

**Statement of Accounts
2013/14
East Devon District Council
Knowle
Sidmouth
Devon
EX10 8HL**

**Contact Name: Simon Davey
Tel: 01395 517413
Email: sdavey@eastdevon.gov.uk**

www.eastdevon.gov.uk

Statement of Accounts

2013/14

Contents Page

Contents	<u>Page</u>
1. Contents Page	1
2. Introduction	2
3. Explanatory Foreword	3 - 15
4. Statement of Responsibilities for the Statement of Accounts	16
 Core Financial Statements and Notes	
5. Movement in Reserves Statement (MiRS)	17
6. Comprehensive Income and Expenditure Statement (CIES)	18
7. Balance Sheet (BS)	19
8. Cash Flow Statement (CFS)	20
9. Index of Notes	21
10. Note 1 Statement of Accounting Policies	22 - 36
11. Notes 2 - 6	36 - 37
12. Adjustment between Accounting Basis and Funding Basis Notes 7 - 8	38 - 45
13. CIES Notes 9 - 23	45 - 61
14. Balance Sheet Notes 24 - 36	62 - 77
15. Cash Flow Statement Note 37	78
 Supplementary Statements and Notes	
17. HRA Income and Expenditure Statement and HRA Notes 1 - 11	79 - 84
18. Collection Fund and CF Notes 1 - 4	85 - 87
19. Glossary of Terms	88 - 91
 Other Items	
20. The Annual Governance Statement	92
21. Audit Opinion	98

Introduction

Welcome to East Devon District Council's Statement of Accounts for 2013/14

2013/14 was a successful year for the Council despite the ongoing economic situation. This was the second year of our 2012 - 16 Council Plan (refreshed in 2013/14) and we have continued building on East Devon's reputation as a great place to live. We delivered 250 new affordable homes and invested over £3.351m to support our economic initiatives such as regeneration at Exmouth and Seaton and the Growth Point project in the west of the district.

The Council continues to be recognised for its sound financial management and providing good value services as highlighted by the 2013/14 Peer Review conducted by the Local Government Association.

Once again we have achieved an underspend against both our revenue and capital budgets for the year and, despite a significant reduction in Government grant in recent years, we have a healthy level of reserves and balances. Our three main reserves; General Fund Balance, HRA balance and the Capital Reserve remain within the limits set by council at £3.925m, £3.891m and £2.509m respectively.

We are continuing to identify savings to help us to provide the majority of our services at similar levels in the future.

East Devon District Council as a billing authority, collected Council Tax for Devon County Council, Devon & Cornwall Police & Crime Commissioner, Devon & Somerset Fire and Rescue Authority and town and parish councils as well as East Devon District Council itself. East Devon's element of a typical council tax bill in 2013/14 was just £121.78. This was held at the same level as in 2012/13 due to good financial management and the receipt of a Council Tax Freeze grant from the Government, equivalent to a 1% increase in Council Tax.

The pages which follow will explain the services we provide and how your council tax was spent during the year. The Council's accounts have been prepared in line with International Financial Reporting Standards.

We are always looking to improve the way we present our financial information because we feel it's important that residents understand the Council's finances. If there is anything that you would like to tell us so that we can improve things for the future, please do not hesitate to get in touch with us.

Finally, we thank you for showing an interest in East Devon District Council's finances.

Simon Davey CIPFA S.151 Officer
East Devon District Council
Council Offices
Knowle
Sidmouth
EX10 8HL

EXPLANATORY FOREWORD

The intention of the Statement of Accounts is to give the reader a view of the finances of East Devon District Council for 2013/14.

Any documents referred to in links to the EDDC website can be obtained in hard copy on request.

The Explanatory Forward is divided into the following sections:

- 1. Inspection of the Accounts**
- 2. 2013/14 Performance - Outturn**
 - 2.1 General Fund Revenue
 - 2.2 Housing Revenue Account
 - 2.3 Capital Programme
 - 2.4 Reserves and Balances
 - 2.5 Review of Key Objectives and Events
- 3. Forward looking to 2014/15**
 - 3.1 Issues affecting 2014/15 and future years
 - 3.2 Impact of 2014/15 Budget setting process
 - 3.3 Key future targets PI's used to measure objectives
- 4. Key Accounting Information**
 - 4.1 Summary of Purpose and Relationship Between Statements
 - 4.2 Change in Accounting Policies
 - 4.3 Prior Year Adjustments
 - 4.4 Preparation of the Accounts
 - 4.5 Annual report

1. Inspection of the Accounts

Under provisions contained in Section 15 and 16 of the Audit Commission Act 1998 and the Accounts and Audit Regulations 2011, the Statement of Accounts for 2013/14 was available for inspection from 1 July 2014 to 28 July 2014.

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

2.0 2013/14 Performance (Outturn)

2.1 General Fund Revenue

The Council's Revenue Account - known as the General Fund - bears the net cost of providing day-to-day services (excluding provision of council housing).

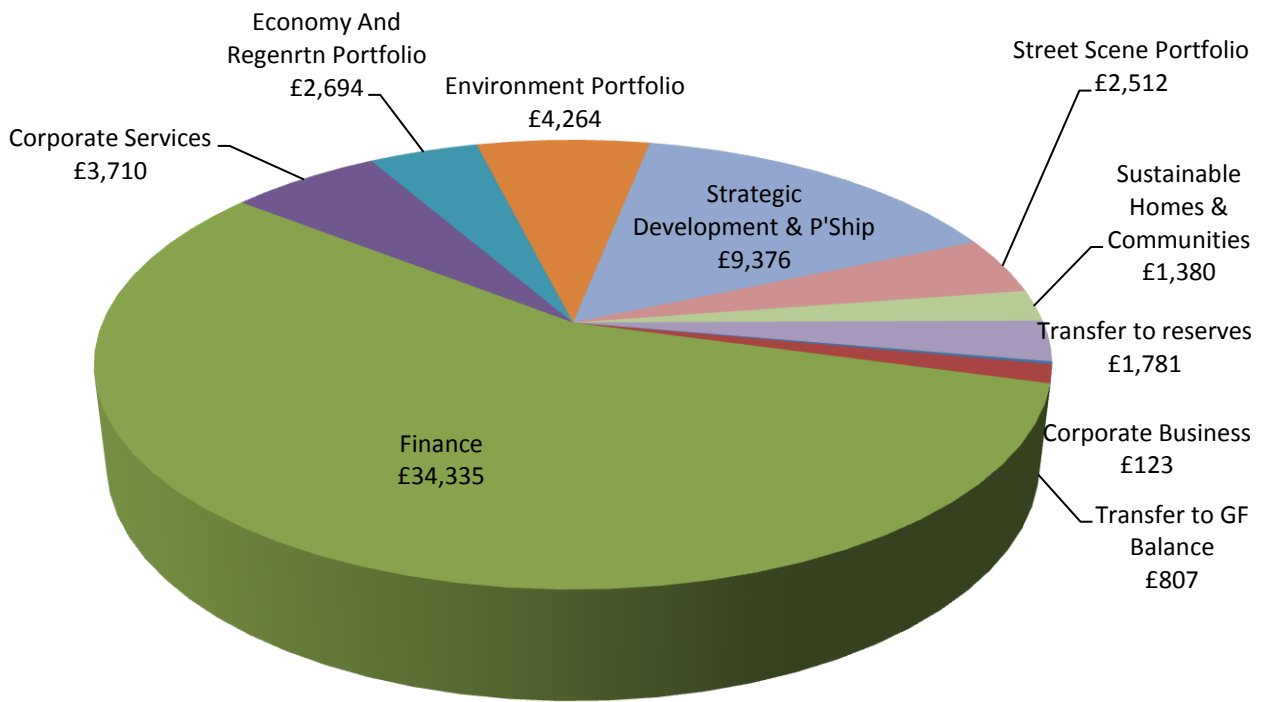
2.1.1 Comparing Budget to Actual - explaining the big differences.

Details at Portfolio and individual services level are available in the [EDDC 2013/14 Outturn Book](#) which was published at the Cabinet meeting on 4th June 2014.

Major Outturn Budget Variations 2013/14	Variations £000
Corporate Services	
Savings on IT service contracts and hardware purchases	(75)
Extra income generation in Legal services	(47)
Economy Services	
Slippage on Exmouth Regeneration project to 2014/15	(44)
Building Control income to reserve for IT enhancements in 2014/15	(68)
Environment Services	
Savings on car park cash collection contract arrangements	(35)
Income below budget projections as budget did not reflect a late Easter	130
Environment external income for 2014/15 spend	(51)
Street Scene Services	
Savings on cleansing and grounds maintenance services due to extended equipment life and transport	(109)
Savings on refuse and recycling contract. Increased prices received for recycling materials	(260)
Slippage on Exmouth beach management plan and Beer cemetery wall to 2014/15	(90)
Finance Services	
Savings on Discretionary Rate Relief budget not required due to amalgamation of costs in the final scheme	(111)
Benefits external income to reserve for Selfservice implementation in 2014/15	(50)
Land charges income to reserve for service enhancements in 2014/15	(62)
Strategic Development & Partnership Services	
Additional Planning income due to increase in applications	(44)
Planning income to reserve for short term staff to cover increase in volume of applications	(200)
Neighbourhood and local plans external income to reserve for 2014/15 spend	(133)
Sustainable Homes & Communities Services	
Additional income on Homesafeguard service due to increase on customer numbers	(46)
Homelessness grant to reserve for 2014/15 spend	(29)
All services	
Net salary savings due to vacancies	(194)

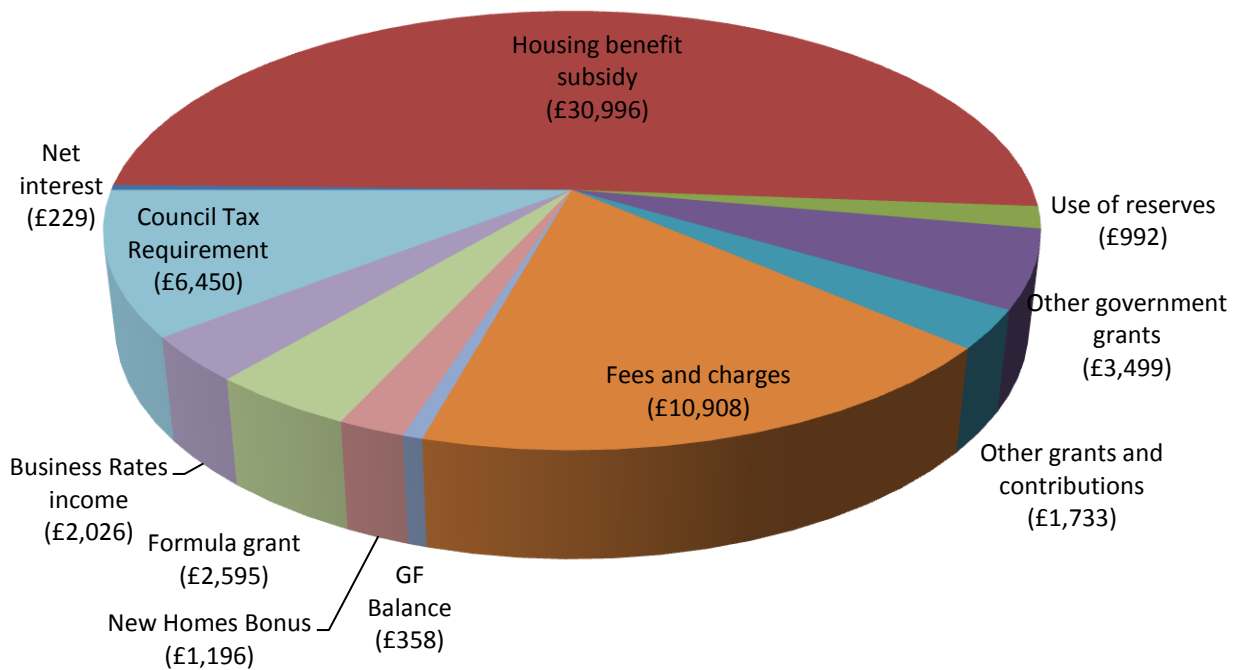
2.1.2 Service Expenditure - Where the money went

Gross expenditure £60,932 (£000)



2.1.3 Service income and funding - Where the money came from

Gross income and funding (£60,932) (£000)



2.1.4 Treasury Management performance including interest payable

General Fund and HRA interest of £303k received for 2013/14 was £21k less than the budget of £324k. This was due to the bank base rates remaining at extremely low levels for longer than anticipated.

No restructuring of debt or early repayment of loans took place.

Full details of performance are available in the Annual Treasury Management report presented to Cabinet on 4 June 2014, [2013/14 Annual Treasury Management Review](#) and under the financial instruments notes in the accounts. Further details of the EDDC [2013/14 Treasury Management Strategy](#) are available on the website.

2.1.5 Material items of Income and expenditure

Most large items of expenditure are covered in the Council's capital programme detailed below. The following items are included in the 2013/14 Comprehensive Income and Expenditure:

The cost to EDDC for pension provision for 2013/14 was £1.969m payable to the Local Government Pension Scheme administered by Devon County Council.

Costs of the EDDC relocation project during 2013/14 funded from the Transformation Reserve are £0.150m.

2.2 Housing Revenue Account

The Housing Revenue Account (HRA) is the ringfenced account for providing council housing and associated services.

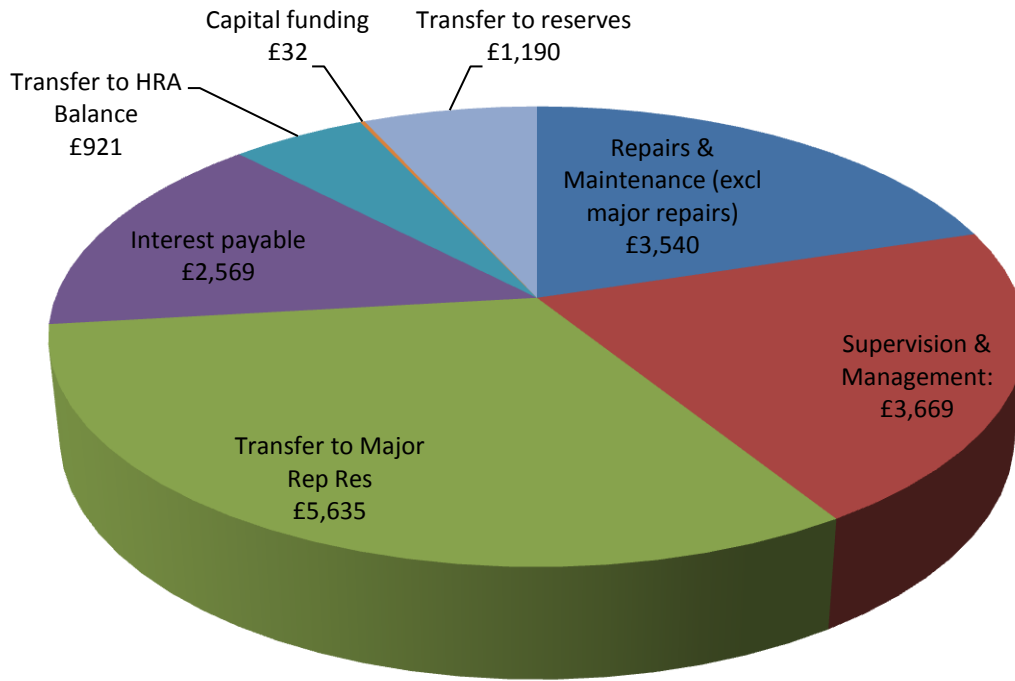
2.2.1 Comparing Budget to Actual - explaining the big differences

HRA 2013/14	Variations £000
Rent income higher due to reduced void times & excellent collection rates	(265)
Day to day repairs – increase in demand, settlement sum of £60k to Lovell in respect of Connaught, storm damage costs	637
Programmed maintenance – includes additional works identified as a result of solid fuel & gas servicing	101
Catch up Repairs – this budget is spent across other budget heads associated with the actual spend.	(500)
Supervision & Management – maternity cover, higher insurance premiums, IT hardware & software purchases	68
Mobile Support Officers – supporting people income from DCC & self funding tenants	(87)
Major Repairs	485
Revenue contribution to capital lower than anticipated due to lower costs than budgeted , slippage and use of capital receipts to fund capital expenditure	(842)

Further details are available in the [EDDC 2013/14 Outturn Book](#) which was published at Cabinet on 4th June 2014.

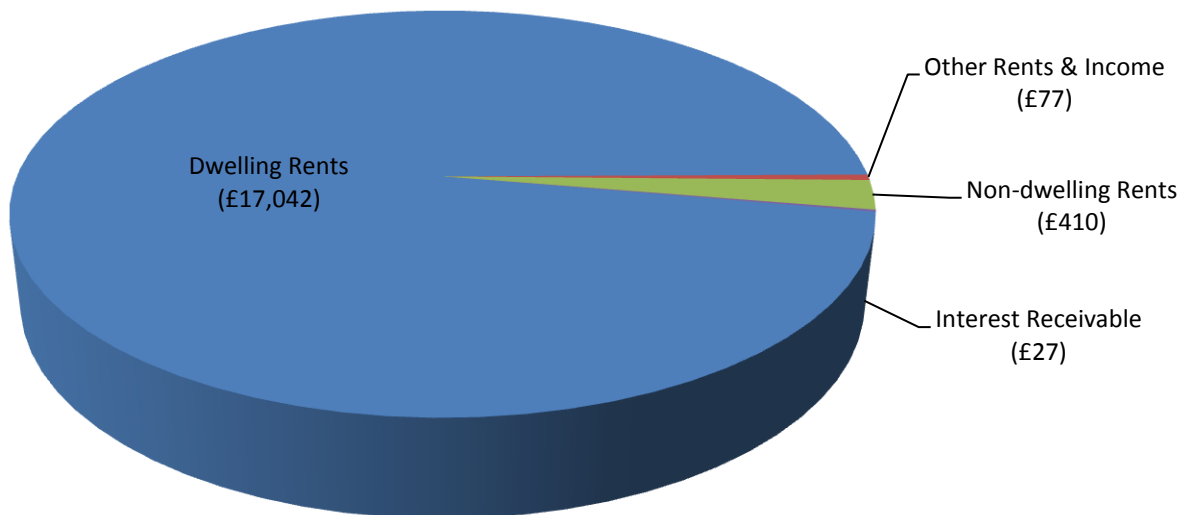
2.2.2 HRA Expenditure - Where the money went

Gross expenditure £17,556 (£000)



2.2.3 HRA income and funding - Where the money came from

Gross income (£17,556) (£000)



2.3 Capital Programme

Our capital account shows the income and expenditure transactions when we buy or sell land or property, build new property, improve our existing properties, buy large items of equipment and provide grants to others for the above. This is funded from capital receipts (sale of EDDC property), Public Works Loans Board (PWLB) loans, government grants and partner contributions, the Capital Reserve and revenue contributions.

The capital programme is approved each year in February at full Council for the next three years with estimated spend and sources of funding. As at 1 April 2014, the predicted balance remaining on our Capital Reserve at 31 March 2017 was £2.832m.

2.3.1 Comparing Budget to Actual - explaining the big differences

Capital Programme 2013/14	Variations £000
Corporate Services	
Savings on various small IT systems	(28)
Slippage on Windows 7 implementation	(182)
Community – Housing General Fund	
Additional income from repayment of grants	(38)
Slippage on Improvement and Disabled Facility Grants	(1,122)
Economy & Regeneration	
Savings on Exmouth Pavilion refurbishment due to low tender price	(96)
Slippage on Exmouth, Seaton and Growth Point regeneration projects	(5,784)
Environment	
Savings on leisure services refurbishments	(41)
Street Scene	
Slippage on Axe Wetlands development due to planning delays	(207)
Slippage on plant and equipment due to longer life of assets	(160)
Community HRA	
Savings on major improvements and adaptations	(182)
Slippage on new HRA IT system and works on newly purchased HMO	(482)

Details at Portfolio and individual project level are available in the [Outturn Book](#) which was published for the June Cabinet meeting.

2.3.2 Details of significant projects

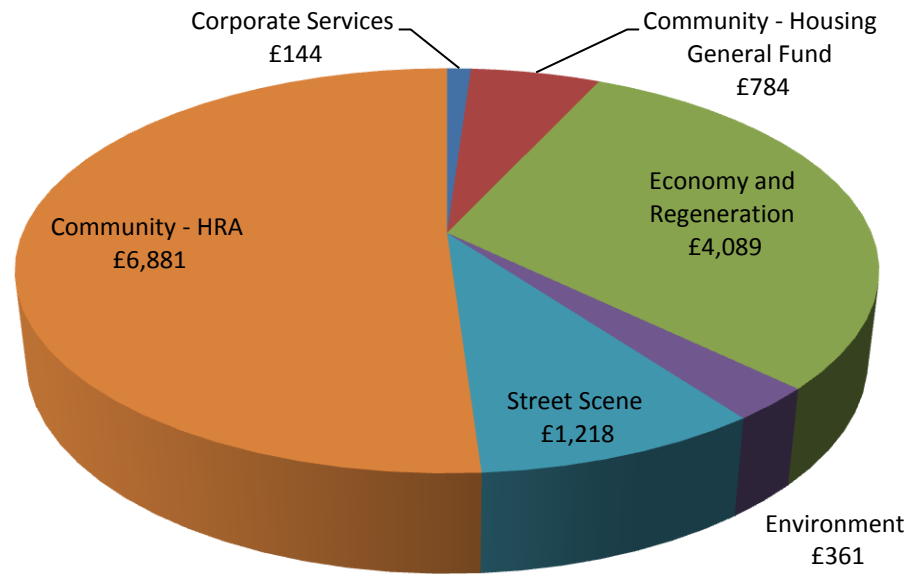
Expenditure of £3.090m on Growth Point infrastructure including roads in and around Cranbrook was funded by the central government Regional Growth Fund.

Exmouth and Seaton regeneration predevelopment costs of £0.259m have been funded by capital receipts. Expenditure on leisure facilities improvements was £0.610m and £0.609m on the Honiton Community Centre. Grants to help disabled people in their own homes were paid out totalling £0.448m.

In addition to £6.078m expenditure on improvements to existing EDDC council stock, the HRA funded the purchase of a House of Multiple Occupation (HMO) for £0.247m and 4 flats for £0.464m.

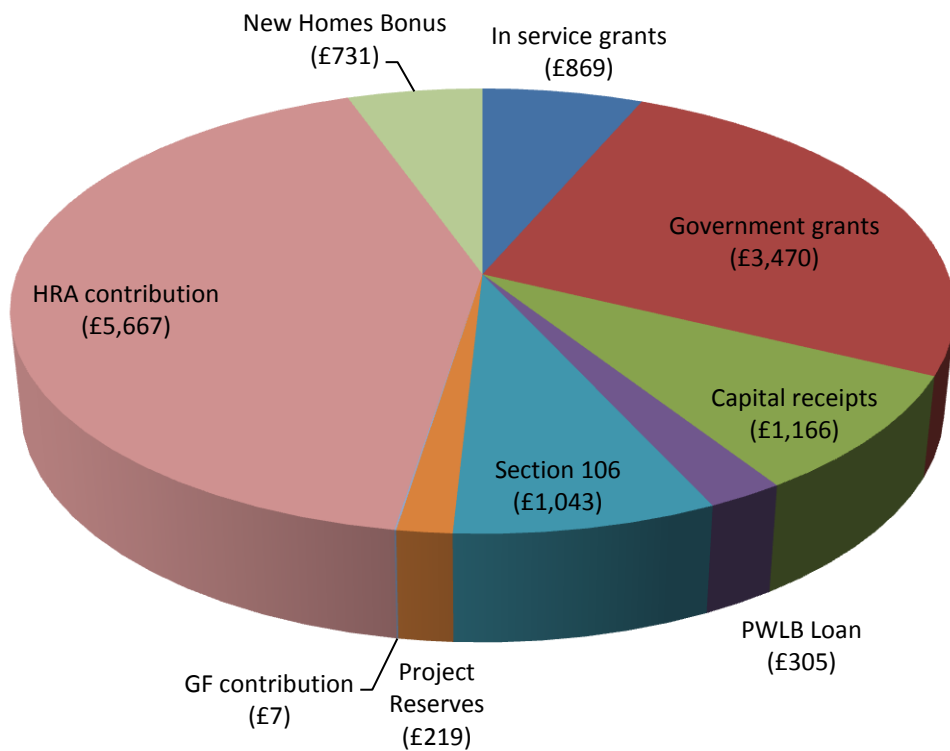
2.3.3 Capital Expenditure – where the money went

Gross expenditure £13,477 (£000)



2.3.4 Capital Income and Funding - Where the money came from

Capital income and funding (£13,477) (£000)



2.4 Reserves and Balances

2.4.1 Summary of major reserves

	Opening Balance	Movement in Year	Closing Balance
	£000	£000	£000
General Fund Reserve	(3,810)	(115)	(3,925)
HRA Reserve	(2,970)	(921)	((3,891)
Capital Reserve	(2,594)	85	(2,509)
Total	(9,374)	(951)	(10,325)

2.4.2 General Fund balance

A contribution to the General Fund balance in year of £0.115m is detailed in the [EDDC 2013/14 Outturn Book](#) on the Summary page. In addition a contribution was made of £0.397m to the Transformation Reserve and £0.454m to the Business Rate Volatility Fund.

Other movements and the final General Fund Balance are detailed in the Movement in Reserves Statement (MIRS) within the Statement of Accounts.

2.4.3 HRA balance

Contributions to the HRA balance in the year of £0.921m are detailed in the [EDDC 2013/14 Outturn Book](#) from page 53. The HRA also contributed a further £1.190m to the HRA Business Plan Volatility Reserve to provide a cushion for repayment of the HRA self financing loans bringing the balance in the reserve to £2.9m.

Other movements and the final HRA balance are detailed in the Movement in Reserves Statement (MIRS) within the Statement of Accounts.

2.4.4 Earmarked Reserves

These represent funds set aside for specific purposes in future years. They are created from unspent external funding for specific projects or revenue underspends due to slippage of projects within the year.

Overall, earmarked reserves have increased by £0.793m. See Note 8 in the Accounts for a summary of movements and in the [EDDC 2013/14 Outturn Book](#) for details of individual reserves.

2.4.5 Capital Reserve

This reserve helps fund our Capital Programme. The Capital reserve was not required to fund the capital programme for 2013/14 leaving £2.509m for future years. Details of estimated future expenditure are in the [EDDC 2013/14 Outturn Book](#).

2.4.6 Pensions Liability

The money owed by us at 31 March includes a £40.196m pension liability. The pension liability is estimated by our pension fund actuary and shows the commitment that we have, in the long-term, to pay retirement benefits.

2.5 Review of Key Objectives and Events

2.5.1 Performance - using Revenue and Capital resources

The annual Capital and Revenue budgets are approved by full Council each February for the following 1 April to 31 March. These budgets are the product of a process starting in August of the prior financial year and are scrutinised by service managers through heads of service and member consultation, to Senior Management Team and finally Cabinet, Overview and Scrutiny and full Council. The Annual Revenue and Capital Budget book is available on the EDDC website on [Revenue and Capital Estimates 2013/14](#).

2.5.1 Performance Contd.

The performance of EDDC is measured by the actual use of these revenue and capital resources against budget and is monitored on a monthly basis with reports to Cabinet. These reports cover the General Fund, HRA, the Capital Programme and levels of reserves. They also detail any additional expenditure required and the source of funding. These reports are within the monthly [Cabinet Agendas](#) which are available on the EDDC website.

The Council also produces Quarterly Performance Monitoring reports and an Annual Report, again available on the EDDC website. The Year End Report (Q4) is available on the website at [Year End \(Q4\)Performance Report 2013/14](#).

The Council produces an Annual Report detailing outturn objectives. EDDC has already achieved 11 out of 28 promises, with the remainder on track to complete by the end of the Council Plan 2016. These include regeneration projects and the IT Shared Services Initiative. Of our 14 Key Performance Indicators for 2013/14, 9 were achieved. Of the remaining 5, only 1 is of concern; the time taken to determine minor planning applications. This was because of an overwhelming volume of applications. The remaining 4 indicators also relate to processing high volumes of customers in council tax, planning and business rates with targets missed by less than 1%.

2.5.3 Key Issues in 2013/14

Spending plans and income was affected in 2013/14 by decreasing central government funding in addition to the economic climate. However, a balanced budget was set with the final outturn achieving savings that were required.

All balances and reserves are held within the required limits as set at Council

2.5.4 Major changes in Assets and Liabilities on the Balance Sheet

The increase in the value of Community assets of £1.117m is mainly due to the revaluation of Budleigh beach. The Sidmouth cemetery chapel and store were reclassified from Other Land and Building to Community Assets.

Movements on Long and Short Term Investments are due to reclassification. The increase of £1.180m on Short Term Debtors is mainly due to the Non Domestic Rates Collection Fund deficit to be collected from major preceptors in future years.

Cash and Cash Equivalents fluctuate every year purely depending on the timing of payments made and cash received as at 31March.

The increase of £1.084 on Short Term Creditors is mainly due to the surplus owed to major preceptors from the Council Tax Collection Fund during 2014/15.

2.5.5 Major change in Statutory Functions in 2013/14

The responsibility for on street car parking will be returned to Devon County Council with effect from 1 April 2014. However, there will be a period of handover in 2014/15 for administration of payment of fines.

2.5.6 Current Borrowing Facilities and Capital Borrowing

Details of the Council's authorised borrowing limits are in the annual Prudential Indicators report which is presented as an appendix to the Revenue and Capital Estimates. It is presented to Cabinet and then full Council in February each year and is available on the EDDC website at [Revenue and Capital Estimates 2013/14](#).

The report provides details of the prudent level of borrowing that the council can take out for capital financing. Capital financing is needed for funding the capital programme that is not met by capital receipts, grants or reserves.

There was no restructuring of debt or early repayment during 2013/14.

3. Forward Looking to 2014/15

3.1 Issues affecting 2014/15 and future years

Central Government funding for local authorities continues to reduce against increasing pressures and costs for councils to continue to deliver services for its customers. In 2014/15 the Council received a further reduction in funding of 14%, on top of having had a reduction of 33% (£2.3m) over the previous 3 years.

Additionally in recent years there has been a shift in risk from central government to local government:

- The localisation of Council Tax Benefit means a locally designed and funded scheme.
- Business Rate income under the Business Rate Retention scheme is now based on local performance.
- A top slice of previous core funding to local authorities is now paid based on housing growth in the area.

It is acknowledged that as well as there being risk, business and housing growth in an area does bring additional funding to councils.

There is still uncertainty as to the timing of the roll out and exact details of the Universal Credit scheme where local authorities will no longer administer Housing Benefits.

3.2 Impact of 2014/15 Budget Setting process

Because of the reduction in funding combined with inflation pressures the Council was looking to find a budget deficit of just over £2m for 2014/15. This was balanced through a number of initiatives led by a member Budget Working Party. This did not involve any reduction in services to customers.

The Medium Term Financial Plan shows a budget shortfall for 2015/16 of around £0.4m with plans already in place to meet this sum, again through work by the Budget Working Party. Looking further ahead up to 2020/21 requires the Council to find a shortfall in the region of another £2.4m with work currently underway in planning to meet that shortfall. Specific proposals include:

- Significantly increasing the ability for customers to do business with us on our website.
- Securing purpose built suitably sized, modern accommodation to work from.
- Working more closely with other authorities including the sharing of ICT services with Exeter City and Teignbridge Councils.

Details of the General Fund and HRA budgets at Portfolio and Service Level can be found in the [2014-15 Estimates Book](#) and the associated budget report presented to Cabinet on 5 February 2014 on our website along with the Capital Programme at project level at [Revenue and Capital Estimates 2014/15](#).

- 3.3 Key future Targets** - Performance indicators used to measure objectives
The Council will continue to complete the remaining 11 promises by the end of the Council Plan 2016.

There are also plans in place to meet the targets of the 14 current Performance Indicators, and achieve targets for the 4 indicators not achieved in Quarter 4 2013/14 relating to customers in council tax, planning and business rates.

4. Key Accounting Information

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011 which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Chartered Institute of Public Finance and Accountancy (CIPFA), Local Authority (Scotland) Accounts Advisory Committee (LASAAC), Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (the Code) and the Service Reporting Code of Practice for Local Authorities 2013/14 (SeRCOP), supported by International Financial Reporting Standards (IFRS). The 2013/14 accounts summarise the Council's transactions for the 2013/14 financial year and its position at the year end of 31 March 2014.

4.1 Summary of Purpose and Relationship Between Statements

4.1.1 The Statement of Responsibilities for the Statement of Accounts

This Statement sets out the respective responsibilities of the Council and the Chief Financial Officer for the accounts.

4.1.2 The Auditor's Statement

This is the Independent Auditor's Report to Members of East Devon District Council including the Conclusion on Arrangements for Securing Economy, Efficiency and Effectiveness in the Use of Resources. It is called the Audit Opinion.

4.1.3 The Annual Governance Statement

This gives a public assurance that the Council has proper arrangements in place to manage all of its affairs. It summarises the Council's responsibilities in the conduct of its business, the purpose and key elements of the system of internal control and the processes applied in maintaining, reviewing and developing the effectiveness of those control systems.

4.1.4 Movement in Reserves Statement - Core Financial Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'Usable Reserves' (those that can be applied to fund expenditure or reduce local taxation) and "Unusable Reserves".

The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax and dwellings rent setting purposes. The Net (Increase)/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves are undertaken by the Council.

4.1.5 Comprehensive Income and Expenditure Statement - Core Financial 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 but this may be different from the accounting cost. It includes Pension liabilities that are outside the control of the Council. The taxation position is shown in the Movement in Reserves Statement.

4.1.5 Comprehensive Income and Expenditure Statement contd.

The 2013/14 surplus of £7.242m represents underspends on revenue budgets and slippage of capital expenditure to the new year.

4.1.6 Balance Sheet - Core Financial Statement

The Balance Sheet summarises the Council's financial position at 31 March 2014 showing the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council.

Reserves are reported in two categories:

Usable reserves: reserves that the Council 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 may only be used to fund capital expenditure or repay debt.

Unusable Reserves : reserves that the Council is not able to use to provide services. These reserves include the Revaluation Reserve which holds unrealised gains and losses. This would only become available to provide services if the assets were actually sold. Other Unusable Reserves hold timing differences which are shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

As at 31 March 2014, our balance sheet has increased by £7.242m due to an increase on Usable reserves of £3.346m relating to revenue and capital underspends, and Unusable reserves of £3.896m due to pension and capital adjustments.

4.1.7 Cash Flow Statement - Core Financial Statement

The Cash Flow Statement shows the changes in the Council's cash and cash equivalents during the reporting period. The statement shows how the Council 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 Council are funded by way of taxation and grant income, or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council'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 Council.

4.1.8 Housing Revenue Account (HRA) - Supplementary Financial Statements

The HRA is a record of revenue expenditure and income relating to the Council's housing stock. Its primary purpose is to ensure that expenditure on managing tenancies and maintaining dwellings is balanced by rents charged to tenants. Therefore the HRA is a statutory account which is ringfenced from the rest of the General Fund so that rents cannot be subsidised from Council Tax or vice versa.

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations which may differ from the accounting cost. The (increase) or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

4.1.9 Collection Fund - Supplementary Financial Statements

This account is maintained separately as a statutory requirement. The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and ratepayers and distribution to Local Authorities and the Government of Council Tax and Non-domestic rates.

4.2 Change in Accounting Policies

In accordance with the Code of Practice, the method of calculating pension liability has been changed as detailed in the Accounting policies Note 1. Although this has no effect on the balance sheet, some prior year adjustments were required. (See below.)

4.3 Prior Year adjustments

Due to Pensions calculations changes referred to above, the following restatement of items in the CIES and MIRS for 2012/13 have been necessary:

Comprehensive Income and Expenditure Account:

Increases on Cost of Service and the Financing and Investment Expenditure lines of £0.532m are reversed on the Remeasurement of the Net Defined Liability line.

The net effect of these adjustments is nil, with no change to the Total Comprehensive Income and Expenditure of £6.334m.

MIRS:

The GF Balance and HRA Balance columns for the Deficit on Provision of Service, and the Unusable Reserves column for Other Comprehensive Income and Expenditure have been adjusted. These amounts are reversed out in the Adjustments between Accounting Basis and Funding Basis under Regulations line.

The net effect of these adjustments is nil, resulting in no change to Reserves balances carried forward.

4.4 Preparation of the Accounts

The accounts are prepared in accordance with proper practices as set out by CIPFA/LASAAC code of practice. See the Statement of Responsibilities for details.

4.5 Annual Report

The Council produces an Annual Report which details the Council's plans for 2013/14 and compares this to actual performance. Details of the 28 individual promises and the 14 Performance Indicators are contained in the report which will be published on the EDDC website in July 2014.



Simon Davey CPFA
Head of Finance

The Statement of Responsibilities

The Council's Responsibilities

The Council 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 Council, that officer is the Head of Finance.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

The Head of Finance's Responsibilities

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

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

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

The Head of Finance has also:

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

I certify that the Statement of Accounts 2013/14 gives a true and fair view of the financial position of the Council at 31 March 2014 and its income and expenditure for the year ended 31 March 2014.



Simon Davey CPFA
Head of Finance

I certify on behalf of the Council that the Statement of Accounts 2013/14 was approved in final form by the Audit & Governance Committee on 25 September 2014.

Councillor Ken Potter
Chairman of the Audit & Governance Committee

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, 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 Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2012	(5,536)	(7,956)	(624)	0	0	(7,794)	(21,910)	(170,474)	(192,384)
(Surplus) or deficit on the provision of services	*9,684	0	*(2,428)	0	0	0	*7,256	0	*7,256
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	(922)	(922)
Total Comprehensive Income and Expenditure	*9,684	0	*(2,428)	0	0	0	7,256	(922)	6,334
Adjustments between accounting basis & funding basis under regulations (Note 7)	*(7,997)	0	*(1,628)	0	(175)	4,395	(5,405)	*5,405	0
Net (Increase) / Decrease before Transfers to/from Earmarked Reserves	1,686	0	(4,056)	0	(175)	4,395	1,850	4,484	6,334
Transfers to/from Earmarked Reserves (Note 8)	40	(40)	1,710	(1,710)	0	0	0	0	0
(Increase)/Decrease in 2012/13	1,726	(40)	(2,346)	(1,710)	(175)	4,395	1,850	4,484	6,334
Balance at 31 March 2013	(3,810)	(7,996)	(2,970)	(1,710)	(175)	(3,399)	(20,060)	(165,990)	(186,050)
Movement in reserves during 2013/14:									
(Surplus) / Deficit on the provision of services	4,150	0	(4,629)	0	0	0	(479)	0	(479)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	(6,763)	(6,763)
Total Comprehensive Income and Expenditure	4,150	0	(4,629)	0	0	0	(479)	(6,763)	(7,242)
Adjustments between accounting basis & funding basis under regulations (Note 7)	(5,057)	0	2,518	0	(1,758)	1,431	(2,866)	*2,867	*0
Net (Increase) / Decrease before Transfers to/from Earmarked Reserves	(908)	0	(2,111)	0	(1,758)	1,431	(3,346)	(3,896)	(7,242)
Transfers to/from Earmarked Reserves (Note 8)	793	(793)	1,190	(1,190)	0	0	0	0	0
(Increase)/Decrease in 2013/14	(115)	(793)	(921)	(1,190)	(1,758)	1,431	(3,346)	(3,896)	(7,242)
Balance at 31 March 2014	(3,925)	(8,789)	(3,891)	(2,900)	(1,933)	(1,968)	(23,406)	(169,886)	(193,292)

Comprehensive Income and Expenditure Statement

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

Comprehensive Income and Expenditure Statement For the year ended 31 March 2014						
2012/13 Restated Gross Expenditure £000	2012/13 Gross Income £000	2012/13 Restated Net Expenditure £000		2013/14 Gross Expenditure £000	2013/14 Gross Income £000	2013/14 Net Expenditure £000
10,878	(9,726)	1,152	Central services to the public	2,114	(1,081)	1,033
6,814	(1,613)	5,201	Cultural and related services	7,099	(2,264)	4,835
9,825	(2,258)	7,567	Environmental and regulatory services	9,647	(2,266)	7,381
6,387	(3,002)	3,385	Planning services	6,105	(4,202)	1,903
4,616	(3,000)	1,616	Highways & transport services	3,457	(4,226)	(769)
			Housing services:			
12,876	(17,658)	(4,782)	Local Council housing (HRA)	12,003	(18,525)	(6,522)
33,791	(32,724)	1,067	Other housing services	34,430	(33,103)	1,327
1,747	(97)	1,650	Corporate & Democratic Core	1,985	(226)	1,759
*591	(112)	*479	Non Distributed Costs	428	(120)	308
*87,526	(70,190)	*17,336	Cost of Services	77,267	(66,013)	11,254
		2,514	Other operating expenditure (Note 9)			1,099
		*3,973	Financing & investment income & expenditure (Note 10)			4,113
			Taxation and non-specific grant income/expenditure (Note 11)			
		(9,118)	Council tax income			(8,571)
		0	Parish Council Tax Support			184
		(5,303)	Non domestic rates			(2,011)
		(1,136)	Non-ringfenced government grants			(5,571)
		(1,010)	Capital grants and contributions			(976)
		*7,256	(Surplus) or Deficit on Provision of Services			(479)
		(2,799)	(Surplus) or Deficit on revaluation of Property, Plant & Equipment assets			(2,433)
		15	(Surplus) or Deficit on revaluation of Available for Sale financial assets			71
		1,862	Remeasurement of the net defined benefit liability			(4,401)
		* (922)	Other Comprehensive Income and Expenditure			(6,763)
		6,334	Total Comprehensive Income and Expenditure			(7,242)

*In accordance with the Code of Practice, the 2012/13 comparatives have been adjusted to reflect changes in the calculation of pension liabilities. See note 19.2 for details of the restated amounts.

The Balance Sheet as at 31 March 2014

31 March 2013		Note	31 March 2014	
£000			£000	£000
187,155	Council Dwellings		189,388	
84,074	Other Land and Buildings		84,453	
8,237	Vehicles, Plant, Furniture & Equipment		7,134	
11,367	Infrastructure Assets		11,726	
597	Community Assets		1,714	
137	Asset Under Construction		645	
291,567	Total Property, Plant & Equipment	24		295,060
1,395	Intangible Assets		1,071	
13,443	Long Term Investments	27	231	
389	Long Term Debtors	27	685	
306,794	Long Term Assets			297,047
920	Assets Held for Sale (<1year)	26	60	
17,719	Short Term Investments	27	30,860	
4,606	Short Term Debtors and PIA	29	5,786	
1,425	Cash and Cash Equivalents	30	2,466	
24,670	Current Assets			39,172
(1,768)	Bank Overdraft	30	(2,132)	
(2,760)	Short Term Borrowing	28	(636)	
(6,806)	Short Term Creditors	31	(7,890)	
(568)	Other Short Term Liabilities	27	(407)	
0	Short Term Provision	34	(251)	
(3,155)	Grants and Receipts in Advance	21	(3,033)	
(15,057)	Current Liabilities			(14,349)
(85,448)	Long Term Borrowing	28	(85,116)	
(42,633)	Other Long Term Liabilities	19/27	(40,557)	
(2,276)	Grants and Receipts in Advance	21	(2,905)	
(130,357)	Long-term Liabilities			(128,578)
186,050	Net Assets			193,292
(20,060)	Total Usable Reserves	35		(23,406)
(165,990)	Total Unusable Reserves	36		(169,886)
(186,050)	Total Reserves			(193,292)

The Cash Flow Statement

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

2012/13 £000	THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2014	2013/14 £000
*7,256	Net (surplus) or deficit on the provision of services	(479)
*(12,231)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(11,585)
2,355	Adjustments to net surplus or deficit on the provision of services that are investing and financing activities	4,276
(2,620)	Net cash flows from Operating Activities (Note 37)	(7,788)
5,890	Purchase of property, plant and equipment, investment property and intangible assets	9,258
19,031	Purchase of short-term and long-term investments	12,093
(1,278)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(3,205)
(18,905)	Proceeds from short-term and long term investments	(12,093)
(1,243)	Other receipts from investing activities	(1,691)
3,495	Net cash flows from Investing Activities	4,362
(2,700)	Cash receipts of short and long-term borrowing	(305)
0	Other receipts from financing activities	(751)
638	Cash payments for the reduction of the outstanding liabilities relating to finance leases	568
2,028	Repayments of short and long term borrowing	2,760
1,257	Other payments for financing activities	477
1,223	Net cash flows from Financing Activities	2,749
2,098	Net (increase) or decrease in cash and cash equivalents	(677)
(1,755)	Cash and cash equivalents at the beginning of the reporting period	343
343	Cash and cash equivalents at the end of the reporting period (Note 30)	(334)

*In accordance with the Code of Practice, the 2012/13 comparatives have been adjusted to reflect changes in the calculation of pension liabilities.

Index of Notes	Page
1. Accounting Policies	22
2. Accounting Standards Issued, Not Adopted	36
3. Critical Judgements in Applying Accounting Policies	36
4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty	36
5. Material Items of Income and Expense	37
6. Events After the Balance Sheet Date	37
7. Adjustments between Accounting Basis and Funding Basis under Regulations	38
8. Transfers to/from Earmarked Reserves	44
9. Other Operating Expenditure	45
10. Financing and investment Income and Expenditure	45
11. Taxation and Non-specific Grant Income	46
12. Amounts Reported for Resource Allocation Decisions	46
13. Trading Services	50
14. Axmouth Harbour	50
15. Agency Services	50
16. Members' Allowances	51
17. Officers' Remuneration	51
18. Termination Benefits	52
19. Defined Benefit Pension Scheme	52
20. External Audit costs	56
21. Grant Income	57
22. Related Parties	58
23. Leases	59
24. Property, Plant and Equipment	62
25. Capital Expenditure and Capital Financing	65
26. Assets Held for Sale	66
27. Financial Instruments	66
28. Nature and Extent of Risks Arising from Financial Instruments	69
29. Debtors and Payments in Advance	72
30. Cash & Cash Equivalents	73
31. Creditors and Receipts in Advance	73
32. Contingent Liabilities	73
33. Contingent Assets	73
34. Provisions	73
35. Usable Reserves	74
36. Unusable Reserves	74
37. Cash Flow Statement – Operating Activities	78

Note 1. Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its position at the year end of 31 March 2014. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, 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 2013/14 and the Service Reporting Code of Practice 2013/14, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 7 of the Regulations.

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

1.2 Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- 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. However EDDC has no material items in this category.
- 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.

1.3 Available-for-Sale Assets (Financial Instruments)

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

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

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – valued at historic cost

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/ loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

1.4 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

1.5 Changes in Accounting Policies, Prior Period Adjustments 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 Council'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.

1.6 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 property, plant and equipment 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 property, plant and equipment attributable to the service.

1.6 Charges to Revenue for Non-Current Assets Contd.

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

1.7 Employee Benefits

1.7.1 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 Council. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

1.7.2 Post Employment Benefits

For 2013/14, the Council has changed its policy on the recognition of the liability to post employment benefits to comply with the 2013/14 Code of Practice.

The “expected return on assets” has been replaced by a “net interest cost” comprising of interest income on the assets and interest expenses on the liabilities, which are both calculated with reference to the discount rate.

This change will affect the profit and loss disclosures of all employers. At present, the finance cost is the company’s best estimate of the expected return on the scheme’s assets, less the interest on the liabilities calculated using the discount rate for the period. To ensure greater consistency between companies and to remove the scope for manipulation, the finance cost will now be calculated as the interest on the scheme deficit (or surplus) using the discount rate (i.e. the returns available on AA-rated corporate bonds) for the period.

Previously the expected return on assets reflected the view of future asset returns and hence Funds that had a large portion of their portfolio invested in assets such as equities would normally assume an expected return on asset assumptions that was higher than the discount rate. Replacing this with the discount rate is likely to see an increase in costs for most employers as they will no longer be able to take credit for these expected higher returns.

The effect will be:

In the Comprehensive Income and Expenditure Statement, there is a restatement of the interest cost and the expected return. The MIRS will also reflect this adjustment.

There is no change to the Balance Sheet which therefore does not require restatement.

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

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

1.7.3 The Local Government Pension Scheme

- The liabilities of the Devon County pension fund attributable to the Council 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 at the annualised yield at the 18 year point on the Merrill Lynch AA rated corporate bond curve which has been chosen to meet the requirements of IAS19 and with consideration of the duration of the Employer's liabilities. This is consistent with the approach used at the last accounting date.
- The assets of Devon County pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities - current bid price
 - unquoted securities - professional estimate
 - unitised securities - current bid price
 - property - market value.

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

- **Service cost comprising:**
 - current service cost - the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
 - past service cost - the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
 - net interest on the net defined benefit liability, i.e. net interest expense for the Council - the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in 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 - taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
- **Remeasurements comprising:**
 - The return on plan assets – excluding amounts included in the net interest on the net defined benefit liability – 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 Pension Fund:**
 - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

1.7.3 The Local Government Pension Scheme Contd.

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

1.7.4 Discretionary Benefits

The Council 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.

1.8 Events after the Balance Sheet Date

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

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

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

1.9 Financial Instruments

1.9.1 Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

1.9.1 Financial Liabilities Contd.

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

1.9.2 Financial Assets

Financial assets are classified into two types:

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

1.10 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 Council when there is reasonable assurance that:

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

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

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

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

1.11 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council 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 Council.

1.11 Intangible Assets Contd.

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

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council 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.

1.12 Investment Property

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

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

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

1.13 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.

1.13.1 The Council as Lessee

1.13.1.1 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 Council 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 Council at the end of the lease period).

The Council 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.

1.13.1.2 Operating Leases

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

1.13.2 The Council as Lessor

1.13.2.1 Finance Leases

Where the Council 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 Council'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.

1.13.2.1 Finance Leases Contd.

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 property, plant and equipment 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.

1.13.2.2 Operating Leases

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

1.14 Loans and Receivables

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

However, the Council has made a number of loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, accounting treatment requires a loss to be recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that would be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest would be credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet.

1.14 Loans and Receivables Contd.

Statutory provisions require that the impact of soft loans on the General Fund Balance would be the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance would be managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement. The Council has applied De Minimus principles to its soft loans resulting in no entries being necessary. (See Note 27.3)

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

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

1.15 Long term contracts

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

1.16 Disposals and Non-current Assets Held for Sale

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

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government.

1.16 Disposals and Non-current Assets Held for Sale Contd.

The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council'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 property, plant and equipment 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.

1.17 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the *CIPFA Service reporting Code of Practice 2013/14* (SERCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

1.18 Property, Plant and Equipment (PPE)

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.

1.18.1 PPE Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council 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.

1.18.2 PPE 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 Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). 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 Council.

1.18.2 PPE Measurement Contd.

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
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

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

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

1.18.3 PPE Impairment

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

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

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

1.18.3 PPE Impairment Contd.

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.

1.18.4 PPE Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives.

An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – straight-line allocation over the useful life of the vehicle, plant, furniture and equipment as advised by a suitably qualified officer
- infrastructure – straight-line allocation as estimated by the valuer .

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

1.19 Provisions, Contingent Liabilities and Contingent Assets**1.19.1 Provisions**

Provisions are made where an event has taken place that gives the Council 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 Council 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 Council 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 Council settles the obligation.

1.19.2 Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council 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 Council. 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.

1.19.3 Contingent Assets

A contingent asset arises where an event has taken place that gives the Council 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 Council.

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.

1.20 Reserves

The Council 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 Council – these reserves are explained in the relevant policies.

1.21 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 Council 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.

1.22 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.

1.23 Tax Income - Council Tax and Non-Domestic Rates (NDR)

NDR, the tariff payment and Council Tax will be recognised in the Comprehensive Income & Expenditure Statement in the line Taxation & Non-Specific Grant Income. As a billing authority the difference between the NDR and Council Tax included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund shall be taken to the Collection Fund Adjustment Account and reported in the Movement in Reserve Statement. Each major preceptor's share of the accrued NDR and Council Tax income will be available from the information that is required to be produced in order to prepare the Collection Fund Statement.

The income for Council Tax and NDR is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the Council, and the amount of the revenue can be measured reliably.

Revenue relating to such things as council tax and business rates shall be measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

1.23.1 Non Domestic Rates (NDR)

Retained Business Rate income included in the Comprehensive Income & Expenditure Statement for the year will be treated as accrued income.

The tariff payment included in the Comprehensive Income & Expenditure Statement for the year will be treated as accrued expenditure.

1.23.2 Council Tax

Council Tax income included in the Comprehensive Income & Expenditure Statement for the year will be treated as accrued income.

Note 2. Accounting Standards issued, Not Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2014. If these had been adopted for the financial year 2013/14 there would be no material changes as detailed below.

- IAS1 Presentation of Financial Statements
The changes clarifies the disclosure requirements in respect of comparative information for the preceding period. The Statement of Accounts fully discloses comparative information for the preceding period therefore these changes will not have a material impact on the Statement of Accounts.
- IAS 32 Financial Instruments Presentation
The code references amended application guidance when offsetting a financial asset and a financial liability. The gains and losses are separately identified on the Comprehensive Income and Expenditure Statement and therefore no further disclosure is required.

Note 3. Critical Judgements in Applying Accounting Policies

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Council's leisure centres and leisure service is operated by Leisure East Devon, a charitable organisation that leases and operates the leisure centres previously run by the Council. It has been determined that the Council does not have control of the Trust and it is not a subsidiary of the Council.
- With the introduction of Business Rate Retention, the council has estimated a provision for NNDR rate appeals. We have analysed information from the valuation office and consulted with other Devon Authorities and CIPFA to arrive at the figure in the accounts.

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

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

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

The items in the Council's Balance Sheet at 31 March 2014 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 Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. As an indication of the sums involved annual depreciation is currently £3.716m for all the Council's assets.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £2.453m. A 0.1% decrease would result in an increase of £2.571m.
Arrears	At 31 March 2014, the Council had a balance of sundry debtors of £1.634m. A review of significant balances suggested that an impairment of doubtful debts of £0.058m 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 £0.058m to set aside as an allowance.

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

Note 5. Material Items of Income and Expense

There were no material items to be disclosed on the face of the Comprehensive Income and Expenditure Statement in 2013/14.

Note 6. Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Head of Finance on 27 June 2014 and are likely to be signed off on 26 September 2014. 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 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

East Devon, Teignbridge and Exeter.

In December 2013, East Devon District Council, Exeter City Council and Teignbridge District Council agreed, in principle, to create a shared ICT service that would be operated through a separate company; Strata Services Solutions Limited. This company would provide all IT services including

Note 6. Events After the Balance Sheet Date Contd.

printing, scanning, technical web design and Street Name and Numbering services to all three Councils. Strata Services Solutions Limited is wholly owned, through equal shares, by the three Councils. As a result of this change, staff will transfer over from the existing organisations, under TUPE regulations, into Strata Services Solutions Ltd. The Company is due to become operational on 1 November 2014.

On 23 July 2014, East Devon District Council approved the implementation of the stand alone company and accepted the Updated Business Case and Implementation Plan.

Note 7. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2013/14	Usable Reserves					Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(2,681)	(143)				2,824
Revaluation gain / (losses) on Property Plant and Equipment	(87)	(3,519)				3,606
Amortisation of intangible assets	(515)					515
Capital grants and contributions applied	3,951	36				(3,987)
Revenue expenditure funded from capital under statute	(4,269)					4,269
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(975)	(1,095)				2,070
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement:						
Statutory provision for the financing of capital investment	623	5				(628)
Capital expenditure charged against the General Fund and HRA balances	850	65				(915)

Note 7 Adjustments between Accounting Basis and Funding Basis under Regulations Contd.

2013/14	Usable Reserves					Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000	£000
Adjustment primarily involving the Capital Grants Unapplied Account:						
Capital grants & contributions unapplied credited to the Comprehensive Income & Expenditure Statement	38				(38)	0
Application of grants to capital financing transferred to the Capital Adjustment Account					1,469	(1,469)
Adjustment primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of gains/loss on disposal to the Comprehensive Income & Expenditure Statement	1,348	1,917	(3,265)			0
Use of Capital Receipts Reserve to finance new capital expenditure			1,153			(1,153)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current assets disposal	(14)	(1)	15			0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(350)		350			0
Repayment of loans			(10)			10
Adjustments primarily involving the Deferred Capital Receipts Reserve:						
Transfer of deferred sale proceeds credited as part of the gains/loss on disposal to the Comprehensive Income & Expenditure Statement						0
Adjustments primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA		5,635		(5,635)		0
Use of Major Repairs Reserve to finance new capital expenditure				5,635		(5,635)

Note 7 Adjustments between Accounting Basis and Funding Basis under Regulations Contd.

2013/14	Usable Reserves					Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000	£000
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 19)	(4,068)	(633)				4,701
Employer's pensions contributions and direct payments to pensioners payable in the year	1,714	255				(1,969)
Adjustment primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax & NDR income credited to the Comprehensive Income and Expenditure Statement is different from council tax & NDR income calculated for the year in accordance with statutory requirements	(556)					556
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	(67)	(5)				72
Total Adjustments	(5,058)	2,517	(1,757)	0	1,431	2,867

Note 7 Adjustments between Accounting Basis and Funding Basis under Regulations Contd.

2012/13	Usable Reserves					Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(3,531)	(143)				3,674
Revaluation gain / (losses) on Property Plant and Equipment	343	(5,675)				5,332
Amortisation of intangible assets	(567)					567
Capital grants and contributions applied	1,371					(1,371)
Revenue expenditure funded from capital under statute	(5,605)					5,605
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(707)	(708)				1,415
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement:						
Statutory provision for the financing of capital investment	741	10				(751)
Capital expenditure charged against the General Fund and HRA balances	1,626	1,095				(2,721)

Note 7 Adjustments between Accounting Basis and Funding Basis under Regulations Contd.

2012/13	Usable Reserves					Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000	
Adjustment primarily involving the Capital Grants Unapplied Account:						
Capital grants & contributions unapplied credited to the Comprehensive Income & Expenditure Statement	421				(421)	0
Application of grants to capital financing transferred to the Capital Adjustment Account					4,816	(4,816)
Adjustment primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of gains/loss on disposal to the Comprehensive Income & Expenditure Statement	144	1,121	(1,265)			0
Use of Capital Receipts Reserve to finance new capital expenditure			775			(775)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current assets disposal	(23)		23			0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(304)		304			0
Transfer from Deferred Capital Receipts Reserve on receipt of cash			(1)			1
Repayment of loans			(11)			11
Adjustments primarily involving the Deferred Capital Receipts Reserve:						
Transfer of deferred sale proceeds credited as part of the gains/loss on disposal to the Comprehensive Income & Expenditure Statement						0
Adjustments primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA		2,970		(2,970)		0
Use of Major Repairs Reserve to finance new capital expenditure				2,970		(2,970)

Note 7 Adjustments between Accounting Basis and Funding Basis under Regulations Contd.

2012/13	Usable Reserves					Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000	£000
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 19)	(3,550)	(530)				4,080
Employer's pensions contributions and direct payments to pensioners payable in the year	1,572	221				(1,793)
Adjustments primarily involving the Collection Fund Adjustment Acct:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(49)					49
Adjustment primarily involving the Accumulated Absences Acct:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	121	11				(132)
Total Adjustments	(7,997)	(1,628)	(175)	0	4,395	5,405

Note 8. Transfers (to) / from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2013/14.

	Balance at 31 March 2012	Transfers Out 2012/13	Transfers In 2012/13	Balance at 31 March 2013	Transfers Out 2013/14	Transfers In 2013/14	Balance at 31 March 2014
	£000	£000	£000	£000	£000	£000	£000
General Fund Reserves							
Asset Maintenance Reserve	(1,358)	114	0	(1,244)	62	0	(1,182)
Capital Reserve	(3,127)	1,698	(1,165)	(2,594)	92	(7)	(2,509)
Capital Projects Reserve	(507)	461	(37)	(83)	46	(68)	(105)
New Homes Bonus Reserve	0	436	(759)	(323)	731	(408)	0
Capital Reserves	(4,992)	2,709	(1,961)	(4,244)	931	(483)	(3,796)
Asset Management Plan Reserve	(188)	28	0	(160)	73	0	(87)
Business Rates Volatility Reserve	0	0	0	0	15	(789)	(774)
Exmouth Regeneration	0	159	(652)	(493)	291	(12)	(214)
Growth Point Reserves	(316)	206	(143)	(253)	6	(54)	(301)
LABGI Reserve	(235)	15	(26)	(246)	2	0	(244)
Local Plan Inspection Reserve	(50)	0	0	(50)	0	(93)	(143)
New Homes Bonus Volatility Fund	0	0	(273)	(273)	0	0	(273)
Parishes Together Fund	0	0	(79)	(79)	29	(94)	(144)
Planning Reserve	0	0	0	0	0	(200)	(200)
Transformation Fund	(1,434)	295	0	(1,139)	324	(424)	(1,239)
Revenue Reserves less than £100k	(741)	400	(718)	(1,059)	299	(614)	(1,374)
Revenue Reserves	(2,964)	1,103	(1,891)	(3,752)	1,039	(2,280)	(4,993)
HRA Reserves							
HRA Business Plan Volatility Reserve	0	0	(1,710)	(1,710)	0	(1,190)	(2,900)
HRA Reserves Total	0	0	(1,710)	(1,710)	0	(1,190)	(2,900)
Total Earmarked Reserves	(7,956)	3,812	(5,562)	(9,706)	1,970	(3,953)	(11,689)

Further details of individual reserve movements are available in the Revenue and Capital Outturns 2013/14 Book pages 4-5 on the EDDC website at:

<http://www.eastdevon.gov.uk/201314financialinformation>

The **Asset Maintenance Reserve** is for asset refurbishments in excess of normal planned maintenance.

The **Capital Reserve** is to fund the Council's Capital programme.

The **Capital Projects Reserves** (Honiton Skate Park) is a contribution from revenue underspends for Capital Project spend in 2014/15.

The **New Homes Bonus Reserve** was fully used to fund the 2013/14 Capital programme.

Note 8. Transfers (to) / from Earmarked Reserves Contd.

The **Asset Management Plan Reserve** was established to fund the asset management strategy. The **Business Rates Volatility Reserve** has been established for revenue funding in future years.

Exmouth Regeneration Reserves are for project management pre capital - 2014/15 to 2016.

Growth Point Reserves are holding external grant income for the Growth Point team to 2015/16.

The **LABGI Reserve** was established from grant funding to support local businesses.

The **Local Plan Inspection Reserve** is to fund costs of the Local Plan inspection which have slipped to 2014/15.

The **New Homes Bonus Volatility Reserve** was established from government grants to mitigate against loss of government revenue funding in future years.

The **Parishes Together Fund** is the balance of grants awarded in year but not yet claimed.

The **Planning Reserve** established from revenue income is to fund additional short term staff resources needed to cover the increased volume of applications.

The **Transformation Fund** is to fund invest to save and performance improvement initiatives including transformation of working practices.

The **Balance of revenue reserves <£100k** are various revenue reserves established from external income with no conditions attached set aside to provide specific services in 2014/15.

Note 9. Other Operating Expenditure

2012/13 £000		2013/14 £000
2,038	Parish council precepts	1,965
304	Payments to the Government Housing Capital Receipts Pool	350
172	(Gains) / losses on the disposal of non-current assets	(1,216)
2,514	Total	1,099

Note 10. Financing and Investment Income and Expenditure

2012/13 £000		2013/14 £000
116	Interest payable and similar charges	107
2,584	Interest on loans	2,583
1,694	Pensions interest cost and expected return on pensions assets	1,799
(342)	Interest receivable and similar income	(376)
(79)	Other investment income	0
3,973	Total	4,113

Note 11. Taxation and Non Specific Grant Income and Expenditure

2012/13 £000		2013/14 £000
(9,118)	Council tax income	(8,571)
0	Parish Council tax support grant	184
(5,303)	Non domestic rates	(2,011)
(1,136)	Non-ring fenced government grants	(5,571)
(1,010)	Capital grants and contributions	(976)
(16,567)	Total	(16,945)

Note 12. Amounts Reported for Resource Allocation Decisions**12.1 Subjective Analysis**

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

Depreciation is the only charge made in relation to capital expenditure based on the previous year's charge. All other capital charges (revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations) are excluded but charged to services in the Comprehensive Income and Expenditure Statement.

The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year. The income and expenditure of the Council's principal portfolios recorded in the budget reports for the year is as follows:

12.1 Subjective Analysis Contd.

Portfolio Income and Expenditure 2013/14	HRA £000	Total Corporate Services £000	Environment Car Parks £000	St Scene Refuse £000	Finance Revenues & Benefits £000	Total Strategic Develpt & P'ship £000	Total Sustainable Homes & Comm'ties £000	All other Segments £000	Total £000
Fees, charges & other service income	(17,661)	(193)	(3,143)	(1,700)	0	(1,781)	(740)	(2,957)	(28,175)
Government grants	(375)	(221)	(195)	(5)	(30,997)	(353)	(257)	(1,639)	(34,042)
Support Service Recharges Income	(496)	(3,530)	0	0	0	(466)	(222)	(6,274)	(10,988)
Total Income	(18,532)	(3,944)	(3,338)	(1,705)	(30,997)	(2,600)	(1,219)	(10,870)	(73,205)
Employee expenses	2,085	2,379	453	128	0	1,909	644	7,412	15,010
Other operating expenses	10,087	1,702	795	5,399	30,827	603	793	7,966	58,172
Support Service Recharges	1,675	1,466	184	223	0	1,217	499	5,724	10,988
Total Expenditure	13,847	5,547	1,432	5,750	30,827	3,729	1,936	21,102	84,170
Net Expenditure	(4,685)	1,603	(1,906)	4,045	(170)	1,129	717	10,232	10,965
Portfolio Income and Expenditure 2012/13 Comparative Figures	HRA £000	Total Corporate Services £000	Environment Car Parks £000	St Scene Refuse £000	Finance Revenues & Benefits £000	Total Strategic Develpt & P'ship £000	Total Sustainable Homes & Comm'ties £000	All other Segments £000	Total £000
Fees, charges & other service income	(16,599)	(357)	(2,815)	(1,704)	0	(1,370)	(705)	(2,743)	(26,293)
Government grants and contributions	(629)	(145)	(185)	(5)	(39,170)	(145)	(145)	(1,873)	(42,297)
Support Service Recharges Income	(436)	(3,234)	0	0	0	(779)	(216)	(6,469)	(11,134)
Total Income	(17,664)	(3,736)	(3,000)	(1,709)	(39,170)	(2,294)	(1,066)	(11,085)	(79,724)
Employee expenses	1,903	2,370	438	135	0	1,769	598	7,265	14,478
Other operating expenses	7,160	1,758	580	4,909	39,069	569	694	8,125	62,864
Support Service Recharges	1,580	1,328	277	346	0	1,350	514	5,739	11,134
Total Expenditure	10,643	5,456	1,295	5,390	39,069	3,688	1,806	21,129	88,476
Net expenditure	(7,021)	1,720	(1,705)	3,681	(101)	1,394	740	10,044	8,752

12.2 Reconciliation of Portfolio Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

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

2012/13 £000		2013/14 £000
8,752	Net expenditure in the Portfolio Analysis	10,965
0	Net expenditure of services and support services not included in the Analysis	(4,405)
8,584	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	4,694
17,336	Cost of Services in Comprehensive Income and Expenditure Statement	11,254

12.3 Reconciliation to Subjective Analysis

This analysis shows how the figures in the Portfolio Analysis relate to a subjective analysis of the Surplus and Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2013/14	Portfolio Analysis	Services and support services not in analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Cost of Services	Corporate Amounts	Total £000
	£000	£000	£000	£000	£000	£000	
Fees, charges & other service income	(28,175)	0	0	0	(28,175)	0	(28,175)
Government grants and contributions	(34,042)	0	(3,049)	0	(37,091)	(6,547)	(43,638)
Support Service Recharges Income	(10,988)	0	0	0	(10,988)	0	(10,988)
Interest and investment income	0	0	0	0	0	(376)	(376)
Council Tax & Non-domestic rates income						(10,582)	(10,582)
Total Income	(73,205)	0	(3,049)	0	(76,254)	(17,505)	(93,759)
Employee expenses	15,010	0	1,005	0	16,015	1,799	17,814
Other service expenses	58,172	(629)	4,269	(4,405)	57,407	184	57,591
Support Service recharges	10,988	0	0	0	10,988	0	10,988
Depreciation, amortisation and impairment	0	0	3,098	0	3,098	0	3,098
Interest Payments	0	0	0	0	0	2,690	2,690
Precepts & Levies	0	0	0	0	0	1,965	1,965
Payments to Housing Capital Receipts Pool	0	0	0	0	0	350	350
Gain or Loss on Disposal of Property, plant and equipment	0	0	0	0	0	(1,216)	(1,216)
Total Expenditure	84,170	(629)	8,372	(4,405)	87,508	5,772	93,280
Surplus or deficit on the provision of services	10,965	(629)	5,323	(4,405)	11,254	(11,733)	(479)

12.3 Reconciliation to Subjective Analysis Contd.

2012/13 Comparative figures	Portfolio Analysis	Services and support services not in analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Cost of Services	Corporate Amounts	Total £000
	£000	£000	£000	£000	£000	£000	
Fees, charges & other service income	(26,293)	0	0	0	(26,293)	0	(26,293)
Interest and Investment Income	0	0	0	0	0	(421)	(421)
Support Service Recharges Income	(11,134)	0	0	0	(11,134)	0	(11,134)
Council Tax income	0	0	0	0	0	(9,118)	(9,118)
Government grants and contributions	(42,297)	0	(782)	0	(43,079)	(7,449)	(50,528)
Total Income	(79,724)	0	(782)	0	(80,506)	(16,988)	(97,494)
Employee expenses	14,478	0	442	0	14,920	1,694	16,614
Other service expenses	62,864	(704)	5,605	(3,664)	64,101	0	64,101
Support Service recharges	11,134	0	0	0	11,134	0	11,134
Depreciation, amortisation and impairment	0	0	7,687	0	7,687	0	7,687
Interest Payments	0	0	0	0	0	2,700	2,700
Precepts & Levies	0	0	0	0	0	2,038	2,038
Payments to Housing Capital Receipts Pool	0	0	0	0	0	304	304
Gain or Loss on Disposal of Property, plant and equipment	0	0	0	0	0	172	172
Total Expenditure	88,476	(704)	13,734	(3,664)	97,842	6,908	104,750
Surplus or deficit on the provision of services	8,752	(704)	12,952	(3,664)	17,336	(10,080)	7,256

Note 13. Trading Services

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

2012/13 £000	2012/13 £000			2013/14 £000	2013/14 £000
(507) 453		The Council manages the Building Control Service . The trading objective is to break even.	Turnover	(534)	(59)
	(54)		Expenditure	475	
(229) 192		The Council manages the Land Charges Service . The trading objective is to break even.	Turnover	(315)	(62)
	(37)		Expenditure	253	
(210) 149		The Council lets 40 units in Industrial Estates located in various parts of the district. As part of the council's economic development strategy, rents can be set at less than the market rate to support small businesses.	Turnover	(235)	51
	(61)		Expenditure	286	
(710) 623		The Council manages a Homesafeguard Service providing alarms and support for vulnerable residents. The trading objective is to break even.	Turnover	(718)	(48)
	(87)		Expenditure	670	
	(239)	Net Surplus on Trading Operations			(118)

Note 14. Axmouth Harbour

East Devon District Council is the Harbour Authority for Axmouth Harbour.

2012/13 £000	2012/13 £000	Axmouth Harbour	2013/14 £000	2013/14 £000
(6) 37		Turnover	(8)	27
	31	Expenditure	35	
		Net Cost		

Note 15. Agency Services

The Authority provided On Street Parking services for Devon County Council, collecting income from the fines and excess parking of £168,556 and the agreed contribution from DCC of £195,789 to cover staff, transport & supplies and services costs in providing the service. Devon County Council pays 100% of the cost. The On-street service & staff will transfer to Devon County Council on the 1st April 2014.

2012/13 £000		2013/14 £000
354	Expenditure incurred in providing On Street Parking services to Devon County Council	365
(185)	Grant payable by Devon County Council	(196)
(169)	Income generated by excess parking charges	(169)
0	Net (Surplus) / Deficit Arising on Agency Services	0

Note 16. Members' Allowances

The Council paid the following amounts to members of the council during the year:

2012/13 £000		2013/14 £000
361	Allowances	363
31	Expenses	35
392	Total	398

Note 17. Officers' Remuneration

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

			Salary & Car Allowances £	Taxable Expense allowances £	Pension Contr'ns £	Total £
Chief Executive	(a)	2013/14	128,481	3000	18,373	149,854
		2012/13	126,525	3000	18,093	147,618
Deputy C. Exec Transformation & Systems Thinking	(b)	2013/14	69,810	150	9,983	79,943
		2012/13	69,223	150	9,899	79,272
Deputy C. Exec Development – Regeneration & Partnership		2013/14	87,339	0	12,489	99,828
		2012/13	86,487	0	12,368	98,855
Head of Finance		2013/14	63,587	0	9,093	72,680
		2012/13	62,970	0	9,005	71,975
Corporate Manager ICT		2013/14	61,510	150	8,796	70,456
		2012/13	60,913	150	8,711	69,774
Corporate Manager Organisational Development		2013/14	60,271	150	8,619	69,040
		2012/13	59,674	150	8,533	68,357
Corporate Manager Legal & Member Services	(c)	2013/14	55,482	150	7,934	63,566
		2012/13	54,946	150	7,857	62,953
Head of Planning		2013/14	0	0	0	0
		2012/13	17,092	12	2,444	19,548
Head of Housing		2013/14	63,587	0	9,093	72,680
		2012/13	62,970	0	9,005	71,975
East of Exeter Projects Director		2013/14	56,789	0	8,121	64,910
		2012/13	56,755	0	8,116	64,871
Totals		2013/14	646,856	3,600	92,501	742,957
		2012/13	657,555	3,612	94,031	755,198

- (a) The Chief Executive provides services to both this council and South Somerset District Council. The Chief Executive is formally employed by this council and 50% of the salary and other remuneration is recharged.
- (b) The Deputy Chief Executive Works 30 hours a week. The whole time equivalent salary is £86,100 per year.
- (c) The Corporate Manager Legal & Member services works 33.3 hours a week. The whole time equivalent salary is £60,271 per year.
- (d) Head of Planning resigned with effect from 12th July 2012. This post was removed for 2013//14.

Note 17. Officers' Remuneration Contd.

The total number of employees whose remuneration, **excluding employer's pension contributions**, was £50,000 or more in bands of £5,000 was:

Number of Employees 2012/13	Pay Band	Number of Employees 2013/14
0	£50,000 - £54,999	0
3	£55,000 - £59,999	2
3	£60,000 - £64,999	4
1	£65,000 - £69,999	1
0	£70,000 - £74,999	0
0	£75,000 - £79,999	0
0	£80,000 - £84,999	0
1	£85,000 - £89,999	1
0	£90,000 - £94,999	0
0	£95,000 - £99,999	0
0	£100,000 - £104,999	0
0	£105,000 - £109,999	0
0	£110,000 - £114,999	0
0	£115,000 - £119,999	0
0	£120,000 - £124,999	0
0	£125,000 - £129,999	0
1	£130,000 - £134,999	1
9		9

Note 18. Termination Benefits

Exit Package Cost Bands	Number of Compulsory Redundancies		Number of Other Departures		Total Number of Exit Packages		Total Cost of Exit Packages	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13 £000	2013/14 £000
0-£20,000	1	2	0	3	1	5	0	45
Total	1	2	0	3	1	5	0	45

There was one termination in 2012/13 which is below our materially level and therefore not included, as to do so would contravene the requirement in the code not to be able to identify individual packages.

Note 19. Defined Benefit Pension Schemes**19.1 Participation in Pension Schemes**

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

The Council participates in two post employment schemes:

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

Participation in Pension Schemes Contd.

- Arrangements for the award of discretionary post retirement benefits upon early retirement
 - this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions' liabilities, and cash has to be generated to meet actual pension's payments as they eventually fall due.

19.2 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.

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

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

2012/13 Disclosed £000	2012/13 Restated £000	Funded Liabilities: Local Government Pension Scheme	2013/14 £000
		Comprehensive Income and Expenditure Statement	
		Cost of Services:	
0	2,356	Service cost	2,863
2,356	0	Current service cost	0
0	0	Past service costs	1
0	30	Administration expense	38
		Financing and Investment Income and Expenditure:	
0	1,694	Net interest on the defined liability	1,799
4,489	0	Net interest expense	0
(3,297)	0	Expected return on scheme assets	0
3,548	4,080	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	4,701
		Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:	
2,394	0	Actuarial (gains) and losses	0
		Remeasurement of the net defined benefit liability comprising:	
0	(4,882)	Return on plan assets in excess of interest	(177)
0	0	Other actuarial (gains)/losses on assets	109
0	6,644	Change in financial assumptions	1,954
0	0	Change in demographic assumptions	177
0	100	Experience(gain)/loss on defined benefit obligation	(6,464)
0	1,862	Total remeasurements	(4,401)
5,942	5,942	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	300
		Movement in Reserves Statement:	
(3,548)	(4,080)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(4,701)
		Actual amount charged against the General Fund Balance for pensions in the year:	
1,793	1,793	Employer's contributions payable to scheme	1,969

19.3 Assets and Liabilities in Relation to Post-employment Benefits

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

2012/13 £000	Local Government Pension Scheme	2013/14 £000
108,453	Present value of funded obligation	108,571
(67,747)	Fair value of plan assets	(69,523)
40,706	Net liability	39,048
1,159	Present value of unfunded obligation	1,148
41,865	Net liability arising from defined benefit obligation at 31 March	40,196

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

2012/13 Disclosed £000	2012/13 Restated £000	Local Government Pension Scheme	2013/14 £000
61,394	61,394	Opening balance as at 1 April	67,747
3,297	0	Expected rate of return	0
0	2,795	Interest on assets	2,955
4,350	0	Actuarial gains and (losses)	0
0	4,882	Return on assets less interest	177
0	0	Other actuarial gains/(losses)	(109)
0	(30)	Administration expenses	(38)
1,793	1,793	Employer contributions	1,969
604	604	Contributions by scheme participants	659
(3,691)	(3,691)	Benefits paid	(3,837)
67,747	67,747	Closing balance at 31 March	69,523

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

2012/13 Disclosed £000	2012/13 Restated £000	Local Government Pension Scheme	2013/14 £000
99,110	99,110	Opening balance as at 1 April	109,612
2,356	2,356	Current service cost	2,863
4,489	4,489	Interest cost	4,754
604	604	Contributions by scheme participants	659
6,744	0	Actuarial (gains) and losses	0
0	6,644	Change in financial assumptions	1,954
0	0	Change in demographic assumptions	177
0	100	Experience loss/(gain) on defined benefit obligation	(6,464)
0	0	Past service costs including curtailments	1
(3,691)	(3,691)	Benefits paid	(3,837)
109,612	109,612	Closing balance at 31 March	109,719

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £108.571m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance of £40.196m.

19.3 Assets and Liabilities in Relation to Post-employment Benefits Contd.

However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- the deficit on the local government scheme 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,
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2015 is £1.902m.

The weighted average duration of the defined benefit obligation is 18 years.

19.4 Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for Devon County Council Pension Fund being based on the latest full valuation of the scheme as at 31 March 2014.

The principal assumptions used by the actuary have been:

2012/13	Local Government Pension Scheme	2013/14
	Long-term expected rate of return on assets in the scheme:	
5.4%	Expected return (see (a) below)	4.4%
	Mortality Assumptions:	
	Longevity at 65 for current pensioners	
20.6 years	Men	22.7
24.6 years	Women	26.0
	Longevity at 65 for future pensioners (currently aged 45)	
22.6 years	Men	24.9
26.5 years	Women	28.3
3.4%	Rate of Inflation: RPI	3.6%
2.6%	Rate of Inflation: CPI	2.8%
4.8%	Rate of Increase in Salaries	4.6%
2.6%	Rate of increase in Pensions	2.8%
4.4%	Rate for discounting scheme liabilities	4.4%

- (a) For accounting years beginning on or after 1 January 2013, the expected return and the interest cost has been replaced with a single net interest cost which effectively sets the expected return equal to the IAS19 discount rate.

The following assumptions have been made:

- Members will exchange half of their commutable pension for cash at retirement.

19.4 Basis for Estimating Assets and Liabilities Contd.

- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age.
- 10% of active members will take up the option under the new LGPS to pay 50% of contributions for 50% of benefits.

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, assume 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, ie on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Sensitivity Analysis	Increase in assumption of 0.1% £000	Decrease in assumption of 0.1% £000
Adjustment to discount rate – present value of total obligation projected service cost	107,809 2,453	111,665 2,571
Adjustment to long term salary increase - present value of total obligation projected service cost	110,030 2,512	109,410 2,512
Adjustment to pension increases and deferred revaluation - present value of total obligation projected service cost	111,382 2,572	108,087 2,452
Adjustment to mortality age rating assumption – present value of total obligation projected service cost	105,871 2,426	113,602 2,598

The Local Government Pension Scheme’s estimated asset allocation for East Devon District Council consists of the following categories, by proportion of the total assets held:

2012/13 %	Estimated Asset Allocation	2013/14 %
61	Equity investments (UK and overseas)	60
13	Gilts	7
8	Property and infrastructure	11
15	Target Return Portfolio	15
3	Cash	2
n/a	Other bonds	5
100	Total	100

Note 20. External Audit Costs

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

Note 20. External Audit Costs Contd.

2012/13 £000		2013/14 £000
67	Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year	67
16	Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for 2010/11 Statement of Accounts objection work	0
30	Fees payable to Grant Thornton for the certification of grant claims and returns for the year	15
1	Fees payable in respect of other services provided by Grant Thornton and the Audit Commission during the year including National Fraud Initiative	6
(6)	Audit Commission Rebate	(9)
108	Total	79

The fees for other services in 2013/14 relate to the National Fraud Initiative (NFI) fee and a review of employment taxes carried out by Grant Thornton. 2012/13 relates to the NFI fee only.

Note 21. Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement:

2012/13 £000	Grants and contributions credited to Services	2013/14 £000
	Major grants	
(500)	HRA – supporting people	(371)
(143)	Corporate Services – elections & electoral registration	(196)
(125)	Sustainable Homes & Communities – supporting people	(93)
0	Sustainable Homes & Communities – Local Welfare Support	(145)
(675)	Sustainable Homes & Communities – disabled facilities & home stay grants	(472)
0	Economy – Honiton Community Centre	(500)
0	Economy – Regional Growth Fund – Science Park	(1,108)
(185)	Environment – on street parking	(195)
(359)	Environment – AONB/Countryside projects	(290)
0	Environment – Regional Growth Fund - infrastructure	(887)
(39,072)	Finance - Housing Benefits and Council Tax Benefits	(30,821)
(98)	Finance – Discretionary housing payments	(176)
(762)	Finance - Housing Benefits Admin grant	(709)
(41)	Finance – other DWP grants	(44)
(227)	Finance – NDR cost of collection	(228)
(117)	Finance – Localised Council Tax Benefit	(67)
(100)	Strategic Development & Partnership – Growth Point Delivery Team	(284)
	Other grants and contributions	
(128)	HRA	(5)
(2)	Corporate Services	(25)
(20)	Sustainable Homes & Communities	(20)
(112)	Economy	(11)
(46)	Environment	(67)
(79)	Finance	(143)
(45)	Strategic Development & Partnership	(69)
(243)	Streetscene	(167)
(43,079)	Total Grants and Contributions Credited to Services	(37,093)

Note 21. Grant Income Contd.

2012/13 £000	Credited to Taxation and Non Specific Grant Income	2013/14 £000	2013/14 £000
(5,303)	Non domestic rates		0
	Non-ring Fenced Government grants		
(103)	Revenue Support Grant	(3,232)	
(99)	DCLG Local Services Support grant	(99)	
(175)	DCLG Council Tax Freeze grant	(245)	
(759)	DCLG - New Homes Bonus	(1,196)	
0	DCLG – Small Business Rate Relief grant	(774)	
0	DCLG – Inspire grant	(7)	
0	DCLG – Capitalisation grant	(18)	
	Capital Grants		(5,571)
0	Environment Agency – Feniton Flood Alleviation	(100)	
0	Environment Agency – Axe Wetlands	(113)	
	Capital Contributions		
(306)	S106 receipts	(459)	
(440)	Old Drill Hall Sidmouth	0	
(62)	Devon County Council – sports centres	(8)	
(155)	Seaton Jurassic (discovery centre)	(133)	
(47)	Other contributions	(163)	
			(976)
(7,449)	Total Credited to Taxation and Non Specific Grant Income		(6,547)

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

31 March 2013			Grants and Contributions Receipts in Advance	31 March 2013		
Short Term £000	Long Term £000	Total £000		Short Term £000	Long Term £000	Total £000
(2,301)	0	(2,301)	Low Carbon Infrastructure Fund	(2,301)	0	(2,301)
(150)	0	(150)	Environment Agency - Axe Wetlands	(37)	0	(37)
0	0	0	Regional Growth Fund	(262)	0	(262)
(704)	(2,276)	(2,980)	Section 106 Receipts	(433)	(2,905)	(3,338)
(3,155)	(2,276)	(5,431)	Total	(3,033)	(2,905)	(5,938)

Note 22. Related Parties

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

Note 22. Related Parties Contd.**22.1 Central Government**

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 12 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2014 are also shown in the Debtors Note 29.

22.2 Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2013/14 is shown in Note 16.

22.3 Other Public Bodies and Entities

2012/13			2013/14		Net Year End (Debtor) / Creditor
Income £000	Expenditure £000		Income £000	Expenditure £000	£000
		Government Departments			
(7,597)	305	Department for Communities & Local Government	(6,566)	343	(136)
(39,972)	0	Department for Work & Pensions	(31,751)	0	(102)
0	0	Department for Environment, Food and Rural Affairs	(221)	0	(32)
(2,644)	3,081	HMRC	(3,024)	3,082	(531)
0	2,641	PWLB	0	2,643	29
		Other Public Bodies			
(560)	472	Devon County Council	(457)	627	(1,122)
(86)	172	South Somerset District Council (Shared Services)	(87)	23	(19)
0	0	Plymouth City Council (NDR Pool)		13,432	
(50,859)	6,671	Total	(42,106)	20,150	(1,913)

Note 23. Leases**23.1 Council as Lessee****23.1.1 Finance Leases**

The Council has acquired a number of leased vehicles under finance leases; this includes a fleet of refuse & recycling vehicles under its contract for the provision of waste collection with Sita. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

31 March 2013 £000	Finance Leases	31 March 2014 £000
810	Vehicles, Plant, and Equipment	469
810	Lessee Finance Leases Total	469

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the vehicles acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

23.1.1 Finance Leases Contd.

31 March 2013 £000	Finance Lease Liabilities (Net present value of minimum lease payments)	31 March 2014 £000
568	Current	407
768	Non-current	361
251	Finance costs payable in future years	81
1,587	Lessee Minimum lease payments	849

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

Minimum Lease Payments	Finance Lease Liabilities	Minimum Lease Payments	Minimum Lease Payments	Finance Lease Liabilities
31 March 2013 £000	31 March 2013 £000		31 March 2014 £000	31 March 2014 £000
669	568	Not later than one year	449	407
918	768	Later than one year and not later than five years	400	361
0	0	Later than five years	0	0
1,587	1,336	Total Lessee	849	768

23.1.2 Operating Leases

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

31 March 2013 £000	Operating Leases	31 March 2014 £000
425	Not later than one year	476
1,088	Later than one year and not later than five years	1,036
2,124	Later than five years	1,793
3,637	Total Lessee Operating Leases	3,305

23.2 EDDC as Lessor**23.2.1 Finance Leases**

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

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

31 March 2013 £000	Finance Lease Debtor (Net present value of minimum lease payments)	31 March 2014 £000
10	Current	5
23	Non-current	18
(15)	Unearned finance income	(6)
18	Total Gross Investment in the Lease	17

23.2.1 Finance Leases Contd.

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

Minimum Lease Payments	Finance Lease Liabilities	Minimum Lease Payments	Minimum Lease Payments	Finance Lease Liabilities
31 March 2013 £000	31 March 2013 £000		31 March 2014 £000	31 March 2014 £000
10	2	Not later than one year	5	2
20	6	Later than one year and not later than five years	15	6
3	10	Later than five years	3	9
33	18	Total Lessee	23	17

23.2.2 Operating Leases

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

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

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

31 March 2013 £000	Operating Leases	31 March 2014 £000
333	Not later than one year	362
824	Later than one year and not later than five years	1,129
5,536	Later than five years	5,516
6,693	Total Lessee Operating Leases	7,007

Note 24: Property, Plant and Equipment
24.1 Movements in 2013/14

Comparative movements in 2013/14	Council Dwellings & Land £000	Other Land & Building £000	Vehicle, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Total Assets £000
Cost or Valuation							
At 1 April 2013	187,248	86,444	14,103	16,100	745	137	304,777
Additions	6,792	256	429	583	132	610	8,802
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	1,752	0	0	751	0	2,503
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(3,520)	(87)	0	0	0	0	(3,607)
Derecognition - disposals		(155)	(272)	0	0	0	(427)
Assets reclassified (to)/from Held for Sale	(1,039)	0	0	0	0	0	(1,039)
Other movements in cost or valuation	0	(574)	0	1	234	76	(263)
At 31 March 2014	189,481	87,636	14,260	16,684	1,862	823	310,746
Accumulated Depreciation & Impairment							
At 1 April 2013	93	2,370	5,866	4,733	148	0	13,210
Depreciation charge	1,089	884	1,518	225	0	0	3,716
Depreciation charge written out of the Revaluation Reserve	0	(161)	0	0	0	0	(161)
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	71	0	0	0	0	71
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	197	0	0	0	0	197
Derecognition - disposals	0	0	(258)	0	0	0	(258)
Derecognition - other	0	0	0	0	0	0	0
Other movements in depreciation and impairment	(1,089)	(178)	0	0	0	178	(1,089)
At 31 March 2014	93	3,183	7,126	4,958	148	178	15,686
Net Book Value							
At 31 March 2014	189,388	84,453	7,134	11,726	1,713	645	295,060
At 31 March 2013	187,155	84,074	8,237	11,367	597	137	291,567

Note 24: Property, Plant and Equipment Contd.**24.2 2012/13 Comparatives**

Comparative movements in 2012/13	Dwellings & Land £000	Other Land & Buildings £000	Vehicle, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Total Assets £000
Cost or Valuation							
At 1 April 2012	188,873	91,573	9,132	15,843	703	129	306,253
Additions	4,758	962	483	220	148	208	6,779
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	2,131	(217)	0	13	0	1,927
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(5,675)	(123)	570	0	(104)	0	(5,332)
Derecognition - disposals		(795)	(370)	(118)	0	(2)	(1,285)
Assets reclassified (to)/from Held for Sale	(708)	(1,400)	0	0	0	0	(2,108)
Other movements in cost or valuation	0	(5,904)	4,505	155	(15)	(198)	(1,457)
At 31 March 2013	187,248	86,444	14,103	16,100	745	137	304,777
Accumulated Depreciation & Impairment							
At 1 April 2012	93	3,918	4,212	4,528	15	0	12,766
Depreciation charge	1,048	874	1,873	211	0	0	4,006
Depreciation recognised in the Revaluation Reserve	0	0	(999)	0	0	0	(999)
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	277	0	0	0	0	277
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	453	0	113	148	0	714
Derecognition - disposals	0	(730)	(303)	(119)	0	0	(1,152)
Other movements in depreciation and impairment	(1,048)	(2,422)	1,083	0	(15)	0	(2,402)
At 31 March 2013	93	2,370	5,866	4,733	148	0	13,210
Net Book Value							
At 31 March 2013	187,155	84,074	8,237	11,367	597	137	291,567
At 31 March 2012	188,780	87,655	4,920	11,315	688	129	293,487

Note 24: Property Plant and Equipment Contd.**24.3 Depreciation**

The following useful lives and depreciation rates have been used in the calculation of depreciation:

Council Dwellings: 23 - 60 years (includes components). Any charge is reversed as part of the annual revaluation process.

Other Land and Buildings: 2 - 60 years

Vehicles, Plant, & Equipment: 2 -15 years

Infrastructure: 5 -100 years

24.4 Capital Commitments

The Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2014/15 and future years budgeted to cost £0.587m. Similar commitments at 31 March 2013 were £0.897m. The major commitments are:

31 March 2013 £000	Scheme	31 March 2014 £000
180	Housing grants	118
91	Street cleansing machinery	49
0	Grounds maintenance machinery	56
577	Pollution prevention - Imperial Field, Exmouth	0
0	Cranbrook play equipment	97
49	Exmouth Tennis Centre lighting	0
0	Public convenience Lifeboat Station, Exmouth	66
0	Feniton flood alleviation scheme	88
0	New Housing IT system	113
897	Total	587

24.5 Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. With the exception of the Council Housing stock, which was valued by the District Valuer, Andrew Doak, (RICS), all valuations were carried out internally by Robert Harrison, (RICS). Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant and equipment are based on historic cost less depreciation and residual values where there is an active second-hand market. A revaluation of the Council's dwellings using individual site visits was undertaken as at 31 March 2011 and is repeated every five years. This has been updated using beacon values to 31 March 2014. All other assets are valued as at 1 April 2013.

The significant assumptions applied in estimating the fair values are:

- there are no title issues which are likely to have an effect on the valuations since last undertaken;
- there are no planning proposals that are likely to have an effect on the value of the premises, unless planning permission has been granted within the year;
- a reasonable standard of repair has been assumed except for buildings with a limited economic life;
- land and properties are not contaminated;
- land and properties are not at risk from environmental matters.

Note 24.5 Revaluations Contd.

	Council Dwellings & Land £000	Other Land & Buildings £000	Vehicle, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Total £000
Carried at historical cost			14,260	16,684	1,862	823	33,629
Valued at fair value as at:							
31 March 2014	189,481	8,039					197,520
31 March 2013		14,161					14,161
31 March 2012		0					0
31 March 2011		33,059					33,059
31 March 2010		32,377					32,377
Total Cost or Valuation	189,481	87,636	14,260	16,684	1,862	823	310,746

Note 25. 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 Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

2012/13 £000	Capital Expenditure and Capital Financing	2013/14 £000
1,608	Opening Capital Financing Requirement	857
	Capital investment:	
6,779	Property, Plant and Equipment (Note 24)	8,800
64	Intangible Assets	89
0	Loan for affordable housing	305
5,605	Revenue Expenditure Funded from Capital under Statute	4,269
205	Capital Investment	0
	Sources of finance:	
(775)	Capital receipts	(1,153)
(6,187)	Government grants and other contributions	(5,456)
	Sums set aside from revenue:	
(4,282)	Direct revenue contributions	(5,706)
(1,409)	Use of earmarked reserves	(843)
0	PWLB Loan	(305)
(751)	Minimum Revenue Payment	(628)
857	Closing Capital Financing Requirement	229

2012/13 £000	Explanation of Movements in the Year	2013/14 £000
(751)	Increase/(Decrease) in underlying need to borrow (unsupported by government financial assistance)	(628)
0	Assets acquired under finance leases	0
(751)	Decrease in Capital Financing Requirement	(628)

Note 26. Assets Held for Sale

As at 31 March 2013 £000		As at 31 March 2014 £000
95	Balance outstanding at start of year	920
2,108	Reclassified in year	1,039
(1,283)	Assets sold	(1,899)
920	Total Assets Held for Sale	60

Note 27. Financial Instruments**27.1 Balance Sheet items**

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

Long Term 31 March 2013 £000	Current 31 March 2013 £000	Financial Instruments	Long Term 31 March 2014 £000	Current 31 March 2014 £000
		Investments		
0	1,425	Loans and receivables	0	2,466
13,212	17,719	Available-for-sale financial assets	0	30,860
231	0	Unquoted equity investment at cost	231	0
13,443	19,144	Total Investments	231	33,326
		Debtors		
389	2,653	Loans and receivables	685	3,636
389	2,653	Total included in Debtors	685	3,636
		Borrowings		
(85,448)	(4,528)	Financial liabilities at amortised cost	(85,116)	(2,768)
(85,448)	(4,528)	Total Borrowings	(85,116)	(2,768)
		Other Long Term Liabilities		
(768)	(568)	Finance liabilities at amortised cost	(361)	(407)
(768)	(568)	Total included in Other Long Term Liabilities	(361)	(407)
		Creditors		
0	(4,392)	Financial liabilities at amortised cost	0	(5,187)
0	(4,392)	Total included in Creditors	0	(5,187)

27.2 Income, Expenses, Gains and Losses

2012/13					2013/14			
Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets: Available for Sale £000	Total £000		Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets: Available for Sale £000	Total £000
2,652	0	0	2,652	Interest expense	2,644	0	0	2,644
0	0	9	9	Losses on Derecognition	0	0	0	0
0	0	48	48	Fee expense	0	0	45	45
2,652	0	57	2,709	Total Expense in Surplus or Deficit on the Provision of Services	2,644	0	45	2,689
0	(71)	(272)	(343)	Interest Income	0	(51)	(325)	(376)
0	0	(88)	(88)	Gains on Derecognition	0	0	0	0
0	(71)	(360)	(431)	Total Income in Surplus or Deficit on the Provision of Services	0	(51)	(325)	(376)
0	0	(15)	(15)	Deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	0	0	(71)	(71)
2,652	(71)	(318)	2,263	Net (Gain)/Loss for the Year	2,644	(51)	(351)	2,242

27.3 Soft Loans made by the Council

Included within long term debtors are the following interest free loans previously granted to other Town/Parish Councils and voluntary organisations. The Poltimore House loan was for protecting the structure of the building, and the Axminster loans were for the refurbishment of the Axminster Guildhall. No new interest free loans have been made during 2013/14.

2012/13			Material Soft Loans	Terms	2013/14		
Opening Balance £000	Loans Repaid £000	Closing Balance £000			Opening Balance £000	Loans Repaid £00	Closing Balance £000
53	2	51	Poltimore House	24 years	51	3	48
11	1	10	Loan To Axminster Town Council (1)	20 years	10	1	9
65	5	60	Loan To Axminster Town Council (2)	20 years	60	5	55
129	8	121			121	9	112

27.4 Fair Values of Assets and Liabilities

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

- estimated ranges of interest rates at 31 March 2014 from 1.26% to 5.04% for loans from the PWLB and other loans receivable and payable using new loan rates
- no early repayment or impairment is recognised

27.4 Fair Values of Assets and Liabilities

- where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

31 March 2013			31 March 2014	
Carrying Amount £000	Fair value £000		Carrying amount £000	Fair Value £000
85,508	82,832	Financial liabilities	85,753	77,753

The fair value of the liabilities is lower than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the prevailing rate at the balance sheet date.

31 March 2013			31 March 2014	
Carrying Amount £000	Fair value £000		Carrying amount £000	Fair Value £000
387	387	Long-term debtors	683	645

Excluded from the above table is £0.002m (£0.002m in 2012/13) in "soft loans" which, after a review of financial instruments, the Council considers to be immaterial to the Accounts. These are monies that have been previously advanced to support local village halls and sports and recreational facilities, although no new loans of this type have been made during 2013/14.

Available for sale assets are carried in the Balance Sheet at their fair value. These fair values are based on public price quotations where there is an active market for the instrument.

The Council has the following financial investments that are valued at historic cost as a fair value cannot be established due to lack of any market.

31 March 2013 £000	Financial Investments Valued at Historic Cost		31 March 2014 £000
	Exeter Science Park		
225	7.12% Shareholding		225
	HM Treasury Stock		
5	3.5% War Stock		5
1	2.5% Consolidated Stock		1
231			231

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

Note 28. Nature and Extent of Risks Arising from Financial Instruments

28.1 Nature of Risk

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

Credit risk – the possibility that other parties might fail to pay amounts due to the Council

Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments

Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates.

28.2 Overall procedures for managing risk

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

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

These are required to be reported and approved before the start of the year to which they relate. These items are reported with the annual Treasury Management Strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The annual Treasury Management Strategy and the prudential indicators were approved by Cabinet on 30 January 2014 and ratified by Full Council on 27th February 2014 and are available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2013/14 was set at £97,725m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £91,887m. This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at 100% based on the Council's net debt.

These policies are implemented by the Financial Services team.

28.3 Credit Risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria and also imposes a limit on the amount invested in the financial institution.

The credit criteria in respect of financial assets held by the Council are as detailed below:

Cash Flow/Internal Investments (Maximum duration 6 months)		
Organisation	Criteria	Max Amount
Deposit Building Societies	Top 20 by Total Assets with over £5 billion in total assets	£3 million
Deposit Building Societies	Top 20 by Total Assets with over £1 billion in total assets	£2 million
Deposit with Banks	Minimum F1, A1 or P1 short term backed up by A long term credit rating	£2 million
Money Market Funds	AAAmmf long-term rating	£2 million
UK Local, Police & Fire Authorities		£2 million
External (Long Term) Investment Fund		
Organisation	Criteria	Max Amount
Deposit with Banks and Building Societies	Minimum F1, A-1 or P-1 short term backed up by AAA, AA or AA- long term credit rating	20% of Fund
Deposit with Banks and Building Societies	Minimum F1, A1 or P1 short term backed up by A long term credit rating	10% of Fund
Bonds issued by multilateral development banks (MLDBs)	AAA or those institutions guaranteed by the UK government	20% of Fund
UK Government Bonds/Gilts		No limit
Investment schemes (e.g. bond funds)	AAA long-term rating backed up with lowest volatility rating (V1/S1)	60% of External Fund total

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £30.86m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2014 that this was likely to crystallise.

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

28.3 Credit Risk Contd.

	Amount at 31 March 2014 £000	Historical experience of Default %	Estimated Maximum Exposure to default & uncollectability at 31 March 2014 £000
Customers			
Housing Benefits	1,384	19.94%	276
Rental	209	35.79%	75
Sundry Debtors	1,630	3.55%	58
Total	3,223		409

28.4 Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed.

If unexpected movements happen, the Council has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The maturity analysis of financial liabilities is as follows:

2012/13 £000		2013/14 £000
2,760	Less than one year	637
636	Between one and two years	1,087
4,011	Between two and five years	4,881
11,476	Between five and ten years	13,111
37,541	Between ten and twenty years	40,988
31,532	Between twenty and thirty years	24,823
252	Between thirty and forty years	226
88,208	Total	85,753

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

28.5 Market Risk**28.5.1 Interest Rate Risk**

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

- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at fixed rates – the fair value of the assets will fall.
- Investments at variable rates – the interest income credited to the surplus or deficit on the provision of services will rise

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

28.5.1 Interest Rate Risk Contd.

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

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

According to this assessment strategy, at 31 March 2014, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

Interest Rate Risk	£000
Increase in interest payable on short term borrowings	0
Increase in interest receivable on short term investments	86
Increase in government grant receivable for financing costs	11
Impact on Surplus or Deficit on the Provision of Services	97
Share of overall impact debited to the HRA	8

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

28.5.2 Price Risk

The council has investments in unquoted equity shares of £231,256 that would not be traded.

This includes an investment of £224,927 in a joint venture with other councils and Exeter University. This shareholding has arisen in the acquisition of a specific interest and will not be traded therefore the Council is not in a position to limit its exposure to price movements by diversifying its portfolio.

28.5.3 Foreign Exchange Risk

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

Note 29: Debtors and Payments in Advance

As at 31 March 2013 £000	Debtors and Payments in Advance	As at 31 March 2014 £000
	Central Government Bodies:	
384	Government Departments	178
386	HMRC	781
1,379	Other Local Authorities	1,608
	Other entities and individuals:	
203	Housing Tenants	210
176	Council Tax payers	204
0	Non domestic ratepayers	304
1,246	Housing Benefit Overpayments	1,384
694	Debts for Council Services Provided	1,173
574	Other	438
(436)	Less Provision for Doubtful Debts	(494)
4,606	Total	5,786

Note 30. Cash and Cash Equivalents

As at 31 March 2013 £000		As at 31 March 2014 £000
799	Cash in transit and cash floats	629
626	Bank current accounts	1,837
1,425	Cash and Cash Equivalents	2,466
(1,768)	Bank overdraft	(2,132)
(343)	Total Cash and Cash Equivalents	334

Note 31: Creditors and Receipts in Advance

As at 31 March 2013 £000		As at 31 March 2014 £000
	Central Government Bodies:	
(996)	Government Departments	(151)
(259)	HMRC	(250)
(451)	Other Local Authorities	(1,327)
	Other entities and individuals:	
(77)	Housing Tenants	(65)
(124)	Council Tax Receipts in Advance	(146)
(1,326)	Council Tax Major Preceptors	(2,052)
0	Non domestic rates Receipts in Advance	(270)
(3,573)	Sundry	(3,629)
(6,806)	Total	(7,890)

Note 32. Contingent Liabilities

We continue to underwrite a share of a contingency sum on constructing the Science Park Centre up to £0.053m and to meet a proportion; up to £0.350m of a margin on a £20m loan from DCLG to accelerate the development of Cranbrook and provide key infrastructure if required.

A group of Property Search Companies are seeking to claim refunds of fees paid to the Council to access land charges data. The Council has been informed that the value of those claims at present is £0.086m plus interest and costs. The claimants have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been submitted at present. The Council has received £0.034m from DCLG to offset any claims.

The introduction of Business Rates Retention scheme from April 2013 has significantly changed the accounting treatment for Business Rates within the Authority's accounts.

A provision of £0.251m has been included (See note 34 below) for outstanding and backdated appeals. However, there are also likely to be future appeals which cannot be reliably estimated.

Note 33. Contingent Assets

The potential sale of Heathpark in Honiton could realise a substantial capital receipt. However, this is dependent on planning permissions being granted.

Note 34: Provisions

	NDR Appeals £000
Balance at 1 April 2013	0
Additional provisions made in 2013/14	251
Balance at 31 March 2014	251

Non Domestic Rates Appeals

The Business Rates Retention Scheme requires local authorities to forecast and make provision for the amount of money that they would expect to have to repay as a result of reductions in rateable value following a successful appeal.

This is the Council's share of the estimated outstanding appeals, including backdated appeals, that are likely to be successful. The figure takes into account the Council's option to spread the cost over 5 years.

Note 35: Usable Reserves

Movements in the Council's Usable Reserves are detailed in the Movement in Reserves Statement and Note 7.

Note 36: Unusable Reserves

31 March 2013 £000		31 March 2014 £000
153	Accumulated Absences Account	225
(12)	Available for Sale Financial Instruments Reserve	59
(191,144)	Capital Adjustment Account	(193,414)
(190)	Collection Fund Adjustment Account	367
(2)	Deferred Capital Receipts Reserve	(2)
41,865	Pensions Reserve	40,196
(16,660)	Revaluation Reserve	(17,317)
(165,990)	Total Unusable Reserves	(169,886)

36.1 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.

2012/13 £000		2013/14 £000	2013/14
285	Balance at 1 April		153
(285)	Settlement or cancellation of accrual made at the end of the preceding year	(153)	
153	Amounts accrued at the end of the current year	225	
(132)	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		72
153	Balance at 31 March		225

36.2 Available for Sale Financial Instruments Reserve

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

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

2012/13 £000	Available for Sale Financial Instruments Reserve	2013/14 £000	2013/14 £000
(27)	Balance at 1 April		(12)
(168)	Upward revaluation of investments	0	
115	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	71	
(53)	Accumulated gains on assets sold and maturing		71
68	Assets written out to the Comprehensive Income & Expenditure Statement as part of Other Investment Income		0
(12)	Balance at 31 March		59

36.3 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 ratepayers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2012/13 £000		2013/14 £000
(239)	Balance at 1 April	(190)
49	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	557
(190)	Balance at 31 March	367

36.4 Capital Adjustment Account

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

36.4 Capital Adjustment Account Contd.

2012/13 £000	Capital Adjustment Account	2013/14 £000	2013/14 £000
(192,925)	Balance at 1 April		(191,144)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:		
3,674	Charges for depreciation and impairment of noncurrent assets	2,824	
5,332	Revaluation losses on Property, Plant and Equipment	3,606	
567	Amortisation of intangible assets	515	
5,605	Revenue expenditure funded from capital under Statute	4,269	
1,415	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	2,070	
16,593			13,284
(1,210)	Adjusting amounts written out of the Revaluation Reserve		(1,776)
15,383	Net written out amount of the cost of non-current assets consumed in the year		11,508
	Capital financing applied in the year:		
(775)	Use of the Capital Receipts Reserve to finance new capital expenditure	(1,153)	
(2,970)	Use of the Major Repairs Reserve to finance new capital expenditure	(5,635)	
(1,371)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(3,987)	
(4,816)	Application of grants to capital financing from the Capital Grants Unapplied Account	(1,470)	
(751)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(628)	
(198)	Reduction in lease liabilities	0	
(2,721)	Capital expenditure charged against the General Fund and HRA balances	(905)	
(13,602)			(13,778)
(191,144)	Balance at 31 March		(193,414)

36.5 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 Council 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.

2012/13 £000		2013/14 £000
(3)	Balance at 1 April	(2)
1	Transfer to the Capital Receipts Reserve upon receipt of cash	0
(2)	Balance at 31 March	(2)

36.6 Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council 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

36.6 Pensions Reserve Contd.

the Council 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 Council 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.

2012/13 £000		2013/14 £000
37,716	Balance at 1 April	41,865
1,862	Remeasurement of the net defined benefit liability	(4,401)
4,080	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	4,701
(1,793)	Employer's pensions contributions and direct payments to pensioners payable in the year	(1,969)
41,865	Balance at 31 March	40,196

36.7 Revaluation Reserve

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

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

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

2012/13 £000	Revaluation Reserve	2013/14 £000	2013/14 £000
(15,281)	Balance at 1 April		(16,660)
(7,167)	Upward revaluation of assets	(2,504)	
4,578	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	71	
(2,589)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(2,433)
1,173	Difference between fair value depreciation and historical cost depreciation	894	
37	Accumulated gains on assets sold or scrapped	882	
1,210	Amount written off to the Capital Adjustment Account		1,776
(16,660)	Balance at 31 March		(17,317)

Note 37. Cash Flow Statement - Operating Activities

2012/13 £000		2013/14 £000
7,256	Total deficit on provision of services	(479)
	<i>Adjust for items included in net surplus or deficit on provision of services that are investing and financing activities:</i>	
79	Proceeds from short term and long-term investments	0
1,266	Proceeds from the sale of property, plant & equipment	3,300
1,010	Capital grants and contributions	976
	<i>Adjust net surplus or deficit on provision of services for noncash movements:</i>	
(9,574)	Depreciation, impairment & amortisation charged to revenue	(6,945)
9	Net movement of bad debt provision through CIES	0
*(2,291)	Net adjustments made in respect of IAS19 pensions	(2,751)
(1,415)	Carrying amount of the gain /loss on disposal of property, plant and equipment	(2,070)
272	Grants applied to finance capital expenditure or received to meet principal repayments on borrowing by statute	676
(49)	Other noncash movements	(556)
	Movement in Noncash Assets and liabilities	
1	(Increase) / decrease in creditors	(55)
816	Increase / (decrease) in debtors and payments in advance	116
*(9,876)		(7,309)
(2,620)	Cash flows from operating activities	(7,788)
	<i>Items included in the net cash flow from operating activities include:</i>	
(345)	Interest received	(375)
2,653	Interest paid	2,670
2,308	Net interest	2,295

*In accordance with the Code of Practice, the 2012/13 comparatives have been adjusted to reflect changes in the calculation of pension benefits.

Housing Revenue Income and Expenditure Statement for the Year Ended 31 March 2014

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

2012/13 Net Expenditure £000	Housing Revenue Account Income and Expenditure Statement	2013/14 Net Expenditure £000
	Expenditure	
2,708	Repairs and Maintenance	3,576
3,459	Supervision and Management	3,826
22	Rents, rates, taxes and other charges	30
(96)	Negative HRA Subsidy payable/(receivable)	0
	Depreciation and Impairment of non-current assets	
5,675	Dwellings	3,520
144	Other Assets	143
(7)	Movement in the allowance for bad debts	(10)
11,905	Total Expenditure	11,085
	Income	
(16,108)	Dwelling Rents (Gross)	(17,042)
(422)	Non dwelling rents (Gross)	(438)
(531)	Charges for services and facilities	(675)
(500)	Contribution towards expenditure	(371)
(17,561)	Total Income	(18,526)
(5,656)	Net Expenditure or Income of HRA Services as included in the whole Council Comprehensive Income and Expenditure Statement	(7,441)
790	HRA share of Corporate and Democratic Core	827
85	HRA share of other amounts included in the whole Council Net Cost of Services but not allocated to specific services	92
(4,781)	Net Expenditure/(Income) on HRA Services	(6,522)
	HRA share of the operating income and expenditure included in the whole Council Comprehensive Income and Expenditure Statement:	
(413)	(Gain) on sale of HRA non-current assets	(851)
(21)	HRA interest and investment income	(27)
2,564	Interest payable	2,564
155	Net interest on the net defined benefit liability	244
0	Capital grants and contributions receivable	(36)
(2,496)	Surplus for the Year on HRA Services	(4,628)

Movement on the HRA Statement for the Year Ended 31 March 2014

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

- Capital investment is accounted for as it is financed, rather than when the property, plant and equipment are consumed.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

These adjustments are reflected in the statement shown below.

2012/13 Expenditure £000	Movement on the HRA Statement	2013/14 Expenditure £000
(624)	Balance on the HRA as at the end of the previous year	(2,970)
(2,496)	Surplus for the year on the HRA Income & Expenditure Statement	(4,628)
(1,559)	Adjustments between accounting basis and funding basis under statute	2,517
(4,056)	Net Increase in year on the HRA	(2,111)
1,710	Transfers to earmarked reserves	1,190
(2,970)	Balance on the HRA as at the end of the current year	(3,891)

HRA Note 1. Reconciliation of Movement on HRA Balance

This requires a reconciling note that breaks down the amounts which are not included within the HRA Income & Expenditure Statement but are adjustments between the accounting basis and the funding basis under statute.

2012/13 Expenditure £000		2013/14 Expenditure £000
	Amounts included in the HRA I & E Statement but required by statute to be excluded when determining the movement on the HRA Balance for the year	
(5,818)	Depreciation and impairment of property, plant and equipment	(3,662)
413	Gain on sale of HRA non current assets	820
11	Accumulated absences	(5)
(461)	Net charges made for retirement benefits in accordance with IAS19	(633)
(5,855)		(3,480)
	Amounts not included in the HRA I & E Statement but required by statute to be included when determining the movement on the HRA Balance for the Year	
1,095	Capital expenditure funded by the Housing Revenue Account	65
2,970	Transfer to Major Repairs Reserve	5,635
221	Employer's contributions payable to the DCC Pension Fund and retirement Benefits payable direct to pensioners	255
10	Minimum Revenue Provision	6
0	Capital grants & contributions	36
4,296		5,997
(1,559)	Net adjustments between accounting basis and funding basis under statute	2,517

HRA Note 2. Rents

This is the total rent income collectable for the year after allowance is made for empty properties and irrecoverable amounts. Empty properties accounted for 1.40% of the gross rents. In 2012/13 the figure was 1.15%.

The average weekly rent for dwellings was £75.94 in 2013/14 (£72.53 in 2012/13). The average weekly rent for garages was £11.33.

HRA Note 3. Rent Arrears

There was an increase in rent arrears in the year to 31 March 2014 of £5,322

2012/13 £000	Rent Arrears	2013/14 £000
203 1.22%	Rent Arrears as at 31 st March Percentage of total rent debit	209 1.17%

HRA Note 4. Bad Debt Provision

2012/13 £000	Bad Debt Provision	2013/14 £000
95	Rent Payers Bad Debts Provision as at 31 st March	85

The bad debt provision has been decreased by £10,000. Former tenant arrears have decreased by £22,000 to £53,000 at the 31 March 2014 (£75,000 at the 31 March 2013).

HRA Note 5. Housing Subsidy

In March 2012 the Housing Subsidy system ended and in return the Council took on a debt of £84.3m. A final adjustment relating to 2011/12 was received in 2012/13.

2012/13 £000	Subsidy Element	2013/14 £000
0	Management & Maintenance Allowances	0
0	Major Repairs Allowance	0
0	Charges for Capital	0
0	Guideline Rent Income	0
0	Adjustment re 2010/11	0
(96)	Adjustment re 2011/12	0
0	Interest on self financing settlement payment	0
(96)	Housing Subsidy Payable	0

HRA Note 6. Housing Stock

The Council was responsible for managing on average 4,287 dwellings during 2013/14. The stock at the year end was made up as follows:

Numbers as at 31 March 2013	Housing Stock by Type	Numbers as at 31 March 2014
1,212	Flats & Maisonettes	1,214
2,088	Houses (including non-traditional)	2,069
990	Bungalows	990
0	House in multiple occupation	1
5	Other properties not used as dwellings	4
4,295	Total	4,278

The Housing Stock and other Housing Revenue Account Assets are included in the Balance Sheet at 31 March 2014 at a value of £194.750m (£192.569m at 1 April 2013). A full revaluation of the Council's dwellings as at 31 March 2011 was undertaken and has been updated using beacon values to 31 March 2014.

	Council Dwellings & Land	Other Land & Buildings	Vehicles, Plant & Equipment	Infra-structure	Assets Under Construct'n	Total
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
At 1 April 2013	187,248	5,160	715	155	0	193,278
Additions	6,792	0	0	0	90	6,882
Revaluation increases recognised in the Revaluation Reserve		125	0	0	0	125
Revaluation (decreases) recognised in the Surplus/Deficit on the Provision of Services	(3,520)	0	0	0	0	(3,520)
Derecognition disposals	0	(55)	0	0	0	(55)
Assets reclassified (to) Held for Sale	(1,039)	0	0	0	0	(1,039)
Other movements in cost or valuation	0	(127)	0	0	0	(127)
At 31 March 2014	189,481	5,103	715	155	90	195,544
Accumulated Depreciation & Impairment						
At 1 April 2013	93	95	521	0	0	709
Depreciation charge	1,089	94	49	0	0	1,232
Depreciation charge written out of the Revaluation Reserve	0	(57)	0	0	0	(57)
Other movements in depreciation & impairment	(1,089)	(1)	0	0	0	(1,090)
At 31 March 2014	93	131	570	0	0	794
Net Book Value:						
At 31 March 2014	189,388	4,972	145	155	90	194,750
At 31 March 2013	187,155	5,065	194	155	0	192,569

HRA Note 6. Housing Stock Contd.

The actual Housing Stock figure at 31 March 2014 was 4,278 properties, of which 4 properties were not used to house tenants directly (e.g. Community Areas, offices & shop). The remaining 4,274 properties are valued at £189.388m and are included within the 31 March 2014 Balance Sheet figure. These properties have been valued based on Existing Use Value for Social Housing. The value of these properties based on Vacant Possession would be £610.385m. The difference between these two figures of £420.997m represents the cost of providing council housing at less than open market rents.

HRA Note 7. Average Costs per Dwelling

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

2012/13 £	Type of Expenditure/(Income)	2013/14 £
£785.99	Supervision & Management - General	£891.88
£629.72	Repairs & Maintenance	£827.32
(£3,753.06)	Rent un-rebated	(£3,981.82)

HRA Note 8. Major Repairs Reserve

In 2013/14 the sum of £1.232m, equivalent to the total HRA depreciation, was transferred into the Major Repairs Reserve along with an additional contribution of £4.403m. This sum was used in full during the year to fund major repairs on Council houses. No balance remained on the Reserve as at 31 March 2014.

2012/13 £000	Major Repairs Reserve	2013/14 £000
0	Balance b/f	0
(1,192)	Depreciation	(1,232)
(1,778)	Additional contribution	(4,403)
2,970	Major Repairs Expenditure	5,635
0	Balance c/f	0

HRA Note 9. Capital Expenditure

Capital expenditure within the HRA for 2013/14 and how it was funded is shown below:

2012/13 £000	Capital Expenditure	2013/14 £000
	Expenditure:	
4,758	Council Houses - Improvements & Enhancements	6,754
150	Other HRA capital expenditure	90
4,908	Total Capital Expenditure	6,844
	Funded by:	
2,970	Major Repairs Reserve	5,635
1,095	Revenue Contribution	65
172	S106 receipts	351
264	Capital Receipts – for provision of new social housing	214
28	Capital Reserve	0
379	Capital Receipts – other HRA	579
4,908	Total	6,844

HRA Note 10. Capital Receipts

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

2012/13 £000	Source of Receipt	2013/14 £000
1,122	Council Houses – Right to Buy Sales	1,833
1	Principal on Mortgage Repayments	1
7	Miscellaneous Sales	115
(304)	Less contribution to Housing Pool	(350)
826	Total HRA Capital Receipts	1,599

HRA Note 11. HRA share of contributions to/from the Pension Reserve

The Council's pension fund reserve liability decreased to £40.196m from £41.865m during 2013/14. It has been estimated that 13.57% of the Council's salary costs relate to the HRA, therefore the HRA's share of the overall pension deficit equates to £5.455m.

Collection Fund for Year Ended 31 March 2014

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority, East Devon District Council, in relation to the collection from taxpayers and ratepayers and distribution to local authorities and the Government of council tax and non-domestic rates.

Collection Fund Account				
2012/13 £000		2013/14 Business Rates £000	2013/14 Council Tax £000	2013/14 Total £000
	Income			
(78,619)	Council Tax (net)	0	(81,783)	(81,783)
(8,837)	Council Tax Benefit	0	0	0
(30,079)	NDR collectable from business ratepayers	(31,532)	0	(31,532)
0	Transitional Protection payments	(172)	0	(172)
(117,535)		(31,704)	(81,783)	(113,487)
	Expenditure			
	Precepts			
0	Central Government	16,165	0	16,165
64,305	Devon County Council	2,910	59,124	62,034
9,201	Devon & Cornwall Police Authority	0	8,629	8,629
9,053	East Devon District Council (including parishes)	12,932	8,415	21,347
4,258	Devon & Somerset Fire & Rescue Authority	323	3,993	4,316
	Contributions to previous year's estimated surplus			
818	Devon County Council	0	527	527
115	Devon & Cornwall Police Authority	0	75	75
114	East Devon District Council	0	73	73
52	Devon & Somerset Fire & Rescue Authority	0	35	35
29,852	Contribution to National Pool	0	0	0
227	Cost of Collection Allowance	228	0	228
30	Write offs	114	41	155
9	Adjustment to Bad Debt provision	0	69	69
0	Adjustment to Appeals provision	1,571	0	1,571
118,034		34,243	80,981	115,224
499	Movement on fund balance	2,539	(802)	1,737

Council Tax Collection Fund balance and movement split between the major preceptors:

2012/13 £000		Devon County Council	Devon & Cornwall Police Authority	East Devon District Council	Devon & Somerset Fire Authority	2013/14 £000
(2,308)	Balance b/f	(1,337)	(193)	(189)	(90)	(1,809)
499	Movement	(591)	(88)	(83)	(40)	(802)
(1,809)	Balance c/f	(1,928)	(281)	(272)	(130)	(2,611)

Non-Domestic Rates Collection Fund Balance and Movement Split between the Major Preceptors:

2012/13 £000		Devon County Council	Central Government	East Devon District Council	Devon & Somerset Fire Authority	2013/14 £000
0	Balance b/f	0	0	0	0	0
0	Movement	228	1,270	1,016	25	2,539
0	Balance c/f	228	1,270	1,016	25	2,539

CF Note 1. Income from Business Rates

2012/13		2013/14
£84.214m	Total non domestic rateable value at end of year (31 March)	£85.193m
0.458	National non domestic rate multiplier for the year	0.471
0.450	Small business non domestic rating multiplier	0.462

CF Note 2. Council Tax Base

The Council Tax Base, for tax setting purposes, is calculated by reference to the number of chargeable dwellings in each valuation band, with deductions for dwellings where discounts apply and adjustments made for exempt properties and anticipated amendments. This is then converted to an equivalent number of band D dwellings which is the amount the Council estimates would actually be collected if a tax of £1 is set.

The figures for 2013/14 are:

Band	Dwellings	Adjustments	Council Tax Support discounts	Net Properties	Conversion Factor	Band D equivalent
A*	0	10	(3)	7	5/9ths	4
A	5,841	(1,022)	(1,308)	3,511	6/9ths	2,341
B	12,501	(1,609)	(2,240)	8,652	7/9ths	6,729
C	14,162	(1,419)	(1,655)	11,088	8/9ths	9,856
D	11,799	(1,111)	(708)	9,980	9/9ths	9,980
E	9,756	(763)	(280)	8,713	11/9ths	10,650
F	5,914	(389)	(95)	5,430	13/9ths	7,843
G	3,906	(291)	(25)	3,590	15/9ths	5,983
H	197	(45)	0	152	18/9ths	304
Total Band D Equivalent						53,690

The comparative figures for 2012/13 were:

Band	Dwellings	Adjustments	2 nd Homes @ 40%	Net Properties	Conversion Factor	Band D equivalent
A*	0	9	0	9	5/9ths	5
A	5,769	(1,194)	108	4,683	6/9ths	3,122
B	12,383	(1,810)	149	10,722	7/9ths	8,339
C	14,083	(1,808)	227	12,502	8/9ths	11,113
D	11,754	(1,397)	206	10,563	9/9ths	10,563
E	9,700	(939)	145	8,906	11/9ths	10,885
F	5,885	(466)	72	5,491	13/9ths	7,931
G	3,903	(371)	50	3,582	15/9ths	5,970
H	197	(55)	8	150	18/9ths	300
Total Band D Equivalent						58,228

CF Note 2. Council Tax Base Contd.

2012/13 £000	Tax Base	2013/14 £000
57,471 131	Collection Rates at 98.4% (98.7% in 2012/13) Contribution from MOD properties	52,831 131
57,602	Tax Base	52,962

CF Note 3. The major preceptors on the Collection Fund

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

2012/13 £000	Major Preceptors	Council Tax 2013/14 £000	Non Domestic Rates 2013/14 £000
65,123	Devon County Council	59,651	2,910
9,316	Devon & Cornwall Police Authority	8,704	0
9,167	East Devon District Council (including parishes)	8,488	12,932
4,311	Devon & Somerset Fire and Rescue Authority	4,028	323
0	Central Government	0	16,165
87,917		80,871	32,330

CF Note 4. Provision for Un-collectable Amounts

Provision has been made within the accounts for un-collectable amounts based on guidelines. At the end of 2013/14 the accumulated provision stood at £0.359m (£0.290m for 2012/13) made up as follows:

2012/13 £000	Provision for Un-collectable Amounts	2013/14 £000
126	Non Domestic Rates	126
164	Council Tax	233
290	Total Provision	359

Glossary of Terms

Accounting Period

The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the balance sheet date.

Accruals

Sums included in the final accounts to recognise revenue and capital income and expenditure attributable to the accounting period, but for which payment has not been received or made by 31 March.

Accumulated Compensated Absences Adjustment Account

This account represents the value of any unused holiday, time off in lieu or flexi hours which have not been taken by officers as at the 31 March.

Actuarial Gains and Losses

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

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

Assets

An item having value to the Council in monetary terms, categorised as:

- **Current assets** will be consumed within the next financial year (e.g.: cash and stock).
- **Property, plant and equipment** provide benefits over their useful life for more than one year and can be tangible (e.g. sports centres) or intangible (e.g. computer software licences).
- **Community assets** are assets that the local Council intends to hold in perpetuity, that have no determinable useful life and may have restrictions on their disposal (e.g. works of art and picnic sites).
- **Infrastructure assets** that form part of the economic or social framework of the area and whose function is not transferable (e.g. highways, bridges and footpaths).
- **Under Construction** details capital expenditure to date on work in progress.
- **Surplus Assets** are property, plant and equipment held by a council actively being marketed
- **Intangible assets** usually software

Audit of Accounts

An independent examination of the Authority's financial affairs.

Balances

The total revenue reserves required to provide a working balance during the financial year, for example in periods when expenditure exceeds income.

Budget

The forecast of net revenue and capital expenditure over the accounting period.

Capital Adjustment Account

This records the timing difference between the costs of property, plant and equipment used and the capital financing set aside to pay for them.

Capital Expenditure

Expenditure on assets which have a long term value. Includes the purchase of land, purchase or cost of construction of buildings and the acquisition of plant, equipment and vehicles.

Glossary Contd.**Capital Charges**

This is a general term used for the notional charges made to service revenue accounts for the use of property, plant and equipment. The term covers the following:

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

Capital Receipts

Proceeds received from the sale of property and other property, plant and equipment.

Carrying Amount

The Balance Sheet value recorded for an asset or a liability.

CIPFA

The Chartered Institute of Public Finance and Accountancy.

Collection Fund

A separate fund that records the income and expenditure relating to council tax and non domestic rates.

Community Assets

Fixed Assets the the Coucil intends to hold in perpetuity and which have no determinable useful life. They may also have restriction on their disposal. An example is a cemetery.

Corporate Democratic Core

Those activities which the Council is engaged in specifically because it is an elected multi-purpose authority. This includes the costs of corporate policy making, representing local interests, representatives and duties arising from public accountability.

Creditors

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

Debtors

Sums of money due to the Council but not received at 31 March.

Depreciation

The allocation of the cost of the useful economic life of the Council's property, plant and equipment for the accounting period through general wear and tear, consumption or obsolescence.

Earmarked Reserves

Those elements of total Council reserves which are retained for specific purposes.

External Audit

The independent examination of the activities and accounts of Local Authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices. Also to ensure the Council has made proper arrangements to secure value for money in its use of resources.

Finance Lease

A lease whereby all the risks and rewards of ownership of a fixed asset are with the lessee. In substance the asset belongs to the lessee.

General Fund

The main revenue fund of the Council. Income from the council tax precept and Government grants are paid into the fund, from which the cost of providing services are met.

Glossary Contd.**Government Grants**

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

Housing Revenue Account

Statutory ring-fenced account required to represent the landlord/tenant obligations for the Council in relation to managing and maintaining its housing stock in return for rental income from tenants.

Impairment

A reduction in the value of a fixed asset to below its carrying amount on the balance sheet due to damage, obsolescence or a general decrease in market value.

Income & Expenditure Account

The net cost for the year for services provided by the Council for which it is responsible and showing how the cost has been financed from precepts, grants and other income.

Liquid Resources

Cash and current Asset investments that can be easily converted to known amounts of cash without penalty, or can be traded on the active market.

Long Term Debtors

Sums of money due to the Council originally repayable within a period in excess of twelve months but where payment is not due until future years.

Net Book Value

The value of property, plant and equipment included on the balance sheet, being the historical cost or a current revaluation less the cumulative amounts of depreciation.

Non-distributed Costs

In the main this represents support service area charges. E.g.: Corporate Management, Finance, Legal, ICT, HR services, etc. In addition to this a number of non-service specific corporate fees are included.

Operating Lease

A lease where the risks and rewards, and therefore the ownership of the asset, remains with the lessor.

Precept

The amount levied by one authority which is collected by another. E.g. the County Council is the precepting authority and the District Council is the collecting authority.

Provision

This is an amount which is put aside to cover future liabilities or losses which are considered to be certain or very likely to occur, but the amounts and timing are uncertain.

Reserves

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council. Some capital reserves such as the capital adjustment account cannot be used to meet current expenditure.

Revaluation Reserve

These records net gains from revaluations made after 1 April 2007 not yet realised through sales.

Revenue Contributions

This refers to the financing of capital expenditure directly from revenue rather than from loans or other sources.

Glossary Contd.

Revenue Expenditure

The day to day expenditure of the Council on such items as employees and equipment.

Revenue expenditure funded from capital under statute (REFCUS)

Expenditure which may properly be capitalised but which does not result in tangible property, plant and equipment owned by the Council.

Revenue Support Grant (RSG)

The major grant paid by central government to local authorities in aid of service provision.

Service Reporting Code of Practice (SERCOP)

Details standard definitions of service and total cost which enables spending comparisons to be made with other local authorities.