

TEIGNBRIDGE DISTRICT COUNCIL

STATEMENT OF ACCOUNTS

2015/16



# ***STATEMENT OF ACCOUNTS 2015/2016***

---

## **CONTENTS**

|   | <b>PAGE</b> |
|---|-------------|
| <b>PART 1      INTRODUCTION</b>   |             |
| Chief Officers of the Council & Location of Offices                                     | 7           |
| Narrative Statement   | 8-17        |
| <br><b>PART 2      FINANCIAL STATEMENTS</b>   |             |
| Index   | 21-22       |
| Statement of Responsibilities   | 23          |
| Audit Opinion and Conclusion  | 24-26       |
| Movement in Reserves Statement  | 27          |
| Comprehensive Income and Expenditure Statement  | 28          |
| Balance Sheet   | 29          |
| Cash Flow Statement   | 30          |
| Notes to the Financial Statements   | 31-106      |
| Supplementary Single Entity Financial Statements –                                      |             |
| Collection Fund   | 107         |
| Notes to the Collection Fund  | 108         |
| Glossary of Financial Terms   | 109-112     |
| <br><b>PART 3      SUPPLEMENTARY INFORMATION</b>  |             |
| Comprehensive Statement on the System of Internal Control (Annual Governance Statement) | 115-124     |
| Other Information and Contacts  | 125-126     |



# Part 1

## Introduction



## ***STATEMENT OF ACCOUNTS 2015/2016***

---

### **CHIEF OFFICERS OF THE COUNCIL &**

### **LOCATION OF OFFICES**

#### **CHIEF OFFICERS OF THE COUNCIL**

|                        |                                       |
|------------------------|---------------------------------------|
| Chief Executive        | Nicola Bulbeck LL.B (Hons), Barrister |
| Deputy Chief Executive | Phil Shears                           |
| Business Lead          | Sue Aggett                            |

#### **LOCATION OF OFFICES**

Building Control  
Customer Services  
Revenue & Benefits  
Environmental Health  
Business Improvement & Development  
Spatial Planning  
Neighbourhood Planning  
Development Management  
Housing  
Internal Audit  
Resorts  
Strata Service Solutions Limited  
Democratic Services  
Communications  
Human Resources  
Waste, Recycling & Cleansing  
Leisure  
Green Spaces & Active Leisure  
Licensing  
Economy/Property & Assets  
Health & Wellbeing  
Community Safety  
Parking  
Land Charges  
Coastal & Drainage  
Elections  
Finance  
Legal & Procurement  
Partnership Development

Forde House  
Brunel Road  
Newton Abbot  
TQ12 4XX

Tel: (01626) 361101

Fax: (01626) 215250

# Narrative Statement

## INTRODUCTION

1. Each year the Authority publishes its Statement of Accounts. The Authority's Accounts for the year 2015/16 are set out on pages 21-112. They consist of:

### THE SINGLE ENTITY FINANCIAL STATEMENTS:

|   |  |
|---|--|
| <b>MOVEMENT IN RESERVES STATEMENT</b>                 | (Page 27) This statement shows the movement in the year on the different reserves held by the authority analysed into 'usable reserves' (i.e. those that can be used to fund expenditure or reduce local taxation) and those that are unusable.  |
|   |  |
| <b>COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT</b> | (Page 28) This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement. |
|   |  |
| <b>BALANCE SHEET</b>                                  | (Page 29) This shows the assets and liabilities recognised by the Authority on 31 March 2016   |
|   |  |
| <b>CASH FLOW STATEMENT</b>                            | (Page 30) This shows the changes in cash and cash equivalents of the Authority during the reporting period   |

The financial statements are supported by various notes (see pages 31-106). These notes include the accounting policies which summarises the framework within which the Council's accounts are prepared and published.

### SUPPLEMENTARY SINGLE ENTITY FINANCIAL STATEMENTS

#### **COLLECTION FUND**

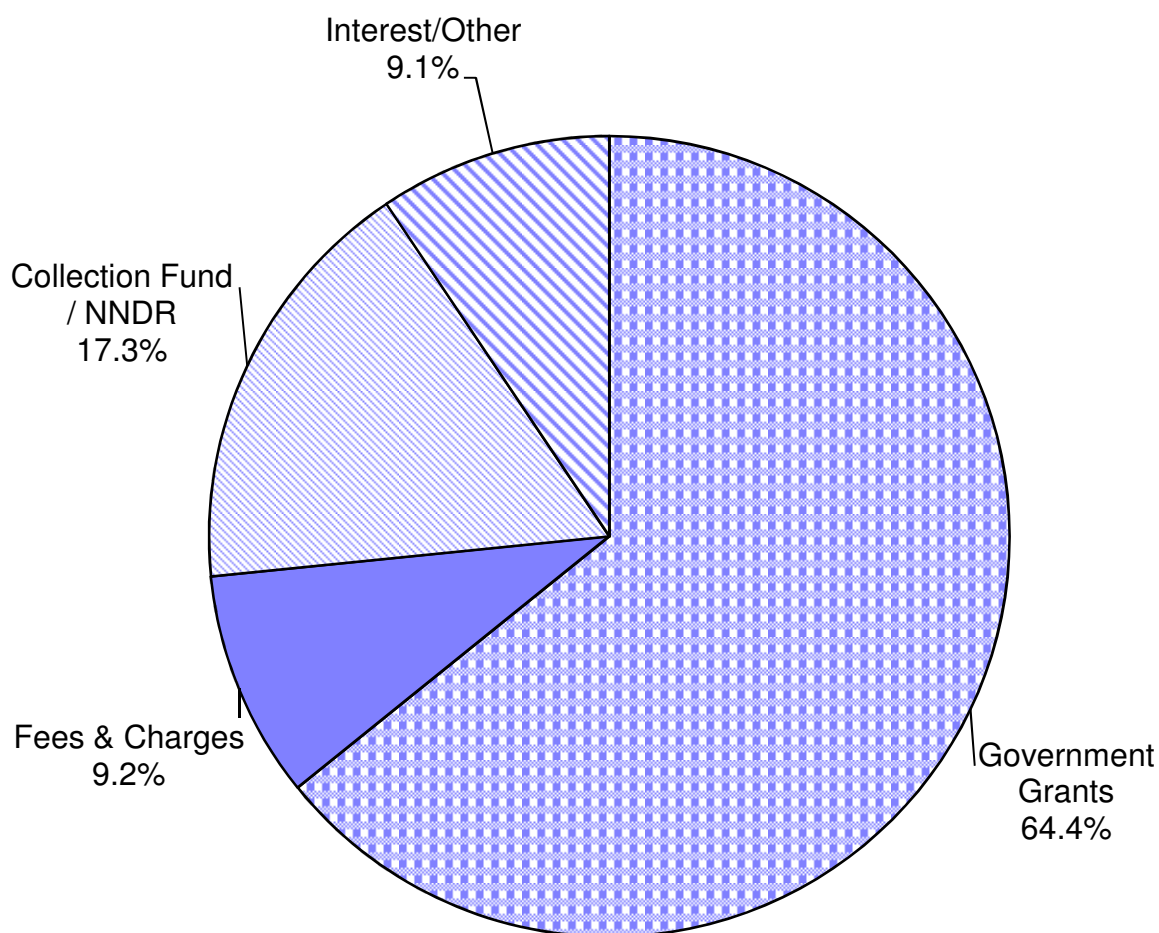
A statutory fund showing administration of council tax and income from business ratepayers (page 107).

Notes to the Collection Fund are on page 108.

2. This narrative statement provides a brief explanation of the financial aspects of the Council's activities and draws attention to the main characteristics of the Authority's financial position. The following three charts show in broad terms where the Authority obtains its finance, what it is spent on and what services it provides.



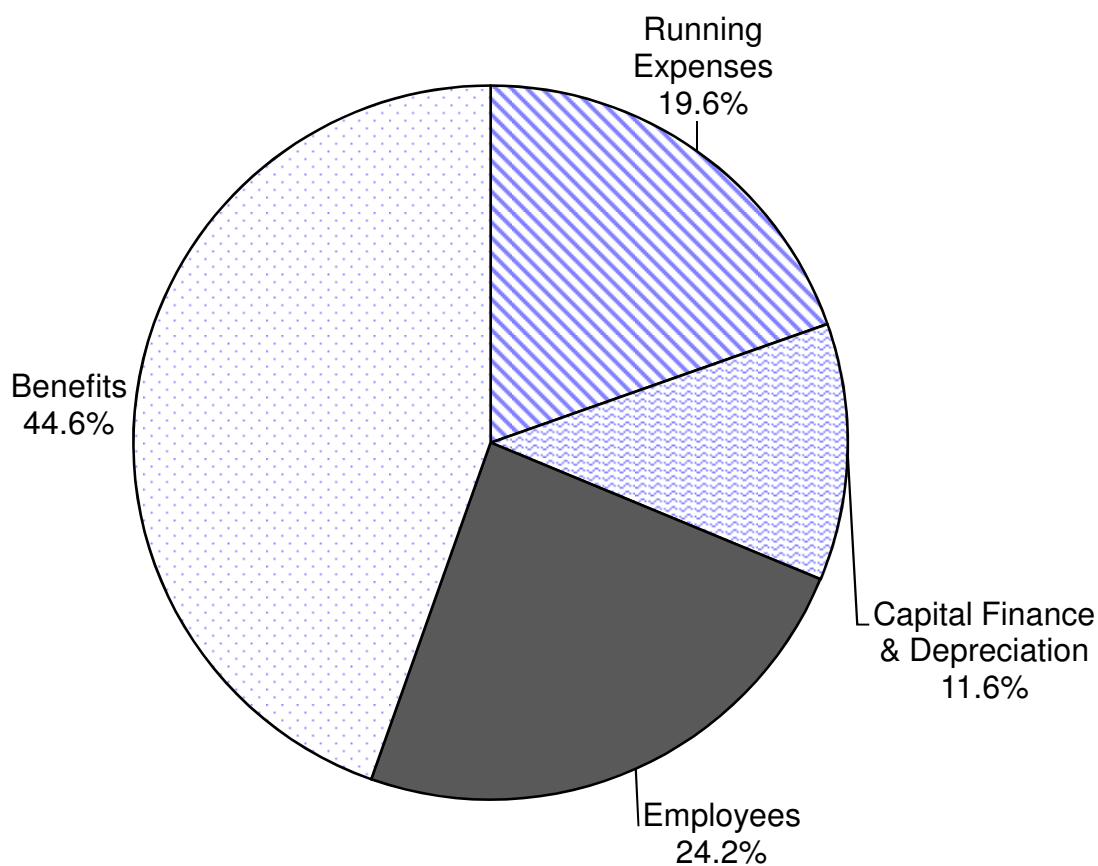
## WHERE THE MONEY COMES FROM



The largest single item is Government Grants (for example rent allowances and revenue support grant) and other contributions which provide 64.4% of the total.

Income received from the services provided through fees and charges, other income and from interest account for 18.3% of the total.

## WHAT THE MONEY IS SPENT ON



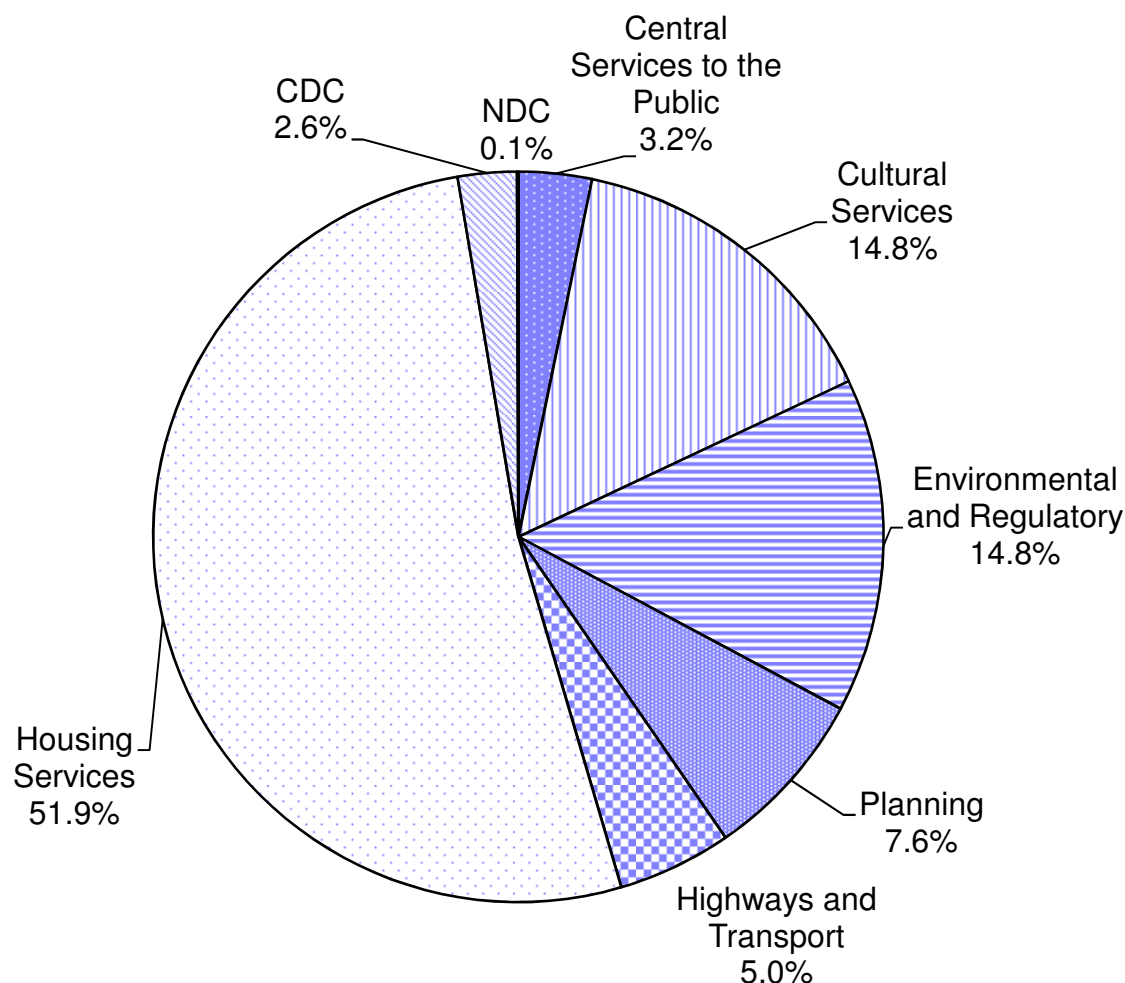
Benefits cover rent allowances and housing rent rebates and amount to 44.6%.

Running expenses includes maintenance of buildings, operating vehicles and purchase of supplies and services and takes up 19.6% of the total expenditure.

Employees account for 24.2% of the total.

Capital financing charges are mainly the payments of interest on loans, depreciation and impairment/revaluation adjustments.

## THE SERVICES PROVIDED



51.9% of the total expenditure is on general fund housing which covers expenditure on rent allowances. The actual charge to the local taxpayer is much smaller, due to income from Government Grants. Homelessness and other housing options are covered here.

Corporate & Democratic Core (CDC) covers members' activities in that capacity including corporate, programme and service policy making and activities relating to governance.

Environmental and Regulatory Services covers areas such as cemeteries, coast protection, environmental health, flood defence, street cleansing and waste collection.

Cultural Services covers arts, museums, recreation and sport, open spaces and tourism.

Central Services to the public include local tax collection, elections, emergency planning and local land charges.

Other expenditure covers planning (e.g. development management, planning policy and building control), highways, roads and transport (e.g. off street car parking) and non-distributed costs (NDC) (e.g. past service costs relating to pensions).

## FINANCIAL REQUIREMENTS AND RESOURCES

3. The authority maintains capital and revenue reserves. An appropriate level of balances is a necessary part of our financial management strategy to have funds available to meet known and potential financial commitments. Revenue reserves can be used to finance capital projects or revenue expenditure. Capital reserves can only be used to fund capital projects. Our reserves are detailed on page 27 (Movement in Reserves Statement). These are split into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves ('unusable'). Usable reserves include our general fund balance, earmarked reserves, capital receipts reserve and capital grants unapplied (see note 22 to the accounts). Unusable reserves are detailed in note 23 and include a number of reserves e.g. the revaluation reserve, pensions reserve and capital adjustment account.

Within the year our 'usable reserves' have decreased from £13.703 million to £10.784 million. This is mainly due to use of the capital receipts reserve to fund the capital programme offset by an increase in capital grants unapplied. There has also been an increase in earmarked reserves due to a surplus arising in the year (further analysed in note 4 below). Our unusable reserve position has improved. The reserves showed a negative £22.259 million at 31 March 2015 due to the deficit on the pension reserve. This has decreased to a negative £3.349 million at 31 March 2016. Increases in the revaluation reserve due to increases in property, plant and equipment valuations (in particular in relation to car parking assets) and an improvement to the negative balance on the pensions reserve due to changes in financial assumptions and the payment of an additional £1 million towards the deficit funding. Revenue reserves are £5.731 million at 31 March 2016 and capital receipts and grants unapplied are £5.053 million

## REVENUE EXPENDITURE

4. During the year regular budget monitoring has been carried out and reported to members. Overall net expenditure in 2015/16 was £17.205 million compared to the original approved budget of £16.800 million – an adverse variance of £0.405 million. Income from planning fees were less than budgeted and there was a one off contribution to reduce the pension deficit as an invest to save initiative partly offset by savings in utility costs and increases in income from fees and charges, leisure memberships and Market Walk rents. There was an increase in income from government grants due to additional non specific grant funding including an infrastructure capacity funding grant of £0.359 million and an increase in business rate income which contribute to the overall favourable variance of £0.708 million.
5. Set out below is a comparison between actual & budgeted expenditure for the year:-

|  | Budget        | Actual        | Difference   |
|--|---------------|---------------|--------------|
|  | £'000         | £'000         | £'000        |
| Net expenditure on services                      | 16,840        | 17,104        | 264          |
| Contributions from Trading Undertaking (6 below) | (41)          | 101           | 142          |
| Interest payable                                 | 1             | 0             | (1)          |
| <b>NET EXPENDITURE</b>                           | <b>16,800</b> | <b>17,205</b> | <b>405</b>   |
| Income from Government Grants & Local Taxpayers  | (16,282)      | (17,395)      | (1,113)      |
| <b>DEFICIT (SURPLUS) FOR THE YEAR</b>            | <b>518</b>    | <b>(190)</b>  | <b>(708)</b> |

Actual net expenditure of £17.205 million can be reconciled to the Comprehensive Income and Expenditure Statement on page 28 being:-

|   |                      |
|---|----------------------|
|   | <b>£'000</b>         |
| Deficit on Provision of Services  | 5,599                |
| Adjustments between accounting basis & funding basis under regulations (note 7 on pages 50 to 54) | <u>(5,789)</u>       |
| <b>(Surplus) for the year</b>   | <b>(190)</b>         |
| Less: Income from Government Grants and Local Taxpayers (as listed below)                         | <u>(17,395)</u>      |
| <b>Net expenditure (as above)</b>   | <b><u>17,205</u></b> |

Income from Government Grants and Local Taxpayers of £17.395 million can be reconciled to the Comprehensive Income and Expenditure Statement on page 28 as the sum of the Council tax income (excluding surplus) (£9.440 million), Revenue Support Grant (£2.477 million) and Business Rates income less expenditure (excluding deficit) plus new homes bonus, other sundry general grants and council tax support expenditure (£7.921 million), less precepts paid to Parish Councils (£2.443 million). These are highlighted in notes 9, 11 and 33 to the financial statements. Revenue reserves at 31 March 2016 are £5.731 million being general reserves of £1.631 million and earmarked reserves of £4.100 million.

6. The Council's trading undertaking relates to the retail and livestock market which produced a deficit of £0.101 million during the year. Further information can be found in note 29 to the financial statements on page 83.
7. Material charges in the accounts – There were no material charges in the accounts for 2014/15.

There are a number of material charges in the accounts for 2015/16 and these are listed in detail in note 5(a) to the financial statements.

The Comprehensive Income & Expenditure Account has been charged for revaluation losses in the year including £4.4 million on the completion of the new Pavilions Teignmouth arts and community venue and £1.6 million on some car parking assets. These are not funding issues and merely reflect accounting adjustments to measure the assets at current value in existing use.

The Authority contributed £1 million towards the slip road at Aller junction on the A380 South Devon link road and the Decoy industrial estate access road scheme.

A further £1 million was paid as a one-off contribution to the pension fund to reduce the deficit as an invest to save initiative.

The purchase of Market Walk shopping centre, Newton Abbot for £13.7 million to assist with economic development in the town and the net upward revaluation of a significant number of car parks totalling £8 million have reflected in the increased value of our Property, Plant & Equipment on the Balance Sheet.

## CAPITAL EXPENDITURE

8. The table below shows the performance on Capital Investment for 2015/16.

The Council spent £25.750 million on capital projects compared with the original budget of £12.084 million.

The increase is mainly due to the purchase of the Market Walk shopping centre.

|                            | Budget<br>£'000 | Actual<br>£'000 | Difference<br>£'000 |
|----------------------------|-----------------|-----------------|---------------------|
| <b>Capital Investment:</b> |                 |                 |                     |
| General                    | 10,889          | 24,649          | (13,760)            |
| Housing                    | 1,195           | 1,101           | 94                  |
| <b>CAPITAL EXPENDITURE</b> | <b>12,084</b>   | <b>25,750</b>   | <b>(13,666)</b>     |
| <b>Financed by:</b>        |                 |                 |                     |
| Capital Receipts           | 5,382           | 5,558           | (176)               |
| Revenue Contributions      | 1,942           | 2,221           | (279)               |
| Prudential Borrowing       | 0               | 13,050          | (13,050)            |
| Grants                     | 4,110           | 4,446           | (336)               |
| Contributions              | 650             | 475             | 175                 |
| <b>CAPITAL FINANCING</b>   | <b>12,084</b>   | <b>25,750</b>   | <b>(13,666)</b>     |

The main areas of Capital Investment in 2015/16 were:

|   |                 |
|---|-----------------|
| Disrepair and Disabled Facilities Grants  | £0.971 million  |
| Affordable Housing  | £0.017 million  |
| Environmental Schemes   | £2.702 million  |
| Flood Alleviation and Prevention  | £1.401 million  |
| Sports Halls and Recreation   | £0.292 million  |
| Planning & Development (including Pavilions & Fish Quay)                          | £4.921 million  |
| Industrial, Commercial and Infrastructure (including Market Walk shopping centre) | £14.776 million |
| Open spaces   | £0.254 million  |
| Other schemes   | £0.416 million  |

9. In 2016/17 the budgeted expenditure is as follows:

|   |                |
|---|----------------|
| Sports Halls & Recreation                       | £0.743 million |
| Open Spaces                                     | £0.500 million |
| Planning & Development                          | £0.695 million |
| Industrial, Commercial & Infrastructure         | £1.000 million |
| Environmental Schemes                           | £0.272 million |
| Flood Alleviation & Prevention                  | £2.574 million |
| Car Parking                                     | £0.415 million |
| Disrepair, Disabled Facilities & Heating grants | £1.522 million |
| Affordable Housing                              | £0.200 million |
| Information Technology                          | £0.240 million |

## 10. Capital funds:

The capital receipts, grants and contributions received including capital receipts in advance for 2015/16 can be analysed as follows:

|       |  |                       |
|-------|--|-----------------------|
|       | Capital resources brought forward        | £10.084 million       |
| Add:  | Received in year                         | £6.852 million        |
| Less: | Capital financing applied to expenditure | £10.479 million       |
|       | Loan/other                               | <u>£0.000 million</u> |
|       | Capital resources carried forward        | £6.457 million        |

## BORROWING / FUNDING

11. There was no long term borrowing during the year.

## PENSION LIABILITIES

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

The actuary has now estimated a net deficit on the funded liabilities within the Pension Fund as at the 31<sup>st</sup> March 2016 of £71.546 million. The requirement to recognise the net pension liability in the balance sheet has reduced the reported net worth of the authority by 90.6% (2015/16) and 112.1% (2014/15) as shown on page 29.

The net deficit has decreased which is mainly due to a favourable movement on the actuarial financial assumptions.

The deficit is derived by calculating the pension assets and liabilities at 31 March 2016. This is different to the valuation basis used to calculate the employers' contribution rate which is calculated using actuarial assumptions spread over a number of years.

See also note 38 on pages 93 - 99 for further information.

## CHANGE IN ACCOUNTING POLICIES

13. In 2015/16 there was a prospective change in the application of IFRS13 relating to the definition of the measurement of fair value of assets and liabilities. Apart from a number of minor changes in disclosure notes the only change on the balance sheet was in the fair value of surplus assets however this is not material.

## IMPACT OF ECONOMIC CLIMATE

14. The economic climate continued to have an impact on the Council although there were no significant changes compared to recent years. Collection rates on business rates and council tax remained at similar levels to prior years. There has been an increase in the value of property as explained in note 7 above. Income from planning fees were lower than budget however property rental income was higher. There was a decrease in housing benefit costs but these are fully recovered by grant.

## **ECONOMY, EFFICIENCY AND EFFECTIVENESS IN ITS USE OF RESOURCES**

15. The Authority reports on its financial performance and economy, efficiency and effectiveness in its use of resources over the financial year in a number of ways;

Spending against budget is monitored monthly and quarterly reports are submitted to the Executive Committee for their review.

There are also a number of reports submitted to the Audit Scrutiny Committee including:-

- Internal Audit Annual Report and quarterly audit findings.
- Annual Governance Statement.
- External Audit's Annual Audit Letter including a Value for Money conclusion.
- Review of risk management.
- Treasury management including mid-year review.

The Business Improvement and Development team manage and monitor key performance indicators with reports being taken quarterly to Overview and Scrutiny Committee.

The Authority also receives external inspection reports. A Corporate Peer Review organised by the Local Government Association reported on the Council's governance and financial resilience. This was a positive report which was presented to Full Council in April 2016 and highlighted one of the key strengths as the employees of the Authority.

The Medium Term Financial Plan has been set to cover future years and how the Authority will manage with Central Government proposed funding cuts. This is updated every year as part of the budget process and identifies planned future developments in service delivery including the capital programme. Internal reviews of all services are conducted every year under the Business Efficiency Service Transition known as BEST 2020. This process identifies future efficiencies and savings that will be made to service provision and feeds into the budget.

## **FORWARD FINANCIAL PLANNING REVIEW**

16. The Authority has a Medium Term Financial Plan which covers 3 years and is updated on an annual basis. There are a number of issues that are impacting on the Authority, its finances and service delivery. These include:

Cuts to Central Government grant funding – planned reductions in Revenue Support Grant.

The Local Government Finance Settlement for 2016/17 was finalised in February 2016. At the same time government is reviewing the major national funding distributions of new homes bonus and business rates which creates significant uncertainties for future financial planning with the Government announcing a four year funding deal for 2016/17 to 2019/20. If the Authority wishes to accept it will need to publish an efficiency plan and submit to Government by 14 October 2016. This plan should outline how the Authority will achieve a balanced budget over the next four years.



## UNCERTAINTIES & MATERIAL EVENTS AFTER THE REPORTING DATE

17. Please see note 6 to the financial statements for events after the reporting period. Contingent liabilities are itemised in note 39. See also note 21 to the financial statements for provisions in the accounts.

## FURTHER INFORMATION

18. Further information about the accounts is available from Financial Services, Forde House, Newton Abbot. This is part of the Council's policy of providing full information about the Council's affairs. Also interested members of the public have a statutory right to inspect the accounts before the audit. The availability of the accounts for inspection is advertised in the local press. The accounts have been audited and the Auditors' opinion and conclusion is on pages 24 to 26. The accounts are available on request in large print, Braille, different colour, e-mail attachment, MP3 file or disc. If English is not your first language we can also arrange for it to be produced in another language.

Lesley Tucker

Chief Finance Officer



## Part 2

# Financial Statements



**STATEMENT OF ACCOUNTS 2015/16****INDEX**

|  | Page |   | Page |
|--|------|---|------|
| <b>Financial Certificates:-</b>  |      | Note 18 Cash and Cash Equivalents                                     | 65   |
| Statement of Responsibilities  | 23   | Note 19 Assets Held for Sale  | 65   |
| Audit Opinion and conclusion   | 24   | Note 20 Short Term Creditors  | 66   |
| <b>Core financial Statements:-</b>   |      | Note 21 Provisions  | 66   |
| Movement in Reserves Statement   | 27   | Note 22 Usable Reserves   | 67   |
| Comprehensive Income and Expenditure Statement   | 28   | Note 23 Unusable Reserves   | 67   |
| Balance Sheet  | 29   | Note 24 Cash Flow Statement – Operating Activities                    | 73   |
| Cash Flow Statement  | 30   | Note 25 Cash Flow Statement – Investing Activities                    | 74   |
| <b>Notes to Financial Statements:-</b>   |      | Note 26 Cash Flow Statement – Financing Activities                    | 74   |
| Note 1 Accounting Policies   | 31   | Note 27 Amounts Reported for Resource Allocation Decisions            | 75   |
| Note 2 Accounting Standards Issued, Not adopted  | 46   | Note 28 Financial Instruments   | 80   |
| Note 3 Critical Judgements in Applying Accounting Policies                                 | 47   | Note 29 Trading Operations  | 83   |
| Note 4 Assumptions made about the future and other major sources of estimation uncertainty | 48   | Note 30 Members Allowances  | 83   |
| Note 5 Material items of income and expense and prior year adjustments                     | 49   | Note 31 Officers Remuneration/Exit Packages & Termination Benefits    | 83   |
| Note 6 Events after the reporting period   | 50   | Note 32 External Audit Costs  | 86   |
| Note 7 Adjustments between Accounting Basis and Funding Basis under Regulations            | 50   | Note 33 Grant Income  | 86   |
| Note 8 Transfers to/from earmarked Reserves  | 55   | Note 34 Related Parties   | 89   |
| Note 9 Other Operating Expenditure   | 55   | Note 35 Capital Expenditure and Capital Financing                     | 89   |
| Note 10 Financing and Investment Income & Expenditure                                      | 56   | Note 36 Leases  | 90   |
| Note 11 Taxation and Non Specific Grant Income and Expenditure                             | 56   | Note 37 Impairment Losses   | 93   |
| Note 12 Property, Plant and Equipment  | 58   | Note 38 Defined Benefit Pension Scheme                                | 93   |
| Note 13 Investment Properties  | 62   | Note 39 Contingent Liabilities  | 99   |
| Note 14 Intangible Assets  | 63   | Note 40 Nature and Extent of Risks Arising from Financial Instruments | 100  |
| Note 15 Long Term Debtors  | 64   | Note 41 Other Long Term Liabilities                                   | 103  |
| Note 16 Short Term Investments   | 64   | Note 42 Trust Funds   | 104  |
| Note 17 Short Term Debtors   | 64   | Note 43 Heritage Assets   | 104  |

|   |     |                                       |     |
|---|-----|---------------------------------------|-----|
| Note 44 Agency Services                   | 104 | <b>Glossary of Financial Terms</b>    | 109 |
| Note 45 Joint Operations                  | 104 | <b>Annual Governance Statement</b>    | 115 |
| <b>Supplementary Financial Statements</b> |     | <b>Other Information and Contacts</b> | 125 |
| The Collection Fund                       | 107 |                                       |     |
| Notes to the Collection Fund              | 108 |                                       |     |

## **THE STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF 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 Chief Finance Officer;
- ◆ manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- ◆ approve the Statement of Accounts.

### **The Chief Finance Officer's Responsibilities**

The Chief Finance 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 Finance Officer has:-

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

The Chief Finance Officer has also:

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

The Chief Finance Officer has signed below to certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority at 31 March 2016 and its income and expenditure for the year ended 31 March 2016.

.....  
**LESLEY TUCKER – CHIEF FINANCE OFFICER**

I confirm that these accounts were approved by the Council on 26 September 2016

.....  
**COUNCILLOR GRAHAM PRICE, Chairman of the Council**

26 September 2016

# AUDIT OPINION AND CONCLUSION

## Independent auditor's report to the Members of Teignbridge District Council

We have audited the financial statements of Teignbridge District Council (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

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

### Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion the financial statements:

- present a true and fair view of the financial position of the Authority as at 31 March 2016 and of its expenditure and income for the year then ended; and



- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

## **Opinion on other matters**

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement is consistent with the audited financial statements.

## **Matters on which we are required to report by exception**

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 24 of the Act; or
- we make a written recommendation to the Authority under section 24 of the Act; or
- we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

## **Conclusion on the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources**

### **Respective responsibilities of the Authority and auditor**

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

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

### **Scope of the review of the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources**

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant

respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

## **Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, we are satisfied that in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

## **Certificate**

We certify that we have completed the audit of the accounts of the Authority in accordance with the requirements of the Act and the Code.

*Geraldine Daly*

Geraldine Daly

For and on behalf of Grant Thornton UK LLP, Appointed Auditor  
Hartwell House  
55-61 Victoria Street  
Bristol  
BS1 6FT

28 September 2016

## MOVEMENT IN RESERVES STATEMENT

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

|   | General<br>Fund<br>Balance | Earmarked<br>Reserves | Capital<br>Receipts<br>Reserve | Capital<br>Grants<br>Unapplied | Total<br>Usable<br>Reserves | Unusable<br>Reserves | Total<br>Authority<br>Reserves |
|---|----------------------------|-----------------------|--------------------------------|--------------------------------|-----------------------------|----------------------|--------------------------------|
|   | £'000                      | £'000                 | £'000                          | £'000                          | £'000                       | £'000                | £'000                          |
| <b>Balance at 31 March 2014</b>   | <b>2,239</b>               | <b>2,332</b>          | <b>8,719</b>                   | <b>443</b>                     | <b>13,733</b>               | <b>(11,295)</b>      | <b>2,438</b>                   |
| <u>Movement in reserves during 2014/15</u>                                      |                            |                       |                                |                                |                             |                      |                                |
| Surplus or (deficit) on the provision of services                               | (351)                      | 0                     | 0                              | 0                              | (351)                       | 0                    | (351)                          |
| Other Comprehensive Income and Expenditure (see page 28)                        | 0                          | 0                     | 0                              | 0                              | 0                           | (10,643)             | (10,643)                       |
| <b>Total Comprehensive Income and Expenditure</b>                               | <b>(351)</b>               | <b>0</b>              | <b>0</b>                       | <b>0</b>                       | <b>(351)</b>                | <b>(10,643)</b>      | <b>(10,994)</b>                |
| Adjustments between accounting basis & funding basis under regulations (Note 7) | 1,321                      | 0                     | (1,067)                        | 67                             | 321                         | (321)                | 0                              |
| <b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>           | <b>970</b>                 | <b>0</b>              | <b>(1,067)</b>                 | <b>67</b>                      | <b>(30)</b>                 | <b>(10,964)</b>      | <b>(10,994)</b>                |
| Transfers to/from Earmarked Reserves (Note 8)                                   | (738)                      | 738                   | 0                              | 0                              | 0                           | 0                    | 0                              |
| <b>Increase/(Decrease) in 2014/15</b>   | <b>232</b>                 | <b>738</b>            | <b>(1,067)</b>                 | <b>67</b>                      | <b>(30)</b>                 | <b>(10,964)</b>      | <b>(10,994)</b>                |
| <b>Balance at 31 March 2015 carried forward</b>                                 | <b>2,471</b>               | <b>3,070</b>          | <b>7,652</b>                   | <b>510</b>                     | <b>13,703</b>               | <b>(22,259)</b>      | <b>(8,556)</b>                 |
| <u>Movement in Reserves during 2015/16</u>                                      |                            |                       |                                |                                |                             |                      |                                |
| Surplus or (deficit) on the provision of services                               | (5,599)                    | 0                     | 0                              | 0                              | (5,599)                     | 0                    | (5,599)                        |
| Other Comprehensive Income and Expenditure (see page 28)                        | 0                          | 0                     | 0                              | 0                              | 0                           | 21,590               | 21,590                         |
| <b>Total Comprehensive Income and Expenditure</b>                               | <b>(5,599)</b>             | <b>0</b>              | <b>0</b>                       | <b>0</b>                       | <b>(5,599)</b>              | <b>21,590</b>        | <b>15,991</b>                  |
| Adjustments between accounting basis & funding basis under regulations (Note 7) | 5,789                      | 0                     | (4,671)                        | 1,562                          | 2,680                       | (2,680)              | 0                              |
| <b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>           | <b>190</b>                 | <b>0</b>              | <b>(4,671)</b>                 | <b>1,562</b>                   | <b>(2,919)</b>              | <b>18,910</b>        | <b>15,991</b>                  |
| Transfers to/from Earmarked Reserves (Note 8)                                   | (1,030)                    | 1,030                 | 0                              | 0                              | 0                           | 0                    | 0                              |
| <b>Increase/(Decrease) in Year</b>  | <b>(840)</b>               | <b>1,030</b>          | <b>(4,671)</b>                 | <b>1,562</b>                   | <b>(2,919)</b>              | <b>18,910</b>        | <b>15,991</b>                  |
| <b>Balance at 31 March 2016 carried forward</b>                                 | <b>1,631</b>               | <b>4,100</b>          | <b>2,981</b>                   | <b>2,072</b>                   | <b>10,784</b>               | <b>(3,349)</b>       | <b>7,435</b>                   |

# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

| 2014/15           |                 |                 |   | 2015/16           |                 |                 |  |
|-------------------|-----------------|-----------------|---|-------------------|-----------------|-----------------|--|
| Gross Expenditure | Gross Income    | Net Expenditure |   | Gross Expenditure | Gross Income    | Net Expenditure |  |
| £'000             | £'000           | £'000           |   | £'000             | £'000           | £'000           |  |
| 2,695             | (1,177)         | 1,518           | Central services to the public  | 2,492             | (990)           | 1,502           |  |
| 6,945             | (3,443)         | 3,502           | Cultural and related services*  | 11,360            | (3,476)         | 7,884           |  |
| 9,293             | (3,308)         | 5,985           | Environment and regulatory services***                                    | 11,405            | (3,655)         | 7,750           |  |
| 5,553             | (2,526)         | 3,027           | Planning services   | 5,857             | (2,316)         | 3,541           |  |
| 1,435             | (3,042)         | (1,607)         | Highways and transport services**   | 3,890             | (3,113)         | 777             |  |
| 42,849            | (39,440)        | 3,409           | Other housing services***   | 39,949            | (38,555)        | 1,394           |  |
| 1,903             | (120)           | 1,783           | Corporate and democratic core   | 2,006             | (81)            | 1,925           |  |
| 195               | 0               | 195             | Non distributed costs   | 50                | 0               | 50              |  |
| <b>70,868</b>     | <b>(53,056)</b> | <b>17,812</b>   | <b>Cost of Services</b>   | <b>77,009</b>     | <b>(52,186)</b> | <b>24,823</b>   |  |
| 3,506             | (1,947)         | 1,559           | Other Operating Expenditure (Note 9)                                      | 2,666             | (811)           | 1,855           |  |
| 3,220             | (641)           | 2,579           | Financing and Investment Income and Expenditure (Note 10)                 | 3,045             | (533)           | 2,512           |  |
| 10,076            | (31,675)        | (21,599)        | Taxation and Non-Specific Grant Income and Expenditure (Note 11)          | 10,194            | (33,785)        | (23,591)        |  |
|                   |                 | <b>351</b>      | <b>(Surplus) or Deficit on Provision of Services</b>                      |                   |                 | <b>5,599</b>    |  |
|                   |                 | (2,755)         | (Surplus) or deficit on revaluation of Property, Plant & Equipment assets |                   |                 | (12,388)        |  |
|                   |                 | 13,398          | Remeasurements of the net defined benefit liability                       |                   |                 | (9,202)         |  |
|                   |                 | <b>10,643</b>   | <b>Other Comprehensive Income and Expenditure</b>                         |                   |                 | <b>(21,590)</b> |  |
|                   |                 | <b>10,994</b>   | <b>Total Comprehensive Income and Expenditure</b>                         |                   |                 | <b>(15,991)</b> |  |

\* Includes a revaluation loss of £4.4m on land & buildings (see note 5(a) to the financial statements)

\*\* Includes revaluation losses of £1.6m on land & buildings and £1m towards road construction capital costs (see note 5(a) to the financial statements)

\*\*\* See note 5 (a) for explanation of increased (decreased) costs

## 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<br>2015<br>£'000                    | Notes | 31 March<br>2016<br>£'000 |
|--|-------|---------------------------|
| 57,704 Property, Plant & Equipment           | 12    | 82,213                    |
| 139 Investment Property                      | 13    | 130                       |
| 545 Intangible Assets                        | 14    | 538                       |
| 0 Assets Held for Sale                       | 19    | 0                         |
| 0 Long Term Investments                      |       | 0                         |
| 1,328 Long Term Debtors                      | 15    | 2,411                     |
| <b>59,716 Long Term Assets</b>               |       | <b>85,292</b>             |
| 5,000 Short Term Investments                 | 16    | 1,000                     |
| 0 Assets Held for Sale                       | 19    | 0                         |
| 136 Inventories                              |       | 135                       |
| 7,232 Short Term Debtors                     | 17    | 10,880                    |
| 16,073 Cash and Cash Equivalents             | 18    | 1,902                     |
| <b>28,441 Current Assets</b>                 |       | <b>13,917</b>             |
| (1,574) Bank Overdraft                       | 18    | (1,508)                   |
| 0 Short Term Borrowing                       |       | 0                         |
| (6,281) Short Term Creditors                 | 20    | (8,857)                   |
| (384) Provisions                             | 21    | (409)                     |
| (526) Grants Receipts in Advance-Revenue     | 33    | (305)                     |
| (1,882) Grants Receipts in Advance-Capital   | 33    | (1,570)                   |
| <b>(10,647) Current Liabilities</b>          |       | <b>(12,649)</b>           |
| 0 Provisions                                 | 21    | 0                         |
| (81,405) Other Long Term Liabilities         | 41    | (73,269)                  |
| (4,593) Grants Receipts in Advance – Revenue | 33    | (5,778)                   |
| (68) Grants Receipts in Advance - Capital    | 33    | (78)                      |
| <b>(86,066) Long Term Liabilities</b>        |       | <b>(79,125)</b>           |
| <b>(8,556) Net Assets</b>                    |       | <b>7,435</b>              |
| 13,703 Usable Reserves                       | 22    | 10,784                    |
| (22,259) Unusable Reserves                   | 23    | (3,349)                   |
| <b>(8,556) Total Reserves</b>                |       | <b>7,435</b>              |

## 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.

| <b>2014/15</b>       |   | <b>2015/16</b>    |
|----------------------|---|-------------------|
| <b>£'000</b>         |   | <b>£'000</b>      |
| 351                  | Net (surplus) or deficit on the provision of services   | 5,599             |
| (11,781)             | Adjustments to net surplus or deficit on the provision of services for non cash movements (Note 24(a))  | (13,639)          |
| 3,488                | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 24 (b)) | 3,503             |
| <u>(7,942)</u>       | Net cash flows from Operating Activities (Note 24)  | <u>(4,537)</u>    |
| 3,025                | Investing Activities (Note 25)  | 18,417            |
| <u>(2,125)</u>       | Financing Activities (Note 26)  | <u>225</u>        |
| (7,042)              | Net (increase) or decrease in cash and cash equivalents   | 14,105            |
| 7,457                | Cash and cash equivalents at the beginning of the reporting period  | 14,499            |
| <u><b>14,499</b></u> | <b>Cash and cash equivalents at the end of the reporting period (Note 18)</b>   | <u><b>394</b></u> |

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Accounting Policies

### a. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the Service Reporting Code of Practice 2015/16, supported by International Financial Reporting Standards (IFRS).

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

### 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 – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Revenue from council tax and business rates is measured at the full amount receivable (net of any impairment losses) and is accounted for on an accruals basis.

### 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 highly liquid investments that mature in no more than 95 days or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

#### **d. Material Items**

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

#### **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 non-current 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 amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance – Minimum Revenue Provision (MRP), 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 entitlements are charged to revenue in the financial year in which the holiday absence occurs.

### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and 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 schemes provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.

### *The Local Government Pension Scheme*

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

- 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 projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate based on the annualised yield on the Merrill Lynch AA rated corporate bond curve used by the actuary Barnett Waddington and with consideration of the duration of the liabilities of the Employer (Teignbridge District Council).
- The assets of the Devon County Council pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value.
- The change in the net pensions liability is analysed into the following components:
- Service cost comprising:
  - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of 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.
- Remeasurements 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 transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for

the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

### *Discretionary Benefits*

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

## **h. Events after the Reporting Period**

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

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

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

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

Borrowings are mainly of a short term nature and no further adjustment is necessary. There are funds received under various planning agreements which are repayable after 3, 5, 7, 10 or 15 years together with accumulated interest if not utilised. Where material, the adjustments are made to the carrying amount to reflect the interest rate relevant to the agreement.

The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund

Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

### *Financial Assets*

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments (the Authority does not have any of this type)

### Loans and Receivables

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

However, the Authority occasionally makes loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement. Existing loans are not material to make these adjustments.

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

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

### Instruments Entered Into Before 1 April 2006

The Authority entered into a financial guarantee that is not required to be accounted for as a financial instrument. This guarantee is reflected in the Statement of Accounts to the extent that a provision might be required or a contingent liability note is needed under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

#### **j. Government Grants and Contributions**

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

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

Amounts recognised as due to the 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 in the form of 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 a current or long term liability – ‘grants receipts in advance’. If these are not obviously capital in nature then they are treated as revenue grants. 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.

#### **k. 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.

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

line in the Comprehensive Income and Expenditure Statement.

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

## **l. Inventories**

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

## **m. Investment Property**

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

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but 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. Leases**

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

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

### The Authority as Lessee

#### *Finance Leases*

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor.

Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

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

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

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

### *Operating Leases*

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease.

### The Authority as Lessor

#### *Finance Leases*

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

Lease rentals receivable are apportioned between:

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

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in

the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

### *Operating Leases*

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease.

## **o. Overheads/ Support Services/Central Costs**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2015/16 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

The cost of management and administration (other than corporate management) have been fully allocated to services according to time spent. A flat rate charge is made for Information Technology equipment based on the number of personal computers held (2014/15 only). The central offices are allocated on the basis of floor area.

## **p. 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 over £10,000 on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an



expense when it is incurred.

### Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

Assets included in the Balance Sheet at current value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end. Where material changes in an assets value are identified, all assets within that class (e.g. car parks, public conveniences) will be re-valued in that year. As a minimum all assets will be valued every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

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

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

### Componentisation

All assets will be split into their land and buildings elements. Any asset in excess of £400,000 in value will be considered for componentisation. The component must have a minimum value of £200,000 or be at least 15% of the overall value of the asset (whichever is the higher) and the differential in the asset life must be more than 50% of that of the total asset. All three rules above must be met to consider componentisation and will be applied when an asset is revalued or a component is replaced. Where enhancement is integral to the whole asset e.g. roof on a building, 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.

De-componentisation – Where, subject to materiality, a component is replaced or enhanced the carrying value of the old component shall be derecognised. Our internal valuer will provide a valuation for de-recognition.

### Impairment

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

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

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

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

### Depreciation

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

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer (5 to 50 years)
- vehicles, plant, furniture and equipment – 5 to 30 years
- infrastructure – straight-line allocation over the useful life as estimated by the valuer. Most have useful lives in excess of 50 years and therefore the majority are not depreciated

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

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

#### Disposals and Non-Current Assets Held for Sale

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

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts and are credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

#### **q. Provisions, Contingent Liabilities and Contingent Assets**

##### Provisions

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

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

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

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

Provisions are held for land charges, insurance and refunds of business rates as a result of appeals. An impairment allowance is held for bad debts.

##### Contingent Liabilities

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

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

##### Contingent Assets

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

#### **r. Reserves**

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the

General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

#### **s. Revenue Expenditure Funded from Capital under Statute**

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

#### **t. Value Added Tax (VAT)**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

#### **u. Heritage Assets**

Heritage assets are valued at insurance valuation which is based on market values. The assets will be revisited at least once every five years for revaluation. Apart from this the recognition and measurement (including the treatment of revaluation gains and losses, impairment and disposal) is in accordance with the Authority's accounting policies on property, plant and equipment. There are currently no material heritage assets which require disclosure.

#### **v. Business Rates Retention**

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.

General Fund – the Comprehensive Income and Expenditure statement accrues the Authority's share of the rates bills. The movement in Reserves Statement features an adjustment reconciling accrued rates income for the year to the entitlement to transfer from the Collection Fund (with a balancing entry in the Collection Fund Adjustment Account).

Appeals – 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 and on advice from them about the likely success rate of appeals.

#### **w. Joint Operations**

Joint operations are arrangements where the parties that have joint control of the

arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Authority as a joint operator recognises:

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

Teignbridge District Council, East Devon District Council and Exeter City Council each share control of Strata Service Solutions Ltd, which was incorporated on 15 May 2014 under the Companies Act 2006 for the provision of a shared Information Communications Technology service. The single entity financial statements for each authority reflect their respective shares of Strata Service Solutions Limited. However, the accompanying notes to the Council's financial statements only include information relating to Strata Service Solutions Limited where this would make a material difference to the usefulness of those notes (see also note 45).

#### **x. Community Infrastructure Levy**

The Authority has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the Authority) with appropriate planning consent. The Authority charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, leisure facilities, open spaces and schools) to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above (see 1 j). CIL charges will be largely used to fund capital expenditure. However, a small proportion of the charges may be used to fund revenue expenditure.

## **2. Accounting Standards That Have Been Issued but Have Not Yet Been Adopted**

The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) introduces changes in accounting policies that will have to be adopted fully by the authority in the 2016/17 financial statements i.e. from 1 April 2016.

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. For 2016/17 there are no standards issued not adopted that are expected to have a material impact on the 2016/17 statement of accounts.

### 3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Authority transferred its housing stock in 2004. Warranties were given to safeguard the housing company on staffing, environmental and other issues. The environmental liabilities are covered by an insurance policy but the other liabilities would have to be funded from the Authority's reserves. The uncertainties have been reviewed with the Legal Department and it has been considered that this item is a contingent liability (see note 39).
- The Authority has to decide whether a lease is an operating or finance lease. This is calculated based on the substance of the transaction rather than the form of the contract. We consider the examples highlighted in IAS17, the decision principally being based on whether the lease term is for the major part of the economic life of the asset (over 75%) even if title is not transferred. Other conditions will be considered e.g. who bears the risks and rewards of ownership.
- There is a high degree of uncertainty around the potential number and value of business rates appeals. The provision for any successful appeal is based upon advice from the Valuation Office Agency.
- Strata Service Solutions Ltd is a registered company which has been established to assist the three authorities; Teignbridge District Council, Exeter City Council and East Devon District Council, in the provision and operation of shared ICT services. It is deemed to be a joint operation due to the inherent rights to the assets and obligations for liabilities each authority has relating to the joint arrangement, based upon the following facts and circumstances:
  - i) The three authorities have joint control of the entity. Each authority has one nominated Director and each Director has one vote. The Directors are responsible for the management of the company's business, for which purpose they may exercise all the powers of the company with decisions made collectively and unanimously.
  - ii) The Company is required by the Councils to carry out the tasks as set out in the Business Plans and Service Plans and is limited to the business and objectives as set by the Councils
  - iii) The Company's revenue derives from the financial allocations set and controlled by each of the Councils
  - iv) There are no plans for Strata to do anything other than provide services to the three authorities. The Company has been established as an in-house mutual trading local authority controlled company to assist them in the provision of services.

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

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

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

The items in the Authority's Balance Sheet at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

| Item                          | Uncertainties   | Effect if Actual Results Differ from Assumptions  |
|-------------------------------|---|---|
| Property, Plant and Equipment | Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.  | If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.<br><br>It is estimated that the annual depreciation charge for buildings would increase by £43k for every year that useful lives had to be reduced.  |
| Pensions Liability            | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.<br><br>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 some time later, may give a different value of pension assets, but this difference is not considered to be material. | The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £2.617 million. However, the assumptions interact in complex ways. During 2015/16, the Authority's actuaries advised that the net pensions liability had decreased by £0.147 million as a result of estimates being corrected as a result of experience and decreased by £10.904 million attributable to updating of the assumptions. An adverse adjustment to age mortality assumptions of one year would increase the present value of the total obligation by £4.580 million. |
| Arrears                       | At 31 March 2016, the Authority had a balance of sundry debtors of £4.496 million. A review of significant balances suggested that an impairment of doubtful debts of 15.68% (£705k) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.  | If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £705k to set aside as an allowance.   |



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

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

### **5(a) Material items in the Comprehensive Income & Expenditure Account :**

There were no material items of income or expenditure requiring separate disclosure in 2014/15 in relation to the Comprehensive Income & Expenditure Account.

In 2015/16 there were revaluation losses arising on the new Pavilions, Teignmouth arts and community venue following completion of £4.4 million (within 'Environment and regulatory services') and £1.6 million on some car parking assets (within 'Highways and transport services') charged to the Comprehensive Income & Expenditure Account. These are accounting entries only to reflect the current value in existing use and do not impact on the funding requirements of the Authority. The entries are adjusted in the Movement in Reserves Statement (see note 7).

There is also a further £1 million charged to 'Highways and transport services' which are capital contributions to the slip road at Aller junction on the A380 South Devon link road and the Decoy industrial estate access road scheme. These are also adjusted in note 7 being funded from capital.

The Authority paid an additional £1 million as a one-off contribution to its pension deficit funding. This has been charged to the various headings within 'Cost of Services' with the largest allocation being made to 'Environment and regulatory services' which also had an increase in gross expenditure as a result of increased staffing costs for the roll out of the new waste and recycling scheme and vehicle leasing costs.

Other housing services shows a reduction in net expenditure mainly due to revaluation losses of £1.7 million in 2014/15 relating to the Haldon site and Albany street asset valuations.

### **5 (b) Other material items within the financial statements :**

The Authority purchased Market Walk shopping centre, Newton Abbot in 2015/16 for £13.7 million to assist with economic development in the town. This transaction is reflected in note 12 re Property, Plant & Equipment, note 35 re Capital Expenditure and Capital Financing and note 25 relating to the Cash Flow statement.

The Authority revalued a significant number of car parking assets in 2015/16 which resulted in a net increase in value of £8 million (see note 12 re Property, Plant & Equipment).

These adjustments reflect the major element of the increase in Property, Plant & Equipment on the Balance Sheet.

### **5 (c) Prior period adjustments:**

There were no prior year adjustments for 2014/2015.

## **6. Events after the Reporting Period**

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 26 September 2016. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There are no events which took place after 31 March 2016 which require disclosure.

## **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. The following sets out a description of the reserves that the adjustments are made against.

### **General Fund Balance**

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

### **Capital Receipts Reserve**

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

### **Capital Grants Unapplied**

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

The detail of the adjustments made for 2015/16 and 2014/15 are as follows :

2015/16

|  | Usable reserves      |                          |                          |                               |
|--|----------------------|--------------------------|--------------------------|-------------------------------|
|  | General Fund Balance | Capital Receipts Reserve | Capital Grants Unapplied | Movement in Unusable Reserves |
|  | £'000                | £'000                    | £'000                    | £'000                         |
| <b>Adjustments primarily involving the Capital Adjustment Account:</b>   |                      |                          |                          |                               |
| <u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>  |                      |                          |                          |                               |
| Charges for depreciation and impairment of non current assets  | 1,851                | 0                        | 0                        | (1,851)                       |
| Revaluation (gains) losses on Property, Plant and Equipment  | 8,096                | 0                        | 0                        | (8,096)                       |
| Revaluation reversals on Property, Plant and Equipment   | (719)                | 0                        | 0                        | 719                           |
| Movements in the market value of Investment Properties   | 9                    | 0                        | 0                        | (9)                           |
| Operating / finance lease income adjustment  | (1)                  | 0                        | 0                        | 1                             |
| Amortisation of intangible assets  | 146                  | 0                        | 0                        | (146)                         |
| Capital grants and contributions applied   | (4,921)              | 0                        | 0                        | 4,921                         |
| Revenue expenditure funded from capital under statute (REFCUS)   | 3,910                | 0                        | 0                        | (3,910)                       |
| 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 | 193                  | 0                        | 0                        | (193)                         |
| Income in relation to donated assets   | 0                    | 0                        | 0                        | 0                             |
| Gain arising on share of donated assets - Strata   | 0                    | 0                        | 0                        | 0                             |
| Disposal costs relating to future capital disposal   | 0                    | 0                        | 0                        | 0                             |
| <u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>   |                      |                          |                          |                               |
| Statutory provision for the financing of capital investment  | 0                    | 0                        | 0                        | 0                             |
| Financing of loan  | 0                    | 0                        | 0                        | 0                             |
| Capital expenditure charged against the General Fund balance   | (2,221)              | 0                        | 0                        | 2,221                         |
| <b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>   |                      |                          |                          |                               |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement  | (1,562)              | 0                        | 1,562                    | 0                             |
| Application of grants to capital financing transferred to the Capital Adjustment Account   | 0                    | 0                        | 0                        | 0                             |
| <b>Adjustments primarily involving the Capital Receipts Reserve:</b>   |                      |                          |                          |                               |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement                       | (50)                 | 50                       | 0                        | 0                             |
| Use of the Capital Receipts Reserve to finance new capital expenditure   | 0                    | (5,558)                  | 0                        | 5,558                         |
| Right to buy receipts  | (752)                | 752                      | 0                        | 0                             |

|   |      |    |   |   |
|---|------|----|---|---|
| Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals      | 0    | 0  | 0 | 0 |
| VAT sharing receipt   | 0    | 0  | 0 | 0 |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool. | 0    | 0  | 0 | 0 |
| Renovation grants repaid  | (65) | 65 | 0 | 0 |
| Transfer from Deferred Capital Receipts Reserve upon receipt of cash  | 0    | 0  | 0 | 0 |

**Adjustments primarily involving the Deferred Capital Receipts Reserve:**

|  |   |    |   |      |
|--|---|----|---|------|
| Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement/funding of loan | 0 | 0  | 0 | 0    |
| Transfer to the Capital Receipts Reserve upon receipt of cash-mortgages  | 0 | 20 | 0 | (20) |

**Adjustments primarily involving the Financial Instruments Adjustment Account:**

|   |      |   |   |    |
|---|------|---|---|----|
| Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements | (69) | 0 | 0 | 69 |
|---|------|---|---|----|

**Adjustments primarily involving the Pensions Reserve:**

|   |         |   |   |         |
|---|---------|---|---|---------|
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 38) | 5,542   | 0 | 0 | (5,542) |
| Employer's pensions contributions and direct payments to pensioners payable in the year   | (4,004) | 0 | 0 | 4,004   |

**Adjustments primarily involving the Collection Fund Adjustment Account:**

|  |     |   |   |       |
|--|-----|---|---|-------|
| Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements | 359 | 0 | 0 | (359) |
|--|-----|---|---|-------|

**Adjustment primarily involving the Accumulated Absences Account**

|   |    |   |   |      |
|---|----|---|---|------|
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | 47 | 0 | 0 | (47) |
|---|----|---|---|------|

---

|                          |              |                |              |                |
|--------------------------|--------------|----------------|--------------|----------------|
| <b>Total Adjustments</b> | <b>5,789</b> | <b>(4,671)</b> | <b>1,562</b> | <b>(2,680)</b> |
|--------------------------|--------------|----------------|--------------|----------------|

---

2014/15

|  | Usable reserves            |                                |                                |                                     |
|--|----------------------------|--------------------------------|--------------------------------|-------------------------------------|
|  | General<br>Fund<br>Balance | Capital<br>Receipts<br>Reserve | Capital<br>Grants<br>Unapplied | Movement in<br>Unusable<br>Reserves |
|  | £'000                      | £'000                          | £'000                          | £'000                               |
| <b>Adjustments primarily involving the Capital Adjustment Account:</b>   |                            |                                |                                |                                     |
| <u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>  |                            |                                |                                |                                     |
| Charges for depreciation and impairment of non current assets  | 1,432                      | 0                              | 0                              | (1,432)                             |
| Revaluation (gains) losses on Property, Plant and Equipment  | 3,551                      | 0                              | 0                              | (3,551)                             |
| Revaluation reversals on Property, Plant and Equipment   | (112)                      | 0                              | 0                              | 112                                 |
| Movements in the market value of Investment Properties   | (59)                       | 0                              | 0                              | 59                                  |
| Operating / finance lease income adjustment  | (1)                        | 0                              | 0                              | 1                                   |
| Amortisation of intangible assets  | 0                          | 0                              | 0                              | 0                                   |
| Capital grants and contributions applied   | (4,314)                    | 0                              | 0                              | 4,314                               |
| Revenue expenditure funded from capital under statute (REFCUS)   | 2,271                      | 0                              | 0                              | (2,271)                             |
| 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 | 756                        | 0                              | 0                              | (756)                               |
| Income in relation to donated assets   | 0                          | 0                              | 0                              | 0                                   |
| Gain Arising on share of donated assets – Strata   | (217)                      | 0                              | 0                              | 217                                 |
| Disposal costs relating to future capital disposal   | 0                          | 0                              | 0                              | 0                                   |
| <u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>   |                            |                                |                                |                                     |
| Statutory provision for the financing of capital investment  | 0                          | 0                              | 0                              | 0                                   |
| Financing of loan  | 0                          | 0                              | 0                              | 0                                   |
| Capital expenditure charged against the General Fund balance   | (2,230)                    | 0                              | 0                              | 2,230                               |
| <b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>   |                            |                                |                                |                                     |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement  | (67)                       | 0                              | 67                             | 0                                   |
| Application of grants to capital financing transferred to the Capital Adjustment Account   | 0                          | 0                              | 0                              | 0                                   |
| <b>Adjustments primarily involving the Capital Receipts Reserve:</b>   |                            |                                |                                |                                     |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement                       | (635)                      | 635                            | 0                              | 0                                   |
| Use of the Capital Receipts Reserve to finance new capital expenditure   | 0                          | (2,470)                        | 0                              | 2,470                               |
| Right to buy receipts  | (669)                      | 669                            | 0                              | 0                                   |

|   |      |     |   |   |
|---|------|-----|---|---|
| Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals      | 7    | (7) | 0 | 0 |
| VAT sharing receipt   | (26) | 26  | 0 | 0 |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool. | 0    | 0   | 0 | 0 |
| Renovation grants repaid  | (59) | 59  | 0 | 0 |
| Transfer from Deferred Capital Receipts Reserve upon receipt of cash  | 0    | 0   | 0 | 0 |

**Adjustments primarily involving the Deferred Capital Receipts Reserve:**

|  |   |    |   |      |
|--|---|----|---|------|
| Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement/funding of loan | 0 | 0  | 0 | 0    |
| Transfer to the Capital Receipts Reserve upon receipt of cash-mortgages  | 0 | 21 | 0 | (21) |

**Adjustments primarily involving the Financial Instruments Adjustment Account:**

|   |    |   |   |      |
|---|----|---|---|------|
| Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements | 64 | 0 | 0 | (64) |
|---|----|---|---|------|

**Adjustments primarily involving the Pensions Reserve:**

|   |         |   |   |         |
|---|---------|---|---|---------|
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 38) | 5,181   | 0 | 0 | (5,181) |
| Employer's pensions contributions and direct payments to pensioners payable in the year   | (2,986) | 0 | 0 | 2,986   |

**Adjustments primarily involving the Collection Fund Adjustment Account:**

|  |       |   |   |     |
|--|-------|---|---|-----|
| Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements | (538) | 0 | 0 | 538 |
|--|-------|---|---|-----|

**Adjustment primarily involving the Accumulated Absences Account**

|   |      |   |   |    |
|---|------|---|---|----|
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | (28) | 0 | 0 | 28 |
|---|------|---|---|----|

---

|                          |              |                |           |              |
|--------------------------|--------------|----------------|-----------|--------------|
| <b>Total Adjustments</b> | <b>1,321</b> | <b>(1,067)</b> | <b>67</b> | <b>(321)</b> |
|--------------------------|--------------|----------------|-----------|--------------|

---

## 8. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2015/16.

|                               | Balance at<br>1 April<br>2014 | Transfers<br>Out<br>2014/15 | Transfers<br>In 2014/15 | Balance at<br>31 March<br>2015 | Transfers<br>Out<br>2015/16 | Transfers<br>In 2015/16 | Balance at<br>31 March<br>2016 |
|-------------------------------|-------------------------------|-----------------------------|-------------------------|--------------------------------|-----------------------------|-------------------------|--------------------------------|
|                               | £'000                         | £'000                       | £'000                   | £'000                          | £'000                       | £'000                   | £'000                          |
| <b>General Fund:</b>          |                               |                             |                         |                                |                             |                         |                                |
| Open spaces reserve           | 242                           | (17)                        | 83                      | 308                            | (92)                        | 86                      | 302                            |
| Insurance reserve             | 119                           | 0                           | 0                       | 119                            | (34)                        | 0                       | 85                             |
| Land charges reserve          | 100                           | (100)                       | 0                       | 0                              | (0)                         | 0                       | 0                              |
| Business rates reserve        | 648                           | (148)                       | 0                       | 500                            | (0)                         | 1,000                   | 1,500                          |
| Sundry revenue grants reserve | 446                           | (303)                       | 700                     | 843                            | (528)                       | 491                     | 806                            |
| Carry forward reserve         | 777                           | (431)                       | 753                     | 1,099                          | (641)                       | 787                     | 1,245                          |
| Strata usable reserves        | 0                             | 0                           | 201                     | 201                            | (39)                        | 0                       | 162                            |
| <b>Total</b>                  | <b>2,332</b>                  | <b>(999)</b>                | <b>1,737</b>            | <b>3,070</b>                   | <b>(1,334)</b>              | <b>2,364</b>            | <b>4,100</b>                   |

The sundry revenue grants reserve covers grants received which have no repayment conditions attached to them and have not been spent in total or in part by the end of the financial year. The carry forward reserve represents major items of planned expenditure not carried out in the year but set aside for expenditure in the following year. The business rates reserve covers any possible funding issues from the new accounting arrangements. The Strata reserve represents our share of the usable funds held from the Strata joint operations.

## 9. Other Operating Expenditure

| 2014/15   | 2015/16      |
|---|--------------|
| £'000   | £'000        |
| 2,287 Parish council precepts                               | 2,443        |
| (695) VAT sharing receipt & Right to Buy receipts           | (752)        |
| 39 Pension administration expenses                          | 30           |
| 145 (Gains)/losses on the disposal of non current assets ** | 134          |
| (217) (Gain) on share of donated assets - Strata            | 0            |
| <b>1,559 Total</b>  | <b>1,855</b> |

\*\*Includes public conveniences transferred to parish councils and assets demolished in 2014/15. Further public conveniences were transferred to parish councils in 2015/16.

## 10. Financing and Investment Income and Expenditure

| 2014/15      |   | 2015/16      |
|--------------|---|--------------|
| £'000        |   | £'000        |
| 27           | Interest payable and similar charges  | 0            |
| 2,737        | Net interest on the net defined benefit liability   | 2,550        |
| (140)        | Interest receivable and similar income  | (138)        |
| (80)         | Income and expenditure in relation to investment properties and changes in their fair value (see note 13) | (1)          |
| 35           | Other investment income (markets – see note 29 re. trading activities)                                    | 101          |
| <b>2,579</b> | <b>Total</b>  | <b>2,512</b> |

## 11. Taxation and Non Specific Grant Income and Expenditure

| 2014/15  |  | 2015/16  |
|----------|--|----------|
| £'000    |  | £'000    |
| (9,220)  | Council tax income (including surplus)             | (9,501)  |
| (12,431) | Business rates (including deficit)                 | (12,598) |
|          | Non ring fenced government grants:                 |          |
| (3,469)  | Revenue support grant                              | (2,477)  |
| (76)     | Council tax freeze grant                           | (78)     |
| (2,080)  | New Homes Bonus                                    | (3,111)  |
| (10)     | Returned New Homes Bonus top slice                 | (10)     |
| (267)    | Infrastructure capacity funding grant              | (359)    |
| 0        | Donated asset                                      | 0        |
| (2,643)  | Capital grants and contributions**                 | (4,112)  |
| 0        | Capitalisation redistribution grant                | 0        |
| (6)      | Transparency Code grant                            | (8)      |
| (687)    | Small business rate relief grant                   | (759)    |
| (1)      | Sparsity/rural service delivery grant              | 0        |
| (81)     | Council tax support transitional/new burdens grant | (24)     |
| (181)    | Retail relief business rates grant                 | (232)    |
| (63)     | Electoral registration grants                      | 0        |
| (167)    | Other business rates grants                        | (197)    |
| (190)    | Other general grants                               | (212)    |



|                 |                                 |                 |
|-----------------|---------------------------------|-----------------|
| 9,185           | Business rates tariff payment   | 9,361           |
| 1               | Pooling costs                   | 1               |
| (103)           | Pooling gain                    | (107)           |
| 261             | Council tax support to parishes | 261             |
| 629             | Business rates levy             | 571             |
| <hr/>           |                                 | <hr/>           |
| <b>(21,599)</b> | <b>Total</b>                    | <b>(23,591)</b> |

\*\*includes various grants towards capital expenditure. In 2014/15 the major grants are from the Homes and Communities Agency and Coastal Communities fund.

In 2015/16 the major grants are from the Coastal Communities fund, the Marine Management Organisation together with various contributions from Devon County Council. In addition £1.576 million relates to the Community Infrastructure Levy.

## 12. Property, Plant and Equipment

### *Movements on Balances*

Movements in 2015/16:

|  | Other Land<br>and Buildings | Vehicles, Plant,<br>Furniture &<br>Equipment | Infrastructure<br>Assets | Community<br>Assets | Surplus Assets | Assets Under<br>Construction | Total Property,<br>Plant and<br>Equipment |
|--|-----------------------------|--|--------------------------|---------------------|----------------|------------------------------|---|
|  | £'000                       | £'000  | £'000                    | £'000               | £'000          | £'000                        | £'000                                     |
| <b>Cost or Valuation</b>   |                             |  |                          |                     |                |                              |   |
| At 1 April 2015  | 55,273                      | 3,777  | 982                      | 1,717               | 94             | 953                          | <b>62,796</b>                             |
| Additions*   | 14,894                      | 613  | 1,141                    | 82                  | 0              | 4,759                        | <b>21,489</b>                             |
| Donations  | 0                           | 0  | 0                        | 0                   | 0              | 0                            | <b>0</b>                                  |
| Revaluation<br>increases/(decreases)<br>recognised in the Revaluation<br>Reserve**                             | 11,667                      | 0  | 0                        | 0                   | 30             | 0                            | <b>11,697</b>                             |
| Revaluation<br>increases/(decreases)<br>recognised in the<br>Surplus/Deficit on the Provision<br>of Services** | (7,573)                     | 0  | 0                        | 0                   | (4)            | 0                            | <b>(7,577)</b>                            |
| Derecognition - Disposals  | (176)                       | (587)  | 0                        | 0                   | 0              | 0                            | <b>(763)</b>                              |
| Strata<br>reclassify/movements/additions   | 0                           | 53   | 0                        | 0                   | 0              | 0                            | <b>53</b>                                 |
| Assets reclassified (to)/from<br>Held for Sale   | 0                           | 0  | 0                        | 0                   | 0              | 0                            | <b>0</b>                                  |
| Other<br>movements/reclassifications in<br>Cost or Valuation   | 5,679                       | 0  | 0                        | 0                   | 33             | (5,712)                      | <b>0</b>                                  |
| <b>At 31 March 2016</b>  | <b>79,764</b>               | <b>3,856</b>                                 | <b>2,123</b>             | <b>1,799</b>        | <b>153</b>     | <b>0</b>                     | <b>87,695</b>                             |

|   | Other Land and<br>Buildings | Vehicles, Plant,<br>Furniture &<br>Equipment | Infrastructure<br>Assets | Community<br>Assets | Surplus Assets | Assets Under<br>Construction | Total Property,<br>Plant and<br>Equipment |
|---|-----------------------------|--|--------------------------|---------------------|----------------|------------------------------|---|
|   | £'000                       | £'000  | £'000                    | £'000               | £'000          | £'000                        | £'000                                     |
| <b>Accumulated Depreciation and Impairment</b>  |                             |  |                          |                     |                |                              |   |
| At 1 April 2015   | 2,716                       | 2,234  | 78                       | 59                  | 5              | 0                            | 5,092                                     |
| Depreciation charge   | 1,400                       | 280  | 44                       | 25                  | 7              | 0                            | 1,756                                     |
| Depreciation written out to<br>the Revaluation Reserve**  | (687)                       | 0  | 0                        | 0                   | (4)            | 0                            | (691)                                     |
| Depreciation written out to<br>the Surplus/Deficit on the<br>Provision of Services**                  | (200)                       | 0  | 0                        | 0                   | 0              | 0                            | (200)                                     |
| Impairment losses/<br>(reversals) recognised in the<br>Revaluation Reserve                            | 0                           | 0  | 0                        | 0                   | 0              |                              | 0   |
| Impairment losses/(reversals)<br>recognised in the<br>Surplus/Deficit on the<br>Provision of Services | 0                           | 0  | 0                        | 0                   | 0              | 0                            | 0   |
| Derecognition - Disposals   | (10)                        | (560)  | 0                        | 0                   | 0              | 0                            | (570)                                     |
| Strata –<br>reclassify/movements/charge   | 0                           | 95   | 0                        | 0                   | 0              | 0                            | 95  |
| Other movements in<br>Depreciation and Impairment   | 0                           | 0  | 0                        | 0                   | 0              | 0                            | 0   |
| <b>At 31 March 2016</b>   | <b>3,219</b>                | <b>2,049</b>                                 | <b>122</b>               | <b>84</b>           | <b>8</b>       | <b>0</b>                     | <b>5,482</b>                              |
| <b>Net Book Value</b>   |                             |  |                          |                     |                |                              |   |
| <b>At 31 March 2016</b>   | <b>76,545</b>               | <b>1,807</b>                                 | <b>2,001</b>             | <b>1,715</b>        | <b>145</b>     | <b>0</b>                     | <b>82,213</b>                             |
| <b>At 31 March 2015</b>   | <b>52,557</b>               | <b>1,543</b>                                 | <b>904</b>               | <b>1,658</b>        | <b>89</b>      | <b>953</b>                   | <b>57,704</b>                             |

\*Includes the purchase of the Market Walk shopping centre for £13.7 million (see note 5(b)).

\*\*Includes a number of assets re-valued. In particular car parking assets have been re-valued reflecting a net increase of £8 million (see note 5(b) and a reduction to the value of the new Pavilions community hub of £4.4 million (see note 5(a)).

## Comparative Movements in 2014/15:

|  | Other Land and<br>Buildings | Vehicles, Plant,<br>Furniture &<br>Equipment | Infrastructure<br>Assets | Community<br>Assets | Surplus Assets | Assets Under<br>Construction | Total Property,<br>Plant and<br>Equipment |
|--|-----------------------------|--|--------------------------|---------------------|----------------|------------------------------|---|
|  | £'000                       | £'000  | £'000                    | £'000               | £'000          | £'000                        | £'000                                     |
| <b>Cost or Valuation</b>   |                             |  |                          |                     |                |                              |   |
| At 1 April 2014  | 52,594                      | 3,998  | 926                      | 1,113               | 124            | 364                          | <b>59,119</b>                             |
| Additions  | 290                         | 215  | 57                       | 301                 | 0              | 5,399                        | <b>6,262</b>                              |
| Donations  | 0                           | 0  | 0                        | 0                   | 0              | 0                            | <b>0</b>                                  |
| Revaluation<br>increases/(decreases)<br>recognised in the<br>Revaluation Reserve                             | 2,257                       | 0  | 0                        | 0                   | (4)            | 0                            | <b>2,253</b>                              |
| Revaluation<br>increases/(decreases)<br>recognised in the<br>Surplus/Deficit on the<br>Provision of Services | (3,587)                     | 0  | 0                        | 0                   | (58)           | 0                            | <b>(3,645)</b>                            |
| Derecognition - Disposals  | (707)                       | (201)  | 0                        | (50)                | 0              | 0                            | <b>(958)</b>                              |
| Strata –<br>reclassify/movements<br>/additions   | 0                           | (235)  | 0                        | 0                   | 0              | 0                            | <b>(235)</b>                              |
| Assets reclassified<br>(to)/from Held for Sale   | 0                           | 0  | 0                        | 0                   | 0              | 0                            | <b>0</b>                                  |
| Other movements/<br>reclassifications in Cost or<br>Valuation  | 4,426                       | 0  | (1)                      | 353                 | 32             | (4,810)                      | <b>0</b>                                  |
| <b>At 31 March 2015</b>  | <b>55,273</b>               | <b>3,777</b>                                 | <b>982</b>               | <b>1,717</b>        | <b>94</b>      | <b>953</b>                   | <b>62,796</b>                             |

**Accumulated Depreciation and Impairment**

|  |       |       |    |    |   |   |              |
|--|-------|-------|----|----|---|---|--------------|
| At 1 April 2014  | 2,290 | 2,632 | 56 | 38 | 2 | 0 | <b>5,018</b> |
| Depreciation charge  | 1,149 | 237   | 22 | 21 | 3 | 0 | <b>1,432</b> |
| Depreciation written out to<br>the Revaluation Reserve                             | (502) | 0     | 0  | 0  | 0 | 0 | <b>(502)</b> |
| Depreciation written out to<br>the Surplus/Deficit on the<br>Provision of Services | (206) | 0     | 0  | 0  | 0 | 0 | <b>(206)</b> |
| Impairment<br>losses/(reversals)<br>recognised in the<br>Revaluation Reserve       | 0     | 0     | 0  | 0  | 0 | 0 | <b>0</b>     |

|  |              |              |           |           |          |          |              |
|--|--------------|--------------|-----------|-----------|----------|----------|--------------|
| Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services | 0            | 0            | 0         | 0         | 0        | 0        | 0            |
| Derecognition - Disposals  | (15)         | (187)        | 0         | 0         | 0        | 0        | (202)        |
| Strata – reclassify/movements/charge   | 0            | (448)        | 0         | 0         | 0        | 0        | (448)        |
| Other movements in Depreciation and Impairment **  | 0            | 0            | 0         | 0         | 0        | 0        | 0            |
| <b>At 31 March 2015</b>  | <b>2,716</b> | <b>2,234</b> | <b>78</b> | <b>59</b> | <b>5</b> | <b>0</b> | <b>5,092</b> |

The freehold and leasehold properties which comprise the Authority's property portfolio are valued by a qualified internal valuer, Stephen Forsey (FRICS) in accordance with the Valuation Standards Practice and Guidance Notes of The Royal Institution of Chartered Surveyors. One asset purchased in the year has been valued by an external valuer Kevin White (MRICS). Inspections are carried out annually to achieve full revaluation every 5 years. Approximately 20% of assets are revalued each year as at 1 April. Where material changes in an assets value are identified all assets within that class (e.g. car parks, public conveniences) will be revalued within that year. Plant and machinery are included in the buildings valuation where appropriate unless the value is material and valued as a component within the Authority's componentisation policy. Other vehicles, plant and equipment are identified separately.

Other land and buildings are valued at current value. Surplus assets, investment properties, and assets held for sale are valued at fair value. Infrastructure, community assets, assets in the course of construction and vehicle, plant and equipment are valued at historical cost. Donated assets are measured initially at fair value. Assets acquired other than by purchase are deemed to be at fair value. Depreciation has been charged on a straight line basis to assets excluding land which have a useful life of 50 years or less. The assets incurring depreciation have useful lives of between 5 and 50 years.

Capital commitments – There were no significant contracts for future capital expenditure at 31 March 2016.

The following statement shows the progress of the Authority's rolling programme for the revaluation of property, plant and equipment, including assets valued following completion of significant projects. Valuations of land and buildings are carried out by Stephen Forsey (FRICS) (an internal valuer) and one asset by Kevin White (MRICS) (an external valuer) in accordance with the methodologies and basis for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The basis for valuation is set out in the Statement of Accounting Policies. The Authority is not aware of any material changes in asset values that have not been updated.

|                                  | <b>Other Land &amp; Buildings</b> | <b>Vehicles, Plant, Furniture &amp; Equipment</b> | <b>Surplus Assets</b> | <b>Infrastructure Assets</b> | <b>Community Assets</b> |
|----------------------------------|-----------------------------------|---|-----------------------|------------------------------|-------------------------|
|                                  | <b>£'000</b>                      | <b>£'000</b>                                      | <b>£'000</b>          | <b>£'000</b>                 | <b>£'000</b>            |
| Carried at historical cost       | 0                                 | 3,856**   | 0                     | 1,495                        | 1,770                   |
| Valued at current value in year: |                                   |   |                       |                              |                         |
| 2015/16                          | 44,726                            | 0   | 111                   | 0                            | 0                       |
| 2014/15                          | 12,902                            | 0   | 40                    | 0                            | 0                       |
| 2013/14 **                       | 30,807                            | 0   | 54                    | 0                            | 0                       |
| 2012/13 **                       | 12,628                            | 0   | 0                     | 628                          | 29                      |
| 2011/12                          | 13,827                            | 0   | 150                   | 0                            | 0                       |
| <b>Total cost or valuation *</b> | <b>114,890</b>                    | <b>3,856**</b>                                    | <b>355</b>            | <b>2,123</b>                 | <b>1,799</b>            |

\* The five year totals for those assets at current value include some assets that have been valued twice over this period or subsequently sold or moved to an alternative asset category.

\*\* Includes donated assets and assets acquired other than by purchase.

### 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:

| <b>2014/15</b> |  | <b>2015/16</b> |
|----------------|--|----------------|
| <b>£'000</b>   |  | <b>£'000</b>   |
| 21             | Rental income from investment property                     | 10             |
| (0)            | Direct operating expenses arising from investment property | (0)            |
| <hr/>          |  | <hr/>          |
| 21             | Net gain/(loss)  | 10             |

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. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

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

| <b>2014/15</b> |  | <b>2015/16</b> |
|----------------|--|----------------|
| <b>£'000</b>   |  | <b>£'000</b>   |
| 80             | Balance at start of the year                 | 139            |
|                | Additions:                                   |                |
| 0              | Purchases                                    | 0              |
| 0              | Construction                                 | 0              |
| 0              | Subsequent expenditure                       | 0              |
| (0)            | Disposals                                    | (0)            |
| 59             | Net gains/losses from fair value adjustments | (9)            |
|                | Transfers:                                   |                |
| (0)            | To/from Inventories                          | (0)            |
| (0)            | To/from Property, Plant and Equipment        | 0              |
| 0              | Other changes                                | 0              |
| <hr/>          |  | <hr/>          |
| 139            | Balance at end of the year                   | 130            |

## 14. Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets are purchased licenses. There is no internally generated software.

The carrying amount of intangible assets is amortised on a straight-line basis over 5 years. All amortisation charged to revenue is allocated to the various headings within 'cost of services'. Software specifically for an individual service is charged directly to that service whereas corporate software is spread across the various services. The purchased intangible assets are grouped into the heading 'other assets' below.

There are no contractual commitments for future capital expenditure at 31 March 2016.

The movement on Intangible Asset balances during the year is as follows:

|   | 2014/15               |                | 2015/16               |                |
|---|-----------------------|----------------|-----------------------|----------------|
|   | Other Assets<br>£'000 | Total<br>£'000 | Other Assets<br>£'000 | Total<br>£'000 |
| Balance at start of year:                 |                       |                |                       |                |
| • Gross carrying amounts                  | 931                   | 931            | 594                   | 594            |
| • Accumulated amortisation                | (772)                 | (772)          | (49)                  | (49)           |
| Net carrying amount at start of year      | 159                   | 159            | 545                   | 545            |
| Additions                                 |                       |                |                       |                |
| • Purchases                               | 12                    | 12             | 0                     | 0              |
| Retirements and disposals (net)           | 0                     | 0              | 0                     | 0              |
| Strata reclassify/movements/additions     | 423                   | 423            | 139                   | 139            |
| Amortisation for the period               | (49)                  | (49)           | (146)                 | (146)          |
| <b>Net carrying amount at end of year</b> | <b>545</b>            | <b>545</b>     | <b>538</b>            | <b>538</b>     |
| Comprising                                |                       |                |                       |                |
| • Gross carrying amounts                  | 594                   | 594            | 733                   | 733            |
| • Accumulated amortisation                | (49)                  | (49)           | (195)                 | (195)          |
|   | <b>545</b>            | <b>545</b>     | <b>538</b>            | <b>538</b>     |

**15. Long term debtors**

This balance covers the long term element of the Collection Fund balance from sharing local authorities and central government re. non domestic rates, mortgages / loans, sundry trade debtors and finance leases:

|  | <b>31 March<br/>2015<br/>£'000</b> | <b>31 March<br/>2016<br/>£'000</b> |
|--|------------------------------------|------------------------------------|
| Collection Fund balance – non domestic rates       | 464                                | 340                                |
| Sundry trade debtors/Community Infrastructure Levy | 344                                | 1,555                              |
| Mortgages / loans                                  | 502                                | 498                                |
| Finance leases                                     | 18                                 | 18                                 |
|  | <hr/> 1,328                        | <hr/> 2,411                        |

**16. Short term investments**

These relate to sums invested with banks / building societies repayable within one year but for an investment period greater than 95 days.

**17. Short Term Debtors**

| <b>31 March<br/>2015<br/>£'000</b> |                                       | <b>31 March<br/>2016<br/>£'000</b> |
|------------------------------------|---------------------------------------|------------------------------------|
| 573                                | Central government bodies             | 906                                |
| 1,700                              | Other local authorities               | 3,156                              |
| 11                                 | NHS bodies                            | 1                                  |
| 0                                  | Public corporations and trading funds | 0                                  |
| 4,800                              | Other entities and individuals        | 6,518                              |
| 148                                | Strata debtors                        | 299                                |
| <hr/> <b>7,232</b>                 | <b>Total</b>                          | <hr/> <b>10,880</b>                |



**18. Cash and Cash Equivalents**

The balance of Cash and Cash Equivalents is made up of the following elements:

| <b>Restated<br/>31 March<br/>2015<br/>£'000</b> |  | <b>31 March<br/>2016<br/>£'000</b> |
|---|--|------------------------------------|
| 83  | Cash held by the Authority   | 104                                |
| 10,150  | Bank current/instant call accounts                                       | (688)                              |
| 3,890   | Short term deposits with banks/<br>building societies/money market funds | 840                                |
| 376   | Strata   | 138                                |
| <b>14,499</b>                                   | <b>Total Cash and Cash Equivalents</b>                                   | <b>394</b>                         |

This item can be reconciled to the balance sheet as being the net total of cash and cash equivalents within 'current assets' and the bank overdraft within 'current liabilities'.

**19. Assets Held for Sale**

|   | <b>Current</b> |                | <b>Non-Current</b> |                |
|---|----------------|----------------|--------------------|----------------|
|   | <b>2014/15</b> | <b>2015/16</b> | <b>2014/15</b>     | <b>2015/16</b> |
|   | <b>£'000</b>   | <b>£'000</b>   | <b>£'000</b>       | <b>£'000</b>   |
| <b>Balance outstanding at start of year</b>     | <b>0</b>       | <b>0</b>       | <b>0</b>           | <b>0</b>       |
| Assets newly classified as held for sale:       |                |                |                    |                |
| • Property, Plant and Equipment                 | 0              | 0              | 0                  | 0              |
| • Intangible Assets                             | 0              | 0              | 0                  | 0              |
| Revaluation losses                              | 0              | 0              | 0                  | 0              |
| Revaluation gains                               | 0              | 0              | 0                  | 0              |
| Impairment losses                               | 0              | 0              | 0                  | 0              |
| Assets declassified as held for sale:           |                |                |                    |                |
| • Property, Plant and Equipment                 | 0              | 0              | 0                  | 0              |
| • Intangible Assets                             | 0              | 0              | 0                  | 0              |
| • Other assets / liabilities in disposal groups | 0              | 0              | 0                  | 0              |
| Assets sold                                     | 0              | 0              | 0                  | 0              |
| Transfers from non current to current           | 0              | 0              | 0                  | 0              |
| <b>Balance outstanding at year-end</b>          | <b>0</b>       | <b>0</b>       | <b>0</b>           | <b>0</b>       |

## 20. Short Term Creditors

| <b>31 March<br/>2015<br/>£'000</b>      | <b>31 March<br/>2016<br/>£'000</b> |
|---|------------------------------------|
| (809) Central government bodies         | (1,166)                            |
| (2,008) Other local authorities         | (4,071)                            |
| (13) NHS bodies                         | (8)                                |
| 0 Public corporations and trading funds | 0                                  |
| (3,202) Other entities and individuals  | (3,606)                            |
| (249) Strata creditors                  | (6)                                |
| <b>(6,281) Total</b>                    | <b>(8,857)</b>                     |

## 21. Provisions

A provision is a liability of uncertain timing or amount. The Council has the following provisions:

|                                       | <b>Short Term</b> |                     |                                   |              |
|---------------------------------------|-------------------|---------------------|-----------------------------------|--------------|
|                                       | <b>Insurance</b>  | <b>Land charges</b> | <b>Non Domestic Rates Appeals</b> | <b>Total</b> |
|                                       | <b>£'000</b>      | <b>£'000</b>        | <b>£'000</b>                      | <b>£'000</b> |
| <b>Balance at 1 April 2015</b>        | <b>0</b>          | <b>(159)</b>        | <b>(225)</b>                      | <b>(384)</b> |
| Additional provisions made in 2015/16 | (34)              | 0                   | (95)                              | <b>(129)</b> |
| Amounts used in 2015/16               | 0                 | 104                 | 0                                 | <b>104</b>   |
| Unused amounts reversed in 2015/16    | 0                 | 0                   | 0                                 | <b>0</b>     |
| <b>Balance at 31 March 2016</b>       | <b>(34)</b>       | <b>(55)</b>         | <b>(320)</b>                      | <b>(409)</b> |

Short term – Insurance:

A provision is held for payments anticipated in relation to a scheme of arrangement with our previous insurers Municipal Mutual Insurance to facilitate possible payments due based upon the company's financial position.

### Short term – Land charges:

There is still the threat of a claim by personal search companies for refund of personal search fees paid in the past so a provision is held for anticipated costs.

### Short term – Non domestic rates appeals:

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 has therefore been made for likely refunds as a result of appeals against the rateable value of business properties.

## 22. Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement on page 27. See also note 7 for further breakdown and note 8 for movement on earmarked reserves. The Council has the following usable reserves:

|                            |   |
|----------------------------|---|
| General Fund Balance -     | Resources available to meet future running costs and provides a financial cushion should anything unexpected happen which would require unplanned expenditure   |
| Earmarked Reserves -       | The Council has a carry forward reserve for monies reserved for specific projects and unspent at the end of the financial year and a sundry revenue grants reserve which covers grants received which have no repayment conditions attached to them and have not been spent in total or in part by the end of the financial year. |
| Capital Receipts Reserve - | Proceeds from the sale of non current assets are held in this reserve to be made available for future capital investment.   |
| Capital Grants Unapplied - | These represent grants and contributions received in advance of matching to new capital investment.   |

## 23. Unusable Reserves

The Council has the following unusable reserves and balances:

| <b>31 March<br/>2015<br/>£'000</b> |  | <b>31 March<br/>2016<br/>£'000</b> |
|------------------------------------|--|------------------------------------|
| 14,700                             | Revaluation Reserve                      | 26,658                             |
| 42,383                             | Capital Adjustment Account               | 42,028                             |
| (69)                               | Financial Instruments Adjustment Account | 0                                  |
| 78                                 | Deferred Capital Receipts Reserve        | 58                                 |
| (79,210)                           | Pensions Reserve                         | (71,546)                           |
| 56                                 | Collection Fund Adjustment Account       | (303)                              |
| (197)                              | Accumulated Absences Account             | (244)                              |
| <b>(22,259)</b>                    | <b>Total Unusable Reserves</b>           | <b>(3,349)</b>                     |

A detailed breakdown of the movement in these reserves and their purpose is as follows:

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

| <b>2014/15</b> |   | <b>2015/16</b> |               |
|----------------|---|----------------|---------------|
| <b>£'000</b>   |   | <b>£'000</b>   |               |
| <b>12,315</b>  | <b>Balance at 1 April</b>   |                | <b>14,700</b> |
| 2,916          | Upward revaluation of assets  | 15,828         |               |
| (161)          | Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services      | (3,440)        |               |
| <hr/>          |   | <hr/>          |               |
| 2,755          | Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services |                | 12,388        |
| (328)          | Difference between fair value depreciation and historical cost depreciation   | (370)          |               |
| (42)           | Accumulated gains on assets sold or scrapped  | (60)           |               |
| <hr/>          |   | <hr/>          |               |
| (370)          | Amount written off to the Capital Adjustment Account  |                | (430)         |
| <hr/>          |   | <hr/>          |               |
| <b>14,700</b>  | <b>Balance at 31 March</b>  |                | <b>26,658</b> |

### 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 additions to those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current and fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and subsequent costs.

The Account contains accumulated gains and losses on Investment Properties and gains

recognised on donated assets that have yet to be consumed by the Authority.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

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

| 2014/15  | 2015/16        |
|--|----------------|
| £'000  | £'000          |
| <b>40,640 Balance at 1 April</b>   | <b>42,383</b>  |
| Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:                                     |                |
| (1,432) • Charges for depreciation and impairment of non current assets  | (1,851)        |
| 1 • Operating lease income adjustment  | 1              |
| (3,551) • Revaluation losses on Property, Plant and Equipment  | (8,096)        |
| 112 • Revaluation reversals on Property, Plant & Equipment   | 719            |
| 0 • Amortisation of intangible assets  | (146)          |
| (2,271) • Revenue expenditure funded from capital under statute  | (3,910)        |
| (756) • 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 | (193)          |
| 217 • Gain arising on share of donated assets - Strata   | 0              |
| <hr/> (7,680)  | <hr/> (13,476) |
| 370 Adjusting amounts written out of the Revaluation Reserve   | 430            |
| <hr/> (7,310) Net written out amount of the cost of non current assets consumed in the year  | <hr/> (13,046) |
| Capital financing applied in the year:   |                |
| 2,470 • Use of the Capital Receipts Reserve to finance new capital expenditure/repay loan  | 5,558          |

|               |   |       |               |
|---------------|---|-------|---------------|
| 0             | • Use of the Capital receipts reserve to meet previous year disposal costs  | 0     |               |
| 4,314         | • Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | 4,921 |               |
| 0             | • Application of grants to capital financing from the Capital Grants Unapplied Account  | 0     |               |
| 0             | • Transfer to the capital receipts reserve upon receipt of cash   | 0     |               |
| 0             | • Statutory provision for the financing of capital investment charged against the General Fund balance  | 0     |               |
| 0             | • Disposal costs relating to future capital disposal  | 0     |               |
| 0             | • Financing of loan   | 0     |               |
| 2,230         | • Capital expenditure charged against the General Fund balance  | 2,221 |               |
| <hr/>         |   | <hr/> |               |
| 9,014         |   |       | 12,700        |
| 59            | Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement              |       | (9)           |
| (20)          | Loan repayment  |       | 0             |
| 0             | Donated asset   |       | 0             |
| <hr/>         |   | <hr/> |               |
| <b>42,383</b> | <b>Balance at 31 March</b>  |       | <b>42,028</b> |

#### Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Authority uses the Account to adjust financial assets and financial liabilities to 'fair value' – principally for 'soft loans' issued and planning agreements received (see Note 1 re accounting policies). Adjustments are debited / credited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement.

| 2014/15 |  | 2015/16 |
|---------|--|---------|
| £'000   |  | £'000   |
| (5)     | <b>Balance at 1 April</b>  | (69)    |
| (64)    | Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs | 69      |

chargeable in the year in accordance with  
statutory requirements

**(69) Balance at 31 March**

**0**

### Pensions Reserve

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

| <b>2014/15</b>  |  | <b>2015/16</b>  |
|-----------------|--|-----------------|
| <b>£'000</b>    |  | <b>£'000</b>    |
| <b>(63,617)</b> | <b>Balance at 1 April</b>  | <b>(79,210)</b> |
| (13,398)        | Re-measurements of the net defined benefit liability/(asset)   | 9,202           |
| (5,181)         | Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement | (5,542)         |
| 2,986           | Employer's pensions contributions and direct payments to pensioners payable in the year  | 4,004           |
| <b>(79,210)</b> | <b>Balance at 31 March</b>   | <b>(71,546)</b> |

### Deferred Capital Receipts Reserve

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

| <b>2014/15</b> |  | <b>2015/16</b> |
|----------------|--|----------------|
| <b>£'000</b>   |  | <b>£'000</b>   |
| <b>79</b>      | <b>Balance at 1 April</b>  | <b>78</b>      |
| 0              | Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement/funding of loan from capital receipts | 0              |

|   |      |
|---|------|
| (1) Transfer to the Capital Receipts Reserve upon receipt of cash | (20) |
|---|------|

---

**78 Balance at 31 March**

---

**58**

#### Collection Fund Adjustment Account

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

| <b>2014/15</b>   | <b>2015/16</b> |
|--|----------------|
| <b>£'000</b>   | <b>£'000</b>   |
| <b>(482) Balance at 1 April</b>  | <b>56</b>      |
| 538 Amount by which council tax and non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non domestic rates income calculated for the year in accordance with statutory requirements | (359)          |
| <hr/>  | <hr/>          |
| <b>56 Balance at 31 March</b>  | <b>(303)</b>   |

#### Accumulated Absences Account

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

| <b>2014/15</b>   | <b>2015/16</b> |
|--|----------------|
| <b>£'000</b>   | <b>£'000</b>   |
| <b>(225) Balance at 1 April</b>  | <b>(197)</b>   |
| 225 Settlement or cancellation of accrual made at the end of the preceding year  | 197            |
| (197) Amounts accrued at the end of the current year   | (244)          |
| <hr/>  | <hr/>          |
| 28 Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | (47)           |
| <hr/>  | <hr/>          |
| <b>(197) Balance at 31 March</b>   | <b>(244)</b>   |



**24. Cash Flow Statement – Operating Activities**

- (a) The surplus or deficit on the provision of services has been adjusted for the following non cash movements:

| <b>2014/15</b> |  | <b>2015/16</b> |
|----------------|--|----------------|
| <b>£'000</b>   |  | <b>£'000</b>   |
| (1,466)        | Depreciation   | (1,851)        |
| (3,439)        | Impairment, downward valuations & revaluation reversals  | (7,377)        |
| (49)           | Amortisation   | (146)          |
| (183)          | (Increase)/ decrease in impairment for bad debts   | (295)          |
| (2,584)        | (Increase)/decrease in creditors   | (3,660)        |
| (1,910)        | Increase/(decrease) in debtors   | 1,827          |
| (34)           | Increase/(decrease) in inventories   | (1)            |
| (2,195)        | Movement in pension liability  | (1,538)        |
| (756)          | Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised | (193)          |
| 835            | Other non-cash items charged to the net surplus or deficit on the provision of services          | (405)          |
| <hr/>          |  | <hr/>          |
| (11,781)       |  | (13,639)       |

- (b) The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

| <b>2014/15</b> |  | <b>2015/16</b> |
|----------------|--|----------------|
| <b>£'000</b>   |  | <b>£'000</b>   |
| 0              | Proceeds from short-term (not considered to be cash equivalents) and long-term investments       | 0              |
| 635            | Proceeds from the sale of property, plant & equipment, investment property and intangible assets | 50             |
| 4,314          | Capital grants and contributions applied   | 4,921          |
| (2,271)        | Revenue expenditure funded from capital under statute  | (3,910)        |
| 810            | Any other items for which the cash effects are investing or financing cash flows                 | 2,442          |
| <hr/>          |  | <hr/>          |
| 3,488          |  | 3,503          |

(c) The cash flows for operating activities include the following items:

| 2014/15                 | 2015/16 |
|-------------------------|---------|
| £'000                   | £'000   |
| (127) Interest received | (159)   |
| 0 Interest paid         | 0       |

## 25. Cash Flow Statement – Investing Activities

| 2014/15  | 2015/16       |
|--|---------------|
| £'000  | £'000         |
| 6,047 Purchase of property, plant and equipment, investment property and intangible assets**             | 21,571        |
| 13,000 Purchase of short term and long term investments  | 7,000         |
| 469 Investment in Strata Service Solutions Ltd   | 351           |
| 2,397 Other payments for investing activities  | 3,727         |
| (635) Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (24)          |
| (12,000) Proceeds from short term and long term investments  | (11,000)      |
| (6,253) Other receipts from investing activities*  | (3,208)       |
| <b>3,025 Net cash flows from investing activities</b>  | <b>18,417</b> |

\*Includes s.106 monies, capital grants and right to buy receipts.

\*\*Includes the purchase of Market Walk shopping centre for £13.7 million in 2015/16.

## 26. Cash Flow Statement – Financing Activities

| 2014/15   | 2015/16 |
|---|---------|
| £'000   | £'000   |
| 0 Cash receipts of short- and long-term borrowing   | 0       |
| (2,125) Other receipts from financing activities**  | 0       |
| 0 Cash payments for the reduction of the outstanding liabilities relating to finance leases | 0       |
| 0 Repayments of short and long term borrowing   | 0       |

|   |            |
|---|------------|
| 0 Other payments for financing activities**             | 225        |
| <b>(2,125) Net cash flows from financing activities</b> | <b>225</b> |

\*\*Net non domestic rates/council tax after payments to major preceptors/sharing authorities/Central Government and after settlement of the estimated deficit/surplus on the Collection Fund.

## 27. Amounts Reported for Resource Allocation Decisions

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

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than current service cost of benefits accrued in the year
- expenditure for support service department recharges is reported centrally against the relevant service and not shown as a charge against the end user

The income and expenditure of the Authority's principal service departments recorded in the budget reports for the year is as follows:

**Service Income and Expenditure**  
**2015/16**

|                          | Waste, Cleansing<br>& Recycling | Financing items | Economy &<br>Assets | Revenue &<br>Benefits | Leisure        | Housing        | Parking        | Development<br>Management | Green Spaces,<br>Active Leisure &<br>Resorts | Other services | Total           |
|--------------------------|---------------------------------|-----------------|---------------------|-----------------------|----------------|----------------|----------------|---------------------------|--|----------------|-----------------|
|                          | £'000                           | £'000           | £'000               | £'000                 | £'000          | £'000          | £'000          | £'000                     | £'000  | £'000          | £'000           |
| Sales, fees & charges    | (550)                           | 0               | (363)               | (188)                 | (2,116)        | (2)            | (3,023)        | (929)                     | (268)  | (612)          | (8,051)         |
| Property income          | (2)                             | (1)             | (942)               | 0                     | (26)           | (462)          | (16)           | 0                         | (296)  | (1)            | (1,746)         |
| Grants income            | (39)                            | 0               | (116)               | (35,685)              | (9)            | (581)          | 0              | (158)                     | (174)  | (256)          | (37,018)        |
| Other income             | (2,930)                         | (20)            | (65)                | (1,035)               | (206)          | (350)          | (43)           | (47)                      | (90)   | (719)          | (5,505)         |
| <b>Total Income</b>      | <b>(3,521)</b>                  | <b>(21)</b>     | <b>(1,486)</b>      | <b>(36,908)</b>       | <b>(2,357)</b> | <b>(1,395)</b> | <b>(3,082)</b> | <b>(1,134)</b>            | <b>(828)</b>                                 | <b>(1,588)</b> | <b>(52,320)</b> |
| Employee expenses        | 3,570                           | 2,211           | 1,001               | 1,703                 | 1,820          | 1,144          | 346            | 1,222                     | 928  | 4,002          | 17,947          |
| Property costs           | 634                             | 0               | 426                 | 0                     | 809            | 204            | 495            | 43                        | 408  | 81             | 3,100           |
| Depot costs              | 1,361                           | 0               | 11                  | 0                     | 5              | 0              | 44             | 0                         | 3  | 24             | 1,448           |
| Services & Supplies      | 1,145                           | 86              | 505                 | 323                   | 303            | 694            | 187            | 365                       | 896  | 1,403          | 5,907           |
| Transport                | 1,788                           | 0               | 2                   | 0                     | 20             | 23             | 12             | 29                        | 28   | 92             | 1,994           |
| Grant payments           | 1                               | 0               | 108                 | 35,519                | 10             | 385            | 3              | 0                         | 10   | 415            | 36,451          |
| <b>Total Expenditure</b> | <b>8,499</b>                    | <b>2,297</b>    | <b>2,053</b>        | <b>37,545</b>         | <b>2,967</b>   | <b>2,450</b>   | <b>1,087</b>   | <b>1,659</b>              | <b>2,273</b>                                 | <b>6,017</b>   | <b>66,847</b>   |
| <b>Net Expenditure</b>   | <b>4,978</b>                    | <b>2,276</b>    | <b>567</b>          | <b>637</b>            | <b>610</b>     | <b>1,055</b>   | <b>(1,995)</b> | <b>525</b>                | <b>1,445</b>                                 | <b>4,429</b>   | <b>14,527</b>   |

**Service Income and Expenditure  
2014/15**

|                          | Waste,<br>Cleansing &<br>Recycling | Environmental &<br>Safety | Economy &<br>Assets | Revenue &<br>Benefits | Leisure        | Housing        | Parking        | Development<br>Management | Green Spaces,<br>Active Leisure &<br>Resorts | Other services | Total           |
|--------------------------|------------------------------------|---------------------------|---------------------|-----------------------|----------------|----------------|----------------|---------------------------|--|----------------|-----------------|
|                          | £'000                              | £'000                     | £'000               | £'000                 | £'000          | £'000          | £'000          | £'000                     | £'000  | £'000          | £'000           |
| Sales, fees & charges    | (343)                              | (44)                      | (393)               | (1,298)               | (2,053)        | (2)            | (2,964)        | (1,210)                   | (283)  | (584)          | (9,174)         |
| Property income          | (2)                                | 0                         | (710)               | 0                     | (18)           | (328)          | (9)            | 0                         | (300)  | (1)            | (1,368)         |
| Grants income            | (8)                                | (196)                     | (67)                | (36,789)              | 0              | (503)          | 0              | (28)                      | (186)  | (594)          | (38,371)        |
| Other income             | (2,903)                            | (122)                     | (71)                | (39)                  | (171)          | (404)          | (36)           | (16)                      | (140)  | (395)          | (4,297)         |
| <b>Total Income</b>      | <b>(3,256)</b>                     | <b>(362)</b>              | <b>(1,241)</b>      | <b>(38,126)</b>       | <b>(2,242)</b> | <b>(1,237)</b> | <b>(3,009)</b> | <b>(1,254)</b>            | <b>(909)</b>                                 | <b>(1,574)</b> | <b>(53,210)</b> |
| Employee expenses        | 2,901                              | 984                       | 1,130               | 1,882                 | 1,895          | 1,057          | 336            | 1,250                     | 1,029  | 4,096          | 16,560          |
| Property costs           | 687                                | 52                        | 461                 | 0                     | 894            | 188            | 469            | 47                        | 396  | 74             | 3,268           |
| Depot costs              | 1,152                              | 16                        | 12                  | 0                     | 6              | 0              | 64             | 0                         | 3  | 9              | 1,262           |
| Services & Supplies      | 1,041                              | 428                       | 311                 | 396                   | 259            | 712            | 185            | 315                       | 928  | 216            | 4,791           |
| Transport                | 1,417                              | 39                        | 5                   | 0                     | 3              | 20             | 9              | 28                        | 54   | 39             | 1,614           |
| Grant payments           | 4                                  | 23                        | 38                  | 36,675                | 10             | 283            | 2              | 0                         | 14   | 545            | 37,594          |
| <b>Total Expenditure</b> | <b>7,202</b>                       | <b>1,542</b>              | <b>1,957</b>        | <b>38,953</b>         | <b>3,067</b>   | <b>2,260</b>   | <b>1,065</b>   | <b>1,640</b>              | <b>2,424</b>                                 | <b>4,979</b>   | <b>65,089</b>   |
| <b>Net Expenditure</b>   | <b>3,946</b>                       | <b>1,180</b>              | <b>716</b>          | <b>827</b>            | <b>825</b>     | <b>1,023</b>   | <b>(1,944)</b> | <b>386</b>                | <b>1,515</b>                                 | <b>3,405</b>   | <b>11,879</b>   |

*Reconciliation of Service Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement*

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

| 2014/15       |  | 2015/16       |
|---------------|--|---------------|
| £'000         |  | £'000         |
| 11,879        | Net expenditure in the Service Analysis  | 14,527        |
| 0             | Net expenditure of services and support services not included in the Analysis                            | 0             |
| 5,968         | Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis | 10,397        |
| (35)          | Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement      | (101)         |
| <b>17,812</b> | <b>Cost of Services in Comprehensive Income and Expenditure Statement</b>                                | <b>24,823</b> |

*Reconciliation to Subjective Analysis*

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

| 2015/16  | Service Analysis<br>£'000 | Services and Support Services not in Analysis<br>£'000 | Amounts not reported to management for decision making<br>£'000 | Amounts not included in I&E<br>£'000 | Allocation of Recharges<br>£'000 | Cost of Services<br>£'000 | Corporate Amounts<br>£'000 | Total<br>£'000  |
|--|---------------------------|--|---|--------------------------------------|----------------------------------|---------------------------|----------------------------|-----------------|
| Fees, charges & other service income                     | (15,302)                  | 0  | (149)   | 2,653                                | 0                                | (12,798)                  | (1)                        | (12,799)        |
| Surplus or deficit on associates and joint ventures      | 0                         | 0  | 0   | 0                                    | 0                                | 0                         | 0                          | 0               |
| Interest and investment income                           | 0                         | 0  | 0   | 0                                    | 0                                | 0                         | (37)                       | (37)            |
| Income from council tax                                  | 0                         | 0  | 0   | 0                                    | 0                                | 0                         | (9,501)                    | (9,501)         |
| Government grants and contributions                      | (37,018)                  | 0  | (2,370)   | 0                                    | 0                                | (39,388)                  | (14,351)                   | (53,739)        |
| <b>Total Income</b>                                      | <b>(52,320)</b>           | <b>0</b>   | <b>(2,519)</b>  | <b>2,653</b>                         | <b>0</b>                         | <b>(52,186)</b>           | <b>(23,890)</b>            | <b>(76,076)</b> |
| Employee expenses  | 17,947                    | 0  | (469)   | (593)                                | 0                                | 16,885                    | 2,580                      | 19,465          |
| Other service expenses                                   | 48,900                    | 0  | 4,011   | (2,161)                              | 0                                | 50,750                    | 261                        | 51,011          |
| Support Service recharges                                | 0                         | 0  | 0   | 0                                    | 0                                | 0                         | 0                          | 0               |
| Depreciation, amortisation and impairment                | 0                         | 0  | 9,374   | 0                                    | 0                                | 9,374                     | 0                          | 9,374           |
| Interest Payments  | 0                         | 0  | 0   | 0                                    | 0                                | 0                         | 0                          | 0               |
| Precepts & Levies  | 0                         | 0  | 0   | 0                                    | 0                                | 0                         | 2,443                      | 2,443           |
| Gain or Loss on Disposal of Non current Assets           | 0                         | 0  | 0   | 0                                    | 0                                | 0                         | (618)                      | (618)           |
| <b>Total Expenditure</b>                                 | <b>66,847</b>             | <b>0</b>   | <b>12,916</b>   | <b>(2,754)</b>                       | <b>0</b>                         | <b>77,009</b>             | <b>4,666</b>               | <b>81,675</b>   |
| <b>(Surplus) or deficit on the provision of services</b> | <b>14,527</b>             | <b>0</b>   | <b>10,397</b>   | <b>(101)</b>                         | <b>0</b>                         | <b>24,823</b>             | <b>(19,224)</b>            | <b>5,599</b>    |

| 2014/15<br>Comparatives   | Service<br>Analysis<br>£'000 | Services and Support<br>Services not in Analysis<br>£'000 | Amounts not reported to<br>management for decision<br>making<br>£'000 | Amounts not included<br>in I&E<br>£'000 | Allocation of Recharges<br>£'000 | Cost of Services<br>£'000 | Corporate Amounts<br>£'000 | Total<br>£'000  |
|---|------------------------------|---|---|---|----------------------------------|---------------------------|----------------------------|-----------------|
| Fees, charges & other<br>service income                           | (14,839)                     | 0   | (470)   | 2,363                                   | 0                                | (12,946)                  | (80)                       | (13,026)        |
| Surplus or deficit on<br>associates and joint<br>ventures         | 0                            | 0   | 0   | 0                                       | 0                                | 0                         | 0                          | 0               |
| Interest and investment<br>income                                 | 0                            | 0   | 0   | 0                                       | 0                                | 0                         | (105)                      | (105)           |
| Income from council tax<br>Government grants and<br>contributions | 0                            | 0   | 0   | 0                                       | 0                                | 0                         | (9,220)                    | (9,220)         |
|   | (38,371)                     | 0   | (1,739)   | 0                                       | 0                                | (40,110)                  | (12,640)                   | (52,750)        |
| <b>Total Income</b>   | <b>(53,210)</b>              | <b>0</b>  | <b>(2,209)</b>  | <b>2,363</b>                            | <b>0</b>                         | <b>(53,056)</b>           | <b>(22,045)</b>            | <b>(75,101)</b> |
| Employee expenses   | 16,560                       | 0   | 1,084   | (565)                                   | 0                                | 17,079                    | 2,776                      | 19,855          |
| Other service expenses  | 48,529                       | 0   | 2,222   | (1,833)                                 | 0                                | 48,918                    | 261                        | 49,179          |
| Support Service recharges   | 0                            | 0   | 0   | 0                                       | 0                                | 0                         | 0                          | 0               |
| Depreciation, amortisation<br>and impairment &<br>reversals       | 0                            | 0   | 4,871   | 0                                       | 0                                | 4,871                     | 0                          | 4,871           |
| Interest Payments   | 0                            | 0   | 0   | 0                                       | 0                                | 0                         | 27                         | 27              |
| Precepts & Levies   | 0                            | 0   | 0   | 0                                       | 0                                | 0                         | 2287                       | 2287            |
| Gain or Loss on Disposal<br>of Non current Assets                 | 0                            | 0   | 0   | 0                                       | 0                                | 0                         | (767)                      | (767)           |
| <b>Total Expenditure</b>  | <b>65,089</b>                | <b>0</b>  | <b>8,177</b>  | <b>(2,398)</b>                          | <b>0</b>                         | <b>70,868</b>             | <b>4,584</b>               | <b>75,452</b>   |
| <b>(Surplus) or deficit on<br/>the provision of services</b>      | <b>11,879</b>                | <b>0</b>  | <b>5,968</b>  | <b>(35)</b>                             | <b>0</b>                         | <b>17,812</b>             | <b>(17,461)</b>            | <b>351</b>      |

## 28. Financial Instruments

### Categories of Financial Instruments

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

|   | Long-Term                 |                           | Current                                |                           |
|---|---------------------------|---------------------------|--|---------------------------|
|   | 31 March<br>2015<br>£'000 | 31 March<br>2016<br>£'000 | Restated*<br>31 March<br>2015<br>£'000 | 31 March<br>2016<br>£'000 |
| <b>Investments</b>                                |                           |                           |  |                           |
| Loans and receivables                             | 0                         | 0                         | 5,000                                  | 1,000                     |
| Available-for-sale financial assets               | 0                         | 0                         | 0                                      | 0                         |
| <b>Total investments</b>                          | <b>0</b>                  | <b>0</b>                  | <b>5,000</b>                           | <b>1,000</b>              |
| <b>Debtors</b>                                    |                           |                           |  |                           |
| Loans and receivables                             | 519                       | 516                       |  |                           |
| Financial assets carried at contract amounts      |                           |                           | 2,917                                  | 4,607                     |
| <b>Total included in debtors</b>                  | <b>519</b>                | <b>516</b>                | <b>2,917</b>                           | <b>4,607</b>              |
| Cash and cash equivalents                         | 0                         | 0                         | 16,073*                                | 1,902                     |
| <b>Total cash &amp; cash equivalents</b>          | <b>0</b>                  | <b>0</b>                  | <b>16,073*</b>                         | <b>1,902</b>              |
| <b>Borrowings</b>                                 |                           |                           |  |                           |
| Financial liabilities at amortised cost           | 0                         | 0                         | 0                                      | 0                         |
| <b>Total included in borrowings</b>               | <b>0</b>                  | <b>0</b>                  | <b>0</b>                               | <b>0</b>                  |
| <b>Creditors</b>                                  |                           |                           |  |                           |
| Financial liabilities at amortised cost           | 0                         | 0                         |  |                           |
| Financial liabilities carried at contract amounts |                           |                           | (3,090)                                | (3,192)                   |
| <b>Total creditors</b>                            | <b>0</b>                  | <b>0</b>                  | <b>(3,090)</b>                         | <b>(3,192)</b>            |

\*Restated to include cash and cash equivalents at 31 March 2015



**Income, Expense, Gains and Losses**  
**2015 / 2016**

|   | <b>Financial<br/>Liabilities<br/>measured at<br/>amortised cost</b> | <b>Financial<br/>Assets:<br/>Loans and<br/>receivables</b> | <b>Total</b> |
|---|---|--|--------------|
|   | <b>£'000</b>  | <b>£'000</b>   | <b>£'000</b> |
| Interest expense  | 0   | 0  | 0            |
| Losses on derecognition   | 0   | 0  | 0            |
| Impairment losses   | 0   | 0  | 0            |
| <b>Total expense in Surplus or Deficit<br/>on the Provision of Services</b>   | <b>0</b>  | <b>0</b>   | <b>0</b>     |
| Interest income   | 0   | (138)  | (138)        |
| Interest income accrued on impaired<br>financial assets   | 0   | 0  | 0            |
| Gains on derecognition  | 0   | 0  | 0            |
| <b>Total income in Surplus or Deficit on<br/>the Provision of Services</b>  | <b>0</b>  | <b>(138)</b>   | <b>(138)</b> |
| Gains on revaluation  | 0   | 0  | 0            |
| Losses on revaluation   | 0   | 0  | 0            |
| Amounts recycled to the Surplus or<br>Deficit on the Provision of Services after<br>impairment                              | 0   | 0  | 0            |
| <b>Surplus/deficit arising on revaluation<br/>of financial assets in Other<br/>Comprehensive Income and<br/>Expenditure</b> | <b>0</b>  | <b>0</b>   | <b>0</b>     |
| <b>Net (gain) / loss for the year</b>   | <b>0</b>  | <b>(138)</b>   | <b>(138)</b> |

**2014 / 2015**

|   | <b>Financial<br/>Liabilities<br/>measured at<br/>amortised cost</b> | <b>Financial<br/>Assets:<br/>Loans and<br/>receivables</b> | <b>Total</b> |
|---|---|--|--------------|
|   | <b>£'000</b>  | <b>£'000</b>   | <b>£'000</b> |
| Interest expense  | 27  | 0  | 27           |
| Losses on derecognition   | 0   | 0  | 0            |
| Impairment losses   | 0   | 0  | 0            |
| <b>Total expense in Surplus or Deficit<br/>on the Provision of Services</b> | <b>27</b>   | <b>0</b>   | <b>27</b>    |
| Interest income   | 0   | (140)  | (140)        |
| Interest income accrued on impaired<br>financial assets                     | 0   | 0  | 0            |
| Gains on derecognition  | 0   | 0  | 0            |
| <b>Total income in Surplus or Deficit<br/>on the Provision of Services</b>  | <b>0</b>  | <b>(140)</b>   | <b>(140)</b> |
| Gains on revaluation  | 0   | 0  | 0            |

|   |           |              |              |
|---|-----------|--------------|--------------|
| Losses on revaluation   | 0         | 0            | 0            |
| Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment                        | 0         | 0            | 0            |
| <b>Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure</b> | <b>0</b>  | <b>0</b>     | <b>0</b>     |
| <b>Net (gain) / loss for the year</b>   | <b>27</b> | <b>(140)</b> | <b>(113)</b> |

### Fair Values of Assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables and long term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- estimated interest rates at 31 March 2016 of 1.5% for assisted car purchase loans and long term liabilities where adjustments are considered material
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount

The fair values calculated are as follows:

#### Liabilities:

|                       | <b>31 March 2015</b>   |                   | <b>31 March 2016</b>   |                   |
|-----------------------|------------------------|-------------------|------------------------|-------------------|
|                       | <b>Carrying amount</b> | <b>Fair value</b> | <b>Carrying amount</b> | <b>Fair value</b> |
|                       | <b>£'000</b>           | <b>£'000</b>      | <b>£'000</b>           | <b>£'000</b>      |
| Financial liabilities | (3,090)                | (3,090)           | (3,192)                | (3,192)           |
| Long term creditors   | 0                      | 0                 | 0                      | 0                 |

#### Assets:

|                                | <b>31 March 2015</b>   |                   | <b>31 March 2016</b>   |                   |
|--------------------------------|------------------------|-------------------|------------------------|-------------------|
|                                | <b>Carrying amount</b> | <b>Fair value</b> | <b>Carrying amount</b> | <b>Fair value</b> |
|                                | <b>£'000</b>           | <b>£'000</b>      | <b>£'000</b>           | <b>£'000</b>      |
| Investments/short term debtors | 7,917                  | 7,917             | 5,607                  | 5,607             |
| Long term debtors              | 519                    | 519               | 516                    | 516               |

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

## 29. Trading Operations

### Market Undertaking:

The Council operates the Retail and Livestock Market in Newton Abbot whose financial results were as follows:-

|                                      | 2014/15<br>£'000 | 2015/16<br>£'000 |
|--------------------------------------|------------------|------------------|
| Income - Livestock Market            | (35)             | (31)             |
| - Retail Market                      | (386)            | (363)            |
| <b>Total Income</b>                  | <b>(421)</b>     | <b>(394)</b>     |
| Expenditure                          | 456              | 495              |
| <b>Deficit on Trading Operations</b> | <b>35</b>        | <b>101</b>       |

The deficit is charged to the Comprehensive Income and Expenditure account under the heading 'Financing and Investment Income and Expenditure'.

## 30. Members' Allowances

The scheme in operation is based upon the Local Authorities (Members' allowances) (England) Regulations 2003. The total allowances paid in 2015/16 (including travel and subsistence) amounts to £355,748 (2014/15 £337,510). Further details on members' allowances can be obtained from the payroll section within the Finance department.

## 31. Officers' Remuneration / Exit Packages & Termination Benefits

The number of employees whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 (including senior officers listed below) were:

| Remuneration Band | Number of employees |         | Remuneration Band   | Number of employees |         |
|-------------------|---------------------|---------|---------------------|---------------------|---------|
|                   | 2014/15             | 2015/16 |                     | 2014/15             | 2015/16 |
| £50,000 - £54,999 | 0                   | 5       | £95,000 - £99,999   | 0                   | 0       |
| £55,000 - £59,999 | 1                   | 2       | £100,000 - £104,999 | 0                   | 0       |
| £60,000 - £64,999 | 2                   | 1       | £105,000 - £109,999 | 1                   | 0       |
| £65,000 - £69,999 | 2                   | 2       | £110,000 - £114,999 | 0                   | 0       |
| £70,000 - £74,999 | 1                   | 0       | £115,000 - £119,999 | 0                   | 1       |
| £75,000 - £79,999 | 0                   | 1       | £120,000 - £124,999 | 0                   | 0       |
| £80,000 - £84,999 | 0                   | 0       | £125,000 - £129,999 | 0                   | 0       |
| £85,000 - £89,999 | 1                   | 1       | £130,000 - £134,999 | 0                   | 0       |
| £90,000 - £94,999 | 0                   | 0       | £135,000 - £139,999 | 0                   | 0       |

Senior Officers reporting directly to the Chief Executive and statutory posts whose salary is between £50,000 and £150,000 per year for the year 2015/16 are as follows:

|  | Salary (Inc. fees & allowances) | Compensation for loss of employment | Benefits in Kind (e.g. car allowance) | Total Remuneration Excl. Employers pension contributions | Pension Contributions (Common Rate) | Total Remuneration Inc. Employers pension contributions |
|--|---------------------------------|-------------------------------------|---------------------------------------|--|-------------------------------------|---|
|  | £                               | £                                   | £                                     | £  | £                                   | £   |
| Chief Executive                                      | 118,860                         | 0                                   | 767                                   | 119,627  | 22,345                              | 141,972   |
| Deputy Chief Executive                               | 86,501                          | 0                                   | 1,041                                 | 87,542   | 16,263                              | 103,805   |
| Business Lead  | 75,540                          | 0                                   | 8                                     | 75,548   | 14,202                              | 89,750  |
| Chief Finance Officer & Section 151 Officer (1)      | 38,760                          | 0                                   | 0                                     | 38,760   | 7,287                               | 46,047  |
| Monitoring Officer                                   | 53,579                          | 0                                   | 1                                     | 53,580   | 10,073                              | 63,653  |
| Solicitor to the Council & Deputy Monitoring Officer | 50,148                          | 0                                   | 2                                     | 50,150   | 0                                   | 50,150  |

(1) Chief Finance Officer & Section 151 Officer is a part time post. Salary is pro rata.

Senior Officers reporting directly to the Chief Executive and statutory posts whose salary is between £50,000 and £150,000 per year for the year 2014/15:

|   | Salary (Inc. fees & allowances) | Compensation for loss of employment | Benefits in Kind (e.g. car allowance) | Total Remuneration Excl. Employers pension contributions | Pension Contributions (Common Rate) | Total Remuneration Inc. Employers pension contributions |
|---|---------------------------------|-------------------------------------|---------------------------------------|--|-------------------------------------|---|
|   | £                               | £                                   | £                                     | £  | £                                   | £   |
| Chief Executive                                 | 105,506                         | 0                                   | 756                                   | 106,262  | 19,835                              | 126,097   |
| Deputy Chief Executive                          | 84,008                          | 0                                   | 1,271                                 | 85,279   | 15,794                              | 101,073   |
| Business Lead                                   | 66,181                          | 0                                   | 7                                     | 66,188   | 12,442                              | 78,630  |
| Business Lead                                   | 66,216                          | 0                                   | 6                                     | 66,222   | 12,448                              | 78,670  |
| Chief Finance Officer & Section 151 Officer (1) | 38,068                          | 0                                   | 0                                     | 38,068   | 7,157                               | 45,225  |

(1) Chief Finance Officer & Section 151 Officer is a part time post. Salary is pro rata.

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

| (a)<br>Exit package<br>cost band<br>(including<br>special<br>payments)                             | (b)<br>Number of<br>compulsory<br>redundancies |          | (c)<br>Number of other<br>departures agreed |          | (d)<br>Total number of exit<br>packages by cost<br>band<br>[(b) + (c)] |          | (e)<br>Total cost of exit<br>packages in each<br>band |            |
|--|--|----------|---|----------|--|----------|---|------------|
|  | 2014/15  | 2015/16  | 2014/15                                     | 2015/16  | 2014/15  | 2015/16  | 2014/15   | 2015/16    |
|  |  |          |   |          |  |          | £'000   | £'000      |
| £0 - £20,000   | 0  | 0        | 5   | 4        | 5  | 4        | 48  | 36         |
| £20,001 –<br>£40,000   | 0  | 0        | 2   | 1        | 2  | 1        | 53  | 40         |
| £40,001 -<br>£60,000   | 0  | 0        | 0   | 1        | 0  | 1        | 0   | 45         |
| £60,001 -<br>£80,000   | 0  | 0        | 1   | 0        | 1  | 0        | 61  | 0          |
| £80,001 -<br>£100,000  | 0  | 0        | 0   | 0        | 0  | 0        | 0   | 0          |
| £100,001 -<br>£150,000   | 0  | 0        | 0   | 0        | 0  | 0        | 0   | 0          |
| <b>Total cost<br/>Included in<br/>bandings</b>   | <b>0</b>                                       | <b>0</b> | <b>8</b>                                    | <b>6</b> | <b>8</b>   | <b>6</b> | <b>162</b>  | <b>121</b> |
| Add: Amounts provided for in Comprehensive Income & Expenditure Statement not included in bandings |  |          |   |          |  |          | 0   | 0          |
| <b>Total cost included in Comprehensive Income &amp; Expenditure Statement</b>                     |  |          |   |          |  |          | <b>162</b>  | <b>121</b> |

#### Termination Benefits:

The Authority terminated the contracts of a number of employees in 2015/16, incurring liabilities of £97k (£149k in 2014/15). Five of the liabilities were payable in the form of compensation for loss of office with no enhancement of pension benefits and one received the enhancement of pension benefits. They were all part of the Authority's rationalisation of its service costs and were charged to the Authority's Comprehensive Income and Expenditure Statement. These figures are included in the table above re. exit packages including those who retired early and the relevant pension strain payments. The comprehensive Income and Expenditure Statement has also been charged with those costs highlighted in note 38 relating to the pension scheme.

### 32. External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts:

|   | <b>Restated</b> |                |
|---|-----------------|----------------|
|   | <b>2014/15</b>  | <b>2015/16</b> |
|   | <b>£'000</b>    | <b>£'000</b>   |
| Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year | 64              | 48             |
| Fees payable in respect of certification of grant claims provided by Grant Thornton during the year                     | 10              | 6              |
| <b>Total</b>  | <b>74</b>       | <b>54</b>      |

### 33. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/16:

|   | <b>2014/15</b> | <b>2015/16</b>  |
|---|----------------|-----------------|
|   | <b>£'000</b>   | <b>£'000</b>    |
| <b>Credited to Taxation and Non Specific Grant Income</b> |                |                 |
| Revenue Support Grant                                     | (3,469)        | (2,477)         |
| Council tax support trans/new burdens                     | (81)           | (24)            |
| Small business rate relief grant                          | (687)          | (759)           |
| Community Infrastructure Levy                             | 0              | (1,576)         |
| Transparency code grant                                   | (6)            | (8)             |
| Environment agency  | (149)          | (8)             |
| Returned New Homes Bonus top slice                        | (10)           | (10)            |
| Homes & Communities Agency                                | (1,341)        | 0               |
| Sparsity/rural service delivery grant                     | (1)            | 0               |
| Infrastructure capacity funding grant                     | (267)          | (359)           |
| Council Tax Freeze Grant                                  | (76)           | (78)            |
| Sport England   | (50)           | 0               |
| Coastal communities fund                                  | (632)          | (1,118)         |
| Dartmoor National Park                                    | (58)           | 0               |
| New Homes Bonus   | (2,080)        | (3,111)         |
| Retail Relief business rates grant                        | (181)          | (232)           |
| Contributions from Devon County Council                   | (188)          | (489)           |
| Marine Management Organisation                            | 0              | (444)           |
| Arts Council  | 0              | (358)           |
| Electoral registration grants                             | (63)           | 0               |
| Other non domestic rates grants                           | (158)          | (197)           |
| Other contributions                                       | (424)          | (331)           |
| <b>Total</b>  | <b>(9,921)</b> | <b>(11,579)</b> |

|   | 2014/15<br>£'000 | 2015/16<br>£'000 |
|---|------------------|------------------|
| <b>Credited to Services</b>                             |                  |                  |
| REFCUS grants:  |                  |                  |
| Renovation/Disabled Facilities grants                   | (553)            | (703)            |
| Shoreline/Coastal Monitoring                            | (935)            | (1,379)          |
| Play/recreation   | (213)            | (275)            |
| Other   | (38)             | (13)             |
| Rent Allowance subsidy                                  | (35,860)         | (34,877)         |
| Housing Benefit administration subsidy                  | (581)            | (501)            |
| Rent rebate subsidy                                     | (219)            | (338)            |
| Right to build - Vanguard                               | (100)            | 0                |
| Homelessness grants                                     | (33)             | (21)             |
| Safer Devon/crime/community<br>regeneration grants etc. | (16)             | (25)             |
| Elector Fund  | (104)            | (102)            |
| Repair and renew grant - flooding                       | (163)            | (10)             |
| RPA/Habitat Regulations/open space                      | (130)            | (155)            |
| Housing enabling/options/welfare                        | (251)            | (165)            |
| Bellwin   | (140)            | 0                |
| Other grants/contributions                              | (774)            | (824)            |
| <b>Total</b>  | <b>(40,110)</b>  | <b>(39,388)</b>  |

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

### Current liabilities

|   | 31 March 2015<br>£'000 | 31 March 2016<br>£'000 |
|---|------------------------|------------------------|
| <b>Grants Receipts in Advance (Revenue Grants)</b>            |                        |                        |
| Miscellaneous crime/disorder/community<br>regeneration grants | (66)                   | (41)                   |
| Walk this Way/sports grants                                   | (70)                   | (74)                   |
| Estuary contributions   | (34)                   | (31)                   |
| Watercourse improvement contributions                         | (35)                   | (35)                   |
| Air quality   | (2)                    | (2)                    |
| Housing options   | (14)                   | 0                      |

|   |              |              |
|---|--------------|--------------|
| Community facilities/open space contributions | (212)        | (75)         |
| Targeted families programme                   | (35)         | (10)         |
| Recycling                                     | (22)         | (16)         |
| Miscellaneous                                 | (36)         | (21)         |
| <b>Total</b>                                  | <b>(526)</b> | <b>(305)</b> |

| <b>Grants Receipts in Advance (Capital Grants)</b>                    | <b>31 March<br/>2015<br/>£'000</b> | <b>31 March<br/>2016<br/>£'000</b> |
|---|------------------------------------|------------------------------------|
| Environment Agency/Natural England – Flood Prevention and Alleviation | (821)                              | (314)                              |
| DEFRA – Air Quality   | (50)                               | (50)                               |
| Public Open Spaces and recreation                                     | (12)                               | (9)                                |
| Dept for Energy/DCC – Central Heating Fund                            | 0                                  | (1,086)                            |
| Pioneer Places  | 0                                  | (98)                               |
| Coastal communities fund  | (971)                              | 0                                  |
| Other   | (28)                               | (13)                               |
| <b>Total</b>  | <b>(1,882)</b>                     | <b>(1,570)</b>                     |

### Long term liabilities

| <b>Grants Receipts in Advance (Revenue Grants)</b>                      | <b>31 March<br/>2015<br/>£'000</b> | <b>31 March<br/>2016<br/>£'000</b> |
|---|------------------------------------|------------------------------------|
| Dawlish Town Centre – community facilities                              | (142)                              | (91)                               |
| Parks, play & recreation facilities contribution                        | (1,972)                            | (2,409)                            |
| Carswells – open space contribution                                     | (59)                               | (51)                               |
| Newton Abbot /Kingsteignton/Dawlish etc – air quality                   | (195)                              | (221)                              |
| Drainage - Kingsteignton  | 0                                  | (144)                              |
| Miscellaneous open space, community facilities & wildlife contributions | (1,650)                            | (2,310)                            |
| Sundry drainage & flood defence contributions                           | (10)                               | (10)                               |
| Dawlish - drainage  | (88)                               | (183)                              |
| Health contributions  | 0                                  | (47)                               |
| Chudleigh – open space, indoor sports & play provision                  | (97)                               | (97)                               |
| Teignmouth town centre – pedestrianisation & public art                 | (82)                               | (57)                               |
| Other miscellaneous grants/contributions                                | (15)                               | (25)                               |
| Affordable housing  | (283)                              | (133)                              |
| <b>Total</b>  | <b>(4,593)</b>                     | <b>(5,778)</b>                     |

| <b>Grants Receipts in Advance (Capital Grants)</b> | <b>31 March<br/>2015<br/>£'000</b> | <b>31 March<br/>2016<br/>£'000</b> |
|--|------------------------------------|------------------------------------|
| Open Space and Recreation                          | (68)                               | (78)                               |
| <b>Total</b>                                       | <b>(68)</b>                        | <b>(78)</b>                        |



### 34. Related Parties

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

#### Central Government

Central government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 27 on reporting for resources allocation decisions. Grant receipts credited to the Comprehensive Income and Expenditure Statement and those outstanding at 31 March 2016 are shown in Note 33.

#### Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of Members' allowances paid in 2015/16 is shown in Note 30.

Grants and payments for services rendered totalling £113,030 were paid to the Citizens Advice Bureau (CAB) in 2015/16. Councillors of Teignbridge District Council are invited to oversee the business plan of the organisation but they are not involved in controlling the decision making of the CAB or issues which involve the interests of the District Council.

Details of all items are recorded in the Register of Members Interest, open to public inspection at the Council offices during opening hours.

#### Other

The Authority was nominated as trustee of the Victoria Park trust. The trust operates an area of land and property for recreational purposes as part of the Authority's overall activities. The Authority has relinquished its trusteeship in April 2015. Further details are in Note 42 relating to trust funds.

### 35. Capital Expenditure and Capital Financing

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

|                                       | 2014/15 | 2015/16 |
|---------------------------------------|---------|---------|
|                                       | £'000   | £'000   |
| Opening Capital Financing Requirement | 1,727   | 1,727   |
| Capital investment :                  |         |         |
| Property, Plant and Equipment*        | 6,262   | 21,489  |
| Strata ICT Capital Investment         | 469     | 351     |

|   |         |         |
|---|---------|---------|
| Intangible Assets                                     | 12      | 0       |
| Revenue Expenditure Funded from Capital under Statute | 2,271   | 3,910   |
| Long term debtors relating to capital transactions    | 0       | 0       |
| Expenditure re. future capital receipts/other         | 0       | 0       |
| Sources of finance :                                  |         |         |
| Capital receipts                                      | (2,470) | (5,558) |
| Government grants and other contributions             | (4,314) | (4,921) |
| Sums set aside from revenue:                          |         |         |
| Direct revenue contributions                          | (2,230) | (2,221) |
| Financing of loan                                     | 0       | 0       |
| MRP   | 0       | 0       |
| Closing Capital Financing Requirement                 | 1,727   | 14,777  |

*Explanation of movements in year*

|  |   |        |
|--|---|--------|
| Increase in underlying need to borrow (supported by government financial assistance)                 | 0 | 0      |
| Increase (decrease) in underlying need to borrowing (unsupported by government financial assistance) | 0 | 13,050 |
| Assets acquired under finance leases   | 0 | 0      |
| <b>Increase/(decrease) in Capital Financing Requirement</b>  | 0 | 13,050 |

\*Includes the purchase of Market Walk shopping centre for £13.7 million in 2015/16.

### 36. Leases

#### Authority as Lessee

##### *Finance Leases*

The Council had the use of one leisure centre under a finance lease in 2015/16.

The assets acquired under the lease are carried as Property, Plant and Equipment (Land & Buildings – other) in the Balance Sheet at the following net amounts:

| <b>31 March<br/>2015<br/>£'000</b> | <b>31 March<br/>2016<br/>£'000</b> |
|------------------------------------|------------------------------------|
| 6,412 Other Land and Buildings     | 6,279                              |
| <hr/> 6,412                        | <hr/> 6,279                        |

The Authority is not committed to making any lease payments under this lease and is only responsible for the day to day running costs.

There has been no subletting of any part of the premises held under this finance lease.

### *Operating Leases*

Vehicles, Plant & Equipment – the Authority leases refuse vehicles, sweepers, other vehicles, photocopiers and miscellaneous equipment under terms of an operating lease.

Land & buildings – the Authority leases properties from private sector landlords as part of its housing function on short leases together with other miscellaneous land and property which have been accounted for as operating leases.

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

| <b>31 March<br/>2015<br/>£'000</b>                    | <b>31 March<br/>2016<br/>£'000</b> |
|---|------------------------------------|
| 306 Not later than one year*                          | 1,354                              |
| 41 Later than one year and not later than five years* | 5,177                              |
| 7 Later than five years*                              | 1,261                              |
| <hr/> 354   | <hr/> 7,792                        |

\*The increase at 31 March 2016 relates to new vehicle leasing arrangements.

The expenditure charged to the Cultural, Environmental, Regulatory and Planning Services/Highways and Transport Services/Other Housing Services lines in the Comprehensive Income and Expenditure Statement during the year in relation to all operating leases was:

| <b>2014/15<br/>£'000</b>         | <b>2015/16<br/>£'000</b> |
|----------------------------------|--------------------------|
| 831 Minimum lease payments       | 1,269                    |
| 2 Contingent rents               | 2                        |
| 0 (Sublease payments receivable) | 0                        |
| <hr/> 833                        | <hr/> 1,271              |

### Authority as Lessor

#### *Finance Leases*

The Authority has leased out three properties in Teignmouth (museum, golf clubhouse, yacht club) on finance leases with remaining terms of between 75 and 92 years. These leases generate no / peppercorn rental streams on an annual basis and no residual value is anticipated for the buildings when the leases come to an end.

The Authority has an additional property in Newton Abbot rented out as a football headquarters. The Authority has a gross investment in this lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Authority in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

| <b>31 March<br/>2015<br/>£'000</b> |   | <b>31 March<br/>2016<br/>£'000</b> |
|------------------------------------|---|------------------------------------|
|                                    | Finance lease debtor (net present value of minimum lease payments): |                                    |
| 0                                  | • Current   | 0                                  |
| 18                                 | • non current   | 18                                 |
| 71                                 | Unearned finance income   | 70                                 |
| 0                                  | Unguaranteed residual value of property                             | 0                                  |
| <hr/> 89                           | Gross investment in the lease                                       | <hr/> 88                           |

The gross investment in the lease and the minimum lease payments will be received over the following periods:

|   | <b>Gross Investment in the Lease</b> |                                    | <b>Minimum Lease Payments</b>      |                                    |
|---|--------------------------------------|------------------------------------|------------------------------------|------------------------------------|
|   | <b>31 March<br/>2015<br/>£'000</b>   | <b>31 March<br/>2016<br/>£'000</b> | <b>31 March<br/>2015<br/>£'000</b> | <b>31 March<br/>2016<br/>£'000</b> |
| Not later than one year                           | 1                                    | 1                                  | 0                                  | 0                                  |
| Later than one year and not later than five years | 5                                    | 5                                  | 0                                  | 0                                  |
| Later than five years                             | 83                                   | 82                                 | 18                                 | 18                                 |
|   | <hr/> 89                             | <hr/> 88                           | <hr/> 18                           | <hr/> 18                           |

No provision has been made for lease payments not being made, the Authority has therefore not set aside an allowance for uncollectible amounts at 31 March 2016 (£0 at 31 March 2015).

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2015/16 £3k contingent rents were receivable by the Authority (2014/15 £1k).

### *Operating Leases*

The Authority leases out property and equipment under operating leases for various activities including the following purposes:

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

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

| <b>31 March<br/>2015<br/>£'000</b>                      | <b>31 March<br/>2016<br/>£'000</b> |
|---|------------------------------------|
| 506 Not later than one year                             | 1,766                              |
| 1,039 Later than one year and not later than five years | 2,796                              |
| 3,789 Later than five years                             | 5,095                              |
| <hr/> 5,334   | <hr/> 9,657                        |

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. In 2015/16 £13k contingent rents were receivable by the Authority (2014/15 £13k).

The increase in future minimum lease payments at 31 March 2016 mainly relates to the acquisition of the Market Walk shopping centre.

### **37. Impairment Losses**

Impairment losses and impairment reversals charged to the 'Surplus/Deficit on the Provision of Services' and to 'Other Comprehensive Income and Expenditure' are disclosed in Note 12 reconciling the movement over the year in Property, Plant and Equipment.

For 2014/15 and 2015/16 there have been no impairment losses.

### **38. Defined Benefit Pension Scheme**

Participation in Pension Scheme:

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

The Authority participates in the Local Government Pension Scheme administered by Devon County Council – this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

The principal risks to the Authority of the scheme are the longevity assumptions, statutory changes to the scheme (i.e. large-scale withdrawal from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the general fund the amounts required by statute as described in the accounting policies note.

In accordance with International Accounting Standard No. 19 – Employee Benefits (IAS 19) the Authority is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees. The information supplied is from a report by Barnett Waddingham.

#### Transactions Relating to Post-employment Benefits:

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

#### Pensions Assets and Liabilities and charges to the Comprehensive Income & Expenditure Statement (CIES):

The movement in the pension scheme asset and liabilities is detailed below together with their treatment in the CIES.

|  | Scheme<br>Assets<br>£'000 | Pensions<br>Obligations<br>£'000 | Net Pensions<br>Liability<br>£'000 | Notes on Accounting Treatment   |
|--|---------------------------|----------------------------------|------------------------------------|---|
| <b>2015/16:</b>                                      |                           |                                  |                                    |   |
| <b>Opening balance at 1 April 2015</b>               | <b>74,974</b>             | <b>(154,184)</b>                 | <b>(79,210)</b>                    |   |
| Current service cost                                 |                           | (3,577)                          | (3,577)                            | Absorbed into the total cost of services in the CIES  |
| Past service cost and gains/losses on settlements    |                           | (33)                             | (33)                               | Charged to Non Distributed Cost in the CIES   |
| Interest income and expenses                         | 2,476                     | (5,026)                          | (2,550)                            | Charged as a net item to Financing and Investment Income and Expenditure in the CIES                                      |
| Administration expenses                              | (30)                      |                                  | (30)                               | Charged to Other Operating Expenditure  |
| Remeasurements:                                      | (1,899)                   |                                  | (1,899)                            | Credited as Remeasurements of the Net Defined Benefit Liability to Other Comprehensive Income and Expenditure in the CIES |
| • Return on plan assets                              |                           |                                  |                                    |   |
| • Actuarial gains and losses arising from changes in |                           | 0                                | 0                                  | Debited as Remeasurements of the Net Defined Benefit Liability to Other Comprehensive Income                              |

|  |                        |                               |                                 |  |
|--|------------------------|-------------------------------|---------------------------------|--|
| demographic assumptions  |                        |                               |                                 | and Expenditure in the CIES  |
| • Actuarial gains and losses arising from changes in financial assumptions |                        | 10,954                        | 10,954                          | Credited as Remeasurements of the Net Defined Benefit Liability to Other Comprehensive Income and Expenditure in the CIES  |
| • Other actuarial gains and losses   |                        | 147                           | 147                             | Credited as Remeasurements of the Net Defined Liability to Other Comprehensive Income and Expenditure in the CIES  |
| Contributions:   |                        |                               |                                 | Transactions in the Cash Flow Statement. Debited to the General Fund Balance in the Movement in Reserves Statement (MIRS) as part of the adjustments between Accounting and Funding basis. |
| • Council employer's contributions   | 4,004                  |                               | 4,004                           |  |
| • Employee contributions   | 648                    |                               | 648                             | Absorbed into the total cost of services in the CIES – netted off Current Service Cost   |
| Retirement grants and pensions   | (4,744)                | 4,744                         | 0                               | Transactions in the Cash Flow Statement. Debited to the General Fund Balance in the MIRS as part of the Adjustments between Accounting and Funding basis                                   |
| <b>Closing Balance at 31 March 2016</b>                                    | <b>75,429</b>          | <b>(146,975)</b>              | <b>(71,546)</b>                 |  |
|  | Scheme Assets<br>£'000 | Pensions Obligations<br>£'000 | Net Pensions Liability<br>£'000 | Notes on Accounting Treatment  |
| <b>2014/15:</b>  |                        |                               |                                 |  |
| <b>Opening balance at 1 April 2014</b>                                     | <b>69,054</b>          | <b>(132,671)</b>              | <b>(63,617)</b>                 |  |
| Current service cost   |                        | (2,894)                       | (2,894)                         | Absorbed into the total cost of services in the CIES   |
| Past service cost  |                        | (19)                          | (19)                            | Charged to Non Distributed Cost in the CIES  |
| Net Settlement on transfer of staff to Strata Service Solutions Ltd*       | (345)                  | 242                           | (103)                           | Debited/credited to Non Distributed Cost in the CIES   |
| Interest income and expenses   | 3,008                  | (5,745)                       | (2,737)                         | Charged as a net item to Financing and Investment Income and Expenditure in the CIES   |
| Administration expenses  | (39)                   |                               | (39)                            | Charged to Other Operating Expenditure   |
| Remeasurements:  | 4,288                  |                               | 4,288                           | Credited as Remeasurements of the Net Defined Benefit Liability to Other Comprehensive Income and Expenditure in the CIES  |
| • Return on plan assets  |                        |                               |                                 |  |

|  |               |                  |                 |  |
|--|---------------|------------------|-----------------|--|
| • Actuarial gains and losses arising from changes in demographic assumptions |               | 0                | 0               | Debited as Remeasurements of the Net Defined Benefit Liability to Other Comprehensive Income and Expenditure in the CIES   |
| • Actuarial gains and losses arising from changes in financial assumptions   |               | (17,552)         | (17,552)        | Credited as Remeasurements of the Net Defined Benefit Liability to Other Comprehensive Income and Expenditure in the CIES  |
| • Other actuarial gains and losses   |               | (134)            | (134)           | Credited as Remeasurements of the Net Defined Liability to Other Comprehensive Income and Expenditure in the CIES  |
| Contributions:   | 2,986         |                  | 2,986           | Transactions in the Cash Flow Statement. Debited to the General Fund Balance in the Movement in Reserves Statement (MIRS) as part of the adjustments between Accounting and Funding basis. |
| • Council employer's contributions   |               |                  |                 |  |
| • Employee contributions   | 611           |                  | 611             | Absorbed into the total cost of services in the CIES – netted off Current Service Cost   |
| Retirement grants and pensions   | (4,589)       | 4,589            | 0               | Transactions in the Cash Flow Statement. Debited to the General Fund Balance in the MIRS as part of the Adjustments between Accounting and Funding basis                                   |
| <b>Closing Balance at 31 March 2015</b>                                      | <b>74,974</b> | <b>(154,184)</b> | <b>(79,210)</b> |  |

## Settlements\*

The net settlement figure above represent staff which moved across to Strata Service Solutions Ltd on 1 November 2014 – a separate company wholly owned by Teignbridge District Council, Exeter City Council and East Devon District Council. See note 45 for further information.

## Expected Return on Assets

For accounting years beginning on or after 1 January 2013, the expected return and the interest cost is replaced with a single net interest cost, which will effectively set the expected return equal to the IAS19 discount rate.

The liabilities show the underlying commitments that the authority has in the long run to pay post employment (retirement) benefits. The total liability of £71.5 million has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a reduced net assets position of £7.4 million at 31 March 2016. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy. The deficit will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.



## Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method - an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. This has been assessed by Barnett Waddingham an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 1 April 2013.

The expected return and the interest cost has been replaced with a single net interest cost which effectively sets the expected return equal to the discount rate. The principal assumptions used by the actuary have been:

Mortality assumptions:

|  | <b>31<br/>March<br/>2015</b> | <b>31<br/>March<br/>2016</b> |
|--|------------------------------|------------------------------|
| Longevity at 65 for current pensioners:                                  |                              |                              |
| Men  | 22.8                         | 22.9                         |
| Women  | 26.1                         | 26.2                         |
| Longevity at 65 for future pensioners:<br>(assumed retiring in 20 years) |                              |                              |
| Men  | 25.1                         | 25.2                         |
| Women  | 28.4                         | 28.6                         |
| Take-up of option to convert annual pension into<br>retirement lump sum  | 50%                          | 50%                          |

It is also assumed members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age. 10% of active members will take up the option under the new scheme rules to pay 50% of contributions for 50% of the benefits.

|                                      | <b>31 March 2015</b> |             | <b>31 March 2016</b> |             |
|--------------------------------------|----------------------|-------------|----------------------|-------------|
|                                      | <b>% p.a.</b>        | <b>Real</b> | <b>% p.a.</b>        | <b>Real</b> |
| RPI (retail price index) increases   | 3.2%                 | -           | 3.2%                 | -           |
| CPI (consumer price index) increases | 2.4%                 | (0.8%)      | 2.3%                 | 0.9%        |
| Salary increases                     | 4.2%                 | 1.0%        | 4.1%                 | 0.9%        |
| Pension increases                    | 2.4%                 | (0.8%)      | 2.3%                 | (0.9%)      |
| Discount rate for scheme liabilities | 3.3%                 | 0.1%        | 3.6%                 | 0.4%        |

## Demographic / Statistical assumptions

These assumptions by the actuary are set with reference to market conditions at 31 March 2016. The estimate of the duration of the Authority's liabilities is 18 years. The discount rate is the annualised yield at the 18 year point on the Merrill Lynch AA rated corporate bond yield curve which has been chosen to meet the requirements of IAS19 and with consideration of the duration of the Authority's liabilities. This approach is consistent with the approach used at the previous accounting date. The RPI increase assumption is set based on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England, specifically the 18 year point on the Bank of England market implied inflation curve. The RPI assumption is therefore 3.2%. This is consistent with the approach used

at the last accounting date. As future pension increases are to be based on CPI rather than RPI, there is a further assumption about CPI which is that it will be 0.9% below RPI i.e. 2.3%. This is a slightly higher differential than last year. It is considered that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods and recent independent forecasts.

Salary increases are then assumed to be 1.8% above CPI in addition to a promotional scale.

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

|  | Impact on the Defined Benefit Obligation in the Scheme |                                 |
|--|--|---------------------------------|
|  | Increase in Assumption<br>£'000                        | Decrease in Assumption<br>£'000 |
| Longevity (increase or decrease in 1 year) (increase is a shorter lifespan)          | (4,580)  | 4,438                           |
| Rate of increase in salaries (increase or decrease by 0.1%)                          | (321)  | 320                             |
| Rate of increase in pensions (increase or decrease by 0.1%) and deferred revaluation | (2,377)  | 2,334                           |
| Rate for discounting scheme liabilities (increase or decrease by 0.1%)               | 2,617  | (2,667)                         |

The figures in brackets assume an increase in the obligation.

### **Impact on the Authority's Cash Flows**

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the period to 2043. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016.

The authority is anticipated to pay £2,549k expected contributions to the scheme in 2016/17.

The scheme assets consist of the following categories, by proportion of the total assets held:

|                         | 31 March 2015 |             | 31 March 2016 |             |
|-------------------------|---------------|-------------|---------------|-------------|
|                         | £'000         | %           | £'000         | %           |
| Equities**              | 44,344        | 59%         | 42,625        | 57%         |
| Gilts                   | 4,769         | 6%          | 2,470         | 3%          |
| Other Bonds             | 2,607         | 3%          | 2,177         | 3%          |
| Property                | 7,494         | 10%         | 8,343         | 11%         |
| Cash                    | 1,293         | 2%          | 1,405         | 2%          |
| Target Return Portfolio | 11,056        | 15%         | 10,929        | 14%         |
| Infrastructure          | 2,078         | 3%          | 3,137         | 4%          |
| Other                   | 1,333         | 2%          | 4,343         | 6%          |
| <b>Total</b>            | <b>74,974</b> | <b>100%</b> | <b>75,429</b> | <b>100%</b> |

\*\*At 31 March 2016 equities include £24.488m of overseas equities.

Of the total fund asset at 31 March 2016, the following table identifies the split of those assets with a quoted market price and those that do not:

|   |                            | 31 March 2016 |              |
|---|----------------------------|---------------|--------------|
|   |                            | % Quoted      | % Unquoted   |
| <b>Fixed interest government securities</b> | UK                         | 0.1%          | -            |
|   | Overseas                   | 3.2%          | -            |
| <b>Corporate bonds</b>                      | UK                         | 0.2%          |              |
|   | Overseas                   | 2.7%          |              |
| <b>Equities</b>                             | UK                         | 22.5%         | 1.6%         |
|   | Overseas                   | 28.4%         | 4.0%         |
| <b>Property</b>                             | All                        | -             | 11.1%        |
| <b>Others</b>                               | Absolute return portfolio  | 14.4%         | -            |
|   | Infrastructure             | -             | 4.2%         |
|   | Multi sector credit fund   | 5.8%          | -            |
|   | Cash/Temporary investments | -             | 1.7%         |
| <b>Net current assets</b>                   | Debtors                    | -             | 0.1%         |
|   | Creditors                  | -             | (0.0)%       |
| <b>Total</b>                                |                            | <b>77.3%</b>  | <b>22.7%</b> |

### 39. Contingent Liabilities

The transfer of the Authority's housing stock on 4 February 2004 resulted in a gross capital receipt of £13.1m. Warranties for 25 years were given to Teign Housing on staffing, environmental and other issues (for example in relation to the existence of contaminated land, subsidence etc.). The purpose of these warranties is to safeguard the housing company if any of the main assumptions on which the transfer price was calculated turn out to be different in reality. The environmental liabilities are covered by an insurance policy but any other liabilities that do arise will be funded from the Authority's general reserves. Owing to the uncertainties surrounding any potential claim, it is not practicable to make an estimate of the total value of liabilities (if any).

#### **40. Nature and Extent of Risks Arising from Financial Instruments**

The Authority'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 authority
- liquidity risk – the possibility that the authority might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss might arise for the authority as a result of changes in such measures as interest rates and stock market movements.

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Authority in the annual treasury management strategy statement. There are treasury management practices that have been adopted in accordance with the policy statement to ensure risk is managed and covers areas, such as interest rate risk, credit risk, and the investment of surplus cash.

##### **a) Credit risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. Deposits are not made with banks and financial institutions unless they are rated independently. We invest in the top banks and building societies. We require the institutions lowest credit rating to be, at a minimum, in the middle adequate range according to the Audit Commission's report 'Risk and Return'. The Authority has a policy of not lending more than £3 million of its surplus balances to one institution with the exception of the Debt Management Office which is unlimited.

Customers are assessed, taking into account their financial position, past experience and other factors.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies (of up to £3 million each) cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at 31 March 2016 that this was likely to crystallise.

The following analysis summarises the Authority's potential maximum exposure to credit risk on its financial assets based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

|   | Amount<br>at 31<br>March<br>2016 | Historical<br>experience<br>of default | Historical<br>experience<br>adjusted for<br>market<br>conditions at<br>31 March<br>2016 | Estimated<br>maximum<br>exposure to<br>default and<br>uncollectability<br>at 31 March<br>2016 | Estimated<br>maximum<br>exposure<br>at 31<br>March<br>2015 |
|---|----------------------------------|--|---|---|--|
|   | £'000<br>A                       | %<br>B                                 | %<br>C  | £'000<br>(A X C)  | £'000  |
| Deposits<br>with banks<br>and financial<br>institutions | 1,000                            | 0.0                                    | 0.0   | 0   | 0  |
| Customers   | 5,129                            | 4.02                                   | 4.02  | 206   | 136  |
|   |                                  |  |   | <hr/> 206   | <hr/> 136  |

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

The Authority does not generally allow credit for customers, such that £1.345 million of the £5.129 million balance is past its due date for payment. The past due amount can be analysed by age as follows:

|                        | 31 March<br>2015<br>£'000 | 31 March<br>2016<br>£'000 |
|------------------------|---------------------------|---------------------------|
| Less than three months | 496                       | 402                       |
| Three to six months    | 104                       | 140                       |
| Six months to one year | 563                       | 342                       |
| More than one year     | 124                       | 461                       |
|                        | <hr/> 1,287               | <hr/> 1,345               |

## b) Liquidity risk

The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the authority has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Authority will be bound to borrow at a time of unfavourable interest rates. There are no risks at present as we have no long term borrowing but any future plans will incorporate a sensible maturity structure for such loans.

The maturity analysis of financial liabilities is as follows:

|                            | <b>31 March<br/>2015<br/>£'000</b> | <b>31 March<br/>2016<br/>£'000</b> |
|----------------------------|------------------------------------|------------------------------------|
| Less than one year         | (3,090)                            | (3,192)                            |
| Between one and two years  | 0                                  | 0                                  |
| Between two and five years | 0                                  | 0                                  |
| More than five years       | 0                                  | 0                                  |
|                            | <hr/> (3,090) <hr/>                | <hr/> (3,192) <hr/>                |

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

### c) **Market risk**

#### i) **Interest rate risk**

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

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise (at present we have no borrowings at variable rates)
- borrowings at fixed rates – the fair value of the liabilities/ borrowings will fall
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise (at present we have no investments at variable rates)
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Authority has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 20% (8% for 2016/17) of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans may be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the authority's cost of borrowing and provides compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be

accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2016, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

|  | <b>£'000</b> |
|--|--------------|
| Increase in interest payable on variable rate borrowings   | 0            |
| Increase in interest receivable on variable investments  | (100)        |
| Increase in government grant receivable for financing costs*   | 0            |
| <b>Impact on Surplus or Deficit on the Provision of Services</b>   | <b>(100)</b> |
| Decrease in fair value of fixed rate investment assets   | 0            |
| Impact on Other Comprehensive Income and Expenditure   | 0            |
| Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income & Expenditure) | 0            |

\*Note: It is not possible to calculate this figure.

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

## ii) Price risk

The Authority does not invest in equity shares and consequently is not exposed to losses arising from movements in the prices of shares.

## iii) Foreign exchange risk

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

## 41. Other Long Term Liabilities

These relate to the pension liability, the long term element of the Collection Fund balance for council tax and income received in advance relating to two operating leases.

The breakdown is as follows:-

| <b>31 March<br/>2015<br/>£'000</b> |                                       | <b>31 March<br/>2016<br/>£'000</b> |
|------------------------------------|---------------------------------------|------------------------------------|
| (254)                              | Operating leases - income in advance  | (251)                              |
| (1,941)                            | Collection Fund balance – council tax | (1,472)                            |
| (79,210)                           | Pension Liability                     | (71,546)                           |
| <b>(81,405)</b>                    |                                       | <b>(73,269)</b>                    |

## 42. Trust Funds

The Authority acts as sole trustee for the Victoria Park Trust. The trust operates an area of land and property for recreational purposes as part of the Authority's overall activities. The funds do not represent the assets of the Authority and therefore they have not been included in the Balance Sheet. The Authority has relinquished its trusteeship in April 2015 and appointed the Friends of Buckfastleigh Swimming Pool Trust.

Fund details for 2014/15 are as follows:

|             | <b>2014/15</b><br><b>£'000</b> |
|-------------|--------------------------------|
| Income      | 12                             |
| Expenditure | 84                             |
| Assets      | 272                            |
| Liabilities | 163                            |

The transactions up to the date of transfer in April 2015 were immaterial. No assets were held at 31 March 2016.

The Authority is also sole trustee for Hamlyn Playing Fields, Buckfastleigh and King George V Playing Field, Shaldon. Income and expenditure for these is not material. The assets are not included in the balance sheet of the Authority.

## 43. Heritage Assets

There are a small number of heritage assets held by the authority, principally covering miscellaneous works of art and civic regalia. They are valued periodically for insurance purposes and the insurance value is used as the valuation for accounting purposes. The items held are all valued at less than the £10,000 capitalisation limit and are not recorded on the balance sheet – a register is held and updated by the insurance officer.

## 44. Agency Services

- (a) The Authority collect land charge search fees on behalf of Devon County Council. These fees are reimbursed to the County Council on a periodic basis. The amount collected was £45,099 for 2015/16 (£41,171 in 2014/15).
- (b) The Authority acts as agent for Devon County Council, Devon and Cornwall Police Authority and Devon & Somerset Fire & Rescue Authority in the collection of council tax and for Central Government, Devon County Council and Devon & Somerset Fire & Rescue Authority for the collection of Non Domestic Business Rates. Details can be found in the Collection Fund on pages 107 and 108.
- (c) The Authority carries out payroll services for various organisations for which it received total fee income of £2,619 in 2015/16 (£3,456 in 2014/15).

## 45. Joint Operations

Teignbridge District Council, Exeter City Council and East Devon District Council each have interests in a joint operation called Strata Service Solutions Ltd, a registered company (company number 09041662) whose registered office is Civic Centre, Paris Street, Exeter, Devon, EX1 1JN. The Company commenced trading on 1 November 2014.



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

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

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

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

#### **Adjustment to Comprehensive Income & Expenditure Statement (CIES)**

|  | <b>2014/15<br/>£'000's</b> | <b>2015/16<br/>£'000's</b> |
|--|----------------------------|----------------------------|
| Fees   | (726)                      | (1,676)                    |
| Cost of Sales  | 358                        | 798                        |
| Admin Expenses                                       | 197                        | 1,249                      |
| Transfer of pension scheme liability                 | 865                        | 0                          |
| <b>Cost of Services</b>                              | <b>694</b>                 | <b>371</b>                 |
| Gain on disposal of assets                           | (217)                      | 0                          |
| Net interest on the net defined benefit liability    | 15                         | 37                         |
| Interest receivable                                  | (1)                        | (3)                        |
| <b>(Surplus) or Deficit on Provision of Services</b> | <b>491</b>                 | <b>405</b>                 |
| Remeasurement of the net defined benefit liability   | 192                        | (302)                      |
| <b>Total CIES</b>                                    | <b>683</b>                 | <b>103</b>                 |

#### **Adjustments to Balance Sheet**

|  |            |              |
|--|------------|--------------|
| Property, plant & equipment  | 390        | (42)         |
| Intangible assets  | 545        | (7)          |
| Investment in Strata removed upon consolidation and replaced with proportional share of assets and liabilities | (817)      | (351)        |
| <b>Total Long Term Assets</b>  | <b>118</b> | <b>(400)</b> |
| Inventories  | 4          | (2)          |
| Short Term Debtors   | 148        | 151          |
| Cash & cash equivalents  | 376        | (238)        |
| <b>Total Current Assets</b>  | <b>528</b> | <b>(89)</b>  |
| Short Term Creditors   | (200)      | 194          |

Grants Receipts in Advance – Capital

**Total Current Liabilities**

Pension Scheme Liability

**Total Long Term Liabilities****Net Assets**

Financed by:

Usable reserves

Unusable reserves

**Total Reserves**

|  |                |              |
|--|----------------|--------------|
|  | (28)           | 15           |
|  | <b>(228)</b>   | <b>209</b>   |
|  | (1,101)        | 177          |
|  | <b>(1,101)</b> | <b>177</b>   |
|  | <b>(683)</b>   | <b>(103)</b> |
|  |                |              |
|  | 201            | (39)         |
|  | (884)          | (64)         |
|  | <b>(683)</b>   | <b>(103)</b> |

## SUPPLEMENTARY SINGLE ENTITY FINANCIAL STATEMENTS

### THE COLLECTION FUND

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate account. 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.

|  | 2014/15<br>Business<br>Rates | 2014/15<br>Council<br>Tax | 2015/16<br>Business<br>Rates | 2015/16<br>Council<br>Tax |
|--|------------------------------|---------------------------|------------------------------|---------------------------|
| INCOME   | £'000                        | £'000                     | £'000                        | £'000                     |
| Income from Council Tax  |                              | (72,569)                  |                              | (75,355)                  |
| Business Rates Receivable  | (31,720)                     |                           | (31,521)                     |                           |
| (Plus): Transitional Protection/Relief                                 | (141)                        | 0                         | (157)                        | (1)                       |
|  | (31,861)                     | (72,569)                  | (31,678)                     | (75,356)                  |
| EXPENDITURE  |                              |                           |                              |                           |
| Precepts, Demands & Shares:  |                              |                           |                              |                           |
| Central Government   | 15,819                       |                           | 16,176                       |                           |
| Devon County Council   | 2,847                        | 50,722                    | 2,912                        | 53,123                    |
| Devon & Cornwall Police Authority                                      |                              | 7,402                     |                              | 7,753                     |
| Devon & Somerset Fire & Rescue Authority                               | 316                          | 3,425                     | 324                          | 3,587                     |
| Teignbridge District Council (net including Towns / Parishes)          | 12,656                       | 8,977                     | 12,941                       | 9,313                     |
| Rates write offs and change in impairment allowance                    | 172                          |                           | 53                           |                           |
| Council Tax written off and change in impairment allowance             |                              | 118                       |                              | 113                       |
| Rates increase in provision for appeal                                 | 210                          |                           | 237                          |                           |
| Business Rates – costs of collection                                   | 192                          |                           | 191                          |                           |
|  | 32,212                       | 70,644                    | 32,834                       | 73,889                    |
| <b>Movements on the Collection Fund :</b>                              |                              |                           |                              |                           |
| <b>DEFICIT / (SURPLUS) FOR THE YEAR</b>                                | <b>351</b>                   | <b>(1,925)</b>            | <b>1,156</b>                 | <b>(1,467)</b>            |
| DEFICIT / (SURPLUS) BROUGHT FORWARD                                    | 529                          | (1,297)                   | 774                          | (2,222)                   |
| ACCUMULATED DEFICIT / (SURPLUS)<br>(see note 4 to the Collection Fund) | 880                          | (3,222)                   | 1,930                        | (3,689)                   |
| Allocation for following year:   |                              |                           |                              |                           |
| Central Government   | (53)                         |                           | (682)                        |                           |
| Devon County Council   | (10)                         | 719                       | (123)                        | 1,440                     |
| Devon & Cornwall Police Authority                                      |                              | 105                       |                              | 210                       |
| Devon & Somerset Fire & Rescue Authority                               | (1)                          | 49                        | (13)                         | 97                        |
| Teignbridge District Council   | (42)                         | 127                       | (545)                        | 253                       |
|  | (106)                        | 1,000                     | (1,363)                      | 2,000                     |
| <b>DEFICIT / (SURPLUS) CARRIED FORWARD</b>                             | <b>774</b>                   | <b>(2,222)</b>            | <b>567</b>                   | <b>(1,689)</b>            |

## NOTES TO THE COLLECTION FUND

### 1. The accounting arrangements for the Collection Fund are as follows:

- Under business rates retention as a billing authority we act as an agent, collecting business rates on behalf of the major preceptors and central government. Teignbridge received 40% of the estimated income as a payment of £12,941k (2014/15 £12,656k) from the rates collection fund. The authority had to pay a tariff to government of £9,361k (2014/15 £9,185k) and a levy of £571k (2014/15 £629k). However as we are part of the Devon pool some of this was returned to us as a pooling gain of £107k (2014/15 £103k).
- The surplus or deficit on collection funds at the end of the year is required to be distributed to or made good by contributions from the Authority and major preceptors/ shares in a subsequent financial year. A £2,000k surplus (2014/15 £1,000k) has been declared by Teignbridge as the council tax estimate in 2015/16. A £1,364k (2014/15 £106k) deficit was anticipated for non domestic rates for 2015/16 however an actual deficit balance has arisen of £1,930k (2014/15 £880k).

### 2. Business Rates

The total business rateable value as at 31 March 2016 was £83,512k (31 March 2015 £82,145k) with a multiplier of 49.3 pence (48.2 pence 2014/15) in the pound 48.0 pence (47.1 pence 2014/15) in the pound for properties where the rateable value is less than £18,000 (£18,000 2014/15).

### 3. Council Tax

Council Tax (CT) income derives from charges raised according to the value of residential properties which have been classified into 8 valuation bands. The income required to be taken from the collection fund is dividing by the CT Base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts) to get individual charges. The relevant amount for 2015/16 was 46,349 (2014/15 45,135) adjusted for a collection rate of 98.7% to give Teignbridge's Tax Base of 45,746 (2014/15 44,548) Band D equivalents. The average Band D charge for the Teignbridge CT, excluding Parishes, was £150.17 (2014/15 £150.17).

### 4. Collection Fund Balance

The deficit / (surplus) balance on the fund is split between the preceptors as follows:

|  | 2014/15        |             | 2015/16        |             |
|--|----------------|-------------|----------------|-------------|
|  | Business Rates | Council Tax | Business Rates | Council Tax |
|  | £'000          | £'000       | £'000          | £'000       |
| Central Government   | 440            |             | 965            |             |
| Devon County Council   | 79             | (2,319)     | 174            | (2,657)     |
| Devon & Cornwall Police Authority  |                | (338)       |                | (385)       |
| Devon & Somerset Fire and Rescue Authority   | 9              | (157)       | 19             | (178)       |
| In short term / long term debtors / long term liabilities  | 528            | (2,814)     | 1,158          | (3,220)     |
| Balance of Fund to Teignbridge District Council (in Collection Fund Adjustment Account in Unusable Reserves) | 352            | (408)       | 772            | (469)       |
|  | 880            | (3,222)     | 1,930          | (3,689)     |

## GLOSSARY OF FINANCIAL TERMS

|  |   |
|--|---|
| <b>ACCRUALS</b>  | A sum included in the account to cover income or expenditure attributable to an accounting period for goods received or works done, but for which payment has not been received/made by the end date of the period for which the accounts have been prepared.           |
| <b>ACTUARIAL GAINS &amp; LOSSES</b>                                  | 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. |
| <b>BALANCES</b>  | 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 or Rents.   |
| <b>CAPITAL EXPENDITURE</b>   | Expenditure on the acquisition of property, plant equipment or intangible assets or expenditure which adds to and not merely maintains the value of such an asset.  |
| <b>CAPITAL FINANCING COSTS</b>                                       | Annual charges related to borrowing including interest, minimum revenue provision and repayments of principal on debt outstanding.  |
| <b>CAPITAL RECEIPTS</b>  | Income received from sale of assets which is available to finance other capital expenditure or to repay debt on assets financed from loan.  |
| <b>CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)</b> | The governing body responsible for issuing the statement of recommended practice to prepare the accounts.   |
| <b>COLLECTION FUND</b>   | A separate fund which must be maintained by a district for the proper administration of Council Tax and Non Domestic Rates.   |
| <b>CURRENT SERVICE COST</b>  | Amount chargeable to Services based on the Actuary's assessment of pension liabilities arising and chargeable to the financial year.  |
| <b>CURTAILMENTS</b>  | This is the amount the Actuary estimates as the cost to the authority of events that reduce future contributions to the scheme, such as granting early retirement.  |
| <b>DEBT</b>  | Amounts borrowed to finance Capital Expenditure which are still to be repaid.   |
| <b>DEFINED BENEFIT</b>   | A pension or other retirement benefit scheme other than a   |

|   |   |
|---|---|
| <b>SCHEME</b>   | 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).  |
| <b>DEMAND</b>   | The charging authorities own Demand is, in effect, its precept on the fund.   |
| <b>FEES &amp; CHARGES</b>   | 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.   |
| <b>FIFO</b>   | A method of valuing inventory (First In First Out) where stocks issued are assumed to be issued from the oldest available stocks.   |
| <b>FINANCIAL INSTRUMENTS</b>  | 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.  |
| <b>GOVERNMENT GRANTS</b>  | Payments by Central Government towards the cost of Local Authority services, including both Revenue and Capital.  |
| <b>IMPAIRMENT ALLOWANCE</b>   | A sum provided against income due to prudently allow for non collectable accounts.  |
| <b>INTEREST COST</b>  | 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.   |
| <b>INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) &amp; THE CODE OF PRACTICE (CODE)</b> | 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. |
| <b>LOCAL AUTHORITY (SCOTLAND) ACCOUNTS ADVISORY COMMITTEE (LASAAC)</b>                      | Formed a joint committee with CIPFA to produce the Code of Practice on Local Authority Accounting in the United Kingdom (referred to as the 'Code').  |
| <b>LOCAL DEVELOPMENT FRAMEWORK (LDF)</b>  | A plan which includes documents that establish the local policy towards the use of land and the vision for involving communities in the plan making process.  |
| <b>MINIMUM REVENUE PROVISION (MRP)</b>  | A 'prudent' annual provision from revenue in respect of capital expenditure financed by borrowing or credit   |

arrangements.

**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, and
- 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.

**PUBLIC WORKS LOAN BOARD (PWLb)**

A Government Agency which provides longer term loans to Local Authorities at interest rates slightly higher than those at which the Government itself can borrow.

**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

**SHORT TERM LOAN**

Borrowing from outside the authority that may be recalled within the year.

**STRAIN ON FUND CONTRIBUTIONS**

Additional employers pension contributions as a result of an employee's early retirement

|                            |  |
|----------------------------|--|
| <b>SUNDRY CREDITORS</b>    | Amounts owed by the Council at 31 March.   |
| <b>SUNDRY DEBTORS</b>      | Amounts owed to the Council at 31 March.   |
| <b>TEMPORARY BORROWING</b> | Borrowing for revenue purposes for a period of less than one year.   |
| <b>VESTED RIGHTS</b>       | <p>In relation to a defined benefit scheme, these are:</p> <ul style="list-style-type: none"><li>a) for active members, benefits to which they would unconditionally be entitled on leaving the scheme;</li><li>b) for deferred pensioners, their preserved benefits;</li><li>c) for pensioners, pensions to which they are entitled.</li></ul> <p>Vested rights include where appropriate the related benefits for spouses or other dependants.</p> |
| <b>VIREMENT</b>            | The authorised transfer of an under spending in one budget head to another head.   |



# Part 3

## Supplementary Information



# Annual Governance Statement

**2015-2016**

## What we are responsible for

Teignbridge District Council is responsible for carrying out its business in line with the law and proper accounting standards, and for using public money economically, efficiently and effectively. We have a duty under the Local Government Act 1999 to continually review and improve the way we work to provide value for money, and efficient and effective services.

In discharging this overall responsibility, we must put in place proper arrangements for governance, or in other words, overseeing what we do. These arrangements are intended to make sure that we do the right things, in the right way, for the right people, in good time, and in a fair, open, honest and accountable way.

We have approved and adopted a local code of corporate governance which follows the principles of the CIPFA/SOLACE<sup>1</sup> Framework *"Delivering Good Governance in Local Government"*. You can get a copy of this from our website at [www.teignbridge.gov.uk](http://www.teignbridge.gov.uk)

This statement explains how Teignbridge District Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2015 in relation to the publication of an annual governance statement.

## The purpose of the governance framework

The governance framework comprises the systems, processes, culture and values which direct and control our daily business, and includes the methods we use to engage and lead the community. It enables us to monitor how we are doing and to consider whether our aims have helped us deliver appropriate services that are value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risks of failure to achieve policies, aims and objectives and can therefore only provide reasonable but not absolute protection. The system of internal control is based on an ongoing process designed to identify, prioritise and manage the risks to the achievement of the Council's aims and objectives.

The governance framework has been in place at Teignbridge District Council for the year ended 31 March 2016 and up to the date we approved the statement of accounts.

## The Governance Framework

Our governance framework consists of many systems, processes, policies, procedures and functions which are described as follows:

### Setting out our Vision, Aims and Objectives

The Council's Constitution sets out the Council's purpose; how it operates; how it will engage citizens, the rights of citizens; and the values of the Council.

Our long term vision is to make Teignbridge a healthy and desirable place where people want to live, work and visit. During 2015 we developed a new 10 year Council Strategy to show how we will do this from 2016 to 2025. The Strategy replaces our previous Council

---

<sup>1</sup> CIPFA: Chartered Institute of Public Finance Accountants  
SOLACE: Society of Local Authority Chief Executives

Plan and is based on extensive research and consultation within the Council, with residents, and with partners. It gives us a clear set of priorities and projects that focus our resources where they are most needed, for the communities we serve. The Strategy has the full support of all three political groups within the Council.

Our culture and approach to work is guided by the Teignbridge Vision and Values statement which was developed with staff and encompasses a shared common purpose in which we aim to be Communicative, Respected, Purposeful and Conscientious.

### **Monitoring Performance and Value for Money**

The Council Plan and Strategy are supported by a Performance Management Framework which includes a number of performance indicators that monitor cost, quality and productivity.

All performance indicators and projects are recorded and monitored through the Council's corporate database, SPAR.net which is structured so that performance reports can be produced by theme, service area, Portfolio Holder or Responsible Officer. Reports are regularly reviewed by the Corporate Leadership Team and Overview and Scrutiny.

Individual service areas have Business Plans which provide the detail of how their projects will be achieved; what resources (staff and finance) will be needed or used; and who is responsible for delivery. These are monitored by Portfolio Holders who have periodic meetings with Business Leads and Business Managers to assess performance.

Annual service reviews known as "BEST2020" (Business Efficiency Service Transition), ensure value for money is scrutinised. These also review customer satisfaction; financial resilience; management structure; and benchmarking data, to ensure services are operating efficiently.

### **Decision Making Arrangements**

The Council's Constitution sets out how it operates, and assigns clear roles and responsibilities for the decision making bodies and individuals within the Council. Delegated powers are also included together with a supporting protocol for the use of these powers.

The main decision-making committee is the Executive, which operates within the budget and policy framework approved annually by full Council. Each Executive member is assigned a portfolio of services requiring them to work very closely with officers in delivering the Council's goals.

An Overview and Scrutiny Committee comprising non-Executive members is appointed, whose duties include: reviewing and scrutinising decisions taken by the Executive; exercising the right to call in decisions if necessary; and appointing review groups to look at particular issues of local concern, Council policies and services. There is an annual work programme to help ensure that the Overview and Scrutiny function is effective.

We also have regulatory committees such as the Development Control, Licensing and Regulatory and Appeals committees, Standards, and Audit Scrutiny Committees.

Directed by the Chief Executive, as Head of Paid Service, the Council's Corporate Leadership Team (Chief Executive and two Business Leads) is the main officer decision making body and works alongside the elected councillors (also known as members) to deliver services. The Chief Executive ensures staff understand the aims and direction set by members; oversees all operational management; and acts as principal policy advisor to ensure strategies to deliver political objectives are achievable.

All Executive committee reports and requests for Portfolio Holder decisions are formally submitted to the Monitoring Officer (responsible for lawfulness) and Section 151 Officer (responsible for finance) for vetting. This provides assurance that decisions are being made based on legally and financially sound advice and all relevant facts.

## Community Consultation and Engagement

We encourage all members of the local community to contribute to, and participate in the work of the Council. Our Consultation and Community Engagement Strategy and Toolkit set out how we inform, consult and involve communities. We also seek to empower communities where possible, examples of this include the running of the new Pavilions community arts and enterprise centre in Teignmouth, and community roles in flood responses.

Members of the public are actively encouraged to attend Council committees and meetings. Agendas, reports and minutes of meetings are published on the Council's website, which details how people can attend and ask questions. A "Have Your Say" article also features on the home page of our website.

Members of our communities may also join our Residents' Panel – "Talking Teignbridge". This group is as representative of the Teignbridge population as possible and are the first port of call for surveys and focus groups on local services. A Customer Reading Group reviews Council communications to make sure information is easy to read and understand.

We use Social Media (Facebook and Twitter) to share information about Council business where possible and encourage two way communication.

For Planning matters, our Statement of Community Involvement sets out standards for engaging with communities in plan making and the determination of planning applications. The Council works with Town and Parish Councils helping them engage with communities on the future planning of their areas through Neighbourhood Plans.

Improvements to our website such as the new mobile-friendly site were aimed at enhancing the customer journey and link closely to our Customer Access Strategy which identifies ways to help customers help themselves through digital means wherever possible. Further website improvements are in progress with a new look to be launched later in 2016.

Key data is also published in line with the Local Government Transparency Code 2015 and 99% of Freedom of Information (FOI) requests were dealt with on time.

Internally, staff are kept regularly updated on relevant issues through the Chief Executive's Bulletin which is a monthly newsletter distributed to all employees, the Intranet, face-to-face briefings and team meetings, and members receive a weekly Newsletter.

## Financial Management

The Chief Finance Officer is the designated officer responsible for the proper administration of the Council's financial affairs as required under Section 151 of the Local Government Act 1972. This post is commonly referred to as the 'Section 151 Officer'. The post holder is an experienced and qualified CIPFA Accountant.

A review of the Council's arrangements against the CIPFA guidance on the Role of the Chief Finance Officer in Local Government concluded that the recommended criteria have been met in most areas. There is one exception to the standard in that the Chief Finance Officer is not a permanent member of the Council's Corporate Leadership Team. However, she

attends the Extended Corporate Leadership Team meetings which incorporate all Business Leads and Managers and reports regularly on financial matters to this group. She also reports directly to the Chief Executive with monthly meetings and other direct access as required. Her influence and impact on financial management is not deemed to be compromised in any way by this local arrangement.

The Chief Finance Officer is responsible for ensuring sound financial management and oversees the Financial Instructions and Contract Procedure Rules which provide the Council's financial framework. A 3 year financial plan (budget) sets out how the Council will fund the activities within the Council Plan. The systems in place ensure budgets are closely monitored and financial performance is reported to management and members regularly.

## **Risk Management**

Risks need to be identified and carefully managed to minimise adverse effects. We have a Risk Management Strategy explaining our arrangements for recording, mitigating, scoring, and reviewing risks, and we seek to ensure that risk management continues to be embedded into all aspects of Council business including decisions and projects.

Strategic and Corporate risks are reviewed at intervals determined by their unmitigated risk scores. Risk Management arrangements are monitored by the Corporate Leadership Team and members. Our Performance Management Framework provides decision-makers with simultaneous information on finance, performance and risk to fully support decision-making.

The effects of funding reductions and financial uncertainty continue to feature as our highest scoring risks.

## **Standards of Conduct and Lawfulness**

The Council's Standards Committee and Monitoring Officer promote high standards of conduct for members.

Our Officer Code of Conduct is issued and explained to officers during their induction. Both Officer and member Codes of Conduct are available on the Council's website, and reminders of the required standards are issued to staff periodically through the Chief Executive's staff bulletin.

The Members' Code is explained during member training sessions with specific emphasis on ethics and probity issues. A weekly Members' Newsletter is also used to promote advice on conduct issues.

Registers of interests are maintained for both members and officers and again, periodic reminders about the need to avoid potential conflicts of interest and protocols for the acceptance of gifts and hospitality are given.

A designated Monitoring Officer helps ensure the Council conducts its business lawfully. The Monitoring Officer has a duty to report to full Council any proposal, decision or omission that would give rise to unlawfulness or maladministration.

All Council services are led by trained and, where applicable, professionally qualified staff. They are responsible for ensuring that legislation and policy relating to service delivery and health and safety is implemented in practice.

The Council has an internal audit function which operates in line with the Public Sector Internal Audit Standards. It is responsible for monitoring the quality and effectiveness of the

Council's control framework which includes giving assurance on the extent to which activities are lawful, and internal policies and procedures are complied with. A risk based plan of audit work, and the internal audit charter and strategy, are approved annually by the Audit Scrutiny Committee.

External auditors perform an annual audit and provide an opinion on the financial statements, corporate governance, and value for money.

The Audit Scrutiny Committee monitors the adequacy of the risk management, control and governance; provides independent scrutiny of the Council's financial performance; and oversees the work of internal and external audit and the financial reporting process. It has specific terms of reference relating to audit activity and maintains an overview of the regulatory framework.

### **Complaints, Whistleblowing and Fraud**

A complaints procedure and electronic recording system exists enabling customers' complaints and comments to be recorded either on the website, over the telephone, or in person to any member of staff. A complaints review board meets quarterly to review lessons learned and ensure procedures are improved where necessary.

Details of how to complain to the Ombudsman are also publicised.

Our Anti Fraud, Theft and Corruption Strategy and Whistleblowing policy outline the Council's commitment to fighting fraud and corruption and include confidential reporting arrangements for members and staff. Full details are available on our website and at the Council Offices, enabling people to report their concerns in confidence. A freephone telephone number: "Whistleblowing Hotline – 0800 3287290" is also advertised for public use, and a confidential reporting form is available on-line for utmost anonymity.

The Council is committed to protecting itself against fraud and strengthens internal controls to guard against new or emerging threats as appropriate.

### **Developing Members and Senior Officers**

The Democratic Services Manager ensures that the development needs of members are met and relevant opportunities notified. Emerging requirements such as the introduction of new legislation are addressed with specific briefings. Members have been provided with a programme of induction training since the local elections in May 2015.

The Council takes a sustainable approach to managing staff which is supported through our Organisational Development Strategy. All staff have a Personal Development and Performance (PDP) meeting at least annually with their manager to review past performance and development, and plan future requirements of their job role along with the associated training needs.

The Council has been awarded Investors in People Gold standard status which is the national benchmark in terms of employee development, and a Wellbeing task group implements initiatives to help keep employees healthy.

### **Partnership Working and Alternative Forms of Service Delivery**

Teignbridge's ICT service is provided through a mutual trading company - Strata Service Solutions Ltd. which is owned and controlled equally by Teignbridge, East Devon and Exeter Councils. There is a three person Strata board comprised of officers from each Council and the Chief Operating Officer of the company; a joint Executive Committee comprised of the



Leaders of each Council, and a joint Overview and Scrutiny Committee to review the activities and performance of Strata. Each Council annually determines the budget provision and any changes to key controlling documents such as the Service Contract.

Further collaborative working between the three Councils takes place through the Greater Exeter, Greater Devon partnership. As a combined authority we have greater potential for joint funding bids and joined-up decision making on issues such as planning, housing resources and infrastructure, while maintaining each Council's individual identity. Mid Devon and Devon County Councils have also accepted a formal invitation to join and now sit on the Visioning Board.

Teignbridge is part of the Heart of the South West LEP (Local Enterprise Partnership) through which it has developed a devolution bid on behalf of the Devon District Councils. Devolution is about local authorities getting together and negotiating with central government to take on more duties. While this means greater responsibility, it also brings power to the local people and gives us more freedom to do things locally.

Other significant partnerships include the Building Control Partnership and the Safer Devon Partnership who are accountable to the Devon Building Control Partnership Committee and Safer Devon Partnership Board.

We also provide a range of discretionary funding and support to other bodies including the voluntary sector. Value for money from these is monitored through Service Level Agreements.

## Review of Effectiveness

Teignbridge District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by: the work of the senior managers within the authority who have responsibility for the development and maintenance of the governance environment; the Audit Manager's annual report; and by comments made by the external auditors, and other review agencies and inspectorates. Assurances taken into account in the review include:

- Comfort statements completed by the Council's management team and significant partners, for their areas of control, acknowledging accountability for risk management and internal control, and certifying their satisfaction with the arrangements in place throughout the year.
- Key officers have also been consulted for their views on the standards of governance within the Council – specifically the Section 151 Officer (responsible for the Council's financial affairs), the Monitoring Officer, the Audit Manager, and the Health and Safety Advisor.
- The Council's Monitoring Officer has a legal responsibility to look into matters of potential unlawfulness within the Council. The Monitoring Officer also reviews the operation of the Constitution, to ensure it is up to date, and reflects best practice and legal requirements. The Monitoring Officer has no concerns to report in this respect.
- The Standards Committee is available to support the Monitoring Officer on standards of conduct and probity issues. Changes to, and entries made in the register of members' interests are reviewed by the Monitoring Officer. There are no issues arising from this work.



- The Overview and Scrutiny process has provided challenge and monitored the Council's policies and performance on an ongoing basis. Portfolio Holders have also kept issues under review during meetings with managers.
- The Audit Scrutiny Committee has reviewed arrangements for managing risk concluding that adequate risk management arrangements are in place.
- Counter fraud arrangements continue to be monitored following the transfer of benefit fraud investigation to the DWP Single Fraud Investigation Service in May 2015. The Council was benchmarked by TEICAFF – The European Institute for Combating Corruption and Fraud (formerly Audit Commission). Results were positive and were presented to the Audit Scrutiny Committee in March 2016.
- The Council's external auditor provided the Council with an unqualified opinion on the Council's accounts and positive Value for Money report within their Annual Audit and Inspection letter. They have attended all Audit Scrutiny Committee meetings where their reports have been considered.
- Following inspection and review, the Council increased from core standard to Gold in its Investors in People award for staff management.
- A Peer Challenge review undertaken by the Local Government Association in March 2016 has praised the Council's governance. The peers concluded that Teignbridge has strong political and managerial leadership, there are excellent member-officer relationships, and it is well regarded by its partners. The reviewers felt that Teignbridge had a strong sense of place and a clear grasp of the main challenges facing the area. Recommendations on how to move forward with these are covered in challenges below.
- The Council has maintained compliance with the Government Code of Connection, which is a mandatory set of security standards Councils must meet in order to connect to the Government Secure Network (PSN – the Public Services Network).
- An external review by the Electoral Commission concluded that the Council met all of their performance standards.
- The Local Government Ombudsman has found the Council at fault for two complaints since April 2015.
- A review of legal proceedings and contingent liabilities revealed no issues arising from weaknesses in control or governance.
- CIPFA guidance on the role of the Chief Financial Officer in public service organisations was used to benchmark the Council's arrangements, giving assurance that standards were met in key areas.
- The system of internal audit has been reviewed internally, through self assessment and internal survey which assessed user satisfaction and value for money. The review concluded that the system of internal audit is effective and remains a key source of assurance for the Council.
- Based on the assurance work undertaken by internal audit, the Audit Manager has provided an opinion on the adequacy of the control environment which concluded that this was adequate and effective. It should, however, be noted that all risks of failure

cannot be eliminated, and the assurance given is therefore reasonable and not absolute. Isolated areas in which controls were below the required standard are reported initially to the Council's Corporate Leadership Team, who ensure prompt corrective action is taken, and ultimately to the Audit Scrutiny Committee.

- As a significant group relationship and activity, Strata Service Solutions has been provided with assurance from the Devon Audit Partnership, as the provider of its internal audit services. This stated that overall, based on the work performed during 2015/16 and experience from current year progress, there was significant assurance on the adequacy and effectiveness of its internal control framework.
- Internal Audit assessed corporate governance arrangements Council-wide by measuring the Council against the requirements of the governance framework outlined in the CIPFA / SOLACE publication "Delivering Good Governance in Local Government 2012", and the results of this have been reported to the Audit Scrutiny Committee. A review of the local code against the new 2016 good governance framework is planned.

## Conclusion

We have been advised on the implications of the results in the review of the effectiveness of the governance framework by the Audit Scrutiny Committee and have noted their findings. Our governance arrangements continue to be regarded as fit for purpose in accordance with the governance framework. Many challenges are faced on an ongoing basis as we strive to continue to provide quality services with less money from central government. We have had to think creatively about the way we do things and change our view of risk. Some of the most significant governance challenges for the Council faced during 2015/16 and ongoing, are explained below.

### 1. Plan Teignbridge and Community Infrastructure Levy

*Teignbridge's Local Plan sets out where homes, employment land, business infrastructure and community facilities will go over the next 20 years. It was adopted by the Council in May 2014, closely followed by a Community Infrastructure Levy (CIL) Charging Schedule which took effect October 2014. CIL helps ensure that the costs of providing infrastructure to support development can be provided by levying a charge on the owners or developers of land used for new development. We must continue to ensure through a combination of CIL and external funding, the right infrastructure is provided at the right time.*

*The Council is currently considering the timetable and options for reviewing the local plan including closer strategic working with the Greater Exeter authorities.*

*A new computer system is being implemented to help us calculate and collect the CIL.*

### 2. Strata Service Solutions Ltd – The Council's Shared ICT Services Provision

*As the company develops, a need for improved performance information and financial oversight has been identified to enable all interested parties to monitor the business. Work is therefore planned to further develop the performance framework and governance to ensure meaningful performance measures are provided for better scrutiny. The internal Infrastructure Requirements Board which performs the client monitoring mechanism will keep track of this. A review of the original Business Plan and customers' Service Plans are also planned.*

### 3. Financial Uncertainty

*As Councils experience ongoing reductions in general funding, although we currently have a balanced budget, we must continue to review spending and monitor financial plans in order to balance future budgets in the face of ongoing government cuts. We have taken steps to reduce costs and increase income as well as increasing reserves anticipating the reductions in government grant. Our “BEST2020” business review process also provides ongoing challenge of service costs and efficiency. Provision has been made for general infrastructure in the capital programme and priority Plan Teignbridge projects have been included largely funded from Community Infrastructure Levy. A capital review board also meets internally which, together with an external investment board, looks at infrastructure needs across the district. As Plan Teignbridge is implemented, the board and the capital programme link together and consider all sources of funding including the community infrastructure levy.*

### 4. Peer Challenge

*The Peer Challenge review gave very positive assurance in respect of Teignbridge’s governance. It also provided some useful recommendations on how we can move forward with the future challenges we face. These include:*

- *Strengthening the newly-adopted Council Strategy to give it greater impact and developing an investment strategy to underpin its delivery, and*
- *Making more use of elected member task groups to enable a wide range of councillors to participate in policy development through the scrutiny process.*

### 5. Devolution

*The Devon and Somerset Devolution bid is currently with Government after being endorsed by every local authority within the two Counties. The challenge going forward is to continue the united front to secure a deal based on our Prospectus, and to determine the governance and decision making arrangements needed for our proposals.*

### 6. New Waste Scheme

*During 2015 we made significant changes to our waste collection services. We upgraded the fleet of vehicles, widened the range of recyclables collected and introduced a new weekly collection of recycling. To offset the cost of the improved service we introduced a new garden waste service which nearly a third of our households have subscribed to to date. A post implementation review is planned for January 2017 when the service has been in place for a full year to assess how well the scheme is working and to identify any further improvements required.*

### 7. Asset Rental and Market Walk

*We have significantly increased the rental from our Assets through the purchase of Market Walk in Newton Abbot town centre for £13.7m. This was a great opportunity to provide a much needed income stream to offset funding reductions and also puts us at the heart of any future regeneration of the town centre. This required a comprehensive investment analysis and due diligence to ensure the business case was robust, all within a short timescale. Governance challenges going forward include the need to manage the 27 retail units as a landlord, and working closely with the town council and stakeholders on future developments.*

Through strong governance we will continue to meet our challenges and responsibilities, both existing and new, and work effectively to provide the best services we can for our customers.

Signed:

**Leader of the Council**

**Chief Executive**

## OTHER INFORMATION AND CONTACTS

### 1. Environmental Footprint

Teignbridge District Council has in its corporate plan 2011-2015 a goal to reduce our carbon footprint by reducing waste, being more energy efficient and making better transport choices. We have also signed the Nottingham Declaration on Climate Change. We are committed to mitigating the effects of climate change and in doing so providing leadership and support to the wider community. As one of the major employers and consumers of goods and services in the Teignbridge area, it is essential that the Council shows public commitment and leads by example.

Teignbridge District Council was one of the first districts in the country to sign up to the Carbon Management Programme with the Carbon Trust. This resulted in a detailed analysis of our carbon footprint and the development of a 5 year implementation plan to reduce the amount of carbon produced as a result of the Council's activities by 12.5%. The plan was adopted in 2007 and completed in March 2012. A new plan for the period 2012 to 2017 has been produced and approved by the Carbon Trust. This new plan commits Teignbridge to further reduce our CO<sub>2</sub> emissions by 20% by 2017.

The carbon reduction projects continue to provide the anticipated savings, and the council's energy use is reducing in line with the target in the plan. The photovoltaic installations at Dawlish and Newton Abbot leisure centres and at Forde House have proved very successful. The new small business units built at Estuary Court in Teignmouth also feature PV panels, providing reduced bills for tenants and keeping our carbon output low.

The installation of the biomass boiler at Dawlish Leisure Centre is projected to reduce our annual gas expenditure and usage by between 15% and 20%, and is also a low-carbon project. Further savings are given from this project by our participation in the Renewable Heat Incentive (RHI) scheme. Further carbon reductions have been achieved thanks to the divestiture of a number of assets to local groups. Examples of this include the Buckfastleigh Outdoor Swimming Pool and the Beachcomber Public Conveniences in Teignmouth, both sites which contributed significantly towards our carbon production.

### 2. Building Regulations Control Account –Year Ended 31 March 2016

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 and the Summary Accounts for the year are detailed in the Devon Building Control Partnership Accounts, which can be found at the following website:

<http://www.teignbridge.gov.uk/index.aspx?articleid=17208>

### 3. Comments / Contacts

If you have any specific queries or comments in the context or format of these accounts please contact

Lesley Tucker – Tel: 01626 215203, or email [Lesley.tucker@teignbridge.gov.uk](mailto:Lesley.tucker@teignbridge.gov.uk)

These Accounts can be found on our website at [www.teignbridge.gov.uk](http://www.teignbridge.gov.uk)

If you need a copy of these Accounts in another language or format please email [info@teignbridge.gov.uk](mailto:info@teignbridge.gov.uk) or call 01626 361101