TEIGNBRIDGE DISTRICT COUNCIL

STATEMENT OF ACCOUNTS

2016/17

STATEMENT OF ACCOUNTS 2016/2017

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Part 1

Introduction

CHIEF OFFICERS OF THE COUNCIL & LOCATION OF OFFICES

CHIEF OFFICERS OF THE COUNCIL

Head of Paid Service	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

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Narrative Report

INTRODUCTION

1. This Narrative Report sets out the overall financial position and details the financial transactions relating to the activities for the year ended 31 March 2017. It 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. It also provides a commentary on the financial highlights and identifies any significant events that may affect the reader's interpretation of the accounts. The Authority's Accounts for the year 2016/17 are set out on pages 23-116. They consist of:

THE CORE FINANCIAL STATEMENTS:

These are listed below with a brief description that outlines the purpose of each:

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)	This statement on page 29 shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations but this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
MOVEMENT IN RESERVES STATEMENT (MIRS)	This statement on page 30 shows the movement in the year on the different reserves held by the authority analysed into 'usable reserves' which can be used to fund expenditure or reduce local taxation and those that are unusable.
BALANCE SHEET	This shows on page 31 the assets and liabilities recognised by the Authority on 31 March 2017
CASH FLOW STATEMENT	This shows on page 32 the changes in cash and cash equivalents of the Authority during the reporting period

The financial statements are supported by various notes shown on pages 33-110. These notes include the accounting policies which summarise the framework within which the Council's accounts are prepared and published.

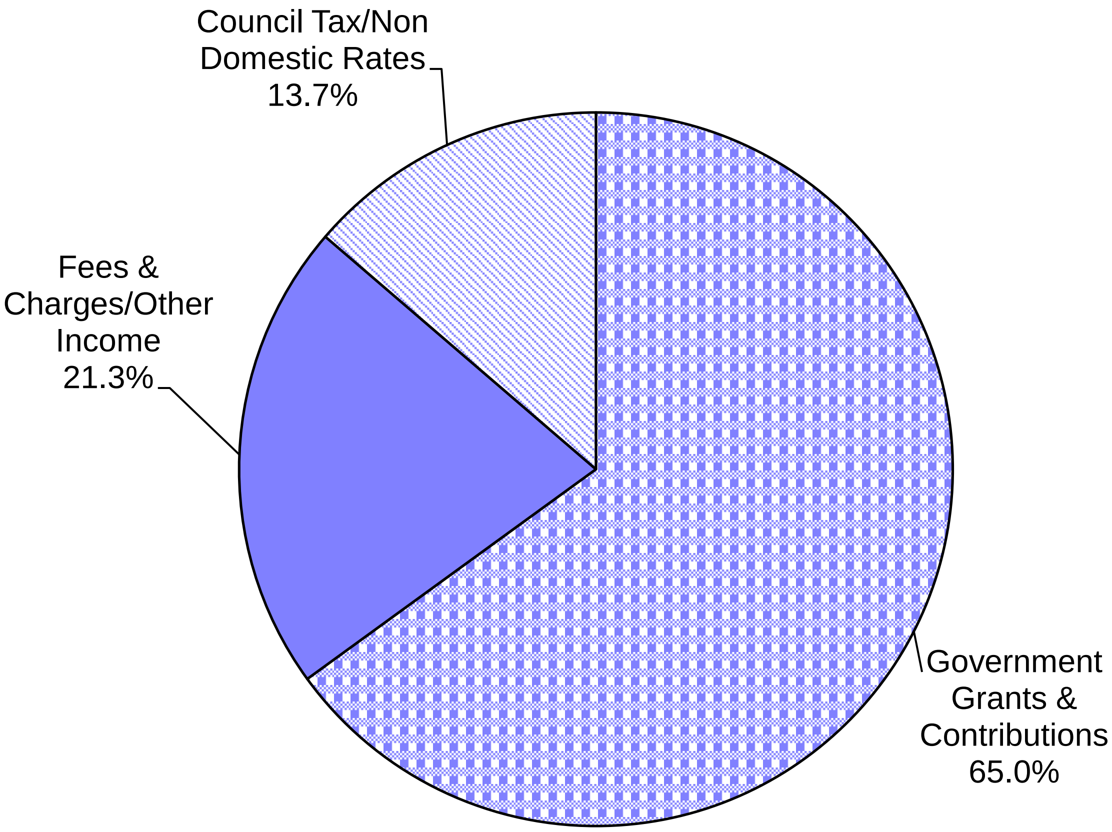
The new Expenditure and Funding Analysis statement note 7 on page 53 shows how annual expenditure is used and funded from resources in comparison with those resources consumed or earned in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes across the Council's reporting segments.

SUPPLEMENTARY FINANCIAL STATEMENTS (Pages 111-112)

COLLECTION FUND	A statutory fund showing administration of council tax and income from business ratepayers on page 111.

2. **Review of the year -** The following three charts show in broad terms where the Authority obtains its finance, what it is spent on and what services it provides.

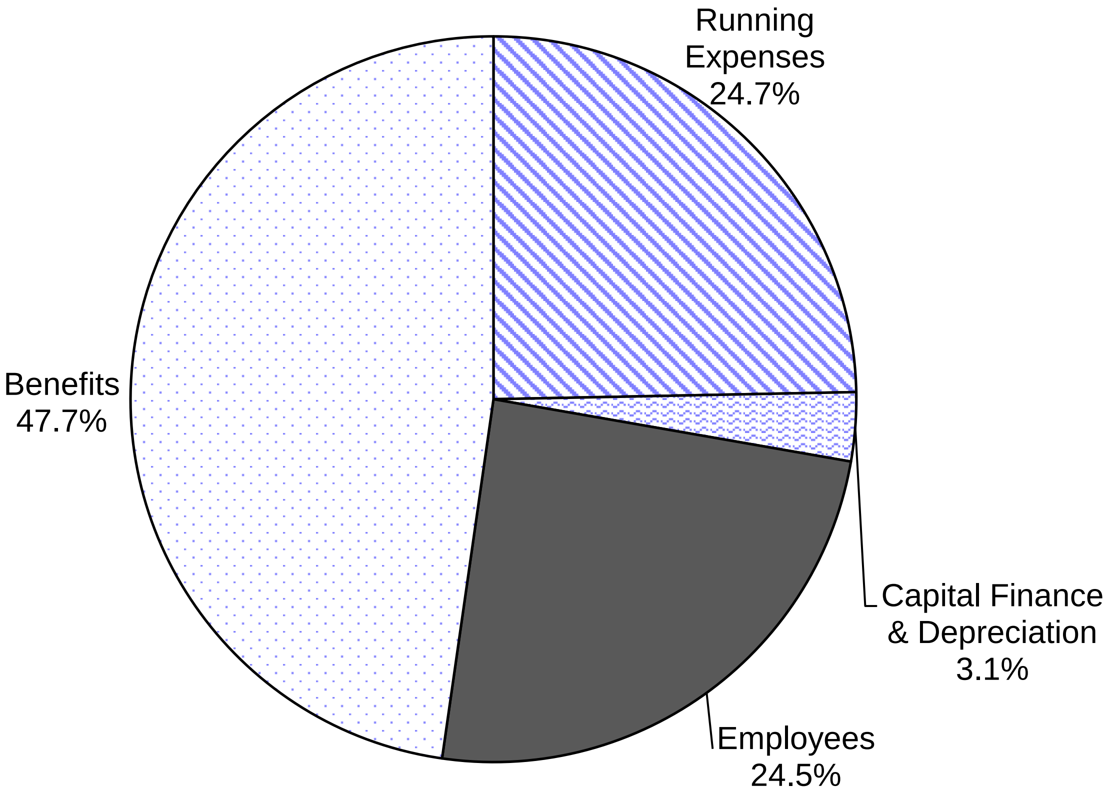
WHERE THE MONEY COMES FROM



The largest single item is Government Grants, for example rent allowances and revenue support grant, and other contributions which provide 65.0% of the total.

Income received from the services provided through fees, charges and other income including interest account for 21.3% of the total.

WHAT THE MONEY IS SPENT ON



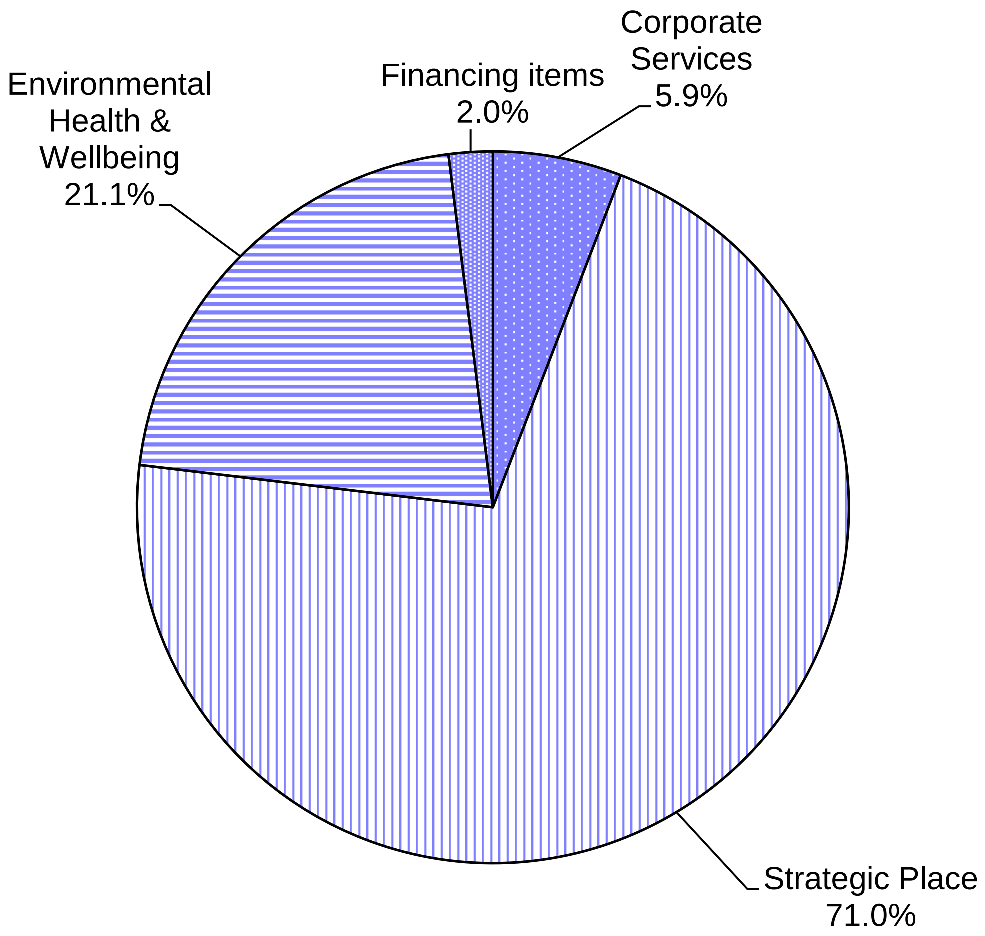
Benefits cover rent allowances and housing rent rebates and amount to 47.7%.

Running expenses includes maintenance of buildings, operating vehicles and purchase of supplies and services and takes up 24.7% of the total expenditure.

Employees account for 24.5% of the total.

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

THE SERVICES PROVIDED



71.0% of the total expenditure is on Strategic Place which covers services such as building control, economy & assets, housing, parking & transport, revenue & benefits including rent allowances, spatial planning and development management.

Corporate Services includes all support services, for example, finance, human resources, internal audit, legal and procurement. The corporate leadership team together with democratic and electoral services are also included in this heading. Communications, and business improvement & development make up the balance of this segment.

Environmental Health & Wellbeing covers all aspects of environmental health plus green spaces, leisure, resorts, licensing, waste, recycling & cleaning and community safety.

Financing items includes past service pension deficit contributions, pension strain payments, bank charges and external audit fees.

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 30 in the Movement in Reserves Statement. These are split into ‘usable reserves’ which can be applied to fund expenditure or reduce local taxation, and other reserves which are ‘unusable’. Usable reserves include our general fund balance of earmarked and unearmarked reserves, capital receipts reserve, and capital grants unapplied, all in note 24 to the accounts. Unusable reserves are detailed in note 25 and include a number of reserves such as the revaluation reserve, pensions reserve and capital adjustment account.

   Within the year our ‘usable reserves’ have increased from £10.784 million to £15.928 million. This is mainly due to the increase in earmarked reserves arising from the surplus explained below in note 4. Also there have been increases in the capital receipts reserve and capital grants unapplied to fund the capital programme.

   Our unusable reserve position has declined. The reserves showed a negative £3.349 million at 31 March 2016 due to the deficit on the pension reserve. This has increased to a negative £23.458 million at 31 March 2017. This is mainly due to a worsening of the pension reserve due to changes in financial assumptions shown in note 38. Revenue reserves are £9.508 million at 31 March 2017 and capital receipts and grants unapplied are £6.420 million.

REVENUE EXPENDITURE

4. During the year regular budget monitoring has been carried out and reported to members. Overall net expenditure in 2016/17 was £13.822 million compared to the original approved budget of £16.668 million – a favourable variance of £2.846 million. A Community Housing Fund grant of £0.581 million was received towards the end of the financial year. Savings were made in various areas including gas, water, printing, stationery, advertising and other miscellaneous costs. Revenue contributions to capital were £1.211 million less than anticipated due to delays in the associated capital schemes.

   Income has increased from fees & charges, and sales & memberships, particularly in relation to leisure and car parking. Extra income was received in relation to recycling credits and there were further increases in income from property rentals. There was an increase in income from government grants due to additional non-specific grant funding including an infrastructure capacity funding grant of £0.244 million and other miscellaneous grants which contribute to the overall favourable variance of £3.679 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	16,667	13,822	(2,845)
Interest payable	1	0	(1)
NET EXPENDITURE	16,668	13,822	(2,846)
Income from Government Grants & Local Taxpayers	(16,766)	(17,599)	(833)
DEFICIT (SURPLUS) FOR THE YEAR	**(98)**	**(3,777)**	**(3,679)**

Actual net expenditure of £13.822 million can be reconciled to the Comprehensive Income and Expenditure Statement on page 29 being:-

	£'000
(Surplus) on Provision of Services	(3,954)
Adjustments between accounting basis & funding basis under regulations (note 9 on pages 57 to 62)	177
(Surplus) for the year	**(3,777)**
Less: Income from Government Grants and Local Taxpayers (as listed below)	(17,599)
Net expenditure (as above)	**13,822**

Income from Government Grants and Local Taxpayers of £17.599 million can be reconciled to the Comprehensive Income and Expenditure Statement on page 29 as the sum of the Council tax income excluding surplus of £10.318 million, Revenue Support Grant of £1.601 million and Business Rates income less expenditure, excluding deficit, plus new homes bonus, other sundry general grants and council tax support expenditure of £8.482 million, less precepts paid to Parish Councils of £2.802 million. These are highlighted in notes 11, 13 and 33 to the financial statements. The General Fund balance at 31 March 2017 is £9.508 million being general reserves of £1.718 million and earmarked reserves of £7.790 million.

The accounts are heavily influenced by the shifting pattern of funding receipts moving away from central government grants towards greater reliance on self-generated income. Our revenue support grant continues to reduce and recent revisions to funding for New Homes Bonus are now showing reductions in future years.

Expenditure on services is influenced by our ten year Council Strategy and the major themes running through this document being the Teignbridge Ten (T10). More detail can be found here:

https://www.teignbridge.gov.uk/councilstrategy

6. **Material charges in the accounts** – There are no material charges in the accounts for 2016/17

There were a number of material charges in the accounts for 2015/16 and these are listed in detail in note 5 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 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 as reflected in the increased value of our Property, Plant & Equipment on the Balance Sheet at 31 March 2016.

EXPENDITURE AND FUNDING ANALYSIS

Section 5 above identifies the actual surplus made of £3.777 million when compared to the original budget set in February 2016. Further detail is given in note 7 to the Accounts in the Expenditure and Funding Analysis which links the deficit made under generally accepted accounting practices with how annual expenditure is used and funded from resources. As a result the deficit in the Comprehensive Income and Expenditure Statement (CIES) is adjusted for these differences to arrive at the actual surplus to be added to the General Fund.

The amounts which are charged to the CIES for items such as depreciation, revaluation of assets, capital grants and pension charges are eliminated to identify that which is chargeable to the General Fund Balance. These are the major reasons for the deficit in the CIES before adjustments for 2015/16. The adjustments in 2016/17 are much smaller. Nearly half of the net expenditure chargeable to the General Fund relates to the segment ‘Environmental Health and Well Being’ for 2015/16 within Net Cost of Services. This has increased in 2016/17 to 54.9% due to Financing items reducing because of the one off pension deficit contribution in 2015/16.

CAPITAL EXPENDITURE

7. The table below shows the performance on Capital Investment for 2016/17.

The Council spent £7.483 million on capital projects compared with the original budget of £8.161 million.

The decrease is mainly due to projects which have been delayed or re-assessed, usually to ensure they will be fulfilling Council priorities for example Broadmeadow sports centre roof, Collett Way adoption works, provisions for employment land and town centre enabling works.

	Budget £'000	Actual £'000	Difference £'000
Capital Investment:			
General	6,439	5,745	694
Housing	1,722	1,738	(16)
CAPITAL EXPENDITURE	**8,161**	**7,483**	**678**
Financed by:			
Capital Receipts	1,120	116	1,004
Revenue Contributions	2,160	949	1,211
Prudential Borrowing	0	672	(672)
Grants	3,811	3,027	784
Contributions	1,070	2,719	(1,649)
CAPITAL FINANCING	**8,161**	**7,483**	**678**

The analysis of Capital Investment in 2016/17 is:

Disrepair and Disabled Facilities Grants	£1.656 million
Affordable Housing	£0.082 million
Environmental Schemes	£0.152 million
Flood Alleviation and Prevention	£1.018 million
Sports Halls and Recreation	£0.255 million
Planning & Development	£1.040 million
Industrial, Commercial and Infrastructure	£0.020 million
Open spaces (including Dawlish SANGS)	£2.847 million
Other schemes	£0.413 million

The main projects were the purchase, infrastructure and instatement for suitable alternative natural green space (SANGS) in Dawlish at a cost of £2.6 million, Homeyards Botanical Gardens refurbishment £234k, Pavilions Teignmouth arts, community and enterprise venue £238k, Newton Abbot land purchases £756k, Regional Coastal Monitoring £517k, Teignmouth Point Flood defence £410k and Disabled Facilities Grants £902k.

8. For 2017/18 the budgeted expenditure is as follows:

Sports Halls & Recreation	£3.152 million
Open Spaces	£1.818 million
Planning & Development	£22.079 million
Environmental Schemes	£0.567 million
Flood Alleviation & Prevention	£1.829 million
Car Parking	£0.342 million
Disrepair, Disabled Facilities & Heating grants	£1.055 million
Affordable Housing	£0.200 million
Information Technology & Central Services	£1.146 million

Some of the specific schemes included in these totals are £125k contributions towards Superfast broadband, £674k for Regional Coastal Monitoring, £275k for relaying Collett Way, £160k for cycle schemes, £177k towards an Energy company, £782k for Forde House works to facilitate letting of surplus space, £950k for Disabled Facilities grants, £1,000k for Teignmouth Point sea defence. In addition there are provisions for town centre development and employment schemes totalling £20.8 million which will be brought back to Full Council for final approval.

9. Capital funds:

The capital receipts, grants and contributions received including capital receipts in advance for 2016/17 can be analysed as follows:

	Capital resources brought forward	£6.457 million
Add:	Received in year	£8.060 million
Less:	Capital financing applied to expenditure	£5.862 million
	Loan/other	£0.000 million
	Capital resources carried forward	£8.655 million

BORROWING / FUNDING

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

PENSION LIABILITIES

11. 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 March 2017 of £94.572 million. The requirement to recognise the net pension liability in the balance sheet has reduced the reported net worth of the authority by 108.7% for 2016/17 and 90.6% for 2015/16 as shown on page 31.

The net deficit has increased which is mainly due to an adverse movement on the actuarial financial assumptions. The deficit is derived by calculating the pension assets and liabilities at 31 March 2017. 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 98 -103 for further information.

CASH FLOW

During the year the cash flow of the Authority increased by £4.750 million. This was mainly due to the under spend on revenue and capital in the year and receipt of additional grants which were unspent at the end of the financial year.

BALANCE SHEET

During the year net assets at 31 March 2017 decreased by £14.965 million. This was mainly due to an increase in the pension liability offset by a surplus on the general fund and an increase in the capital receipts reserve and capital grants unapplied. There were some net increases in revaluation of assets resulting in a small increase in the revaluation reserve (see note 25 to the accounts). Also see pages 30 and 31 for more information.

GROUP ACCOUNTS

The accounts incorporate our share of the jointly owned company Strata Service Solutions Ltd. The ownership is shared with Exeter City Council and East Devon District Council with our share representing 27.372%. The figures consolidated on a joint operation basis are detailed in note 45. In 2016/17 our share of adjustments to the Comprehensive Income and Expenditure Statement amounted to £1.192 million. The cumulative effect on our balance sheet is to reduce net assets by £1.978 million.

CHANGE IN ACCOUNTING POLICIES

12. In 2016/17 there were a number of retrospective changes to the reporting formats and requirements for the Comprehensive Income and Expenditure Statement (CIES), the Movement in Reserves Statement (MIRS) and also the requirement to produce an Expenditure and Funding Analysis statement and information relating to it. The CIES is now to be reported within operational segments based on internal reporting. This is explained in greater detail in note 5 to the accounts where the previous Service Reporting Code of Practice (SeRCoP) headings are scrapped in favour of those used internally. As we also report support services within one of these reporting segments and they are not costed across services, this is a departure from the SeRCoP requirements of total absorption costing but complies with the segmental analysis requirements.

    The MIRS has been re-modelled slightly and also requires identification of the balance on the General Fund. This has been accommodated with the insertion of an extra column within the Statement itself. Explanations of the changes are included at the base of the Statement.

    The Expenditure and Funding Analysis is a new note 7 to the accounting statements. It shows how annual expenditure is used and funded from resources by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between council services and departments.

IMPACT OF ECONOMIC CLIMATE

13. The economic climate continues to have an impact on the Council although there were no significant changes compared to recent years. In year collection of business rates and council tax has improved slightly from last year increasing from 98.61% to 99.40% for rates and from 98.43% to 98.54% for council tax. There has been a small increase in the value of property. Income from planning fees were lower than budget however property rental income was higher. There was a further decrease in housing benefit costs but these are fully funded by grant.

ECONOMY, EFFICIENCY AND EFFECTIVENESS IN ITS USE OF RESOURCES

14. 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 for Extended Corporate Leadership Team and quarterly reports are submitted to the Executive Committee.

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.
- Annual External 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 reports monitor performance against the Council Strategy 'Teignbridge Ten' programmes (T10) which are the 'super projects' that will have a high impact on and bring major benefits to the Council's seven key objectives. Each T10 has seven or more actions with performance indicator(s) and/or project(s) to monitor their progress against targets and milestones.

Every quarter an update on the progress of each T10 is compiled by the T10 managers and presented to Overview & Scrutiny Committee.

The latest T10 report covers the financial year quarter 4 period from 1st January to 31st March 2017 and includes all PIs and reviews of the projects that have started.

At the end of the first year of the Council Strategy:

- All T10 programmes are reported as being on target
- Overall just 3 of the 34 PIs with targets are underperforming
- This year we have completed 3 projects and currently have 70 live projects
- A total of 13 projects have a caution status

Within the report are details of key performance including:

- Affordable home delivery across the whole of Teignbridge is 146 homes, 22 more than the Plan Teignbridge target of 124 homes
- We have provided 664 additional homes exceeding our target of 620 homes
- We are on target to reduce the amount of household waste that is not recycled by 13.6 kg per household
- The 55.7% recycling rate is 1.4% higher than last year
- The latest survey of streets resulted in a 0% or clean rating for the level of litter
- We have invested £669K in new commercial property
- 2,200sqm of employment space has been achieved
- A new skate-park/multi-wheeled sports facility has been provided with partners in Buckland
- 499 school and university students benefitted from talks/walks by Dawlish Warren Rangers
- An additional 6.9km of cycle path has been provided with partners in Teignbridge
- Renewable energy income is £69,150
- 65% of Teignbridge residents live within an area with a Neighbourhood Plan
- We generated more income than anticipated and less revenue budget contribution to capital was required which helped to keep the cost per head of population for all our services to just under £100 against the target of £130
- Business Boost contract terminated with no replacement. Signposting of businesses to existing sources of advice will continue a service.

Other key performance indicator results for the year are shown in the table below:

'Teignbridge Ten' programme heading and performance description	Annual Target	Actual 2016/17
Clean scene		
Street cleaning & litter responsibilities. £'s per household	£20.40	£21.33
Household waste collected: £'s per household	£44.47	£42.51
% Beaches rated as excellent or good water quality	New data	100%
Great places to live and work		
Satisfaction with new development in your area	80.00%	82.20%
Going to town		
% of businesses with the top food hygiene rating of 5	90.00%	89%
Health at the heart		
Solid wall homes insulated via the Cosy Devon scheme	24	28
Residents assisted to remain independent by a disability facilities grant	166	156
Working days lost due to sickness absence - average per employee	7.70 days	9.59 days
Investing in prosperity		
Processing of major planning applications within 13 weeks	60.00%	80.00%
Processing of minor planning applications within 8 weeks	65.00%	80.56%
Total number of days of work placement provided to young people	60 days	75 days
Out and about and active		
Number of young people under 18 participating in activities we organise	20,000	32,453
Number of older people over 60 participating in events we organise	25,000	68,534
A roof over our heads		
Net additional homes provided	620	664
Affordable homes delivered in urban areas as defined by the Local Plan	124	146
Homelessness prevented by client remaining in existing home	213	440
Homelessness prevented by assisting with alternative accommodation	324	363
What else will we do		
£ Income generated	£50,313,320	£52,505,473
£ External funding received	£990,010	£3,189,276

Reports on performance can be found here:

https://www.teignbridge.gov.uk/committee-meetings-and-agendas/

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.

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

15. The Authority has a Medium Term Financial Plan which covers 3 years and is updated on an annual basis as part of the budget process. It includes planned future developments in service delivery including the capital programme. 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 and the new baseline reduction in New Homes Bonus.

    The Local Government Finance Settlement for 2017/18 was finalised in February 2017 and confirmed a significant deduction from new homes bonus which had been announced in December 2016. The late publication of this meant that earmarked reserves of £1.2 million have been used in the Plan on a temporary basis over the next three years. These will be replenished by savings and additional income using the Business Efficiency Service Transition 2020 review outcomes. Significant progress has already been made to address this shortfall.

At the same time government is reviewing the major national funding distribution of business rates which creates significant uncertainties for future financial planning. However Teignbridge has been accepted on the Government four year funding deal for 2016/17 to 2019/20 which required an efficiency plan to be published by 14 October 2016 outlining how the Authority would achieve a balanced budget over the four years.

The capital programme is fully funded in the medium term and by having no long term borrowing at present has the ability to enter the lending market should provisions for projects and schemes be approved with an appropriate business case.

UNCERTAINTIES, PROVISIONS & MATERIAL EVENTS AFTER THE REPORTING DATE

16. Please see note 6 to the financial statements for events after the reporting period. There are no events which require disclosure. Contingent liabilities are itemised in note 39 and relate to any claims that may arise from the transfer of the Authority's housing stock in 2004. See also note 23 to the financial statements for provisions in the accounts. The largest provision we hold is for non-domestic rates appeals. There have been no major write offs in the year.

FURTHER INFORMATION

17. 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 26 to 28. 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 2016/17

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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

<u>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 2017 and its income and expenditure for the year ended 31 March 2017.</u>

…………………………………

LESLEY TUCKER – CHIEF FINANCE OFFICER

I confirm that these accounts were approved by the Council on 25 September 2017

…………………………………

COUNCILLOR TIM GOLDER, Chairman of the Council

25 September 2017

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 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves 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 2016/17.

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 Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of 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 2016/17, 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, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") 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 2017 and of its expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 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 for the financial year for which the financial statements are prepared 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: Framework (2016)’ published by CIPFA and SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Act.

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

Conclusion on the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Respective responsibilities of the Authority and auditor

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

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 for securing economy, efficiency and effectiveness in its use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, 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 this criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, we are satisfied that in all significant respects the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Act and the Code of Audit Practice

Geraldine Daly

Geraldine Daly

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

27 September 2017

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.

2015/16 restated				2016/17		
Gross Expenditure	**Gross Income**	**Net Expenditure**		**Gross Expenditure**	**Gross Income**	**Net Expenditure**
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
3,779	(481)	3,298	Corporate Services	4,087	(701)	3,386
57,745	(46,951)	10,794	Strategic Place *	49,612	(47,783)	1,829
14,245	(5,671)	8,574	Environmental Health & Wellbeing	14,740	(6,393)	8,347
2,279	(21)	2,258	Financing items **	1,392	(16)	1,376
78,048	**(53,124)**	**24,924**	**Cost of Services**	**69,831**	**(54,893)**	**14,938**
2,666	(811)	1,855	Other Operating Expenditure (Note 11)	3,293	(826)	2,467
2,550	(139)	2,411	Financing and Investment Income and Expenditure (Note 12)	2,523	(65)	2,458
10,194	(33,785)	(23,591)	Taxation and Non-Specific Grant Income and Expenditure (Note 13)	10,101	(33,918)	(23,817)
		5,599	**(Surplus) or Deficit on Provision of Services**			**(3,954)**
		(12,388)	(Surplus) or Deficit on revaluation of Property, Plant & Equipment assets			(1,865)
		(9,202)	Re-measurements of the net defined benefit liability			20,784
		(21,590)	**Other Comprehensive Income and Expenditure**			**18,919**
		(15,991)	**Total Comprehensive Income and Expenditure**			**14,965**

* 2015/16 includes revaluation losses of £4.4m on the Teignmouth arts and community land & buildings following completion, and £1.6m on car parking assets. There is also a £1m charge towards road construction capital costs (see note 5(b) to the financial statements)

** 2015/16 includes £1m for a one-off contribution towards pension deficit funding.

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.

	Unearmarked Reserves	Earmarked Reserves	**General Fund Balance**	Capital Receipts Reserve	Capital Grants Unapplied	**Total Usable Reserves**	Unusable Reserves	**Total Authority Reserves**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2015	**2,471**	**3,070**	**5,541**	**7,652**	**510**	**13,703**	**(22,259)**	**(8,556)**
<u>Movements in reserves during 2015/16</u>								
Total Comprehensive Income and Expenditure	(5,599)	0	(5,599)	0	0	(5,599)	21,590	15,991
Adjustments between accounting basis & funding basis under regulations (Note 9)	5,789	0	5,789	(4,671)	1,562	2,680	(2,680)	0
Increase/(Decrease) in 2015/16 before transfer to earmarked reserves	**190**	**0**	**190**	**(4,671)**	**1,562**	**(2,919)**	**18,910**	**15,991**
Transfer to/from Earmarked Reserves	(1,030)	1,030	0	0	0	0	0	0
Increase/(decrease) in 2015/16	**(840)**	**1,030**	**190**	**(4,671)**	**1,562**	**(2,919)**	**18,910**	**15,991**
Balance at 31 March 2016 carried forward	**1,631**	**4,100**	**5,731**	**2,981**	**2,072**	**10,784**	**(3,349)**	**7,435**
<u>Movement in reserves during 2016/17</u>								
Total Comprehensive Income and expenditure	3,954	0	3,954	0	0	3,954	(18,919)	(14,965)
Adjustments between accounting basis & funding basis under regulations (Note 9)	(177)	0	(177)	845	522	1,190	(1,190)	0
Increase/(Decrease) in 2016/17 before transfer to earmarked reserves	**3,777**	**0**	**3,777**	**845**	**522**	**5,144**	**(20,109)**	**(14,965)**
Transfer to/from Earmarked Reserves	(3,690)	3,690	0	0	0	0	0	0
Increase/(decrease) in 2016/17	**87**	**3,690**	**3,777**	**845**	**522**	**5,144**	**(20,109)**	**(14,965)**
Balance at 31 March 2017 carried forward	**1,718**	**7,790**	**9,508**	**3,826**	**2,594**	**15,928**	**(23,458)**	**(7,530)**

Prior year adjustment:
Following a change in the Code of Practice requirements the Statement above has been refined to include an extra column to identify the total General Fund Balance (column 3).
In addition the surplus / deficit on the provision of services line and the 'Other Comprehensive Income and Expenditure' line have now been combined into one line entitled 'Total Comprehensive Income and Expenditure' above.

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 2016 £'000		Notes	31 March 2017 £'000
82,213	Property, Plant & Equipment	14	86,470
130	Investment Property	15	135
538	Intangible Assets	16	512
0	Assets Held for Sale	21	0
0	Long Term Investments		0
2,411	Long Term Debtors	17	2,642
85,292	**Long Term Assets**		**89,759**
1,000	Short Term Investments	18	0
0	Assets Held for Sale	21	0
135	Inventories		149
10,880	Short Term Debtors	19	10,870
1,902	Cash and Cash Equivalents	20	6,674
13,917	**Current Assets**		**17,693**
(1,508)	Bank Overdraft	20	(1,530)
0	Short Term Borrowing		0
(8,857)	Short Term Creditors	22	(8,891)
(409)	Provisions	23	(170)
(305)	Grants Receipts in Advance-Revenue	33	(913)
(1,570)	Grants Receipts in Advance-Capital	33	(2,157)
(12,649)	**Current Liabilities**		**(13,661)**
0	Provisions	23	0
(73,269)	Other Long Term Liabilities	41	(95,805)
(5,778)	Grants Receipts in Advance – Revenue	33	(5,438)
(78)	Grants Receipts in Advance - Capital	33	(78)
(79,125)	**Long Term Liabilities**		**(101,321)**
7,435	**Net Assets**		**(7,530)**
10,784	Usable Reserves	24	15,928
(3,349)	Unusable Reserves	25	(23,458)
7,435	**Total Reserves**		**(7,530)**

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.

2015/16 £'000		2016/17 £'000
5,599	Net (surplus) or deficit on the provision of services	(3,954)
(13,639)	Adjustments to net surplus or deficit on the provision of services for non cash movements (Note 26(a))	(5,306)
3,503	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 26(b))	4,652
(4,537)	Net cash flows from Operating Activities (Note 26)	(4,608)
18,417	Investing Activities (Note 27)	(1,678)
225	Financing Activities (Note 28)	1,536
14,105	Net (increase) or decrease in cash and cash equivalents	(4,750)
14,499	Cash and cash equivalents at the beginning of the reporting period	394
394	**Cash and cash equivalents at the end of the reporting period (Note 20)**	**5,144**

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

a. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. 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 2016/17, the Service Reporting Code of Practice 2016/17 (SeRCoP), the Local Authorities (Capital Finance and Accounting)(England) Regulations 2003 (SI 2003 No 3146, as amended) supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The Statement of Accounts has been prepared using the going concern basis.

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 reporting segment (or Financing Items where they relate to pension enhancements) 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 Merill 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 Financing Items
    - 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 over periods of between 3 and 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 held 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 and 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.

<u>The Authority as Lessee</u>

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.

<u>The Authority as Lessor</u>

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

Total absorption costing is not fully applied under the principles within SeRCoP. Service segments do not have support services recharged to each front line service. Support services are reported separately in their own right within the ‘Corporate Services’ segment. This segment also includes the costs of the Corporate Leadership Team and the cost of democracy.

However, the central office costs are allocated to all services within the service segments on the basis of floor area.

Certain corporate costs such as discretionary benefits awarded to employees retiring early, past deficit pension contributions and general corporate costs such as bank charges and external audit fees are allocated to the ‘Financing items’ segment.

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 Surplus or Deficit on the Provision of Services within 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.

<u>Contingent Liabilities</u>

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.

<u>Contingent Assets</u>

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. Council Tax, Non-Domestic Rates & Business Rates Retention

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

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

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. The General Fund is adjusted as above.

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 2017/18 (the Code) introduces changes in accounting policies that will have to be adopted fully by the authority in the 2017/18 financial statements i.e. from 1 April 2017.

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 2017/18 there are no standards issued not adopted that are expected to have a material impact on the 2017/18 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 2017 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. It is estimated that the annual depreciation charge for buildings would increase by £48k 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. 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 £3.243 million. However, the assumptions interact in complex ways. During 2016/17, the Authority's actuaries advised that the net pensions liability had decreased by £4.294 million as a result of estimates being corrected as a result of experience and increased by £34.238 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 £6.991 million.
Arrears	At 31 March 2017, the Authority had a balance of sundry debtors of £4.089 million. A review of significant balances suggested that an impairment of doubtful debts of 13.21% (£540k) 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 £540k 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) Prior period adjustments:

The Comprehensive Income and Expenditure Account (CIES) was previously based upon the service reporting requirements of the CIPFA Service Reporting Code of Practice (SeRCOP). Total absorption costing principles were applied to allocate the full cost of overheads and support services to the reporting lines defined in SeRCoP. The Code now requires the Cost of Services section of the CIES to be based upon our internal reporting. As a result the generic headings previously applied are now replaced with the internal reporting segments being: Corporate Services, Strategic Place, Environmental Health & Wellbeing and Financing Items. Within our own internal reporting we do not adopt total absorption costing in relation to support services. They are reported in their own right within Corporate Services. We do allocate central office overheads however to all services based on floor area. As a result the Cost of Services section within the CIES has been restated for 2015/16.

Net expenditure within Cost of Services was £24.823 million in 2015/16 as per the SeRCoP headings. This has been restated and reallocated to the internal reporting segments. The gross expenditure and gross income has altered to reflect the gross income and expenditure of the support services reported in Corporate Services.

In addition 'Financing and Investment Income and Expenditure' (note 12) previously included the activities of Newton Abbot Market. This has been reallocated within 'Cost of Services' in the segment 'Strategic Place'. The net cost of this activity in 2015/16 was £0.101 million. Net expenditure in Cost of Services has therefore been increased by this sum to £24.924 million.

All other elements within CIES remain unaltered. As a result of the CIES being based on internal reporting requirements the note to the accounts entitled 'Amounts Reported for Resource Allocation Decisions' which reconciled the SeRCoP reporting with costs reported internally is no longer required.

The Code has also introduced a new statement in the accounts called the Expenditure and Funding Analysis. This is shown as note 7 to the accounts and requires retrospective entries for 2015/16. The analysis shows how annual expenditure is used and funded from resources in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices.

Note 8 to the accounts identifies expenditure and income analysed by nature which could previously be found within the note entitled 'Amounts Reported for Resource Allocation Decisions'.

Minor adjustments were required to the Movement in Reserves Statement. These are highlighted at the base of the statement on page 30.

Minor adjustments were also required to note 33 relating to grant income.

Notes 29 and 40 relating to Financial Instruments have been amended to incorporate cash and cash equivalents, and bank overdraft in the appraisal of fair value and maturity analysis.

5 (b) Material items in the Comprehensive Income & Expenditure Account :

There were no material items of income or expenditure requiring separate disclosure in 2016/17 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 ‘Strategic Place’) and £1.6 million on some car parking assets (also within ‘Strategic Place’) 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 also note 9).

There is also a further £1 million charged to ‘Strategic Place’ 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 9 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 ‘Financing Items’ within ‘Cost of Services’. ‘Environmental Health and Wellbeing’ 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.

5 (c) 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 14 re Property, Plant & Equipment, note 35 re Capital Expenditure and Capital Financing and note 27 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 14 re Property, Plant & Equipment).

6. Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 25 September 2017. 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 2017, 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 2017 which require disclosure.

7. Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates/ services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2015/16 Net Expenditure Chargeable to the General Fund Balance £000	2015/16 Adjustments between the Funding and Accounting Basis £000	2015/16 Net Expenditure in the Comprehensive Income and Expenditure Statement £000		2016/17 Net Expenditure Chargeable to the General Fund Balance £000	2016/17 Adjustments between the Funding and Accounting Basis £000	2016/17 Net Expenditure in the Comprehensive Income and Expenditure Statement £000
3,350	52	3,298	Corporate Services	3,327	(59)	3,386
1,782	(9,012)	10,794	Strategic Place	674	(1,155)	1,829
7,201	(1,373)	8,574	Environmental Health & Wellbeing	7,065	(1,282)	8,347
2,841	583	2,258	Financing Items	1,814	438	1,376
15,174	(9,750)	24,924	Net Cost of Services	12,880	(2,058)	14,938
(15,364)	3,961	(19,325)	Other Income and Expenditure	(16,657)	2,235	(18,892)
(190)	(5,789)	5,599	(Surplus)/Deficit	(3,777)	177	(3,954)
(5,541)			Opening General Fund Balance	(5,731)		
(190)			Less/Plus (Surplus) / Deficit on General Fund in year	(3,777)		
(5,731)			Closing General Fund Balance at 31 March	(9,508)		

7 a. Note to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis

2016/17

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1)	Net change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
	£000	£000	£000	£000
Corporate Services	38	21	0	59
Strategic Place	1,063	89	3	1,155
Environmental, Health & Wellbeing,	1,220	57	5	1,282
Financing Items	0	(471)	33	(438)
Net Cost of Services	2,321	(304)	41	2,058
Other income and expenditure from the Expenditure and Funding Analysis	(5,319)	2,546	538	(2,235)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(2,998)	2,242	579	(177)

Adjustments between Funding and Accounting Basis

2015/16

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1)	Net change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
	£000	£000	£000	£000
Corporate Services	12	(65)	1	(52)
Strategic Place	9,246	(233)	(1)	9,012
Environmental, Health & Wellbeing	1,590	(262)	45	1,373
Financing Items	0	(515)	(68)	(583)
Net Cost of Services	10,848	(1,075)	(23)	9,750
Other income and expenditure from the Expenditure and Funding Analysis	(6,933)	2,613	359	(3,961)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	3,915	1,538	336	5,789

Adjustments for Capital Purposes

1) Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:-
   - **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
   - **Financing and investment income and expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
   - **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments

2) Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits related expenditure and income:
   - **For services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
   - For **Financing and investment income and expenditure** – the net interest on the defined benefit liability is charged to the CIES.

Other differences

3) Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:
   - For **services** the other differences column recognises adjustments to the General Fund for amounts by which officer remuneration charged on an accruals basis is different from remuneration chargeable in accordance with statutory requirements the timing differences for premiums and discounts. It also includes the amount by which finance costs charged differ to those chargeable in accordance with statutory requirements.
   - The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

7 b. Segmental Income

Income received on a segmental basis is analysed below:

Revenue from external customers:

	2015/16	2016/17
Services	**Income from Services**	**Income from Services**
	£000	**£000**
Corporate Services	(249)	(455)
Strategic Place	(8,190)	(9,453)
Environmental Health & Wellbeing	(5,168)	(6,213)
Financing Items	(21)	(16)
Total income analysed on a segmental basis	**(13,628)**	**(16,137)**

The largest source of income for Strategic Place is car parking income at £3.403 million (2015/16 £3.082 million). Income from housing schemes including homelessness and rent allowance recoveries amounts to £1.255 million (2015/16 £1.640 million). Other major sources include planning fees and building control.

The major source of income for Environmental Health & Wellbeing is from leisure related activities of which the income from leisure centres including memberships is £2.289 million (2015/16 £2.182 million). The next largest income source is recycling sales and credits at £2.390 million (2015/16 £1.529 million).

8. Expenditure and Income Analysed by Nature

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

Expenditure / Income	**2015/16 £000**	**2016/17 £000**
Expenditure		
Employee benefits expenses	16,516	17,811
Other services expenses*	54,998	52,624
Depreciation, amortisation, impairment	9,374	2,225
Interest payments	0	0
Precepts and levies	2,443	2,802
(Gain) or loss on the disposal of assets	(618)	(380)
Total expenditure	**82,713**	**75,082**
Income		
Fees, charges and other service income	(13,628)	(16,137)
Interest and investment income	(139)	(65)
Income from council tax, non-domestic rates (net)	(12,274)	(13,279)
Government grants and contributions**	(51,073)	(49,555)
Total income	**(77,114)**	**(79,036)**
(Surplus) or Deficit on the Provision of Services	**5,599**	**(3,954)**

*****Includes £34.169 million rent allowances paid (£35.519 million in 2015/16) and charged to Strategic Place.

****** Includes rent allowance subsidy of £33.836 million (£34.877 million in 2015/16) and charged to Strategic Place.
Rent allowances recovered are within fees, charges and other service income and also charged to Strategic Place (£0.562 million in 2016/17 and £1.023 million in 2015/16).

9. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to 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 2016/17 and 2015/16 are as follows:

2016/17

	Usable reserves			
	General Fund Balance	**Capital Receipts Reserve**	**Capital Grants Unapplied**	**Movement in Unusable Reserves**
	£'000	**£'000**	**£'000**	**£'000**
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non current assets	1,966	0	0	(1,966)
Revaluation (gains) losses on Property, Plant and Equipment	1,229	0	0	(1,229)
Revaluation reversals on Property, Plant and Equipment	(1,121)	0	0	1,121
Movements in the market value of Investment Properties	(5)	0	0	5
Operating / finance lease income adjustment	(1)	0	0	1
Amortisation of intangible assets	150	0	0	(150)
Capital grants and contributions applied	(4,171)	0	0	4,171
Revenue expenditure funded from capital under statute (REFCUS)	2,550	0	0	(2,550)
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	410	0	0	(410)
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
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
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	(949)	0	0	949

Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(2,097)	0	2,097	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	(1,575)	1,575
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(4)	4	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(116)	0	116
Right to buy receipts	(792)	792	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	(165)	165	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	0	0	0
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	33	0	0	(33)
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)	5,359	0	0	(5,359)
Employer's pensions contributions and direct payments to pensioners payable in the year	(3,117)	0	0	3,117
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	10	0	0	(10)
Total Adjustments	**(177)**	**845**	**522**	**(1,190)**

2015/16

	Usable reserves			
	General Fund Balance	**Capital Receipts Reserve**	**Capital Grants Unapplied**	**Movement in Unusable Reserves**
	£'000	**£'000**	**£'000**	**£'000**
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
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
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
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
Adjustments primarily involving the Capital Grants Unapplied Account:				
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
Adjustments primarily involving the Capital Receipts Reserve:				
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)
Total Adjustments	**5,789**	**(4,671)**	**1,562**	**(2,680)**

10. Movements in 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 2016/17.

	Balance at 1 April 2015	Transfers Out 2015/16	Transfers In 2015/16	Balance at 31 March 2016	Transfers Out 2016/17	Transfers In 2016/17	Balance at 31 March 2017
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
General Fund:							
Open spaces reserve	308	(92)	86	302	(1)	18	319
Insurance reserve	119	(34)	0	85	0	0	85
Revenue contribution to capital reserve	0	0	0	0	0	1,474	1,474
Business rates reserve	500	0	1,000	1,500	0	1,150	2,650
Sundry revenue grants reserve	843	(528)	491	806	(480)	1,521	1,847
Carry forward reserve	1,099	(641)	787	1,245	(1,245)	1,199	1,199
Strata usable reserves	201	(39)	0	162	0	54	216
Total	**3,070**	**(1,334)**	**2,364**	**4,100**	**(1,726)**	**5,416**	**7,790**

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.

11. Other Operating Expenditure

2015/16		2016/17
£'000		**£'000**
2,443	Parish council precepts	2,802
(752)	VAT sharing receipt & Right to Buy receipts	(792)
30	Pension administration expenses	47
134	(Gains)/losses on the disposal of non current assets **	410
0	(Gain) on share of donated assets - Strata	0
1,855	**Total**	**2,467**

**Includes public conveniences which were transferred to parish councils in 2015/16.

12. Financing and Investment Income and Expenditure

Restated 2015/16 £'000		2016/17 £'000
0	Interest payable and similar charges	0
2,550	Net interest on the net defined benefit liability	2,523
(138)	Interest receivable and similar income	(48)
(1)	Income and expenditure in relation to investment properties and changes in their fair value (see note 15)	(17)
2,411	**Total**	**2,458**

13. Taxation and Non Specific Grant Income and Expenditure

2015/16 £'000		2016/17 £'000
(9,501)	Council tax income (including surplus)	(10,185)
(12,598)	Business rates (including deficit)	(12,834)
	Non ring fenced government grants:	
(2,477)	Revenue support grant	(1,601)
(78)	Council tax freeze grant	0
(3,111)	New Homes Bonus	(3,848)
(10)	Returned New Homes Bonus top slice	(7)
(359)	Infrastructure capacity funding grant	(224)
0	Donated asset	0
(4,112)	Capital grants and contributions**	(3,954)
0	Capitalisation redistribution grant	0
(8)	Transparency Code grant	(8)
(759)	Small business rate relief grant	(772)
0	Sparsity/rural service delivery grant	0
(24)	Council tax support transitional/new burdens grant	0
(232)	Retail relief business rates grant	0
0	Electoral registration grants	0
(197)	Other business rates grants	(105)
(212)	Other general grants	(282)

9,361	Business rates tariff payment	9,439
1	Pooling costs	1
(107)	Pooling gain	(98)
261	Council tax support to parishes	261
571	Business rates levy	400
(23,591)	**Total**	**(23,817)**

** includes various grants towards capital expenditure.
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 (see note 33). In 2016/17 £2.075 million relates to the Community Infrastructure Levy with further grants from the Homes & Communities Agency and the Environment Agency.

14. Property, Plant and Equipment

Movements on Balances

Movements in 2016/17:

	Other Land and Buildings	**Vehicles, Plant, Furniture & Equipment**	**Infrastructure Assets**	**Community Assets**	**Surplus Assets**	**Assets Under Construction**	**Total Property, Plant and Equipment**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost or Valuation							
At 1 April 2016	79,764	3,856	2,123	1,799	153	0	**87,695**
Additions	919	572	65	2,822	0	410	**4,788**
Donations	0	0	0	0	0	0	**0**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	471	0	0	0	9	0	**480**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(397)	0	0	0	29	0	**(368)**
Derecognition - Disposals	(372)	(336)	0	0	(2)	0	**(710)**
Strata reclassify/additions/disposals	0	37	0	0	0	0	**37**
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	**0**
Other movements/reclassifications in Cost or Valuation	(30)	0	0	30	0	0	**0**
At 31 March 2017	**80,355**	**4,129**	**2,188**	**4,651**	**189**	**410**	**91,922**

	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Accumulated Depreciation and Impairment							
At 1 April 2016	**3,219**	**2,049**	**122**	**84**	**8**	**0**	**5,482**
Depreciation charge	1,483	304	43	29	8	0	**1,867**
Depreciation written out to the Revaluation Reserve	(1,385)	0	0	0	(1)	0	**(1,386)**
Depreciation written out to the Surplus/Deficit on the Provision of Services	(260)	0	0	0	0	0	**(260)**
Impairment losses/ (reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	**0**
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	**0**
Derecognition – Disposals	(14)	(321)	0	0	0	0	**(335)**
Strata – reclassify/charge/disposals	0	84	0	0	0	0	**84**
Other movements in Depreciation and Impairment	0	0	0	0	0	0	**0**
At 31 March 2017	**3,043**	**2,116**	**165**	**113**	**15**	**0**	**5,452**
Net Book Value							
At 31 March 2017	**77,312**	**2,013**	**2,023**	**4,538**	**174**	**410**	**86,470**
At 31 March 2016	**76,545**	**1,807**	**2,001**	**1,715**	**145**	**0**	**82,213**

Comparative Movements in 2015/16:

	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost or Valuation							
At 1 April 2015	55,273	3,777	982	1,717	94	953	**62,796**
Additions*	14,894	613	1,141	82	0	4,759	**21,489**
Donations	0	0	0	0	0	0	**0**
Revaluation increases/(decreases) recognised in the Revaluation Reserve**	11,667	0	0	0	30	0	**11,697**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services**	(7,573)	0	0	0	(4)	0	**(7,577)**
Derecognition - Disposals	(176)	(587)	0	0	0	0	**(763)**
Strata – reclassify/movements /additions	0	53	0	0	0	0	**53**
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	**0**
Other movements/ reclassifications in Cost or Valuation	5,679	0	0	0	33	(5,712)	**0**
At 31 March 2016	**79,764**	**3,856**	**2,123**	**1,799**	**153**	**0**	**87,695**
Accumulated Depreciation and Impairment							
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 the Revaluation Reserve**	(687)	0	0	0	(4)	0	**(691)**
Depreciation written out to the Surplus/Deficit on the Provision of Services**	(200)	0	0	0	0	0	**(200)**
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	**0**

Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	**0**
Derecognition - Disposals	(10)	(560)	0	0	0	0	**(570)**
Strata – reclassify/ movements/charge	0	95	0	0	0	0	**95**
Other movements in Depreciation and Impairment	0	0	0	0	0	0	**0**
At 31 March 2016	**3,219**	**2,049**	**122**	**84**	**8**	**0**	**5,482**

*Includes the purchase of the Market Walk shopping centre for £13.7 million (see note 5(c)).
**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(c)) and a reduction to the value of the new Pavilions community hub of £4.4 million (see note 5(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. 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 is one major contract for future capital expenditure at 31 March 2017. This relates to the Teignmouth point sea defence works. Work commenced in 2016/17 leaving a future commitment of £0.7 million. These works are funded by the Environment Agency.

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) 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.

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Surplus Assets	Infrastructure Assets	Community Assets
	£'000	£'000	£'000	£'000	£'000
Carried at historical cost	0	4,129**	0	1,560	4,622
Valued at current value in year:					
2016/17	33,665	0	31	0	0
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
Total cost or valuation *	134,728	4,129**	236	2,188	4,651

* 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.

15. 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:

2015/16 £'000		2016/17 £'000
10	Rental income from investment property	12
(0)	Direct operating expenses arising from investment property	(0)
10	Net gain/(loss)	12

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:

2015/16 £'000		2016/17 £'000
139	Balance at start of the year	130
	Additions:	
0	Purchases	0
0	Construction	0

0	Subsequent expenditure	0
(0)	Disposals	(0)
(9)	Net gains/losses from fair value adjustments	5
	Transfers:	
(0)	To/from Inventories	(0)
0	To/from Property, Plant and Equipment	0
0	Other changes	0
130	Balance at end of the year	135

16. 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 2017.

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

	2015/16		2016/17	
	Other Assets £'000	**Total £'000**	**Other Assets £'000**	**Total £'000**
Balance at start of year:				
• Gross carrying amounts	594	594	733	733
• Accumulated amortisation	(49)	(49)	(195)	(195)
Net carrying amount at start of year	545	545	538	538
Additions				
• Purchases	0	0	0	0
Retirements and disposals (net)	0	0	(10)	(10)
Strata reclassify/movements/additions	139	139	134	134
Amortisation for the period	(146)	(146)	(150)	(150)
Net carrying amount at end of year	**538**	**538**	**512**	**512**
Comprising				
• Gross carrying amounts	733	733	848	848
• Accumulated amortisation	(195)	(195)	(336)	(336)
	538	**538**	**512**	**512**

17. 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:

	31 March 2016 £'000	31 March 2017 £'000
Collection Fund balance – non domestic rates	340	427
Sundry trade debtors/Community Infrastructure Levy	1,555	1,700
Mortgages / loans	498	497
Finance leases	18	18
	2,411	2,642

18. 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.

19. Short Term Debtors

31 March 2016 £'000		31 March 2017 £'000
906	Central government bodies	180
3,156	Other local authorities	3,575
1	NHS bodies	0
0	Public corporations and trading funds	0
6,518	Other entities and individuals	6,656
299	Strata debtors	459
10,880	**Total**	**10,870**

20. Cash and Cash Equivalents

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

31 March 2016 £'000		31 March 2017 £'000
104	Cash held by the Authority	41
(688)	Bank current/instant call accounts	(619)
840	Short term deposits with banks/ building societies/money market funds	5,500
138	Strata	222
394	**Total Cash and Cash Equivalents**	**5,144**

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'.

21. Assets Held for Sale

	Current		Non-Current	
	2015/16	**2016/17**	**2015/16**	**2016/17**
	£'000	**£'000**	**£'000**	**£'000**
Balance outstanding at start of year	**0**	**0**	**0**	**0**
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
Balance outstanding at year-end	**0**	**0**	**0**	**0**

22. Short Term Creditors

31 March 2016 £'000		31 March 2017 £'000
(1,166)	Central government bodies	(1,492)
(4,071)	Other local authorities	(2,801)
(8)	NHS bodies	(28)
0	Public corporations and trading funds	0
(3,606)	Other entities and individuals	(4,360)
(6)	Strata creditors	(210)
(8,857)	**Total**	**(8,891)**

23. Provisions

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

	Short Term			
	Insurance	**Land charges**	**Non Domestic Rates Appeals**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Balance at 1 April 2016	**(34)**	**(55)**	**(320)**	**(409)**
Additional provisions made in 2016/17	0	0	0	**0**
Amounts used in 2016/17	34	27	0	**61**
Unused amounts reversed in 2016/17	0	18	160	**178**
Balance at 31 March 2017	**0**	**(10)**	**(160)**	**(170)**

Short term – Insurance:
The provision is 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.

24. Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement on page 30. See also note 9 for further breakdown and note 10 for movement on earmarked reserves. The Council has the following usable reserves:

Un-earmarked Reserves -	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.

The total of un-earmarked and earmarked reserves represent the Total General Fund balance.

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.

25. Unusable Reserves

The Council has the following unusable reserves and balances:

31 March 2016		**31 March 2017**
£'000		**£'000**
26,658	Revaluation Reserve	27,987
42,028	Capital Adjustment Account	44,197
0	Financial Instruments Adjustment Account	(33)
(71,546)	Pensions Reserve	(94,572)
58	Deferred Capital Receipts Reserve	58
(303)	Collection Fund Adjustment Account	(841)
(244)	Accumulated Absences Account	(254)
(3,349)	**Total Unusable Reserves**	**(23,458)**

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.

2015/16 £'000		2016/17 £'000	
14,700	**Balance at 1 April**		**26,658**
15,828	Upward revaluation of assets	4,104	
(3,440)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(2,239)	
12,388	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		1,865
(370)	Difference between fair value depreciation and historical cost depreciation	(437)	
(60)	Accumulated gains on assets sold or scrapped	(99)	
(430)	Amount written off to the Capital Adjustment Account		(536)
26,658	**Balance at 31 March**		**27,987**

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.

2015/16 £'000		2016/17 £'000	
42,383	**Balance at 1 April**		**42,028**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(1,851)	• Charges for depreciation and impairment of non current assets	(1,966)	
1	• Operating lease income adjustment	1	
(8,096)	• Revaluation losses on Property, Plant and Equipment	(1,229)	
719	• Revaluation reversals on Property, Plant & Equipment	1,121	
(146)	• Amortisation of intangible assets	(150)	
(3,910)	• Revenue expenditure funded from capital under statute	(2,550)	
(193)	• 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	(410)	
0	• Gain arising on share of donated assets - Strata	0	
(13,476)		(5,183)	
430	Adjusting amounts written out of the Revaluation Reserve	536	
(13,046)	Net written out amount of the cost of non current assets consumed in the year		(4,647)
	Capital financing applied in the year:		

5,558	• Use of the Capital Receipts Reserve to finance new capital expenditure/repay loan	116	
0	• Use of the Capital Receipts Reserve to meet previous year disposal costs	0	
4,921	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	4,171	
0	• Application of grants to capital financing from the Capital Grants Unapplied Account	1,575	
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	
2,221	• Capital expenditure charged against the General Fund balance	949	
12,700			6,811
(9)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		5
0	Loan repayment		0
0	Donated asset		0
42,028	**Balance at 31 March**		**44,197**

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.

2015/16 £'000		2016/17 £'000
(69)	**Balance at 1 April**	0
69	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	(33)
0	**Balance at 31 March**	**(33)**

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.

2015/16 £'000		2016/17 £'000
(79,210)	**Balance at 1 April**	**(71,546)**
9,202	Re-measurements of the net defined benefit liability/(asset)	(20,784)
(5,542)	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	(5,359)
4,004	Employer's pensions contributions and direct payments to pensioners payable in the year	3,117
(71,546)	**Balance at 31 March**	**(94,572)**

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.

2015/16 £'000		2016/17 £'000
78	**Balance at 1 April**	**58**
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
(20)	Transfer to the Capital Receipts Reserve upon receipt of cash	0
58	**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.

2015/16 £'000		2016/17 £'000
56	**Balance at 1 April**	**(303)**
(359)	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	(538)
(303)	**Balance at 31 March**	**(841)**

<u>Accumulated Absences Account</u>

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.

2015/16 £'000		2016/17 £'000	
(197)	**Balance at 1 April**		**(244)**
197	Settlement or cancellation of accrual made at the end of the preceding year	244	
(244)	Amounts accrued at the end of the current year	(254)	
(47)	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		(10)
(244)	**Balance at 31 March**		**(254)**

26. Cash Flow Statement – Operating Activities

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

2015/16 £'000		2016//17 £'000
(1,851)	Depreciation	(1,966)
(7,377)	Impairment, downward valuations & revaluation reversals	(108)
(146)	Amortisation	(150)
(295)	(Increase)/ decrease in impairment for bad debts	165
(3,660)	(Increase)/decrease in creditors	(135)
1,827	Increase/(decrease) in debtors	75
(1)	Increase/(decrease) in inventories	14
(1,538)	Movement in pension liability	(2,242)

(193)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(412)
(405)	Other non-cash items charged to the net surplus or deficit on the provision of services	(547)
(13,639)		(5,306)

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

2015/16 £'000		2016/17 £'000
0	Proceeds from short-term (not considered to be cash equivalents) and long-term investments	0
50	Proceeds from the sale of property, plant & equipment, investment property and intangible assets	4
4,921	Capital grants and contributions applied	4,171
(3,910)	Revenue expenditure funded from capital under statute	(2,550)
2,442	Any other items for which the cash effects are investing or financing cash flows	3,027
3,503		4,652

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

2015/16 £'000		2016/17 £'000
(159)	Interest received	(54)
0	Interest paid	0

27. Cash Flow Statement – Investing Activities

2015/16 £'000		2016/17 £'000
21,571	Purchase of property, plant and equipment, investment property and intangible assets**	5,165
7,000	Purchase of short term and long term investments	25,000
351	Investment in Strata Service Solutions Ltd	145
3,727	Other payments for investing activities	2,408

(24)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(16)
(11,000)	Proceeds from short term and long term investments	(26,000)
(3,208)	Other receipts from investing activities*	(8,380)
18,417	**Net cash flows from investing activities**	**(1,678)**

*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.

28. Cash Flow Statement – Financing Activities

2015/16		**2016/17**
£'000		**£'000**
0	Cash receipts of short- and long-term borrowing	(1,000)
0	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	1,000
225	Other payments for financing activities**	1,536
225	**Net cash flows from financing activities**	**1,536**

**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.

29. Financial Instruments

Categories of Financial Instruments

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

	Long-Term		Current	
	31 March 2016 £'000	31 March 2017 £'000	Restated* 31 March 2016 £'000	31 March 2017 £'000
Investments				
Loans and receivables	0	0	1,000	0
Available-for-sale financial assets	0	0	0	0
Total investments	**0**	**0**	**1,000**	**0**
Debtors				
Loans and receivables	516	516		
Financial assets carried at contract amounts			4,607	2,968
Total included in debtors	**516**	**516**	**4,607**	**2,968**
Cash and cash equivalents	0	0	1,902	6,674
Total cash & cash equivalents	**0**	**0**	**1,902**	**6,674**
Borrowings				
Financial liabilities at amortised cost – bank overdraft*	0	0	(1,508)	(1,530)
Total included in borrowings	**0**	**0**	**(1,508)**	**(1,530)**
Creditors				
Financial liabilities at amortised cost	0	0		
Financial liabilities carried at contract amounts			(3,192)	(3,786)
Total creditors	**0**	**0**	**(3,192)**	**(3,786)**

*Restated to include bank overdraft at 31 March 2016.

Income, Expense, Gains and Losses

2016 / 2017	**Financial Liabilities measured at amortised cost**	**Financial Assets: Loans and receivables**	**Total**
	£'000	**£'000**	**£'000**
Interest expense	0	0	0
Losses on derecognition	0	0	0
Impairment losses	0	0	0
Total expense in Surplus or Deficit on the Provision of Services	**0**	**0**	**0**
Interest income	0	(48)	(48)
Interest income accrued on impaired financial assets	0	0	0
Gains on derecognition	0	0	0
Total income in Surplus or Deficit on the Provision of Services	**0**	**(48)**	**(48)**
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
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	**0**	**0**	**0**
Net (gain) / loss for the year	**0**	**(48)**	**(48)**

2015 / 2016	**Financial Liabilities measured at amortised cost**	**Financial Assets: Loans and receivables**	**Total**
	£'000	**£'000**	**£'000**
Interest expense	0	0	0
Losses on derecognition	0	0	0
Impairment losses	0	0	0
Total expense in Surplus or Deficit on the Provision of Services	**0**	**0**	**0**
Interest income	0	(138)	(138)
Interest income accrued on impaired financial assets	0	0	0
Gains on derecognition	0	0	0
Total income in Surplus or Deficit on the Provision of Services	**0**	**(138)**	**(138)**

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
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	**0**	**0**	**0**
Net (gain) / loss for the year	**0**	**(138)**	**(138)**

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 2017 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:

	Restated* 31 March 2016		**31 March 2017**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	£'000	**£'000**	**£'000**	**£'000**
Liabilities:				
Trade creditors	(3,192)	(3,192)	(3,786)	(3,786)
Bank overdraft*	(1,508)	(1,508)	(1,530)	(1,530)
Long term creditors	0	0	0	0
Total	**(4,700)**	**(4,700)**	**(5,316)**	**(5,316)**
Assets:				
Investments/short term debtors	5,607	5,607	2,968	2,968
Long term debtors	516	516	516	516
Cash and cash equivalents*	1,902	1,902	6,674	6,674
Total	**8,025**	**8,025**	**10,158**	**10,158**

*Restated to include bank overdraft and cash and cash equivalents at 31 March 2016.

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

30. Members' Allowances

The scheme in operation is based upon the Local Authorities (Members' allowances) (England) Regulations 2003. The total allowances paid in 2016/17 (including travel and subsistence) amounts to £361,242 (2015/16 £355,748). 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**	
	2015/16	**2016/17**		**2015/16**	**2016/17**
£50,000 - £54,999	5	4	£95,000 - £99,999	0	0
£55,000 - £59,999	2	1	£100,000 - £104,999	0	0
£60,000 - £64,999	1	4	£105,000 - £109,999	0	0
£65,000 - £69,999	2	1	£110,000 - £114,999	0	0
£70,000 - £74,999	0	0	£115,000 - £119,999	1	0
£75,000 - £79,999	1	0	£120,000 - £124,999	0	1
£80,000 - £84,999	0	1	£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 2016/17 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**	**Total Remuneration Inc. Employers pension contributions**
	£	**£**	**£**	**£**	**£**	**£**
Chief Executive	122,370	0	940	123,310	16,275	139,585
Deputy Chief Executive	89,001	0	829	89,830	11,837	101,667
Business Lead	81,306	0	13	81,319	10,814	92,133
Chief Finance Officer & Section 151 Officer (1)	40,314	0	0	40,314	5,362	45,676
Monitoring Officer	59,976	0	1,003	60,979	7,977	68,956
Solicitor to the Council & Deputy Monitoring Officer	55,761	0	4	55,765	7,416	63,181

(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 2015/16:

	Salary (Inc. fees & allowances)	**Compensation for loss of employment**	**Benefits in Kind (e.g. car allowance)**	**Total Remuneration Excl. Employers pension contributions**	**Pension Contributions**	**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.

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)	(b)		(c)		(d)		(e)	
Exit package cost band (including special payments)	**Number of compulsory redundancies**		**Number of other departures agreed**		**Total number of exit packages by cost band [(b) + (c)]**		**Total cost of exit packages in each band**	
	2015/16	**2016/17**	**2015/16**	**2016/17**	**2015/16**	**2016/17**	**2015/16**	**2016/17**
							£'000	£'000
£0 - £20,000	0	0	4	1	4	1	36	12
£20,001 – £40,000	0	0	1	3	1	3	40	78
£40,001 - £60,000	0	0	1	1	1	1	45	47
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0	0	0
Total cost Included in bandings	**0**	**0**	**6**	**5**	**6**	**5**	**121**	**137**
Add: Amounts provided for in Comprehensive Income & Expenditure Statement not included in bandings							0	0
Total cost included in Comprehensive Income & Expenditure Statement							**121**	**137**

Termination Benefits:

The Authority terminated the contracts of a number of employees in 2016/17, incurring liabilities of £92k (£97k in 2015/16). Three of the liabilities were payable in the form of compensation for loss of office with no enhancement of pension benefits and a further two 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:

	2015/16 £'000	2016/17 £'000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year	48	48
Fees payable in respect of certification of grant claims provided by Grant Thornton during the year	6	6
Total	**54**	**54**

33. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016/17:

	2015/16 £'000	2016/17 £'000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	(2,477)	(1,601)
Council tax support trans/new burdens	(24)	0
Small business rate relief grant	(759)	(772)
Community Infrastructure Levy	(1,576)	(2,075)
Transparency code grant	(8)	(8)
Environment agency	(8)	(414)
Returned New Homes Bonus top slice	(10)	(7)
Homes & Communities Agency	0	(378)
Sparsity/rural service delivery grant	0	0
Infrastructure capacity funding grant	(359)	(224)
Council Tax Freeze Grant	(78)	0
Lottery	0	(221)
Coastal communities fund	(1,118)	0
Miscellaneous SANGS	0	(489)
New Homes Bonus	(3,111)	(3,848)
Retail Relief business rates grant	(232)	0
Contributions from Devon County Council	(489)	0
Marine Management Organisation	(444)	0
Arts Council	(358)	(142)
Electoral registration grants	0	0
Other non domestic rates grants	(197)	(105)
Other contributions	(331)	(517)
Total	**(11,579)**	**(10,801)**

	2015/16 £'000	2016/17 £'000
Credited to Services		
REFCUS grants:		
Renovation/Disabled/energy grants	(703)	(1,622)
Shoreline/Coastal Monitoring	(1,379)	(597)
Play/recreation	(275)	(52)
Other	(13)	(43)
Rent Allowance subsidy	(34,877)	(33,836)
Housing Benefit administration subsidy	(501)	(410)
Rent rebate subsidy	(338)	(390)
Community Housing Fund	0	(581)
Homelessness grants	(21)	(21)
Safer Devon/crime/community regeneration grants etc.	(25)	(23)
Elector Fund	(102)	(101)
Repair and renew grant - flooding	(10)	0
RPA/Habitat Regulations/open space	(155)	(211)
Housing enabling/options/welfare	(165)	0
Bellwin	0	0
Other grants/contributions*	(930)	(867)
Total	**(39,494)**	**(38,754)**

*Prior year adjustment to align with the revised reporting requirements (see note 5).

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

Grants Receipts in Advance (Revenue Grants)	31 March 2016 £'000	31 March 2017 £'000
Miscellaneous crime/disorder/community regeneration grants	(41)	(84)
Walk this Way/sports grants	(74)	(78)

Estuary contributions	(31)	0
Watercourse improvement contributions	(35)	(35)
Air quality	(2)	(60)
Heritage trail	0	(74)
Community facilities/open space contributions	(75)	(385)
Elections	0	(90)
Targeted families programme	(10)	(2)
Recycling	(16)	(8)
Estuary/Miscellaneous	(21)	(97)
Total	**(305)**	**(913)**

Grants Receipts in Advance (Capital Grants)	**31 March 2016 £'000**	**31 March 2017 £'000**
Environment Agency/Natural England – Flood Prevention and Alleviation	(314)	(1,622)
DFG (Better Care Fund)	0	(227)
DEFRA – Air Quality	(50)	(50)
Public Open Spaces and recreation	(9)	(9)
Dept for Energy/DCC – Central Heating Fund	(1,086)	0
Pioneer Places	(98)	0
Lottery	0	(27)
Housing/infrastructure	0	(166)
Other	(13)	(56)
Total	**(1,570)**	**(2,157)**

Long term liabilities

Grants Receipts in Advance (Revenue Grants)	**31 March 2016 £'000**	**31 March 2017 £'000**
Dawlish Town Centre – community facilities	(91)	(78)
Parks, play & recreation facilities contribution	(2,409)	(2,739)
Carswells – open space contribution	(51)	(51)
Newton Abbot /Kingsteignton/Dawlish etc – air quality	(221)	(184)
Drainage - Kingsteignton	(144)	(144)
Miscellaneous open space, community facilities & wildlife contributions	(2,310)	(1,548)
Sundry drainage & flood defence contributions	(10)	(10)
Dawlish - drainage	(183)	(184)
Health contributions	(47)	(64)
Chudleigh – open space, indoor sports & play provision	(97)	(97)
Teignmouth town centre – pedestrianisation & public art	(57)	(2)
Other miscellaneous grants/contributions	(25)	(23)
Affordable housing	(133)	(314)
Total	**(5,778)**	**(5,438)**

Grants Receipts in Advance (Capital Grants)	31 March 2016 £'000	31 March 2017 £'000
Open Space and Recreation	(78)	(78)
Total	**(78)**	**(78)**

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). Grant receipts credited to the Comprehensive Income and Expenditure Statement and those outstanding at 31 March 2017 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 2016/17 is shown in Note 30.

Grants and payments for services rendered totalling £54,130 were paid to the Citizens Advice Bureau (CAB) in 2016/17. 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.

Dextco Limited was incorporated on 1 December 2016. It was established to fund and implement low carbon energy projects across Devon to deliver a reliable, low cost energy infrastructure which will encourage inward investment, thereby driving growth in the local economy and skilled jobs for the workforce. Teignbridge District Council is one of five equal shareholders comprising; Devon County Council, Royal Devon & Exeter NHS Foundation Trust, University of Exeter and Exeter City Council.

Dextco Limited is deemed to be a joint venture, as it is a separate legal entity with shareholders that have equal and collective control with decisions made unanimously.

During the year the Council paid £5,001 for its shareholding and provided a grant of £93,000.

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.

	2015/16	**2016/17**
	£'000	**£'000**
Opening Capital Financing Requirement	1,727	14,777
Capital investment :		
Property, Plant and Equipment*	21,489	4,788
Strata ICT Capital Investment	351	145
Intangible Assets	0	0
Revenue Expenditure Funded from Capital under Statute	3,910	2,550
Long term debtors relating to capital transactions	0	0
Expenditure re. future capital receipts/other	0	0
Sources of finance :		
Capital receipts	(5,558)	(116)
Government grants and other contributions	(4,921)	(5,746)
Sums set aside from revenue:		
Direct revenue contributions	(2,221)	(949)
Financing of loan	0	0
MRP	0	0
Closing Capital Financing Requirement	14,777	15,449
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)	13,050	672
Assets acquired under finance leases	0	0
Increase/(decrease) in Capital Financing Requirement	13,050	672

*****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 2016/17.

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:

31 March 2016 £'000		31 March 2017 £'000
6,279	Other Land and Buildings	6,161
6,279		6,161

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:

31 March 2016 £'000		31 March 2017 £'000
1,354	Not later than one year	1,378
5,177	Later than one year and not later than five years	5,317
1,261	Later than five years	353
7,792		7,048

The expenditure charged to the various segments within Net Cost of Services in the Comprehensive Income and Expenditure Statement during the year in relation to all operating leases was:

2015/16 £'000		2016/17 £'000
1,269	Minimum lease payments	1,534
2	Contingent rents	0
0	(Sublease payments receivable)	0
1,271		1,534

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 74 and 91 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:

31 March 2016 £'000		31 March 2017 £'000
	Finance lease debtor (net present value of minimum lease payments):	
0	• Current	0
18	• non current	18
70	Unearned finance income	69
0	Unguaranteed residual value of property	0
88	Gross investment in the lease	87

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

	Gross Investment in the Lease		Minimum Lease Payments	
	31 March 2016 £'000	31 March 2017 £'000	31 March 2016 £'000	31 March 2017 £'000
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	82	81	18	18
	88	87	18	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 2017 (£0 at 31 March 2016).

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 2016/17 £2k contingent rents were receivable by the Authority (2015/16 £3k).

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:

31 March 2016 £'000		31 March 2017 £'000
1,766	Not later than one year	1,715
2,796	Later than one year and not later than five years	2,718
5,095	Later than five years	4,755
9,657		9,188

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 2016/17 £79k contingent rents were receivable by the Authority (2015/16 £13k).

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 14 reconciling the movement over the year in Property, Plant and Equipment.

For 2015/16 and 2016/17 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.

2016/17:	Scheme Assets £'000	Pensions Obligations £'000	Net Pensions Liability £'000	Notes on Accounting Treatment
Opening balance at 1 April 2016	**75,429**	**(146,975)**	**(71,546)**	
Current service cost		(3,468)	(3,468)	Absorbed into the total cost of services in the CIES
Past service cost and gains/losses on settlements		(11)	(11)	Charged to Financing items in the CIES
Interest income and expenses	2,702	(5,225)	(2,523)	Charged as a net item to Financing and Investment Income and Expenditure in the CIES
Administration expenses	(48)		(48)	Charged to Other Operating Expenditure
Remeasurements: • Return on plan assets	10,449		10,449	Credited 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 demographic assumptions		852	852	Credited 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		(35,090)	(35,090)	Debited as Remeasurements of the Net Defined Benefit Liability to Other Comprehensive Income and Expenditure in the CIES
• Other actuarial gains and losses	(1,290)	4,294	3,004	Credited as Remeasurements of the Net Defined Liability to Other Comprehensive Income and Expenditure in the CIES
Contributions: • Council employer's contributions	3,117		3,117	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.
• Employee contributions	692		692	Absorbed into the total cost of services in the CIES – netted off Current Service Cost
Retirement grants and pensions	(4,839)	4,839	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
Closing Balance at 31 March 2017	**86,212**	**(180,784)**	**(94,572)**	

2015/16:	Scheme Assets £'000	Pensions Obligations £'000	Net Pensions Liability £'000	Notes on Accounting Treatment
Opening balance at 1 April 2015	**74,974**	**(154,184)**	**(79,210)**	
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 Financing items 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: • Return on plan assets	(1,899)		(1,899)	Credited 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 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		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: • Council employer's contributions	4,004		4,004	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.
• 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
Closing Balance at 31 March 2016	**75,429**	**(146,975)**	**(71,546)**	

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 £94.572 million has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative net assets position of £7.530 million at 31 March 2017. 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 2016.

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:

	31 March 2016	**31 March 2017**
Longevity at 65 for current pensioners:		
Men	22.9	23.4
Women	26.2	25.5
Longevity at 65 for future pensioners: (assumed retiring in 20 years)		
Men	25.2	25.6
Women	28.6	27.8
Take-up of option to convert annual pension into 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. It is assumed that members opted in to the 50% of contributions for 50% of the benefits at the previous valuation date will continue.

Financial Assumptions

	31 March 2016	31 March 2017
	% p.a.	% p.a.
Salary increases	4.1%	4.2%
Pension increases	2.3%	2.7%
Discount rate	3.6%	2.7%

Demographic / Statistical assumptions

These assumptions by the actuary are set with reference to market conditions at 31 March 2017. 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 Merill 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 3.6%. This is consistent with the approach used at the last accounting date. As future pension increases are expected 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. 2.7%. 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. This is consistent with the approach used at the last accounting date.

Salary increases are then assumed to be 1.5% above CPI in addition to a promotional scale. However allowance has been made for a short-term overlay from 31 March 2016 to 31 March 2020 for salaries to rise in line with CPI. This has been updated since the last accounting date. For the last accounting date, salaries were assumed to increase at 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 £'000	Decrease in Assumption £'000
Longevity (increase or decrease in 1 year) (increase is a shorter lifespan)	(6,991)	6,722
Rate of increase in salaries (increase or decrease by 0.1%)	(441)	437

Rate of increase in pensions (increase or decrease by 0.1%) and deferred revaluation	(2,862)	2,809
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	3,243	(3,306)

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 2040. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2019.

The authority is anticipated to pay £2,933k expected contributions to the scheme in 2017/18.

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

	31 March 2016		**31 March 2017**	
	£'000	**%**	**£'000**	**%**
Equities**	42,625	57%	50,710	59%
Gilts	2,470	3%	2,574	3%
Other Bonds	2,177	3%	2,203	2%
Property	8,343	11%	7,543	9%
Cash	1,405	2%	2,302	3%
Target Return Portfolio	10,929	14%	12,800	15%
Infrastructure	3,137	4%	3,355	4%
Other	4,343	6%	4,725	5%
Total	**75,429**	**100%**	**86,212**	**100%**

**At 31 March 2017 equities include £29.980m of overseas equities.

Of the total fund asset at 31 March 2017, the following table identifies the split of those assets with a quoted market price and those that do not:

		31 March 2017	
		% Quoted	**% Unquoted**
Fixed interest government securities	UK	-	-
	Overseas	2.9	-
Corporate bonds	UK	0.1	
	Overseas	2.4	
Equities	UK	22.7	1.4
	Overseas	30.3	4.6
Property	All	-	8.7
Others	Absolute return portfolio	14.8	-
	Infrastructure	-	3.9
	Multi sector credit fund	5.5	-
	Cash/Temporary investments	-	2.7
Net current assets	Debtors	-	0.1
	Creditors	-	(0.1)
Total		**78.7%**	**21.3%**

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 Government (via UK Treasury Bills and 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 2017 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 at 31 March 2017	**Historical experience of default**	**Historical experience adjusted for market conditions at 31 March 2017**	**Estimated maximum exposure to default and uncollectability at 31 March 2017**	**Estimated maximum exposure at 31 March 2016**
	£'000	**%**	**%**	**£'000**	**£'000**
	A	B	C	(A X C)	
Deposits with banks and financial institutions	6,633	0.0	0.0	0	0
Customers	3,533	3.17	3.17	112	206
				112	206

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 £0.866 million of the £3.533 million balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2016 £'000	**31 March 2017 £'000**
Less than three months	402	527
Three to six months	140	113
Six months to one year	342	97
More than one year	461	129
	1,345	866

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:

	Restated* 31 March 2016 £'000	**31 March 2017 £'000**
Less than one year*	(4,700)	(5,316)
Between one and two years	0	0
Between two and five years	0	0
More than five years	0	0
	(4,700)	(5,316)

*Restated to include bank overdraft at 31 March 2016.

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 8.7% (8.4% for 2017/18) 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 2017, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable investments	(61)
Increase in government grant receivable for financing costs*	0
Impact on Surplus or Deficit on the Provision of Services	**(61)**
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:-

31 March 2016 £'000		**31 March 2017 £'000**
(251)	Operating leases - income in advance	(248)
(1,472)	Collection Fund balance – council tax	(985)
(71,546)	Pension Liability	(94,572)
(73,269)		**(95,805)**

42. Trust Funds

The Authority previously acted 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 relinquished its trusteeship in April 2015 and appointed the Friends of Buckfastleigh Swimming Pool Trust.

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 £39,732 for 2016/17 (£45,099 in 2015/16).

(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 111 and 112.

(c) The Authority carries out payroll services for various organisations for which it received total fee income of £2,872 in 2016/17 (£2,619 in 2015/16).

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)

	2015/16 £'000's	2016/17 £'000's
Fees	(1,676)	(1,800)
Cost of Sales	798	777
Admin Expenses	1,249	1,286
Transfer of pension scheme liability	0	0
Cost of Services	**371**	**263**
(Gain) / loss on disposal of assets	0	25
Net interest on the net defined benefit liability	37	35
Interest receivable	(3)	(1)
(Surplus) or Deficit on Provision of Services	**405**	**322**
Remeasurement of the net defined benefit liability	(302)	870
Total CIES	**103**	**1,192**

Adjustments to Balance Sheet (cumulative for 2015/16 column)		
Property, Plant & Equipment	348	(47)
Intangible assets	538	(26)
Investment in Strata removed upon consolidation and replaced with proportional share of assets and liabilities	(1,168)	(145)
Total Long Term Assets	**(282)**	**(218)**
Inventories	2	0
Short Term Debtors	299	160
Cash & Cash Equivalents	138	84
Total Current Assets	**439**	**244**
Short Term Creditors	(6)	(204)
Grants Receipts in Advance – Capital	(13)	(43)
Total Current Liabilities	**(19)**	**(247)**

Pension Scheme Liability	(924)	(971)
Total Long Term Liabilities	**(924)**	**(971)**
Net Assets	**(786)**	**(1,192)**
Financed by:		
Usable reserves	162	54
Unusable reserves	(948)	(1,246)
Total Reserves	**(786)**	**(1,192)**

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.

	2015/16 Business Rates	2015/16 Council Tax	2016/17 Business Rates	2016/17 Council Tax
INCOME	**£'000**	**£'000**	**£'000**	**£'000**
Income from Council Tax		(75,355)		(79,506)
Business Rates Receivable	(31,521)		(31,174)	
(Plus): Transitional Protection/Relief	(157)	(1)	17	(1)
	(31,678)	(75,356)	(31,157)	(79,507)
EXPENDITURE				
Precepts, Demands & Shares:				
Central Government	16,176		16,876	
Devon County Council	2,912	53,123	3,038	56,513
Devon & Cornwall Police Authority		7,753		8,088
Devon & Somerset Fire & Rescue Authority	324	3,587	337	3,743
Teignbridge District Council (net including Towns / Parishes)	12,941	9,313	13,501	10,064
Rates write offs and change in impairment allowance	53		(10)	
Council Tax written off and change in impairment allowance		113		159
Rates increase/(reduction) in provision for appeals	237		(400)	
Business Rates – costs of collection	191		192	
	32,834	73,889	33,534	78,567
Movements on the Collection Fund :				
DEFICIT / (SURPLUS) FOR THE YEAR	**1,156**	**(1,467)**	**2,377**	**(940)**
DEFICIT / (SURPLUS) BROUGHT FORWARD	774	(2,222)	567	(1,689)
ACCUMULATED DEFICIT / (SURPLUS) (see note 4 to the Collection Fund)	1,930	(3,689)	2,944	(2,629)
Allocation for following year:				
Central Government	(682)		(1,116)	
Devon County Council	(123)	1,440	(201)	1,081
Devon & Cornwall Police Authority		210		155
Devon & Somerset Fire & Rescue Authority	(13)	97	(22)	72
Teignbridge District Council	(545)	253	(893)	192
	(1,363)	2,000	(2,232)	1,500
DEFICIT / (SURPLUS) CARRIED FORWARD	**567**	**(1,689)**	**712**	**(1,129)**

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 £13,501k (2015/16 £12,941k) from the rates collection fund. The authority had to pay a tariff to government of £9,439k (2015/16 £9,361k) and a levy of £400k (2015/16 £571k). However as we are part of the Devon pool some of this was returned to us as a pooling gain of £98k (2015/16 £107k).

- 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 £1,500k surplus (2015/16 £2,000k) has been declared by Teignbridge as the council tax estimate in 2016/17. A £2,232k (2015/16 £1,363k) deficit was anticipated for non domestic rates for 2016/17 however an actual deficit balance has arisen of £2,944k (2015/16 £1,930k).

2. Business Rates

The total business rateable value as at 31 March 2017 was £82,811k (31 March 2016 £83,512k) with a multiplier of 49.7 pence (49.3 pence 2015/16) in the pound 48.4 pence (48.0 pence 2015/16) in the pound for properties where the rateable value is less than £18,000 (£18,000 2015/16).

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 2016/17 was 47,270 (2015/16 46,349) adjusted for a collection rate of 99.0% to give Teignbridge's Tax Base of 46,797 (2015/16 45,746) Band D equivalents. The average Band D charge for the Teignbridge CT, excluding Parishes, was £155.17 (2015/16 £150.17).

4. Collection Fund Balance

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

	2015/16		2016/17	
	Business Rates £'000	Council Tax £'000	Business Rates £'000	Council Tax £'000
Central Government	965		1,472	
Devon County Council	174	(2,657)	265	(1,899)
Devon & Cornwall Police Authority		(385)		(269)
Devon & Somerset Fire and Rescue Authority	19	(178)	29	(124)
In short / long term debtors / short term creditors / long term liabilities	1,158	(3,220)	1,766	(2,292)
Balance of Fund to Teignbridge District Council (in Collection Fund Adjustment Account in Unusable Reserves)	772	(469)	1,178	(337)
	1,930	(3,689)	2,944	(2,629)

GLOSSARY OF FINANCIAL TERMS

ACCRUALS
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.

ACTUARIAL GAINS & LOSSES
These are changes in actuarial deficits or surpluses that arise because either actual experience or events have not been exactly the same as the assumptions adopted at the previous valuation (experience gains and losses) or the actuarial assumptions have changed.

BALANCES
The surplus or deficit on any account at the end of the year. Amounts in excess of that required for day to day working may be used to reduce the demand on the Collection Fund or Rents.

CAPITAL EXPENDITURE
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.

CAPITAL FINANCING COSTS
Annual charges related to borrowing including interest, minimum revenue provision and repayments of principal on debt outstanding.

CAPITAL RECEIPTS
Income received from sale of assets which is available to finance other capital expenditure or to repay debt on assets financed from loan.

CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)
The governing body responsible for issuing the statement of recommended practice to prepare the accounts.

COLLECTION FUND
A separate fund which must be maintained by a district for the proper administration of Council Tax and Non Domestic Rates.

CURRENT SERVICE COST
Amount chargeable to Services based on the Actuary's assessment of pension liabilities arising and chargeable to the financial year.

CURTAILMENTS
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.

DEBT
Amounts borrowed to finance Capital Expenditure which are still to be repaid.

DEFINED BENEFIT SCHEME	A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).
DEMAND	The charging authorities own Demand is, in effect, its precept on the fund.
FEES & CHARGES	In addition to the income from charge payers and the Governments, Local Authorities charge for services, including Planning Consents, Hire of Sporting Facilities, Car Parking etc.
FIFO	A method of valuing inventory (First In First Out) where stocks issued are assumed to be issued from the oldest available stocks.
FINANCIAL INSTRUMENTS	A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.
GOVERNMENT GRANTS	Payments by Central Government towards the cost of Local Authority services, including both Revenue and Capital.
IMPAIRMENT ALLOWANCE	A sum provided against income due to prudently allow for non collectable accounts.
INTEREST COST	For the pension fund this represents the discount rate at the start of the accounting period applied to the liabilities during the year based on the assumptions at the start of the accounting period.
INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) & THE CODE OF PRACTICE (CODE)	Formal financial reporting standards adopted by the accounting profession and to be applied when dealing with specific topics within its accounting Code. The Code is based on approved accounting standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements.
LOCAL AUTHORITY (SCOTLAND) ACCOUNTS ADVISORY COMMITTEE (LASAAC)	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').
LOCAL DEVELOPMENT FRAMEWORK (LDF)	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.

MINIMUM REVENUE PROVISION (MRP)	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.
SUNDRY CREDITORS	Amounts owed by the Council at 31 March.
SUNDRY DEBTORS	Amounts owed to the Council at 31 March.
TEMPORARY BORROWING	Borrowing for revenue purposes for a period of less than one year.
VESTED RIGHTS	In relation to a defined benefit scheme, these are: a) for active members, benefits to which they would unconditionally be entitled on leaving the scheme; b) for deferred pensioners, their preserved benefits; c) for pensioners, pensions to which they are entitled. Vested rights include where appropriate the related benefits for spouses or other dependants.
VIREMENT	The authorised transfer of an under spending in one budget head to another head.

Part 3

Supplementary Information

Annual Governance Statement 2016-2017

Introduction

Teignbridge District Council must ensure its business is conducted in line with the law and proper standards, and use public money economically, efficiently and effectively. It is the Council's duty to put in place arrangements for the governance of its affairs, and effective delivery of services.

In order to achieve good governance, we must put in place proper arrangements for managing and overseeing what we do. These arrangements are intended to make sure that we achieve intended outcomes while acting in the public interest at all times.

We have measured ourselves against the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) Framework for Delivering Good Governance in Local Government 2016. This statement explains how Teignbridge District Council has complied with the principles and also meets the requirements of the Accounts and Audit Regulations (England) 2015 in relation to the publication of an Annual Governance Statement.

The Guiding Principles

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, lead and account to the community. It enables us to monitor how we are doing and to consider whether our plans 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 management of risk is an ongoing process designed to identify, prioritise and manage the risks to the achievement of the Council's aims and objectives and maximise opportunities.

The governance framework has been in place at Teignbridge District Council for the year ended 31 March 2017 and up to the date we approved the statement of accounts.

Examples of the processes we have in place to achieve the key elements within the framework are as follows:

Behaving with integrity, demonstrating strong commitment to ethical values, and being lawful

- The Council's Constitution, Member and Officer Codes of Conduct, and Vision and Values statement set out required standards, and these are explained at induction
- Anti-Fraud and Corruption and Whistleblowing policies are publicised
- Registers of Interests are maintained for avoidance of conflicts
- The designated statutory Financial Officer and Monitoring Officer help ensure business is conducted lawfully
- Internal and external audit scrutinise Council activities and report independently on the extent to which laws, policies and procedures are complied with
- Audit Scrutiny Committee monitor and have oversight of governance
- Council services are led by trained and professionally qualified staff
- Comments and complaints procedures are in place including how to complain to the Ombudsman

Ensuring openness and comprehensive stakeholder engagement

- Consultation and Community Engagement Strategy and Toolkit encourages all members of the community to contribute to, and participate in the work of the Council
- Public access to Council meetings, minutes and agendas
- Our Residents Panel "Talking Teignbridge" is used as a sounding board and is representative as possible of the Teignbridge Community
- A Customer Reading Group ensures publications can be understood
- Customer Access and Digital Strategy including Open Access project enables customers to self-serve information
- A Statement of Community Involvement is operated for Planning matters
- Our website has been completely re-designed based on what customers need

Defining outcomes in terms of sustainable economic, social and environmental benefits

- The Ten Year Council Strategy has been implemented following extensive research and consultation with residents, business and partners

- The Ten Year Strategy is underpinned by ten “Super Projects” each having a widespread impact on the economy, community wellbeing, and environment
- We have a Procurement Strategy in conjunction with other Devon Districts which defines our commitment to support local economies
- A Risk Management Strategy guides our approach to risk
- We belong to the Greater Exeter, Greater Devon combined authority for joined-up decision making on planning and infrastructure and are members of the Heart of the South West Local Enterprise Partnership
- An Infrastructure Requirements Board and Capital Review group determine capital spending priorities

Determining the interventions necessary to optimize the achievement of the intended outcomes

- Performance measures track progress with delivery of the Ten Year Strategy
- A medium term financial strategy outlines how we intend to raise and manage the resources needed to deliver our services and priorities over the medium term
- Executive Key decisions are publicised in advance so they can be scrutinised in line with decision making and Overview and Scrutiny arrangements
- Overview and Scrutiny review groups are appointed to look at Council policy, services, and particular issues of local concern
- Internal Business Efficiency and Service Transformation Reviews (BEST2020) help ensure value for money in services is scrutinised, and efficient service delivery
- A Partnership toolkit aids collaborative working

Developing capacity including the capability of leadership and the individuals within it

- Robust recruitment and selection procedures and induction programmes for both staff and members are in place
- Training and development needs are tracked through annual personal development and performance interviews for staff, Member development needs co-ordinated by the Democratic Services Manager
- Investors in People accreditation is maintained
- HR polices aim to promote the health and wellbeing of the workforce

Managing risks and performance through robust internal control and strong public financial management

- Our Risk Management Strategy is reviewed annually and risk management reports are reviewed by the Corporate Leadership Team and the Audit Scrutiny Committee
- The Strategy requires risks to be managed at all levels including service, strategic, project and in all decision making
- Robust performance monitoring using a basket of indicators is undertaken by the Corporate Leadership Team and Overview and Scrutiny Committee
- Our Chief Finance Officer is designated officer responsible for the proper administration of the Council’s financial affairs.

Being transparent, with good practices in reporting and audit, to deliver effective accountability

- Agendas, reports, and minutes of meetings are published, along with Key Decisions
- An internal audit function reports to the Corporate Leadership Team and Audit Scrutiny Committee

- External audit reports are considered by Corporate Leadership Team and Audit Scrutiny Committee
- Key data is published in line with Transparency Regulations, and timely responses are given to Freedom of Information Requests

How do we know our arrangements are working?

At least annually, we review of the effectiveness of the 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' 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 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 have been monitored through a Fraud Risk Assessment and internal audits of high risk fraud areas.

- 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.

- The Council has maintained Gold Standard 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 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 maladministration in 3 of the 23 complaints received in 2016-2017. None caused injustice

- 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. An external assessment must be undertaken by March 2017 to ensure the service remains compliant with the Public Sector Audit Standards.

- 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 Limited has been provided with positive assurance from the Devon Audit Partnership, as the provider of its internal audit services in 2016/17 and experience from current year progress.

- Internal Audit assessed corporate governance arrangements Council-wide by measuring the Council against the requirements of the governance framework outlined in the CIPFA / SOLACE Framework for Delivering Good Governance in Local Government 2016, and the results of this have been reported to the Audit Scrutiny Committee.

Conclusion

We have been advised on the results of 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. Set out below are governance issues highlighted by the review which we aim to address during 2017-2018:

Issue	Planned Action
1.General Data Protection Regulation (GDPR) The Council is currently considering the action necessary to ensure it complies with the GDPR which comes into force in May 2018. This introduces significant changes to responsibilities of organisations that collect, store and share personal data.	The Council's Senior Information Risk Officer is providing a report and action plan to the Corporate Leadership team outlining the steps to be taken to ensure compliance.
2.Review of Local Code of Governance The Council's Local Code of Governance has not yet been updated to adopt the new principles of the CIPFA/SOLACE framework.	Revised Code will be presented to the December 2017 Audit Scrutiny Committee for approval and recommended adoption by Council.

Signed:

Leader of the Council **Head of Paid Service**

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_2 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 2017

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:

https://www.teignbridge.gov.uk/committee-meetings-and-agendas/devon-building-control-partnership-committee/devon-building-control-partnership-committee-2017-2018/

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

These Accounts can be found on our website at www.teignbridge.gov.uk

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