,392 | 63 |
| (33,012) | 0 | DWP | (36,607) | 0 | (3) |
| (587) | 0 | Department for Transport | (604) | 0 | 0 |
| (3,817 | 3,630 | HMRC | (2,931) | 3,467 | 235 |
| | | | | | |
| | | **Other Public Bodies** | | | |
| 0 | 933 | Devon County Council | (139) | 618 | (165) |
| 0 | 166 | South Somerset District Council | (86) | 244 | (20) |
| | | | | | |
| | | **Other Entities controlled or significantly influenced by the Authority** | | | |
| (131) | 1,155 | Leisure East Devon | (116) | 1,155 | 2 |
| **(50,402)** | **35,486** | **Totals** | **(53,175)** | **35,876** | **(353)** |

## Note 40. Capital Expenditure and Capital Financing

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

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| 0 | Opening Capital Financing Requirement | 0 |
| | **Capital investment:** | |
| 6,016 | Property, Plant and Equipment | 8,108 |
| 0 | Investment Properties | 0 |
| 0 | Intangible Assets | 0 |
| 1,470 | Revenue Expenditure Funded from Capital under Statute | 1,637 |
| | **Sources of finance:** | |
| (2,052) | Capital receipts | (1,292) |
| (1,415) | Government grants and other contributions | (2,653) |
| | Sums set aside from revenue: | |
| (3,160) | Direct revenue contributions | (3,306) |
| (859) | Use of earmarked reserves | (1,026) |
| **0** | **Closing Capital Financing Requirement** | **1,468** |

| 2009/10 £000 | **Explanation of Movements in the Year** | 2010/11 £000 |
|---|---|---|
| 0 | Increase in underlying need to borrowing (supported bygovernment financial assistance) | 0 |
| 0 | Increase in underlying need to borrowing (unsupported by government financial assistance) | 1,245 |
| 0 | Assets acquired under finance leases | 223 |
| 0 | Assets acquired under PFI/PPP contracts | 0 |
| **0** | **Increase in Capital Financing Requirement** | **1,468** |

## Note 41. Leases

### Authority as Lessee

### 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 2010 £000 | | 31 March 2011 £000 |
|---|---|---|
| 0 | Other Land and Buildings | 0 |
| 1,333 | Vehicles, Plant, Furniture and Equipment | 1,237 |
| **1,333** | Lessee Finance Leases Total | **1,237** |

The Authority 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 Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

**Note 41 Contd.**

| 31 March 2010 £000 | Finance lease liabilities (net present value of minimum lease payments): | 31 March 2011 £000 |
|---|---|---|
| 663 | Current | 613 |
| 2,590 | Non-current | 1,977 |
| 98 | Finance costs payable in future years | 270 |
| **3,351** | **Lessee Minimum lease payments** | **2,860** |

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

| Minimum Lease Payments 31 March 2010 £000 | Finance Lease Liabilities 31 March 2010 £000 | | Minimum Lease Payments 31 March 2011 £000 | Finance Lease Liabilities 31 March 2011 £000 |
|---|---|---|---|---|
| 685 | 663 | Not later than one year | 674 | 613 |
| 2,248 | 2,214 | Later than one year and not later than five years | 2,186 | 1,977 |
| 419 | 376 | Later than five years | 0 | 0 |
| **3,351** | **3,253** | **Lessee Total** | **2,860** | **2,590** |

**Operating Leases**

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

| 31 March 2010 £000 | | 31 March 2011 £000 |
|---|---|---|
| 260 | Not later than one year | 234 |
| 320 | Later than one year and not later than five years | 324 |
| 0 | Later than five years | 0 |
| **580** | **Lessee Operating Leases** | **558** |

**EDDC as Lessor**

**Finance Leases**

The Authority has leased out property at various locations in the district under finance leases.

The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Authority in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

| 31 March 2010 £000 | Finance lease debtor (net present value of minimum lease payments): | 31 March 2011 £000 |
|---|---|---|
| 10 | Current | 10 |
| 64 | Non-current | 53 |
| (8) | Unearned finance income | (6) |
| **66** | **Gross Investment in the lease** | **57** |

**Note 41 Contd.**
The gross investment in the lease and the minimum lease payments will be received over the following periods:

| Minimum Lease Payments 31 March 2010 £000 | Finance Lease Liabilities 31 March 2010 £000 | | Minimum Lease Payments 31 March 2011 £000 | Finance Lease Liabilities 31 March 2011 £000 |
|---|---|---|---|---|
| 10 | 9 | Not later than one year | 10 | 9 |
| 42 | 35 | Later than one year and not later than five years | 36 | 35 |
| 22 | 22 | Later than five years | 17 | 13 |
| **74** | **66** | **Lessee Total** | **64** | **57** |

**Operating Leases**

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

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

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

| 31 March 2010 £000 | | 31 March 2011 £000 |
|---|---|---|
| 4,017 | Not later than one year | 383 |
| 7,901 | Later than one year and not later than five years | 556 |
| 3,334 | Later than five years | 3,196 |
| **15,252** | **Lessee Operating Leases** | **4,135** |

**Note 42. Private Finance Initiatives and Similar Contracts**

There were none at the balance sheet date.

**Note 43. Impairment Losses**

Impairment loses are detailed in Note 12 Property, plant and equipment.

**Note 44. Capitalisation of Borrowing Costs**

There were none at the balance sheet date.

**Note 45. Termination Benefits**

The Authority terminated the contracts of a number of employees in 2010/11, incurring liabilities of £0.815m (£nil in 2009/10). This sum was payable to 28 officers, including 2 directors, from across the Council's services, 26 of whom were made redundant as part of the planned restructure/rationalisation. £0.743m was funded from the Transformation Reserve which was set aside for this purpose.

**Note 46. Pensions Schemes Accounted for as Defined Contribution Schemes**

Not applicable.

## Note 47. Defined Benefit Pension Schemes

### Participation in Pension Schemes

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

The authority participates in two post employment schemes:

- The Local Government Pension Scheme, administered locally by Devon County Council
    - this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions 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 pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

### Transactions Relating to Post-employment BenefitS

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

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

| 2009/10 £000 | Funded Liabilities: Local Government Pension Scheme | 2010/11 £000 |
|---|---|---|
| | **Comprehensive Income and Expenditure Statement** | |
| | **Cost of Services:** | |
| 1,209 | Current service cost | 2,499 |
| 0 | Past service costs | (7,376) |
| 0 | Settlements and curtailments | 66 |
| | **Financing and Investment Income and Expenditure:** | |
| 4,804 | Interest cost | 5,163 |
| (2,306) | Expected return on scheme assets | (3,716) |
| **3,707** | **Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services** | **(3,364)** |
| | **Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:** | |
| 18,106 | Actuarial (gains) and losses | (20,507) |
| **21,813** | **Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement** | **(23,871)** |
| | | |
| | **Movement in Reserves Statement:** | |
| (3,707) | Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code | 3,364 |
| | **Actual amount charged against the General Fund Balance for pensions in the year:** | |
| (1,919) | Employer's contributions payable to scheme | (1,952) |

**Note 47 Contd.**
The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2011 is a loss of £6.259m.

**Assets and Liabilities in Relation to Post-employment Benefits**

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).
This has the effect of reducing the authority's liabilities in the pension fund by £7.376m and has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the General Fund or Housing Revenue Account.

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

| 2009/10 £000 | Local Government Pension Scheme | 2010/11 £000 |
|---|---|---|
| 71,930 | **Opening balance at 1 April** | 105,986 |
| 1,209 | Current service cost | 2,499 |
| 4,804 | Interest cost | 5,163 |
| 721 | Contributions by scheme participants | 677 |
| 29,719 | Actuarial (gains) and losses | (20,613) |
| (2,397) | Benefits paid | (3,342) |
| 0 | Past service costs | (7,376) |
| 0 | Entity combinations | 0 |
| 0 | Curtailments | 66 |
| 0 | Settlements | 0 |
| **105,986** | **Closing balance at 31 March** | **83,060** |

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 £1.869m, a 0.1% decrease would result in an increase of £2.023m.

However, the assumptions interact in complex ways. During 2010/11, the authority's actuaries advised that the net pension liability had increased by £5.519m as a result of estimates being corrected as a result of experience and decreased by £14.587m due to updating of the assumptions.

Reconciliation of fair value of the scheme (plan) assets:

| 2009/10 £000 | Local Government Pension Scheme | 2010/11 £000 |
|---|---|---|
| 43,120 | **Opening balance at 1 April** | 57,282 |
| 2,306 | Expected rate of return | 3,716 |
| 11,613 | Actuarial gains and losses | 295 |
| 1,919 | Employer contributions | 1,952 |
| 721 | Contributions by scheme participants | 677 |
| (2,397) | Benefits paid | (3,342) |
| 0 | Entity combinations | 0 |
| 0 | Settlements | 0 |
| **57,282** | **Closing balance at 31 March** | **60,580** |

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.
The actual return on scheme assets in the year was £4,157,000 (2009/10: £13,918,000)

**Note 47 Contd.**

**Scheme History**

| | 2006/07 £000 | 2007/08 £000 | 2008/09 £000 | 2009/10 £000 | 2010/11 £000 |
|---|---|---|---|---|---|
| **Present value of liabilities:** Local Government Pension Scheme | (70,960) | (68,020) | (70,550) | (104,562) | (82,336) |
| Present value of unfunded liabilities | (1,420) | (1,370) | (1,380) | (1,424) | (1,125) |
| **Fair value of assets in the Local Government Pension Scheme** | 53,850 | 54,280 | 43,120 | 57,282 | 60,580 |
| **Surplus/(deficit) in the scheme:** | | | | | |
| Local Government Pension Scheme | (18,530) | (15,110) | (28,810) | (48,700) | (22,881) |
| Discretionary Benefits | 0 | 0 | 0 | 0 | 0 |
| **Total** | **(18,530)** | **(15,110)** | **(28,810)** | **(48,700)** | **(22,881)** |

The liabilities show the underlying commitments that the authority has in the long run to pay post employment (retirement) benefits. The total liability of £83.060m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative overall balance of £22.881m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

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

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2012 is £1.782m.

**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 Fund being based on the latest full valuation of the scheme as at 1 April 2010.

**Note 47 Contd.**

The principal assumptions used by the actuary have been:

| 2009/10 | Local Government Pension Scheme | 2010/11 |
|---|---|---|
| | **Long-term expected rate of return on assets in the scheme:** | |
| 7.5% | Equities | 7.4% |
| 4.5% | Government Bonds | 4.4% |
| 5.5% | Corporate Bonds | 5.5% |
| 6.5% | Property | 5.4% |
| 3.0% | Cash | 3.0% |
| 5.0% | Target Return Portfolio | 5.0% |
| | **Mortality Assumptions:** | |
| | Longevity at 65 for current pensioners | |
| 23.1 years | Men | 20.3 years |
| 25.0 years | Women | 24.4 years |
| | Longevity at 65 for future pensioners (currently aged 45) | |
| 25.4 years | Men | 22.4 years |
| 27.3 years | Women | 26.3 years |
| 3.9% | Rate of Inflation: RPI | 3.5% |
| n/a | Rate of Inflation: CPI | 2.7% |
| 5.4% | Rate of Increase in Salaries | 5.0% |
| 3.9% | Rate of increase in Pensions | 2.7% |
| 5.5% | Rate for discounting scheme liabilities | 5.5% |

It has been assumed that members will exchange half of their commutable pension for cash at retirement.

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

| 2009/10 | | 2010/11 |
|---|---|---|
| % | | % |
| 69 | Equity investments | 70 |
| 23 | Debt instruments | 22 |
| 8 | Other Assets | 8 |
| **100** | **Total** | **100** |

**History of Experience Gains and Losses**

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

| | 2006/07 % | 2007/08 % | 2008/09 % | 2009/10 % | 2010/11 % |
|---|---|---|---|---|---|
| Differences between the expected and actual return on assets | 0.9 | 1.7 | (25.3) | 20.0 | 0.7 |
| Experience gains and losses on liabilities | (0.2) | 0.0 | 0.0 | 0.4 | 22 |

## Note 48. Contingent Liabilities

At 31 March 2011, the Authority had no material contingent liabilities.

## Note 49. Contingent Assets

At 31 March 2011, the Authority had no material contingent assets.

## Note 50. Nature and Extent of Risks Arising from Financial Instruments

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

| | |
|---|---|
| credit risk | – the possibility that other parties might fail to pay amounts due to the Council |
| liquidity risk | – the possibility that the Council might not have funds available to meet its commitments to make payments |
| market risk | – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements. |

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk is managed by the financial services team using policies approved by Council in the annual Treasury Management Strategy.

### Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures 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 and 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:

### Internal Investments

| Institution Type | Criteria | Lending Limit |
|---|---|---|
| Top 20 UK Building Society | Asset bases >£1 billion | £2 million |
| UK High Street Banks | Short Term: F1+<br>Long term: AA | £2 million |
| Local, Fire or Police Authority | N/A | £2 million |

### External Investment Fund

In addition to the institution requirements detailed in the table below, the fund managers can place a proportion not to exceed 50% of the fund for durations in excess of 364 days and an instructional lending limit of not greater than 20% of the overall value of the fund.

| Institution Type | Criteria |
|---|---|
| UK Banks & Building Society | Short Term: F1+<br>Long Term: AA<br>Support: 2<br>Active in sterling markets<br>Minimum Capital of US$2,000 Million |
| Foreign Banks | Short Term: F1+<br>Long term: AA<br>Support :2<br>Active in sterling markets<br>Minimum Capital of US$2,500 Million |

**Note 50 Contd.**

The authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £30,191 cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the authority's deposits, but there was no evidence at the 31 March 2011 that this was likely to crystallise.

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

| | Amount at 31 March 2011 £0 | Historical experience of Default % | Estimated Maximum Exposure to defualt & uncollectabiliy at 31 March 2011 £0 |
|---|---|---|---|
| **Customers** | | | |
| Council Tax | 144,982 | 11.08% | 16,064.23 |
| NNDR | 0 | 0.00% | 0.00 |
| Housing Benefits | 1,031,609 | 28.95% | 298,601.00 |
| Rental | 282,437 | 39.12% | 110,482.00 |
| Sundry Debtors | 1,353,167 | 5.17% | 70,000.00 |
| | | | **495,147.23** |

**Liquidity Risk**

The authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the authority has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The maturity analysis of financial liabilities is as follows:

| **2009/10 £000** | | **2010/11 £000** |
|---|---|---|
| 8,300 | Less than one year | 3,200 |
| 0 | Between one and two years | 0 |
| 0 | Between two and five years | 0 |
| 0 | Between five and ten years | 0 |
| 0 | Between ten and twenty years | 598 |
| 0 | Between twenty and thirty years | 0 |
| 0 | Between thirty and forty years | 646 |
| **8,300** | **Total** | **4,444** |

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

**Note 50 Contd.**

**Market Risk**

**Interest Rate Risk**

The authority 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.

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.

The Authority has a number of strategies for managing interest rate risk. The risk of loss is mitigated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Council's cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to monitor performance during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2011, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

| | £000 |
|---|---|
| Increase in interest payable on short term borrowings | (1) |
| Increase in interest receivable on short term investments | 104 |
| Increase in government grant receivable for financing costs | 51 |
| Impact on Surplus or Deficit on the Provision of Services | 154 |
| Share of overall impact debited to the HRA | 3 |

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

**Price Risk**

The authority does not invest in equity shares.

**Foreign Exchange Risk**

The authority has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

## Note 51. Key changes arising from the transition to IFRS

| | 31 March 2010 | | | |
|---|---|---|---|---|
| **Comprehensive Income and Expenditure Statement (Extract)** | **As Reported Net Income £000** | **IFRS Restated Net Income £000** | **Difference £000** | **Comments** |
| **Cost of Services** | (272) | 245 | 517 | Trading accounts now reclassified and included in Cost of Services, capital grants now recognised in the corporate section of the CIES and accumulated absences. |
| **Taxation and Non-specific Grant Income** Recognised capital grants and contributions | 0 | (272) | (272) | New requirement to recognise capital grants in the corporate section of the CIES. This was previously recorded within service lines. |

| | 2009 | | | 2010 | | | |
|---|---|---|---|---|---|---|---|
| **Balance Sheet (Extract)** | **31 March 2009 As Reported £000** | **31 March 2009 Restated £000** | **Difference £000** | **31 March 2010 As Reported £000** | **31 March 2010 Restated £000** | **Difference £000** | **Comments** |
| **NON CURRENT ASSETS** | | | | | | | |
| Other land and buidings | 60,563 | 67,055 | 6,492 | 78,692 | 79,200 | 508 | Reclassification per guidance |
| Vehicles, Plant and Equipment | 4,114 | 5,748 | 1,634 | 4,508 | 5,841 | 1,333 | Reclassification per guidance |
| Surplus Assets held for disposal | 6,559 | 0 | (6,559) | 425 | 0 | (425) | Reclassification of Asset Category per guidance |
| Long Term Investments | 3 | 3,275 | 3,272 | 6 | 6 | 0 | Reclassification per guidance |
| **LONG TERM LIABILITIES** | | | | | | | |
| Government Grants Deferred | (2,542) | 0 | 2,542 | (3,215) | 0 | 3,215 | Item removed under IFRS. The balance has been written to the Capital Adjustment Account. |
| Short Term Investments | 33,311 | 29,239 | (4,072) | 32,960 | 26,910 | (6,050) | Reclassification per guidance |
| Debtors | 3,365 | 3,383 | 18 | 6,075 | 6,106 | 31 | Accumulated absences |

**Note 51 Contd.**

| Balance Sheet (Extract) | 2009 | 2010 | | Balance Sheet (Extract) | 2009 | 2010 | |
|---|---|---|---|---|---|---|---|
| Creditors and Receipts in Advance | (6,010) | (6,410) | (400) | (5,987) | (6,436) | (449) | Adjustment for S106 contributions and accumulated absences |
| **RESERVES** | | | | | | | |
| **Unusable Reserves** | | | | | | | |
| Revaluation Reserve | (8,420 | (8,361) | 59 | (25,250) | (25,250) | 0 | Investment properties no longer recognised in the Revaluation Reserve. |
| Capital Grants Unapplied Reserve | 0 | (1,252) | (1,252) | 0 | (4,022) | (4,022) | Reclassification of capital grants per guidance |
| Capital Adjustment Account | (327,933) | (332,839) | (4,906) | (336,940) | (341,417) | (4,477) | This includes multiple changes relating to fixed assets and grants including the write-out of the government grants deferred balance and the write-out of investment property revaluations. |
| Accumulating Absences Account | 0 | 269 | 269 | 0 | 282 | 282 | |

## HOUSING REVENUE INCOME & EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2011

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.

| 2009/10 Net Expenditure £000 | HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT | 2010/11 Net Expenditure £000 |
|---|---|---|
| | **EXPENDITURE** | |
| 2,694 | Repairs and Maintenance | 5,738 |
| 3,654 | Supervision and Management | 3,565 |
| 8 | Rents, rates, taxes and other charges | 17 |
| 5,391 | Housing Subsidy – Negative Subsidy (Payment to Secretary of State) | 5,525 |
| | Depreciation and Impairment of non-current assets | |
| (10,718) | Dwellings | 73,982 |
| (5) | Other Assets | 110 |
| 0 | Movement in the allowance for bad debts | (11) |
| **1,024** | **TOTAL EXPENDITURE** | **88,926** |
| | **INCOME** | |
| (13,659) | Dwelling Rents (Gross) | (13,900) |
| (323) | Non dwelling rents (Gross) | (375) |
| (657) | Charges for services and facilities | (493) |
| (443) | Contribution towards expenditure | (490) |
| **(15,082)** | **TOTAL INCOME** | **(15,258)** |
| | | |
| **(14,058)** | **Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement** | **73,668** |
| 550 | HRA services' share of Corporate and Democratic Core | 581 |
| 68 | HRA share of other amounts included in the whole authority Net Cost of Services but not allocated to specific services | 75 |
| **(13,440)** | **Net Cost / (Income) for HRA Services** | **74,324** |
| | **HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:** | |
| (134) | (Gain) or loss on sale of HRA non-current assets | (176) |
| (1) | Interest – Mortgages | 0 |
| (14) | - HRA Balances | (7) |
| 596 | Interest on Pension Scheme Liabilities | 589 |
| (286) | Expected Return on Pension Fund Assets | (424) |
| 0 | Capital grants and contributions receivable | (1,042) |
| **(13,279)** | **(Surplus)/Deficit for the year on HRA services** | **73,264** |

## MOVEMENT ON THE HRA STATEMENT FOR THE YEAR ENDED 31 MARCH 2011

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

- Capital investment is accounted for as it is financed, rather than when the fixed assets 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.

| 2009/10 Expenditure £000 | MOVEMENT ON THE HRA STATEMENT | 2010/11 Expenditure £000 |
|---|---|---|
| (1,295) | Balance on the HRA at the end of the previous year | (906) |
| (13,279) | (Surplus) or Deficit for the year on the HRA Income & Expenditure Statement | 73,264 |
| 13,667 | Adjustments between accounting basis and funding basis under statute | (72,869) |
| 389 | Decrease / (Increase) in year on the HRA | 395 |
| **(906)** | **Balance on the HRA at the end of the current year** | **(511)** |

**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.

| 2009/10 Expenditure £000 | | 2010/11 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** | |
| 10,718 | Depreciation and impairment of fixed assets | (74,092) |
| 5 | Government Grants deferred amortisation | 0 |
| 134 | Gain or (loss) on sale of HRA non current assets | 176 |
| 0 | Accumulated absences | (26) |
| (457) | Net charges made for retirement benefits in accordance with IAS19 | (459) |
| **10,400** | | **(74,401)** |
| | **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** | |
| 274 | Capital expenditure funded by the Housing Revenue Account | 274 |
| 2,770 | Transfer to Major Repairs Reserve | 2,696 |
| 0 | Transfer from Capital Adjustment Account | (2,696) |
| 223 | Employer's contributions payable to the DCC Pension Fund and retirement Benefits payable direct to pensioners | 216 |
| 0 | Capital grants & contributions | 1,042 |
| **3,267** | | **1,532** |
| **13,667** | **Net adjustments between accounting basis and funding basis under statute** | **(72,869)** |

## NOTES TO THE HOUSING REVENUE ACCOUNT (HRA) INCOME AND EXPENDITURE STATEMENT (Contd.)

### 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 1.12% of the gross rents; in 2009/10 the figure was 1.35%.

The average weekly rent for dwellings was £62.76 in 2010/11 (£61.58 in 2009/10). The average weekly rent for garages increased by 10% to £9.71.

### Note 3. Rent Arrears

There was a decrease in rent arrears in the year to 31 March 2011 of £98,096.

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| 381 | Rent Arrears as at 31st March | 282 |
| 2.68% | Percentage of total rent debit | 1.95% |

### Note 4. Bad Debts Provision

The provision was reviewed at 31 March 2011.

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| 122 | Rent Payers Bad Debts Provision as at 31st March | 110 |

The bad debt provision has been decreased by £12,000. Former tenant arrears have decreased by £14,000 to £91,000 at the 31 March 2011 (£105,000 at the 31 March 2010).

### Note 5. Housing Subsidy

The Housing Revenue Account subsidy is based on a notional account representing the Government's assessment of what the Council should be collecting and spending. Below is a breakdown of that assessment for the past two years:

| 2009/10 £000 | Subsidy Element | 2010/11 £000 |
|---|---|---|
| 5,629 | Management & Maintenance Allowances | 5,793 |
| 2,594 | Major Repairs Allowance | 2,696 |
| 39 | Charges for Capital | 40 |
| (2) | Interest on Receipts | 0 |
| (13,651) | Guideline Rent Income | (14,054) |
| **(5,391)** | **Housing Subsidy Payable** | **(5,525)** |

## NOTES TO THE HOUSING REVENUE ACCOUNT (HRA) INCOME AND EXPENDITURE STATEMENT (Contd.)

### Note 6. Housing Stock

The Council was responsible for managing on average 4296 dwellings during 2010/11. The stock at the year end was made up as follows:

| Numbers as at 31 March 2010 | Type | Numbers as at 31 March 2011 | |
|---|---|---|---|
| | **Flats & Maisonettes** | | |
| 613 | 1 bedroom | 670 | |
| 548 | 2 bedroom | 536 | |
| 5 | 3 bedroom | 6 | |
| 1 | 4 bedroom | 1 | 1,213 |
| 1,167 | | | |
| | **Houses (including non-traditional)** | | |
| 3 | 1 bedroom | 3 | |
| 418 | 2 bedrooms | 434 | |
| 1,588 | 3 bedrooms | 1,587 | |
| 66 | 4/5 bedrooms | 71 | |
| 2,075 | | | 2,095 |
| | **Bungalows** | | |
| 563 | 1 bedroom | 518 | |
| 463 | 2 bedrooms | 456 | |
| 17 | 3 bedrooms | 16 | |
| | | | 990 |
| 5 | Other properties not used as dwellings | | 5 |
| **4,290** | **Total** | | **4,303** |

**NOTES TO THE HOUSING REVENUE ACCOUNT (HRA) INCOME AND EXPENDITURE STATEMENT (Note 6 Contd.)**

The Housing Stock and other Housing Revenue Account Assets are included in the Balance Sheet at 31 March 2011 at a value of £267.091m (£274.185m at 1 April 2010). A full revaluation of the Council's dwellings as at 1 April 2005 was undertaken during the year, this valuation has been updated to April 2011.

| | Council Dwellings & Land £000 | Other Land & Buildings £000 | Vehicle, Plant & Equipment £000 | Total £000 |
|---|---|---|---|---|
| **Cost or Valuation** | | | | |
| **At 1 April 2010** | **271,598** | **6,086** | **714** | **278,398** |
| Additions | 5,419 | 0 | 1 | **5,420** |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | (13,852) | 0 | 0 | **(13,852)** |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (70,390) | 0 | 0 | **(70,390)** |
| Derecognition - disposals | 0 | 0 | 0 | **0** |
| Derecognition - other | 0 | 0 | 0 | **0** |
| Assets reclassified (to)/from Held for Sale | (345) | 0 | 0 | **(345)** |
| Other movements in cost or valuation | (3,514) | (937) | 0 | **(4,451)** |
| **At 31 March 2011** | **188,916** | **5,149** | **715** | **194,780** |
| **Accumulated Depreciation & Impairment** | | | | |
| **At 1 April 2010** | **0** | **755** | **374** | **1,129** |
| Depreciation charge | 3,499 | 61 | 49 | **3,609** |
| Depreciation charge written out ot the Revaluation Reserve | 0 | 0 | 0 | **0** |
| Depreciation written out to the Surplus/Deficit on the Provision of Services | 0 | 0 | 0 | **0** |
| Impairment losses/(reversals) recognised in the Revaluation Reserve | 93 | 0 | 0 | **93** |
| Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services | 0 | 0 | 0 | **0** |
| Derecognition - disposals | 0 | 0 | 0 | **0** |
| Derecognition - other | 0 | 0 | 0 | **0** |
| Other movements in depreciation and impairment | (3,499) | (658) | 0 | **(4,157)** |
| **At 31 March 2011** | **93** | **158** | **423** | **674** |
| **Net Book Value:** | | | | |
| **At 31 March 2011** | **188,823** | **4,991** | **292** | **194,106** |
| **At 31 March 2010** | **271,598** | **5,331** | **340** | **277,269** |

## NOTES TO THE HOUSING REVENUE ACCOUNT (HRA) INCOME AND EXPENDITURE STATEMENT (Note 6 Contd.)

The actual Housing Stock figure at 31 March 2011 was 4,303 properties, of which 5 properties were not used to house tenants directly (e.g. Community Areas & shop). The remaining 4,298 properties are valued at £188.823m and are included within the 1 April 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 £609.106m. The difference between these two figures of £420.2830m represents the cost of providing council housing at less than open market rents.

### Note 7. Average Costs Per Dwelling

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

| 2009/10 £ | Type of Expenditure/(Income) | 2010/11 £ |
|---|---|---|
| £607.46 | Supervision & Management - General | £770.22 |
| £628.27 | Repairs & Maintenance | £657.45 |
| (£3,184.72) | Rent un-rebated | (£3,234.75) |

### Note 8. Major Repairs Reserve

In 2010/11 a Major Repairs Allowance of £2.696m was paid to the Council as part of its Housing Subsidy from the Government, to be used for capital expenditure on HRA assets. This sum was paid into a separate reserve; the Major Repairs Reserve, and was used in full during the year to fund works on Council houses. In 2010/11 the full sum of £2.696m was used wholly for the capital improvement of the housing stock with expenditure of £0.216m incurred in excess of the allowance giving a total of £2.912m. No balance remained on the Reserve as at 31 March 2011.

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| 0 | Balance b/f | 0 |
| (2,594) | Major Repairs Allowance | (2,696) |
| 2,594 | Major Repairs Expenditure | 2,696 |
| **0** | **Balance c/f** | **0** |

### Note 9. Capital Expenditure

Capital expenditure within the HRA for 2010/11 and how it was funded is shown below:

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| | **Expenditure:** | |
| 3,833 | Council Houses - Improvements & Enhancements | 5,419 |
| **3,833** | **Total Capital Expenditure** | **5,419** |
| | **Funded by:** | |
| 2,770 | Major Repairs Reserve | 2,912 |
| 274 | Revenue Contribution | 274 |
| 0 | HCA grant | 1,042 |
| 0 | PWLB loan | 646 |
| 0 | S106 receipts | 212 |
| 144 | Capital Receipts – HRA | 459 |
| 645 | Capital Receipts – General Fund | (126) |
| **3,833** | **Total** | **5,419** |

## NOTES TO THE HOUSING REVENUE ACCOUNT (HRA) INCOME AND EXPENDITURE STATEMENT (Contd.)

### Note 10. Capital Receipts

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

| 2009/10 £000 | Source of Receipt | 2010/11 £000 |
|---|---|---|
| 374 | Council Houses – Right to Buy Sales | 357 |
| 18 | Principal on Mortgage Repayments | 4 |
| 30 | Miscellaneous Sales | 365 |
| (278) | Less contribution to Housing Pool | (267) |
| **144** | **Total HRA Capital Receipts** | **459** |

### Note 11. HRA share of contributions to/from the pension reserve

The Council's pension fund reserve liability decreased to £22.88m from £48.70m during 2010/11. It has been estimated that 12.11% of the Council's salary costs relate to the HRA, therefore the HRA's share of the overall pension deficit equates to £2.77m.

## COLLECTION FUND FOR THE YEAR ENDED 31 MARCH 2011

This account reflects the statutory requirements for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority (i.e. the Council) in relation to the collection from taxpayers and distribution to major preceptors and the Government of council tax and non domestic rates. The Collection Fund is consolidated with other accounts of the Council and its major preceptors.

| COLLECTION FUND ACCOUNT | | |
|---|---|---|
| **2009/10 £000** | | **2010/11 £000** |
| | **INCOME** | |
| (75,059) | Council Tax (net) | (77,269) |
| (8,276) | Council Tax Benefit | (8,807) |
| (24,155) | NNDR collectable from business ratepayers | (24,825) |
| **(107,490)** | | **(110,901)** |
| | **EXPENDITURE** | |
| | **Precepts** | |
| 62,145 | Devon County Council | 63,486 |
| 8,472 | Devon & Cornwall Police Authority | 8,906 |
| 8,319 | East Devon District Council (including Parishes) | 8,751 |
| 3,927 | Devon & Somerset Fire & Rescue Authority | 4,082 |
| | **Contributions from previous year's estimated surplus** | |
| 751 | Devon County Council | 206 |
| 100 | Devon & Cornwall Police Authority | 28 |
| 47 | Devon & Somerset Fire & Rescue Authority | 13 |
| 110 | East Devon District Council | 22 |
| | **NNDR** | |
| 23,933 | Contribution to National Pool | 24,600 |
| 222 | Cost of Collection Allowance | 225 |
| 83 | Write offs | 45 |
| | **Adjustment to Bad Debt provisions** | |
| (7) | Council Tax | 0 |
| (58) | NNDR – prior years adjustment | 0 |
| **108,044** | | **110,365** |
| **554** | **MOVEMENT ON FUND BALANCE** | **(536)** |

**Fund balance and movement split between the major preceptors:**

| 2009/10 £000 | | Devon County Council | Devon & Cornwall Police Authority | East Devon District Council | Devon & Somerset Fire Authority | 2010/11 £000 |
|---|---|---|---|---|---|---|
| (1,614) | Balance b/f | (795) | (111) | **(103)** | (51) | (1,060) |
| 554 | Movement | (392) | (56) | **(63)** | (25) | (536) |
| (1,060) | Balance c/f | (1,187) | (167) | **(166)** | (76) | (1,596) |

In the Balance Sheet the Collection Fund Adjustment Account balance includes £8,000 in respect of Community Charge which is for the benefit of East Devon residents only and is not split between the other preceptors.

**Note 1. Income from Business Rates**

Under the arrangements for uniform business rates, the Council collects non-domestic rates for its area which are based on local rateable values (£81.247m at 1 April 2010 and £81.676m as at 31/3/11) multiplied by a uniform rate of £0.414. The total amount less certain reliefs and other deductions, is paid to a national pool (the NNDR pool) managed by Central Government.

**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 2010/11 are:

| Band | Dwellings | Adjustments | 2nd Homes @ 40% | Net Properties | Conversion Factor | Band D equivalent |
|---|---|---|---|---|---|---|
| A* | 0 | 13 | 0 | 13 | 5/9ths | 7 |
| A | 5,654 | (1,202) | 108 | 4,560 | 6/9ths | 3,040 |
| B | 12,220 | (1,860) | 149 | 10,509 | 7/9ths | 8,174 |
| C | 13,962 | (1,788) | 215 | 12,389 | 8/9ths | 11,012 |
| D | 11,642 | (1,419) | 199 | 10,422 | 9/9ths | 10,422 |
| E | 9,655 | (935) | 135 | 8,855 | 11/9ths | 10,823 |
| F | 5,834 | (485) | 66 | 5,415 | 13/9ths | 7,821 |
| G | 3,866 | (336) | 41 | 3,571 | 15/9ths | 5,952 |
| H | 191 | (51) | 7 | 147 | 18/9ths | 294 |
| **Total Band D Equivalent** | | | | | | **57,545** |

The comparitive figures for 2009/10 were:

| Band | Dwellings | Adjustments | 2nd Homes @ 40% | Net Properties | Conversion Factor | Band D equivalent |
|---|---|---|---|---|---|---|
| A* | 0 | 13 | 0 | 13 | 5/9ths | 7 |
| A | 5,555 | (1,175) | 111 | 4,491 | 6/9ths | 2,994 |
| B | 12,169 | (1,860) | 148 | 10,457 | 7/9ths | 8,133 |
| C | 13,868 | (1,798) | 209 | 12,279 | 8/9ths | 10,915 |
| D | 11,628 | (1,413) | 186 | 10,401 | 9/9ths | 10,401 |
| E | 9,613 | (935) | 136 | 8,814 | 11/9ths | 10,773 |
| F | 5,834 | (463) | 60 | 5,431 | 13/9ths | 7,845 |
| G | 3,854 | (340) | 42 | 3,556 | 15/9ths | 5,927 |
| H | 186 | (55) | 8 | 139 | 18/9ths | 278 |
| **Total Band D Equivalent** | | | | | | **57,273** |

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| 56,643 | Collection Rates at 98.6% (98.9% in 2009/10) | 56,739 |
| 128 | Contribution from MOD properties | 130 |
| **56,771** | **TAX BASE** | **56,869** |

**Note 3. The major preceptors on the Collection Fund**

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

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| 62,896 | Devon County Council | 63,692 |
| 8,572 | Devon & Cornwall Police Authority | 8,934 |
| 8,319 | East Devon District Council (including towns/parishes) | 8,751 |
| 3,974 | Devon & Somerset Fire & Rescue Authority | 4,095 |
| **83,761** | | **85,472** |

**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 of 2010/11 the accumulated provision stood at £208,000 (£242,000 for 2009/10) made up as follows:

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| 87 | National Non Domestic Rates | 53 |
| 155 | Council Tax | 155 |
| **242** | | **208** |

## GLOSSARY

**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.

**Actuarial Gains and Losses**
For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- The actuarial assumptions have changed.

**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).
- **Fixed assets** provide benefits over their useful life for more than one year and can be tangible (e.g. school buildings) or intangible (e.g.: computer software licences).
- **Community assets** are assets that the local authority intends to hold in perpetuity, that have no determinable useful life and may have restrictions on their disposal (e.g. works of art, windmills 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 fixed assets held by a local authority actively being marketed

**Audit of Accounts**
An **independent examina**tion 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.

**Best Value Accounting Code of Practice**
Details standard definitions of service and total cost which enables spending comparisons to be made with other local authorities.

**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 fixed assets 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 fixed assets. The term covers the following:

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

**Capital Receipts**
Proceeds received from the sale of property and other fixed assets.

**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.

**Corporate Democratic Core**
Those activities which the local authority 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.

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

**Debtor**
Sums of money due to the authority but not received at 31 March.

**Depreciation**
The allocation of the cost of the useful economic life of the Authority's fixed assets for the accounting period through general wear and tear, consumption or obsolescence.

**Earmarked Reserves**
Those elements of total Authority reserves which are retained for specific purposes.

**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 Authority. Income from the council tax precept and Government grants are paid into the fund, from which the cost of providing services are met.

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

**Government Grants Deferred**
Grants or contributions received which have supported wholly or in part the acquisition of fixed assets, net of the appropriate share of depreciation on those assets for which a depreciation charge is made.

**Housing Revenue Account**
Statutory ring-fenced account required to represent the landlord/tenant obligations for the Authority 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 Authority 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 Authority 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 fixed assets 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 Authority. Some capital reserves such as the capital adjustment account cannot be used to meet current expenditure.

**Revaluation Reserve**
This 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 authority on such items as employees and equipment.

**Revenue expenditure funded from capital under statute (REFCUS)**
Expenditure which may properly be capitalised but which does not result in tangible fixed assets owned by the Authority.

**Revenue Support Grant (RSG)**
The major grant paid by central government to local authorities in aid of service provision.

**Trust Funds**
Funds administered by the Authority for such purposes as prizes, charities and specific projects, on behalf of minors.

# ANNUAL GOVERNANCE STATEMENT

For the year ended 31st March 2011

## Scope of Responsibility

East Devon District Council is required to ensure that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

East Devon's Council's Audit & Governance Committee has approved a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the code is on our website at www.eastdevon.gov.uk. This statement explains how East Devon District Council has complied with the code. The Council is required under the Accounts and Audit Regulations 2011 to have an approved an annual governance statement which accompanies its statement of accounts.

## Purpose of the Governance Framework

The governance framework comprises the systems, processes, culture and values by which the authority is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievements of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and therefore only provides reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of East Devon District Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively and economically.

## The Governance Framework

The governance framework described has been in place for the year ending 31 March 2011 and up to the date of the approval of the statement of accounts.

Some of the key features of the governance framework are set out in the following paragraphs:

- The Council has a Corporate Strategy setting out 3 corporate priorities. The Strategy along with the objectives and targets were reviewed in May 2010 to ensure their continuing relevance in the light of the changing economy and other circumstances.

- Delivery of the Corporate Strategy is supported by service plans and individual targets for staff agreed through the annual appraisal process which is recorded and monitored through the Council's performance management systems. Each of the 3 corporate priorities is monitored by Overview and Scrutiny Committee (in 2010/11 this was monitored through the Service Delivery and Performance Overview and Scrutiny Committee). This Committee drives the scrutiny process on behalf of the public with a view to improving the delivery of public services.

- A Standards Committee is in place to promote and maintain high standards of conduct by members, to consider reports and make recommendations concerning the governance and ethical standards of the Council and advice on the adoption or revision of the Council's Code of Conduct for members, officers and any other related codes or protocols. The Committee meet quarterly if required.

- Audit & Governance Committee exists with wide-ranging terms of reference including the requirement to consider the effectiveness of the Authority's governance arrangements, taking into account corporate risk management, the control environment and associated anti-fraud and anti-corruption arrangements.

- The Council has designated the Deputy Chief Executive as Monitoring Officer (with an advising and deputy role through the Corporate Legal & Democratic Services Manager) to ensure compliance with established policies, procedures, laws and regulations. After consulting with the Head of Paid Service and Chief Finance Officer the Monitoring Officer will report to the full Council if they consider that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.

- Maintenance of an internal audit service through the South West Audit Partnership which operates to the standards set out in the Code of Practice for Internal Audit in Local Government in the UK. Internal audit are responsible for monitoring the effectiveness of systems of internal control. The Service operates to an audit plan approved by the Audit and Governance Committee. The Council's Internal Audit function is subject to regular inspection by the Councils external auditors (Grant Thornton UK LLP).

- The Council has a whistle-blowing and anti-fraud and corruption policy.

## Below is an overview of the Council's Governance Framework

As stated the Council has an adopted Code of Corporate Governance which is inline with CIPFA/SOLACE documentation on delivering good governance in local government. This defines the corporate governance framework and sets out six core principles of good governance as shown below.

| **Corporate Governance Framework**<br>Corporate Governance comprises the systems and processes, cultures and values, by which the council is directed and controlled, and through which we account to, engage with and where appropriate, lead the community. | | |
|---|---|---|
| 1. Focus on purpose of the Council, vision for local area and outcomes for the community. | 2. Members and officers working together to achieve a common purpose. | 3. Promoting values and upholding high standards of conduct and behaviour. |
| 4. Taking informed and transparent decisions scrutinised and risk managed. | 5. Developing capacity of Members and Officers to be effective. | 6. Engaging with local people to ensure public accountability. |

| **(A) Key Documents: Regular/Annual Review or Production** | **(B) Key Documents: Ad hoc Review or Production** | **(C) Contributory Processes/Regulatory Monitoring** | |
|---|---|---|---|
| • Corporate Strategy<br>• Financial Strategy (Medium Term Financial Plan)<br>• Annual Revenue & Capital Estimates<br>• Service Plans<br>• Statement of Accounts<br>• Internal/External Audit Protocol<br>• Council Tax Booklet<br>• Performance Monitoring Reports (Measure Reports & performance indicators)<br>• Financial Monitoring Reports<br>• East Devon talk<br>• External Audit Report to those charged with Governance<br>• External Audit Review report<br>• Management Assurance Statements | • Constitution including Financial and Contract Standing Orders<br>• Scheme of Delegation<br>• Code of Corporate Governance<br>• Anti-Fraud and Corruption Policy<br>• Complaints Procedure<br>• Communications Strategy<br>• Community Engagement Policy<br>• Customer Service Strategy<br>• Procurement Strategy<br>• Freedom of Information Policy<br>• Health Safety, Welfare and Employment Policies<br>• Data and Information Quality Policy<br>• Information Security Policy<br>• ICT Strategy<br>• Protocol – Member Officer Relations<br>• Members Code of Conduct<br>• Employees Code of Conduct<br>• Reporting<br>• Partnership Working Guidelines<br>• Risk Management Policy<br>• Published Agendas, Reports and Minutes of Committees<br>• Whistleblowing Policy<br>• Money Laundering Policy<br>• Retention and disposal of documents Guidelines | • Audit & Governance Committee<br>• Standards Committee<br>• Overview & Scrutiny Committee<br>• Housing Review Board<br>• Independent Remuneration Panel for Members Allowances<br>• Strategic Management Team<br>• Monitoring Officer appointed<br>• S151 Officer Appointed<br>• Head of Paid Service appointed<br>• Customer Complaints/Feedback Process<br>• Procurement & Efficiency Group<br>• Resident's Panel consultation<br>• Asset Management Forum | • Job Descriptions and Person Specifications<br>• Job Evaluation Process<br>• Employee Induction<br>• Employee Surveys<br>• Learning and Development Programme – Employees/Members<br>• Performance Excellence Review<br>• Criminal Conviction Checks<br>• Health & Safety Officers<br>• Fraud Forum<br>• External Audit<br>• Internal Audit<br>• Gift and Hospitality Registers for Employees<br>• Members Register of Interest<br>• Annual Review of Internal Audit, Risk Management & Governance Arrangements |

**Review of Effectiveness**

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

- Internal Audit Annual Report and Opinion 2010/11.

- Internal and external audit and inspection.

- A specific review of the effectiveness of internal control and compliance to the governance framework undertaken in June through the completion of assurance statements by the Strategic Management Team. These were then reviewed by the Group Auditor for SWAP, the Head of Finance, the Monitoring Officer and Corporate Legal and Democratic Services Manager for compliance and any apparent organisational improvements are included in the Governance Action Plan.

- The mechanisms for maintaining and reviewing the effectiveness of the system of internal control throughout the year include.

  - Cabinet (previously Executive Board) Committee is responsible for considering overall financial and performance management and receives comprehensive budget monitoring reports on a monthly basis and council service performance reports.

  - Overview & Scrutiny Committee holds the Cabinet Committee to account.

  - The Standards Committee meets quarterly when required and at every meeting considers an update report on complaints against councillors which includes learning points and recommended actions. The Committee also keeps under review the Council's policies and procedures for maintaining high ethical standards.

  - The Audit & Governance Committee meet five times a year to provide independent assurance to the Council in relation to the effectiveness of the risk management and internal control environment.

  - The South West Audit Partnership provides an independent and objective assurance service to the Council and completes a programme of reviews each year to inform an opinion on the internal control, risk management and governance arrangements. In 2010/11 this programme included governance audits. The service undertakes fraud investigation and proactive fraud detection work which includes reviewing the control environment in areas where fraud or irregularity has occurred.

Improvements made in Governance arrangements to note include;

- The appointment of South West Audit Partnership (SWAP) as the Council's audit team took place within the year giving the authority a more cost effective and efficient means of carrying out the internal audit function.

- The timing of Overview and Scrutiny Committee meeting dates have been changed to allow consideration of items which are going to be debated by the Cabinet.

- Portfolio Holders and Member Champions have been aligned to the officer management structure to identify clearer lines of reporting and responsibility.

In July 2010 the Council experienced a data breach involving personal details of employees, councillors and others whose details were stored on the Council's payroll system in 2008. Full details were reported to the Audit & Governance Committee (not for publication reports); reports were made to our External Auditors and to the Information Commissioner who carried out an investigation.

A number of recommendations following this breach were implemented and monitored through the Audit & Governance committee; including restrictive access to data to those who previously had open access for review and audit purposes, review and update of Data Retention Policy, deletion of payroll data no longer required on systems and an update in employment contracts to ensure they were robust in terms of "garden leave" being granted where required. In 2011/12 additional work has been undertaken with the protective marking scheme for emails and the recent implementation of a Data Loss Prevention System.

**Significant Governance and Control Issues Identified – Governance Action plan**

Council Members and Officers have been continually updated and advised on the implications of reviews of the effectiveness of the Council's systems of internal control. Plans have been devised and put in place to ensure continuous improvement. The Council's annual review of the governance framework, including the system of internal controls and associated reviews during the year, identified some areas where action is appropriate to enhance the governance and internal control environment and ensure continuous improvement. These are listed below, along with the proposed actions to remedy or improve the position.

| Area for Improvement | Suggested Action | Responsible Officer Response | Officer Resp. |
|---|---|---|---|
| Assets information | An Asset Management database is required to bring together asset details including description, condition, & financial information.<br><br>. | This project is near completion and at testing stage. It draws upon 7 different databases across the Council to bring together information on Council Assets in one reporting place in order for members to make decisions on their future. | MW |
| Financial Regulations & Standing Orders | These need reviewing to update in terms of organisation restructure, contract process and values need updating.<br><br>Refresher training for staff is required in this area as there are concerns over the need to embed the importance of this document with staff. | To be completed in 2011/12 | SD |
| Corporate Risk Register | The register needs reviewing following organisation structure changes and updates and monitoring procedures need embedding into the process. Improvements need to be made in the reporting structure through to members. | To be completed in 2011/12 | SD |
| Main Accounting | A sample of two virements was reviewed to ensure they had adequate explanation and authorisation prior to processing. These were both related to 'Budget 2' and although both were found to have a valid explanation, neither had approval as per the interpretation of the guidance.<br><br>Lack of compliance with documented procedures increases the risk of inappropriate virements being made.<br>It is recommended the Accountants ensure all virements are authorised in accordance with the Financial Operating Procedures prior to being processed. | The Senior Accountants ensure all virements are authorised in accordance with the Financial Operating Procedures prior to being processed. | LG |

| | | | |
|---|---|---|---|
| Payroll | The BACS payroll file is produced from Trent by one of the three payroll officers. This file is then transferred to the officer's desktop to be uploaded into the BACS Active file for authorisation for payment. The Accountancy team receive an e-mail from BACS Active to notify them that the BACS file needs to be checked prior to releasing the file for payment. Once the accountancy team are satisfied that the file is ready for payment, the payroll team are notified and the BACS file is activated for payment.<br><br>When the BACS file is stored on the desktop, it is at risk of being amended. Were the file to automatically pass into a hard coded file path it could be prevented from such a risk. The monthly total for payment via BACS is significant, at around £3/4 million.<br>It is recommended that the Payroll Services & Employee Benefits Manager ensures the BACS file data, when first produced is "locked" to prevent any changes to the data. This may be achieved by transferring the payroll file to a networked location, with limited access for Accountancy or IT and they upload the pay file to BACS Active for payment.<br>The BACS payment process should also be subject to senior management review to provide additional assurance over this process. | This issue has been passed to ICT for a solution. They have confirmed that a Business Change request is being raised to formally look at a solution. | KJ |

Signed & Dated

**Chief Executive 29/9/2011**

Signed & Dated

**Leader of the Council 29/9/2011**

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EAST DEVON DISTRICT COUNCIL

## Opinion on the Council's financial statements

We have audited the financial statements of East Devon District Council (the Council) for the year ended 31 March 2011 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (based on International Financial Reporting Standards).

This report is made solely to the Members of East Devon District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's Members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of the Head of Finance and auditor

As explained more fully in the Statement of the Head of Finance's Responsibilities, the Head of 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 and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council; and the overall presentation of the financial statements. We read all the information in the explanatory foreword and Statement of Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of East Devon District Council's affairs as at 31 March 2011 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (based on International Financial Reporting Standards).

## Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we report by exception

We have nothing to report in respect of the following matters where we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we have not received all the information and explanations we require for our audit.

## Conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required, under Section 5 of the Audit Commission Act 1998, to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

### Respective responsibilities of the Council and the auditor

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

We report if significant matters have come to our attention which prevent us from concluding that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### Basis of conclusion

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Council has proper arrangements for:

- securing financial resilience;
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

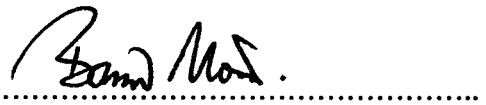
We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

**Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, we are satisfied that, in all significant respects, East Devon District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

## Delay in certification of completion of the audit

The audit cannot be formally concluded and an audit certificate issued until I have completed my consideration of matters brought to my attention by local authority electors. I am satisfied that these matters do not have a material effect on the financial statements or a significant impact on my value for money conclusion.



**Barrie Morris**
Senior Statutory Auditor

For and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
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**Date** 29 September 2011