TEIGNBRIDGE DISTRICT COUNCIL

STATEMENT OF ACCOUNTS

2018/19

STATEMENT OF ACCOUNTS 2018/2019

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Part 1

Introduction

CHIEF OFFICER OF THE COUNCIL & LOCATION OF OFFICES

CHIEF OFFICER OF THE COUNCIL

Managing Director	Phil Shears

LOCATION OF OFFICES

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Revenue & Benefits
Environmental Health
Business Improvement & Development
Spatial Planning
Neighbourhood Planning
Development Management
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Strata Service Solutions Limited
Democratic Services
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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 2019. 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 2018/19 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 2019
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.

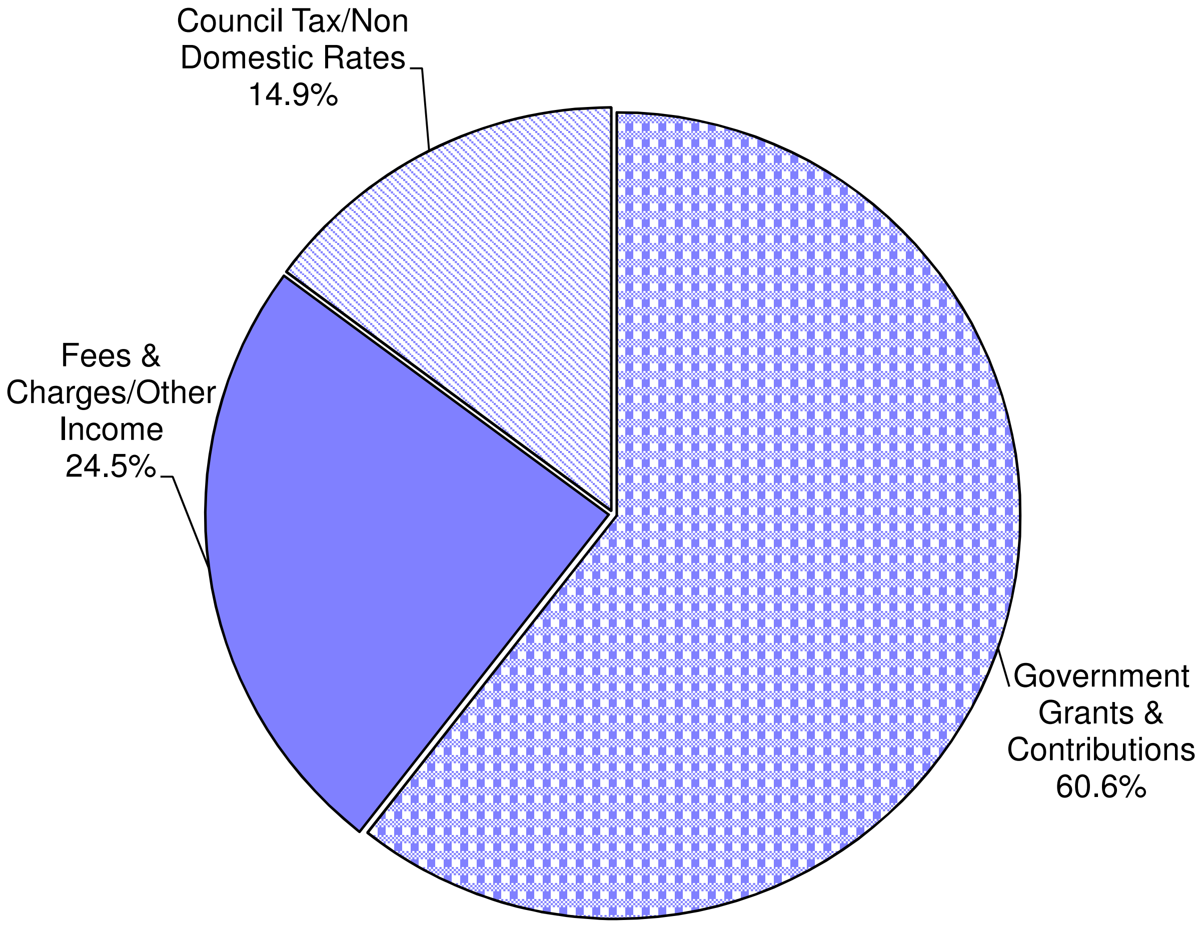
The Expenditure and Funding Analysis statement note 7 on page 52 shows how annual expenditure is used and funded from resources in comparison with those resources consumed or earned in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision 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.

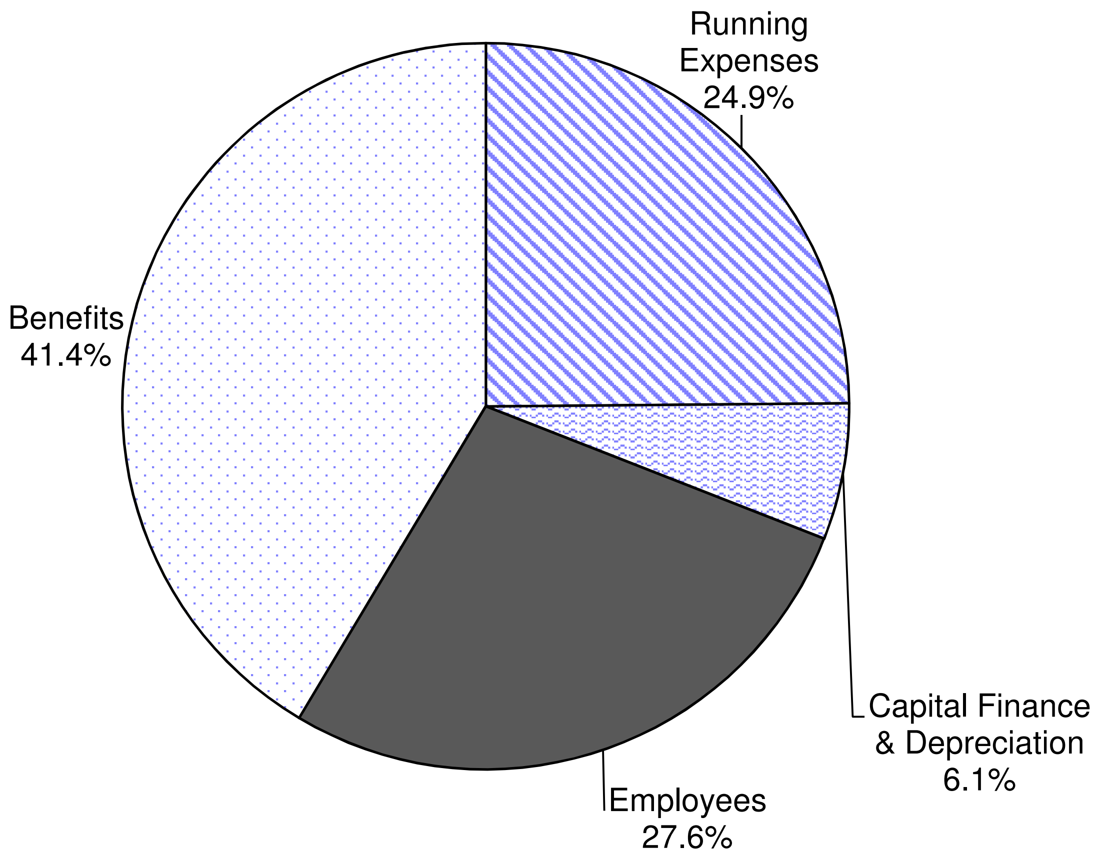
WHERE THE MONEY COMES FROM



The largest single item is Government Grants, for example rent allowances and revenue support grant, and other contributions which provide 60.6% of the total.

Income received from the services provided through fees, charges and other income including interest account for 24.5% of the total.

WHAT THE MONEY IS SPENT ON



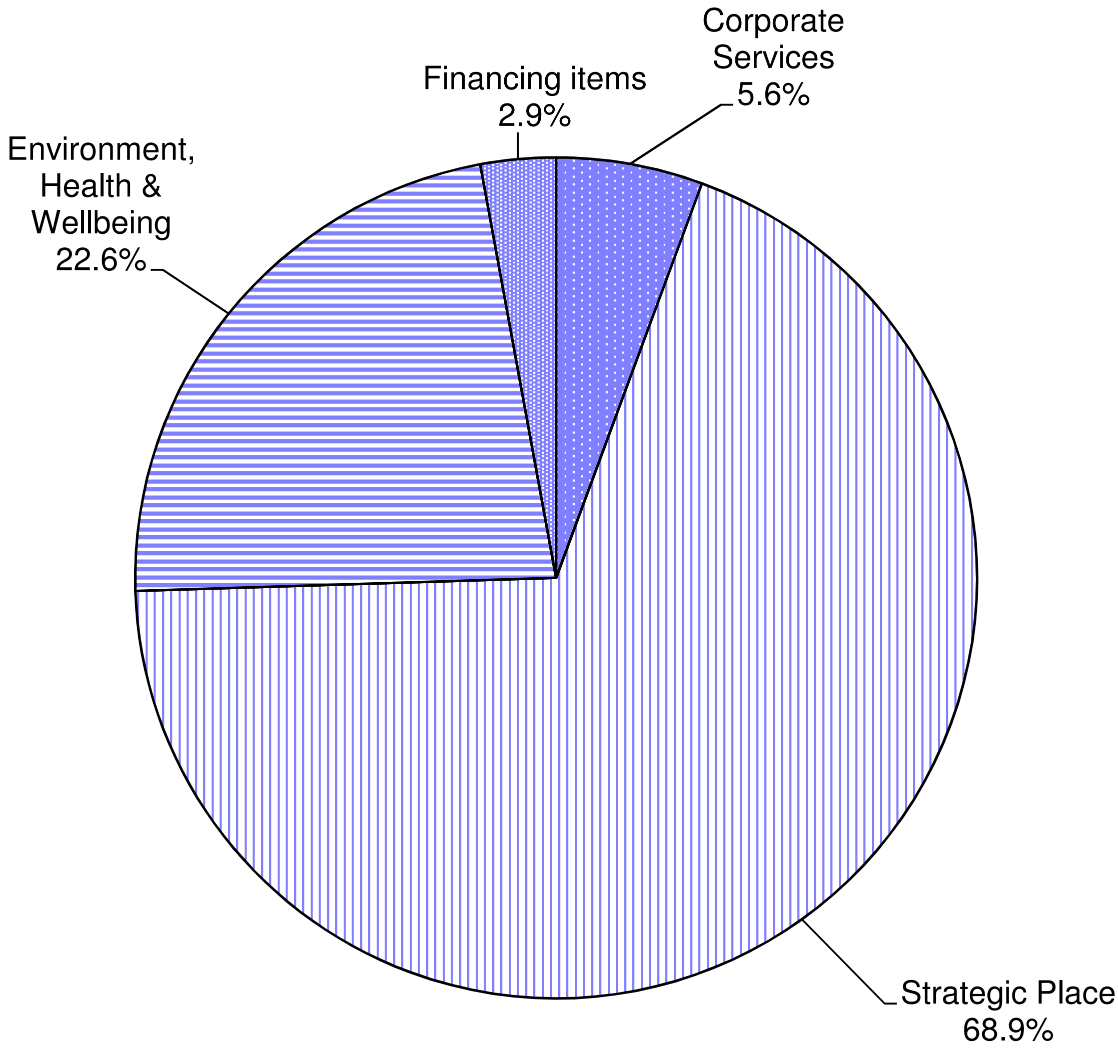
Benefits cover rent allowances and housing rent rebates and amount to 41.4%

Running expenses includes maintenance of buildings, operating vehicles and purchase of supplies and services and takes up 24.9% of the total expenditure.

Employees account for 27.6% of the total.

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

THE SERVICES PROVIDED



68.9% 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 strategic 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.

Environment, 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 26 to the accounts. Unusable reserves are detailed in note 27 and include a number of reserves such as the revaluation reserve, pensions reserve and capital adjustment account.

   Within the year our 'usable reserves' have decreased from £21.459 million to £20.241 million. This is mainly due to the use of earmarked reserves in the year (see note 10).

   Our unusable reserve position has improved. The reserves showed a negative £15.893 million at 31 March 2018 due to the deficit on the pension reserve. This has decreased to a negative £6.320 million at 31 March 2019. This is mainly due to an improvement of the pension reserve due to changes in financial assumptions shown in note 40 and increases to the value of property, plant and equipment. Revenue reserves are £11.744 million at 31 March 2019 and capital receipts and grants unapplied are £8.497 million.

REVENUE EXPENDITURE

4. During the year regular budget monitoring has been carried out and reported to members. Overall net expenditure in 2018/19 was £18.423 million compared to the original approved budget of £16.614 million – an adverse variance of £1.809 million. There were additional revenue contributions to capital for associated capital schemes compared to budget, however these are funded from earmarked reserves/business rate pilot income. There were additional costs for business rates, legal fees, fuel and bed & breakfast accommodation, set off by savings in water, printing, stationery, advertising and other miscellaneous costs. Strata also made additional savings in excess of the original budget.

   Income has increased from fees and charges and leisure memberships, whilst property rental income was slightly down on budget. Extra income was also received in relation to recycling credits. There was an increase in income from government grants due to additional non-specific grant and additional business rate relief grants. The Devon business rates pilot provided gains which reduced the overall adverse variance of £1.239 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	16,614	18,423	1,809
Interest payable	0	0	0
NET EXPENDITURE	16,614	18,423	1,809
Income from Government Grants & Local Taxpayers	(16,614)	(17,184)	(570)
DEFICIT (SURPLUS) FOR THE YEAR	**0**	**1,239**	**1,239**

Actual net expenditure of £18.423 million can be reconciled to the Comprehensive Income and Expenditure Statement on page 29 being:-

	£'000
Deficit on Provision of Services	4,322
Adjustments between accounting basis & funding basis under regulations (note 9 on pages 56 to 60)	(3,083)
Deficit for the year	**1,239**
Add: Income from Government Grants and Local Taxpayers (as listed below)	17,184
Net expenditure (as above)	**18,423**

Income from Government Grants and Local Taxpayers of £17.184 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 £11.373 million, Business Rates income less expenditure, excluding deficit, plus new homes bonus, other sundry general grants and council tax support expenditure of £9.033 million, less precepts paid to Parish Councils of £3.222 million. These are highlighted in notes 11, 13 and 35 to the financial statements. The General Fund balance at 31 March 2019 is £11.744 million being general reserves of £1.982 million and earmarked reserves of £9.762 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 has continued to reduce (being rolled into business rates income for 2018/19 and zero thereafter) and revisions to funding for New Homes Bonus are 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). The Council Strategy covers a ten year period from 2016 to 2025. The strategies and action plans are built up around the T10 with business plans. These are integrated with the medium term financial strategy, Local

Plan, Neighbourhood plans, partnership working and other service strategies to deliver the desired outcomes.

The Council Strategy will be monitored annually and refreshed if necessary. A review will take place after four years to ensure we are on track and consider new ideas and developments.

We produce Council Strategy performance reports quarterly to monitor how we are doing.

We carry out annual service reviews to consider best practice, alternative working methods, and identify further savings where possible.

More detail can be found here:

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

6. **Material charges in the accounts** – In 2017/18 we received a contribution of £1.1 million for housing rent charges set in excess of the rent standard including an interest element of £0.1 million. This was allocated to earmarked reserves at 31 March 2018. We also received £1.0 million as part of a successful grant application to facilitate unlocking land for housing development sites. This is a capital grant and was held in capital grants unapplied at 31 March 2018. In 2018/19 there were revaluation losses net of revaluation reversals relating to our land and building values charged to the Comprehensive Income & Expenditure Statement amounting to £1.9 million – mainly in relation to town centre holdings. Revenue expenditure funded from capital under statute was higher in 2018/19 at £3.8 million – mainly due to a contribution of £1.25 million to education in Kingskerswell and Kingsteignton.

EXPENDITURE AND FUNDING ANALYSIS

Section 5 above identifies the actual deficit made of £1.239 million when compared to the original budget set in February 2018. Further detail is given in note 7 to the Accounts in the Expenditure and Funding Analysis which links the deficit/(surplus) 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 deficit/(surplus) to be deducted from/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. Over half of the net expenditure chargeable to the General Fund relates to the segment 'Environment, Health and Wellbeing' for 2017/18 and 2018/19 within Cost of Services.

CAPITAL EXPENDITURE

7. The table below shows the performance on Capital Investment for 2018/19.

The Council spent £9.535 million on capital projects compared with the original budget of £35.142 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 leisure strategy items, carbon management, provisions for employment land and town centre development works, infrastructure and affordable housing schemes.

	Budget £'000	Actual £'000	Difference £'000
Capital Investment:			
General	33,637	7,849	25,788
Housing	1,505	1,686	(181)
CAPITAL EXPENDITURE	**35,142**	**9,535**	**25,607**
Financed by:			
Capital Receipts	2,916	413	2,503
Revenue Contributions	550	2,535	(1,985)
Prudential Borrowing	23,600	1,827	21,773
Grants	1,987	3,059	(1,072)
Contributions	6,089	1,701	4,388
CAPITAL FINANCING	**35,142**	**9,535**	**25,607**

The analysis of Capital Investment in 2018/19 is:

Disrepair and Disabled Facilities Grants	£1.152 million
Affordable Housing	£0.534 million
Environmental Schemes	£0.501 million
Flood Alleviation and Prevention	£0.961 million
Sports Halls and Recreation	£0.229 million
Planning & Development	£4.027 million
Industrial, Commercial and Infrastructure	£1.250 million
Open spaces (including SANGS)	£0.246 million
Car Parks	£0.345 million
Other schemes	£0.290 million
	£9.535 million

The main projects were Regional Coastal Monitoring £0.764 million, Disabled Facilities Grants £1.020 million, Market Walk improvements £1.488 million, Minerva Building £2.408 million, Dawlish Warren Car Park improvements £0.226 million, Customer Portal £0.147 million, contribution to Cirl Bunting land £0.134 million and Contribution to Education in Kingskerwell & Kingsteignton £1.250 million.

For 2019/20 the budgeted expenditure is as follows:

Sports Halls & Recreation	£4.596 million
Open Spaces	£0.941 million
Planning & Development	£19.292 million
Environmental Schemes	£0.784 million
Flood Alleviation & Prevention	£0.798 million
Disrepair, Disabled Facilities & Heating grants	£1.050 million
Affordable Housing	£0.215 million
Information Technology & Central Services	£0.173 million
	£27.849 million

Some of the specific schemes included in these totals are £0.250 million for Superfast Broadband, £0.340 million for Carbon Management, £0.173 million for IT, £1.000 million for South West Exeter education, £0.798 million for Regional Coastal Monitoring, £0.685 million for cycle schemes, £0.177 million towards an Energy company, £0.773 million for SANGS and £1.050 million for Disabled Facilities grants. In addition there are provisions for town centre development and employment schemes totalling £17.7 million and recreation and leisure schemes totalling £4.0 million which will be brought back to Full Council for final approval where appropriate.

9. Capital funds:

The capital receipts, grants and contributions received including capital receipts in advance for 2018/19 can be analysed as follows:

	Capital resources brought forward	£10.245 million
Add:	Received in year	£5.582 million
Less:	Capital financing applied to expenditure	(£5.281) million
	Loan/other	(£0.000) million
	Capital resources carried forward	£10.546 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 2019 of £87.523 million. The requirement to recognise the net pension liability in the balance sheet has reduced the reported net worth of the authority by 86.3% for 2018/19 and 94.2% for 2017/18 as shown on page 31.

The net deficit has decreased which is mainly due to a favourable movement on the actuarial financial assumptions. The deficit is derived by calculating the pension assets and liabilities at 31 March 2019. 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 40 on pages 97 -103 for further information.

CASH FLOW

During the year the cash flow of the Authority decreased by £5.231 million. This was mainly due to spend on capital in the year funded from earmarked reserves and transfer of £4 million into short term investments.

BALANCE SHEET

During the year net assets at 31 March 2019 increased by £8.355 million. This was mainly due to a decrease in the pension liability and some net increases in revaluation of assets resulting in an increase in the revaluation reserve (see note 27 to the accounts). Also see pages 30 and 31 for more information.

GROUP ACCOUNTS/JOINT OPERATIONS

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 47. In 2018/19 our share of adjustments to the Comprehensive Income and Expenditure Statement amounted to £0.370 million. The cumulative effect on our balance sheet is to reduce net assets by £2.574 million.

CHANGE IN ACCOUNTING POLICIES

12. In 2018/19 there is a requirement to adopt IFRS 15 relating to revenue from contracts with customers and recognition and IFRS 9 relating to the valuation of financial instruments. There is no material impact on the financial statements as a result of adopting these accounting policies or any restatements of previous years.

KEY INFORMATION/ ECONOMIC CLIMATE

13. The Council provides a range of services within the District including housing, refuse collection and recycling, planning, economic development, tourism and leisure.

Our vision is: '*Making Teignbridge a healthy and desirable place where people want to live, work and visit'*

Further information on our environment and strategy can be found here:

https://www.teignbridge.gov.uk/council-and-democracy/council-information/strategies-policies-and-performance/the-council-strategy-2016-2025

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 altered slightly from last year decreasing from 99.41% to 99.21% for rates and from 98.59% to 98.55% for council tax. There has however been some increases in the value of property. Income from planning fees were lower than budget. 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 has been monitored monthly for Corporate Management 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.
- External Audit's Annual Audit Letter including a Value for Money conclusion.
- Review of risk management.
- Treasury management including mid-year review.

The Annual Governance Statement can be found on pages 119 to 124. This describes the governance framework in place with reference to the six guiding principles recommended by the CIPFA/SOLACE Framework for Delivering Good Governance in Local Government. The 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 help us to deliver appropriate services that are value for money in the short, medium and long term. The Annual Governance Statement comments on the effectiveness of our governance arrangements which is informed by annual review of systems and processes in place. There have been no major changes in governance this year.

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 2019 and includes all PIs and reviews of the projects that have started.

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

- All T10 programmes are reported
- A total of 72 performance indicators are reported
- 60 projects are reported

Within the report are details of key performance achievements including:

- Number of empty properties impacting on New Homes Bonus, 338, was ahead of target for the 10th consecutive year.
- 224 dwellings were improved through intervention by the Council which was well above the target of 198
- We provided 48 additional gypsy and traveller pitches, according to identified need in Plan Teignbridge, 27 more than target.
- Household waste that is not recycled is 4% better than target
- The recycling rate is on target at 56.09%
- 100% of beaches rated as excellent or good water quality (target 86%).
- 13,182 sqm of employment space has been completed
- 388 households have received financial assistance to improve their housing condition, 288 above target
- Grants and loans to households, including park homes, to improve conditions/thermal efficiency were above targets
- 85 days of work placement were provided to young people, 25 days above target
- The number of people participating in activities/events we organise was well above target, 90,476 young people and 119,094 older people
- Renewable energy income is £56,938
- We generated more income than anticipated and kept expenditure within budget which helped to keep the cost per head of population of all our services to £1.18 below the target of £127.93.

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

'Teignbridge Ten' programme heading and performance description	Target 2018/19	Actual 2018/19
Clean scene		
Street cleaning & litter responsibilities. £'s per household	£23.11	£20.10
Household waste collected: £'s per household	£46.13	£46.48
% Beaches rated as excellent or good water quality	86%	100%
Great places to live and work		
Satisfaction with new development in your area	85%	80%
Going to town		
% of businesses with the top food hygiene rating of 5	90%	92%
Health at the heart		
Residents assisted to remain independent by a disability facilities grant	156	238
Working days lost due to sickness absence - average per employee	10.3 days	11.6 days
Investing in prosperity		
Processing of major planning applications within 13 weeks	60.00%	75.86%
Processing of minor planning applications within 8 weeks	65.00%	78.84%
Total number of days of work placement provided to young people	60 days	85 days
Out and about and active		
Number of young people under 18 participating in activities we organise	32,500	90,476
Number of older people over 60 participating in events we organise	75,000	119,094
A roof over our heads		
Net additional homes provided	620	626
Affordable homes delivered in urban areas as defined by the Local Plan	124	124
Homelessness prevented by client remaining in existing home	440	68
Homelessness prevented by assisting with alternative accommodation	363	267
What else will we do		
£ Income generated	£50,027,770	£49,579,468
£ External funding received	£978,640	£2,573,707

Reports on performance are reported to Overview & Scrutiny Committee and can be found here:

Committee meetings and agendas - Teignbridge District Council

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 New Homes Bonus.

We continue to have reductions in funding from new homes bonus, brought about by the changes in the 2017/18 Local Government Finance Settlement. The introduction of a baseline and reduced time period for legacy payments has required us to identify savings and additional income to meet the shortfall.

The 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 outlining how the Authority would achieve a balanced budget over the four years. In addition a business rate pilot bid for all Devon authorities was successful for 2018/19 to allow 100% retention for one year only.

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, BREXIT & 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 41 and relate to any claims that may arise from the transfer of the Authority's housing stock in 2004 and a potential pension liability. See also note 25 to the financial statements for provisions in the accounts. The provision we hold is for non-domestic rates appeals. There have been no major write offs in the year.

17. Withdrawal from the European Union (Brexit) – the opportunities and challenges arising from Brexit are unclear for the Council and its public services. Withdrawal is likely to have some implications for public services however the district seems well placed economically to adapt to any changes, whether positive or less desirable outcomes. Any final deal and potential impact from the outcomes will be monitored and, where necessary, action taken accordingly.

FURTHER INFORMATION

18. Further information about the accounts is available from Financial Services, Forde House, Newton Abbot. This is part of the Council's policy of providing full information about the Council's affairs. Also interested members of the public have a statutory right to inspect the accounts before the audit. The availability of the accounts for inspection is advertised in the local press. The accounts have been audited and the Auditors' opinion and conclusion is on pages 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.

Martin Flitcroft

Chief Finance Officer

Part 2

Financial Statements

STATEMENT OF ACCOUNTS 2018/19

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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 2019 and its income and expenditure for the year ended 31 March 2019.</u>

……………………………………

MARTIN FLITCROFT – CHIEF FINANCE OFFICER

I confirm that these accounts were approved by the Council on 24 September 2019

……………………………………

COUNCILLOR RICHARD KEELING, CHAIRMAN OF THE COUNCIL

24 September 2019

AUDIT OPINION AND CONCLUSION

Independent auditor's report to the Members of Teignbridge District Council
Report on the Audit of the Financial Statements
Opinion

We have audited the financial statements of Teignbridge District Council (the 'Authority') for the year ended 31 March 2019 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. 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 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance

Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

Responsibilities of the Authority, the Chief Finance Officer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of 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. 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 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit Scrutiny Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Authority's 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 criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Responsibilities of the Authority

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.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 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.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects 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 criterion 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 2019.

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 be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the Teignbridge District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 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.

Julie Masci

Julie Masci, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor
Bristol

24 September 2019

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.

2017/18				2018/19		
Gross Expenditure	**Gross Income**	**Net Expenditure**		**Gross Expenditure**	**Gross Income**	**Net Expenditure**
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
4,264	(1,510)	2,754	Corporate Services *	4,133	(270)	3,863
48,308	(46,145)	2,163	Strategic Place**	50,532	(44,526)	6,006
16,197	(6,783)	9,414	Environment, Health & Wellbeing	16,581	(7,141)	9,440
1,774	(13)	1,761	Financing items	2,120	(18)	2,102
70,543	**(54,451)**	**16,092**	**Cost of Services**	**73,366**	**(51,955)**	**21,411**
3,137	(755)	2,382	Other Operating Expenditure (Note 11)	3,494	(1,102)	2,392
2,518	(181)	2,337	Financing and Investment Income and Expenditure (Note 12) *	2,328	(170)	2,158
9,317	(32,168)	(22,851)	Taxation and Non-Specific Grant Income and Expenditure (Note 13)	9,650	(31,289)	(21,639)
		(2,040)	**(Surplus) or Deficit on Provision of Services**			**4,322**
		(3,144)	(Surplus) or Deficit on revaluation of Property, Plant & Equipment assets			(5,865)
		(7,912)	Re-measurements of the net defined benefit liability			(6,812)
		(11,056)	**Other Comprehensive Income and Expenditure**			**(12,677)**
		(13,096)	**Total Comprehensive Income and Expenditure**			**(8,355)**

* We received a contribution of £1.1m in 2017/18 for housing rents set in excess of the rent standard including interest of £0.1m. £1.0m is included in Corporate Services and £0.1m in Financing and Investment Income and Expenditure – see note 5(b) to the financial statements.

**In 2018/19 includes net revaluation losses to property, plant & equipment of £2.0 million. Also an increase in revenue expenditure funded from capital under statute includes £1.25 million for education provision – see note 5(b) to the financial statements.

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 2017	**1,718**	**7,790**	**9,508**	**3,826**	**2,594**	**15,928**	**(23,458)**	**(7,530)**
Movements in reserves during 2017/18								
Total Comprehensive Income and Expenditure	2,040	0	2,040	0	0	2,040	11,056	13,096
Adjustments between accounting basis & funding basis under regulations (Note 9)	1,435	0	1,435	744	1,312	3,491	(3,491)	0
Increase/(Decrease) in 2017/18 before transfer to earmarked reserves	**3,475**	**0**	**3,475**	**744**	**1,312**	**5,531**	**7,565**	**13,096**
Transfer to/from Earmarked Reserves	(3,247)	3,247	0	0	0	0	0	0
Increase/(decrease) in 2017/18	**228**	**3,247**	**3,475**	**744**	**1,312**	**5,531**	**7,565**	**13,096**
Balance at 31 March 2018 carried forward	**1,946**	**11,037**	**12,983**	**4,570**	**3,906**	**21,459**	**(15,893)**	**5,566**
Movement in reserves during 2018/19								
Total Comprehensive Income and expenditure	(4,322)	0	(4,322)	0	0	(4,322)	12,677	8,355
Adjustments between accounting basis & funding basis under regulations (Note 9)	3,083	0	3,083	679	(658)	3,104	(3,104)	0
Increase/(Decrease) in 2018/19 before transfer to earmarked reserves	**(1,239)**	**0**	**(1,239)**	**679**	**(658)**	**(1,218)**	**9,573**	**8,355**
Transfer to/from Earmarked Reserves	1,275	(1,275)	0	0	0	0	0	0
Increase/(decrease) in 2018/19	**36**	**(1,275)**	**(1,239)**	**679**	**(658)**	**(1,218)**	**9,573**	**8,355**
Balance at 31 March 2019 carried forward	**1,982**	**9,762**	**11,744**	**5,249**	**3,248**	**20,241**	**(6,320)**	**13,921**

BALANCE SHEET

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

31 March 2018 £'000		Notes	31 March 2019 £'000
90,765	Property, Plant & Equipment	14	97,777
136	Investment Property	15	186
458	Intangible Assets	16	417
0	Assets Held for Sale	23	0
0	Long Term Investments	17	0
1,284	Long Term Debtors	18	2,081
92,643	**Long Term Assets**		**100,461**
0	Short Term Investments	19	4,016
109	Assets Held for Sale	23	0
169	Inventories		181
12,571	Short Term Debtors	20	9,617
10,072	Cash and Cash Equivalents	22	5,483
22,921	**Current Assets**		**19,297**
0	Bank Overdraft	22	(642)
0	Short Term Borrowing		0
(8,101)	Short Term Creditors	24	(6,957)
(610)	Provisions	25	(600)
(716)	Grants Receipts in Advance-Revenue	35	(1,479)
(1,691)	Grants Receipts in Advance-Capital	35	(1,971)
(11,118)	**Current Liabilities**		**(11,649)**
0	Provisions	25	0
(92,242)	Other Long Term Liabilities	43	(88,423)
(6,560)	Grants Receipts in Advance – Revenue	35	(5,687)
(78)	Grants Receipts in Advance - Capital	35	(78)
(98,880)	**Long Term Liabilities**		**(94,188)**
5,566	**Net Assets**		**13,921**
21,459	Usable Reserves	26	20,241
(15,893)	Unusable Reserves	27	(6,320)
5,566	**Total Reserves**		**13,921**

CASH FLOW STATEMENT

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

2017/18 £'000		2018/19 £'000
(2,040)	Net (surplus) or deficit on the provision of services	4,322
(7,259)	Adjustments to net surplus or deficit on the provision of services for non cash movements (Note 28(a))	(8,066)
4,137	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 28(b))	1,515
(5,162)	Net cash flows from Operating Activities	(2,229)
(739)	Investing Activities (Note 29)	9,417
973	Financing Activities (Note 30)	(1,957)
(4,928)	Net (increase) or decrease in cash and cash equivalents	5,231
5,144	Cash and cash equivalents at the beginning of the reporting period	10,072
10,072	**Cash and cash equivalents at the end of the reporting period (Note 22)**	**4,841**

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

a. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, 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 2018/19, 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:

- The council recognises revenue from contracts with service recipients when it satisfies a performance obligation by transferring promised goods and services to a recipient, measured as the amount of the overall transaction price allocated to that obligation.
- 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 Merrill Lynch AA rated corporate bond curve used by the actuary Barnet 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 instruments are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of the financial instrument. They are initially measured at fair value.

Financial Liabilities

As the Authority's financial liabilities are basic lending arrangements and mainly of a short term nature they are subsequently measured at amortised cost. For the Authority's borrowing this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest). Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument (which for the Council's loans is the amount payable for the year per the loan agreement).

Financial Assets

As the Authority's financial assets are basic lending arrangements and are not held to make speculative gains through increases in their value, they are subsequently measured at amortised cost: the outstanding principal repayable (plus accrued interest). Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) are based on the carrying amount of the asset, multiplied by the effective rate of interest for the instrument, (which for the Authority's assets is the amount receivable for the year per the deposit agreement).

Allowances for impairment losses have been calculated for amortised cost assets, applying the expected credit losses model (see Note 42 below). This is a change from previous years and in particular 'other debtors' is using the provision matrices option which takes into consideration historical data and grouping of debtor ages.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

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.

The Authority as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

The Authority as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

o. Overheads/ Support Services/Central Costs

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.

<u>Recognition</u>

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.

<u>Componentisation</u>

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.

<u>Impairment</u>

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.

<u>Depreciation</u>

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.

<u>Disposals and Non-Current Assets Held for Sale</u>

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 refunds of business rates as a result of appeals. An impairment allowance is held for bad debts.

Contingent Liabilities

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

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

Contingent Assets

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

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

r. Reserves

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

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

s. Revenue Expenditure Funded from Capital under Statute

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

t. Value Added Tax (VAT)

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

u. Heritage Assets

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

v. 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 47).

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 2019/20 (the Code) introduces changes in accounting policies that will have to be adopted fully by the authority in the 2019/20 financial statements i.e. from 1 April 2019.

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

For 2019/20 there are no standards issued not adopted that are expected to have a material impact on the 2019/20 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 41).
- 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 2019 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 £0.070 million 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	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in

	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 discount rate assumption would result in a decrease in the pension liability of £3.245 million. However, the assumptions interact in complex ways. During 2018/19, the Authority's actuaries advised that the net pensions liability had decreased by £3.853 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 £6.969 million.
Arrears	At 31 March 2019, the Authority had a balance of sundry debtors of £3.714 million. A review of significant balances suggested that an impairment of doubtful debts of 14.5% (£0.538 million) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £0.538 million 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:

There were no prior period adjustments to these accounts.
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5 (b) Material items in the Comprehensive Income & Expenditure Account :

In 2018/19 there were revaluation losses net of reversals in relation to property, plant & equipment amounting to £1.9 million – mainly in relation to town centre holdings. £2.0 million was charged to 'Strategic Place' and a net reversal of £0.1 million to 'Environment, Health & Wellbeing' within Cost of Services.

Revenue expenditure funded from capital under statute was higher in 2018/19 at £3.8 million (£2.4 million in 2017/18) – mainly due to a contribution of £1.25 million for education in Kingskerswell and Kingsteignton. Of the total £3.6 million is charged to 'Strategic Place' within Cost of Services.

In 2017/18 we received a contribution of £1.1 million for housing rent charges set in excess of the rent standard. This includes an interest element of £0.1 million (£1.0 million is shown within 'Corporate Services' and £0.1 million in 'Financing and Investment Income and Expenditure'). This contribution was held in earmarked reserves at 31 March 2018. We also received £1.0 million as part of a successful grant application to the

Governments Land Release Fund to facilitate unlocking land for housing development sites. This is shown in Taxation and Non-Specific Grant Income and Expenditure. This is a capital grant and is reversed out in note 9 to Capital Grants Unapplied at 31 March 2018.

5 (c) Other material items within the financial statements:

There were no other material items within the financial statements in 2018/19 or 2017/18.

6. Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 24 September 2019. 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 2019, 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 2019 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.

		2017/18				2018/19
Net Expenditure Chargeable to the General Fund Balance	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund Balance	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
2,541	(213)	2,754	Corporate Services	3,701	(162)	3,863
433	(1,730)	2,163	Strategic Place	746	(5,260)	6,006
7,217	(2,197)	9,414	Environment, Health & Wellbeing	7,397	(2,043)	9,440
2,163	402	1,761	Financing Items	2,719	617	2,102
12,354	(3,738)	16,092	Net Cost of Services	14,563	(6,848)	21,411
(15,829)	2,303	(18,132)	Other Income and Expenditure	(13,324)	3,765	(17,089)
(3,475)	(1,435)	(2,040)	(Surplus)/Deficit	1,239	(3,083)	4,322
(9,508)			Opening General Fund Balance	(12,983)		
(3,475)			Less/Plus (Surplus) / Deficit on General Fund in year	1,239		
(12,983)			Closing General Fund Balance at 31 March	(11,744)		

7 a. Note to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis

2018/19

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	43	122	(3)	162
Strategic Place	4,645	612	3	5,260
Environment, Health & Wellbeing	1,381	657	5	2,043
Financing Items	50	(683)	16	(617)
Net Cost of Services	6,119	708	21	6,848
Other income and expenditure from the Expenditure and Funding Analysis	(5,608)	2,840	(997)	(3,765)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	511	3,548	(976)	3,083

Adjustments between Funding and Accounting Basis

2017/18

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	176	(1)	213
Strategic Place	976	742	12	1,730
Environment, Health & Wellbeing	1,371	823	3	2,197
Financing Items	0	(397)	(5)	(402)
Net Cost of Services	2,385	1,344	9	3,738
Other income and expenditure from the Expenditure and Funding Analysis	(5,536)	2,782	451	(2,303)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(3,151)	4,126	460	1,435

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:

	2017/18	2018/19
Services	**Income from Services**	**Income from Services**
	£000	**£000**
Corporate Services	(144)	(116)
Strategic Place	(9,833)	(10,121)
Environment, Health & Wellbeing	(6,320)	(6,830)
Financing Items	(13)	(18)
Total income analysed on a segmental basis	**(16,310)**	**(17,085)**

The largest source of income for Strategic Place is car parking income at £3.657 million (2017/18 £3.486 million). Income from housing schemes including homelessness and rent allowance recoveries amounts to £1.144 million (2017/18 £0.904 million). Other major sources include planning fees and building control.

The major source of income for Environment, Health & Wellbeing is from leisure related activities of which the income from leisure centres including memberships is £2.369 million (2017/18 £2.281 million). The next largest income source is recycling sales and credits at £2.622 million (2017/18 £2.492 million).

8. Expenditure and Income Analysed by Nature

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

	2017/18	2018/19
Expenditure / Income	**£000**	**£000**
Expenditure		
Employee benefits expenses	20,498	21,014
Other services expenses*	50,494	50,361
Depreciation, amortisation, impairment	2,367	4,611
Interest payments	0	0
Precepts and levies	3,003	3,222
(Gain) or loss on the disposal of assets	(665)	(886)
Total expenditure	**75,697**	**78,322**
Income		
Fees, charges and other service income	(16,310)	(17,085)
Interest and investment income	(181)	(289)
Income from council tax, non-domestic rates (net)	(13,104)	(13,738)
Government grants and contributions**	(48,142)	(42,888)
Total income	**(77,737)**	**(74,000)**
(Surplus) or Deficit on the Provision of Services	**(2,040)**	**4,322**

*Includes £30.982 million rent allowances paid (£32.754 million in 2017/18) and charged to Strategic Place.

** Includes rent allowance subsidy of £31.198 million (£32.512 million in 2017/18) and charged to Strategic Place.
Rent allowances recovered are within fees, charges and other service income and also charged to Strategic Place (£0.399 million in 2018/19 and £0.308 million in 2017/18).

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 2018/19 and 2017/18 are as follows:

2018/19

	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	2,477	0	0	(2,477)
Revaluation (gains) losses on Property, Plant and Equipment	2,759	0	0	(2,759)
Revaluation reversals on Property, Plant and Equipment	(866)	0	0	866
Movements in the market value of Investment Properties	(50)	0	0	50
Operating / finance lease income adjustment	(2)	0	0	2
Amortisation of intangible assets	190	0	0	(190)
Capital grants and contributions applied	(2,575)	0	0	2,575
Revenue expenditure funded from capital under statute (REFCUS)	3,807	0	0	(3,807)
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	202	0	0	(202)
Income in relation to donated assets	0	0	0	0
Gain arising from donated assets	(120)	0	0	120
Bank investment written off	50	0	0	(50)
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	(117)	0	0	117
Financing of loan	0	0	0	0
Capital expenditure charged against the General Fund balance	(2,535)	0	0	2,535
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(1,632)	0	1,632	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	(2,290)	2,290
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	(418)	418	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(414)	0	414

Right to buy receipts	(653)	653	0	0
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	7	(7)	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	(15)	15	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	14	0	(14)
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	16	0	0	(16)
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 40)	7,353	0	0	(7,353)
Employer's pensions contributions and direct payments to pensioners payable in the year	(3,805)	0	0	3,805
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	(997)	0	0	997
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	7	0	0	(7)
Total Adjustments	**3,083**	**679**	**(658)**	**(3,104)**

2017/18

	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	2,062	0	0	(2,062)
Revaluation (gains) losses on Property, Plant and Equipment	282	0	0	(282)
Revaluation reversals on Property, Plant and Equipment	(146)	0	0	146
Movements in the market value of Investment Properties	(1)	0	0	1
Operating / finance lease income adjustment	(2)	0	0	2
Amortisation of intangible assets	169	0	0	(169)
Capital grants and contributions applied	(4,419)	0	0	4,419
Revenue expenditure funded from capital under statute (REFCUS)	2,357	0	0	(2,357)
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	79	0	0	(79)
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	(1,466)	0	0	1,466
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(1,312)	0	1,312	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	(100)	100	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(11)	0	11
Right to buy receipts	(630)	630	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	(25)	25	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	(5)	0	0	5
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 40)	7,446	0	0	(7,446)
Employer's pensions contributions and direct payments to pensioners payable in the year	(3,319)	0	0	3,319
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	451	0	0	(451)
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	14	0	0	(14)
Total Adjustments	**1,435**	**744**	**1,312**	**(3,491)**

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 2018/19.

	Balance at 1 April 2017	Transfers Out 2017/18	Transfers In 2017/18	Balance at 31 March 2018	Transfers Out 2018/19	Transfers In 2018/19	Balance at 31 March 2019
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund:							
Building control partnership reserve	0	(110)	323	213	(59)	96	250
Open spaces reserve	319	0	0	319	(12)	0	307
Insurance reserve	85	0	0	85	0	0	85
Revenue contribution to capital reserve	1,474	0	1,517	2,991	(1,265)	263	1,989
Business rates reserve	2,650	0	0	2,650	(338)	0	2,312
Sundry revenue grants reserve	1,847	(1,016)	2,189	3,020	(819)	929	3,130
Carry forward reserve	1,199	(855)	1,197	1,541	(1,541)	1,479	1,479
Strata usable reserves	216	0	2	218	(8)	0	210
Total	**7,790**	**(1,981)**	**5,228**	**11,037**	**(4,042)**	**2,767**	**9,762**

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

2017/18		2018/19
£'000		£'000
3,003	Parish council precepts	3,222
(630)	Right to Buy receipts	(653)
45	Pension administration expenses	56
(36)	(Gains)/losses on the disposal of non current assets	(233)
0	(Gain) on share of donated assets - Strata	0
2,382	**Total**	**2,392**

12. Financing and Investment Income and Expenditure

2017/18 £'000		2018/19 £'000
0	Interest payable and similar charges	0
2,518	Net interest on the net defined benefit liability	2,278
(172)	Interest receivable and similar income	(112)
(9)	Income and expenditure in relation to investment properties and changes in their fair value (see note 15)	(58)
0	Bank investment loss	50
2,337	**Total**	**2,158**

13. Taxation and Non Specific Grant Income and Expenditure

2017/18 £'000		2018/19 £'000
(10,764)	Council tax income (incl surplus/deficit)	(11,316)
(11,396)	Business rates (including surplus/deficit)	(11,835)
	Non ring fenced government grants:	
(847)	Revenue support grant	0
0	Council tax freeze grant	0
(3,436)	New Homes Bonus	(2,917)
(8)	Returned New Homes Bonus top slice	0
0	Infrastructure capacity funding grant	0
0	Donated asset	(120)
(3,417)	Capital grants and contributions**	(1,922)
0	Capitalisation redistribution grant	0
(8)	Transparency Code grant	(8)
(1,497)	Small business rate relief/threshold changes grant	(1,622)
(293)	Other business rates grants	(548)
(272)	Other general grants	(208)
8,496	Business rates tariff payment	8,616
1	Pooling/pilot costs	2
(230)	Pooling/pilot gain	(793)
261	Council tax support to parishes	235
559	Business rates levy	797
(22,851)	**Total**	**(21,639)**

** includes various grants towards capital expenditure.

In 2018/19 £1.612 million relates to the Community Infrastructure Levy.

In 2017/18 we received £1 million from the Governments Land Release Fund for unlocking land for housing development sites plus £0.3 million relating to the Community Infrastructure Levy plus we also received £0.5 million as a contribution from the DWP re works at Forde House.

14. Property, Plant and Equipment

Movements on Balances

Movements in 2018/19:

	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 2018	**83,972**	**4,236**	**4,338**	**4,763**	**188**	**0**	**97,497**
Additions	2,149	629	4	104	0	2,453	**5,339**
Donations	120	0	0	0	0	0	**120**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	4,222	0	0	0	0	0	**4,222**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,195)	0	0	0	0	0	**(2,195)**
Derecognition - Disposals	(17)	(364)	0	0	(3)	0	**(384)**
Strata reclassify/additions/disposals	0	83	0	0	0	0	**83**
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	**0**
Other movements/reclassifications in Cost or Valuation	(498)	0	0	389	109	0	**0**
At 31 March 2019	**87,753**	**4,584**	**4,342**	**5,256**	**294**	**2,453**	**104,682**

	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 2018	**3,947**	**2,365**	**251**	**146**	**23**	**0**	**6,732**
Depreciation charge	1,877	321	86	55	19	0	**2,358**
Depreciation written out to the Revaluation Reserve	(1,696)	0	0	0	0	0	**(1,696)**
Depreciation written out to the Surplus/Deficit on the Provision of Services	(302)	0	0	0	0	0	**(302)**
Impairment losses/ (reversals) recognised in the Revaluation Reserve	53	0	0	0	0	0	**53**
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	11	0	0	0	0	0	**11**
Derecognition – Disposals	(2)	(357)	0	0	0	0	**(359)**
Strata – reclassify/charge/disposals	0	108	0	0	0	0	**108**
Other movements in Depreciation and Impairment	(17)	0	0	17	0	0	**0**
At 31 March 2019	**3,871**	**2,437**	**337**	**218**	**42**	**0**	**6,905**
Net Book Value							
At 31 March 2019	**83,882**	**2,147**	**4,005**	**5,038**	**252**	**2,453**	**97,777**
At 31 March 2018	**80,025**	**1,871**	**4,087**	**4,617**	**165**	**0**	**90,765**

Comparative Movements in 2017/18:

	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 2017	**80,355**	**4,129**	**2,188**	**4,651**	**189**	**410**	**91,922**
Additions	1,374	236	223	105	0	1,517	**3,455**
Donations	0	0	0	0	0	0	**0**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	2,548	0	0	0	0	0	**2,548**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(185)	0	0	0	0	0	**(185)**
Derecognition - Disposals	(2)	(148)	0	0	(1)	0	**(151)**
Strata – reclassify/movements /additions	0	19	0	0	0	0	**19**
Assets reclassified (to)/from Held for Sale	(111)	0	0	0	0	0	**(111)**
Other movements/ reclassifications in Cost or Valuation	(7)	0	1,927	7	0	(1,927)	**0**
At 31 March 2018	**83,972**	**4,236**	**4,338**	**4,763**	**188**	**0**	**97,497**
Accumulated Depreciation and Impairment							
At 1 April 2017	**3,043**	**2,116**	**165**	**113**	**15**	**0**	**5,452**
Depreciation charge	1,551	280	86	32	8	0	**1,957**
Depreciation written out to the Revaluation Reserve	(596)	0	0	0	0	0	**(596)**
Depreciation written out to the Surplus/Deficit on the Provision of Services	(48)	0	0	0	0	0	**(48)**
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	0	(135)	0	0	0	0	**(135)**
Strata – reclassify/ movements/charge	0	104	0	0	0	0	**104**
Other movements in Depreciation and Impairment	(3)	0	0	1	0	0	**(2)**
At 31 March 2018	**3,947**	**2,365**	**251**	**146**	**23**	**0**	**6,732**

The freehold and leasehold properties which comprise the Authority's property portfolio are valued by a qualified internal valuer, Donna Best (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 2019. This relates to extension works to a rental property which commenced in 2018/19 leaving a future commitment of £1.1 million.

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 Donna Best (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	4,584	0	4,342	5,256
Valued at current value in year:					
2018/19	59,154	0	109	0	0
2017/18	22,782	0	0	0	0
2016/17	33,665	0	31	0	0
2015/16	44,726	0	111	0	0
2014/15	12,902	0	40	0	0
Total cost or valuation *	173,229	4,584	291	4,342	5,256

* 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.

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:

2017/18		2018/19
£'000		£'000
8	Rental income from investment property	8
(0)	Direct operating expenses arising from investment property	(0)
8	Net gain/(loss)	8

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:

2017/18		2018/19
£'000		£'000
135	Balance at start of the year	136
	Additions:	
0	Purchases	0
0	Construction	0

0	Subsequent expenditure	0
(0)	Disposals	(0)
1	Net gains/losses from fair value adjustments	50
	Transfers:	
(0)	To/from Inventories	(0)
0	To/from Property, Plant and Equipment	0
0	Other changes	0
136	Balance at end of the year	186

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 2019.

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

	2017/18		**2018/19**	
	Other Assets £'000	**Total £'000**	**Other Assets £'000**	**Total £'000**
Balance at start of year:				
• Gross carrying amounts	848	848	963	963
• Accumulated amortisation	(336)	(336)	(505)	(505)
Net carrying amount at start of year	512	512	458	458
Additions				
• Purchases	0	0	0	0
Retirements and disposals (net)	0	0	(1)	(1)
Strata reclassify/movements/additions	115	115	150	150
Amortisation for the period	(169)	(169)	(190)	(190)
Net carrying amount at end of year	**458**	**458**	**417**	**417**
Comprising				
• Gross carrying amounts	963	963	1,103	1,103
• Accumulated amortisation	(505)	(505)	(686)	(686)
	458	**458**	**417**	**417**

17. Long term Investments

The Council has purchased 3,333 Founder shares in South West Mutual Bank Ltd at £15 each.

These represent a long term investment in a regional bank which has yet to obtain a banking licence and commence trade. Due to these factors it is considered at this stage that there is currently no value to the investment and it has been impaired to zero at the balance sheet date as detailed below:

	£000's
Opening balance at 1 April 2018	0
Purchase	50
Impairment	(50)
Closing balance 31 March 2019	**0**

18. 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 2018 £'000	**31 March 2019 £'000**
Collection Fund balance – non domestic rates	0	654
Sundry trade debtors/Community Infrastructure Levy	836	1,051
Mortgages / loans	430	358
Finance leases	18	18
	1,284	2,081

19. Short term investments

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

20. Short Term Debtors

31 March 2018* £'000		31 March 2019 £'000
7,744	Trade debtors	5,689
127	Other debtors	114
4,003	Prepayments and accrued income	3,193
386	Council tax / Non domestic rates	200
311	Strata debtors	421
12,571	**Total**	**9,617**

*The balances at 31 March 2018 have been reanalysed to reflect a more informative split of the type of debtor balance held.

21. Debtors for Local Taxation

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

31 March 2018 £'000		31 March 2019 £'000
189	Less than one year	2
97	One to three years	93
100	Over three years	105
386	**Total**	**200**

The analysis above only shows those balances where assessment has indicated that, by exception, no impairment is required and is analysed based upon the reporting information available.

22. Cash and Cash Equivalents

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

31 March 2018 £'000		31 March 2019 £'000
150	Cash held by the Authority	146
6,538	Bank current/instant call accounts	(539)
3,000	Short term deposits with banks/building societies/money market funds	4,900
384	Strata	334
10,072	**Total Cash and Cash Equivalents**	**4,841**

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'.

23. Assets Held for Sale

	Current		Non-Current	
	2017/18	2018/19	2017/18	2018/19
	£'000	£'000	£'000	£'000
Balance outstanding at start of year	**0**	**109**	**0**	**0**
Assets newly classified as held for sale:				
• Property, Plant and Equipment	109	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	(109)	0	0
Transfers from non current to current	0	0	0	0
Balance outstanding at year-end	**109**	**0**	**0**	**0**

24. Short Term Creditors

31 March 2018* £'000		31 March 2019 £'000
(5,374)	Trade creditors	(4,005)
(269)	Other creditors	(275)
(2,015)	Accrued expenditure and income in advance	(2,231)
(278)	Council tax / Non domestic rates	(260)
(165)	Strata creditors	(186)
(8,101)	**Total**	**(6,957)**

*The balances at 31 March 2018 have been reanalysed to reflect a more informative split of the type of creditor balance held.

25. Provisions

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

	Short Term		
	Land charges	**Non Domestic Rates Appeals**	**Total**
	£'000	**£'000**	**£'000**
Balance at 1 April 2018	**(10)**	**(600)**	**(610)**
Additional provisions made in 2018/19	0	0	**0**
Amounts used in 2018/19	0	0	**0**
Unused amounts reversed in 2018/19	10	0	**10**
Balance at 31 March 2019	**0**	**(600)**	**(600)**

Short term – Land charges:
Claims by personal search companies for refund of personal search fees have been paid in earlier years and no further claims have come forward so the provision has been eliminated.

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.

26. 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.

27. Unusable Reserves

The Council has the following unusable reserves and balances:

31 March 2018 £'000		31 March 2019 £'000
30,633	Revaluation Reserve	35,880
45,791	Capital Adjustment Account	45,834
(28)	Financial Instruments Adjustment Account	(44)
(90,787)	Pensions Reserve	(87,523)
58	Deferred Capital Receipts Reserve	103
(1,292)	Collection Fund Adjustment Account	(295)
(268)	Accumulated Absences Account	(275)
(15,893)	**Total Unusable Reserves**	**(6,320)**

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.

2017/18 £'000		2018/19 £'000	
27,987	**Balance at 1 April**		**30,633**
3,187	Upward revaluation of assets	9,079	
(43)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(3,214)	
3,144	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		5,865
(498)	Difference between fair value depreciation and historical cost depreciation	(604)	
(0)	Accumulated gains on assets sold or scrapped	(14)	
(498)	Amount written off to the Capital Adjustment Account		(618)
30,633	**Balance at 31 March**		**35,880**

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.

Notes 7/9 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2017/18 £'000		2018/19 £'000	
44,197	**Balance at 1 April**		**45,791**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(2,062)	• Charges for depreciation and impairment of non current assets	(2,477)	
2	• Operating lease income adjustment	2	
(282)	• Revaluation losses on Property, Plant and Equipment	(2,759)	
146	• Revaluation reversals on Property, Plant & Equipment	866	
(169)	• Amortisation of intangible assets	(190)	
(2,357)	• Revenue expenditure funded from capital under statute	(3,807)	
(79)	• 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	(202)	
0	• Gain arising on share of donated assets - Strata	0	
(4,801)		(8,567)	
498	Adjusting amounts written out of the Revaluation Reserve	618	
(4,303)	Net written out amount of the cost of non current assets consumed in the year		(7,949)
	Capital financing applied in the year:		
11	• Use of the Capital Receipts Reserve to finance new capital expenditure/repay loan	354	
0	• Use of the Capital Receipts Reserve to meet previous year disposal costs	0	

4,419	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	2,575	
0	• Application of grants to capital financing from the Capital Grants Unapplied Account	2,291	
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	117	
0	• Disposal costs relating to future capital disposal	0	
0	• Financing of loan	0	
1,466	• Capital expenditure charged against the General Fund balance	2,535	
5,896			7,872
1	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		50
0	Bank investment written off		(50)
0	Loan repayment		0
0	Donated asset		120
45,791	**Balance at 31 March**		**45,834**

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.

2017/18 £'000		**2018/19 £'000**
(33)	**Balance at 1 April**	**(28)**
5	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	(16)
(28)	**Balance at 31 March**	**(44)**

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.

2017/18 £'000		**2018/19 £'000**
(94,572)	**Balance at 1 April**	**(90,787)**
7,912	Re-measurements of the net defined benefit liability/(asset)	6,812
(7,446)	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	(7,353)
3,319	Employer's pensions contributions and direct payments to pensioners payable in the year	3,805
(90,787)	**Balance at 31 March**	**(87,523)**

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.

2017/18		**2018/19**
£'000		**£'000**
58	**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	60
0	Transfer to the Capital Receipts Reserve upon receipt of cash	(15)
58	**Balance at 31 March**	**103**

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.

2017/18		**2018/19**
£'000		**£'000**
(841)	**Balance at 1 April**	**(1,292)**
(451)	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	997
(1,292)	**Balance at 31 March**	**(295)**

Accumulated Absences Account

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

2017/18 £'000		2018/19 £'000	
(254)	**Balance at 1 April**		**(268)**
254	Settlement or cancellation of accrual made at the end of the preceding year	268	
(268)	Amounts accrued at the end of the current year	(275)	
(14)	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		(7)
(268)	**Balance at 31 March**		**(275)**

28. Cash Flow Statement – Operating Activities

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

2017/18 £'000		2018/19 £'000
(2,062)	Depreciation	(2,466)
(136)	Impairment, downward valuations & revaluation reversals	(1,904)
(169)	Amortisation	(190)
0	(Increase)/ decrease in impairment for bad debts	2
(614)	(Increase)/decrease in creditors	1,130
371	Increase/(decrease) in debtors	(1,962)
20	Increase/(decrease) in inventories	12
(4,127)	Movement in pension liability	(3,548)
(79)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(202)
(463)	Other non-cash items charged to the net surplus or deficit on the provision of services	1,062
(7,259)		**(8,066)**

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

2017/18 £'000		2018/19 £'000
0	Proceeds from short-term (not considered to be cash equivalents) and long-term investments	0
100	Proceeds from the sale of property, plant & equipment, investment property and intangible assets	418
4,419	Capital grants and contributions applied	2,575
(2,357)	Revenue expenditure funded from capital under statute	(3,807)
1,975	Any other items for which the cash effects are investing or financing cash flows	2,329
4,137		1,515

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

2017/18 £'000		2018/19 £'000
(170)	Interest received	(109)
0	Interest paid	0

29. Cash Flow Statement – Investing Activities

2017/18 £'000		2018/19 £'000
3,515	Purchase of property, plant and equipment, investment property and intangible assets	5,654
39,500	Purchase of short term and long term investments	73,616
196	Investment in Strata Service Solutions Ltd	280
2,768	Other payments for investing activities	3,932
(67)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(344)
(39,500)	Proceeds from short term and long term investments	(69,600)
(7,151)	Other receipts from investing activities*	(4,121)
(739)	**Net cash flows from investing activities**	**9,417**

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

30. Cash Flow Statement – Financing Activities

2017/18 £'000		2018/19 £'000
0	Cash receipts of short- and long-term borrowing	(1,000)
0	Other receipts from financing activities**	(1,957)
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
973	Other payments for financing activities**	0
973	**Net cash flows from financing activities**	**(1,957)**

**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.

Reconciliation of Liabilities arising from Financing Activities

	Balance at 1 April 2018	**Financing cash flows**		**Non-cash changes**		**Balance at 31 March 2019**
		Proceeds	Repayment	Acquisition	Other non-cash changes	
	£'000	£'000	£'000	£'000	£'000	£'000
Long-term borrowings	0	0	0	0	0	0
Short-term borrowings	0	1,000	(1,000)	0	0	0
Lease liabilities	0	0	0	0	0	0
Total liabilities from financing activities	**0**	**1,000**	**(1000)**	**0**	**0**	**0**

31. Financial Instruments

Financial instruments are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of the financial instrument. They are initially measured at fair value.

Financial Liabilities

As the Authority's financial liabilities are basic lending arrangements and mainly of a short term nature they are subsequently measured at amortised cost. Within the category table below, 'creditors – financial liabilities carried at contract amounts' mainly includes trade creditor invoices due and accrued trade expenditure for revenue and capital work.

Financial Assets

As the Authority's financial assets are basic lending arrangements and are not held to make speculative gains through increases in their value, they are subsequently measured at amortised cost: the outstanding principal repayable (plus accrued interest). Within the category table below, long term debtors – assets carried at amortised cost include car loans and miscellaneous mortgage balances.

Financial assets carried at contract amounts include sundry trade debtors and accrued income, the short term element of car loans etc.

Categories of Financial Instruments

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

	Long-Term		**Current**	
	31 March 2018 £'000	**31 March 2019 £'000**	**31 March 2018 £'000**	**31 March 2019 £'000**
Investments				
Assets carried at amortised cost:				
Loans and receivables	0	0	0	4,016
Total investments	**0**	**0**	**0**	**4,016**
Debtors				
Assets carried at amortised cost	449	376		
Financial assets carried at contract amounts			3,494	3,294
Total included in debtors	**449**	**376**	**3,494**	**3,294**
Non financial assets	835	1,705	9,077	6,323
Total	**1284**	**2,081**	**12,571**	**9,617**
Cash and cash equivalents	0	0	10,072	5,483
Total cash & cash equivalents	**0**	**0**	**10,072**	**5,483**

Borrowings				
Financial liabilities at amortised cost – bank overdraft	0	0	0	(642)
Total included in borrowings	**0**	**0**	**0**	**(642)**
Creditors				
Financial liabilities at amortised cost	0	0		
Financial liabilities carried at contract amounts			(2,992)	(2,614)
Total creditors	**0**	**0**	**(2,992)**	**(2,614)**
Non financial assets	0	0	(5,109)	(4,343)
Total	**0**	**0**	**(8,101)**	**(6,957)**

Income, Expense, Gains and Losses

2018 / 2019	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	(112)	(112)
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**	**(112)**	**(112)**
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**	**(112)**	**(112)**

2017 / 2018	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	(172)	(172)
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**	**(172)**	**(172)**
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**	**(172)**	**(172)**

There is no substantial difference between the carrying amount of financial assets and liabilities and their fair value at 31 March 2019, mainly due to their short term nature. The fair value of trade and other receivables is taken to be the invoiced or billed amount.

32. Members' Allowances

The scheme in operation is based upon the Local Authorities (Members' allowances) (England) Regulations 2003. The total allowances paid in 2018/19 (including travel and subsistence) amounts to £373,892 (2017/18 £362,293). Further details on members' allowances can be obtained from the payroll section within the Finance department.

33. 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	
	2017/18	2018/19		2017/18	2018/19
£50,000 - £54,999	3	3	£130,000 - £134,999	0	1
£55,000 - £59,999	2	2	£135,000 - £139,999	0	0
£60,000 - £64,999	2	0	£140,000 - £144,999	0	0
£65,000 - £69,999	2	0	£145,000 - £149,999	0	0
£70,000 - £74,999	0	3	£150,000 - £154,999	0	0
£75,000 - £79,999	0	1	£155,000 - £159,999	0	0
£80,000 - £84,999	1	0	£160,000 - £165,999	0	0
£85,000 - £89,999	1	0	£165,000 - £169,999	0	0
£90,000 - £94,999	0	0	£170,000 - £174,999	0	0
£95,000 - £99,999	1	1	£175,000 - £179,999	0	0
£100,000 - £104,999	0	0	£180,000 - £184,999	0	0
£105,000 - £109,999	0	1	£185,000 - £189,999	0	0
£110,000 - £114,999	0	0	£190,000 - £194,999	0	0
£115,000 - £119,999	0	0	£195,000 - £199,999	0	0
£120,000 - £124,999	0	0	£200,000 - £204,999	1	0
£125,000 - £129,999	0	0	£205,000 - £209,999	0	0

Senior Officers reporting directly to the Managing Director and statutory posts whose salary is between £50,000 and £150,000 per year for the year 2018/19 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 £
Managing Director	104,595	0	1,268	105,863	15,271	121,134
Director (1)	8,468	123,586	8	132,062	1,236	133,298
Interim Head of Corporate Services & Section 151 Officer	76,988	0	1	76,989	11,240	88,229
Interim Head of Operations	71,880	0	0	71,880	10,494	82,374
Interim Head of Service Delivery and Improvement	71,510	0	3	71,513	10,440	81,953
Interim Head of Commercial Services	71,712	0	2	71,714	10,470	82,184
Monitoring Officer (2)	16,281	81,288	327	97,896	2,377	100,273
Solicitor to the Council & Monitoring Officer (3)	26,239	0	0	26,239	3,831	30,070
Head of HR and OD (4)	38,278	0	0	38,278	5,589	43,867
Business Manager – Development Management (5)	34,484	0	0	34,484	5,035	39,519
Business Manager – Development Management (6)	21,756	0	0	21,756	3,176	24,932
Business Manager – Spatial Planning	58,011	0	943	58,954	8,470	67,424
Business Manager – Devon Building Control Partnership (7)	42,824	0	1,027	43,851	6,252	50,103

(1) Director ceased employment with the Authority on 30 April 2018.

(2) Monitoring Officer ceased employment with the Authority on 30 June 2018.

(3) Solicitor to the Council & Monitoring Officer started with the Authority on 3 November 2018.

(4) Head of HR and OD started with the Authority on 30 July 2018.

(5) Business Manager – Development Management ceased employment with the Authority on 4 November 2018.

(6) Business Manager – Development Management started employment with the Authority on 1 November 2018.

(7) Business Manager – Devon Building Control Partnership is a part time post. Salary is pro rata.

Senior Officers reporting directly to the Chief Executive/Interim Head of Paid Service/Managing Director and statutory posts whose salary is between £50,000 and £150,000 per year for the year 2017/18:

	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 (2)	28,196	173,091	90	201,377	4,117	205,494
Deputy Chief Executive/Interim Head of Paid Service/Managing Director	98,583	0	788	99,371	14,393	113,764
Business Lead/Director	88,221	0	0	88,221	12,880	101,101
Interim Chief Finance Officer / Chief Finance Officer & Section 151 Officer (3)	36,923	0	3	36,926	5,391	42,317
Chief Finance Officer & Section 151 Officer (1)	21,231	0	0	21,231	3,100	24,331
Monitoring Officer	62,217	0	1,098	63,315	9,084	72,399
Solicitor to the Council & Strategic Lead for HR & OD & Deputy Monitoring Officer	65,448	16,198	0	81,646	9,555	91,201
Business Manager	63,318	0	2	63,320	9,244	72,564
Business Manager	51,338	0	1,018	52,356	7,495	59,851
Business Manager	55,455	0	0	55,455	8,096	63,551
Business Manager	55,455	0	225	55,680	8,096	63,776
Business Manager	66,648	0	2	66,650	9,731	76,381

(1) Chief Finance Officer & Section 151 Officer was a part time post. Salary is pro rata. The employee left this post on 3 October 2017

(2) Chief Executive ceased employment with the Authority on 9 June 2017

(3) Interim Chief Finance Officer, moving into the Chief Finance Officer & Section 151 Officer post began on 4 October 2017

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**	
	2017/18	**2018/19**	**2017/18**	**2018/19**	**2017/18**	**2018/19**	**2017/18**	**2018/19**
							£'000	£'000
£0 - £20,000	0	0	2	2	2	2	30	23
£20,001 – £40,000	0	0	1	1	1	1	20	29
£40,001 - £60,000	0	0	0	0	0	0	0	0
£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
£150,001 - £200,000	0	0	0	0	0	0	0	0
£200,001 - £250,000	0	0	0	2	0	2	0	443
£250,001 - £300,000	0	0	1	0	1	0	264	0
Total cost Included in bandings	**0**	**0**	**4**	**5**	**4**	**5**	**314**	**495**
Add: Amounts provided for in Comprehensive Income & Expenditure Statement not included in bandings							0	0
Total cost included in Comprehensive Income & Expenditure Statement							**314**	**495**

Termination Benefits:

The Authority terminated the contracts of a number of employees in 2018/19, incurring liabilities of £257k (£189k in 2017/18). 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 40 relating to the pension scheme.

34. External Audit Costs

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

	2017/18	2018/19
	£'000	£'000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year	48	37
Fees payable in respect of certification of grant claims provided by Grant Thornton during the year*	5	8
Total	**53**	**45**

*This fee is a non-audit fee.

35. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018/19:

	2017/18 £'000	2018/19 £'000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	(847)	0
Council tax support trans/new burdens	0	0
Small business rate relief/threshold changes grant	(1,497)	(1,622)
Community Infrastructure Levy	(312)	(1,612)
Transparency code grant	(8)	(8)
Environment agency	(1,570)	0
Returned New Homes Bonus top slice	(8)	0
Homes & Communities Agency	0	(3)
Infrastructure capacity funding grant	0	0
Department for Work & Pensions	(509)	0
Lottery	(14)	0

Ministry of Housing, Communities & Local Government	(1,000)	(21)
Miscellaneous SANGS	0	(104)
New Homes Bonus	(3,436)	(2,917)
Electoral registration grants	0	0
Other non domestic rates grants	(293)	(548)
Other contributions	(284)	(510)
Total	**(9,778)**	**(7,345)**

	2017/18 £'000	2018/19 £'000
Credited to Services		
REFCUS grants:		
Renovation/Disabled/energy grants	(812)	(1,135)
Shoreline/Coastal Monitoring	(1,144)	(941)
Play/recreation	(286)	(210)
Other	(72)	0
Rent Allowance subsidy	(32,512)	(30,634)
Housing Benefit administration subsidy	(377)	(348)
Rent rebate subsidy	(323)	(367)
Community Housing Fund	0	0
Homelessness grants	(245)	(242)
Safer Devon/crime/community regeneration grants etc.	(30)	(20)
Elector Fund	(104)	(104)
RPA/Habitat Regulations/open space	(118)	(84)
Housing enabling/options/welfare	(954)	0
Bellwin	0	0
Other grants/contributions	(1,387)	(1,458)
Total	**(38,364)**	**(35,543)**

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 2018	31 March 2019
	£'000	£'000
Miscellaneous crime/disorder/community regeneration grants	(49)	(39)
Walk this Way/sports grants	0	0
Estuary contributions	(42)	(47)
Watercourse improvement contributions	(78)	(40)
Air quality	(60)	(81)
Heritage trail	(68)	(18)
Community facilities/open space contributions	(380)	(1,106)
Homelessness	0	(125)
Targeted families programme	0	0
Recycling	0	0
Miscellaneous	(39)	(23)
Total	**(716)**	**(1,479)**

Grants Receipts in Advance (Capital Grants)	31 March 2018 £'000	31 March 2019 £'000
Environment Agency/Natural England – Flood Prevention and Alleviation	(867)	(1,036)
DFG (Better Care Fund)	(513)	(619)
DEFRA – Air Quality	(50)	(50)
Public Open Spaces and recreation	(9)	(9)
Dept for Energy/DCC – Central Heating Fund	(35)	(36)
Pioneer Places	0	0
Lottery	(4)	(12)
Housing/infrastructure	(157)	(153)
Other	(56)	(56)
Total	**(1,691)**	**(1,971)**

Long term liabilities

Grants Receipts in Advance (Revenue Grants)	31 March 2018 £'000	31 March 2019 £'000
Dawlish Town Centre – community facilities	(68)	(68)
Parks, play & recreation facilities contribution	(3,406)	(2,554)
Carswells – open space contribution	(29)	(23)
Newton Abbot / Kingsteignton/Dawlish etc – air quality	(229)	(232)
Drainage - Kingsteignton	(144)	(144)
Miscellaneous open space, community facilities & wildlife contributions	(1,565)	(1,737)
Sundry drainage & flood defence contributions	(10)	(5)
Dawlish - drainage	(141)	0
Health contributions	(65)	(47)
Chudleigh – open space, indoor sports & play provision	(97)	(97)

Teignmouth town centre – pedestrianisation & public art	0	0
Other miscellaneous grants/contributions	(59)	(53)
Affordable housing	(747)	(727)
Total	**(6,560)**	**(5,687)**

Grants Receipts in Advance (Capital Grants)	**31 March 2018 £'000**	**31 March 2019 £'000**
Open Space and Recreation	(78)	(78)
Total	**(78)**	**(78)**

36. 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 2019 are shown in Note 35.

Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of Members' allowances paid in 2018/19 is shown in Note 32.

Grants and payments for services rendered totalling £54,230 were paid to the Citizens Advice Bureau (CAB) in 2018/19. 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

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. There were no grant payments in 2017/18 or 2018/19.

37. 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.

	Restated** 2017/18 £'000	2018/19 £'000
Opening Capital Financing Requirement	15,449	15,430
Capital investment :		
Property, Plant and Equipment	3,455	5,339
Strata ICT Capital Investment	195	280
Intangible Assets	0	0
Revenue Expenditure Funded from Capital under Statute	2,358	3,807
Bank investment	0	50
Long term debtors relating to capital transactions	0	60
Expenditure re. future capital receipts/other	0	0
Sources of finance :		
Capital receipts	(11)	(414)
Government grants and other contributions	(4,419)	(4,868)
Sums set aside from revenue:		
Direct revenue contributions	(1,466)	(2,535)
Financing of loan/other	(131)	(80)
MRP	0	(117)
Closing Capital Financing Requirement	15,430	16,952
Explanation of movements in year:		
Increase (decrease) in underlying need to borrowing (unsupported by government financial assistance)	112	1,602
Repayments of long-term debtors/other	(131)	(80)
Assets acquired under finance leases	0	0
Increase/(decrease) in Capital Financing Requirement	(19)	1,522

** The 2017/18 figures have been amended slightly to reflect additional capital transactions and repayments resulting in a reduction to the reported closing CFR at 31 March 2018 from £15.561 million to £15.430 million.

38. Leases

Authority as Lessee

Finance Leases

The Council had the use of one leisure centre under a finance lease in 2018/19.

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 2018 £'000		31 March 2019 £'000
6,028	Other Land and Buildings	7,520
6,028		7,520

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 2018 £'000		31 March 2019 £'000
1,503	Not later than one year	1,496
4,257	Later than one year and not later than five years	2,946
68	Later than five years	44
5,828		4,486

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:

2017/18 £'000		2018/19 £'000
1,534	Minimum lease payments	1,511
0	Contingent rents	0
0	(Sublease payments receivable)	0
1,534		1,511

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 72 and 89 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 2018 £'000		31 March 2019 £'000
	Finance lease debtor (net present value of minimum lease payments):	
0	• Current	0
18	• Non-current	18
67	Unearned finance income	66
0	Unguaranteed residual value of property	0
85	Gross investment in the lease	84

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 2018 £'000	**31 March 2019 £'000**	**31 March 2018 £'000**	**31 March 2019 £'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	79	78	18	18
	85	84	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 2019 (£0 at 31 March 2018).

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 2018/19 £2k contingent rents were receivable by the Authority (2017/18 £2k).

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 2018 £'000		**31 March 2019 £'000**
1,829	Not later than one year	1,605
2,860	Later than one year and not later than five years	2,753
4,770	Later than five years	4,900
9,459		9,258

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 2018/19 £38k contingent rents were receivable by the Authority (2017/18 £55k).

39. 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.

In 2018/19 there was an impairment loss of £122,000 of which £68,000 was charged to the Comprehensive Income & Expenditure Statement. There were no impairment losses in 2017/18. There was an impairment reversal of £57,000 in 2018/19 credited to the Comprehensive Income & Expenditure Statement. There were no reversals in 2017/18.

40. 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.

2018/19:	Scheme Assets £'000	Pensions Obligations £'000	Net Pensions Liability £'000	Notes on Accounting Treatment
Opening balance at 1 April 2018	**88,515**	**(179,302)**	**(90,787)**	
Current service cost		(5,230)	(5,230)	Absorbed into the total cost of services in the CIES
Past service cost and gains/losses on settlements		(553)	(553)	Charged to Financing items in the CIES
Interest income and expenses	2,246	(4,523)	(2,277)	Charged as a net item to Financing and Investment Income and Expenditure in the CIES
Administration expenses	(57)		(57)	Charged to Other Operating Expenditure
Remeasurements:				
• Return on plan assets	2,959		2,959	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		10,330	10,330	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		(6,477)	(6,477)	Debited as Remeasurements of the Net Defined Benefit Liability to Other Comprehensive Income and Expenditure in the CIES
• Other actuarial gains and losses	0	0	0	Credited as Remeasurements of the Net Defined Liability to Other Comprehensive Income and Expenditure in the CIES
Contributions:				
• Council employer's contributions	3,805		3,805	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	764		764	Absorbed into the total cost of services in the CIES – netted off Current Service Cost
Retirement grants and pensions	(5,559)	5,559	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 2019	**92,673**	**(180,196)**	**(87,523)**	

2017/18:	Scheme Assets £'000	Pensions Obligations £'000	Net Pensions Liability £'000	Notes on Accounting Treatment
Opening balance at 1 April 2017	**86,212**	**(180,784)**	**(94,572)**	
Current service cost		(5,360)	(5,360)	Absorbed into the total cost of services in the CIES
Past service cost and gains/losses on settlements		(271)	(271)	Charged to Financing items in the CIES
Interest income and expenses	2,313	(4,831)	(2,518)	Charged as a net item to Financing and Investment Income and Expenditure in the CIES
Administration expenses	(46)		(46)	Charged to Other Operating Expenditure
Remeasurements: • Return on plan assets	1,209		1,209	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		6,703	6,703	Credited as Remeasurements of the Net Defined Benefit Liability to Other Comprehensive Income and Expenditure in the CIES
• Other actuarial gains and losses	0	0	0	Credited as Remeasurements of the Net Defined Liability to Other Comprehensive Income and Expenditure in the CIES
Contributions: • Council employer's contributions	3,319		3,319	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	749		749	Absorbed into the total cost of services in the CIES – netted off Current Service Cost
Retirement grants and pensions	(5,241)	5,241	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 2018	**88,515**	**(179,302)**	**(90,787)**	

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 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 £87.523 million has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a reduced net assets position of £13.921 million at 31 March 2019. 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 2018**	**31 March 2019**
Longevity at 65 for current pensioners:		
Men	23.5	22.4
Women	25.6	24.4
Longevity at 65 for future pensioners: (assumed retiring in 20 years)		
Men	25.7	24.1
Women	27.9	26.2
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 2018	**31 March 2019**
	% p.a.	**% p.a.**
Salary increases	3.85%	3.90%
Pension increases	2.35%	2.40%
Discount rate	2.55%	2.40%

Demographic / Statistical assumptions

These assumptions by the actuary are set with reference to market conditions at 31 March 2019. The estimate of the duration of the Authority's liabilities is 18 years. An estimate of the Employer's future cashflows is made using notional cashflows based on the estimated duration above. These estimated cashflows are then used to derive a Single Equivalent Discount Rate (SEDR). The discount rate derived is such that the net present value of the notional cashflows, discounted at this single rate, equates to the net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30 year point). This is consistent with the approach used at the previous accounting date.

Similarly to the approach used to derive the discount rate, the Retail Prices Index (RPI) increase assumption is set using a Single Equivalent Inflation rate (SEIR) approach, using the notional cashflows described above. The single inflation rate derived is that which gives the same net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve, as applying the Bank of England implied inflation curve. As above, the Merrill Lynch AA rated corporate bond yield spot curve is assumed to be flat beyond the 30 year point and the Bank of England implied inflation spot curve is assumed to be flat beyond the 40 year point. This is consistent with the approach used at the previous accounting date.

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI there is a further assumption about CPI which is that it will be 1.0% p.a. below RPI i.e. 2.4% p.a. 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 and is consistent with the approach used at the previous accounting date.

Salaries are assumed to increase at 1.5% p.a. above CPI in addition to a promotional scale. However, an 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.

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)	(6,969)	6,701
Rate of increase in salaries (increase or decrease by 0.1%)	(313)	311
Rate of increase in pensions (increase or decrease by 0.1%) and deferred revaluation	(2,992)	2,938
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	3,245	(3,309)

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 will be set as at 31 March 2019.

The authority is anticipated to pay £3.224 million expected contributions to the scheme in 2019/20.

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

	31 March 2018		**31 March 2019**	
	£'000	**%**	**£'000**	**%**
Equities**	51,736	59	54,783	59
Gilts	2,781	3	2,988	3
Other Bonds	1,809	2	1,780	2
Property	8,237	9	8,303	9
Cash	2,162	2	1,577	2
Target Return Portfolio	13,219	15	13,246	14
Infrastructure	3,174	4	3,486	4
Other	5,397	6	6,510	7
Total	**88,515**	**100**	**92,673**	**100**

**At 31 March 2019 equities include £39.550 million of overseas equities.

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

		31 March 2019	
		% Quoted	**% Unquoted**
Fixed interest government securities	UK	0.2	-
	Overseas	3.1	-
Corporate bonds	UK	0.1	-
	Overseas	1.8	-
Equities	UK	15.7	0.7
	Overseas	37.9	4.7
Property	All	-	8.9
Others	Absolute return portfolio	14.3	-
	Private Equity	-	1.7
	Infrastructure	-	3.8
	Multi sector credit fund	5.4	-
	Cash/Temporary investments	-	1.6
Net current assets	Debtors	-	0.1
	Creditors	-	-
Total		**78.5**	**21.5**

41. Contingent Liabilities

The transfer of the Authority's housing stock on 4 February 2004 resulted in a gross capital receipt of £13.1 million. 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).

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

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

On the presumption that the remedy is for the Council to incur costs in extending protections to all members who were active at 31 March 2012 until their retirement, the Council's actuaries have advised an indicative impact of:

- a potential increase in pensions liabilities of £1.173m (0.7% of liabilities currently in the Balance Sheet at 31 March 2019)
- an increase in the projected service cost for 2019/20 of £0.103m (2.4% of the service cost before consideration of the McCloud judgement).

The Council has not reflected any consequences in its pensions liabilities in the Balance Sheet due to the above uncertainty and the indicative impact not being material.

42. 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**

The following summary identifies the arrangements in place for managing credit risk in relation to financial assets and for estimating the impairment loss allowances that would reflect the Council's exposure to this risk:

Asset type	**Credit risk management practices**	**Estimation of impairment loss allowance**
Government bonds, deposits, loans to other local authorities	Investments guaranteed by statute – no credit risk	No allowance required
Deposits with banks & building societies	Deposits are restricted by the Council's treasury management strategy to institutions with minimum acceptable credit ratings. All deposits held at 31 March 2019 therefore have low credit risk. 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	12 month expected credit losses have been assessed based upon risk factors which consider the credit rating and financial standing of the institution. The highest credit ratings for the deposits that the Authority has made mean that any allowance for expected credit losses would be insignificant.

	middle adequate range according to the Audit Commission 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 Treasury Bills and the Debt Management office which is unlimited).	
Other loans to businesses and voluntary organisations	Loans are subject to internal credit rating by reference to audited accounts etc. A significant increase in credit risk since initial recognition arises when a loan's categorisation changes adversely. Loans are credit impaired where financial difficulties are identified or where the borrower breaches contracted terms of the loan. Balances are not written off until there is no realistic prospect of recovery.	Expected credit losses are calculated using historical data for defaults and risks specific to the borrower identified in the internal assessment process. No allowance required
Other debtors	Debtors are not subject to internal credit ratings and have been grouped for the purposes of calculating expected credit losses based upon time overdue. An element of balances are written off when they are more than 12 months past due plus specific provision for those greater than 12 months. Balances are written off but enforcement activity continues until there is no realistic prospect of recovery.	Expected credit losses are calculated using provision matrices based upon historical data and grouping of debtor ages and some specific debtors based upon financial data e.g. accounts etc. Between 1 April 2018 and 31 March 2019 the loss allowance reduced from £0.540 million to £0.538 million as a result of a change in the volume of debtors. 'Other debtors' include trade debtors and housing benefit overpayments etc.

Changes in Expected Credit Losses

The following movements in the impairment loss allowances for financial assets took place in 2018/19.

	Allowance at 1 April 2018	Increase / (decrease) in provision	Allowance at 31 March 2019
	£'000	£'000	£'000
Deposits with banks and building societies			
12-month credit losses	0	0	0
Other loans to businesses and voluntary organisations			
12-month credit losses	0	0	0
Lifetime credit losses	0	0	0
Credit-impaired assets	0	0	0
Other debtors			
Grouped assets	540	(2)	538
Total loss allowances	**540**	**(2)**	**538**

The total amount of undiscounted expected credit losses at recognition on financial assets initially recognised during 2018/19 was £0.

Exposure to Credit Risk

		Gross Carrying Amount £'000
Other debtors		
Grouped assets	Not subject to credit rating *	3,294
Total amount exposed to credit risk		**3,294**

*Other sundry debtors have an impairment provision based upon historical experience, age of debt, economic conditions and arrangements for repayment.

As detailed above, all deposits are low risk (see table above). Loans to businesses and other organisations are not material. Credit risk is not measured for individual debtors.

Loss allowances for council tax are £0.080 million at 31 March 2019 and £0.300 million for non domestic rates. These are calculated based upon historic default patterns and economic conditions prevailing at the time.

During 2018/19 the Council wrote off financial assets with a contractual amount outstanding of £0.023 million (£0.017 million in 2017/18) that are still subject to enforcement activity.

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:

	31 March 2018 £'000	**31 March 2019 £'000**
Less than one year	(2,992)	(2,614)
Between one and two years	0	0
Between two and five years	0	0
More than five years	0	0
	(2,992)	(2,614)

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 10.0% (no more than 10.0% for 2019/20) 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 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 2019, 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	(85)
Impact on Surplus or Deficit on the Provision of Services	**(85)**
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

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.

43. 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 2018 £'000		**31 March 2018 £'000**
(245)	Operating leases - income in advance	(243)

(1,210)	Collection Fund balance – council tax/NNDR	(657)
(90,787)	Pension Liability	(87,523)
(92,242)		**(88,423)**

44. Trust Funds

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.

45. 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.

46. 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 £35,903 for 2018/19 (£39,047 in 2017/18).

(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 £3,006 in 2018/19 (£3,074 in 2017/18).

47. 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)

	2017/18 £'000's	2018/19 £'000's
Fees	(1,766)	(1,916)
Cost of Sales	862	894
Admin Expenses	1,308	1,455
Transfer of pension scheme liability	0	0
Cost of Services`	**404**	**433**
(Gain) / loss on disposal of assets	1	1
Net interest on the net defined benefit liability	52	47
Interest receivable	(2)	(2)
(Surplus) or Deficit on Provision of Services	**455**	**479**
Remeasurement of the net defined benefit liability	(229)	(109)
Total CIES	**226**	**370**
Adjustments to Balance Sheet (cumulative for 2017/18 column)		
Property, Plant & Equipment	216	(25)
Intangible assets	458	(41)
Investment in Strata removed upon consolidation and replaced with proportional share of assets and liabilities	(1508)	(280)
Total Long Term Assets	**(834)**	**(346)**
Inventories	4	0
Short Term Debtors	311	110
Cash & Cash Equivalents	384	(50)
Total Current Assets	**699**	**60**
Short Term Creditors	(165)	(21)
Grants Receipts in Advance – Capital	(56)	0
Total Current Liabilities	**(221)**	**(21)**
Pension Scheme Liability	(1,848)	(63)
Total Long Term Liabilities	**(1,848)**	**(63)**
Net Assets	**(2,204)**	**(370)**
Financed by:		
Usable reserves	218	(8)
Unusable reserves	(2,422)	(362)
Total Reserves	**(2,204)**	**(370)**

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.

	2017/18 Business Rates	2017/18 Council Tax	2018/19 Business Rates	2018/19 Council Tax
INCOME	£'000	£'000	£'000	£'000
Income from Council Tax		(84,578)		(89,867)
Business Rates Receivable	(29,241)		(30,525)	
(Plus): Transitional Protection/Relief	33	(1)	25	(2)
	(29,208)	(84,579)	(30,500)	(89,869)
EXPENDITURE				
Precepts, Demands & Shares:				
Central Government	15,527		0	
Devon County Council	2,795	60,371	18,479	64,665
Devon & Cornwall Police Authority		8,393		9,146
Devon & Somerset Fire & Rescue Authority	311	3,884	313	4,081
Teignbridge District Council (net including Towns / Parishes)	12,422	10,630	12,528	11,245
Rates write offs and change in impairment allowance	74		568	
Council Tax written off and change in impairment allowance		246		165
Rates increase/(reduction) in provision for appeals	1,100		0	
Business Rates – costs of collection	190		192	
	32,419	83,524	32,080	89,302
Movements on the Collection Fund :				
DEFICIT / (SURPLUS) FOR THE YEAR	**3,211**	**(1,055)**	**1,580**	**(567)**
DEFICIT / (SURPLUS) BROUGHT FORWARD	712	(1,129)	(293)	(1,184)
ACCUMULATED DEFICIT / (SURPLUS)	3,923	(2,184)	1,287	(1,751)
(see note 4 to the Collection Fund)				
Allocation for following year:				
Central Government	(2,108)		147	
Devon County Council	(380)	725	(263)	725
Devon & Cornwall Police Authority		101		103
Devon & Somerset Fire & Rescue Authority	(42)	46	(2)	46
Teignbridge District Council	(1,686)	128	(79)	126
	(4,216)	1,000	(197)	1,000
DEFICIT / (SURPLUS) CARRIED FORWARD	**(293)**	**(1,184)**	**1,090**	**(751)**

NOTES TO THE COLLECTION FUND

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

- Under business rates retention as a billing authority we act as an agent, collecting business rates on behalf of the major preceptors and central government. Teignbridge received 40% of the estimated income as a payment of £12.528 million (2017/18 £12.422 million) from the rates collection fund. The authority had to pay a tariff to government of £8,368 million (2017/18 £8.496 million) and a levy of £0.821 million (2017/18 £0.560 million). However as we are part of the Devon pool some of this was returned to us as a pooling gain of £0.796 million (2017/18 £0.230 million).

- 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 £1.0 million surplus (2017/18 £1.0 million) has been declared by Teignbridge as the council tax estimate in 2018/19. A £0.197 million (2017/18 £4.216 million) deficit was anticipated for non domestic rates for 2018/19 however an actual deficit balance has arisen of £1.287 million (2017/18 £3.923 million).

2. Business Rates

The total business rateable value as at 31 March 2019 was £84.776 million (31 March 2018 £85.101 million) with a multiplier of 49.3 pence (47.9 pence 2017/18) in the pound 48.0 pence (46.6 pence 2017/18) in the pound for properties where the rateable value is less than £51,000 (£51,000 2017/18).

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 2018/19 was 49,068 (2017/18 48,095) adjusted for a collection rate of 99.0% to give Teignbridge's Tax Base of 48,577 (2017/18 47,614) Band D equivalents. The average Band D charge for the Teignbridge CT, excluding Parishes, was £165.17 (2017/18 £160.17).

4. Collection Fund Balance

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

	2017/18		2018/19	
	Business Rates £'000	Council Tax £'000	Business Rates £'000	Council Tax £'000
Central Government	2,108		(147)	
Devon County Council	207	(1,584)	906	(1,266)
Devon & Cornwall Police Authority		(222)		(185)
Devon & Somerset Fire and Rescue Authority	39	(101)	13	(80)
In short / long term debtors / short term creditors / long term liabilities	2,354	(1,907)	772	(1,531)
Balance of Fund to Teignbridge District Council (in Collection Fund Adjustment Account)	1,569	(277)	515	(220)
	3,923	(2,184)	1,287	(1,751)

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.
SANGS	Suitable Alternative Natural Green Space. Accessible alternative green provision to migrate where development is close to a protected site.
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 2018-2019

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 put in place proper systems 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 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 2019 and up to the date we approved the statement of accounts.

The key things we do to comply with the good governance principles are as follows:

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

- The Council's Constitution, Councillor and Officer Codes of Conduct, and Vision and Values statement set out required standards of members and officers.
- Registers of Interests are for maintained to avoid conflicts, prejudice or bias.
- The designated statutory Head of Paid Service, 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, Standards Committee and the Monitoring Officer oversee standards
- Anti-Fraud and Corruption and Whistleblowing policies are publicised.
- Council services are led by trained and professionally qualified staff.
- Comments and complaints processes are in place and are publicised, including how to complain to the Ombudsman.
- Our 'fair for all' ethos is incorporated in the work we do, and we publish our adherence to the Equality Act 2010 duties annually.

Ensuring openness and comprehensive stakeholder engagement

- Our Consultation and Community Engagement Strategy and Toolkit encourages all members of the community to contribute to, and participate in the work of the Council.
- Members of the public have access to Council meetings, minutes and agendas.
- Our Communications Strategy showing principles of engagement.
- 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.
- We have developed a Digital Strategy to guide the way services will be delivered with a digital first approach.
- We survey customers every two year for their views on our services to help shape future direction.
- A Statement of Community Involvement sets out engagement processes for planning policy and applications, and a revision of our Local Plan is in progress.
- Our website has been continually improved based on what customers need.

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

- A Ten Year Council Strategy guides our work. This was implemented following extensive research and consultation with residents, business and partners, and is underpinned by ten “Super Projects” each having a widespread impact on the economy, community wellbeing, and environment.
- Budgets, financial plan and capital programme direct financial resources to priorities.
- We have a Procurement Strategy in conjunction with other Devon Districts which defines our commitment to support local economies.
- An Economic Development Plan aids local businesses and the local economy.
- A number of small grants and funding schemes are provided, which benefit local communities, a crowdfunding initiative has been joined.
- We belong to the Greater Exeter Partnership which is developing a Greater Exeter Strategic Plan for joined-up decision making on planning and infrastructure, and we are members of the Heart of the South West Local Enterprise Partnership.

Determining the interventions necessary to achieve 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, for efficient service delivery.
- A digital transformation programme “One Teignbridge” drives service improvements.
- A Partnership toolkit aids collaborative working and strong partnership governance.

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

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

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 Strategic Leadership Team (SLT) and the Audit Committee.
- The Strategy requires risks to be managed at all levels including service, strategic, and project levels, and in all decision making.
- Robust performance monitoring using a basket of indicators is undertaken by the SLT and Overview and Scrutiny Committee.
- Our Interim Head of Corporate Services is the 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 SLT and Audit Scrutiny Committee who also receive and consider the external auditors' findings.
- Key data is published, and timely responses are given to Freedom of Information Requests.

How do we know our arrangements are working?

At least annually, we review 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 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, which cover their areas of control, acknowledge accountability for risk management and internal control, and certify 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, Risk Manager and the Health and Safety Manager.

- 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 Standards Committee is available to support the Monitoring Officer on standards of conduct and probity issues. A working group has reviewed the operation of the Standards Committee and a Constitution review is planned.

- 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 kept under review 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.

- 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 2018-2019.

- On behalf of the Council, Strata 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 (the Public Services Network), and also follows the National Cyber Security Centre's 10 Steps to Cyber Security.

- The Electoral Commission's real time monitoring of performance concluded that the Council met their standards.

- The Local Government Ombudsman considered the Council at fault in 4 of the complaints received in 2018-2019.

- 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 these standards were met.

- The system of internal audit has been reviewed. The review concluded that the system of internal audit is effective and remains a key source of assurance for the Council.

- Based on the assurance work undertaken by internal audit, the Audit Manager has provided an opinion on the adequacy of the control environment which concluded that this was adequate and effective. It should, however, be noted that all risks of failure cannot be eliminated, and the assurance given is therefore reasonable and not absolute.

- The Audit Manager also provided oversight of Information Governance and Data Protection for the Council. A programme of work is ongoing to maintain compliance with information laws. There were no reportable data breaches and average processing time for Freedom of Information and Environmental Information Regulation requests was 9.5 days.

- 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 are reported to the Audit Scrutiny Committee.

Conclusion

Our governance arrangements continue to be regarded as fit for purpose in accordance with the governance framework. Set out below, are the challenges highlighted by this review which we aim to address during 2019-2020, along with an update on those previously reported in 2018-2019:

2017-2018 Identified Issue	**Progress**
Standards Committee and Council Constitution The Council needs to continue its work to strengthen the Standards Committee through the appointment of a second independent person. The Council's Constitution is out of date.	The second independent person has been appointed. The Code of Conduct was reviewed by a Cross party working group and revised code adopted in April 2018. No substantive work was commenced on updating the Constitution. A working group comprising group leaders was established for 2019/20 and is tasked with undertaking a review of the constitution in particular the decision making structure.
2018-2019 Identified Issues	**Planned Action**
Financial Sustainability The Council has set a balanced budget despite the continuing pressures on costs and reductions in funding streams.	Continue to monitor savings and efficiency plans and assumptions, to ensure they contribute towards future budget deficits.
Fundamental Review of the Constitution The Council's constitution has not been reviewed for some years, updates being undertaken on a piece meal basis and as a consequence, creating inconsistences and gaps in the decision making processes.	The Constitution Working Group comprising group leaders will conduct a review of the constitution over 2019-20 reporting to Council with recommendations for changes by end of 2019-20.
Contract Procedure Rules These rules govern the Council's procurement activity and promote good procurement practice and accountability. A review is to ensure they continue to reflect good practice.	The Contract Procedure Rules will be reviewed and presented to Audit Scrutiny Committee and full Council for approval.

Signed:

Leader of the Council **Managing Director**

OTHER INFORMATION AND CONTACTS

1. Environmental Footprint

Teignbridge District Council has a ten year strategy and our goal is instead to reduce waste, be more energy efficient and make better transport choices, and in so doing to reduce carbon output. 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 was produced and approved by the Carbon Trust. This new plan committed Teignbridge to further reduce our CO_2 emissions by 20% by 2017, and we have met this goal.

The carbon reduction projects continue to provide the anticipated savings. The photovoltaic installations at Dawlish and Newton Abbot Leisure centres and at Forde House have proved very successful.

We have completed installation of new photovoltaic panels as part of the regeneration of the Market Walk area in Newton Abbot, and also on the Teignbridge Business Centre in Heathfield. These should provide reduced energy costs for the council and a reduced energy footprint from the two high-consuming sites, further reducing our carbon footprint.

2. Building Regulations Control Account –Year Ended 31 March 2019

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:

Browse meetings - Devon Building Control Partnership Committee - Teignbridge District Council

3. Comments / Contacts

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

Martin Flitcroft – Tel: 01626 215246, or email martin.flitcroft@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