Appendix B

West Devon Borough Council

Audited Statement of Accounts

2018/2019

West Devon
Borough
Council

Contents

Statement of Accounts 2018-19

The Statement of Accounts 2018-19 can be made available in large print, Braille, tape format or other languages upon request.

West Devon Borough Council is committed to reflecting the full diversity of our community and to promoting equality of opportunity for everyone.

Section *1*

Narrative Statement

Introduction to the 2018/19 Statement of Accounts by Councillor Neil Jory, Leader of West Devon Borough Council

I am very pleased to welcome you to the 2018/19 Statement of Accounts for West Devon Borough Council.

This is the first year that the Government has reduced our core funding to zero, providing a significant challenge for the Council to continue to deliver our full range of services and still meet the needs of our communities. We are reliant only on any income we generate and retaining a small percentage of the Council Tax (12%) and Business Rates (14%) raised in the area to fund our services. We have continued our pursuit of finding more efficient ways of providing services, whilst making it easier for people to do business with us.

We continue to work closely with South Hams District Council and share a single workforce, generating an ongoing annual saving of £2.2million for West Devon Borough Council. As the Local Planning Authority we have a key role to play in setting the local strategy for development in our area. A major success for us this year has been the adoption of the Joint Local Plan, which sets out a comprehensive 20 year development plan for the Borough of West Devon, the South Hams and Plymouth.

In November 2018, the Local Government Association led a Peer Review of the Council and our joint arrangements with South Hams District Council. The team comprising of Councillors and senior officers from other Councils reviewed our financial plans, governance, leadership and capacity to deliver services. Their report was very positive about our plans and progress to date and provided a number of recommendations for the Council to implement.

A key project this year has been the successful renewal of our multi million pound contract for recycling, waste collection and street cleansing services. Our partnership with FCC continues with a new contract from April 2019. This will save around £2 million during the lifetime of the contract.

The Council has taken a commercial approach and has been pro-active in addressing economic regeneration in times of financial austerity. The Council has been pursuing our commercial strategy to develop our assets or acquire new assets with the aims of providing economic benefit as well as an ancillary revenue return to the Council. Our four commercial property acquisitions purchased in 2018/19 are now generating a new income stream for the Council of over £275,000 every year.

The surplus for the 2018/19 year is £89,000 (1.2% of the net budget of £7.31m) and demonstrates the Council's prudent management of our finances. Strong financial management across the organisation has aided the financial resilience of the Council, in order to meet future challenges.

Councillor N Jory, Leader of the Council

Foreword by the Chief Executive

The Council continues to scrutinise budgets as part of our annual budget setting process to ensure that we target our spending where it is needed most.

Local Government finances are increasingly stretched and there is a great deal of financial uncertainty for District Councils from 2020 onwards. The Government is undertaking a “fair funding review” (due to be implemented in 2020/21), which will set new baseline funding allocations for Councils, based on an assessment of needs and resources. The move towards Councils retaining 75% of business rates growth is expected to be in place by 2020/21.

The Council has responded to the consultations on these initiatives and continues to monitor proposals so that we can protect the Council’s position as far as possible and continue to provide our range of services to our communities. We were thrilled to be chosen as one of the pilot areas for business rates growth retention for 2018/19, allowing the Council to retain a higher share of business rates growth income.

This year I worked closely with the Council’s S151 Officer (Strategic Finance Lead) and Members to re-design the Council’s Medium Term Financial Strategy for the next five years, which was approved by Council in September 2018. The MTFS looks at financial planning and management over a five year strategy and sets out the strategic intention for all of the different strands of funding available to West Devon. The Council can now rely on this to inform future decisions. This also helps us to develop a sustainable budget over the medium term and will be reviewed annually.

The recent Peer Review report was complimentary about the Finance team and that they were to be congratulated on guiding the Council’s finances to this point. The report also stated that it will be important to avoid complacency and to ensure that financial self-sufficiency becomes the byword over the medium term and focus is maintained to achieve this.

Both West Devon and South Hams Councils have recently undertaken a benchmarking exercise to test the customer experience and we are committed to ensuring a stronger customer focus in the next phase of transformation.

We continue to play a significant role in our region, working with other local authorities and partners through the Heart of the South West Joint Committee, with the Local Enterprise Partnership and agencies such as Homes England to improve infrastructure, facilitate economic growth and support the building of affordable housing in our area.

I would like to take this opportunity to thank all of the Members and staff who have worked together throughout the year to balance the Council’s budget, deliver savings and new income streams and realise further efficiencies to provide value for money.

Sophie Hosking, Chief Executive

Message from the Section 151 Officer & Strategic Finance Lead - Lisa Buckle

The Statement of Accounts has been prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA). The aim of the Accounts is to enable members of the public, Council Members, partners, stakeholders and other interested parties to:

- Understand the financial position of the Council as at 31 March 2019 and how the Council has performed against the budget set for 2018/19
- Be assured that the financial position of the Council is secure, with a degree of resilience.

This Narrative Statement provides information about West Devon Borough Council, including the key issues affecting the Council and its Accounts. It is very important to us to provide residents and other stakeholders with the confidence that the public money for which we are responsible has been properly accounted for. We have embedded financial management disciplines, processes and procedures.

The Council continues to face considerable financial challenges as a result of uncertainty in the wider economy and constraints on public sector spending. The Council is still facing a forecast budget gap of £533,000 for 2020 onwards. The Council has had a 38% reduction in Government funding over the last four years, with no main Government Grant (Revenue Support Grant) now being received.

There is currently a large amount of uncertainty in local government finances, particularly with the unknowns on the resetting of the business rate baselines for Councils and the Fairer Funding Review, all of which could have a negative impact on the Council's future finances. Significant changes will also be implemented to the New Homes Bonus (NHB) scheme, with Central Government due to consult on the current scheme. The Government has announced that New Homes Bonus will cease in the future and details of any scheme to replace it are unknown. It is possible that Councils will only be receiving a one year finance settlement for 2020/21.

These developments will fundamentally change the Local Government Finance environment, which is now characterised by an increased shift towards locally-generated resources, with an accompanying transfer of both risk and opportunity.

The financial standing of the Council is secure in the short to medium term, but there is still much work to do to ensure the long term financial sustainability of the Council. The next few years will be challenging as the Government's Fair Funding Review and the reset of the Business Rates baseline are introduced, coupled with no Government Grant and the cessation of the current New Homes Bonus scheme.

Mrs Lisa Buckle BSc (Hons), ACA
Section 151 Officer & Strategic Finance Lead

NARRATIVE STATEMENT – INTRODUCTION

1. Each year West Devon Borough Council publishes a Statement of Accounts that incorporates all the financial statements and disclosure notes required by statute. The Statement of Accounting Policies summarises the framework within which the Council's accounts are prepared and published.

REVIEW OF THE YEAR – THE REVENUE BUDGET

2. The 2018/19 budget for West Devon was £7.31 million but the actual spend was 1% lower, providing an underspend of £89,000, which will go into the Council's Unearmarked Reserves which now stand at £1.286 million. The main components of the General Fund budget for 2018/19 and how these compare with actual income and expenditure are set out below:

	Estimate £000	**Actual £000**	**Difference Cost/ (Saving) £000**
Cost of services	6,039	5,951	(88)
Parish Precepts	1,365	1,365	-
Interest and Investment income	(90)	(91)	(1)
Amount to be met from Government grants and taxation	**7,314**	**7,225**	**(89)**
Financed from:			
Business Rates	(2,050)	(2,050)	-
Business Rates Pilot Gain for 2018/19	(460)	(460)	-
Council Tax	(4,525)	(4,525)	-
Surplus on Collection Fund	(96)	(96)	-
Reserve Contributions	(183)	(183)	-
UNDERSPEND 2018/19	**-**	**(89)**	**(89)**

3. The underspend is shown in the Movement in Reserves Statement in Section 2B and can be summarised as follows:

	£000
General Fund Balance (un-earmarked revenue reserve) at 1 April 2018	(1,197)
Underspend for the 2018/19 financial year	**(89)**
General Fund Balance (un-earmarked revenue reserve) at 31 March 2019	(1,286)

4. The table below shows a reconciliation of the position shown on the bottom of the Comprehensive Income and Expenditure Statement and the underspend for 18/19.

	£000
Total Comprehensive Income and Expenditure	**(2,115)**
Remeasurements of the net defined benefit pension liability	1,218
Surplus on the revaluation of Property, Plant and Equipment	2,225
Surplus on the revaluation of financial assets	7
The detail of the items below are shown in Note 7 'Adjustments between Accounting Basis and Funding Basis under Regulations'	
Adjustments primarily involving the Capital Adjustment Account	(1,716)
Adjustments primarily involving the Capital Receipts Reserve	-
Adjustments primarily involving the Capital Grants Unapplied Account	527
Adjustments primarily involving the Pensions Reserve	(660)
Adjustments primarily involving the Council Tax Collection Fund Adjustment Account	(28)
Adjustments primarily involving the Business Rates Collection Fund Adjustment Account	157
Adjustments primarily involving the Accumulated Absences Account	(5)
Transfers to earmarked reserves	301
Underspend for the 2018/19 financial year	**(89)**

5. A summary of the main differences from budget in 2018/19 is provided below:

ANALYSIS OF VARIATIONS (% column shows variation against budget)	**£000**	**% variation**
Increases in expenditure/reduction in income		
Customer First		
Joint Local Plan (JLP) one-off costs associated with adopting the JLP during this financial year which sets out a 20 year plan	46	-
Leisure Centre legal fees – the Council externalised the legal work to facilitate negotiations over the terms of the lease arrangements for the new leisure contract (one-off costs)	41	-
Commercial Services		
Car Parking income (budgeted income was £1,006,000). New charges were not implemented until 2 July 2018, following a consultation period.	53	5.3%
Staff salaries (budgeted salaries of £455,000)	18	3.9%
Support Services		
ICT support contracts – extra costs e.g. IEG4 software, Northgate Land Charges, Northgate Gazetteer (address database) and Clear Core (enables single customer record). The budgeted amount for ICT support contracts was £300,000.	91	30.3%
Strategy and Commissioning		
Corporate Management - payment collection expenses – bank and card processing fees (budgeted costs £7,000)	32	457.1%
Other small variances	16	-
Reductions in expenditure/additional income		
Customer First		
Additional Planning Income (budgeted income £333,000)	(214)	(64.3%)
Housing Benefit – additional overpayment recoveries (budgeted income £85,000 - actual expenditure for Housing Benefit in 2018/19 was £12 million)	(144)	(169.4%)
Strategy and Commissioning		
Commercial Property net investment income - four commercial properties were purchased in 2018/19 (See Note 13 on Investment Properties – budgeted income £100,000)	(124)	(124.0%)
Senior Leadership Team – Interim arrangements saving	(34)	(17.4%)
Sub - total	**(219)**	**(2.98%)**
Transfer to Earmarked Reserves - Transfer £100,000 planning income into the Planning Policy and Major Developments Reserve, to support peaks and troughs in the planning service (Council Minute CM51 (a)) and £30,000 planning income into the Joint Local Plan Reserve.	130	-
TOTAL UNDERSPEND FOR 2018/19	**(89)**	**(1.2%)**

The 2018/19 budget for West Devon was £7.31 million but the actual spend was 1% lower, providing an underspend of £89,000 as shown above.

KEY AREAS TO NOTE FROM THE 2018/19 STATEMENT OF ACCOUNTS

Pension Liability

6. International Accounting Standard 19 (IAS19) requires Local Authorities to recognise pension assets and liabilities within their accounts. The overall impact on the General Fund of the IAS 19 entries is neutral.

7. The Actuary has estimated a net deficit on the funded liabilities within the Pension Fund as at 31 March 2019 of £23.8 million. This compares to £24.4 million as at 31 March 2018. The deficit is derived by calculating the pension assets and liabilities at 31 March 2019. See Note 36 for further information.

Business Rates

8. The Local Government Finance Act 2012 introduced a Business Rates Retention Scheme (BRRS) that enabled local authorities to retain a proportion of the business rates generated in their area, with effect from 1 April 2013. There is a risk of volatility in the system because Councils are exposed to any loss of income if businesses go into decline or if a Council's income from business rates falls due to successful business rates appeals.

9. Provision is made for likely refunds of business rates as a result of appeals against the rateable value of business properties. The provision is based on the total value of outstanding appeals at the end of the financial year as advised by the Valuation Office Agency. Using this information, an assessment was made about the likely success rate of appeals and their value.

10. In 2018/19 there has been a £590,000 increase in the provision for appeals within the Collection Fund. The surplus on the Business Rates Collection Fund now stands at £545,000 (£152,000 in 2017/18). West Devon Borough Council's share of the surplus is 40% (£218,000). Monies are set aside in the Business Rates Retention Earmarked Reserve to mitigate the impact of volatility in Business Rates income. The balance on this reserve is £492,000 at March 2019.

Business Rates Pilot status for 2018/19

11. The move towards 75% Business Rate Retention of business rates growth is expected to be in place by 2020. Devon was selected as one of 10 areas to take part in a national pilot allowing Councils to retain a higher share of business rates growth. The Council was very pleased to be given this opportunity by Central Government. The pilot was for one year, 2018/19 and has generated an extra £460,000 of business rate income. £143,516 of this pilot gain has been used to fund the 2018/19 revenue base budget and the balance of £316,484 has been transferred to the Financial Stability Reserve.

Trading Company

12. West Devon Borough Council and South Hams District Council set up a trading company, Servaco Limited, on 4th September 2014. This is a company limited by shares. The company has not traded in 2018/19 and a set of statutory dormant Accounts will be filed with Companies House for the period 1 April 2018 to 31 March 2019. The future of Servaco Limited will be reviewed during 2019/20.

Borrowing

13. In 2018/19 the Council has undertaken capital expenditure (financed by prudential borrowing from the PWLB) of £23.6 million. This was mainly to purchase four investment properties as part of the Council's Commercial Property Acquisition Strategy as detailed below.

14. In addition, the Council has also borrowed £1.5 million in 2018/19 for investment in the Council's leisure centres. The Council is being reimbursed by the leisure contractor for the borrowing costs of the leisure investment. By borrowing from the PWLB at a fixed rate, this protects against future interest rate rises over the next 23 years and ensures that leisure is a self-financing stand alone investment project.

Commercial Property Strategy

15. In September 2018 (Minute CM34) the Council approved an updated Commercial Property Strategy, which included multiple objectives: (a) to support regeneration and the economic activity of the Borough, the LEP area and the South West Peninsula (in that priority order) (b) to enhance economic benefit (c) to grow business rate income (d) to assist with the financial sustainability of the Council as an ancillary benefit and (e) to help continue to deliver and/or improve frontline services in keeping with its adopted strategy and objectives.

16. Details of the Council's Commercial Property Strategy can be found in the report taken to the Hub Committee on 11th September 2018 (and subsequently approved by Full Council on 25th September 2018 - minute Reference CM34 and HC26).

17. This strategy, which is expected to be predominantly funded through prudential borrowing, has two strands. The first is development within the Borough, the second is commercial property acquisition either within the Borough, the LEP area or the South West Peninsula (in that priority order). Also in September 2018 Council approved an overall Borrowing Limit (for all Council services) of £50 million.

18. Note the previous commercial property acquisition strategy was approved by Council on 27th March 2018. The new strategy approved in September 2018 included both commercial property acquisition as well as the funding of commercial development on

Council land. This proposal is in line with the “Enterprise” corporate strategic aim of creating places for enterprise to thrive and business to grow.

19. Due diligence and risk assessment is undertaken and a business case produced for each development or acquisition opportunity, when identified. Each investment opportunity will also be assessed on meeting the above objectives and on delivering one or more of the following outcomes: job creation or safeguarding; health and wellbeing; town centre regeneration; tourism/increased footfall; business rate growth; improved asset utilisation.

20. A minimum net yield return of 1% is being targeted. However, in some circumstances, e.g. where there is a community benefit, a lower return may be acceptable. The Council will put in place contingency plans should expected yields not materialise.

Capital Spending

21. The Council spent £23.6 million on capital projects in 2018/19. The main areas of expenditure were as follows:

- Purchase of investment properties (£21.4m)
- Purchase of waste vehicles (£1m)
- Leisure centre improvements (£0.5m)
- Housing renovation grants including disabled facilities grants (£0.4m)

Investment in the South West Mutual Bank

22. In 2018/19 the Council approved making a £49,995 investment in the South West Mutual Bank which takes the form of shareholding in the Bank. As the investment is supporting the local economy it was financed from the business rates pilot gain.

23. In addition to supporting the local economy, the new Mutual will promote inclusive growth. In particular, it will help make banking more local, provide branch facilities in rural locations, recycle the savings of local people and businesses back into the regional economy, promote financial inclusion and improve access to credit for small and medium sized businesses. The ethos behind the new Mutual is consistent with the Council’s corporate strategy themes of communities and enterprise.

24. The investment does not have the primary purpose of deriving a financial return and the Council recognises that the funds utilised may not necessarily be returned to the Council. Therefore the investment has been written down to Nil during 2018/19**.**

Financial Instruments – IFRS9 Election to treat Equity Instruments as Fair Value through Other Comprehensive Income

25. In February 2017, the Council made the decision to invest £500,000 in the CCLA Local Authority Property Fund, with the investment being placed in April 2017.

26. Upon transition to IFRS 9 – Financial Instruments on 1 April 2018, and in accordance with paragraphs 5.7.5 and 7.2.8 (b) of IFRS9, West Devon Borough Council makes an irrevocable election to present in other comprehensive income, changes in the fair values of its equity instruments. These investments are eligible for the election because they meet the definition of equity instruments in paragraph 11 of IAS32 and are neither held for trading (the Council holds this investment as a long term strategic investment) nor contingent consideration recognised by an acquirer in a business combination to which IFRS3 applies. They are not considered to be puttable instruments because the Council does not have a contractual right to put the instrument back to the issuer for cash. A summary of the position of these equity instruments as at 31 March 2019 is shown below:

	Purchase cost	**Fair Value at 31 March 2019**	**Balance in Financial Instruments Revaluation Reserve**
	£000	**£000**	**£000**
Equity Instrument			
CCLA Local Authorities Property Fund	500	491	9

FINANCIAL NEEDS AND RESOURCES

27. The Council maintains both capital and revenue reserves. The provision of an appropriate level of balances is a fundamental part of prudent financial management, enabling the Council to build up funds to meet known and potential financial commitments.

28. General Fund reserves (which include earmarked reserves) have increased by £0.4m from the preceding year and stand at £5.6m at 31 March 2019.

29. The General Fund Balance (un-earmarked reserve) has increased by £89,000 in 2018/19 and totals £1.286m. Revenue reserves may be used to finance capital or revenue spending plans. The level of Reserves are assessed as adequate for the Council's operations.

30. Capital Reserves are represented by capital receipts and capital contributions unapplied. The balance at 31 March 2019 amounts to £0.869m, compared to £0.469m at the end of the previous year.

31. There are a number of Unusable Reserves which include the Revaluation Reserve, Capital Adjustment Account and Pensions Reserve which are subject to complex accounting arrangements. The Revaluation Reserve and Capital Adjustment Account are used primarily to account for changes in fixed asset values associated with revaluations and new capital expenditure and as such cannot be used to finance capital or revenue expenditure. In addition the Financial Instruments Revaluation Unusable Reserve has been created in 2018/19 following the implementation of IFRS9 Financial Instruments on 1 April 2018. The ‘Available for Sale’ category of Financial Instruments is no longer available under IFRS 9 and the balance brought forward from 2017/18 has been transferred to the Financial Instruments Revaluation Reserve.

32. When reviewing the amount of overall reserves held, consideration should be given to the possible implications of the Pension Fund deficiency disclosed within the notes to the balance sheet. The requirement to recognise the net pension liability in the balance sheet has reduced the reported net worth of the Authority by £23.8 million at 31 March 2019. This disclosure follows the implementation of the International Accounting Standards (IAS 19). This standard requires local authorities and other businesses to disclose pension assets and liabilities within the balance sheet.

33. It is important to gain an understanding of the accounts to appreciate the nature of this reported deficiency, which is based on a “snapshot” of pension assets and liabilities at the year end. This is quite different from the valuation basis used for the purposes of establishing the employer’s contribution rate and fund shortfall, which are calculated using actuarial assumptions spread over a number of years.

Senior Leadership Team interim arrangements

34. Following the resignation of the former Executive Director in February 2018, Council approved interim senior management arrangements. A report was presented to Council on 12 February 2019 (Council Minute CM54) that outlined a review of the Staffing Establishment.

35. The Review Panel, consisting of the Leaders of each Council and senior Members recommended that the previous structure incorporating two Executive Directors was replaced with a Chief Executive Officer. The Panel also recommended that once in post, the Chief Executive brings forward a proposed new senior leadership structure that builds upon the recommendations of the Peer Review and will be along the lines of:

- Director of Customer Service and Delivery
- Director of Place and Enterprise
- Director of Governance
- Director of Strategic Finance

36. It was resolved that with effect from 21 February, the Executive Director for Service Delivery and Head of Paid Service be appointed to the role of Chief Executive and that agreement be given to extending the interim senior management arrangements with a

report being brought to Council recommending a new structure within six months of the 2019 Council elections.

Annual Governance Statement (AGS)

37. The Council's Annual Governance Statement sets out the arrangements for governance which the Council has in place. The AGS is published alongside the Accounts for 2018/19.

Peer Challenge

38. In 2018, the Council requested that the Local Government Association ("LGA") undertake a Peer Challenge of West Devon Borough Council, jointly with South Hams District Council in order to identify their strengths and any areas for improvement. The team comprising of Councillors and senior officers from other Councils reviewed our financial plans, governance, leadership and capacity to deliver services. Their report was very positive about our plans and progress to date and provided a number of recommendations for the Council to implement.

    A copy of the Peer Challenge report is available on the Council's website under 'Your Council' within the 'Transparency' section.

39. On 19th March, the Hub Committee considered the Peer Challenge Action Plan.

LOOKING FORWARD TO THE FUTURE AND NEXT STEPS

40. The Council has a proud tradition of innovation, we will continue to strive to achieve this whilst implementing the Peer Review recommendations, the customer satisfaction improvement plan and of course working with local communities to deliver against the Council's key corporate themes.

Newly elected Council

41. Following the local elections in May 2019, the Council will embark on a thorough induction programme for newly elected Councillors. Induction will cover in detail the services offered by the Council, the Corporate Strategy and the financial and legislative challenges to be faced in 2019/20 and beyond. A key task for Councillors will be to align services to the Council's corporate themes and more importantly explain and consult with our residents and communities. This will be key in enabling the Council to deliver on its aspiration to 'make a positive impact on the lives of local people by providing valued and easy to use services'.

Acting on the Peer Review

42. As a result of the Peer Review report, we will be reviewing the Council's Senior Management structure to ensure that there is strategic capacity and direction to enable the Council to effectively plan for and deliver its aspirations into the medium term whilst at the same time generating longer term savings. Staff will be working with newly elected Councillors to strengthen the Council's political governance arrangements and build on the success of the joint procurement for waste services to continue joint working with South Hams District Council.

43. We will continue to ensure there is an organisational focus on achieving financial sustainability and develop new income streams to support the Council's budget. We will continue to develop our existing partnerships and create new ones, to improve our support to individuals and communities, ensuring that we offer joined up, cost effective services so that, our customers and communities have a clear understanding of where they can get guidance and support.

Customer Satisfaction

44. There will be a relentless focus on improving customer satisfaction ahead of a follow-up satisfaction survey in 2019. We have set clear targets and aim to improve the Council's score in 3 key measures;
    - The overall benchmarking score
    - Getting it 'right first time'
    - And 'keeping customers informed'

45. We will do this by implementing service standards across the majority of our services. When customers contact us they will be advised of what they can expect to receive and by when. We will capture customers' feedback and use this to drive service improvements. For major services we will look to provide on our website, how we are doing in meeting these standards, alongside feedback from our customers. When we look at service changes or new services, we will involve customers to ensure that we understand the 'customer experience' from their first contact with us through to delivery.

Working with communities

46. We will continue our work with Town and Parish Councils and Neighbourhood Planning Groups to prepare Town Centre Strategies. These will identify priorities and provide the basis for coordinated action to ensure the role town centres play in meeting the needs of communities and their hinterland are maintained and enhanced.

Our financial future

47. The Council continues to face considerable financial challenges as a result of uncertainty in the wider economy and constraints on public sector spending. The Council is still facing a forecast budget gap of £533,000 for 2020 onwards. The Council has had a 38% reduction in Government funding over the last four years, with no main Government Grant now being received (Revenue Support Grant has been reduced to Nil). This means that the Council needs to generate additional income to be able to carry on delivering our current range of services. In terms of sparsity, West Devon Borough Council is third in the table of Councils who are covering the largest area with the smallest population. The Council will continue to implement proposals to meet this financial challenge; these will include progressing investment opportunities and income generating services as well as identifying further efficiencies to reduce costs for the benefit of our community, finding smarter ways of doing things and making our assets work better for us in order to balance the budget next year.

Summary

48. Overall, the Council's finances remain secure in the short to medium term, but there is still much work to do to ensure the long term financial sustainability of the Council. The next few years will be challenging as the Government's Fair Funding Review and reset of the Business Rates baseline are introduced, coupled with no Government Grant and the cessation of the current New Homes Bonus scheme. There are many uncertainties inherent within all these fundamental changes to the Local Government Finance environment.

Issue of the Accounts

49. The Section 151 Officer & Strategic Finance Lead authorised the Statement of Accounts 2018/19 for issue on 23 July 2019. Events taking place after this date are not reflected in the financial statements or notes.

ACHIEVEMENTS FOR 2018/19

The following pages set out the achievements of the Council for 2018/19 by each of the Themes within its Corporate Strategy.

COUNCIL - Delivering efficient and effective services

Action	**18/19 Progress**
Customer Service	Joined the renowned Institute of Customer Service to benchmark Council service against market leaders. Stopped accepting cash and cheque payments, enabling more staff to be deployed on phone answering, which in turn has helped significantly reduce call-waiting times for customers. We have continued to focus on 'getting it right first time' and proactively keeping customers informed, both of which have helped to reduce call volumes. We have piloted web chat and will be looking at how we can expand this in 2019/20.
Value for Money	Deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. Approved a net budget for 2019/20 which includes proposals for savings and additional income of £690,000, including significant annual savings from April 2019 from the procurement of the Council's waste collection, recycling and cleansing services. As part of the budget setting process for 2019/20, the Council has agreed to reduce funding or seek efficiencies to ensure statutory delivery outcomes are prioritised.
Lobbying	Participated in a number of consultations during the year, including business rate retention reform, the Fair Funding Review, the 2019/20 Local Government Finance Settlement and the Local Authority Financial Resilience Index. The Council was accepted as one of only 10 new business rate retention pilots in England for 2018/19. The Council has also been working with Rural Services Network to lobby central government on the higher cost of delivering rural services and has formally signed up to the RSN Rural Strategy which is gaining support in central Government.
Investment	The Council has taken a commercial approach and has been pro-active in addressing economic regeneration in times of financial austerity. A commercial property acquisition strategy has been approved by the Council, which blends in-area development and investment, with those outside of the area, all capped within the Council's borrowing limit of £50 million.

COMMUNITIES - Council and residents working together to create strong empowered communities

Action	18/19 Progress
Community Project Grants	£16,868 allocated to 4 projects ranging from renovations to a village hall, replacing play equipment, an arts project and wildlife equipment.
Communities Together Funding	£28,100 awarded to 7 community projects including play equipment, bus shelter, defibrillator, memory cafe and village hall improvements.
Seamoor Community Lotto	Agreement secured to proceed with a Council led lottery in partnership with South Hams District Council and Gatherwell Ltd. Over 90 local, good causes signed up to receive funds.
Community Support	Provided core funding support to a range of local organisation providing services to local communities including the Citizens Advice, CVS (Community Volunteer Service), Ring and Rides, Okehampton Community and Recreation Association and Young Devon.
Community Asset Transfers	A number of transfers have completed this year, with two areas of open space and one public toilet transferring to Okehampton Town Council. Other public toilet transfers include Chagford and Lydford, with more planned for 2019.
Neighbourhood Plans	Launched a dedicated website **www.neighbourhoodplanning.swdevon.gov.uk** providing detailed information on plans that are already in progress and guidance for community groups thinking of starting a plan. 1 plan made in 2018/19.

HOMES - Enabling homes that meet the needs of all

Action	18/19 Progress
Affordable housing	16 homes completed in Horrabridge and South Tawton. Construction is also underway to provide 28 affordable homes within Chagford, the first units will be completed and ready for occupation in July 2019 in partnership with the Community Land Trust and Aster Housing Association. Work has commenced on three sites in Tavistock including Butcher Park which is set to provide 38 affordable homes, Callington Road providing 41 homes and new Launceston Road 37 homes. In Okehampton permission has been granted for 12 homes and two other applications, outside of the main towns will provide a further 34 dwellings in the Borough.
Disabled facility grants	Awarded over £308,000 to 61 projects to facilitate independent living through adaptation of homes including level shower access, stair lifts and ramps.
Community Housing Initiative	£250,000 Community Housing Fund targeting high quality homes for those with local connection where the cost of market housing is beyond their reach. First two schemes (17 and 12 homes respectively) in early stage of design. It is proposed that these will be constructed during 2020. Further opportunities are under review.
SeaMoor Lettings	Launch of Council run housing letting agency, managing 6 homes for private landlords to local people at affordable rents.

ENVIRONMENT - Protecting, conserving and enhancing our built and natural environment

Action	**18/19 Progress**
Joint Local Plan	On 26 March 2019 the Plymouth and South West Devon Joint Local Plan was formally adopted. The Plan has been subject to examination by two independent Inspectors appointed by the Secretary of State. The Joint Local Plan is only the third joint plan in the country to include strategic and local policies, the first to include a major English city and its neighbouring Councils, and has been prepared in the shortest time of any joint plan in the country.
Waste and Recycling	Successfully awarded a new high performing waste, recycling and street cleaning contract. Achieving savings of around £2 million during the lifetime of the contract. The Council listened to what residents wanted i.e. more items being recycled from the kerbside and a continued focus on keeping the beautiful Borough clean - this will be delivered through the new arrangement at a more favourable price.
Tavistock Town Heritage Initiative	Contributed to this partnership initiative securing monies from the Heritage Lottery Fund, restoring 4 listed buildings in 2018/19 including Kingdon House and improving surfacing around the Pannier Market.
Garden Waste Club	Realigned the Council's garden waste service to better fit with the growing season, by making annual subscriptions from April to March. To date over 5,000 residents have signed up to this fortnightly service.

ENTERPRISE - Creating places for enterprise to thrive and business to grow

Action	18/19 Progress
Greater Dartmoor LEAF (Local Enterprise Action Fund)	£249,748 funding awarded in the past 12 months to 12 projects which are expected to generate 14.4 FTE jobs. Projects include community buildings, premises refurbishments, equipment investment and farm modernisation. To date, 24.6 FTE jobs have been created in West Devon through this fund, employing local people. In recognition of the good management of this fund and the volume of high quality projects in the Greater Dartmoor LEAF area, additional funding of £264,000 was awarded by Defra to extend the programme during 2018/19.
Business Support	Funded a business support package which has delivered advice to 99 businesses, hosted 34 workshops and assisted businesses to recruit 102 employees.
Teenage Market	Continued to build on this successful initiative by working in partnership with the Town Council to host a market in the newly restored Butchers Hall. Providing young people the opportunity to hone their business skills and show their entrepreneurial flair.
Council owned premises	Achieved an average of 85% occupancy rate for all Council owned employment premises.

WELLBEING - Supporting positive, safe and healthy lifestyles and helping those most in need

Action	18/19 Progress
Community Safety Partnership	Facilitated training on safeguarding to 95% taxi drivers. Continued to work with all secondary schools in the Borough through workshops and theatre performances to address and raise awareness of community safety including drugs, prevent and missing episodes linked to exploitation. Enabled Tavistock and Okehampton Matters meetings with local councillors to discuss anti-social behaviour with the police and other safety specialists. Commissioned “Moorwatch” banners to significantly reduce the amount of thefts from vehicles on the moor. Worked with the local fire service to deliver the Phoenix Project to teach fire and rescue skills.
Junior Life Skills	Worked with 9 partners including the Police, RNLI, Fire Service, Dog Trust and Tavistock Rotary to present workshops to 600 children, to enable them to live safely and provide them with the skills to assess and respond appropriately to potentially dangerous situations.
Refugees	Member approval to welcome additional Syrian families beyond our original pledge, where properties are offered. Fifth family to arrive in early summer 2019 for resettlement.
Leisure Centres	All capital developments at Okehampton and Tavistock have been successfully completed, to a value of nearly £2 million. Despite all the building works and associated disruption, overall usage increased to 140,324 visits, including 824 memberships, plus 757 swim school memberships.
Pocket Park Scheme	Working with the local community, secured £25,000 of Pocket Park Scheme funding, to support a disabled play space in the Hatherleigh area.

PERFORMANCE INDICATORS FOR 2018/19

Performance has continued the multi-year trend and been maintained at a high, and generally improving, level. Increased online uptake has delivered further improvements in efficiency and enabled better results from the contact centre to be realised. Other improvements in productivity are planned so the level of performance should be maintained or improved going forward.

Corporate Balanced Scorecard

Community/Customer

Q1	Q2	Q3	Q4	Yr	
⚠️	⚠️	⚠️	⚠️	⚠️	Overall waste recycling rate %
✅	✅	✅	✅	✅	Residual waste per household
🔴	⚠️	✅	✅	✅	Average no. of missed bins
⚠️	⚠️	✅	✅	✅	**CST:** % of calls answered
🔴	🔴	🔴	⚠️	🔴	**CST:** % of calls answered in 20 secs
⚠️	✅	✅	✅	⚠️	**CST:** % calls answered in 5 mins

Processes

Q1	Q2	Q3	Q4	Yr	% of planning applications determined within time frame
✅	⚠️	✅	✅	✅	Major(Statutory)
✅	✅	✅	✅	✅	Non-Major

Q1	Q2	Q3	Q4	Yr	
✅	✅	✅	✅	✅	Avg End to End time Benefits New Claims
✅	✅	✅	✅	✅	Avg End to End time Benefits Change of circumstances

Online uptake

Q1	Q2	Q3	Q4	Yr	
✅	✅	✅	✅	✅	% of Benefits new claims online (IEG4)
🔴	🔴	🔴	🔴	🔴	% of Benefits change of circumstances online (IEG4/DHP)
✅	✅	✅	✅	✅	Ratio of web/call-post-email submissions (W2)

Performance

Q1	Q2	Q3	Q4	Yr	
✅	✅	✅	✅	✅	**EH:** % of nuisance complaints resolved at informal stage
✅	✅	✅	✅	✅	Avg days short term sickness/FTE
✅	✅	✅	✅	✅	Complaint response speed

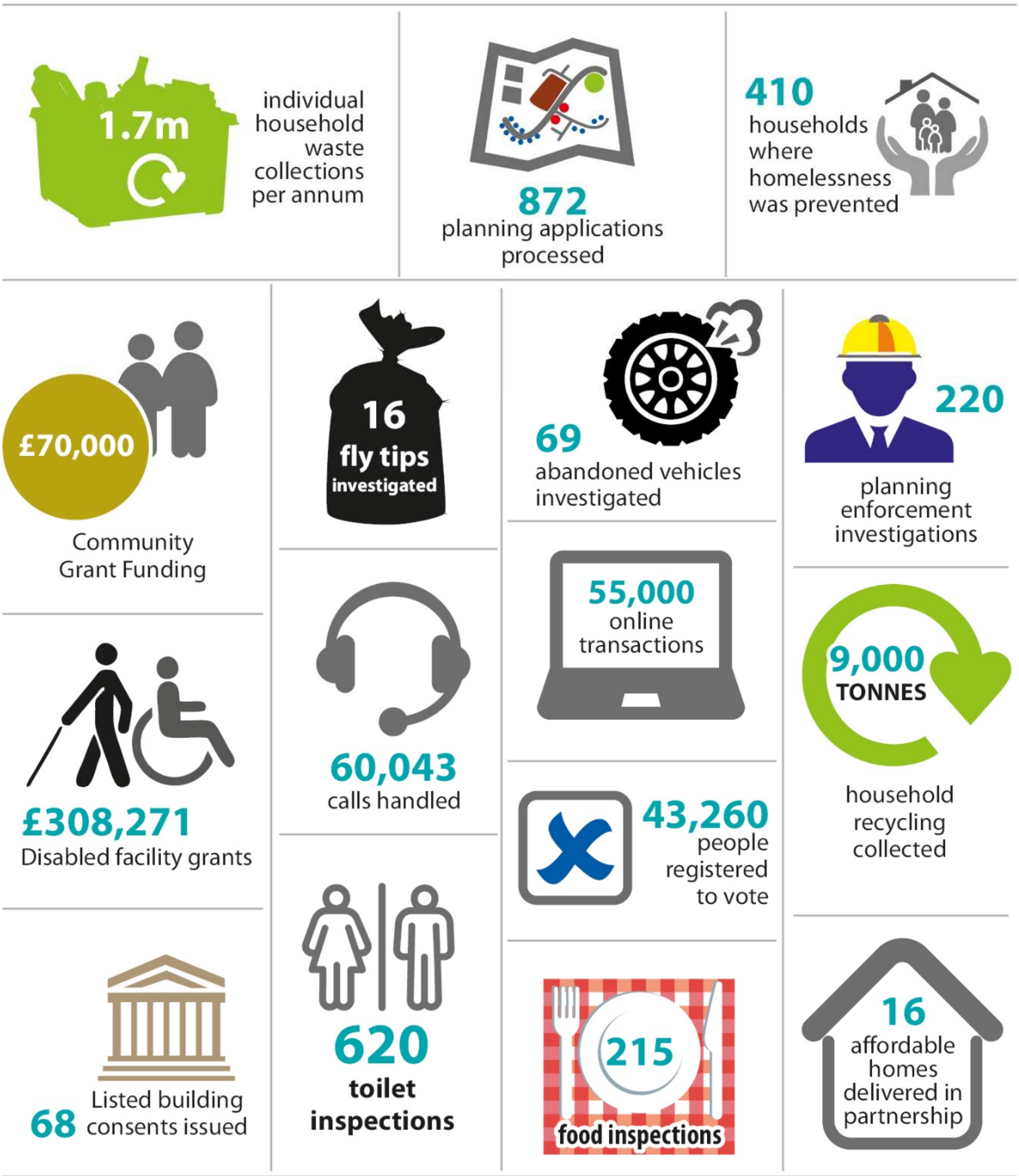
Key

🔴	Below target performance
⚠️	Narrowly off target, be aware
✅	On or above target

Online Uptake

The new measure for online uptake for benefits change of circumstances was set at a stretching level to encourage channel shift for customers who were used to interacting with us in more traditional ways. The online uptake for new claims started high and increased regularly, but changes of circumstances remained low. The form was updated towards the end of the year to make it display better on smaller screen devices (phones, tablets, etc.) where we were seeing increased usage and we should see a slow improvement for this measure in the coming year.

A few things we spent your money on in 2018/19



Performance for the year 2018/19

Housing benefit claims processing times 8.5 days faster than the national target

Online transactions increased by 10,000 to 55,000 transactions

Missed waste collections equate to 108 in every 100,000

Non major planning determinations delivered on time 83%

Call volume decreased by over 3,000 calls

PRINCIPAL RISKS AND UNCERTAINTIES

A risk management strategy is in place to identify and evaluate risks. There are clearly defined steps to support better decision making through the understanding of risks, whether a positive opportunity or a threat and the likely impact. A Statutory Officers' Panel was set up in 2015/16 and a key role of this Panel is strategic risk management. This Panel consists of the Head of Paid Service, Chief Finance Officer and the Monitoring Officer.

A risk report is presented to the Council's Audit Committee every six months. Below is an extract from the Risk report to the Audit Committee in March 2019.

Risk	Uncertainties	Mitigation
Political commitment for change	Considerable external change with Devolution and Governmental funding cuts; leading to uncertainty within the South West and beyond.	Regular Leader & Deputy Leader meetings. Regular surgery and informal sessions for wider membership. Jan 2019: Preparation for post-May 2019 through induction and ongoing training for all Members. Introduction of some of the suggested actions from the LGA peer review.
Adherence to Medium Term Financial Strategy (MTFS), due to changes in Government policy and/or income streams	Reduction in Government grant, increasing demand for services and other cost pressures and increased risks associated with localised business rates and council tax support. Additionally, income from activities may not materialise or may be reduced, e.g. business rate appeals or a reduction in the commercial property market. The amount of income received can be adversely affected by a fall in collection rates due to economic downturn and other factors such as the bankruptcy/liquidation of large ratepayers or any sizeable rateable value reductions achieved by business rated properties in the area. Business rates pilot 2018/19 – 100% local business rate retention of growth above baseline is confirmed for one year only.	Robust horizon scanning to monitor changes in Government policy. SLT awareness of the risks, cautious approach to budgeting and robust systems of financial control. The Council is not intending to rely heavily on sources of income which may not be sustainable. SLT actively participate in Government consultations, MP discussions and keep aware of changes and the response by peer group, ensuring where appropriate the learning from this is incorporated into strategic plans. SLT engaged in the development of the MTFS. Latest MTFS approved by Council in September 2018 with Member Workshops in both Councils conducted in October 2018. Budget for 2019/20 was approved by Council in February 2019. Waste contract procurement has delivered significant financial savings. Grounds maintenance business review and ICT review to be carried out to deliver either growth opportunity or efficiencies in working methods. Commercial Property Acquisition Strategy has achieved its current objectives. One development project has been approved, which subject to planning approval, will contribute revenue in future years.

Risk	Uncertainties	Mitigation
Service Performance	Process implementation is now complete. Uncertainties could be due to a lack of appropriate resources. In the past, a lack of appropriate resource and the T18 transformation and change in processes combined to affect our ability to deliver appropriately on occasion. This pressure was increased due to county and general elections in 2017.	A Customer Survey was carried out in Autumn 2018 and staff Customer Away Days were held in September 2018. Getting it right the first time, getting back to people appropriately and more timely. Better channel recognition to clear responses. Keep better records. Appropriate resources in the right places. Plan to re-measure customer satisfaction during 18/19. Increased customer engagement; new complaints policy in place. Ongoing review of internal and external policies.
Business Continuity	Following the event, how quickly will certain systems and processes be able to be back on-line	Key officers have now attended a training exercise. Officers are updating plans as a result. Business Impact assessments have been completed for most areas and were tested in the above exercise. A recent internal audit has been completed and identified some weaknesses but acknowledged a positive direction of travel.
Emergency response, e.g. storm damage/flooding	Following the event, the expectation that asset repairs will be urgently undertaken despite competing claims on capital resources	Continued management and officer focus on this area to ensure risk is minimised as much as possible; continued close engagement work with DCC and Environment Agency to ensure all parties are aware of each others responsibilities and capacity
Inadequate Staffing Resources	Performance being reviewed to understand whether resourcing levels are correct; difficult to assess accurately as organisation continues to experience change effects and processes being embedded / roll-out of new technology and working practices	Customer Satisfaction Survey has been been undertaken and staff away days have also been undertaken to update staff and embed solutions to tackle issues raised. Mechanism in place for ELT to appoint within budget where appropriate without recourse to SLT. Apprenticeship scheme developed by HR.

Section 2

Core Financial Statements

SECTION 2A 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 both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2017/18				**2018/19**		
Gross Expenditure £000	**Gross Income £000**	**Net Expenditure £000**	**Segment**	**Gross Expenditure £000**	**Gross Income £000**	**Net Expenditure £000**
19,703	(16,316)	3,387	Customer First	17,998	(15,342)	2,656
4,052	(1,812)	2,240	Commercial Services	4,086	(2,029)	2,057
1,554	(579)	975	Strategy & Commissioning	1,180	(316)	864
1,963	(409)	1,554	Support Services	2,151	(376)	1,775
774	(12)	762	Centrally Held Costs	830	-	830
39	-	39	Material Items (Note 2)	32	-	32
28,085	**(19,128)**	**8,957**	**Cost of Services**	**26,277**	**(18,063)**	**8,214**
		1,287	Other operating expenditure (Note 9)			1,643
		721	Financing and investment income and expenditure (Note 10)			1,506
		(9,251)	Taxation and non-specific grant income (Note 11)			(10,028)
		1,714	**(Surplus) or Deficit on Provision of Services**			**1,335**
		(1,349)	(Surplus) or deficit on revaluation of Property, Plant and Equipment			(2,225)
		(2,866)	Remeasurements of the net defined benefit liability			(1,218)
		16	(Surplus) or deficit on revaluation of available for sale financial assets			-
		-	(Surplus) or deficit from investments in equity instruments designated at fair value through other comprehensive income			(7)
		(4,199)	**Other Comprehensive Income and Expenditure**			**(3,450)**
		(2,485)	**Total Comprehensive Income and Expenditure**			**(2,115)**

SECTION 2B: MOVEMENT IN RESERVES

Movement in Reserves Statement

This statement shows the movement from the start of the year to the end 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 'unusable reserves'. The Movement in Reserves Statement shows how the movements in year of the Authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Increase/Decrease in Year line shows the statutory General Fund Balance movements in the year following these adjustments.

2018/19	General Fund Balance £000	Earmarked General Fund Reserves £000	**Total General Fund Reserves £000**	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Authority Reserves 2018/19 £000**
Balance at 31 March 2018 carried forward	**1,197**	**4,015**	**5,212**	**347**	**122**	**5,681**	**(6,105)**	**(424)**
Movement in Reserves during Year								
Total Comprehensive Income & Expenditure	(1,335)	-	**(1,335)**	-	-	**(1,335)**	3,450	**2,115**
Adjustments between accounting basis & funding basis under regulations (Note 7)	1,725	-	**1,725**	(26)	426	**2,125**	(2,125)	**-**
Transfers to/from Earmarked Reserves (Note 8)	(301)	301	**-**	-	-	**-**	-	**-**
Increase/ (Decrease) in Year	**89**	**301**	**390**	**(26)**	**426**	**790**	**1,325**	**2,115**
Balance at 31 March 2019 carried forward	**1,286**	**4,316**	**5,602**	**321**	**548**	**6,471**	**(4,780)**	**1,691**

SECTION 2B: MOVEMENT IN RESERVES

2017/18 Comparatives	General Fund Balance £000	Earmarked General Fund Reserves £000	**Total General Fund Reserves £000**	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Authority Reserves 2017/18 £000**
Balance at 31 March 2017 carried forward	**1,125**	**3,732**	**4,857**	**452**	**173**	**5,482**	**(8,391)**	**(2,909)**
Movement in Reserves during Year								
Total Comprehensive Income & Expenditure	(1,714)	-	**(1,714)**	-	-	**(1,714)**	4,199	**2,485**
Adjustments between accounting basis & funding basis under regulations (Note 7)	2,069	-	**2,069**	(105)	(51)	**1,913**	(1,913)	**-**
Transfers to/from Earmarked Reserves (Note 8)	(283)	283	**-**	-	-	**-**	-	**-**
Increase/ (Decrease) in Year	**72**	**283**	**355**	**(105)**	**(51)**	**199**	**2,286**	**2,485**
Balance at 31 March 2018 carried forward	**1,197**	**4,015**	**5,212**	**347**	**122**	**5,681**	**(6,105)**	**(424)**

SECTION 2C. BALANCE SHEET

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

31 March 2018		Notes		31 March 2019
£000				**£000**
22,315	Property, Plant & Equipment	12		25,149
-	Investment Property	13		20,130
123	Intangible Assets			125
484	Long Term Investments	14		491
123	Long Term Debtors	15		123
23,045	**Long Term Assets**			**46,018**
3,000	Short Term Investments			-
3,760	Short Term Debtors	15		3,014
4,377	Cash and Cash Equivalents	17		10,638
11,137	**Current Assets**			**13,652**
(4,367)	Short Term Creditors	18		(5,203)
-	Short Term Borrowing	14		(514)
(413)	Provisions	19		(649)
(4,780)	**Current Liabilities**			**(6,366)**
(54)	Long Term Creditors	18		(211)
(4,750)	Long Term Borrowing	14		(27,066)
(24,380)	Pension Fund Liabilities	36		(23,822)
(642)	Capital Grants Receipts in Advance	31		(514)
(29,826)	**Long Term Liabilities**			**(51,613)**
(424)	**Total Net Assets**			**1,691**
5,681	Usable Reserves	20		6,471
(6,105)	Unusable Reserves	21		(4,780)
(424)	**Total Reserves**			**1,691**

The notes on pages 35 to 113 form part of these financial statements.
The unaudited accounts were issued on 29 May 2019. The audited accounts were issued on 23 July 2019.

SECTION 2D. CASH FLOW STATEMENT

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

2017/18 £000		**2018/19 £000**
1,714	**Net (surplus) or deficit on the provision of services**	**1,335**
(578)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 22)	(5,051)
360	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 23)	(2,156)
1,496	**Net cash flows from Operating Activities**	**(5,872)**
5,651	Net increase/(decrease) in Investing Activities (Note 24)	22,552
(1,883)	Net cash outflow/(inflow) from Financing Activities (Note 25)	(22,941)
5,264	**Net (increase) or decrease in cash and cash equivalents**	**(6,261)**
9,641	Cash and cash equivalents at the beginning of the reporting period	4,377
4,377	**Cash and cash equivalents at the end of the reporting period (Note 17)**	**10,638**

Section 3

Notes to the Financial Statements

Notes to the Financial Statements

1 Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

2 Material Items of Income and Expenditure

3 Events After the Reporting Period

4 Expenditure and Funding Analysis

4A Note to the Expenditure and Funding Analysis

5 Segment Reporting

6 Expenditure and Income Analysed by Nature

7 Adjustments between Accounting Basis and Funding Basis under Regulations

8 Transfers to/from Earmarked Reserves

9 Other Operating Expenditure

10 Financing and Investment Income and Expenditure

11 Taxation and Non-Specific Grant Income

12 Property, Plant and Equipment

13 Investment Properties

14 Financial Instruments

15 Debtors

16 Debtors for Local Taxation

17 Cash and Cash Equivalents

18 Creditors

19 Provisions

20 Usable Reserves

21 Unusable Reserves

- Revaluation Reserve
- Capital Adjustment Account
- Pensions Reserve
- Available for Sale Financial Instruments Reserve
- Financial Instruments Revaluation Reserve
- Council Tax Collection Fund Adjustment Account
- Business Rates Collection Fund Adjustment Account
- Accumulated Absences Account

SECTION 3 NOTES TO THE ACCOUNTS

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

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

The items in the Authority's Balance Sheet at 31 March 2019 for which there are significant risks 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 which are estimated annually. The carrying value of Property, Plant and Equipment as at 31 March 2019 is £25 million.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. If the depreciation lives of the assets were to change by 1 year across all assets, this would have a £26,000 impact on the Council's finances.
Investment Property	The Council's external valuers use recognised valuation techniques to determine the fair value of Investment Property each year. This involves making assumptions and estimates in terms of how market participants would price the property. The fair value of Investment Properties as at 31 March 2019 is £20 million.	The fair value estimates may differ from the actual prices that could be achieved in an arm's length transaction. If the fair value estimates were to change by 2%, this would have a £400,000 impact on the Council's finances.
Arrears	The Authority makes a provision every year for the impairment of doubtful debts for Council Tax, Business Rates, Housing Benefit and Sundry Debt. For example at 31 March 2019, the Authority had a balance of Sundry Debtors of £435,000. A review of significant balances suggested that an impairment for doubtful debts of 31% (£134,000) was appropriate.	The impairment for doubtful debts is reviewed annually in order to respond to changes in collection rates. If Council Tax arrears were to change by 1%, this would have an impact of £7,700 on the Council's finances.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Business Rates Appeals Provision	Estimates have been made for the provision for refunding ratepayers who may successfully appeal against the rateable value of their properties. This includes the current and previous financial years. The estimate is based on those ratepayers who have appealed. The total appeals provision as at 31 March 2019 is £1.622 million, of which the Council's share is 40% (£649,000).	There is uncertainty and risk surrounding the calculation of the provision as future events may affect the amount required to settle an obligation. If the Business Rates appeals provision were to change by 1% this would have an impact of £6,500 on the Council's finances.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgments relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied. The value of pension assets is estimated based upon information available at the Balance Sheet date, but these valuations may be earlier than the Balance Sheet date. The actual valuations at the Balance Sheet date, which may not be available until sometime later, may give a different value of pension assets, but this difference is not considered to be material. The Pension Fund's Actuary has provided updated figures for the year based on the last valuation in 2016. This valuation is based upon cashflow and assets values as at 31 March 2019. Contributions are set every 3 years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out during 2019/20 (as at 31 March 2019) and will set contributions for the period from 1 April 2020 to 31 March 2023. The carrying value of the Pensions Liability as at 31 March 2019 is £23.8 million.	The effects on the net pension liability of changes in individual assumptions can be measured. For example, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £928,000. The assumptions interact in complex ways. For example, in 2018/19, the Authority's actuaries advised that the pension liability has reduced by £2.9 million as a result of a change in "demographic assumptions" but this was partly offset by an increase of £2.4 million as a result of a change in "financial assumptions". Please refer to Note 36 for further information about the assumptions used by the actuaries.

SECTION 3 NOTES TO THE ACCOUNTS

2. MATERIAL ITEMS OF INCOME AND EXPENDITURE

The following material item has been included on the face of the Comprehensive Income and Expenditure Statement (CIES) since 2014/15. This expenditure relates to the upfront investment costs for the Council's Transformation Programme (T18).

	2017/18			2018/19		
Transformation Programme (T18) Investment Costs	**Direct £000**	**Recharges £000**	**Total £000**	**Direct £000**	**Recharges £000**	**Total £000**
GROSS REVENUE EXPENDITURE Redundancy and Pension strain payments	39	-	39	32	-	32
Sub Total	**39**	**-**	**39**	**32**	**-**	**32**
GROSS REVENUE INCOME Shared Service Recharge to South Hams DC	-	-	**-**	-	-	**-**
Sub Total	**-**	**-**	**-**	**-**	**-**	**-**
NET REVENUE EXPENDITURE/(INCOME) (as shown in the CIES)	**39**	**-**	**39**	**32**	**-**	**32**

3. EVENTS AFTER THE REPORTING PERIOD

The draft Statement of Accounts (SOA) for 2018/2019 was approved for issue by the Section 151 Officer & Strategic Finance Lead on 29 May 2019. The Statement of Accounts were then reviewed by the Audit Committee on 25 June 2019 and the audited accounts were authorised for issue on 23 July 2019. This is also the date up to which events after the reporting period have been considered. There are no events which took place after 31 March 2019 which require disclosure.

SECTION 3 NOTES TO THE ACCOUNTS

4. EXPENDITURE AND FUNDING ANALYSIS

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the Authority (ie government grants, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by the Authority in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Authority's service areas. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement in Section 2A.

2018-2019	**Net Expenditure Chargeable to the General Fund £000**	**Adjustments between Funding and Accounting Basis (Note 4A) £000**	**Net Expenditure in the Comprehensive Income and Expenditure Statement £000**
Customer First	1,675	981	2,656
Commercial Services	1,727	330	2,057
Strategy & Commissioning	862	2	864
Support Services	1,717	58	1,775
Centrally Held Costs	830	-	830
Material Items	32	-	32
Net Cost of Services	**6,843**	**1,371**	**8,214**
Other income and expenditure	(7,233)	354	(6,879)
(Surplus)/Deficit on Provision of Services	**(390)**	**1,725**	**1,335**

	General Fund Balance £000	**Earmarked Reserves £000**	**Total General Fund Reserves £000**
Opening Balance at 31 March 2018	**(1,197)**	**(4,015)**	**(5,212)**
(Increase)/decrease in year	(89)	(301)	(390)
Closing Balance at 31 March 2019	**(1,286)**	**(4,316)**	**(5,602)**

2017-2018 Comparatives	**Net Expenditure Chargeable to the General Fund £000**	**Adjustments between Funding and Accounting Basis (Note 4A) £000**	**Net Expenditure in the Comprehensive Income and Expenditure Statement £000**
Customer First	1,804	1,583	3,387
Commercial Services	2,183	57	2,240
Strategy & Commissioning	947	28	975
Support Services	1,497	57	1,554
Centrally Held Costs	762	-	762
Material Items	39	-	39
Net Cost of Services	**7,232**	**1,725**	**8,957**
Other income and expenditure	(7,587)	344	(7,243)
(Surplus)/Deficit on Provision of Services	**(355)**	**2,069**	**1,714**

	General Fund Balance £000	**Earmarked Reserves £000**	**Total General Fund Reserves £000**
Opening Balance at 31 March 2017	**(1,125)**	**(3,732)**	**(4,857)**
(Increase)/decrease in year	(72)	(283)	(355)
Closing Balance at 31 March 2018	**(1,197)**	**(4,015)**	**(5,212)**

4A. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

This note overleaf explains the main adjustments from net expenditure chargeable to the general fund balances to arrive at the amounts in the Comprehensive Income and Expenditure Statement (CIES).

SECTION 3 NOTES TO THE ACCOUNTS

Adjustments between Funding and Accounting Basis				
2018/19	**Adjustments for capital purposes (Note A) £000**	**Net change for the pensions adjustments (Note B) £000**	**Other Differences (Note C) £000**	**Total adjustments £000**
Customer First	957	24	-	**981**
Commercial Services	325	5	-	**330**
Strategy and Commissioning	-	2	-	**2**
Support Services	52	1	5	**58**
Net Cost of Services	**1,334**	**32**	**5**	**1,371**
Other income and expenditure from the Expenditure & Funding Analysis	**(145)**	**628**	**(129)**	**354**
Difference between the General Fund surplus or deficit, and the surplus or deficit on the provision of services in the CIES	**1,189**	**660**	**(124)**	**1,725**

Adjustments between Funding and Accounting Basis				
2017/18 Comparatives	**Adjustments for capital purposes (Note A) £000**	**Net change for the pensions adjustments (Note B) £000**	**Other Differences (Note C) £000**	**Total adjustments £000**
Customer First	1,470	113	-	**1,583**
Commercial Services	34	23	-	**57**
Strategy and Commissioning	-	28	-	**28**
Support Services	54	-	3	**57**
Net Cost of Services	**1,558**	**164**	**3**	**1,725**
Other income and expenditure from the Expenditure & Funding Analysis	**(569)**	**714**	**199**	**344**
Difference between the General Fund surplus or deficit, and the surplus or deficit on the provision of services in the CIES	**989**	**878**	**202**	**2,069**

SECTION 3 NOTES TO THE ACCOUNTS

Note A: Adjustments for Capital Purposes
Adjustments for capital purposes reflect:
For services this column adds in depreciation and impairment and adjusts for revenue expenditure funded from capital under statute.
Other income and expenditure from the Expenditure and Funding Analysis – this adjusts for statutory charges for capital financing i.e. Minimum Revenue Provision and other capital contributions. It also adjusts for capital disposals with a transfer of the income on the disposal and the amounts written-off.

Note B: Net Change for the Pensions Adjustments
Net changes for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:
For services this represents the removal of the employer pension contributions made by the Authority as allowed by statute and the replacement with current service costs and past service costs.
For other income and expenditure from the Expenditure and Funding Analysis – the net interest on the defined benefit liability is charged to the CIES.

Note C: Other Differences
Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:
For services reflects the change in the annual leave accrual when compared with the previous year.
For other income and expenditure from the Expenditure and Funding Analysis represents the timing difference between what is chargeable under statutory regulations for Council Tax and Business Rates that was projected to be received at the start of the financial year, and the income recognised under generally accepted accounting practices.

SECTION 3 NOTES TO THE ACCOUNTS

5. SEGMENT REPORTING

The net expenditure figures in the Expenditure and Funding Analysis include the following particular amounts of income and expenditure:

2018/19	**Customer First £000**	**Commercial Services £000**	**Financing & Investment Income £000**	**Total £000**
Expenditure				
Housing Benefit Payments*	11,856	-	-	**11,856**
Waste Services	-	2,216	-	**2,216**
Depreciation	387	257	-	**644**
Income				
Housing Benefit Subsidy*	(11,710)	-	-	**(11,710)**
Car Parking fees and charges	-	(1,073)	-	**(1,073)**
Planning fees and charges	(547)	-	-	**(547)**
Investment Properties	-	-	(955)	**(955)**

2017/18 comparatives	**Customer First £000**	**Commercial Services £000**	**Financing & Investment Income £000**	**Total £000**
Expenditure				
Housing Benefit Payments*	13,387	-	-	**13,387**
Waste Services	-	2,046	-	**2,046**
Depreciation	434	34	-	**468**
Income				
Housing Benefit Subsidy*	(13,342)	-	-	**(13,342)**
Car Parking fees and charges**	-	(986)	-	**(986)**
Planning fees and charges	(314)	-	-	**(314)**
Investment Properties	-	-	-	**-**

*Housing Benefit Payments and Subsidy have reduced significantly between 2018/19 and 2017/18. This decrease is mainly due to a number of fraud and error initiatives such as Real Time Information (RTI) and more recently the Verify Earnings and Pensions (VEP) service, where the Council receives up to date information from HMRC on claimants earned income. These exercises have seen a large number of housing benefit claims drop out of entitlement. Another factor is the introduction of full service Universal Credit in October 2017, which has seen the caseload drop significantly. In addition all the large Housing Associations have been reducing their rents each year by 1%.

**The car parking income has been restated for 2017/18 from £1.063 million to £0.986 million to reflect car parking fees and charges. Previously the figure included all income allocated to the car parking service.

SECTION 3 NOTES TO THE ACCOUNTS

6. EXPENDITURE AND INCOME ANALYSED BY NATURE

The Expenditure and Income Analysed by Nature note shows the amounts that make up the surplus or deficit on the provision of services on the CIES, but here they are categorised by nature instead of by service segment.

Expenditure and Income Analysed by Nature	2017/18 £000	2018/19 £000
Employee Benefits Expenses	6,560	6,717
Other Service Expenses	19,968	18,260
Depreciation, Amortisation and Impairment	1,558	1,334
Interest Payments	97	609
Pension Fund Administration Expenses	14	19
Net Interest on the net defined benefit liability	700	609
Losses/(Gains) on disposal of non current assets	(13)	259
Losses/(Gains) from fair value adjustments*	-	1,249
Total Expenditure	**28,884**	**29,056**
Fees, Charges and Other Service Income	(4,647)	(6,115)
Interest and Investment Income	(58)	(41)
Income from Council Tax and Business Rates**	(5,357)	(6,310)
Revenue Grants and Contributions	(16,811)	(14,412)
Capital Grants and Contributions	(279)	(843)
Other Income	(18)	-
Total Income	**(27,170)**	**(27,721)**
(Surplus) or Deficit on Provision of Services	**1,714**	**1,335**

*During 2018/19 the Council incurred capital expenditure totalling £21.4 million for the purchase of four Investment Properties. This amount equated to the purchase price of four acquisitions of commercial property plus transaction costs (e.g. stamp duty land tax) and directly attributable expenditure (costs incurred in successfully negotiating the sale terms and price and relevant professional fees e.g. legal costs) which were also capitalised in accordance with the Code.

The Code requires that Investment Properties are measured annually at fair value. The fair value valuation was £20.13 million at 31.3.19. Therefore there is a net reduction for the fair value adjustment in the first year, which reflects the fact that transaction costs and directly attributable expenditure were capitalised in accordance with the Code. The Code confirms that movements in fair value are debited to the provision of services and are not proper charges to the General Fund. They are reversed out to the Capital Adjustment Account in the Movement in Reserves Statement. Therefore this change in valuation does not impact on the Council's 'bottom line' of the Income and Expenditure account, as it is reversed out through the Capital Adjustment Account.

**The figure for Council Tax and Business Rates in this statement is shown net of expenditure (precepts to other bodies). The expenditure detail is shown in Note 11 – Taxation and Non-Specific Grant Income.

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.

	Usable Reserves			
2018/19	**General Fund Balance £000**	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**	**Movement in Unusable Reserves £000**
Adjustments primarily involving the Capital Adjustment Account (CAA):				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):				
Charges for depreciation and impairment of non-current assets	**644**			**(644)**
Revaluation losses/(gains) on Property, Plant and Equipment	**183**			**(183)**
Movements in the market value of Investment Properties	**1,249**			**(1,249)**
Amortisation of Intangible Assets	**52**			**(52)**
Capital grants and contributions applied	**(316)**			**316**
Revenue expenditure funded from capital under statute (REFCUS)	**455**			**(455)**
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	**259**			**(259)**
Write down of bank investment	**50**			**(50)**

SECTION 3 NOTES TO THE ACCOUNTS

	Usable Reserves			
2018/19	**General Fund Balance £000**	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**	**Movement in Unusable Reserves £000**
Adjustments primarily involving the Capital Adjustment Account (CAA):				
Insertion of items not debited or credited to the CIES:				
Statutory provision for the financing of capital investment	**(494)**			**494**
Capital expenditure charged against the General Fund	**(366)**			**366**
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	**(527)**		**527**	**-**
Application of grants to capital financing transferred to the Capital Adjustment Account			**(101)**	**101**
Adjustments primarily involving the Capital Receipts Reserve:				
Use of the Capital Receipts Reserve to finance new capital expenditure		**(26)**		**26**
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES (see Note 36)	**1,653**			**(1,653)**
Employer's pensions contributions and direct payments to pensioners payable in the year	**(993)**			**993**
Adjustments primarily involving the Council Tax Collection Fund Adjustment Account:				
Amount by which Council Tax income credited to the CIES is different from Council Tax income calculated for the year in accordance with statutory requirements	**28**			**(28)**
Adjustments primarily involving the Business Rates Collection Fund Adjustment Account:				
Amount by which Business Rates income credited to the CIES is different from Business Rates income calculated for the year in accordance with statutory requirements	**(157)**			**157**

2018/19	Usable Reserves General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustment primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	**5**			**(5)**
Total Adjustments between the Accounting Basis and Funding Basis under regulations in 2018/19	**1,725**	**(26)**	**426**	**(2,125)**

2017/18 Comparatives	Usable Reserves General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account (CAA):				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):				
Charges for depreciation and impairment of non-current assets	**468**			**(468)**
Revaluation losses/(gains) on Property, Plant and Equipment	**626**			**(626)**
Amortisation of Intangible Assets	**54**			**(54)**
Capital grants and contributions applied	**(177)**			**177**
Revenue expenditure funded from capital under statute (REFCUS)	**409**			**(409)**
Insertion of items not debited or credited to the CIES:				
Statutory provision for the financing of capital investment	**(42)**			**42**
Capital expenditure charged against the General Fund	**(230)**			**230**

2017/18 Comparatives	**Usable Reserves** **General Fund Balance £000**	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**	**Movement in Unusable Reserves £000**
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	**(101)**		**101**	**-**
Application of grants to capital financing transferred to the Capital Adjustment Account			**(152)**	**152**
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of unattached capital receipts	**(18)**	**18**		**-**
Use of the Capital Receipts Reserve to finance new capital expenditure		**(123)**		**123**
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES (see Note 36)	**1,797**			**(1,797)**
Employer's pensions contributions and direct payments to pensioners payable in the year	**(919)**			**919**
Adjustments primarily involving the Council Tax Collection Fund Adjustment Account:				
Amount by which Council Tax income credited to the CIES is different from Council Tax income calculated for the year in accordance with statutory requirements	**99**			**(99)**
Adjustments primarily involving the Business Rates Collection Fund Adjustment Account:				
Amount by which Business Rates income credited to the CIES is different from Business Rates income calculated for the year in accordance with statutory requirements	**100**			**(100)**
Adjustment primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	**3**			**(3)**
Total Adjustments between the Accounting Basis and Funding Basis under regulations in 2017/18	**2,069**	**(105)**	**(51)**	**(1,913)**

8. TRANSFERS TO/ FROM EARMARKED RESERVES

This note details 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 2018/19. The purpose of some of the more significant earmarked reserves are shown below:

Car Parking Maintenance - In line with the Council's car parking strategy, a car parking maintenance reserve is maintained to ensure that major planned works on car parks can be carried out at the appropriate time, in line with a cyclical programme of maintenance and repairs.

New Homes Bonus – This reserve was established to show how New Homes Bonus funding has been used on an annual basis.

Business Rates Retention Scheme - The business rates reserve covers any possible funding issues from the new accounting arrangements.

16/17 Budget Surplus Contingency – This reserve was created as part of the 2016/17 Budget setting process.

Innovation Fund (Invest to Earn) Reserve – Some of this fund will be used to acquire and develop land within West Devon to support local housing need and to facilitate an upgrade to the Hayedown Depot.

Revenue Grants Reserve – This reserve holds revenue grants with no repayment conditions that have not been used during the year.

Financial Stability Reserve – This reserve was set up in 2018/19 to hold the business rates pilot income. It will be used to meet the primary aim of the business rates pilot bid which is to achieve higher levels of investment in economic regeneration in Devon, and to help secure financial stability for the longer term.

The table below shows the earmarked reserve balances at 31 March 2019 and the movement during 2018/19.

2018/19 EARMARKED RESERVES	Balance at 31.3.2018 £000	Transfers Out £000	Transfers In £000	Balance at 31.3.2019 £000
General Fund				
Car Parking Maintenance	435	(60)	42	417
ICT Development	30	(64)	110	76
JSG Future Options	11	(6)	-	5
Planning Policy & Major Developments	44	(65)	125	104
16/17 Budget Surplus Contingency	382	(7)	-	375
Innovation Fund (Invest to Earn)	724	(271)	-	453
Outdoor Sports & Recreation	18	-	-	18
Strategic Waste & Cleansing Options Review	80	(51)	134	163
Community Housing Fund	243	(91)	-	152
Leisure Services	231	-	-	231
Support Services Trading	8	-	-	8
Environmental Health Initiatives	20	-	-	20
Habitats Reserve	10	(2)	-	8
Financial Stability	-	(50)	317	267
Joint Local Plan	-	(86)	116	30
Maintenance, Management & Risk Mitigation (Investment Properties)	-	(7)	95	88
Landscape Maintenance	5	(5)	-	-
Invest to Save	27	(15)	-	12
Elections	24	-	-	24
DCC Localism Support Officer	5	-	-	5
New Burdens CLG	3	(3)	-	-
CLG – Assets Community Value	8	(8)	-	-
Neighbourhood Planning Grants	47	(25)	20	42
World Heritage Key Site	5	(5)	-	-
Cannons Meadow	13	(2)	-	11
Millwood Homes	15	(15)	-	-
DCC Public Health	6	-	-	6
Revenue Grants	220	(7)	209	422
Business Rates Retention Scheme	509	(17)	-	492
Town Teams & Economic Grants	23	-	-	23
Flood Works	15	-	-	15
New Homes Bonus	225	(577)	643	291
Homelessness	95	-	20	115
Strategic Change	287	(63)	10	234
Planning Enforcement	5	-	-	5
Maintenance Fund	223	(27)	-	196
S106 Monitoring	19	(11)	-	8
TOTAL EARMARKED REVENUE RESERVES	**4,015**	**(1,540)**	**1,841**	**4,316**

SECTION 3 NOTES TO THE ACCOUNTS

2017/18 Comparatives EARMARKED RESERVES	**Balance at 31.3.2017 £000**	**Transfers Out £000**	**Transfers In £000**	**Balance at 31.3.2018 £000**
General Fund				
Car Parking Maintenance	440	(5)	-	435
ICT Development	24	(19)	25	30
JSG Future Options	46	(35)	-	11
Planning Policy & Major Developments	39	(60)	65	44
16/17 Budget Surplus Contingency	669	(287)	-	382
Innovation Fund (Invest to Earn)	906	(182)	-	724
Outdoor Sports & Recreation	7	-	11	18
Strategic Waste & Cleansing Options Review	80	-	-	80
Community Housing Fund	248	(5)	-	243
Leisure Services	174	-	57	231
Support Services Trading	-	-	8	8
Environmental Health Initiatives	-	-	20	20
Habitats Reserve	13	(3)	-	10
Landscape Maintenance	5	-	-	5
Invest to Save	27	-	-	27
Elections	24	-	-	24
DCC Localism Support Officer	4	-	1	5
REIP – Localism Projects	1	(1)	-	-
New Burdens CLG	3	-	-	3
CLG – Assets Community Value	8	-	-	8
Neighbourhood Planning Grants	58	(11)	-	47
World Heritage Key Site	5	-	-	5
Cannons Meadow	16	(3)	-	13
Millwood Homes	15	-	-	15
DCC Public Health	6	-	-	6
Revenue Grants	59	-	161	220
Business Rates Retention Scheme	218	-	291	509
Town Teams & Economic Grants	23	-	-	23
Flood Works	18	(3)	-	15
New Homes Bonus	227	(963)	961	225
Homelessness	30	-	65	95
Strategic Change	111	(51)	227	287
Planning Enforcement	5	-	-	5
Maintenance Fund	223	-	-	223
S106 Monitoring	-	-	19	19
TOTAL EARMARKED REVENUE RESERVES	**3,732**	**(1,628)**	**1,911**	**4,015**

SECTION 3 NOTES TO THE ACCOUNTS

9. OTHER OPERATING EXPENDITURE

2017/18 £000		2018/19 £000
1,286	Parish council precepts	1,365
(13)	(Gains)/losses on the disposal of non-current assets	259
14	Pension administration expenses	19
1,287	**Total**	**1,643**

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2017/18 £000		2018/19 £000
97	Interest payable and similar charges	609
(58)	Interest receivable and similar income	(91)
(18)	Other investment income	-
-	Investment (gains)/losses	50
700	Net interest on the net defined benefit liability	609
-	Investment properties (Note 13)	329
721	**Total**	**1,506**

SECTION 3 NOTES TO THE ACCOUNTS

11. TAXATION AND NON SPECIFIC GRANT INCOME

2017/18 £000		2018/19 £000
	Council Tax	
(5,642)	• Income	(5,890)
30	• Collection Fund adjustment	13
(109)	• Collection Fund - distribution of surplus	(81)
71	• Support grant to parishes	65
	Business Rates	
(4,099)	• Income*	(3,930)
3,017	• Tariff**	2,643
1	• Pooling administration costs	-
(82)	• Pooling gain	-
-	• Pilot contribution*	(296)
85	• Levy payment	-
86	• Transfer of Collection Fund deficit/(surplus)	(199)
	Non ring - fenced Government grants :	
(738)	• Small Business Rate Relief Grant	(842)
(227)	• Revenue Support Grant	-
(961)	• New Homes Bonus Grant	(643)
(373)	• Rural Services Delivery Grant**	-
-	• Levy Account Surplus Grant	(25)
(31)	• Transition Grant	-
(279)	Capital grants and contributions	(843)
(9,251)	**Total**	**(10,028)**

Business Rates Pilot Status 2018/19
*The Business Rates income includes the pilot gain for 2018/19. The income generated by the pilot is £460,000 (£164,000 additional localised income plus the contribution from the Devon Pilot in 2018/19 of £296,000). £143,516 of this pilot gain has been used to fund the 2018/19 revenue base budget and the balance of £316,484 has been transferred into a new Financial Stability earmarked reserve.

Rural Services Delivery Grant 2018/19
** Due to the 2018/19 pilot status the Council's business rates baseline was increased to reflect the Rural Services Delivery Grant for 2018/19 of £464,365. This is reflected in the reduced Tariff figure above.

12. PROPERTY, PLANT AND EQUIPMENT

Movements in 2018/19:

	Land and Buildings £000	Vehicles, Plant & Equipment £000	Infra-structure Assets £000	Community Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation						
At 1 April 2018	**19,300**	**3,146**	**1,074**	**83**	**1,031**	**24,634**
Additions	250	958			487	1,695
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,537					1,537
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(199)					(199)
Derecognition – disposals	(195)	(1,494)		(83)		(1,772)
Other movements in cost or valuation (reclassification)	1,500	18			(1,518)	-
At 31 March 2019	**22,193**	**2,628**	**1,074**	**-**	**-**	**25,895**
Accumulated Depreciation and Impairment at 1 April 2018	**474**	**1,493**	**352**	**-**	**-**	**2,319**
Charge for 2018/19	397	219	28			644
Depreciation written out to the Revaluation Reserve	(688)					(688)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(16)					(16)
Derecognition – disposals	(19)	(1,494)				(1,513)
At 31 March 2019	**148**	**218**	**380**	**-**	**-**	**746**
Balance Sheet amount at 31 March 2019	**22,045**	**2,410**	**694**	**-**	**-**	**25,149**
Balance Sheet amount at 31 March 2018	**18,826**	**1,653**	**722**	**83**	**1,031**	**22,315**

Comparative Movements in 2017/18:

	Land and Buildings £000	Vehicles, Plant & Equipment £000	Infra-structure Assets £000	Community Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation						
At 1 April 2017	**19,583**	**1,493**	**1,074**	**83**	**99**	**22,332**
Additions	164	1,653	-	-	932	2,749
Revaluation increases/(decreases) recognised in the Revaluation Reserve	203	-	-	-	-	203
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(650)	-	-	-	-	(650)
At 31 March 2018	**19,300**	**3,146**	**1,074**	**83**	**1,031**	**24,634**
Accumulated Depreciation and Impairment at 1 April 2017	**1,204**	**1,493**	**324**	**-**	**-**	**3,021**
Charge for 2017/18	440	-	28	-	-	468
Depreciation written out to the Revaluation Reserve	(688)	-	-	-	-	(688)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(482)	-	-	-	-	(482)
At 31 March 2018	**474**	**1,493**	**352**	**-**	**-**	**2,319**
Balance Sheet amount at 31 March 2018	**18,826**	**1,653**	**722**	**83**	**1,031**	**22,315**
Balance Sheet amount at 31 March 2017	**18,379**	**-**	**750**	**83**	**99**	**19,311**

Depreciation

The Council provides for depreciation on all assets other than freehold land and community assets. The provision for depreciation is made by allocating the cost (or revalued amount) less the estimated residual value of the assets over the accounting period expected to benefit from their use. The straight line method of depreciation is used.

SECTION 3 NOTES TO THE ACCOUNTS

Asset lives are reviewed regularly as part of the property revaluation and annual impairment review. Where the useful life of an asset is revised the carrying amount of the asset is depreciated over the revised remaining life.

Capital Commitments

As at 31 March 2019 the Authority had not entered into any contracts for the construction or enhancement of Property, Plant and Equipment.

As a comparison, as at 31 March 2018 the Authority had entered into the following contracts for the construction or enhancement of Property, Plant and Equipment. These commitments related to:

- Leisure Centre investment £1m

Revaluations

The Council values its whole asset portfolio once every five years. The Council's Valuer revalued the Authority's asset portfolio as at 31 December 2018. In addition, the more significant assets are revalued on an ad hoc basis.

Fair Value Review at 31 March 2019

In addition, a formal impairment review of the entire holding of assets is undertaken at the end of each financial year, to ensure the carrying value reflects the fair value at the Balance Sheet date. This was undertaken by the Council's Valuer.

Non-Specialised operational properties were valued on the basis of existing use value (EUV). Specialised operational properties were valued on the basis of depreciated replacement costs (DRC). A de minimis level of £10,000 was set. Infrastructure assets are on a historical cost (HC) basis, whilst vehicles, plant and equipment are held on historical costs as a proxy for current value.

	Land and buildings £000	**Vehicles, plant furniture & equipment £000**	**Total £000**
Valued at historical cost	-	2,410	2,410
Valued at current value in:			
2018/2019	22,043	-	22,043
Total	**22,043**	**2,410**	**24,453**

SECTION 3 NOTES TO THE ACCOUNTS

Impairment Losses

Impairment losses and impairment reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure, are summarised in the preceding movements table, reconciling the movement over the year in the Property, Plant and Equipment balances. No impairment losses other than those relating to revaluation losses were incurred.

13. INVESTMENT PROPERTIES

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

A. Income & Expenditure Account	2017/18 £000	2018/19 £000
Rental income from investment properties	-	(955)
Direct operating expenses arising from investment properties*	-	1,284
Net (gain)/ loss*	**-**	**329**

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

B. Movement in fair value	2017/18 £000	2018/19 £000
Balance at start of the year	**-**	**-**
Purchases	-	21,379
Net gains/(losses) from fair value adjustments*	-	(1,249)
Balance at end of the year	**-**	**20,130**

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

*During 2018/19 the Council incurred capital expenditure totalling £21.4 million for the purchase of four Investment Properties. This amount equated to the purchase price of four acquisitions of commercial property plus transaction costs (e.g. stamp duty land tax) and directly attributable expenditure (costs incurred in successfully negotiating the sale terms and price and relevant professional fees e.g. legal costs) which were also capitalised in accordance with the Code.

The Code requires that Investment Properties are measured annually at fair value. The fair value valuation was £20.13 million at 31 March 2019. Therefore there is a net reduction for the fair value adjustment in the first year, which reflects the fact that transaction costs and directly attributable expenditure were capitalised in accordance with the Code. The Code confirms that movements in fair value are debited to the provision of services and are not proper charges to the General Fund. They are reversed out to the Capital Adjustment Account in the Movement in Reserves Statement. Therefore this change in valuation does not impact on the Council's 'bottom line' of the Income and Expenditure account, as it is reversed out through the Capital Adjustment Account.

14. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

Financial instruments are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument. They are classified based on the business model for holding the instruments and their expected cashflow characteristics.

Financial Liabilities

Financial liabilities are initially measured at fair value and subsequently measured at amortised cost. For the Council's borrowing this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus outstanding interest payable).

Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

Financial Assets

To meet the new code requirements, financial assets are now classified into one of three categories:

- **Financial assets held at amortised cost** – These represent loans and loan-type arrangements where repayments or interest and principal take place on set dates and at specific amounts. The figure presented in the Balance Sheet represents the outstanding principal received plus accrued interest. Interest credited to the Comprehensive Income and Expenditure Statement (CIES) is the amount receivable as per the loan agreement.

- **Fair Value Through Other Comprehensive Income (FVOCI)** – These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are accounted for through a reserve account, with the balance debited or credited to the CIES when the asset is disposed of.

- **Fair Value Through Profit and Loss (FVTPL)** – These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are recognised in the CIES as they occur.

Allowances for impairment losses have been calculated for amortised cost assets, applying the expected credit loss method. Changes in loss allowances (including balances outstanding at the date of recognition of an asset) are debited/credited to the Financing and Investment Income and Expenditure line in the CIES. Changes in the value of assets carried at fair value are debited/credited to the Financing and Investment Income and Expenditure line in the CIES as they arise.

The value of debtors and creditors reported in the table below are solely those amounts meeting the definition of a financial instrument. The balances of debtors and creditors reported in the Balance Sheet and Notes 15 and 18 also include balances which do not meet the definition of a financial instrument, such as tax-based debtors and creditors.

Summary of Financial Instruments

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

	Long-term			**Current**	
	31 March 2018 £000	**31 March 2019 £000**		**31 March 2018 £000**	**31 March 2019 £000**
Financial Assets at Amortised Cost					
Investments	-	-		3,000	-
Cash and Cash Equivalents	-	-		4,377	10,638
Debtors	123	123		1,211	718
Fair Value through Other Comprehensive Income – Financial Assets					
Investments – Local Authorities' Property Fund	484	491		-	-
Total Financial Assets	**607**	**614**		**8,588**	**11,356**
Financial Liabilities at Amortised Cost					
Borrowing	(4,750)	(27,066)		-	(514)
Creditors	(54)	(211)		(1,950)	(1,727)
Total Financial Liabilities	**(4,804)**	**(27,277)**		**(1,950)**	**(2,241)**

Reclassification and Measurement of Financial Assets at 1 April 2018

This note shows the effect of reclassification of financial assets following the adoption of IFRS 9 Financial Instruments by the Code of Practice on Local Authority Accounting. No remeasurements were required for 2018/19.

		New Classifications at 1 April 2018	
	Carrying amount brought forward at 1 April 2018	**Amortised Cost**	**Fair Value Through Other Comprehensive Income**
	£000	**£000**	**£000**
Previous Classifications:			
Loans and receivables	5,711	5,711	-
Available for Sale	484	-	484
Reclassified amounts at 1 April 2018	**6,195**	**5,711**	**484**

Effect of Asset Reclassification and on the Balance Sheet

This note shows how the new balances at 1 April 2018 for financial assets are incorporated into the Balance Sheet.

New Classifications at 1 April 2018

	Amortised Cost	Fair Value Through Other Comprehensive Income	Total Balance Sheet Carrying Amount
	£000	**£000**	**£000**
Reclassified carrying amounts at 1 April 2018	**5,711**	**484**	**6,195**
Reclassified amounts:			
Cash and Cash Equivalents	4,377	-	4,377
Long-term Investments	-	484	484
Long-term Debtors	123	-	123
Current Debtors	1,211	-	1,211
Total	**5,711**	**484**	**6,195**

Designated to Fair Value Through Other Comprehensive Income

The Council has £0.5 million investment with the CCLA Property Fund and up to 31 March 2018 this was held as an ‘Available for Sale Financial Asset’ and measured at fair value each year. Any change in fair value was posted to Other Comprehensive Income and Expenditure and accumulated gains and losses have been held in an Available for Sale Financial Instruments Reserve.

SECTION 3 NOTES TO THE ACCOUNTS

With the adoption of accounting standard IFRS 9 Financial Instruments, the 'Available for Sale Financial Asset' category is no longer available. The new standard requires that investments in equity to be classified as fair value through profit and loss unless there is an irrevocable election to designate the asset as fair value through other comprehensive income.

The Council has elected to designate the CCLA investment as fair value through other comprehensive income. These investments are eligible for the election because they meet the definition of equity instruments in paragraph 11 of IAS32 and are neither held for trading (the Council holds this investment as a long term strategic investment) nor contingent consideration recognised by an acquirer in a business combination to which IFRS3 applies. They are not considered to be puttable instruments because the Council does not have a contractual right to put the instrument back to the issuer for cash.

This election means there is no impact on the revenue budget. Any gains or losses on the valuation of the CCLA investment will therefore be transferred to a Financial Instruments Revaluation Reserve until they are realised.

Statutory Override on Pooled Investments

As a result of the change in accounting standards for 2018/19 under IFRS 9, the Ministry for Housing, Communities and Local Government (MHCLG) have agreed a temporary override to allow English Local Authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years commencing from April 2018. The Council will use the statutory override to account for any changes in the fair value on its pooled investments. For the Council's Money Market Fund investments the change in fair value was immaterial in 2018/19.

Investments in Equity Instruments Designated at Fair Value Through Other Comprehensive Income

Following the introduction of IFRS 9, the Council has designated the following equity instrument at 31 March 2019 as fair value through other comprehensive income:

Investment	Nominal	Fair Value	Change in Fair Value During 2018/19
	£000	£000	£000
CCLA Property Fund	500	491	7

Net Gains and Losses on Financial Instruments

The following gains and losses have been recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments:

SECTION 3 NOTES TO THE ACCOUNTS

	2017/18	2018/19
	£000	**£000**
Net gains/losses on: Financial Assets measured at fair value through other comprehensive income	(16)	7
Total Net Gains/(Losses)	**(16)**	**7**

Fair Value of Financial Instruments

The following financial asset is measured in the Balance Sheet at fair value on a recurring basis:

Recurring Fair Value Measurements	**Input Level in Fair Value Hierarchy**	**Valuation Technique Used to Measure Fair Value**	**31 March 2018 Fair Value**	**31 March 2019 Fair Value**
			£000	**£000**
Fair Value Through Other Comprehensive Income				
CCLA Property Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	484	491
TOTAL			**484**	**491**

Except for the financial assets carried at fair value, all other financial liabilities and financial assets represented are carried forward on the Balance Sheet at amortised cost. Their fair values are as follows:

	31 March 2018		**31 March 2019**	
	Carrying amount	**Fair Value**	**Carrying amount**	**Fair Value**
	£000	**£000**	**£000**	**£000**
PWLB Debt – Maturity	(2,100)	(3,840)	(5,692)	(7,052)
PWLB Debt – Annuity	(2,650)	(2,780)	(21,888)	(22,902)
Long Term Debtors	123	123	123	123
Long Term Creditors	(54)	(54)	(211)	(211)

SECTION 3 NOTES TO THE ACCOUNTS

15. DEBTORS

31.3.2018 £000		31.3.2019 £000
	Short Term	
1,120	Central Government bodies*	189
209	Other Local Authorities	241
	Other debtors	
716	Council Tax	888
430	Business Rates	599
1,285	Other entities and individuals	1,097
3,760	**Total**	**3,014**
	Long Term	
123	Other entities and individuals	123
123	**Total**	**123**

*The 'Central Government bodies' debtor has reduced significantly in 2018/19 due to the end of year position for the Housing Benefit subsidy claim. At 31 March 2018 £637,000 was due from Central Government following completion of the final claim. However, in 2018/19 this position has changed to a creditor balance, with £359,000 due to be paid to Central Government at 31 March 2019.

16. DEBTORS FOR LOCAL TAXATION

The past due but not impaired amount for local taxation (council tax and business rates) can be analysed by age as follows:

31.3.2018 £000		31.3.2019 £000
296	Up to one year	341
281	One to three years	314
51	Over three years	77
628	**Total Debtors for Local Taxation**	**732**

17. CASH AND CASH EQUIVALENTS

31.3.2018 £000		31.3.2019 £000
1,177	Cash held by the Authority	1,338
3,200	Money Market Funds*	9,300
4,377	**Total Cash and Cash Equivalents**	**10,638**

*As at 31 March 2018 the Council had £3 million held in short term investments (a fixed term deposit with Lloyds Bank PLC) and £3.2 million in Money Market Funds. Investments are classified separately on the Balance Sheet (see Section 2C). As at 31 March 2019 the Council held no short term investments, £9.3 million was placed in Money market Funds and £0.5 million in long term investments, the CCLA Property Fund (see the Balance Sheet and Note 14 – Financial Instruments).

18. CREDITORS

31.3.2018 £000		31.3.2019 £000
	Short Term	
-	Central Government bodies*	(572)
(840)	Other Local Authorities	(715)
(1)	NHS Bodies	-
	Other Creditors	
(44)	Council Tax	(50)
(681)	Business Rates**	(1,127)
(2,801)	Other entities and individuals	(2,739)
(4,367)	**Total**	**(5,203)**
	Long Term	
(16)	Other Local Authorities	-
(38)	Other entities and individuals***	(211)
(54)	**Total**	**(211)**

*The ‘Central Government bodies’ creditor as at 31.3.19 relates mainly to the amount due to Central Government following completion of the final Housing Benefit subsidy claim for 2018/19 (£359,000). At 31 March 2018 money was due from Central Government and therefore the balance was reflected in short term Debtors (Note 15).

**The movement in the ‘Business Rates’ creditor is mainly due to the increase in the provision for business rates appeals (£590,000). The Preceptors’ share of this is 60% (£354,000).

***The increase in ‘Other entities and individuals’ long term creditor as at 31 March 2019 relates to the rent deposits held in respect of Commercial Property acquired during 2018/19 of £169,000.

19. PROVISIONS

Provisions payable within twelve months of the Balance Sheet date are classified as current liabilities; provisions payable more than twelve months from the Balance Sheet date are classified as long term liabilities. No long term provisions were created in 2018/19 or 2017/18. The breakdown of the 2018/19 provision is shown in the following table:

	Business Rates Appeals £000
Balance at 1 April 2018	**(413)**
Provisions made in year	(304)
Amounts used in year	68
Balance at 31 March 2019	**(649)**

Short term Provision – Business Rates Appeals:
Provision is made for likely refunds of business rates as a result of appeals against the rateable value of business properties. The provision is based on the total value of outstanding appeals at the end of the financial year as advised by the Valuation Office Agency. Using this information, an assessment was made about the likely success rate of appeals and their value. In 2018/19 there has been a £590,000 increase in the provision for appeals within the Collection Fund. The Council's share of this is 40% (£236,000). This is further explained in the Narrative Statement.

20. USABLE RESERVES

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement in Section 2B. The Council has the following usable reserves:

General Fund Balance - This balance has been established from surpluses on the Council's total expenditure. It provides a financial cushion should anything unexpected happen which would require unplanned expenditure.

Earmarked Reserves - The Council has set aside monies for specific purposes e.g. vehicle & plant replacement, the funding of strategic issues etc.

Capital Receipts Reserve - Proceeds from the sale of assets are held in this reserve to be made available for future capital expenditure.

Capital Grants Unapplied – This reserve represents grants and contributions received in advance of matching to new capital investment.

SECTION 3 NOTES TO THE ACCOUNTS

21. UNUSABLE RESERVES

31.3.2018 £000		31.3.2019 £000
6,820	Revaluation Reserve	8,899
11,378	Capital Adjustment Account	9,935
(24,380)	Pensions Reserve	(23,822)
(16)	Available for Sale Financial Instruments Reserve	-
-	Financial Instruments Revaluation Reserve	(9)
109	Council Tax Collection Fund Adjustment Account	81
61	Business Rates Collection Fund Adjustment Account	218
(77)	Accumulated Absences Account	(82)
(6,105)	**Total Unusable Reserves**	**(4,780)**

Revaluation Reserve

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

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

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

31.3.2018 £000	31.3.2018 £000	Revaluation Reserve	31.3.2019 £000	31.3.2019 £000
	5,515	**Balance at 1 April**		**6,820**
1,934		Upward revaluation of assets	2,924	
(585)		Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	(699)	
	1,349	**Surplus or (Deficit) on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**		**2,225**
(44)		Difference between fair value depreciation and historical cost depreciation	(118)	
-		Accumulated gains on assets sold or scrapped	(28)	
	(44)	**Amount written off to the Capital Adjustment Account**		**(146)**
	6,820	**Balance at 31 March**		**8,899**

Capital Adjustment Account

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

2017/18 £000	2017/18 £000	Capital Adjustment Account	2018/19 £000	2018/19 £000
	12,167	**Balance at 1 April**		**11,378**
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CIES) :		
(468)		▪ Charges for depreciation of non-current assets	(644)	
(626)		▪ Revaluation losses on Property, Plant and Equipment	(183)	
-		▪ Revaluation gains/(losses) on Investment Properties	(1,249)	
(54)		▪ Amortisation of Intangible Assets	(52)	
(409)		▪ Revenue expenditure funded from capital under statute (REFCUS)	(455)	
-		▪ Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(259)	
-		▪ Amounts of Revaluation Reserve balance written off on disposal or sale of Property, Plant and Equipment	28	
-		▪ Write down of Bank Investment	(50)	
	(1,557)	**Total**		**(2,864)**
44		Adjusting amounts written out of the Revaluation Reserve	118	
	44	**Net written out amount of the cost of non-current assets consumed in the year**		**118**
		Capital financing applied in the year:		
123		• Use of the Capital Receipts Reserve to finance new capital expenditure	26	
177		• Capital grants and contributions credited to the CIES that have been applied to capital financing	316	
152		• Application of grants to capital financing from the Capitals Grants Unapplied Account	101	
230		• Capital expenditure charged against the General Fund	366	
42		• Statutory provision for the financing of capital investment charged against the General Fund (Minimum Revenue Provision)	494	
	724	**Total**		**1,303**
	11,378	**Balance at 31 March**		**9,935**

SECTION 3 NOTES TO THE ACCOUNTS

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 (CIES) as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds, or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

31.3.2018 £000	Pensions Reserve	31.3.2019 £000
(26,368)	**Balance at 1 April**	**(24,380)**
2,866	Actuarial gains or (losses) on pension assets and liabilities	1,218
(1,797)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(1,653)
919	Employer's pensions contributions and direct payments to pensioners payable in the year	993
(24,380)	**Balance at 31 March**	**(23,822)**

Available for Sale 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

31.3.2018 £000	Available for Sale Financial Instruments Reserve	31.3.2019 £000
-	**Balance at 1 April**	**(16)**
-	Transfer of opening balance to Financial Instruments Revaluation Reserve under IFRS 9	16
(16)	Downward revaluation of investments not charged to the Surplus/(Deficit) on the Provision of Services	-
(16)	**Balance at 31 March**	**-**

SECTION 3 NOTES TO THE ACCOUNTS

The 2018/19 Code of Practice on Local Authority Accounting has adopted IFRS 9 Financial Instruments. As a result of the implementation of IFRS 9, the Available for Sale Reserve has been decommissioned and any balance held has been transferred to the Financial Instruments Revaluation Reserve. The Council has transferred the balance on the Available for Sale Reserve in relation to its investment in the CCLA property fund.

Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its investments that are measured at fair value through other comprehensive income. 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

31.3.2018 £000	Financial Instruments Revaluation Reserve	31.3.2019 £000
-	**Balance at 1 April**	**-**
-	Upward revaluation of assets	7
-	Transfer from Available for Sale Financial Instrument Reserve	(16)
-	**Balance at 31 March**	**(9)**

Council Tax Collection Fund Adjustment Account

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

31.3.2018 £000	Council Tax Collection Fund Adjustment Account	31.3.2019 £000
208	**Balance at 1 April**	**109**
(99)	Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	(28)
109	**Balance at 31 March**	**81**

SECTION 3 NOTES TO THE ACCOUNTS

Business Rates Collection Fund Adjustment Account

A scheme for the retention of business rates came in to effect on 1 April 2013 and established new accounting arrangements. The Business Rates Collection Fund Adjustment Account manages the differences arising from the recognition of business rates income in the Comprehensive Income and Expenditure Statement (CIES) as it falls due from ratepayers, compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

31.3.2018 £000	Business Rates Collection Fund Adjustment Account	31.3.2019 £000
161	**Balance at 1 April**	**61**
(100)	Amount by which Business Rates income credited to the CIES is different from Business Rates income calculated for the year in accordance with statutory requirements*	157
61	**Balance at 31 March**	**218**

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

31.3.2018 £000	31.3.2018 £000	Accumulated Absences Account	31.3.2019 £000	31.3.2019 £000
	(74)	**Balance at 1 April**		**(77)**
74		Settlement or cancellation of accrual made at the end of the preceding year	77	
(77)		Amounts accrued at the end of the current year	(82)	
	(3)	Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		**(5)**
	(77)	**Balance at 31 March**		**(82)**

SECTION 3 NOTES TO THE ACCOUNTS

22. CASH FLOW STATEMENT – ADJUSTMENTS TO NET SURPLUS OR DEFICIT ON THE PROVISION OF SERVICES FOR NON-CASH MOVEMENTS

2017/18 £000		**2018/19 £000**
(468)	Depreciation	(644)
(626)	Impairment & downward valuations	(183)
-	Movement in investment properties	(1,249)
(54)	Amortisation	(52)
861	(Increase)/decrease in Debtors	(1,087)
709	Increase/(decrease) in Creditors	(681)
(878)	Movement in pension liability	(660)
(122)	Other non-cash items charged to the net surplus or deficit on the provision of services	(495)
(578)	**Total**	**(5,051)**

23. CASH FLOW STATEMENT – ADJUSTMENTS TO NET SURPLUS OR DEFICIT ON THE PROVISION OF SERVICES THAT ARE INVESTING AND FINANCING ACTIVITIES

2017/18 £000		**2018/19 £000**
342	Capital Grants credited to the net surplus or deficit on the provision of services	(2,999)
18	Other non-cash items charged to the net surplus or deficit on the provision of services	843
360	**Total**	**(2,156)**

24. CASH FLOW STATEMENT – INVESTING ACTIVITIES

2017/18 £000		**2018/19 £000**
2,749	Purchase of Property, Plant and Equipment, Investment Properties and Intangible Assets	23,128
3,500	Purchase of short and long term investments	-
(140)	Other payments for investing activities	140
(18)	Proceeds from the sale of Property, Plant and Equipment, Investment Properties & Intangible Assets	-
(440)	Other receipts from investing activities (capital grants & contributions)	(716)
5,651	**Net cash flows from investing activities**	**22,552**

SECTION 3 NOTES TO THE ACCOUNTS

25. CASH FLOW STATEMENT – FINANCING ACTIVITIES

2017/18 £000		2018/19 £000
(2,650)	Cash receipts of short and long term borrowing	(22,830)
767	Other receipts from financing activity	(111)
(1,883)	**Total**	**(22,941)**

26. TRADING OPERATIONS – BUILDING CONTROL

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the Building Control function. Building Regulations Control Services operate as a separate trading unit.

As of 1 April 2017, West Devon Borough Council (WDBC), South Hams District Council (SHDC) and Teignbridge District Council (TDC) entered into an updated partnership agreement and a new hosting agreement with respect to the staff and functions delivered by the Devon Building Control Partnership (DBCP) to the three Council areas. This agreement saw the transfer of all staff who had DBCP responsibilities from WDBC or SHDC to TDC. WDBC and SHDC retain an active participation in the controlling Devon Building Control Partnership Committee.

The Summary Accounts for the year will be detailed in the Devon Building Control Partnership Accounts, which can be found on Teignbridge District Council's Website under the Devon Building Control Partnership Committee 2019-2020.

27. BUSINESS IMPROVEMENT DISTRICTS

The Tavistock Business Improvement District (BID) was set up in Tavistock on the 1st September 2011 for the purpose of providing additional services or improvements to the Tavistock BID area. The BID is funded in part by a levy which is based on the rateable value of each property within the BID area and this is charged in addition to the non-domestic rates. West Devon Borough Council acts as agent for the BID Company.

28. MEMBERS' ALLOWANCES

The Authority paid the following amounts to Members of the Council during the year. Members allowances are published on the Council's website under 'Your Council' in the 'Councillors and Committees' section.

2017/18 £000		2018/19 £000
187	Allowances	191
16	Expenses	15
203	**Total**	**206**

29. OFFICERS' REMUNERATION

Regulation 4 of the Accounts and Audit (Amendment No.2) (England) Regulations 2009 [SI 2009 No. 3322] introduced a legal requirement to increase transparency and accountability in Local Government for reporting remuneration of senior employees.

A senior employee is defined as an employee whose salary is more than £150,000 per year, or alternatively one whose salary is at least £50,000 per year (to be calculated pro rata for a part-time employee) and who is:

- the designated head of paid service, a statutory chief officer or a non-statutory chief officer of a relevant body, as defined under the Local Government and Housing Act 1989
- the head of staff for a relevant body which does not have a designated head of paid service; or
- any person having responsibility for the management of the relevant body, to the extent that the person has power to direct or control the major activities of the body, in particular activities involving the expenditure of money, whether solely or collectively with other persons.

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

Post	Year	Salary, Fees and Allowances £	Expenses £	Pension Contribution £	Total £
Executive Director Head of Paid Service – left 18.2.18	18/19	-	-	-	**-**
	17/18	92,200	1,500	11,700	**105,400**
Strategic Finance Lead & S151 Officer	18/19	65,500	-	8,700	**74,200**
	17/18	56,700	-	7,500	**64,200**
Commercial Services Group Manager	18/19	74,200	2,400	9,900	**86,500**
	17/18	72,700	4,200	9,600	**86,500**
Business Development Group Manager	18/19	64,700	2,500	8,600	**75,800**
	17/18	62,400	2,700	8,300	**73,400**
Monitoring Officer (0.9FTE to 1/4/18)	18/19	56,200	400	7,500	**64,100**
	17/18	49,700	100	6,600	**56,400**

Post	Year	Salary, Fees and Allowances £	Expenses £	Pension Contribution £	Total £
Lead Specialist Waste Strategy	18/19	50,200	1,400	6,700	**58,300**
	17/18	48,200	1,900	6,400	**56,500**
Operational Manager (Environmental Services)	18/19	50,000	1,800	6.600	**58,400**
	17/18	49,000	1,700	6,500	**57,200**
Support Services Specialist Manager	18/19	52,400	400	7,000	**59,800**
	17/18	43,800	-	5,800	**49,600**
Head of Assets Practice	18/19	53,400	3,000	7,100	**63,500**
	17/18	46,000	2,800	6,100	**54,900**
Head of Environmental Health Practice	18/19	51,500	700	6,800	**59,000**
	17/18	49,200	400	6,500	**56,100**

No other officers earned over £50,000 during 2018/19 or 2017/18.

Note A: Shared Services with South Hams District Council
The total cost of senior employees employed by South Hams District Council has been included in the equivalent note of South Hams District Council's Accounts in accordance with the accounting requirements and is therefore excluded from the table above.
In 2018/19 West Devon Borough Council reimbursed costs amounting to £181,800 (2017/18 £133,000) in respect of some members of the Senior Leadership Team (SLT), and the Extended Leadership Team (ELT) who are employed by South Hams District Council. West Devon Borough Council received a reimbursement in 2018/19 from South Hams District Council of £367,200 (2017/18 £282,000) in respect of the above shared senior employees.

Note B: Senior Leadership Team interim arrangements
West Devon Borough Council is in a shared services arrangement with South Hams District Council and the two Councils have a shared senior leadership team and a shared non-manual workforce. Following the resignation of the former Executive Director in February 2018, Council approved interim senior management arrangements. A report was presented to Council on 12 February 2019 (Minute CM 54) that outlined a review of the Staffing Establishment.

The Review Panel, consisting of the Leaders of each Council and senior Members recommended that the previous structure incorporating two Executive Directors was replaced with a Chief Executive Officer. The Panel also recommended that once in post, the Chief Executive brings forward a proposed new senior leadership structure that builds upon the recommendations of the Peer Review and will be along the lines of:

- Director of Customer Service and Delivery
- Director of Place and Enterprise
- Director of Governance
- Director of Strategic Finance

SECTION 3 NOTES TO THE ACCOUNTS

It was resolved that with effect from 21 February, the Executive Director for Service Delivery and Head of Paid Service (employed by South Hams District Council) be appointed to the role of Chief Executive and that agreement be given to extending the interim senior management arrangements with a report being brought to Council recommending a new structure within six months of the 2019 Council elections.

30. PAYMENTS TO EXTERNAL AUDITORS

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

	2017/18 £000	**2018/19 £000**
Fees payable with regard to external audit services	**45**	**35**
Core Audit Fees	39	35
Audit of Grants and Returns*	6	-
Rebate from Public Sector Audit Appointments Ltd	**(6)**	**-**
TOTAL	**39**	**35**

*The HB Audit was provided by a separate accountancy firm in 2018/19 who are not the Council's external auditors for 2018/19.

SECTION 3 NOTES TO THE ACCOUNTS

31. GRANT INCOME

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

	2017/18 £000	2018/19 £000
Credited to Taxation and Non Specific Grant Income		
Capital grants and contributions:		
Disabled Facilities Grants	(279)	(710)
S106's	-	(38)
Other Capital Grants and Contributions	-	(95)
Non ring - fenced Government grants and contributions:		
Revenue Support Grant	(227)	-
New Homes Bonus Grant	(961)	(643)
Small Business Rate Relief	(738)	(842)
Levy Account Surplus Grant	-	(25)
Rural Services Delivery Grant*	(373)	-
Transition Grant	(31)	-
Total	**(2,609)**	**(2,353)**
Credited to Services		
Rent Allowance subsidy**	(13,105)	(11,710)
Housing Benefit administration subsidy	(201)	(184)
Rent rebate subsidy	(44)	(31)
Flexible Homelessness Support Grant	(92)	(120)
Discretionary housing payments	(193)	(130)
Business Rates cost of collection allowance	(84)	(84)
Section 106 deposits	(103)	(102)
Recycling credits	(260)	(266)
Electoral Commission - General Elections, Referendum and Police & Crime Commissioners	(162)	-
County Council Elections	(100)	-
Other grants	(167)	(275)
Total	**(14,511)**	**(12,902)**

Rural Services Delivery Grant 2018/19
* Due to the Council's business rates pilot status in 2018/19 the Rural Services Delivery Grant of £464,365 is reflected in the lower business rates tariff for 2018/19. Further information can be found in Note 11 – Taxation and Non Specific Grant Income.

Rent Allowance Subsidy
** Housing Benefit Payments and Subsidy have reduced significantly between 2018/19 and 2017/18 mainly due to a reduction in caseload. Please see Note 5 – Segment Reporting for further detail.

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have repayment conditions attached to them. Until these conditions are met these grants are held as receipts in advance. Should these conditions not be met the monies would need to be returned to the grantor. The balances at the year-end are as follows:

Capital Grants Receipts in Advance	**31 March 2018 £000**	**31 March 2019 £000**
Land Stabilisation	(10)	-
Hayedown	(20)	(20)
Batheway Fields	(158)	(52)
Other Section 106s	(454)	(442)
Total	**(642)**	**(514)**

32. 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 and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from Government departments are detailed in Note 31.

Members
Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2018/19 is shown in Note 28.

SECTION 3 NOTES TO THE ACCOUNTS

33. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below with the resources that have been used to finance it, giving rise to the movement in the Council's Capital Financing Requirement.

Summary of Capital Expenditure and Financing (incorporating the Capital Financing Requirement)	**2017/18** **£000**	**2018/19** **£000**
Opening Capital Financing Requirement	***1,716***	***4,240***
Capital Investment		
Property, Plant and Equipment	1,816	1,207
Intangible Assets	90	54
Investment Properties	-	21,379
Revenue expenditure funded from capital under statute (REFCUS)	375	455
Assets under Construction	933	488
Bank investment	-	50
Total expenditure for capital purposes	**3,214**	**23,633**
Sources of Finance		
Capital receipts	(126)	(26)
Capital grants and external contributions	(291)	(417)
Earmarked reserves	(231)	(366)
Total funding	**(648)**	**(809)**
Minimum Revenue Provision	**(42)**	**(494)**
Closing Capital Financing Requirement	***4,240***	***26,570***
Movement in Capital Financing Requirement	***2,524***	***22,330***
Explained by:		
Increase in underlying need to borrow (supported by government financial assistance)	2,650	23,182
Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	(126)	(852)
Increase/(decrease) in Capital Financing Requirement	**2,524**	**22,330**

During 2018/19 the Council incurred capital expenditure totalling £21.4 million for the purchase of four Investment Properties as shown in the Note above. This amount equated to the purchase price of four acquisitions of commercial property plus transaction costs and directly attributable expenditure which was also capitalised in accordance with the Code.

Details of the Council's commercial property strategy can be found in the report taken to the Hub Committee on 11th September 2018 (and subsequently approved by Full Council on 25th September 2018 - minute Reference CM34 and HC26).

This strategy is expected to be predominantly funded through prudential borrowing. In 2018/19 the Council's Capital Financing Requirement has increased by £22 million mainly due to the purchase of these Investment Properties which have been funded by prudential borrowing.

34. LEASES

Authority as Lessee

The Authority has, in the past, acquired some assets through operating leases. These have included vehicles and printers. However, all remaining material operating leases have ceased and no lease payments have been made since 2009/10.

Authority as Lessor

The Authority leases various parcels of land and buildings to external organisations. The most significant are shown below:

Detail of lease	Term	Expiry date	Segment in CIES
The rental of office accommodation	15 years	17/09/2033	Investment Properties
The operation of a supermarket	9 years	08/01/2028	Investment Properties
The rental of an industrial unit	10 years	28/11/2028	Investment Properties
The rental of an industrial unit	9 years	11/12/2027	Investment Properties
The rental of an industrial unit	14 years	28/09/2032	Investment Properties

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

	31 March 2018 £000	31 March 2019 £000
Not later than one year	-	1,062
Later than one year & not later than five years	-	4,248
Later than five years	-	7,969
Total	**-**	**13,279**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

35. EXIT PACKAGES AND TERMINATION BENEFITS

There were no exit package costs in 2018/19 (nil in 2017/18). In addition, West Devon Borough Council has not contributed towards exit package costs in South Hams District Council in 2018/19 (nil in 2017/18).

36. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

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

The Authority participates in the Local Government Pension Scheme (LGPS). The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 and currently provides benefits based on career average revalued earnings.

The administering Authority for the Fund is Devon County Council. The Pension Fund Committee oversees the management of the Fund whilst the day to day fund administration is undertaken by a team within the administering Authority. Where appropriate some functions are delegated to the Fund's professional advisers.

Contributions are set every 3 years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out during 2019/20 (as at 31 March 2019) and will set contributions for the period from 1 April 2020 to 31 March

2023. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions. Funding levels are monitored on an annual basis. The total contributions expected to be made to the LGPS by the Council in the year to 31 March 2020 is £883,000. The Actuary has estimated the duration of the Employer's liabilities to be 19 years.

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

Transactions Relating to Post-employment Benefits

The cost of retirement benefits are recognised 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 movement in the pension scheme assets and liabilities together with the treatment of the corresponding transactions in the CIES is summarised in the following tables:

Comprehensive Income and Expenditure Statement	**2017/18 £000**	**2018/19 £000**
Cost of Services		
Service cost comprising		
- Current Service Cost	1,083	1,025
Financing and Investment Income and Expenditure		
- Net Interest Expense	700	609
- Administration Expenses	14	19
Total Post-employment benefits charged to the Surplus or Deficit on the Provision of Services	**1,797**	**1,653**
Other post-employment benefits charged to the comprehensive income and expenditure statement		
Re-measurement of the net defined benefit liability comprising;		
- Change in financial assumptions	2,502	(2,425)
- Change in demographic assumptions	-	2,856
- Return on fund assets in excess of interest	364	787
Total re-measurement recognised	**2,866**	**1,218**
Total post-employment benefits charged to the Comprehensive income and expenditure statement	**4,663**	**2,871**
Movement in Reserves Statement		

- Reversal of net charges made to the surplus or deficit on the provision of services for post-employment benefits in accordance with the code	(1,797)	(1,653)
Actual amount charged against the General Fund Balance for pensions in the year		
- Employers contributions payable to scheme	919	993

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the balance sheet arising from the Authority's obligation in respect of its defined benefit plans is as follows:

Net Pension Liability	**31 March 2018 £000**	**31 March 2019 £000**
Present value of the defined benefit obligation	49,998	50,534
Fair value of Fund assets	(26,558)	(27,568)
Deficit/(Surplus)	**23,440**	**22,966**
Present value of unfunded obligation	940	856
Net defined benefit liability/(asset)	**24,380**	**23,822**

Reconciliation of opening and closing balances of the fair value of Fund assets	**31 March 2018 £000**	**31 March 2019 £000**
Opening fair value of Fund assets	**25,921**	**26,558**
Interest on assets	694	672
Return on assets less interest	364	787
Administration expenses	(14)	(19)
Contributions by employer including unfunded	919	993
Contributions by Scheme participants	180	185
Estimated benefits paid plus unfunded net of transfers in	(1,506)	(1,608)
Closing fair value of Fund assets	**26,558**	**27,568**
Reconciliation of opening and closing balances of the present value of the defined benefit obligation	**31 March 2018 £000**	**31 March 2019 £000**
Opening defined benefit obligation	**52,289**	**50,938**
Current service cost	1,083	1,025
Interest cost	1,394	1,281
Change in financial assumptions	(2,502)	2,425

Change in demographic assumptions	-	(2,856)
Estimated benefits paid net of transfers in	(1,428)	(1,530)
Contributions by Scheme participants	180	185
Unfunded pension payments	(78)	(78)
Closing defined benefit obligation	**50,938**	**51,390**

Basis for Estimating Assets and Liabilities

Assets and liabilities are assessed by Barnett Waddingham, an independent firm of actuaries. As required under IAS19 they use the projected unit method of valuation to calculate the service cost.

To assess the value of the Employer's liabilities at 31 March 2019, they have rolled forward the value of the Employer's liabilities calculated for the funding valuation as at 31 March 2016, using financial assumptions that comply with IAS19.

To calculate the asset share they have rolled forward the assets allowing for investment returns (estimated where necessary), contributions paid into and estimated benefits paid from the Fund, by and in respect of the Employer and its employees.

The major assumptions are summarised in the following table:

Basis for estimating assets and liabilities	**31 March 2018**	**31 March 2019**
Mortality assumptions (in years):		
Longevity at 65 for current pensioners		
- Men	23.5	22.4
- Women	25.6	24.4
Longevity at 65 for future pensioners (in 20 years)		
- Men	25.7	24.1
- Women	27.9	26.2
Financial assumptions (in percentages):		
- RPI increases	3.3%	3.4%
- CPI increases	2.3%	2.4%
- Salary increases	3.8%	3.9%
- Pension increases	2.3%	2.4%
- Discount rate	2.55%	2.4%

The financial assumptions summarised in the table above are set with reference to market conditions at 31 March 2019.

The table below looks at the sensitivity of the major assumptions:

Sensitivity analysis	**£000s**	**£000s**	**£000s**
Adjustment to discount rate	+0.1%	0.0%	(0.1%)
Present value of total obligation	50,462	51,390	52,336
Projected service cost	1,026	1,056	1,087
Adjustment to long term salary increase	+0.1%	0.0%	(0.1%)
Present value of total obligation	51,469	51,390	51,312
Projected service cost	1,056	1,056	1,056
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	(0.1%)
Present value of total obligation	52,256	51,390	50,539
Projected service cost	1,087	1,056	1,026
Adjustment to life expectancy assumptions	+ 1 Year	None	-1 Year
Present value of total obligation	53,419	51,390	49,440
Projected service cost	1,090	1,056	1,023

The estimated asset allocation for West Devon Borough Council as at 31 March 2019 is as follows:

Employer asset share	**31 March 2018**		**31 March 2019**	
	£000	**%**	**£000**	**%**
Gilts	833	3%	946	3%
UK equities	5,694	22%	4,580	17%
Overseas equities	9,829	37%	11,856	43%
Property	2,471	9%	2,437	9%
Infrastructure	953	4%	1,012	4%
Target return portfolio	3,966	15%	3,903	14%
Cash	649	2%	441	1%
Other bonds	543	2%	485	2%
Alternative assets	1,443	5%	1,456	5%
Private equity	177	1%	452	2%
Total	**26,558**	**100%**	**27,568**	**100%**

Of the total fund asset at 31 March 2019, the following table identifies the split of those assets with a quoted market price and those that do not:

Employer Asset Share – Bid Value		**31 March 2019**	
		% Quoted	**% Unquoted**
Fixed interest government securities	UK	0.2%	-
	Overseas	3.3%	-
Corporate bonds	UK	0.1%	-
	Overseas	1.7%	-
Equities	UK	15.8%	0.8%
	Overseas	38.1%	4.8%
Property	All	-	8.8%
Others	Absolute return portfolio	14.2%	-
	Private Equity	-	1.6%
	Infrastructure	-	3.7%
	Multi sector credit fund	5.3%	-
	Cash/Temporary investments	-	1.5%
Net current assets	Debtors	-	0.1%
Total		**78.7%**	**21.3%**

McCloud Judgement

A judgement in the Court of Appeal about cases involving judges' and firefighters' pensions (the McCloud judgement) has the potential to impact on the Council. The cases concerned possible age discrimination in the arrangements for protecting certain scheme members from the impact of introducing new pensions arrangements. As the Local Government Pension Scheme was restructured in 2014, with protections for those members who were active in the Scheme at 2012 and over the age of 55, the judgement is likely to extend to the Scheme.

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

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

- a potential increase in pensions liabilities of £284,000 (1.2% of total pension liabilities currently in the Balance Sheet at 31 March 2019); and

- an increase in the projected service cost for 2019/20 of £29,000 (2.8% of the service cost before consideration of the McCloud judgement).

This estimate from the Pension Fund's Actuary is based on the disclosure paper from the Government Actuary's Department (GAD) and the assumption that salaries are assumed to increase at 1.5% each year above CPI in addition to a promotional scale. However, the actuary has allowed for a short-term overlay from 31 March 2016 to 31 March 2020 for salaries to rise in line with CPI.

To illustrate sensitivity to the assumed rate of salary increases, if the Actuary were to lower the salary increase assumption by 0.25% then the impact of the judgement on the total liabilities at 31 March 2019 would be 0.5% of total liabilities, and the impact of the judgement on the current service cost would be 2.1% of the service cost.

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

37. CONTINGENT LIABILITIES

The Council had no contingent liabilities at 31 March 2019.

38. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Key Risks

Financial Instruments held by the Council are detailed in Note 14. The Council's activities expose it to a variety of financial risks:

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

SECTION 3 NOTES TO THE ACCOUNTS

Overall Procedures for Managing Risk

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

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

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

The Annual Treasury Management Strategy which incorporates the prudential indicators was approved by Council and is available on the Council's website.

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

Credit risk

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

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

The Council uses the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following overlays:

- Credit watches and credit outlooks from credit rating agencies;
- Credit Default Swap (CDS) spreads to give early warning of likely changes in credit ratings; and
- Sovereign ratings to select counterparties from only the most creditworthy countries.

Institutions are split into colour bandings to determine the maximum level and duration of the investment.

The full Investment Strategy for 2018/19 was approved by Council and is available on the Council's website.

The Council's Counterparty limits are as follows:

- £3.0 million for Money Market Funds
- £0.5 million on CCLA Property Investment Fund
- £3.0 million on term deposits with banks and building societies with the UK (£4.0 million with Lloyds Bank PLC)

The Council takes a very prudent approach regarding the collection of debts from its customers and calculates an annual provision for bad debts based on the age of its debt. A detailed review of potential bad debts was undertaken at 31 March 2019 and is reflected in the current figure of £430,000. This compares to £577,000 in 2017/18. The bad debt provision is adequate to deal with the historical experience of default and current market conditions. An analysis of the Council's debtors is provided in Note 15 to the accounts.

SECTION 3 NOTES TO THE ACCOUNTS

Amounts Arising from Expected Credit Losses

The Council's short term investments have been assessed and the expected credit loss is not material and therefore no allowances have been made.

	Balance at 31 March 2019	Historical Experience of Default	Estimated Maximum Exposure to Default and Uncollectability at 31 March 2019
	£000	**%**	**£000**
Deposits with Bank and Financial Institutions			
Aberdeen Standard Money Market Fund	3,000	0.00%	-
Deutsche Money Market Fund	300	0.00%	-
Blackrock Money Market Fund	3,000	0.00%	-
LGIM Money Market Fund	3,000	0.00%	-
Total	**9,300**		**-**

Liquidity risk

The Authority manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. An analysis of the Council's cash and cash equivalents is provided in Note 17 to the accounts. This seeks to ensure that cash is available when needed.

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

Market Risk

The Council is exposed to market risk in terms of its exposure that the value of an instrument will fluctuate because of changes in:

- Interest rate risk;
- Price risk; and
- Foreign exchange rate risk.

Interest rate risk

The Authority is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in fixed interest rates would have the following effects:

- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the balance sheet, 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 the Other Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements.

From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The Finance team will monitor markets and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

Price risk

The Council has an investment of £0.5 million in the CCLA Local Authorities Property Fund. At the end of each financial year the value of the Local Authority's investment is adjusted to equal the number of units held, multiplied by the published bid price.

The above investment has been elected as Fair Value through Other Comprehensive Income, meaning that all movements in price will impact on gains and losses recognised in the Financial Instruments Revaluation Reserve, therefore there will be no impact on the General Fund until the investment is sold or impaired.

Foreign exchange risk

The Council does not have any financial assets or liabilities denominated in foreign currencies, and thus has no exposure to loss arising from movements in exchange rates.

Refinancing and Maturity Risk

The Council maintains a debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the Finance team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Authority's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period:

	Approved minimum limits	Approved maximum limits	31 March 2018		31 March 2019	
	%	%	£million	%	£million	%
Less than 1 year	0%	10%	-	-	0.514	1.9
Between 1 and 2 years	0%	10%	0.272	5.7	0.508	1.8
Between 2 and 5 years	0%	30%	0.849	17.9	1.675	6.1
Between 5 and 10 years	0%	50%	1.529	32.2	2.519	9.1
More than 10 years	0%	100%	2.100	44.2	22.365	81.1
Total			**4.750**	**100.0**	**27.581**	**100.0**

39. ACCOUNTING POLICIES

a) General Principles

The Statement of Accounts summarises the Authority's transactions for the 2018/19 financial year and its position at the year end of 31 March 2019. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015. These regulations require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, supported by International Financial Reporting Standards (IFRS) (and statutory guidance issued under section 12 of the 2003 Act).

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

The accounting policies are applicable to all of the Council's transactions including those of the Collection Fund (council tax and business rates).

b) 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

- 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

The Council operates a de minimis policy for accruals. For revenue and capital the de minimis has remained at £5,000 in 2018/19.

c) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that are readily convertible to known amounts of cash with insignificant risk of change in value. Our policy is shown in the following table:

Type of Investment	Settlement Terms	Gain/Loss on Sale	Cash Equivalent
Money Market Fund	T + 0	✗	✓
Call Account	T + 0	✗	✓
Notice Deposit	Maturity	✗	✗
Term Deposit	T + 7 days	✗	✓
Other Term Deposits	Maturity	✗	✗

Key: T = trade date

The Council's view is that investments made with an investment period of greater than 7 days would not be classified as cash equivalents because they are not sufficiently liquid to meet short term cash commitments.

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

d) Material items of Income and Expense

When items of income and expense are material (in excess of £300,000), 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.

e) 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.

f) 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 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 assets attributable to the service

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. These charges are therefore replaced by the contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement, for the difference between the two.

g) 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 end an officer's employment before the normal retirement date, or an officer's decision to accept voluntary redundancy in exchange for those benefits. These benefits are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement, to terminate at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring.

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

Post-Employment Benefits

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

The Local Government Scheme

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

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

For further information please refer to Note 36.

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

- **Service cost comprising:**
  - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

- net interest on the net defined benefit liability (asset), i.e. net interest expense for the Authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- **Re-measurements comprising:**
  - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
  - contributions paid to the Devon County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

h) <u>Events after the Reporting Period</u>

Events after the Reporting Period 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.

i) 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 the borrowings held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics.

The three main classes of financial assets are measured at:

- Amortised cost
- Fair value through profit or loss (FVPL), and
- Fair value through other comprehensive income (FVOCI)

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

Financial Assets Measured at Amortised Cost

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

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 CIES.

Financial Assets measured at Fair Value through other Comprehensive Income (FVOCI)

The Council has equity instruments designated at fair value through other Comprehensive Income (FVOCI). This was previously classified as an Available for Sale asset at 31 March 2018.

The Council has made an irrevocable election to designate its equity instrument as FVOCI on the basis that it is held for non-contractual benefits, it is not held for trading but for strategic purposes. The asset was transferred to the new asset category on 1 April 2018.

The asset is initially measured and carried at fair value.

Dividend income is credited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Changes in fair value are posted to Other Comprehensive Income and Expenditure and are balanced by an entry in the Financial Instruments Revaluation Reserve.

When the asset is de-recognised, the cumulative gain or loss previously recognised in Other Comprehensive Income and Expenditure is transferred from the Financial Instruments Revaluation Reserve and recognised in the Surplus or Deficit on the Provision of Services.

The same accounting treatment was adopted in the prior year when the asset was classified as Available for Sale, except that accumulated gains and losses on the available for sale asset were previously held in an Available for Sale Financial Instruments Reserve at 31 March 2018.

The balance on this reserve was transferred to the new Financial Instruments Revaluation Reserve as at 1 April 2018.

Expected Credit Loss Model

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

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

Fair Value

The Council measures some of its assets and liabilities at their fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability at the measurement date.

The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place in the principal market for the asset or liability. The Authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

Inputs to the valuation techniques in respect of the Council’s fair value measurement of its assets and liabilities are categorised within the fair value hierarchy as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Authority can access at the measurement date.

- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

- Level 3 – unobservable inputs for the asset or liability.

j) Government Grants and Contributions

General

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

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

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

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

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

A Business Improvement District (BID) scheme operates in Tavistock. This scheme is funded by a BID levy paid by non-domestic ratepayers. The Council acts as an agent for the Tavistock BID Company, the Council is the billing Authority and collects the levy on the BID company's behalf. No income or expenditure is included in the Comprehensive Income and Expenditure Statement, and any cash balance collected by the Council but not yet paid to the BID company at the year end is carried in the Balance Sheet as a creditor.

k) Heritage Assets

Heritage assets are assets that are held by the Authority principally for their contribution to knowledge or culture. The Council has reviewed its insurance and assets registers and has not identified any material assets that require disclosure.

SECTION 3 NOTES TO THE ACCOUNTS

l) 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. As with Property, Plant and Equipment a de minimis level of £10,000 has been set for capitalisation.

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

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

m) Investment Properties

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 that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

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.

n) Jointly Controlled Operations

Jointly controlled operations are activities undertaken by the Authority in conjunction with other partners that involve the use of the assets and resources of the partners rather than the establishment of a separate entity. The Authority recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

o) <u>Leases</u>

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets (i.e. embedded leases).

The Authority as Lessee

<u>Finance Leases</u>

The Council does not hold any finance leases as a lessee.

<u>Operating Leases</u>

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Where material, 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

<u>Finance Leases</u>

The Council does not hold any finance leases as a lessor.

<u>Operating Leases</u>

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 relevant line within the ‘Cost of Services’ or ‘Financing and Investment Income’ in the Comprehensive Income and Expenditure Statement. Where material, the rental income is credited on a straight line basis over the life of the lease, even if this does not match the pattern of payments.

p) <u>Overheads and Support Services</u>

Costs of overheads and support services are only recharged to services requiring full cost recovery. Apart from these exceptions support services are shown in the Comprehensive Income and Expenditure Statement in their own reporting segment, which is in line with the Council’s internal reporting method.

q) Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

For 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 at a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

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

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

De minimis policy for capital controls and accounting purposes

CIPFA have not set specified de minimis levels and it is up to authorities to decide for themselves having regard to their particular circumstances.

In order to reduce the administrative burden a general de minimis limit of £10,000 has been set for the recognition of capital expenditure except for:

- Vehicles and Plant for which the limit is £7,000
- Loans which have no limit

Component Accounting

The International Financial Reporting Standards (IFRS) code requires separate accounting for depreciation of significant components of assets that are:

- acquired on or after 1 April 2010
- enhanced on or after 1 April 2010
- revalued on or after 1 April 2010

Where there is more than one significant part of the same asset which has the same useful life and depreciation method, such parts may be grouped in determining the depreciation charge.

Significant components which have different useful lives and/or depreciation methods, will be accounted for separately.

Where a component is replaced or restored, the carrying amount of the old component shall be derecognised and the new component reflected in the assets carrying amount, subject to the recognition principles of capitalising expenditure. Derecognition of a component from the Balance Sheet takes place when no future economic benefits are expected from its use. Such recognition and derecognition takes place regardless of whether the replaced part has been depreciated separately.

Assets eligible to be considered for componentisation are those classified within the following categories:

SECTION 3 NOTES TO THE ACCOUNTS

1. Operational Buildings
2. Assets Held for Sale

The following will be considered outside the scope for componentisation:

1. Non-Depreciable Land
2. Assets Under Construction
3. Investment Properties
4. Infrastructure
5. Plant and Equipment
6. Community Assets
7. Intangible Assets

The criteria for components to be separately valued are that:

De minimis threshold - *The overall gross asset value must be in excess of £400k to be considered for componentisation* ***and***

Materiality - *The component must have a minimum value of £200k* ***or*** *be at least 20% of the overall value of the asset (whichever is the higher)* ***and***

Asset lives - *The estimated life of the component is less than half of that of the main asset.*

All three rules above must be met to consider componentisation.
These rules will apply to revaluations and when replacing components within an asset.

Where enhancement is integral to the whole asset then unless there is significant evidence to the contrary, the asset life of the enhancement will have the same remaining life as the existing asset and will not be separately identified as a component.

Where assets are material and will therefore be reviewed for significant components, it is recommended that the **minimum** level of apportionment for the non-land element of assets is:

- Plant and equipment and engineering services
- Structure

The Valuer will assign to each standard property type a group of significant components common to all property assets within that property type.

Where a component is replaced the existing component shall be derecognised and the new component cost added to the carrying amount. The amount derecognised will be estimated based on the cost of the replacement part. This principle will apply to componentised and non-componentised assets.

Assets and asset components will be revalued in accordance with the annual valuation schedule agreed with the Valuer. The Valuer will be responsible for providing valuations apportioned in accordance with the assets property type.

SECTION 3 NOTES TO THE ACCOUNTS

Impairment

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

Where impairment losses are identified, they are accounted for as follows:

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

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

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

Depreciation

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

Deprecation is calculated on a straight-line allocation over the useful life of the asset. Useful lives are determined on a case by case basis. Typical useful lives are:

Asset	**Useful life**
Buildings	Sixty years
Infrastructure	Twenty years
Refuse vehicles	Seven years
Light vans	Five years
IT equipment	Four years

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts.

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

r) 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.

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

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received by the Authority.

Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts. The Council operates a disclosure de minimis policy for contingent liabilities and assets of £50,000.

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.

s) <u>Reserves</u>

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.

SECTION 3 NOTES TO THE ACCOUNTS

t) Revenue Recognition

With the adoption of accounting standard IFRS 15, revenue is defined as income arising as a result of the Council's normal operating activities and where income arises from contracts with service recipients it is recognised when or as the Council has satisfied a performance obligation by transferring a promised good or service to the service recipient.

Revenue is measured as the amount of the transaction price which is allocated to that performance obligation. Where the Council is acting as an agent of another organisation the amounts collected for that organisation are excluded from revenue.

The analysis carried out to date indicates that there will be no material impact on the revenue recognised in relation to the significant contracts entered into by the Council. A review will take place each year to identify whether any disclosure is necessary.

Further details of specific revenue recognition are provided in policies b) Accruals of Income and Expenditure and y) Accounting for Local Taxes.

u) Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

v) Section 106 Deposits

Developer contributions are initially treated as Capital Receipts in Advance unless a clear capital use is identified in the terms of the agreement, in which case they are defined as Capital Contributions Unapplied.

w) Shared Services

West Devon Borough Council and South Hams District Council have been in a shared services arrangement since 2007. Following the implementation of the joint Transformation Programme (T18), all of the Councils' non-manual workforce are shared across both Councils.

Officers have produced a methodology for recharging the salary costs of shared officers based on the most appropriate cost driver and ratio to best reflect the officer's split of workload between the two Councils. Examples of the cost drivers used are caseloads, call volumes, property numbers, number of claims or cases processed etc, and other methods such as time recording. The work carried out includes establishing from the Heads of Practice/Group Managers the relevant recharge requirements for all of the non-manual workforce. On an annual basis, the Audit Committee approve the methodology for recharging the salary cost of shared officers.

SECTION 3 NOTES TO THE ACCOUNTS

x) 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.

y) Accounting for Local Taxes

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

Accounting for Council Tax and Business Rates

The council tax and business rates income included in the Comprehensive Income and Expenditure Statement is the Authority's share of accrued income for the year. However, regulations determine the amount of council tax and business rates that must be included in the Authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement. The Balance Sheet includes the Authority's share of the end of year balances in respect of council tax and business rates relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

z) Minimum Revenue Provision

The Council is not required to use Council Tax to fund depreciation, revaluation and impairment losses or amortisation of non-current assets. However, it is required to make an annual contribution from revenue towards provision for the reduction in its overall borrowing requirement equal to either an amount calculated on a prudent basis or as determined by the Council in accordance with statutory guidance.

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) introduces changes in accounting policies that will have to be adopted fully by the Authority in the 2019/20 financial statements i.e. from 1 April 2019.

The Authority is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of a new/amended standard that has been issued, but is not yet required to be adopted by the Authority.

The Accounting Standards that have been issued but have not yet adopted are:

- Amendments to IAS 40 Investment Property : Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014 - 2016 Cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation.

These Standards are not anticipated to have a material impact on the Council's financial performance or financial position.

In addition IFRS 16 *Leases* will require local authorities that are lessees to recognise leases on their balance sheets as right-of-use assets with corresponding lease liabilities. CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2020.

41. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 39, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- The cost drivers used to apportion Shared Service costs are appropriate and result in recharges which fairly reflect actual workloads and costs.

- The Local Government Finance Act 2012 introduced a business rates retention scheme that enabled local authorities to retain a proportion of the business rates generated in their area, with effect from 1 April 2013. Provision is made for likely refunds of business rates as a result of appeals, against the rateable value of business properties. The appeals provision is based on the total value of outstanding appeals at the year end as advised by the Valuation Office Agency. Using this information an assessment was made about the likely success rate of appeals and their value.

SECTION 4 COLLECTION FUND

COLLECTION FUND FOR THE YEAR ENDED 31 MARCH 2019

This account reflects the statutory requirements for the Council as a billing Authority 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 business rates.

2017/18 Business Rates £000	**2017/18 Council Tax £000**		**2018/19 Business Rates £000**	**2018/19 Council Tax £000**
		INCOME		
-	(37,093)	Income from Council Tax		(39,054)
(9,970)	-	Business Rates Receivable	(10,637)	-
(416)	-	Transitional Relief	(400)	-
(10,386)	**(37,093)**		**(11,037)**	**(39,054)**
		EXPENDITURE		
		Precepts, Demands and Shares*:		
5,124	-	Central Government	-	-
922	25,293	Devon County Council	5,797	26,781
-	3,517	Devon & Cornwall Police Authority	-	3,788
103	1,627	Devon & Somerset Fire Authority	98	1,690
4,099	5,642	West Devon Borough Council (net including Towns/Parishes)	3,930	5,889
3	-	Business Rates written off and change in impairment allowance	70	-
-	506	Council Tax written off and change in impairment allowance	-	461
267	-	Business Rates increase/(decrease) in provision for appeals	590	-
84	-	Business Rates – Costs of collection	84	-
		Distribution/collection of previous year's estimated surplus/(deficit):		
17	-	Central Government	37	-
3	778	Devon County Council	7	433
-	111	Devon and Cornwall Police	-	60
-	52	Devon and Somerset Fire Authority	1	28
14	178	West Devon Borough Council	30	96
10,636	**37,704**		**10,644**	**39,226**
250	**611**	**MOVEMENT ON BALANCE**	**(393)**	**172**

SECTION 4 COLLECTION FUND

***Business Rates Pilot Status 2018/19**
The move towards 75% Business Rate Retention of business rates growth is expected to be in place by 2020. Devon was selected as one of 10 areas to take part in a national pilot allowing Councils to retain a higher share of business rates growth in 2018/19. This pilot status is reflected in the movement in the Preceptor's Shares above for 2018/19 with no surplus due to Central Government and Devon County Council's share increasing from 9% to 59% in 2018/19. The pilot is for one year, 2018/19 and has generated an extra £460,000 of business rate income for the Borough Council.

1. COUNCIL TAX AND COUNCIL TAX BASE

In 2018/19, the Council's average Band D Council Tax was £1,896.23. The charge for each band is a ratio of band D. The 2018/2019 charges therefore were:

Band	Ratio to Band D	Council Tax (£)
Disabled A	5/9	1,053.46
A	6/9	1,264.15
B	7/9	1,474.85
C	8/9	1,685.54
D	1	1,896.23
E	11/9	2,317.61
F	13/9	2,739.00
G	15/9	3,160.38
H	18/9	3,792.46

These charges are before any appropriate discounts or benefits. The Council tax base, which is used in the tax calculation, is based on the number of dwellings in each band on the listing produced by the Listing Officer. This is adjusted for exemptions, discounts, disabled banding changes, appeals and new builds. The tax base estimate for 2018/19 was **20,117.85** as calculated below (19,948.77 in 2017/18).

Band	Dwellings per Valuation List	Adjustment for Disabled Banding Appeals, Discounts and Exemptions	Revised Dwellings	Ratio to Band D	Band D Equivalent
Dis A		11.25	11.25	5/9	6.25
A	3,474.00	(579.75)	2,894.25	6/9	1,929.50
B	6,411.00	(724.50)	5,686.50	7/9	4,422.83
C	5,332.00	(490.50)	4,841.50	8/9	4,303.56
D	4,138.00	(276.00)	3,862.00	1	3,862.00
E	3,359.00	(222.25)	3,136.75	11/9	3,833.81
F	1,764.00	(81.25)	1,682.75	13/9	2,430.64
G	1,015.00	(75.50)	939.50	15/9	1,565.83
H	83.00	(8.75)	74.25	18/9	148.50
Total	**25,576.00**	**(2,447.25)**	**23,128.75**		**22,502.92**
Less allowance for non-collection					(675.09)
Plus adjustment for armed forces dwellings					19.60
Other adjustments including Council Tax Support					(1,729.58)
Tax base					**20,117.85**

2. Rateable value

The total business rates rateable value at 31 March 2019 was £32,228,374. This compares to £32,137,924 at 31 March 2018. The standard business rates multiplier was 49.3p in 2018/19 (2017/18: 47.9p). Without reliefs this would generate a total income of £15,888,588.38 (2017/18 £15,394,065.59). These figures are a snapshot only and differ from the value of business rate bills issued due to changes in rateable values during the year, small business rate relief, void properties and charitable relief.

SECTION 4 COLLECTION FUND

3. Collection fund balance

2017/18 Business Rates £000	2017/18 Council Tax £000		2018/19 Business Rates £000	2018/19 Council Tax £000
(402)	(1,312)	Fund balance at 1 April	(152)	(701)
250	611	Deficit/(surplus) for year	(393)	172
(152)	**(701)**	**Fund balance as at 31 March – deficit/(surplus)**	**(545)**	**(529)**

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

2017/18 Business Rates £000	2017/18 Council Tax £000		2018/19 Business Rates £000	2018/19 Council Tax £000
(76)	-	Central Government**	(39)	-
(13)	(492)	Devon County Council**	(283)	(372)
-	(68)	Devon and Cornwall Police	-	(52)
(2)	(32)	Devon and Somerset Fire Authority	(5)	(24)
(91)	**(592)**	**Total deficit/(surplus) due to Preceptors**	**(327)**	**(448)**
(61)	(109)	West Devon Borough Council	(218)	(81)
(152)	**(701)**	**Fund balance as at 31 March – deficit/(surplus)**	**(545)**	**(529)**

****Business Rates Pilot Status for 2018/19**

The balance due to Central Government as at 31 March 2019 relates to their share (50%) of the difference between the actual surplus at 31 March 2018 (£183,000) and the estimated surplus calculated in the 2018/19 NNDR1 Return (£105,000). Unlike the other Business Rates Preceptors, Central Government's Collection Fund balance is not increased by a share of the current year surplus following the Devon Authorities successful bid for Pilot status in 2018/19. In addition the larger balance due to Devon County Council at 31 March 2019 reflects their increased share of business rates for 2018/19 from 9% to 59%. The pilot is for one year, 2018/19 and has generated an extra £460,000 of business rate income for the Borough Council. £143,516 of this pilot gain has been used to fund the 2018/19 revenue base budget and the balance of £316,484 has been transferred into a new Financial Stability earmarked reserve.

SECTION 5 STATEMENT OF RESPONSIBILITIES / APPROVAL OF THE ACCOUNTS

The Authority's responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Section 151 Officer & Strategic Finance Lead

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

- approve the Statement of Accounts

The Chief Financial Officer's responsibilities

The Chief Financial Officer 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 Chief Financial Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.
- assessed the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- used the going concern basis of accounting on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future; and
- maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error,

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority at the reporting date and its income and expenditure for the year ended 31 March 2019.

..

Lisa Buckle BSc (Hons), ACA
Section 151 Officer & Strategic Finance Lead

23 July 2019

Approval of the Statement of Accounts

I confirm that these accounts were approved by the Audit Committee as its meeting held on 23 July 2019.

Signed on behalf of West Devon Borough Council

……………………………………………….

Councillor M Davies

Chairman of the Audit Committee

SECTION 6 AUDITORS REPORT

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF WEST DEVON BOROUGH COUNCIL

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

This report will follow from the Council’s auditors.

GLOSSARY OF TERMS

ACCRUALS	A sum included in the account to cover income or expenditure attributable to an accounting period for goods received or work done, but for which payment has not been received/made by the end date of the period for which the accounts have been prepared.
ACTUARIAL GAINS & LOSSES	These are changes in actuarial deficits or surpluses that arise because either actual experience or events have not been exactly the same as the assumptions adopted at the previous valuation (experience gains and losses) or the actuarial assumptions have changed.
BALANCES	The surplus or deficit on any account at the end of the year. Amounts in excess of that required for day to day working may be used to reduce the demand on the Collection Fund.
BUSINESS IMPROVEMENT DISTRICT (BID)	A Business Improvement District is a partnership between a local Authority and the local business community to develop projects and services that will benefit the trading environment within the boundary of a clearly defined commercial area.
CAPITAL EXPENDITURE	Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.
CAPITAL RECEIPTS	Income received from sale of assets which is available to finance other capital expenditure or to repay debt on assets financed from loans.
CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY	The governing body responsible for issuing the statement of recommended practice to prepare the accounts.
COLLECTION FUND	A separate fund which must be maintained by a district for the proper administration of Council Tax and Non Domestic Rates.
CURRENT SERVICE COST	Amount chargeable to Services based on the Actuary's assessment of pension liabilities arising and chargeable to the financial year.

CURTAILMENTS	The amount the Actuary estimates as costs to the Authority of events that reduce future contributions to the scheme, such as granting early retirement.
DEFINED BENEFIT SCHEME	A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).
DEMAND	The charging authorities own Demand is, in effect, its precept on the fund.
FAIR VALUE	The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date
FEES & CHARGES	In addition to the income from charge payers and the Governments, Local Authorities charge for services, including Planning Consents, Hire of Sporting Facilities, Car Parking etc.
FINANCIAL INSTRUMENTS	A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.
GOVERNMENT GRANTS	Payments by Central Government towards the cost of Local Authority services, including both Revenue and Capital.
IMPAIRMENT ALLOWANCE ("BAD DEBT PROVISION")	Provisions against income to prudently allow for non collectable amounts.
INTEREST COST	For the pension fund this represents the discount rate at the start of the accounting period applied to the liabilities during the year based on the assumptions at the start of the accounting period.
INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) & THE CODE OF PRACTICE (CODE)	Formal financial reporting standards adopted by the accounting profession and to be applied when dealing with specific topics within its accounting Code. The Code is based on approved accounting standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements.

LIBID

Acronym for the London Inter-bank Bid Rate, being the interest rate at which a market maker or underwriter will offer to buy bonds and securities.

MINIMUM REVENUE PROVISION (MRP)

This is a statutory requirement to make an annual calculation of an amount or MRP considered prudent to offset against borrowings made under the Prudential Borrowing rules.

PAST SERVICE COST

These will typically be additional benefits awarded on early retirement. This includes added years or augmentation and unreduced pension benefits awarded before eligible retirement age in the pension scheme.

PRECEPT

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

PROJECTED UNIT METHOD

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

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

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

RATEABLE VALUE

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

REVENUE EXPENDITURE

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

SETTLEMENTS	A settlement will generally occur where there is a bulk transfer out of the Pension Fund or from the employer's share of the Fund to a new contractor's share of the Fund as a result of an outsourcing. It reflects the difference between the IAS 19 liability transferred and the assets transferred to settle the liability.
STRAIN ON FUND CONTRIBUTIONS	Additional employers pension contributions as a result of an employee's early retirement
SUNDRY CREDITORS	Amounts owed by the Authority at 31 March.
SUNDRY DEBTORS	Amounts owed to the Authority at 31 March.