

Agenda for Audit and Governance Committee

Thursday 21 September 2017, 2.30pm

[Members of the Committee](#)

Venue: Council Chamber, Knowle, Sidmouth, EX10 8HL

[View directions](#)

Contact: [Amanda Coombes](#), 01395 517543 (or group number 01395 517546): Issued 12 September 2017

- 1 [Public speaking](#)
- 2 Minutes for 29 June 2017 (pages 3-7)
- 3 Apologies
- 4 [Declarations of interest](#)
- 5 [Matters of urgency](#) – none identified
- 6 To agree any items to be dealt with after the public (including press) have been excluded. There are no items that officers recommend should be dealt with in this way.

Part A Matters for Decision

- 7 **Internal Audit Activity – Quarter 2 2017/18 – SWAP** (pages 8-24)
- 8 **External Audit Report 2016/17 - KPMG** (pages 25-59)
- 9 **Statement of Accounts 2016/17 including Governance Statement – Strategic Lead Finance** (pages 60-163)
- 10 **Letter of Representation – KPMG** (pages 164-170)
- 11 **Expenditure on consultants and agency staff 2016/17 - Financial Services Manager** (pages 171-172)
Appendices A-C Consultancy and Agency fees (pages 173-177)
- 12 **RIPA Policy - Strategic Lead Governance & Licensing** (pages 178-195)
- 13 **Committee membership numbers** (pages 196-199)
- 14 **Audit and Governance Forward Plan – Strategic Lead Finance** (page 200)

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[Decision making and equalities](#)

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EAST DEVON DISTRICT COUNCIL

Minutes of a Meeting of the Audit & Governance Committee held in the Council Chamber at Knowle, Sidmouth on 29 June 2017

Attendance list at end of document

The meeting started at 2.30pm and ended at 4.09pm

***1 Chairman's welcome**

The Chairman welcomed everyone to the meeting. In particular, he welcomed Councillor Cherry Nicholas a new member to the committee.

***2 Public Speaking**

There were no members of the public present.

***3 Minutes**

The minutes of the Audit and Governance Committee meeting held on 2 March 2017 were confirmed and signed as a true record.

***4 Declarations**

Councillor: Mark Williamson

Interest: Shareholder representative of South West Audit Partnership (SWAP)

Reason: Personal

Officer: Simon Davey

Interest: Director of South West Audit Partnership (SWAP)

Reason: Personal

***5 Review of Internal Audit Charter**

Moya Moore, Assistant director from SWAP presented the report on the Internal Audit service for EDDC. SWAP had adopted and worked to the Standards of the Institute of Internal Auditors, and further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS). The internal audit service, provided by SWAP, worked to a charter that defined its roles and responsibilities and the roles and responsibilities of the District Council's managers. Best Practice in corporate governance required that the charter be reviewed and approved annually by the Audit and Governance Committee. The Audit Committee last reviewed the Charter on 30 June 2016. An Engagement Profile that outlined how SWAP intended to improve the audit experience between EDDC and SWAP was detailed.

RESOLVED:

that the Internal Audit Charter and Engagement Profile be approved.

***6 Annual Report inc. Quarter 4 2016/17 and Quarter 1 2017/18**

The Audit and Governance Committee agreed the 2017-18 Internal Audit plan at its March 2017 meeting. The report provided an update on the 2016/17 Internal Audit Plan Quarter 4 and to update with progress made on the 2017/18 Internal Audit Plan Quarter 1.

RESOLVED:

that the report be noted.

***7 Internal Audit Plan – Review of 2016/17**

The report provided the outturn position for the Internal Audit Plan at the end of 2016/17 as well as Internal Audits overall opinion on the systems of internal control at East Devon District Council. The Committee agreed the 2016/17 Internal Audit Plan at its March 2016 meeting. An update was provided for Quarters 1 and 2 in September 2016 and Quarter 3 in January 2017. This report was the final outturn position at the end of Quarter 4.

RESOLVED:

that the report be noted.

***8 Healthy Organisation report 2016/17**

The Healthy Organisation review looked at eight key corporate areas and mapped areas of good practice against areas for improvement. EDDC had overall High Assurance, with only three areas obtaining Medium Assurance. Six Healthy Organisation reviews across the Partnership had been completed with EDDC being the only partner to receive High Assurance, this was a very positive result. This would be a live document in order to keep a map of the assurance environment within the key corporate areas. The results would feed into the coming years' work. The report would be reviewed after two years.

The Chairman thanked Moya and her colleagues at SWAP for producing the report.

RESOLVED:

that the report be noted.

9 Revenue and Capital Outturn Report 2016/17

This final outturn report had been discussed recently at Cabinet; the Audit and Governance committee would finally agree these accounts in September 2017. Cabinet had agreed various recommendations and it was hoped that this committee would do the same.

RECOMMENDED:

1. that the outturn position for 2016/17 be agreed,
2. the level of Reserves detailed in the report and the transfers/use as recommended; namely
 - a) the transfer of £0.606m from the General Fund as one off savings in 2016/17 to the Capital Reserve to help fund future capital programme commitments,
 - b) the transfer of £0.294m from the Business Rates Volatility Fund into the General Fund to meet the shortfall on business rates income against budget in 2016/17,
 - c) that an adopted range was determined for the HRA Balance to be held of between £2.1m and £3.1m, and that £3.970m held above this level was transferred to a new Reserve "Future Housing Development Fund",
 - d) that £2.8m was transferred from the HRA Business Plan Volatility Fund into the Future Housing Development Fund,
 - e) the Transfers to other earmarked reserves for specific projects where funding contributions had been made in advance of spend and monies were held at year

end to fund this work in future years. The Outturn Book contained full details of the transfers in 2016/17, all be agreed.

***10 Draft annual governance statement – year ended 31 March 2017**

The Strategic Lead, Finance reported that a final governance statement would be reported back to the committee in September once members had made comments to the draft statement. The Strategic Lead, Finance went through the scope of responsibility and explained the annual review would check the effectiveness of the governance framework.

RESOLVED:

that the draft statement be noted.

***11 Audit Committee update**

Darren Gilbert, Director of KMPG provided the committee with an overview on progress in delivering their responsibilities as EDDC's external auditors. The report also highlighted the main technical issues, which were currently having an impact in local government. Darren reported that all was on track.

RESOLVED:

that the report be noted.

***12 Risk Management Review**

Risk information for the start of the 2017/18 financial year was supplied to allow the Audit and Governance Committee to monitor the risk status of Strategic and Operational Risks. This followed the full review of risks by responsible officers during May 2017. The Strategic Lead, Finance informed members that strategic risks which included items such as the Recycling and Waste contract, any major disruption in IT and telephony, office relocation and the delivery of Growth Point would be reported in the next review.

Discussions included the following:

- fire safety was on the risk register and fire assessments were carried out in flats with communal stairways
- protection from IT and cyber-attacks – STRATA were teamed up with three authorities which therefore provided more resilience with two firewalls as well as areas such as email monitoring.

RESOLVED:

that the report be noted.

***13 S106 Payments Methodology update**

The Service Lead, Planning Strategy and Development Management advised Members of how the findings of the auditors in 2016 in relation to the monitoring of S.106 Agreements had been addressed.

Discussions included the following:

- Cranbrook was still waiting for S106 funds to be spent
- triggers inform when funds needed to be invoiced
- Councillors need to see what money was being spent in their areas
- S106 funding was indexed linked.
- the Council retained bank interest earned from S106 funds

- SWAP had an audit planned for S106 and Community Infrastructure Levy (CIL) in Quarter 2
- KPMG were committed to follow up on this issue.

RESOLVED:

that the report and how the new system operated be noted.

***14 Contract Standing Orders**

The Strategic Lead, Finance stated the requirement to review and update the Orders to ensure they were kept up to date and relevant. The document had been redrafted significantly but the main areas of amendments to note were:

- Competition requirements (including financial thresholds) had been amended in the main to tie in with Devon County Council Contract Standing Orders in order to facilitate aligned procurement processes. Procurement advice was now delivered by Devon Procurement Services as part of two year service level agreement.
- The Contract Standing Orders now stipulated the use of the electronic procurement portal for all contracts over £10,000. This would aid transparency and clear process, and would link to the Council's Contract Register and meet the requirement to publish contracts on the national database - Contract Finder.
- They had been redrafted to make them easier to use and apply by officers.
- The procedures around exemptions to Contract Standing Orders had been revised to make the process easier to administer.

RESOLVED:

1. that the key principles detailed in the revised Contract Standing Orders be endorsed,
2. that delegated authority to the Strategic Lead Finance and Strategic Lead Governance & Licensing to make further minor amendments and tidying up changes to the revised Contract Standing Orders prior to their presentation to Council for adoption be given.

***15 Audit and Governance Forward Plan**

Members noted the contents of the Committee Forward Plan for 2017/18.

Items to be considered at the September committee included:

- Internal Audit Activity – Quarter 1 & 2 2017/18
- Statement of Accounts 2016/17 including Governance Statement
- Report to those charged with Governance
- Analysis of consultants fees 2016/17
- Partnership Register
- RIPA Policy

RESOLVED:

that the Forward Plan be noted.

Attendance list

Councillors:

Mark Williamson (Chairman)
Dean Barrow (Vice Chairman)
Steve Gazzard
John Dyson
John Humphreys
Cherry Nicholas

Also present (for some or all of the meeting)

Councillors:

Brian Bailey
Rob Longhurst

Apologies:

Ben Ingham
Bill Nash
Steve Hall

Officers present:

Simon Davey, Strategic Lead – Finance
Henry Gordon Lennox, Strategic Lead – Governance and Licensing
Ed Freeman, Service Lead Planning Strategy and Development Management
Amanda Coombes, Democratic Services Officer

Darren Gilbert, Director, KPMG
Moya Moore, Assistant Director, SWAP

Chairman Date.....

Report to: **Audit and Governance Committee**

Date of Meeting: 21 September 2017

Public Document: Yes

Exemption: None

Review date for release None



Agenda item: 7

Subject: **Internal Audit Plan Progress Quarter 2 (2017/18)**

Purpose of report: The Audit and Governance Committee agreed the 2017-18 Internal Audit Plan at its March 2017 meeting. This report is to provide an update on the 2017/18 Internal Audit Plan (Quarter 2)

Recommendation: To note the content of the Internal Audit Progress Report

Reason for recommendation: The Committee are required to review the progress of the audit plan.

Officer: David Hill, Executive Director, SWAP.

Financial implications: There are no direct financial implications identified.

Legal implications: The legal framework is reflected in the report. While there are no direct legal implications arising, ensuring Key Actions are carried out will reduce risk to the Council which in turn will reduce the chance of failures or challenges occurring.

Equalities impact: Low Impact

Risk: Low Risk

Links to background information:

- [Approved Internal Audit Plan 2017/18](#) – Audit and Governance Meeting March 2017

Link to Council Plan: Continuously improving to be an outstanding council.

East Devon District Council

Report of Internal Audit Activity

Plan Progress 2017/18 Quarter 2

Summary

Contents

The contacts at SWAP in connection with this report are:

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Internal Audit Plan Progress 2017/18 Quarter 2

Our audit activity is split between:

- **Operational Audit**
- **Governance Audit**
- **Key Control Audit**
- **IT Audit**
- **Grants**
- **Other Reviews**



Role of Internal Audit

The Internal Audit service for the East Devon District Council is provided by South West Audit Partnership Limited (SWAP). SWAP is a Local Authority controlled Company. SWAP has adopted and works to the Standards of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS), and also follows the CIPFA Code of Practice for Internal Audit. The Partnership is also guided by the Internal Audit Charter approved by the Audit and Governance Committee at its meeting on 29 June 2017.

Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. Primarily the work includes:

- Operational Audit Reviews
- Cross Cutting Governance Audits
- Annual Review of Key Financial System Controls
- IT Audits
- Grants
- Other Special or Unplanned Review

Internal Audit Plan Progress 2017/18 Quarter 2

Outturn to Date:

We rank our recommendations on a scale of 1 to 5, with 1 being minor or administrative concerns to 5 being areas of major concern requiring immediate corrective action



Internal Audit Work Programme

The schedule provided at Appendix B contains a list of all audits as agreed in the Annual Audit Plan 2017/18. It is important that Members are aware of the status of all audits and that this information helps them place reliance on the work of Internal Audit and its ability to complete the plan as agreed.

Each completed assignment includes its respective “assurance opinion” rating together with the number and relative ranking of recommendations that have been raised with management. In such cases, the Committee can take assurance that improvement actions have been agreed with management to address these. The assurance opinion ratings have been determined in accordance with the Internal Audit “Audit Framework Definitions” as detailed on pages 7 and 8 of this document.

In the period Quarter 2 work has progressed on the following audits from the 2017/18 Audit Plan:

| | | | |
|---|-----------|-------------|---------------------|
| • Records Management | Quarter 1 | Final | Reasonable |
| • Sustainability | Quarter 1 | Final | Reasonable |
| • Safeguarding | Quarter 1 | Final | Reasonable |
| • Corporate Health and Safety Follow up | Quarter 2 | Final | No Opinion Required |
| • Fighting Fraud Locally | Quarter 2 | Final | Reasonable |
| • Business Continuity Follow up | Quarter 2 | Draft | |
| • Habitat Mitigation | Quarter 2 | Draft | |
| • Income Generation | Quarter 2 | Draft | |
| • Organised Crime Checklist | Quarter 2 | Draft | |
| • Discretionary Spend | Quarter 2 | Draft | |
| • Creditors Follow up | Quarter 2 | In Progress | |
| • Procurement | Quarter 2 | In Progress | |
| • Work Force Plan | Quarter 2 | In Progress | |
| • Housing Benefit Key Control | Quarter 2 | In Progress | |

Internal Audit Plan Progress 2017/18 Quarter 2

| | |
|--|--|
| <p>Outturn to Date:</p> <p>We rank our recommendations on a scale of 1 to 5, with 1 being minor or administrative concerns to 5 being areas of major concern requiring immediate corrective action</p> | <p style="text-align: right;">➔</p> <p>Internal Audit Work Programme Contd.</p> <p>To assist the Committee in its important monitoring and scrutiny role, in those cases where weaknesses have been identified in service/function reviews that are considered to represent significant service risks, a summary of the key audit findings that have resulted in them receiving a 'Partial Assurance Opinion' have been summarised in Appendix D.</p> <p>However, in circumstances where findings have been identified which are considered to represent significant corporate risks to the Council, due to their importance, these issues are separately summarised in Appendix C. These items will remain on this schedule for monitoring by the Committee until the necessary management action is taken and appropriate assurance has been provided that the risks have been mitigated / addressed.</p> <p>We are pleased to report that there have been no 'Partial Assurance Opinion' audits or significant corporate risks identified in this quarter.</p> |
|--|--|

Internal Audit Plan Progress 2017/18 Quarter 2

Added Value

Extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something more while adding little or nothing to its cost.



Added Value

Primarily Internal Audit is an assurance function and will remain as such. However, Members requested that we provide them with examples of where we have “added value” to a particular service or function under review. In response to this we have changed our approach and internal processes and will now formally capture at the end of each audit where we have “added value”.

The SWAP definition of “added value” is “it refers to extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something "more" while adding little or nothing to its cost”.

As we complete our operational audit reviews and through our governance audit programmes across SWAP we seek to bring information and best practice to managers to help support their systems of risk management and control. Examples in Quarter 2 include the following:

- Benchmarking against other partners and wider councils regarding Equality and Diversity.
- We have arranged a speaker on Serious and Organised Crime for Members as a result of a direct request from the S151 Officer.

Internal Audit Plan Progress 2017/18 Quarter 2

The Assistant Auditor for SWAP reports performance on a regular basis to the SWAP Management and Partnership Boards.



SWAP Performance

SWAP now provides the Internal Audit service for 24 public sector bodies. SWAP performance is subject to regular monitoring review by both the Board and the Member Meetings. The respective outturn performance results for East Devon District Council for the 2017/18 (as at 1 September 2017) are as follows:

| Performance Target | Average Performance |
|--|---------------------|
| <p><u>Audit Plan – Percentage Progress</u> Final, Draft and Discussion In progress</p> | 57% |
| <p><u>Draft Reports</u> Issued within 5 working days Average working days</p> | 60% 6 |
| <p><u>Final Reports</u> Issued within 10 working days of discussion of draft report</p> | 0% |
| <p><u>Quality of Audit Work</u> Customer Satisfaction Questionnaire</p> | 73.3% |

Internal Audit Plan Progress 2017/18 Quarter 2

We keep our audit plans under regular review so as to ensure that we auditing the right things at the right time.



Approved Changes to the Audit Plan

The following changes have been made to the audit plan in Quarter 2 to ensure internal audit resources are focused on the key risks faced by the Council. All changes are made in agreement or at the request of the Section 151 Officer:

- S106/CIL has been moved to Quarter 3 at the request of the service.
- Achievement of Major Projects Follow up has been moved to Quarter 3 at the request of the Financial Services Manager.
- Lone Working has been moved to Quarter 3 at the request of the Strategic Lead.
- We are no longer required to attend the Relocation Working Group and it has been agreed that seven days will be used to complete an audit on Electoral Registration which was postponed last year at request of SSDC. We will still be attending the Risk Review meetings as previously agreed.
- Procurement has been moved from Quarter 3 to Quarter 2.
- Discretionary Spend has been moved from Quarter 4 to Quarter 2 and has been combined with Income Generation as we found that all services we reviewed had adopted a twin approach of reducing discretionary spend, while simultaneously seeking opportunities to increase income generation.
- New Housing System Follow-up moved to Quarter 3 due to dates for completion.
- Housing Rents Follow up – we removed this because it was no longer required as Housing Rents received reasonable assurance. We reused the days to complete some work for the S151 on the Project Management Guidelines.
- We have been invited to attend the Council Dwellings Project Steering Group and have agreed to undertake a mid-year interim review. Days released from Relocation Officer Working Group Meetings will be reassigned to this.
- We have assigned the Key Control provision to Housing Benefits, Creditors and Treasury Management.
- We have been asked by SMT to remove Culture from the audit plan for this year.

At the conclusion of audit assignment work each review is awarded a “Control Assurance Definition”;

- Substantial
- Reasonable
- Partial
- None



Audit Framework Definitions

Control Assurance Definitions

| | | |
|--------------------|---------|---|
| Substantial | ▲ ★ ★ ★ | I am able to offer substantial assurance as the areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed. |
| Reasonable | ▲ ★ ★ ★ | I am able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives. |
| Partial | ▲ ★ ★ ★ | I am able to offer Partial assurance in relation to the areas reviewed and the controls found to be in place. Some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives. |
| None | ▲ ★ ★ ★ | I am not able to offer any assurance. The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives. |

Categorisation of Recommendations

When making recommendations to Management it is important that they know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. No timeframes have been applied to each Priority as implementation will depend on several factors; however, the definitions imply the importance.

We keep our audit plans under regular review, so as to ensure we are auditing the right things at the right time. Recommendations are prioritised from 1 to 5 on how important they are to the service/area audited. These are not necessarily how important they are to the organisation at a corporate level.

Each audit covers key risks. For each audit a risk assessment is undertaken whereby with management risks for the review are assessed at the Corporate inherent level (the risk of exposure with no controls in place) and then once the audit is complete the Auditors assessment of the risk exposure at Corporate level after the control environment has been tested. All assessments are made against the risk appetite agreed by the SWAP Management Board.



Audit Framework Definitions

- Priority 5: Findings that are fundamental to the integrity of the unit’s business processes and require the immediate attention of management.
- Priority 4: Important findings that need to be resolved by management.
- Priority 3: The accuracy of records is at risk and requires attention.
- Priority 2: Minor control issues have been identified which nevertheless need to be addressed.
- Priority 1: Administrative errors identified that should be corrected. Simple, no-cost measures would serve to enhance an existing control.

Definitions of Risk

| Risk | Reporting Implications |
|-----------|--|
| Low | Issues of a minor nature or best practice where some improvement can be made. |
| Medium | Issues which should be addressed by management in their areas of responsibility. |
| High | Issues that we consider need to be brought to the attention of senior management. |
| Very High | Issues that we consider need to be brought to the attention of both senior management and the Audit Committee. |

| Audit Type | Audit Area | Quarter | Status | Opinion | No of Rec | Recommendation | | | | |
|----------------|--|---------|-------------|------------|-----------|----------------|---|-----------|---|---|
| | | | | | | 5=Major | | 1 = Minor | | |
| | | | | | | 5 | 4 | 3 | 2 | 1 |
| 2017/18 | | | | | | | | | | |
| Advice | Relocation Project Consultancy 17-18 | 1-4 | Ongoing | | 0 | 0 | 0 | 0 | 0 | 0 |
| Follow up | Creditors Follow-up | 2 | In Progress | | 0 | 0 | 0 | 0 | 0 | 0 |
| Follow up | Achievement of Major Projects Follow Up | 3 | Not Started | | 0 | 0 | 0 | 0 | 0 | 0 |
| Follow up | Corporate Health & Safety Follow Up | 2 | Final | N/A | 0 | 0 | 0 | 0 | 0 | 0 |
| Follow up | Business Continuity Follow Up | 2 | Final | N/A | 0 | 0 | 0 | 0 | 0 | 0 |
| Follow up | Housing Rents Follow Up | 2 | Removed | | 0 | 0 | 0 | 0 | 0 | 0 |
| Follow up | New Housing System Implementation Review Follow Up | 3 | Not started | | 0 | 0 | 0 | 0 | 0 | 0 |
| Key Controls | Housing Benefit | 3 | In Progress | | 0 | 0 | 0 | 0 | 0 | 0 |
| Key Controls | Creditors | 3 | Not started | | 0 | 0 | 0 | 0 | 0 | 0 |
| Key Controls | Treasury Management | 3 | Not started | | 0 | 0 | 0 | 0 | 0 | 0 |
| Operational | Safeguarding | 1 | Final | Reasonable | 5 | 0 | 0 | 5 | 0 | 0 |
| Operational | Records Management | 1 | Final | Reasonable | 2 | 0 | 0 | 2 | 0 | 0 |
| Operational | Sustainability | 1 | Final | Reasonable | 3 | 0 | 0 | 3 | 0 | 0 |
| Operational | Lone Working | 3 | Not started | | 0 | 0 | 0 | 0 | 0 | 0 |
| Operational | S106/CIL | 3 | Not started | | 0 | 0 | 0 | 0 | 0 | 0 |

| Audit Type | Audit Area | Quarter | Status | Opinion | No of Rec | 5=Major ↔ 1 = Minor | | | | |
|----------------------|--------------------------------------|---------|-------------|------------|-----------|---------------------|---|---|---|---|
| | | | | | | Recommendation | | | | |
| | | | | | | 5 | 4 | 3 | 2 | 1 |
| Operational | Habitat Mitigation | 3 | Draft | | 0 | 0 | 0 | 0 | 0 | 0 |
| Operational | Workforce Plan | 2 | In Progress | | 0 | 0 | 0 | 0 | 0 | 0 |
| Operational | Fighting Fraud Locally | 2 | Final | Reasonable | 4 | 0 | 0 | 4 | 0 | 0 |
| Operational | Organised Crime Checklist | 2 | Draft | | 0 | 0 | 0 | 0 | 0 | 0 |
| Operational | Commercial Skills/Income Generation | 2 | Draft | | 0 | 0 | 0 | 0 | 0 | 0 |
| Operational | Culture and Ethics | 3 | Removed | | 0 | 0 | 0 | 0 | 0 | 0 |
| Healthy Organisation | Programme and Project Management | 3 | Not started | | 0 | 0 | 0 | 0 | 0 | 0 |
| Operational | Honiton Business Centre | 3 | Not started | | 0 | 0 | 0 | 0 | 0 | 0 |
| Healthy Organisation | Procurement | 2 | In Progress | | 0 | 0 | 0 | 0 | 0 | 0 |
| ICT | Business Continuity Key Service Test | 3 | Not started | | 0 | 0 | 0 | 0 | 0 | 0 |
| Operational | Fleet Management | 4 | Not started | | 0 | 0 | 0 | 0 | 0 | 0 |
| Operational | Discretionary Spend | 2 | Draft | | 0 | 0 | 0 | 0 | 0 | 0 |
| Operational | Licensing | 4 | Not started | | 0 | 0 | 0 | 0 | 0 | 0 |
| ICT | Disaster Recovery | 4 | Not started | | 0 | 0 | 0 | 0 | 0 | 0 |

The following potential significant risks were identified from Internal Audit work completed in Quarter 4 2016/17 and are unchanged from the previous update report. No new significant risks have been identified from work completed in the year 2017/18 to date. The risks listed below will continue to feature in this section of the report until mitigated. Further information about the status of recommendations to make the necessary improvements can be seen below in Appendix D.

| Name of Audit | Weaknesses Found | Risk Identified | Recommendation Action | Managers Agreed Action |
|-----------------|--|-----------------|-----------------------|------------------------|
| Creditors | E-Procurement has not been fully implemented – see Appendix D for more details | | | |
| Data Protection | Although the council is largely compliant with current Data Protection legislation, some work remains to be done in preparation for the introduction of GDPR due to come in on 28 May 2018 (General Data Protection Regulations) – see Appendix D for details. | | | |

Current status of 'Partial Assurance' reviews completed in 2016/17 with Actions due for Completion

| Audit Title | Significant Audit Findings | Key Actions Agreed by Service | Dates of Agreed Implementation | Current status |
|-----------------|--|---|--------------------------------|--|
| Data Protection | <p>Under the GDPR, organisations are required to have a fully comprehensive information asset register which records what information is collected, held, in what format, for what purpose, or who the information asset owner is.</p> <p>A recommendation on this was made as part of the Protective Marking Audit (May 2016) and an implementation date agreed as Nov 2016. This date has now been exceeded.</p> | <p>The Senior Information Risk Officer (SIRO), in conjunction with senior management, has agreed to ensure that an Information Asset Register for the Council be developed to ensure that data and information held is recorded and subject to regular monitoring and update.</p> | September 17 | <p>The Strategic Lead – Governance and Licensing has confirmed this is in progress.</p> |
| Data Protection | <p>The GDPR will require privacy impact assessments to be integral /embedded practice across an organisation where personal data is handled. Audit Testing found that this was not consistently in place across the Council. In the absence of a privacy impact assessment being carried out, the Council may fail to identify all areas of weakness / exposure to risk around the handling of personal data, resulting in a undetected data breach.</p> | <p>The Senior Information Risk Officer (SIRO), has agreed to ensure that the requirement to undertake privacy impact assessments be included in the project management framework currently being drafted by the Section 151 Officer. This will ensure that this becomes embedded in the Council's frameworks.</p> | August 17 | <p>The Strategic Lead – Governance and Licensing is has confirmed that this in progress - Project Management Guidelines are being finalised.</p> |

| Audit Title | Significant Audit Findings | Key Actions Agreed by Service | Dates of Agreed Implementation | Current status |
|-----------------|---|---|--------------------------------|---|
| Data Protection | <p>The Council does not hold a central repository for contracts. Service managers retain the</p> <p>The Council is at risk of permanent loss of contracts and may be unable to mount a successful challenge against the contractor in the event of disputes arising. In relation to data processing, the Authority may be unable to demonstrate it has taken reasonable steps to ensure data processors operate in accordance with the DPA.</p> | <p>The following course of action has been agreed with the Strategic Lead, Governance & Licensing:</p> <p>In terms of contract management, there is a register held for higher value contracts, effectively this is ProContract (eProcurement) but there is no single register for all the Council's contracts. Contracts over£30k have been recorded on this in line with Government requirements, however in the absence of a Procurement Officer there is a risk that all records may not have been updated. New procedures are being brought in through revised Contract Standing Orders to be recommended to the A&G committee in June with the requirement to use the electronic procurement portal (ProContract) for all contracts above £10,000 which will then keep the register up to date automatically. For all contracts which are completed under seal, they are held in our fire proof deed room. The Legal Department will have copies of contracts that are under seal and / or which they have advised on, in their electronic document storage system. Departments will also hold copies of the contracts relevant to them. It is not generally going to be feasible for all low value contracts to be stored – many are on standards terms and conditions. It is considered that the value/ risk approach as identified above is acceptable</p> | August 17 | The Strategic Lead – Governance and Licensing has confirmed that this action is complete. |

| Audit Title | Significant Audit Findings | Key Actions Agreed by Service | Dates of Agreed Implementation | Current status |
|-------------|--|--|--------------------------------|---|
| Creditors | At the time of the audit the E-Procurement system not yet been fully implemented although we were advised that this would be completed by April 2016. We have been since advised that EDDC will no longer be accepting paper orders from April 2017 but at the time of the review this had not been agreed. During audit testing we noted opportunities for circumvention of existing controls in the paper based procurement process, which could be easily resolved through full implementation of the electronic procurement system. Until this takes place (or manual controls are enforced more rigorously), there is a risk that the council pays for goods or services that are unauthorised. | The Income and Payments Team Leader has agreed to set a date by which E-Procurement will be implemented in full. At this point, manual (paperbased) submissions of invoice payment requests should be refused; except in very limited cases, ensuring that the majority of invoice payments are processed through the E-Procurement system. In the meantime, manual controls around the paper based procurement system should be enforced. | May 2017 | SWAP Follow up is in progress – more information will be provided at the next update. |
| Creditors | The Authorised Signatory List does not reflect the list of officers available to authorise payments through the E-Procurement system. There is a risk that purchases of unauthorised goods or services are being made if the finance team are not fully aware of who is approving them. | The Financial Services Manager has agreed to review the authorisers on the e-procurement system and align them with the Authorised Signatory List. | July 2017 | SWAP Follow up is in progress – more information will be provided at the next update. |



External audit report 2016/17

East Devon District Council

August 2017

Contents

The key contacts in relation to our audit are:

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This report is addressed to East Devon District Council (the Authority) and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website (www.psaa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Darren Gilbert, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers (on 0207 694 8981, or by email to andrew.sayers@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3H.

Summary for the Audit and Governance Committee

Financial statements

This document summarises the key findings in relation to our 2016-17 external audit at East Devon District Council ('the Authority').

This report focusses on our on-site work which was completed in February 2017 and July 2017 on the Authority's significant risk areas, as well as other areas of your financial statements. Our interim audit findings are presented on pages 4-7, with the final audit work on pages 8-17.

Subject to all outstanding queries being resolved to our satisfaction we anticipate issuing an unqualified audit opinion on the Authority's financial statements on 21 September 2017 (which is one week before the statutory deadline of 30 September 2017).

We have not identified any audit adjustments.

Based on our work, we have raised two recommendations. Details on our recommendations can be found in Appendix One.

We are now in the completion stage of the audit and anticipate issuing our completion certificate and Annual Audit letter in line with statutory deadlines.

Control Environment

Your organisational control environment is effective overall.

We have summarised the outcomes of our controls work on page five and have issued full details of our findings and the resulting recommendations to management.

Value for Money

We have completed our risk-based work to consider whether in all significant respects the Authority has proper arrangements to ensure it has taken properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We therefore anticipate issuing an unqualified value for money opinion.

See further details on pages 19-23.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

We ask the Audit and Governance Committee to note this report.

Section one

Interim Audit



This section summarises the key findings arising from our work completed in February 2017 as part of our interim testing for the 2016/17 Financial Statements.

This covered:

- testing of certain controls over the Authority's key financial systems; and
- review of relevant internal audit work which formed part of our risk assessment.



Section one: interim audit

Organisational Control Environment

Your organisational control environment is effective overall.

Work performed

Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses this would have implications for our audit.

We obtain an understanding of the Authority's overall control environment and determine if appropriate controls have been implemented. We do not complete detailed testing over all of these controls.

Key Findings

We consider that your organisational controls are generally effective overall. Unlikely the previous year we did not chose to test the IT environment, we are aware that the processes with Strata are still an ongoing development at the moment. We obtain an understanding of the Authority's overall control environment and determine if appropriate controls have been implemented. We do not complete detailed testing of these controls.

| Aspect | Our Assessment | |
|---|----------------|---------|
| | 2016/17 | 2015/16 |
| Organisational controls | 3 | 3 |
| Management's philosophy and operating style | 3 | 3 |
| Culture of honesty and ethical behaviour | 3 | 3 |
| Oversight by those charged with governance | 3 | 3 |
| Risk assessment process | 3 | 3 |
| Communications | 3 | 3 |
| Monitoring of controls | 3 | 3 |

- Key:
- 1 Significant gaps in the control environment.
 - 2 Deficiencies in respect of individual controls.
 - 3 Generally sound control environment.

Controls over Key Financial Systems

The controls over the key financial systems are effective.

Internal audit have raised a number of recommendations during the year. We have confirmed that these do not have a significant impact on our audit.

Work performed

We review the outcome of internal audit’s work on the financial systems to influence our assessment of the overall control environment, which is a key factor when determining the external audit strategy and our audit risk assessment. Our review of internal audit work does not represent an external review against PSIAS, as required at least every five years.

Where we have determined that this is the most efficient audit approach to take, we test selected controls that address key risks within these systems. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

Our assessment of a system will not always be in line with the internal auditor’s opinion on that system. This is because we are solely interested in whether our audit risks are mitigated through effective controls, i.e. whether the system is likely to produce materially reliable figures for inclusion in the financial statements.

Key Findings

Based on our work, and the work of your internal auditors, in relation to those controls upon which we will place reliance as part of our audit, the key financial systems are generally sound.

The following ratings are based on the design and implementation of the controls in operation at the Authority.

We have noted that the Council have acted upon the prior year recommendation over the need to perform an accurate bank reconciliation. We have confirmed an effective bank reconciliation is now being performed, although this has been action at the end of the year rather than throughout the period. We are required by auditing standards to consider the controls associated with journals. The Council do not currently have a formalised review over journal postings, although we have not identified any significant issues over the journal testing performed.

| Aspect | Our Assessment | |
|---------------------------|----------------|---------|
| | 2016/17 | 2015/16 |
| Payroll costs | 3 | 3 |
| Cash and cash equivalents | 3 | 1 |
| Housing Benefits | 3 | 3 |
| General Ledger | 3 | 3 |
| Council Tax and NNDR | 3 | 3 |
| Purchases | 3 | 3 |
| HRA | 3 | 3 |
| Journals | 2 | 2 |

- Key:
- 1 Significant gaps in the control environment.
 - 2 Deficiencies in respect of individual controls.
 - 3 Generally sound control environment.

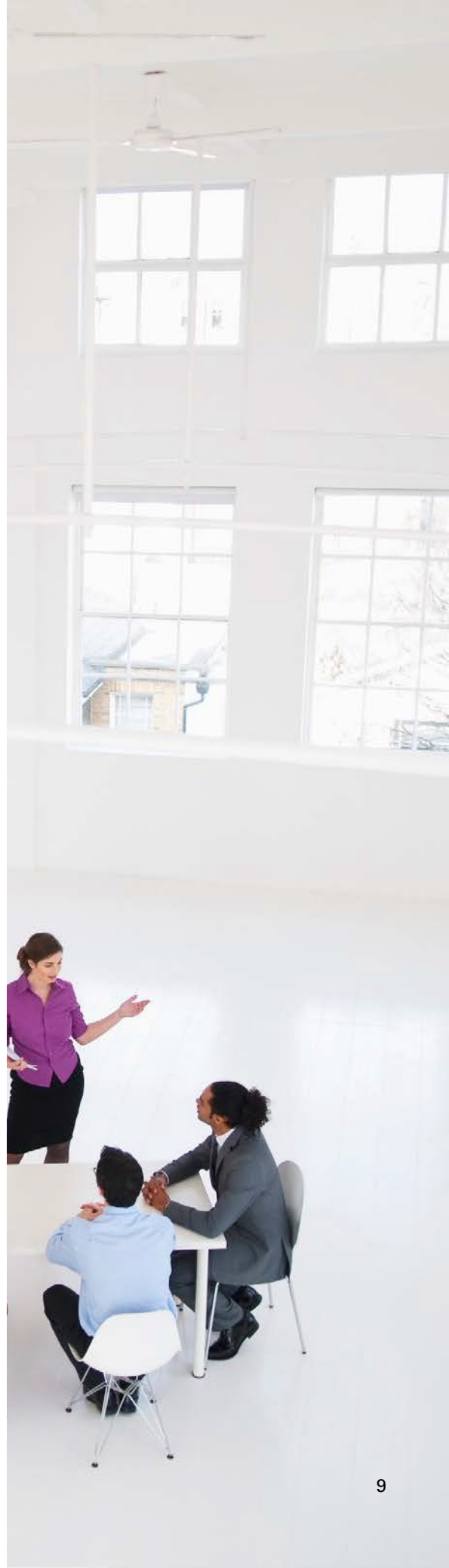
Section two

Financial Statements



We anticipate issuing an unqualified audit opinion on the Authority's 2016/17 financial statements on 21 September 2017. We will also report that your Annual Governance Statement complies with the guidance issued by CIPFA/SOLACE (*'Delivering Good Governance in Local Government'*) published in April 2016.

For the year ending 31st March 2017, the Authority is reporting a surplus of £15.7 million (post audit). The impact on the General Fund, after the required statutory accounting adjustments, is a £1.0 million increase in the General Fund.



Significant audit risks

Our *External Audit Plan 2016/17* sets out our assessment of the Authority's significant audit risks. We have completed our testing in these areas and set out our evaluation following our work:

| Significant audit risks | Work performed |
|---|---|
| Significant changes in the pension liability due to LGPS Triennial Valuation | <p>Why is this a risk?</p> <p>During the year, the Local Government Pension Scheme for East Devon District Council (the Pension Fund) has undergone a triennial valuation with an effective date of 31 March 2016 in line with the Local Government Pension Scheme (Administration) Regulations 2013. The Authority's share of pensions assets and liabilities is determined in detail, and a large volume of data is provided to the actuary in order to carry out this triennial valuation.</p> <p>There is a risk that the data provided to the actuary for the valuation exercise is inaccurate and that these inaccuracies affect the actuarial figures in the accounts. Most of the data is provided to the actuary by Devon County Council, which administers the Pension Fund.</p> <p>Our work to address this risk</p> <p>We have reviewed the process used to submit payroll data to the Pension Fund and have found no issues. We have also substantively agreed the total figures submitted to the actuary to the general ledger with no issues noted. We critically assessed the assumptions used in the pension valuation at 31 March 2017 to determine whether they were appropriate.</p> <p>Management may wish to consider discussing with other employers in the Devon County Council scheme whether, in future years, assurance should be sought from the actuaries engaged to prepare the valuation reports over the methodology to be used. This may avoid further challenge on these assumptions going forward. See page 14 for our assessment on the assumptions used by the actuary in the IAS 19 report.</p> |

| Significant audit risks | Work performed |
|---|---|
| Valuation of Property, Plant & Equipment (PPE) | <p>Why is this a risk?</p> <p>Authorities are responsible for ensuring the valuation of their PPE is materially correct, and for conducting impairment reviews that confirm the condition of these assets. Local authorities typically achieve this by performing an annual review for impairment, a periodic desk top valuation (every three years) and a full valuation in not more than five yearly intervals. The asset valuation and impairment review processes are both estimates and therefore present a higher level of risk to the audit.</p> <p>The net book value of the Authority's PPE as at 31 March 2016 was £286 million, of this balance £262 million related to land and buildings. The Council Dwellings were revalued by DVS property specialists, with other land and buildings performed by your internal valuer. The last full valuation of the Authority's dwelling took place on 31 March 2015 and a desktop review was performed at 31 March 2017, this took the total PPE valuation to £335 million. All other assets included within other land and buildings are revalued on a rolling basis each year.</p> <p>As revaluations occur up to every five years, the time delay could result in a material difference between the carrying value and fair value.</p> |

Significant audit risks (continued)

| Significant audit risks | Work performed |
|---|---|
| Valuation of Property, Plant & Equipment (continued) | <p>Our work to address this risk</p> <p>As part of our audit work, we assessed the processes the Authority has in place for valuations and confirmed that these were appropriate and that the valuations of property assets were made using reasonable assumptions. This included assessing the Authority’s consideration of property value movements between the date of property valuation and the balance sheet date and indicators if impairment of assets.</p> <p>We have also evaluated the expertise of the preparer of the valuation report to ensure that they are sufficiently skilled and appropriately qualified such that we can rely on them for the provision of audit evidence. No issues were identified as a result of the above work.</p> |

Considerations required by professional standards

Fraud risk of revenue recognition

Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.

In our *External Audit Plan 2016/17* we reported that we do not consider this to be a significant risk for Local Authorities as there is unlikely to be an incentive to fraudulently recognise revenue.

This is still the case. Since we have rebutted this presumed risk, there has been no impact on our audit work.



Management override of controls

Professional standards require us to communicate the fraud risk from management override of controls as significant because management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Our audit methodology incorporates the risk of management override as a default significant risk. We have not identified any specific additional risks of management override relating to this audit.

In line with our methodology, we carried out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.

There are no matters arising from this work that we need to bring to your attention.

Other areas of audit focus

We identified 3 areas of audit focus. These are not considered as significant risks as they are less likely to give rise to a material error. Nonetheless these are areas of importance where we carry out substantive audit procedures to ensure that there is no risk of material misstatement.

| Other areas of audit focus | Our work to address the areas |
|----------------------------|-------------------------------|
|----------------------------|-------------------------------|

1. Disclosures associated with retrospective restatement of CIES, EFA and MiRS

Background

CIPFA has introduced changes to the 2016/17 Local Government Accounting Code ("the Code"):

- Allowing local authorities to report on the same basis as they are organised by removing the requirement for the Service Reporting Code of Practice (SeRCOP) to be applied to the Comprehensive Income and Expenditure Statement (CIES); and
- Introducing an Expenditure and Funding Analysis (EFA) which provides a direct reconciliation between the way local authorities are funded and prepare their budget and the CIES. This analysis is supported by a streamlined Movement in Reserves Statement (MiRS) and replaces the current segmental reporting note.

The Authority was required to make a retrospective restatement of its CIES (cost of services) and the MiRS. New disclosure requirements and restatement of accounts require compliance with relevant guidance and correct application of applicable accounting standards.

What we have done

We have obtained an understanding of the methodology used to prepare the revised statements and the prior period restatement. We have also agreed figures disclosed to the Authority's general ledger and found no issues to note.

2. Bank Reconciliations

Background

It was found in the prior year that the authority did not perform a 'traditional' bank reconciliation, the authority was preparing a reconciliation of cash using transactions that have only gone through the bank statements. Over the years this created a build up of cash transactions (cash in transit) that were not able to be matched to the relevant transactions and then not allocated to the correct balance sheet or income and expenditure accounts within the general ledger. The cash in transit balance at year end was £0.5 million, prior to an amount of £0.1 million which was written off to expenditure at the year end. Management confirmed that the year end write-off did not relate to any new cash transactions and that the balance related to historical balances going back to 2009. It was confirmed by KPMG that the remaining £0.4 million of Cash in Transit related to items received post year end.

As a result of the finding, the Council agreed to implement our recommendation raised in our 2015/16 ISA 260 report, to perform a bank reconciliation from the general ledger cash accounts to the bank statement, with full review of cash in transit balance.

What we have done

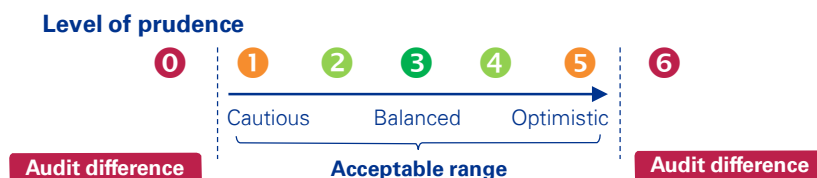
The Council introduced a revised bank reconciliation as at December 2016 and have traced by reconciling items to the start of the financial year. We have reviewed the process and have confirmed that the control operates effectively.

Other areas of audit focus (continued)

| Other areas of audit focus | Our work to address the areas |
|--|--|
| 3. S106 Contributions Objection (Follow-Up) | <p data-bbox="418 364 558 395">Background</p> <p data-bbox="418 410 1325 526">In August 2016, an objection was received by KPMG where an elector raised concerns about the Council's arrangements for recording, monitoring and seeking payment of developer contributions due to the Council through agreements under s106 of the Town & Country Planning Act 1990, and the accounting for the sums due.</p> <p data-bbox="418 540 1319 656">These concerns formed the basis of the work performed by KPMG to determine if the Council has appropriate process and controls in place for its s106 agreements to secure economy, efficiency and effectiveness in the use of resources, and to ensure complete and accurate accounting for the sums due.</p> <p data-bbox="418 671 1322 816">We gained a detailed understanding and evaluated the processes and controls in place at East Devon District Council to monitor s106 agreements. We then performed testing to quantify the misstatement as a result of the control weaknesses found. From testing we identified £0.6 million of amounts owed to the Council which were not recorded appropriately which were significant, but not material.</p> <p data-bbox="418 830 1305 917">A specific report was issued by KPMG to the Audit and Governance Committee with recommendations made to improve the control process within the s106 system and we committed to following up the progress on these recommendations this year.</p> <p data-bbox="418 932 646 963">What we have done</p> <p data-bbox="418 977 1322 1065">We completed sample testing over a sample of planning projects to ensure that s106 agreements have been appropriately uploaded to the newly implemented Exacom system.</p> <p data-bbox="418 1079 1350 1224">The sample chosen confirmed that these had been uploaded accurately and that finance now have the ability to track s106 triggers and accrue these into the accounts. There appears to be regular communication between finance and the planning team, with a good knowledge of the process. See Appendix Six for full details of the recommendation follow-up work.</p> <p data-bbox="418 1239 1290 1297">The Council may wish to consider formalising the processes and create procedure notes detailing roles and responsibilities of individual staff members (see page 26).</p> |

Judgements

We have considered the level of prudence within key judgements in your 2016/17 financial statements and accounting estimates. We have set out our view below across the following range of judgements.



| Subjective areas | 2016/17 | 2015/16 | Balance | Commentary |
|------------------------------------|---------|---------|--|--|
| Debtor Provisions | 3 | 3 | CY: £0.6 million PY: £0.5 million | <p>The Authority has a debtors balance of £9.0 million (PY: £9.4 million), within this balance there are Sundry Debtors worth £5.6 million (PY: £6.5 million). The Council has subsequently used a bad debt provision of £0.6 million (PY: £0.5 million). We have assessed that the provision appears to be balanced.</p> <p>However, upon review, it was noted that the bad debt policy was due for review in September 2016 and has not been updated (see page 25).</p> <p>The Council also has provisions over business rates and benefit overpayments. Whilst these are immaterial to the accounts, we have considered the calculation used and have considered this to have been performed on a reasonable basis.</p> |
| Pension Liability | 3 | 3 | CY: £70.7 million PY: £49.4 million | <p>We have reviewed the actuarial assumptions for the current financial year and noted the following;</p> <p>The discount rate used is considered less prudent than the KPMG expected assumption but consistent with the approach taken last year and within the acceptable tolerance range. This less prudent approach therefore places a lower value on liabilities.</p> <p>The Pension increases (CPI) assumptions are considered more prudent than our expected assumption, however the methodology is reasonable and consistent with prior year.</p> <p>The salary increase and mortality assumptions were both considered consistent and reasonable.</p> <p>Overall, the net discount rate (i.e. the discount rate less CPI inflation) is within our tolerable range despite both individually being towards the extremes of our acceptable ranges. Therefore we consider the assumptions in combination to be reasonable.</p> |
| PPE: Asset lives/ Valuation | 3 | 3 | CY: £334.6 million PY: £285.9 million | <p>As noted in the accounting policies of the financial statements, the Council has a revaluation program in place for its HRA and Non-HRA assets. The HRA assets are valued by an external valuer (The District Valuer) who values Council Dwellings at Existing Use Value for Social Housing, or where any Depreciated Replacement Cost has been applied, the instant building concept is adopted which is required by HM Treasury and by CIPFA for Local Authorities. The council has implemented the recommendation to post revaluation adjustments on a beacon basis, rather than portfolio level.</p> <p>All non-Council Dwellings are revalued by an in-house valuer. The non-HRA assets are valued at Direct replacement Cost, where there is no active market, fair value is used for industrial estates and historical cost for infrastructure assets.</p> <p>It was found that the assumptions made by the external and internal valuers were reasonable.</p> |

Proposed opinion and audit differences

Subject to all outstanding queries being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion on the Authority's 2016/17 financial statements following approval of the Statement of Accounts by the Audit and Governance Committee on 21 September 2017.

Audit Findings

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

The final materiality level (see Appendix Three for more information on materiality) for this year's audit was set at £1.6million. Audit differences below £80,000 are not considered significant.

We did not identify any material misstatements. There were a number of presentational adjustments required to ensure that the accounts are compliant with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 ('the Code'). We understand that the Authority will be addressing these where significant.

Annual Governance Statement

We have reviewed the Authority's 2016/17 Annual Governance Statement and confirmed that:

- It complies with Delivering Good Governance in local Government: A framework published by CIPFA/SOLACE
- And it is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

Narrative Report

We have reviewed the Authority's 2016/17 narrative report and have confirmed that it is consistent with the financial statements and our understanding of the Authority.

Accounts production and audit process

Our audit standards (*ISA 260*) require us to communicate our views on the significant qualitative aspects of the Authority's accounting practices and financial reporting.

We also assessed the Authority's process for preparing the accounts and its support for an efficient audit. The efficient production of the financial statements and good-quality working papers are critical to meeting the tighter deadlines.

Accounting practices and financial reporting

The Authority has recognised the additional pressures which the earlier closedown in 2017/18 will bring. We have been engaging with the Authority in the period leading up to the year end in order to proactively address issues as they emerge.

We consider the Authority's accounting practices to be appropriate.

Completeness of draft accounts

We received a complete set of draft accounts on 30 June 2017, on the statutory deadline. The improved quality of working papers and responsiveness to audit questions puts the Council in a strong position to meet the 31 July statutory reporting deadline in 2018.

Quality of supporting working papers

We issued our *Accounts Audit Protocol 2016/17* ("Prepared by Client" request) in May 2017 which outlines our documentation request. This helps the Authority to provide audit evidence in line with our expectations.

We worked with management to ensure that working paper requirements are understood and aligned to our expectations. We are pleased to report that this has resulted in good-quality working papers with clear audit trails.

Response to audit queries

We expect that where possible, audit enquires have a turnaround time of two working days. We are pleased to report that this was achieved by Officers, including those who are not part of the finance team. As a result of this, all our audit work is expected to be completed within the timescales agreed. At current, the following areas are ongoing:

- Updating our assessment of subsequent events;
- Receipt of the management representation letter; and
- Receipt and review of the final version of the financial statements.

Prior year recommendations

As part of our audit we have specifically followed up the Authority's progress in addressing the recommendations in last years ISA 260 report.

The Authority has implemented both recommendations raised in our ISA 260 Report 2015/16. Appendix Two provides further details.



Completion

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's 2016/17 financial statements.

Before we can issue our opinion we require a signed management representation letter.

Once we have finalised our opinions and conclusions we will prepare our Annual Audit Letter and close our audit.

Declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of East Devon District Council for the year ending 31 March 2017, we confirm that there were no relationships between KPMG LLP and East Devon District Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix Four in accordance with ISA 260.

Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to Simon Davey for presentation to the Audit and Governance Committee. We require a signed copy of your management representations before we can issue our audit opinion.

Other matters

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- Significant difficulties encountered during the audit;
- Significant matters arising from the audit that were discussed, or subject to correspondence with management;
- Other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the

oversight of the financial reporting process; and

- Matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, opening balances etc.).

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report or our previous reports relating to the audit of the Authority's 2016/17 financial statements.

A woman with long, curly brown hair is shown in profile from the chest up, smiling. She is wearing a black lace dress with a dark belt. The background is a red brick wall with a black metal fence in the foreground. A white rectangular box with blue borders is overlaid on the top left of the image, containing text.

Section three

Value for money

Our 2016/17 VFM conclusion considers whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We have concluded that the Authority has made proper arrangements to ensure it took properly-informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

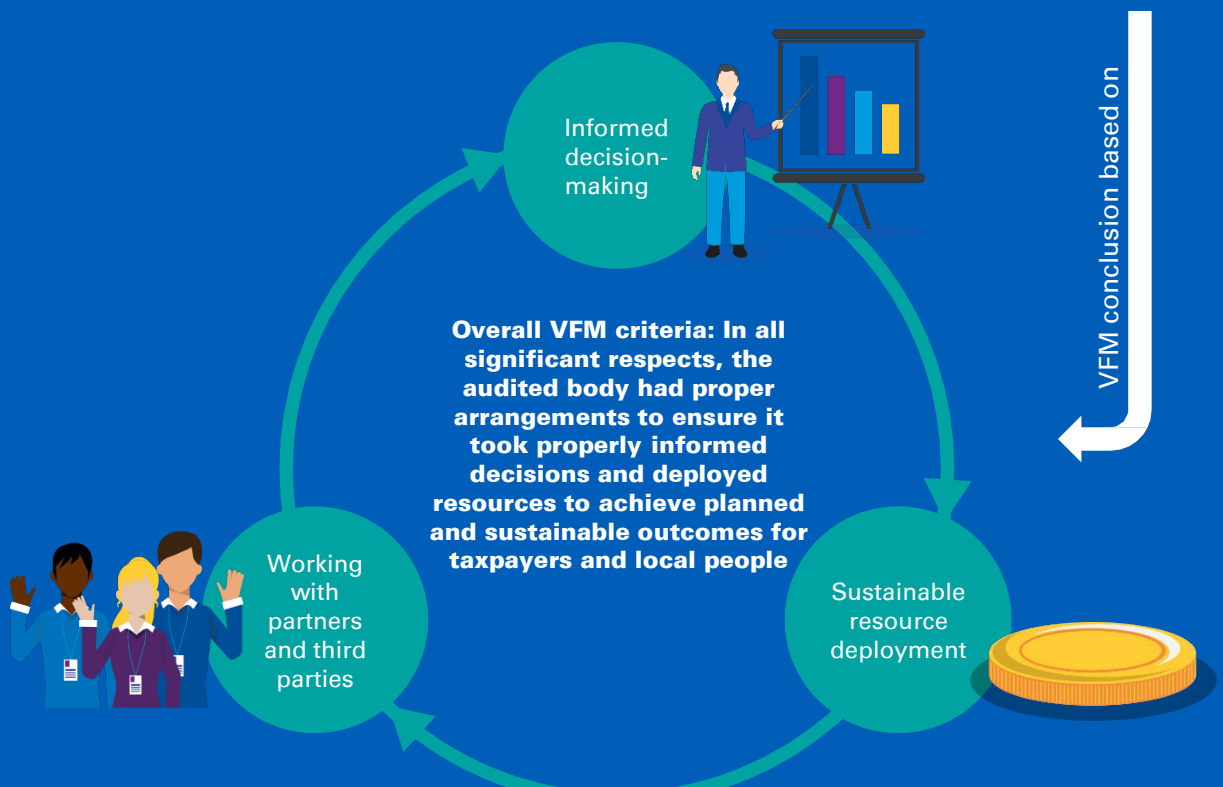
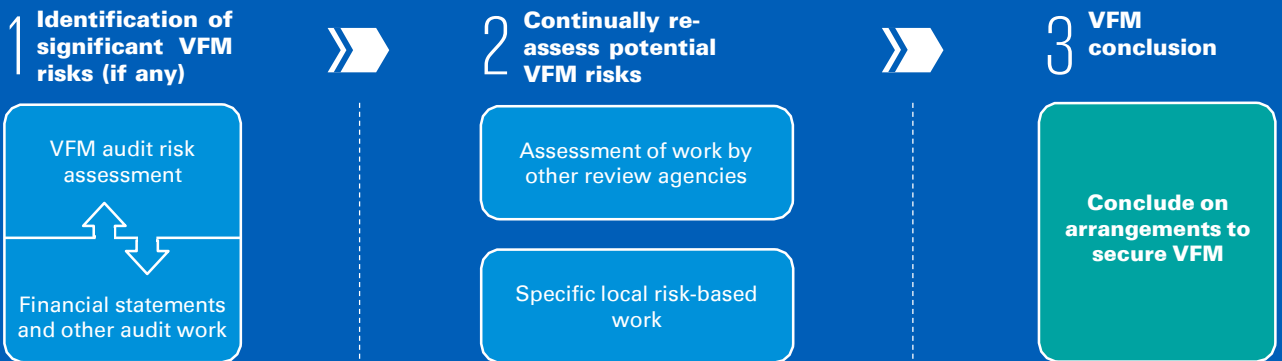
VFM conclusion

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.'

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

Our VFM conclusion considers whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We follow a risk based approach to target audit effort on the areas of greatest audit risk.



VFM conclusion - headline results

The table below summarises our assessment of the significant VFM audit risk identified against the three sub-criteria. This directly feeds into the overall VFM criteria and our value for money opinion.

| VFM assessment summary | | | |
|--|--------------------------|---------------------------------|---|
| VFM risk | Informed decision-making | Sustainable resource deployment | Working with partners and third parties |
| 1. Relocation of the Council Head Office | ✓ | ✓ | ✓ |
| 2. Medium Term Financial Plan | ✓ | ✓ | ✓ |
| 3. Impact of the performance of Strata Service Solutions on the Authority | ✓ | ✓ | ✓ |
| Overall summary | ✓ | ✓ | ✓ |

In consideration of the above, we have concluded that in 2016/17, the Authority has made proper arrangements to ensure it took properly-informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

In line with the risk-based approach set out on the previous page, and in our External Audit Plan we have :

- assessed the Authority’s key business risks which are relevant to our VFM conclusion;
- identified the residual audit risks for our VFM conclusion, taking account of work undertaken in previous years or as part of our financial statements audit; and
- Performed testing over the identified risk areas during our final audit visit.

Further details on the work done and our assessment are provided on the following pages.

Significant VFM risks

We identified three significant VFM risk, as communicated to you in our 2016/17 External Audit Plan. We are satisfied that external or internal scrutiny provides sufficient assurance that the Authority's current arrangements in relation to these risk areas are adequate.

| Significant VFM risks | Work performed |
|---|---|
| 1. Relocation of the Council head office | <p>Why is this a risk?</p> <p>The council is relocating its head office from Knowle, Sidmouth to Honiton. The sale has been high profile locally.</p> <p>Summary of our work</p> <p>We have performed an update over the current progress over the relocation from the Sidmouth site to Honiton. There is clear evidence that the potential benefits and risks have been considered, with different scenarios and timelines also factored in.</p> <p>The current approach adopted by the Council is to proceed with the Honiton move, despite there being delays caused by the rejection of planning permission for the redevelopment of the Sidmouth location. This has meant there is a greater element of risk associated with the project due to the potential capital receipt delay.</p> <p>However, these additional risks have been appropriately considered and reported within the Council to relevant meetings. The relocation is still considered to bring significant savings over the long term instead of refurbishing the Sidmouth site.</p> |
| 2. Medium Term Financial plan | <p>Why is this a risk?</p> <p>It was noted though our prior year work the Council will have its central government grant funding reduced in 2016/17 by circa 20%. The Council is currently projecting a £1.9m cumulative deficit by 2021/22. In response to this, the Council has created a "Transformation Strategy" to combat this reduction in Government support, included within this is the Strata initiative. Alongside this, the Government has provided a "New Homes Bonus" whereby for every new property built, the Council receives additional income from the Government over 6 years. The most significant property development within the Council is Cranbrook Housing which, through this scheme, will provide £4 million over the 6 years.</p> <p>In addition to the above, the Council plans to receive additional Business rates income from a number of developments, such as the new Sky Parks and Science Park.</p> <p>Summary of our work</p> <p>As part of our additional risk based work, we have reviewed the controls the Authority has in place to identify the need for financial savings and to deliver these. This has considered whether the Medium Term Financial Plan and Transformation Strategy has duly taken into consideration factors such as funding reductions, salary and general inflation, demand pressures, restructuring costs and sensitivity analysis given the degree of variability in the above factors.</p> <p>We have also considered that the assumptions used with the Medium Term Financial Plan are reasonable.</p> |

Significant VFM risks (continued)

| Significant VFM risks | Work performed |
|--|---|
| 3. Impact of the performance of Strata Service Solutions of the Authority | <p data-bbox="444 304 651 331">Why is this a risk?</p> <p data-bbox="444 350 1300 459">The ongoing savings had been lower than initially expected, and there have been delays on the services provided. This is relevant to the sustainable resource deployment and working with partners and third parties sub-criteria of the VFM conclusion.</p> <p data-bbox="444 478 696 505">Summary of our work</p> <p data-bbox="444 524 1343 692">Strata achieved and exceeded the targeted savings in the year have provided detailed reasons. Strata have established a new business strategy in which Strata funds will only be used to fund agreed upon projects. If any council require additional Strata work they should fund the projects from the Council funds. The Chief Operating Officer resigned in February 2017, however was suitably replaced with a new IT Director.</p> <p data-bbox="444 710 1343 882">In addition to reviewing the joint executive committee meeting minutes, KPMG gained an understanding of the cost monitoring process, reviewed the business plan and most recent financial statements to determine if the implementation was achieving the cost saving that were intended. Our testing provides comfort that the Authority has appropriate arrangements to manage and monitor the services it receives from STRATA and the costs and savings associated with it.</p> |

A close-up photograph of a stack of books on a wooden surface. The books have various colored covers, including a prominent red one. A silver pen lies horizontally in the foreground, its tip pointing towards the left. The background is softly blurred, showing more books and the texture of the wood.

Appendices

Key issues and recommendations

Our audit work on the Authority's 2016/17 financial statements have identified a number of issues. The summary of these issues have been included here

The Authority should closely monitor progress in addressing the risks, including the implementation of our recommendations. We will formally follow up these recommendations next year.

Each issue and recommendation have been given a priority rating, which is explained below.



Issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.



Issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.



Issues that would, if corrected, improve internal control in general but are not vital to the overall system. These are generally issues of good practice that we feel would benefit if introduced.


The following is a summary of the issues and recommendations raised in the year 2016/17.

2016/17 recommendations summary

| Priority | Total raised for 2016/17 |
|--------------|--------------------------|
| High | 0 |
| Medium | 0 |
| Low | 2 |
| Total | 2 |

| Rating | Issue and Recommendation | Management Response |
|--------|---|---|
| | <p>1. Bad Debt Policy</p> <p>During the review of the Council's provisions, it was noticed that the Revenue and Benefits procedures for write offs was due for renewal in September 2016.</p> <p>Recommendation</p> <p>Review the current bad debt policy to consider whether it requires any updating or to confirm that it remains appropriate.</p> | <p>Management response</p> <p>This will be reviewed and updated, however no significant changes are envisaged.</p> <p>Owner</p> <p>Revenue and Service Benefits Lead</p> <p>Deadline</p> <p>1st February 2018</p> |

Key issues and recommendations (continued)

| Rating | Issue and Recommendation | Management Response |
|--|---|--|
|  | <p>2. Formalising s106 procedures</p> <p>Following the s106 objector from the audit of the 2015/16 financial statements, we performed a review of the progress made. It was found that the Council has accurately uploaded projects to the Exacom system and can now accurately monitor s106 agreements. However the process has yet to be formalised into a policy or procedure document.</p> <p>Recommendation</p> <p>The process is currently reliant on the knowledge of individual staff members within the planning and finance departments. It may be beneficial to create a procedural document as the Council moves from implementing to maintaining the current system.</p> | <p>Management response</p> <p>Agreed – this was planned as the next stage.</p> <p>Owner</p> <p>Financial Services Manager</p> <p>Deadline</p> <p>1st February 2018</p> |

Follow-up of prior year recommendations

In the previous year, we raised three recommendations which we reported in our *External Audit Report 2015/16 (ISA 260)*. The Authority has not implemented all of the recommendations. We reiterate the importance of the outstanding recommendations and recommend that these are implemented by the Authority.

We have used the same rating system as explained in Appendix One.

Each recommendation is assessed during our 2016/17 work, and we have obtained the recommendation's status to date. We have also obtained Management's assessment of each outstanding recommendation. Below is a summary of the prior year's recommendations.

2015/16 recommendations status summary

| Priority | Number raised | Number implemented / superseded | Number outstanding |
|--------------|---------------|---------------------------------|--------------------|
| High | 1 | 1 | - |
| Medium | 1 | 1 | - |
| Low | - | - | - |
| Total | 2 | 2 | - |

| Rating | Issue and Recommendation | Management Response |
|--------|--------------------------|---------------------|
|--------|--------------------------|---------------------|



Bank Reconciliations

It was found during our prior audit that bank reconciliations were not being correctly performed. Previously the authority prepared a reconciliation of cash using transactions that have only gone through the bank statements.

The finance teams posted income and expenditure from the bank statements to the ledgers. Over the years this created a build up of cash transactions that were not able to be matched to the relevant transactions and then not allocated to the correct balance sheet or income and expenditure accounts within the general ledger.

Recommendation

KPMG recommended to review the approach to performing the bank reconciliation to ensure it compares the general ledger balance to the bank statement each month.

The cash in transit balance should be reconciled each month to ensure that there is no movement to provide management with comfort that transactions are being matched on a timely basis.

Additionally, it is recommended that one individual has control over the bank reconciliation, rather than a number of individuals

This will ensure there is accountability for the reconciliation and ensure there is a view over the reconciliation in its entirety. The bank reconciliation should be prepared and reviewed by separate individuals.

Management original response

Agreed, with recommendation.

This issue was caused by initial set up of the Finance/IT system and the financial coding structure used; this is a complex area with differing process associated with different types of income streams and the timing of when monies are credited to our bank account. We need to review this area and reconfigure our processes to comply with the recommendations made.

Owner

Strategic Lead – Finance

Original deadline


Immediately

KPMG's July 2017 assessment

We have reviewed the Bank reconciliation for 2016/17 and believe it is now much more comprehensive and in line with the CIPFA code guidance.

Fully implemented

Follow-up of prior year recommendations (continued)

| Rating | Issue and Recommendation | Management Response |
|---|--|---|
|  <p>Medium priority</p> | <p>2. HRA Revaluation Adjustments</p> <p>It was found through our testing that the Council posts the revaluation journal for the HRA assets at a total portfolio level which does not reflect the Beacon level at which the valuations are performed.</p> <p>As a result there is a net revaluation posted to/from either Comprehensive Income Expenditure Statement or the Revaluation Reserve, rather than disaggregated accounting which caters for the potential for revaluation adjustments for different assets / beacons to require different treatment.</p> <p>Although this ultimately does not affect the carrying value in the Balance Sheet, it does impact the accounting entries in the Comprehensive Income Expenditure Statement and the unusable reserves.</p> <p>Recommendation</p> <p>The revaluation adjustment is posted in line with the information provided, being on a Beacon basis. This would align the treatment of the HRA assets to IFRS and improve the detail of the valuation of the HRA property portfolio at the Council.</p> | <p>Management original response</p> <p>This is the methodology we agreed with our previous auditors but we accept the recommendation made and will account on the Beacon basis in future.</p> <p><i>Owner</i></p> <p>Strategic Lead – Finance</p> <p><i>Original deadline</i></p> <p>Immediately</p> <p>KPMG’s July 2017 assessment</p> <p>The Council is now considering HRA assets on a Beacon level basis and is monitoring the dwellings on the asset register.</p> <p>Fully implemented</p> |

Materiality and reporting of audit differences

The assessment of what is material is a matter of professional judgment and includes consideration of three aspects: materiality by value, nature and context.

Material errors by value are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements.

Errors which are material by nature may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff.

Errors that are material by context are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

We used the same planning materiality reported in our External Audit Plan 2016/17, presented to you in January 2017.

Materiality for the Authority's accounts was set at £1.6 million which equates to around 2% of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision, set at £1.2 million for 2016/17.

Reporting to the Audit and Governance Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to

the Audit and Governance Committee any misstatements of lesser amounts to the extent that these are identified by our audit work.

Under *ISA 260*, we are obliged to report omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. *ISA 260* defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

ISA 450 requires us to request that uncorrected misstatements are corrected.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £80,000 for the Authority.

Where management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Governance Committee to assist it in fulfilling its governance responsibilities.

We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance (which in your case is the Audit and Governance Committee). We are also required to report all material misstatements that have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities.

A number of amendments focused on presentational improvements have also been made to the 2016/17 draft financial statements. These have been communicated with management and we will confirm these have been changed once we receive the final set of financial statements.

Adjusted audit differences

There were no adjusted audit differences identified by our audit of the Authority's financial statements for the year ended 31 March 2017.

Unadjusted audit differences

There were no unadjusted audit differences identified by our audit of the Authority's financial statements for the year ended 31 March 2017.

Declaration of independence and objectivity

Auditors appointed by Public Sector Audit Appointments Ltd must comply with the Code of Audit Practice (the 'Code') which states that:

"The auditor should carry out their work with integrity, objectivity and independence, and in accordance with the ethical framework applicable to auditors, including the ethical standards for auditors set by the Financial Reporting Council, and any additional requirements set out by the auditor's recognised supervisory body, or any other body charged with oversight of the auditor's independence. The auditor should be, and should be seen to be, impartial and independent. Accordingly, the auditor should not carry out any other work for an audited body if that work would impair their independence in carrying out any of their statutory duties, or might reasonably be perceived as doing so."

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Public Sector Audit Appointments Ltd Terms of Appointment ('Public Sector Audit Appointments Ltd Guidance') and the requirements of APB Ethical Standard 1 Integrity, Objectivity and Independence ('Ethical Standards').

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Public Sector Audit Appointments Ltd guidance requires appointed auditors to follow the provisions of *ISA (UK&I) 260 'Communication of Audit Matters with Those Charged with Governance'* that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor's objectivity and independence.
- The related safeguards that are in place.
- The total amount of fees that the auditor and the auditor's network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our Annual Audit Letter.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor's professional judgement, the auditor is independent and the auditor's objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor's objectivity and independence may be compromised and explaining the actions which necessarily follow from his. These matters should be discussed with the Audit and Governance Committee. Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Engagement Lead and the audit team.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP Audit Partners and staff annually confirm their compliance with our Ethics and Independence Manual including in particular that they have no prohibited shareholdings.

Our Ethics and Independence Manual is fully consistent with the requirements of the Ethical Standards issued by the UK Auditing Practices Board. As a result we have underlying safeguards in place to maintain independence through: Instilling professional values, Communications, Internal accountability, Risk management and Independent reviews.

We would be happy to discuss any of these aspects of our procedures in more detail.

Auditor declaration

In relation to the audit of the financial statements of East Devon District Council for the financial year ending 31 March 2017, we confirm that there were no relationships between KPMG LLP and East Devon District Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

Audit fees

Non-audit work and independence

Below we have listed the non-audit work performed and set out how we have considered and mitigated (where necessary) potential threats to our independence.

| Summary of non-audit work | | | |
|--|----------------|----------------|--|
| Description of non-audit service | Estimated fee | Billed to date | Potential threat to auditor independence and associated safeguards in place |
| Housing Benefits Grants Certification | £8,108 | £0 | The certification of the Housing Benefits Subsidy return forms part of our contractual responsibilities as the Authority's appointed auditor. The nature of this audit-related services is such that we do not consider it to create any independence threats. |
| Total estimated fees | £58,929 | £0 | |
| Total estimated fees as a percentage of the external audit fees | 14% | | |

All fees are quoted exclusive of VAT.

Audit fees

As communicated to you in our External Audit Plan 2016/17, our scale fee for the audit is £50,821 plus VAT in 2016/17, which is a consistent with the prior year. However, an additional fee was charged in the previous year relating to additional work undertaken in relation to an elector objection on S106 contributions and for overruns on the financial statement audit

Our work on the certification of Housing Benefits (BEN01) is planned for September 2017. The planned scale fee for this is £8,108 plus VAT, see further details below.

| Fee table1 | | |
|--|-------------------------------|------------------------------|
| Component of audit | 2016/17 (planned fee) £ | 2015/16 (actual fee) £ |
| Accounts opinion and use of resources work | | |
| PSAA scale fee (East Devon District Council) | 50,821 | 50,821 |
| Additional work to conclude our opinions | 0 | 2,993 |
| Additional work to conclude our Elector Objection (S106) | 0 | 8,194 |
| Subtotal | 50,821 | £62,008 |
| Housing benefits (BEN01) certification work | | |
| PSAA scale fee – planned for September 2017 | £8,108 | £8,721 |
| Total fee for the Authority | £58,929 | £70,729 |

All fees are quoted exclusive of VAT.

Section 106 Report

Section 106 Report

The below summarises key, headline information presented as part of our work in response to a formal objection received from a local elector in relation to East Devon District Council's 2015/16 financial statements. The work was completed and reported to the council in November 2016. We detail our follow-up to the recommendations raised on page 33.

| | |
|---|---|
| <p>Overall conclusion</p> | <p>From our work performed, while we recognised some appropriate controls we concluded that there were weaknesses in the Council's arrangements for monitoring developer contributions due to the Council through s106 agreements. Although we found no evidence that these weaknesses led to any financial loss, they did lead to the Council failing to identify on a timely basis significant amounts which became payable from developers, particularly Cranbrook, and consequently to the understatement of the 2015/16 amounts in the Council's financial statements.</p> |
| <p>Procedural weaknesses</p> | <p>Through our procedures to gain an understanding of the s106 contributions system, we identified three control weaknesses:</p> <ol style="list-style-type: none"> 1. absence of summarised financial information to facilitate the monitoring of s106 contributions; 2. lack of challenge or enforcement of the Cranbrook developers' legal obligation to provide information; and 3. understanding of financial and accounting implications of triggers being met and the communication between Planning and Finance over these. <p>For each weakness noted we raised a recommendation and these are detailed in the next page of this report along with original responses from Management.</p> <p>It is important to recognise that we did not find any control weaknesses within the recording or seeking payment process, once a s106 agreement is entered into the debtor system and an invoice was raised.</p> |
| <p>Completeness & accuracy of financial statements</p> | <p>As at 31 March 2016 the Council had £5.8 million of s106 contributions held on its Balance Sheet. During the 2015/16 financial year it accounted for £1.9 million of s106 receipts.</p> <p>We found that at the Balance Sheet date there was a gross amount of £636,000 in s106 contributions due to the Council where it had not identified that conditions had been met which triggered liability for payment from the relevant developer. No invoices had been raised seeking payment and consequently this amount had not been included in the 2015/16 financial statements, meaning the accounts were understated.</p> <p>When other audit findings are taken into account there was a net understatement of £227,000 in the Council's financial statements. This is because our financial statements audit work had separately identified that the Council had incorrectly accounted for an amount totalling £409,000 for a different s106 agreement which actually related to another body.</p> |
| <p>Objection outcome</p> | <p>Whilst we did not designate this as a Report the Public Interest, as sought by the objection, our work indicated that the issues raised by the objector are correct. We therefore issued three recommendations for improvement under section 27(6) of the 2014 Act. These are followed-up on the next page.</p> |

Follow-up of s106 recommendations

In the previous year, we raised three recommendations as a result of an objection to s106 arrangements received from a local elector. The Authority has implemented all of the recommendations.

For information purposes we have summarised the key messages from the s106 report on page 36.

We have used the same rating system as explained in Appendix One.

Each recommendation is assessed during our 2016/17 work, and we have obtained the recommendation’s status to date. We have also obtained Management’s assessment of each outstanding recommendation.

Below is a summary of the prior year’s recommendations.

2015/16 recommendations status summary

| Priority | Number raised | Number implemented / superseded | Number outstanding |
|--------------|---------------|---------------------------------|--------------------|
| High | 3 | 3 | - |
| Medium | - | - | - |
| Low | - | - | - |
| Total | 3 | 3 | - |

| Rating | Issue and Recommendation | Management Response |
|--------|--------------------------|---------------------|
|--------|--------------------------|---------------------|



1. Absence of summarised financial information

Recommendation

Develop a record of all s106 contributions detailing the financial contributions expected, the relevant trigger and current collection status.

This record should be accessible to Finance to inform the recognition of s106 income and the raising of invoices. The Council should also ensure that it has its monitoring information in a format which is consistent with the s106 agreements. This will allow the Council to more accurately track the outstanding debts owed to it and ensure prompt payment.

Management original response

It is accepted that the current system is in need of improvement and we had already taken the decision to update the system to address this and the introduction of CIL.

Delays in the adoption of CIL as a result of the examination into our charging schedule being put on hold for over a year delayed the implementation of this new system. The new system is now in place and once the data from the existing s106 agreements has been input the necessary data will be available and in the required format.

Original deadline


31 March 2017

KPMG’s July 2017 assessment

We have reviewed the implementation of the Exacom system and can confirm that nearly all s106 arrangements have been uploaded. At the time of our review 99% of the arrangements had been uploaded, with plans in place to complete the task. This enables finance to access summarised financial information over s106 arrangements.

Fully implemented

Follow-up of s106 recommendations (continued)

| Rating | Issue and Recommendation | Management Response |
|---|---|--|
|  <p>High priority</p> | <p>2. Enforcement of legal obligations</p> <p>Recommendation</p> <p>Ensure the information provided by developers is in line with that required under the s106 agreements. Any delayed returns from developers should be followed up on a timely basis to ensure that complete information is obtained and payment of contributions is made.</p> | <p>Management original response</p> <p>This is the methodology we agreed with our previous auditors but we accept the recommendation made and will account on the Beacon basis in future.</p> <p><i>Original deadline</i></p> <p>31 March 2017</p> <p>KPMG’s July 2017 assessment</p> <p>We performed sample testing over a sample of planning arrangements and confirmed that appropriate information was held on the Exacom system.</p> <p>It is understood that the Council has also continued to monitor the Cranbrook development. We recommend that management continue to ensure that information provided by developers is in line with the s106 agreements.</p> <p style="text-align: center;">Fully implemented</p> |
| | <p>3. Understanding of financial and accounting implications of triggers being met and the communication between Planning and Finance over this</p> <p>Recommendation</p> <p>Money due to the Council under s106 agreements should be accrued for as soon as the Council becomes aware that conditions for payment have been triggered. Regular communication between Finance and Planning, to ensure that Finance are aware of when triggers have been met, should be implemented.</p> | <p>Management original response</p> <p>This recommendation is accepted and there is now an understanding in place with the Planning Service that once a condition for payment has been reached, even if an invoice is not to be raised at that point for whatever reason, then Finance need to be aware in order to properly account for the accrued income.</p> <p><i>Original deadline</i></p> <p>31 March 2017</p> <p>KPMG’s July 2017 assessment</p> <p>We have confirmed that the Exacom system enables easy review of the s106 agreements that have been triggered. This therefore enables finance to monitor the monetary value that needs to be accrued for each year. We have however raised a recommendation around formalising the process (see Appendix One) to ensure this continues in the future.</p> <p style="text-align: center;">Fully implemented</p> |



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Report to: Audit and Governance Committee
Date of Meeting: 21 September 2017
Public Document: Yes
Exemption: None



Agenda item: 9

Subject: **Statement of Accounts 2016/17**

Purpose of report:

The Council's Statement of Accounts for 2016/17 has now been audited and is attached for presentation to the Audit & Governance Committee for approval.

The Auditors are anticipating issuing an unqualified audit opinion once the Accounts have been approved by the Audit & Governance Committee.

A report is contained on the Agenda from the Council's external auditors KPMG detailing the work carried out and the audit conclusions.

This report compares the final position on the Council's Accounts compared with the position presented to members at Outturn stage. No amendments have been made to affect the Council's reported financial position given in the Outturn Report in June 2017.

Recommendation:

Members Approve the 2016/17 Statement of Accounts.

Reason for recommendation:

There is legal requirement for the Council to approve the Council's Statement of Accounts by 30 September; the Council has delegated this function to the Audit & Governance Committee.

Officer:

Simon Davey, Strategic Lead Finance

sdavey@eastdevon.gov.uk

Financial implications:

Details are included in the report.

Legal implications:

The legal requirements for a statement of accounts is set out within the report otherwise there is nothing which requires comment.

Equalities impact:

Low Impact

Risk:

Low Risk

Links to background information:

Link to Council Plan:

1. Introduction

- 1.1 The Accounts and Audit Regulations set out the requirements for the production and publication of the Annual Statement of Accounts.
- 1.2 Within the regulations there is a requirement that a representative group of Members approve the Annual Statement of Accounts, by 30 September. The Council has delegated this responsibility to the Audit and Governance Committee.

2. Statement of Accounts 2016/17.

- 2.1 The Accounts were published in draft on 30 June 2017 and presented for audit. Following the Audit no material audit difference were found.

- 2.2 There were two low priority issues identified:

The Revenues and Benefits write offs policy was due for review in September 2016. This will be reviewed by the end of this financial year but no significant changes are likely to be made to the policy.

Following the 2015/6 audit, the S.106 procedures and been reviewed, updated and implemented. However, a formal procedural document needs to be written to maintain the system. This is in progress and will be completed shortly.

- 2.3 Usable reserves as presented at Outturn and included in the draft Accounts have not changed.
- 2.4 A report is contained on the Agenda from the Council's external auditors KPMG detailing the work carried out and the audit conclusions.
- 2.5 The audited Statement of Accounts for 2016/17 are attached for approval which includes the Annual Governance Statement.

3. Comparison to Revenue and Capital Outturn position previously reported

- 3.1 The Revenue and Capital Outturn report presented to this Committee and to the Cabinet in June (where figures are prepared by mid May to meet report deadlines) detailed for members the position on the Councils finances compared with the budgets set.
- 3.2 The Outturn report focuses on key figures relating to the Council's finances and is presented at an earlier stage than the production of the Statement of Accounts. Below comparisons are made between those figures presented at Outturn with the corresponding figures now included in the Audited Statement of Accounts.

General Fund as at 31/3/17

Outturn after agreed transfers to reserves £4.206m

Statement of Accounts
(Page 14 Movement in Reserves Statement) £4.197m

The £9k difference relates to minor amendments on the Collection Fund which were made after the Outturn position was presented but before the Accounts were finalised.

Within the Outturn report it was agreed to transfer £0.294m to the NNDR Volatility Fund and £0.606m to the Capital Reserve. The NNDR Volatility transfer has been reflected in the Accounts, whilst the Capital Reserve transfer has been effected in 2017/18.

Housing Revenue Account as at 31/3/17

Outturn after agreed transfer to reserves £7.707m

Statement of Accounts
(Page 14 Movement in Reserves Statement) £7.707m

The transfer of £3.970m from the HRA balance and £2.800m from the Business Plan Volatility Fund into a new "Future Housing Development Fund" fund as agreed by members within the Outturn Report has been effected in 2017/18.

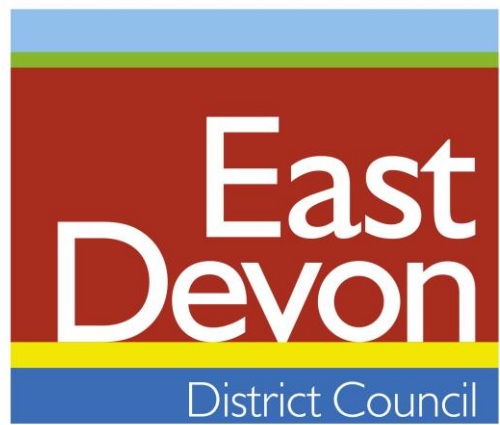
The Future Housing Development Fund balance is now £6.770m and the Business Plan Volatility Fund balance £1.600m.

Capital Reserve as at 31 March 2017

Outturn Reported £0.000m

Statement of Accounts
(Note 10 Transfers to/from Earmarked reserves
Page 45) £0.000m

The transfer of £0.606m into the Capital Reserve from the General Fund as agreed by members within the Outturn Report has been effected in 2017/18.



**Statement of Accounts
2016/17
East Devon District Council
Knowle
Sidmouth
Devon
EX10 8HL**

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**Statement of Accounts
2016/17
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Narrative Statement by the Strategic Lead Finance

Introducing East Devon

Context

The district of East Devon lies at the east of the county of Devon between Exeter to the west and bordering Somerset and Dorset on the east. It is the largest of the eight districts in Devon with a population of 138,141.

The district has a dispersed and largely rural population with a mix of market and coastal towns. East Devon is renowned for its beautiful countryside with two thirds of the district recognised as being nationally important for its high landscape quality and designated as Areas of Outstanding Natural Beauty (AONBs). East Devon also has a stunning coastline that runs the length of its southern border, almost the entire coastline is part of a World Heritage Coast. The main settlements are the coastal resorts of Exmouth (Devon's largest town – population 35,989) Budleigh Salterton, Sidmouth and Seaton. Inland are Honiton, Ottery St Mary and Axminster.

Population

The population of East Devon has an older age profile, with the average age of its residents being 50.3 years (national average is 40 years). East Devon has the highest age profile of all of the districts in Devon with the largest percentage of those aged 65+ at 28.19%, this equates to 37,346 people. East Devon also has 2,300 people aged 90+, more than any other district in the county.

An ageing population will have an impact on the provision of health care, housing requirements, the labour market and economic growth. The average household size in the district is 2.2 residents. Predominantly East Devon residents are from a White British background, with just 1.59 per cent of the district's population coming from an ethnic background.

Employment

It is important to consider what provisions need to be made in order to meet the demand of an ageing population by looking at employment trends. The proportion of the resident working age population who are in employment in East Devon is about average, with the area ranking in the top 40 per cent of districts nationally. In East Devon, 72.6 per cent of the resident working age population are in employment, compared with 76.1 per cent in Exeter and 70.5 per cent nationally. Currently the main types of employment are in the service industry which accounts for 85.7 per cent of the employment in East Devon with a large section of this being in the retail, hospitality and health sectors all of which are predominantly lower paid sectors.

Continued diverse development in the district is essential in order to attract a labour market which will fulfil the future demands of the district and provide quality job opportunities particularly for the young people of East Devon.

New community of Cranbrook

In the community of Cranbrook, we can already see the much younger demographic profile. To reflect the higher proportion of the town's population being of working age, the requirement for new jobs which are well-paid and less reliant on traditional sectors will be vital to support this thriving community. Elsewhere in the district, the Council will support opportunities to encourage new and diverse business and jobs growth alongside traditional sectors.

Council Plan

Over the last 12 months the Council has continued to work hard for the people of East Devon, delivering the Council Plan which sets out our main priorities and forms the focus of all that we aim to achieve by 2020.

Our priorities and outcomes set out in the council plan are:

Encouraging communities to be outstanding

- More good quality, local homes for local people
- Balanced communities for a sustainable future

Developing an outstanding local economy

- Greater investment and economic growth into East Devon

Delivering and promoting our outstanding environment

- Abundant leisure opportunities and quality open spaces
- Protection and enhancement of our natural and built environment

Continuously improving to be an outstanding council

- A culture that promotes continuous improvement, innovation, commercial thinking and new ways of working.
- A council that prioritises keeping our residents informed.

The plan lists our promises to achieve those ambitions for our district ([Council plan 2016-2020](#)). The progress of each promise is reported on quarterly and annually through [our performance reporting pages](#). Some highlights to note in 2016/17 are:

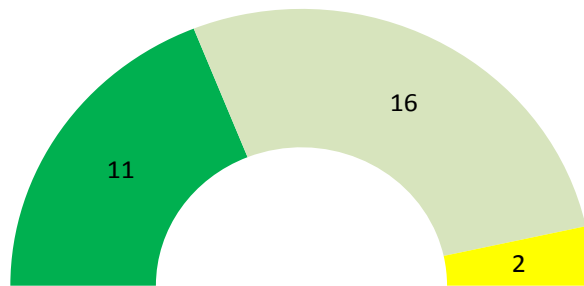
- The economy;
 - The Local Plan was approved which promotes confidence to bring sites forward. Lidl is well underway with 400 jobs eventually projected and opening by the end of 2017. Planning and preparation continues for the remainder of the logistics site. Major Headquarters offices are under construction at Skypark and speculative build offers are underway. Enterprise zone commencement is scheduled for the 1st April 2017. Greater Exeter Strategic Plan is being progressed and exploratory site search across the travel to work area is taking place.
 - Seaton Jurassic continues to operate successfully and has been nominated for 5 separate awards. The Seaton Tramway redevelopment planning application is in progress. Sidmouth Port Royal scoping study is underway. Exmouth Mamhead is now open and Queens Drive planning application to be determined in quarter 1 2017/18.
- New recycling scheme introduced - Successful launched phase one of the roll out in Exmouth on 16th February. Recycling tonnages have been consistently around 90 tonnes per week, which means for Exmouth the recycling waste has flipped on its head. Prior to the new service we were recycling around 44% in Exmouth. We are now recycling almost 60%. We are now preparing for the phase 2 roll out across the rest of the District to start on 12th June.

- The Council confirmed its commitment to relocate from the Knowle as its headquarter building to save money and promote better customer service moving to a smaller more efficient HQ in Honiton and a modernised Exmouth Town Hall to provide services to its biggest town.

These achievements and others are covered in full within our performance reports – extract given below. The performance measures demonstrate that East Devon has continued to thrive despite ongoing austerity measures and continue to provide good services without any reductions to front line service delivery.

An overview of our performance – Quarter four 2016/17

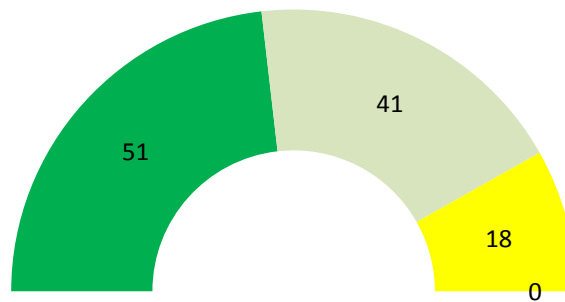
Performance against our Council Plan 2016/17



Number of Measures
(Total measures for outcome = 29)

■ Achieved ■ On track ■ Variation ■ Concern

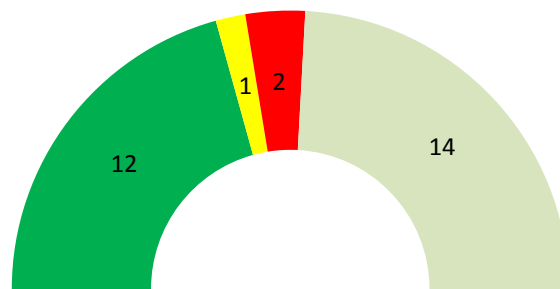
Performance against our Service Plan Objectives 2016/17



Number of Measures
(Total measures for outcome = 103)

■ Achieved ■ On track ■ Variation ■ Concern

Performance against Key Performance Indicators 2016/17



Number of Measures
(Total measures for outcome = 29)

■ Achieved / Excellent ■ Variation ■ Concern ■ No target

Financial Position - Overview

One of the most significant impacts on the Council's finances came from the Comprehensive Spending Review in 2010 and following Spending Reviews where the Government has cut local authorities funding as part of its programme in tackling national debt.

From 2010/11 to 2015/16 there has been a 55% reduction in the main Government grant received by the Council to support services, from £7.030m to £3.164m, this decline in funding for local authorities has continued into 2016/17 with a further cash reduction to the Council of £0.750m.

In addition to government spending cuts, there is the added pressure of inflationary increases, continued low investment income, an increasing call on services, members' ambitions to enhance and improve services and the wish to keep to moderate increases in Council Tax and other fees and charges.

Against this financial background the Council has delivered its spending plans and Council Plan outcomes through careful financial management and planning ahead. Careful decisions have been taken where service savings have been made, initiatives taken in the areas of; asset management, shared service provision, systems thinking principles, the persuasion of customers to use more convenient and cost effective means of transacting with the Council, procurement efficiencies and income generation. These initiatives have been implemented with the overall arching principle required by the Council to protect front line services to the public.

The Council has facilitated and encouraged business and housing growth in the district to deliver its ambitions and this has financial benefited the Council in additional government funding through New Homes Bonus receiving a grant of £4.4m in 2016/17 and extra Business Rate income above base of £0.5m. These are incentivised funding streams by government to encourage growth which link to our Council Plan and provides additional funding to help fund those plans.

A balanced budget was agreed by Council for 2016/17 despite a projected gap of £0.819m for the year alone, this was achieved by following the Council's Transformation Strategy which contained actions that reduced our spending levels or increased the income to us to balance our books.

Further details of the Council Financial Plan (2017 – 2022) and the Councils Transformation Strategy can be here <http://eastdevon.gov.uk/council-and-democracy/council-business/our-finance/financial-information-201718/>

Looking in more detail - Final Outturn Position Against budget 2016/17

Against this financial overview the Council set a balance budget for 2016/17 with a number of transformation initiatives included in order to manage reduced funding from Government. Details are given below of how the Council financially performed against the budgets set for the year.

General Fund Revenue

The authority's Revenue Account - known as the General Fund - bears the net cost of providing day-to-day services (excluding provision of council housing). These are the portfolio/service totals identified in the Council's Income & Expenditure Account.

Comparing Budget to Actual

A report is prepared to the Council's Cabinet Committee giving the financial year end position and compares this to the budgets approved for the year. This can be found here, Item 11 on the Agenda. This report highlights a £0.737m underspend against the net budget set of £16.126m. A variation analysis by portfolio and service is contained in the Revenue and Capital outturns 2016/17 booklet, an indication of the main variations are given below.

| General Fund 2016/17 – main outturn variations against budget | Variation £000 |
|---|---------------------------|
| Employee savings from vacant posts, most significant savings from; <ul style="list-style-type: none"> • Property & Estates Service Lead • Economic Development Funding & Research Officer • Growth Point/Cranbrook project team positions • Car Parks • Development Management | (495) |
| Car Park income higher than projected | (189) |
| Recycling credits higher than estimated through significant increased volumes | (128) |
| Increased Revenues & Benefits admin grant for new requirements & initiatives | (227) |
| Increase in Housing Benefit Payments, offset by additional subsidy and increased benefit overpayments recovered | 149 |

In addition two earmarked reserves previously set aside are now no longer required totalling £0.138m and will be transferred back into the General Fund Balance. The main one being £0.125m from the Growth Point Reserves where external funding has now been secured mitigating the need for this reserve (project work).

This gives the overall General Fund position at the year end with a transfer into the Balance of £0.581m (£0.443m + £0.138m). The updated position for the General Fund Balance is given below.

| General Fund Balance Position | £000 | £000 |
|---|-------------|----------------|
| Opening Balance 1/4/2016 | | (3,625) |
| Supplementary Estimates approved in 2016/17 | 303 | |
| Outturn variation 2016/17 | (737) | (434) |
| Earmarked Reserves transferred back to General Fund Balance | | (138) |
| Closing Balance 31/3/2017 | | (4,197) |

Note: No use of the General Fund Balance has been budgeted in 2017/18.

Taking the General Fund Balance at £4.206m this is £0.606m above the adopted range previously determined by Council, this being between £2.8m and £3.6m. This range is still considered the appropriate level as there has been no key change to the factors used in its determination. This represents approximately 10% of our net budget equivalent to a two year operational period giving £2.8m; to this is added £0.8m headroom to give £3.6m as a top of the

range figure. This is the range we stipulate the General Fund Balance to be within before members need to take action; whether above or below the range.

It was agreed that the sum above the adopted range, £0.606m, is transferred into the Council's Capital Reserve which has been depleted in 2016/17 and the monies are used to help fund the capital programme going forward.

The Council has set aside a reserve to manage the volatility of business rate income; at the beginning of 2016/17 the NNDR Volatility Fund stood at £0.933m. In 2016/17 business rate income received is less than budget by £0.294m, this sum has been taken from the Volatility Fund to make good this loss. It is anticipated that the income will be above budget in 2017/18 and a transfer will be made back into the Reserve.

Housing Revenue Account

The Housing Revenue Account (HRA) is the ring-fenced account for providing council housing and associated services. This is shown separately on Income & Expenditure Statement.

The 2016/17 budget was set to achieve a surplus of £0.213m, the Outturn position shows a final surplus for the year of £1.935m; the main variations are given below.

| HRA 2016/17 – Outturn variations against budget | Variation £000 |
|--|-------------------|
| Revenue Contribution to Capital & Major Repair costs - underspend on capital programme with the level of works anticipated not undertaken in year due to resourcing and an ambitious plan. Also additional capital receipts were received available for funding. | (931) |
| Rent income (including garage rents) were higher due to collection rates and better void levels than budgeted - a prudent approach was taken. | (342) |
| A loan was budgeted for £0.7m but this was not taken out as not required. | 700 |
| Storm damage insurance claim - which was offset in part by overspends incurred on responsive repairs and other associated works previously funded from the HRA. | (1,043) |
| Supervision & Management – underspend on employee budget because of vacant posts and late appointments. | (72) |
| Stock condition survey not commenced as planned, more detailed work required as to the most suitable approach. | (68) |

The updated position of the HRA Balance with the surplus transfer of £1.935m is given below.

| HRA Balance Position | £000 | £000 |
|---|---------|----------------|
| Opening Balance 1/4/2016 | | (5,135) |
| Original Budget approval transfer to Balance in 2016/17 | (213) | |
| Outturn variation 2016/17 | (1,722) | (1,935) |
| Closing Balance 31/3/2017 | | (7,070) |

The adopted minimum level for the HRA Balance is £2.1m, based on £490 per property and this is considered to be the minimum Fund Balance that should be held for unexpected/emergency situations. It has been agreed to introduce a maximum sum to hold thereby creating an adopted range the Council is comfortable holding the HRA Balance between before members need to make a decision; whether above or below the range. It is therefore proposed to add headroom of £1m to the minimum level to give an adopted range for the HRA Balance of between £2.1m and £3.1m. This is in line with the principles agreed with the General Fund Balance.

The HRA balance is therefore significantly above the proposed adopted range by £3.970m and it is proposed that this transferred into a new Fund - Future Housing Development Fund, to be used to provide additional dwellings within HRA and used to match fund the one to one replacement capital receipts required to be spent within set deadlines or required to be returned to Government with an interest payment.

The HRA also has a HRA Business Plan Volatility Reserve which was created in 2012/13 to provide a cushion for repaying the self-financing loans should adverse fluctuations in spending and/or rent income occur. The balance in the reserve is currently £4.4m. This Reserve has not been required and the HRA continues to meet loan repayments and make annual surpluses, it is therefore questionable whether this Reserve is still required at this level, or at all. However this will best be evidenced with a refresh of the HRA Business Plan alongside an updated of the stock condition survey; it was therefore agreed to transfer £2.8m from the HRA Business Plan Volatility Fund into Future Housing Development Fund funding the next two years of proposed development, thereby still leaving £1.6m to help meet loan repayments should it be required. Its requirement can be revisited once other factors are known.

Capital Budget

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 revised Capital budget for 2016/17 totalled net expenditure of £19.039m; the Outturn position is lower at £16.242m, a variation of £2.797m. The majority of this underspend is from scheme slippage and a need to re-profile expenditure into 2017/18 or later years. The main variations against the revised budget are given below with further details contained in the Outturn Book.

| Capital 2016/17 – main outturn variations against Budget | Variation £000 |
|--|---------------------------|
| Knowle Relocation project – re-profiling of budget spend required, underspend carried forward | (581) |
| Exmouth swimming Pool improvements – LED requests for tranche payments slipped into 2017/18 | (212) |
| Disabled Facility Grants – Demand not as high as budget/grant allocation from Devon County Council. | (336) |
| New Feniton Flood Alleviation Scheme – slipped to 2017/18 due to ongoing discussions with Network Rail | (893) |
| Refuse & Recycling vehicles & equipment– slipped to 2017/18 in line with roll out requirements | (516) |

The Capital Reserve at the end of 2016/17 is nil, being fully used to fund the 2016/17 capital programme; the use of the Reserve in 2016/17 was £2.405m.

The Capital Reserve being fully used was expected and has been highlighted to Members. The balance of funding in 2016/17, after the use of New Homes Bonus grant, Capital Receipts, Revenue Contributions and finally the Capital Reserve has been met through internal borrowing (£2.189m). This has increased the underlying need for the Council to borrow (Capital Financing Requirement) and the Council's cash flow position is monitored carefully to determine if there is need to actually borrow to meet costs or whether it is preferable to use internally available funds. This is a balance between considering expected interest rates achieved on investments, the cost of borrowing and the Council's future requirement on cash flows. These consideration are all made within the perimeters of the Council's approved Treasury Management Strategy.

The future capital funding position, along with revenue, will be debated further with the presentation of the Financial Plan (2018-2023) to be considered in September/October by the Council's Cabinet once considered by other member working groups of the Council.

The Statement of Accounts presented

The intention of the Statement of Accounts is to give the reader a view of the finances of East Devon District Council for 2016/17.

Explanation of the Financial Statements

The authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 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 2016/17 (the Code) and the Service Reporting Code of Practice for Local Authorities 2016/17 (SeRCOP), supported by International Financial Reporting Standards (IFRS).

The 2016/17 accounts summarise the authority's transactions for the 2016/17 financial year and its position at the year end of 31 March 2017. The Statement comprises:

- **The Statement of Responsibilities for the Statement of Accounts**
This Statement sets out the respective responsibilities of the authority and the Chief Financial Officer for the accounts.
- **The Auditor's Statement**
This is the Independent Auditor's Report to Members of East Devon District authority including the Conclusion on Arrangements for Securing Economy, Efficiency and Effectiveness in the Use of Resources. It is called the Audit Opinion.
- **The Annual Governance Statement**
This gives a public assurance that the authority has proper arrangements in place to manage all of its affairs. It summarises the authority'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.
- **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 authority. The taxation position is shown in the Movement in Reserves Statement.
- **Movement in Reserves Statement - Core Financial Statement**
This statement shows the movement in the year on the different reserves held by the authority, 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 authority'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 authority.

- **Balance Sheet - Core Financial Statement**
The Balance Sheet summarises the authority's financial position at 31 March 2017 showing the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority.

Reserves are reported in two categories:

- Usable reserves: reserves that the authority may use to provide services, (subject to the need to maintain a prudent level of reserves and any statutory limitations on their use) for example – the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt.
- Unusable Reserves: reserves that the authority 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'.

- **Cash Flow Statement - Core Financial Statement**

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

- **Housing Revenue Account (HRA) - Supplementary Financial Statements**

The HRA is a record of revenue expenditure and income relating to the authority'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 ring-fenced 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.

- **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.

Inspection of the Accounts

Under provisions contained in Section 15 and 16 of the Local Audit and Accountability Act 2015 and the Accounts and Audit Regulations 2015, the Statement of Accounts for 2016/17 was available for inspection from 3 July 2017 to 11 August 2017.

Auditing of accounts

The authority's external auditors are KPMG LLP

Simon Davey CPFA
Strategic Lead Finance

The Statement of Responsibilities

The authority's Responsibilities

The authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Strategic Lead for Finance.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

The Strategic Lead Finance's Responsibilities

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

In preparing this Statement of Accounts, the Strategic Lead for 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 Strategic Lead 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 gives a true and fair view of the financial position of the authority at the reporting date and of its expenditure and income for the year ended 31st March 2017.

Simon Davey CPFA
Strategic Lead Finance

The unaudited accounts were issued on 30 June 2017 and the audited accounts it is anticipated will be authorised for issue on 21 September 2017.

Expenditure and Funding Analysis

| Portfolio | 2016/17 | | | 2015/16 | | |
|--|---|---|--|---|---|--|
| | Net Expenditure Chargeable to the General Fund & HRA £'000 | Adjustments between the Funding & Accounting Basis £'000 | Net Expenditure in the Comprehensive Income & Expenditure Statement £'000 | Net Expenditure Chargeable to the General Fund & HRA £'000 | Adjustments between the Funding & Accounting Basis £'000 | Net Expenditure in the Comprehensive Income & Expenditure Statement £'000 |
| Corporate Business | 119 | 3 | 122 | 83 | 3 | 86 |
| Corporate Services | (473) | 28 | (445) | 1,964 | 54 | 2,018 |
| Economy | 491 | (1,210) | (719) | 460 | 1,878 | 2,338 |
| Environment - General | 434 | (2,773) | (2,339) | 704 | 6,938 | 7,642 |
| Environment - Street Scene | 7,419 | 2,023 | 9,442 | 7,207 | 2,554 | 9,761 |
| Finance | 1,404 | 146 | 1,550 | 1,099 | 205 | 1,304 |
| Strategic Development & Partnership | 1,659 | 136 | 1,795 | 2,315 | 189 | 2,504 |
| Sustainable Homes & Communities | (1,622) | 662 | (960) | (511) | 764 | 253 |
| Strata Solutions Ltd | 2,522 | 136 | 2,658 | (48) | 379 | 331 |
| Housing Revenue Account | (10,479) | (671) | (11,150) | (9,520) | 796 | (8,724) |
| Net Cost Of Services | 1,474 | (1,520) | (46) | 3,753 | 13,760 | 17,513 |
| Other Income and Expenditure | (2,525) | (13,145) | (15,670) | (3,987) | (8,471) | (12,458) |
| (Surplus) or Deficit on Provision of Services | (1,051) | (14,666) | (15,716) | (234) | 5,289 | 5,055 |
| Opening General Fund and HRA Balance | (22,702) | | | (22,468) | | |
| Less / Plus surplus or (Deficit) on General Fund and HRA Balance in year | (1,051) | | | (234) | | |
| Closing General Fund and HRA Balance | (23,753) | | | (22,702) | | |

*For a split of this balance between the General Fund and the HRA – see Movement in Reserves Statement

Comprehensive Income and Expenditure Statement

| | Note | 2016/17 | | | 2015/16 | | |
|--|------|---------------|-----------------|-----------------|---------------|-----------------|-----------------|
| | | Expenditure | Income | Net Expenditure | Expenditure | Income | Net Expenditure |
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Corporate Business | | 122 | 0 | 122 | 86 | 0 | 86 |
| Corporate Services | | 373 | (818) | (445) | 2,880 | (862) | 2,018 |
| Economy | | 855 | (1,574) | (719) | 3,958 | (1,620) | 2,338 |
| Environment - General | | 1,835 | (4,174) | (2,339) | 11,564 | (3,922) | 7,642 |
| Environment - Street Scene | | 11,734 | (2,292) | 9,442 | 12,169 | (2,408) | 9,761 |
| Finance | | 34,152 | (32,602) | 1,550 | 34,606 | (33,302) | 1,304 |
| Strategic Development & Partnership | | 3,946 | (2,151) | 1,795 | 4,466 | (1,962) | 2,504 |
| Sustainable Homes & Communities | | 2,030 | (2,990) | (960) | 2,199 | (1,946) | 253 |
| Strata Solutions Ltd | | 2,800 | (142) | 2,658 | 647 | (316) | 331 |
| Housing Revenue Account | | 15,993 | (27,143) | (11,150) | 10,628 | (19,352) | (8,724) |
| Total Cost Of Services | | 73,840 | (73,886) | (46) | 83,203 | (65,690) | 17,513 |
| Other Operating Expenditure | 11 | 3,175 | (979) | 2,196 | 4,233 | (2,261) | 1,972 |
| Financing and Investment Income and Expenditure | 12 | 4,389 | (455) | 3,934 | 4,460 | (538) | 3,922 |
| Taxation and Non-Specific Grant Income | 13 | 98 | (21,898) | (21,800) | 136 | (18,488) | (18,352) |
| (Surplus) or Deficit on Provision of Services | | 81,502 | (97,218) | (15,716) | 92,032 | (86,977) | 5,055 |
| Surplus or deficit on revaluation of non-current assets | 35 | | | (31,472) | | | (2,733) |
| Impairment losses (chargeable to revaluation reserve) | 35 | | | 0 | | | 0 |
| Surplus or deficit on revaluation of available for sale financial assets | 35 | | | (96) | | | 51 |
| Re-measurement of the net defined (benefit) / liability | 20 | | | 18,642 | | | (7,338) |
| Other Comprehensive Income and Expenditure | | | | (12,926) | | | (10,020) |
| Total Comprehensive Income and Expenditure | | | | (28,642) | | | (4,965) |

Movement in Reserves Statement

| | General Fund Balance £000 | Earmarked GF Reserves £000 | Housing Revenue Account £000 | Earmarked HRA Reserves £000 | Capital Receipts Reserve £000 | Major Repairs Reserve £000 | Capital Grants Unapplied £000 | Total Usable Reserves £000 | Total Unusable Reserves £000 | Total Authority Reserves £000 | |
|--|------------------------------------|-------------------------------------|---------------------------------------|--------------------------------------|--|-------------------------------------|--|-------------------------------------|---------------------------------------|--|------------------|
| Balance at 31 March 2016 | (3,625) | (9,542) | (5,135) | (4,400) | (3,755) | 0 | (340) | (26,797) | (153,442) | (180,239) | |
| Movement in reserves during 2016/17: | | | | | | | | | | | |
| Surplus or (deficit) on provision of services | (4,913) | 0 | (10,803) | 0 | 0 | 0 | 0 | (15,716) | 0 | (15,716) | |
| Other Comprehensive Expenditure and Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (12,926) | (12,926) | |
| Total Comprehensive Expenditure and Income | (4,913) | 0 | (10,803) | 0 | 0 | 0 | 0 | (15,716) | (12,926) | (28,642) | |
| Adjustments between accounting basis & funding basis under regulations | 9 | 5,797 | 0 | 8,868 | 0 | (649) | 0 | 66 | 14,082 | (14,082) | 0 |
| Net Increase/Decrease before Transfers to Earmarked Reserves | 884 | 0 | (1,935) | 0 | (649) | 0 | 66 | (1,634) | (27,008) | (28,642) | |
| Transfers to/from Earmarked Reserves | 10 | (1,456) | 1,456 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Increase/Decrease in Year | (572) | 1,456 | (1,935) | 0 | (649) | 0 | 66 | (1,634) | (27,008) | (28,642) | |
| Balance at 31 March 2017 | (4,197) | (8,086) | (7,070) | (4,400) | (4,404) | 0 | (274) | (28,431) | (180,450) | (208,881) | |
| | Note | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | |
| Balance at 31 March 2015 | | (4,646) | (9,456) | (4,966) | (3,400) | (2,891) | 0 | (1,174) | (26,533) | (148,741) | (175,274) |
| Movement in reserves during 2015/16: | | | | | | | | | | | |
| Surplus or (deficit) on provision of services | | 11,691 | 0 | (6,636) | 0 | 0 | 0 | 0 | 5,055 | 0 | 5,055 |
| Other Comprehensive Expenditure and Income | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (10,020) | (10,020) | |
| Total Comprehensive Expenditure and Income | | 11,691 | 0 | (6,636) | 0 | 0 | 0 | 0 | 5,055 | (10,020) | (4,965) |
| Adjustments between accounting basis & funding basis under regulations | 9 | (10,756) | 0 | 5,467 | 0 | (864) | 0 | 834 | (5,319) | 5,319 | 0 |
| Net Increase/Decrease before Transfers to Earmarked Reserves | | 935 | 0 | (1,169) | 0 | (864) | 0 | 834 | (264) | (4,701) | (4,965) |
| Transfers to/from Earmarked Reserves | 10 | 86 | (86) | 1,000 | (1,000) | 0 | 0 | 0 | 0 | 0 | 0 |
| Increase/Decrease in Year | | 1,021 | (86) | (169) | (1,000) | (864) | 0 | 834 | (264) | (4,701) | (4,965) |
| Balance at 31 March 2016 | | (3,625) | (9,542) | (5,135) | (4,400) | (3,755) | 0 | (340) | (26,797) | (153,442) | (180,239) |

Balance Sheet as at 31 March 2017

| | Note | 2016/17 £'000 | 2015/16 £'000 |
|--|------|------------------|------------------|
| Property, Plant & Equipment | 25 | 334,612 | 285,882 |
| Intangible Assets | | 687 | 720 |
| Long Term Investments | 29 | 225 | 225 |
| Long Term Debtors | 30 | 2,898 | 2,305 |
| LONG TERM ASSETS | | 338,422 | 289,132 |
| Assets held for sale (<1yr) | 26 | 50 | 360 |
| Short Term Investments | 29 | 28,973 | 30,872 |
| Stock | | 2 | 3 |
| Short Term Debtors | 30 | 9,031 | 9,474 |
| Cash and Cash Equivalents | 31 | 3,827 | 5,606 |
| CURRENT ASSETS | | 41,883 | 46,315 |
| Short Term Borrowing | 29 | (3,045) | (4,643) |
| Short Term Creditors | 32 | (11,145) | (10,734) |
| Short term Provisions | 33 | (621) | (1,337) |
| Grants Receipts in Advance | 22 | (361) | (361) |
| CURRENT LIABILITIES | | (15,172) | (17,075) |
| Long Term Borrowing | 29 | (82,085) | (83,520) |
| Other Long Term Liabilities | 20 | (70,707) | (49,412) |
| Grants Receipts in Advance | 22 | (3,460) | (5,201) |
| LONG TERM LIABILITIES | | (156,252) | (138,133) |
| NET ASSETS | | 208,881 | 180,239 |
| General Fund Balance | | (4,197) | (3,625) |
| Earmarked GF Reserves | 10 | (8,086) | (9,542) |
| Housing Revenue Account Balance | | (7,070) | (5,135) |
| Earmarked HRA Reserves | 10 | (4,400) | (4,400) |
| Capital Receipts Reserve | | (4,404) | (3,755) |
| Capital Grants Unapplied | | (274) | (340) |
| Major Repairs Reserve | | 0 | 0 |
| USEABLE RESERVES | | (28,431) | (26,797) |
| Accumulating Absences Account | 35 | 108 | 108 |
| Available-for-Sale Financial Instruments Reserve | 35 | (49) | 47 |
| Capital Adjustment Account | 35 | (204,711) | (187,434) |
| Collection Fund Adjustment Account | 35 | (392) | 397 |
| Deferred Capital Receipts | 35 | 0 | 0 |
| Financial Instrument Adjustment Reserve | 35 | 556 | 505 |
| Pensions Reserve | 35 | 70,707 | 49,412 |
| Revaluation Reserve | 35 | (46,669) | (16,477) |
| UNUSEABLE RESERVES | | (180,450) | (153,442) |
| TOTAL RESERVES | | (208,881) | (180,239) |

The Cash Flow Statement

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

| | Note | 2016/17 £'000 | 2015/16 £'000 |
|---|-----------|------------------|------------------|
| Cash Flows from Operating Activities | | | |
| Net Surplus/(Deficit) on Provision of Services | | (15,716) | 5,055 |
| Depreciation & Impairment | 25 | (9,352) | (2,820) |
| Changes in Market Value of Property, Plant & Equipment | 25 | 12,787 | (8,777) |
| Disposal of Assets | | 3,068 | (1,301) |
| Changes in Stock | | 1 | (3) |
| Changes in Debtors | 30 | 150 | 3,280 |
| Changes in Creditors | 32 | (411) | 1,151 |
| Changes in Provisions | 33 | 716 | (13) |
| Changes in Net Pension Liability | 20 | (2,654) | (3,033) |
| Other non-cash Movements | | (224) | 298 |
| Capital Grants Recognised | | (1,741) | 0 |
| Proceeds on Disposal of Property, Plant & Equipment | | 4,041 | 2,261 |
| Net Cash Flows from Operating Activities | | (9,335) | (3,902) |
| Cash Flows from Investing Activities | | | |
| Purchase of Property, Plant & Equipment | 25 | 16,319 | 10,716 |
| Purchase of short term and long term investments | 29 | (164) | 164 |
| Disposal of Intangible assets | | (33) | (197) |
| Proceeds from the Disposal of Property, Plant and Equipment | | (4,041) | (2,496) |
| Net Changes in Short-term and Long-term Investments | 29 | (1,899) | (4) |
| Net Cash Flows from Investing Activities | | 10,182 | 8,183 |
| Cash Flows from Financing Activities | | | |
| Changes in Grants and Contributions | 22 | (3,365) | (2,069) |
| Capital Grants and Contributions Recognised | | 1,741 | 1,739 |
| Cash Receipts of short term and long term borrowing | 29 | (1,598) | (1,446) |
| Repayments of short term and long term borrowing | | 1,915 | 1,087 |
| Cash payments for the reduction of the outstanding liabilities relating to finance leases | 28 | (361) | 361 |
| Changes in Council Tax and Business Rates Collected for Third Parties | | (83) | (565) |
| Net Cash Flows from Financing Activities | | (1,751) | (893) |
| Net Increase/Decrease in Cash and Cash Equivalents in the Period | | (904) | 3,388 |
| Cash and Cash Equivalents at the Beginning of the Period | | 2,923 | 6,311 |
| Cash and Cash Equivalents at the End of the Period | 31 | 3,827 | 2,923 |
| <i>Items included in net cash flow from operating activities include:</i> | | | |
| Interest Receivable and similar income | | (455) | (538) |
| Interest Payable (including Finance lease interest) | | 2,648 | 2,717 |
| | | 2,193 | 2,179 |

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Note 1. Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the authority's transactions for the 2016/17 financial year and its position at the year end of 31 March 2017. The authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and the Service Reporting Code of Practice 2016/17, supported by International Financial Reporting Standards (IFRS).

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

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 authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the authority.
- Revenue from the provision of services is recognised when the authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

1.3 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 authority's cash management.

1.4 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 authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

1.5 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.

The authority 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 authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance Minimum Revenue Payment (MRP) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

1.6 Council Tax and Non-domestic Rates

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

Accounting for Council Tax and NDR

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

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

1.7 Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the authority. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination benefits

Termination benefits are the amounts payable as a result of a decision by the authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement of Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits from the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits

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

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

The Local Government Pension Scheme

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

- The liabilities of the Devon County pension fund attributable to the authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using 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.
- The assets of Devon County pension fund attributable to the authority are included in the Balance Sheet at their fair value:
 - quoted securities - current bid price
 - unquoted securities - professional estimate
 - unitised securities - current bid price
 - Property - market value.

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

- **Service cost comprising:**
 - current service cost - the increase in liabilities as a result of years of service earned this year; allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
 - past service cost - the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years, debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Corporate Costs.
 - net interest on the net defined benefit liability i.e. net interest expense for the authority is 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 of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period - taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
- **Re-measurement comprising:**
 - the return on plan assets – excluding amounts included in the pensions interest cost and expected return on pension assets – 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.

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

Discretionary Benefits

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

1.8 Events after the Reporting Period

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

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

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

1.9 Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

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.

Financial guarantees are initially recorded at fair value and subsequently carried at this fair value less accumulated amortisation.

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 authority 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.

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

Loans and Receivables

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

However, the authority has made a number of loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that would be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance 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 is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement. The authority has applied De Minimis principles to its soft loans resulting in no entries being necessary.

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 de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-Sale Assets (Financial Instruments)

Available-for-sale assets are recognised on the Balance Sheet when the authority 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 authority.

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 – multiple valuation techniques (which include market approach, income approach and cost approach).

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.

- Level 3 inputs – unobservable inputs for the asset.

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 de-recognition 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).

1.10 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 authority when there is reasonable assurance that:

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

Amounts recognised as due to the authority 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. 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 authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the authority.

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

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

1.12 Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the authority as a joint operator recognises:

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

Exeter City authority, East Devon District authority and Teignbridge District authority each share control of Strata Service Solutions Ltd, which was incorporated on 15 May 2014 under the Companies Act 2006 for the provision of a shared Information Communications Technology service. The single entity financial statements for each authority reflect their respective shares of Strata Service Solutions Limited. However, the accompanying notes to the authority's

financial statements only include information relating to Strata Service Solutions Limited where this would make a material difference to the usefulness of those notes.

1.13 Long term contracts

Long term 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.

1.14 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.

1.14.1 The authority as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

1.14.2 The authority as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

Where the authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the 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.

1.15 Overheads and Support services

The costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance.

1.16 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.

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 authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

PPE Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- a de minimus level of £20,000 has been agreed for Capital. Expenditure. Any costs below are charged to revenue.
- 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.
- Where an item of Property, Plant and Equipment has major components whose costs is significant in relation to the total cost, the components are depreciated separately.

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

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

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

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

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

Where there is no market-based evidence of 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.

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.

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.

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 and charged in the year of disposal, but not acquisition:

- 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 valued at greater than £1,000,000 has major components whose cost is more than 20% in relation to the total cost of the item, the components are depreciated separately.

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

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale.

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any 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 is payable to the government. 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 authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of 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 Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

1.18 Reserves

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

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

1.19 Revenue Expenditure Funded from Capital under Statute

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

1.20 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.

1.21 Fair Value Measurement

The authority measures some of its non-financial assets such as surplus assets and some of its financial instruments such as equity shareholdings as fair value at each reporting date. Fair

value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the assets or transfer the liability takes place either:

- a) in the principal market for the assets or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The authority measures the fair value of the asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorized within the fair value hierarchy as follows:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

1.22 Community Infrastructure Levy (CIL)

The Community Infrastructure Levy (CIL) which was introduced by the planning Act 2008 and the Community Infrastructure Levy Regulations 2010(SI 2010/948) as amended, is a discretionary charge which the Council charges on new development in the area from 1 September 2016.

CIL charges are based on a formula which relates the charge to the size of the development. The proceeds of the levy are spent on infrastructure to support the development of the district. East Devon District Council is the chargeable body and collects the levy on behalf of Town and Parish councils.

CIL is recognised on an accruals basis at the commencement date of the development as part of Taxation and Non Specific Grant Income in the Comprehensive Income and Expenditure Statement.

CIL income applied to meet the administrative expenses of the scheme is recognised immediately in the Comprehensive Income and Expenditure Statement. Administrative expenses are charged to service revenue accounts in accordance with the requirements of the CIPFA Service Reporting Code of Practice 2016/17 (SeRCOP).

Note 2. Accounting Standards issued, Not Adopted

Under The Code of Practice on Local Authority Accounting disclosure of the impact of accounting standards issued but not yet adopted is required. The new standards that would require additional disclosures in the 2016/17 and 2017/18 financial statements are not applicable to the Council.

Note 3. Critical Judgements in Applying Accounting Policies

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the authority has determined that this uncertainty is not sufficient to provide an indication that the assets of the authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The authority's leisure centres and leisure service is operated by LED Ltd, a charitable organisation that leases and operates the leisure centres previously run by the authority. It has been determined that the authority does not have control of the Trust and it is not a subsidiary of the authority.
- With the introduction of Business Rate Retention, the authority 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.
- Strata Service Solutions Ltd is a registered company which has been established to assist the three authorities; Exeter City authority, East Devon District authority and Teignbridge District authority, in the provision and operation of shared ICT services. It is deemed to be a joint operation due to the inherent rights to the assets and obligations for liabilities each authority has relating to the joint arrangement, based upon the following facts and circumstances:
 - The three authorities have joint control of the entity. Each authority has one nominated Director and each Director has one vote. The Directors are responsible for the management of the Company's business, for which purpose they may exercise all the powers of the company with decisions made collectively and unanimously.
 - The Company is required by the authority to carry out the tasks as set out in the Business Plans and Service Plans and is limited to the business and objectives as set by the authority.
 - The Company's revenue derives from the financial allocations set and controlled by each of the authorities.
 - There are no current plans for Strata to do anything other than provide services to the three authorities. The Company has been established as an in-house mutual trading local authority controlled company to assist them in the provision of services.

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

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 authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the authority's Balance Sheet at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

| Item | Uncertainties | Effect if Actual Results Differ from Assumptions |
|--------------------------------------|---|--|
| Property, Plant and Equipment | Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate introduces a risk for local authorities to sustain its current spending on repairs and maintenance, bringing into consideration of 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 £3.912m for all the authority'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 authority 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 1 year increase in member life expectancy assumption would result in an increase in the pension liability of £5.010m. |
| | | |

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 and Prior Year Adjustments

There were no material items to be disclosed on the face of the Comprehensive Income and Expenditure Statement in 2016/17.

Note 6. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Strategic Lead - Finance on 30 June 2017 and are likely to be signed off on 21 September 2017. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Note 7A. Note to the Expenditure and Funding Analysis

| | 2016/17 | | | | 2015/16 | | | |
|---|--|--|----------------------|----------------------|--|--|----------------------|----------------------|
| | Adjustments for CAPITAL Purposes | Net change for the PENSIONS Adjustments | OTHER Differences | Total Adjustments | Adjustments for CAPITAL Purposes | Net change for the PENSIONS Adjustments | OTHER Differences | Total Adjustments |
| Corporate Business | 0 | 3 | 0 | 3 | 0 | 3 | 0 | 3 |
| Corporate Services | 0 | 28 | 0 | 28 | 0 | 55 | 0 | 54 |
| Economy | (1,280) | 70 | 0 | (1,210) | 1,777 | 101 | 0 | 1,878 |
| Environment - General | (2,876) | 103 | 0 | (2,773) | 6,791 | 147 | 0 | 6,938 |
| Environment - Street Scene | 1,873 | 150 | 0 | 2,023 | 2,354 | 200 | 0 | 2,554 |
| Finance | 0 | 146 | 0 | 146 | 0 | 205 | 0 | 205 |
| Strategic Development & Partnership | 0 | 136 | 0 | 136 | 0 | 189 | 0 | 189 |
| Sustainable Homes & Communities | 631 | 31 | 0 | 662 | 717 | 46 | 0 | 764 |
| STRATA | 0 | 136 | 0 | 136 | 210 | 169 | 0 | 379 |
| Housing Revenue Account | (829) | 158 | 0 | (671) | 579 | 217 | 0 | 796 |
| NET COST OF SERVICES | (2,481) | 961 | 0 | (1,520) | 12,428 | 1,332 | 0 | 13,760 |
| Other Income and Expenditure | (14,100) | 1,693 | (738) | (13,145) | (10,213) | 1,691 | 51 | (8,471) |
| Difference between GF surplus/Deficit and CI&ES Surplus/Deficit on Provision of Services | (16,581) | 2,654 | (738) | (14,665) | 2,215 | 3,023 | 51 | 5,289 |

Adjustments for Capital purposes:

- Depreciation, impairments and revaluation gains and losses are added in the service lines;
- Statutory charges for capital financing are deducted from service lines i.e. Minimum Revenue Provision and other revenue contributions;
- Net gains on disposal of non-current assets are added to other operating expenditure;
- Capital Grants applied to capital expenditure are added to taxation and non-specific grant income.

Net change for Pensions adjustments:

- Employer contributions made by the Council are reversed from the service lines and replaced with current and past service costs as per IAS19
- Net interest on the defined benefit liability is charged to Financing and investment income and expenditure.

Allocation of other income and expenditure:

- Interest payable and receivable reported under Corporate and Central is moved to Financing and investment income and expenditure;
- Trading operations reported under Development and Regulation are moved to Financing and investment income and expenditure;
- Disposals not linked to an asset are charged to the service line.

Other adjustments:

- Timing differences for Council tax and Business rate income charged to taxation and non-specific grant income;
- Timing differences for premiums and discounts reported under Corporate and Central;
- Charge to service lines for Unpaid Absences.

The adjustments cover those set out in Note 9 and reclassifications of transactions that are managed by a particular service but are required to be reported corporately as Other Income and Expenditure in the CIES.

Note 7b. Segmental Income and Expenditure

| 2016/17 | Corporate Services | Economy | Environment General | Environment Street Scene | Finance | Strategic Development & Partnership | Sustainable Homes & Communities | Housing Revenue Account | STRATA |
|---------------------------------|--------------------|---------|---------------------|--------------------------|----------|-------------------------------------|---------------------------------|-------------------------|--------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Expenditure | | | | | | | | | |
| Benefit payment | 0 | 0 | 0 | 30,952 | 0 | 0 | 0 | 0 | 0 |
| Revenue contribution to capital | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 4,540 | 0 |
| Interest paid | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,552 | 47 |
| Depreciation/Impairment | 0 | (1,510) | (2,876) | 1,711 | 0 | 0 | 29 | 6,224 | 334 |
| Income | | | | | | | | | |
| Benefits subsidy | 0 | 0 | 0 | 0 | (31,209) | 0 | 0 | 0 | 0 |
| Car park income | 0 | 0 | (3,291) | 0 | 0 | 0 | 0 | 0 | 0 |
| Income from external sources | (818) | (1,574) | (884) | (2,181) | (1,393) | (2,151) | (2,206) | (35,715) | (142) |
| Income from internal sources | (4,053) | (1,404) | (559) | (2,088) | (2,395) | (606) | (110) | (426) | 0 |

7b) Segmental Income and Expenditure

| 2015/16 | Corporate Services | Economy | Environment General | Environment Street Scene | Finance | Strategic Development & Partnership | Sustainable Homes & Communities | Housing Revenue Account | STRATA |
|---------------------------------|--------------------|---------|---------------------|--------------------------|----------|-------------------------------------|---------------------------------|-------------------------|--------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Expenditure | | | | | | | | | |
| Benefit payment | 0 | 0 | 0 | 0 | 31,614 | 0 | 0 | 0 | 0 |
| Revenue contribution to capital | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 4,788 | 0 |
| Interest paid | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,559 | 51 |
| Depreciation/Impairment | 0 | 98 | 647 | 1,598 | 0 | 0 | 208 | 140 | 325 |
| Income | | | | | | | | | |
| Benefits subsidy | 0 | 0 | 0 | 0 | (31,874) | 0 | 0 | 0 | 0 |
| Car park income | 0 | 0 | (3,202) | 0 | 0 | 0 | 0 | 0 | 0 |
| Income from external sources | (1,024) | (1,614) | (719) | (1,991) | (1,429) | (2,042) | (1,052) | (18,940) | (150) |
| Income from internal sources | (3,376) | (1,280) | (518) | (1,958) | (2,320) | (583) | (263) | (411) | 0 |

Note 8. Expenditure and Income Analysed by Nature

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

| | 2016/17 | 2015/16 |
|---|------------------|-----------------|
| | £'000 | £'000 |
| Expenditure | | |
| Employee benefits expenses | 16,585 | 18,025 |
| Other services expenses | 54,549 | 60,679 |
| Support Services recharges | 11,367 | 10,709 |
| Depreciation, amortisation, impairment | 799 | 7,791 |
| Interest payments | 4,393 | 2,717 |
| Precepts and levies | 2,739 | 2,326 |
| Payments to the Housing Capital receipts pool | 436 | 440 |
| Total expenditure | 90,868 | 102,687 |
| Income | | |
| Fees and charged and other service income | (28,534) | (31,950) |
| Revaluations | (5,296) | 0 |
| Interest and investment income | (461) | (538) |
| Income from council tax, non-domestic rates, district rate income | (13,759) | (12,313) |
| Government grants and contributions | (45,913) | (41,328) |
| Gain on the disposal of assets | (980) | (794) |
| Support Services recharges | (11,641) | (10,709) |
| Support Services recharges | (106,584) | (97,632) |
| Surplus or Deficit on the Provision of Services | (15,716) | 5,055 |

Note 9. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the authority in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the authority to meet future capital and revenue expenditure and sets out a description of the reserves that the adjustments are made against.

General Fund Balance

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

Housing Revenue Account Balance

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the council's landlord function (or where in deficit) that is required to be recovered from tenants in future years.

Major Repairs Reserve

The authority is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to be used on capital expenditure by the HRA. There nil balance shows there are no capital resources yet to be applied at year end.

Capital Receipts Reserve

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

Capital Grants Unapplied

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

Note 9. Adjustments between Accounting Basis and Funding Basis under Regulations

| | General Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied Account | Total Useable Reserves |
|---|-------------------------|-------------------------------|-----------------------------|--------------------------|--|---------------------------|
| 2016/17 | £000 | £000 | £000 | £000 | £000 | £000 |
| Adjustments primarily involving the Capital Adjustment Account: | | | | | | |
| Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement: | | | | | | |
| Charges for Depreciation & impairment of non-current assets | (3,090) | (6,224) | 0 | 0 | 0 | (9,314) |
| Revaluation Losses on Property Plant & Equipment | 5,735 | 7,052 | 0 | 0 | 0 | 12,787 |
| Capital grants contributions applied | 1,610 | 1,418 | 0 | 0 | 0 | 3,028 |
| Revenue Expenditure Funded from Capital under Statute | (993) | 0 | 0 | 0 | 0 | (993) |
| Amounts of non-current assets written off on disposal or sale as part of gains/loss on disposal to the Comprehensive Income and Expenditure Statement | (373) | (2,376) | 0 | 0 | 0 | (2,749) |
| Adjustment for share of donated assets | (370) | | 0 | 0 | 0 | (370) |
| Insertion of items not debited or credited to the Comprehensive Expenditure and Income: | | | | | | |
| Statutory provision for the financing of capital investment (MRP) | 61 | 1,490 | 0 | 0 | 0 | 1,551 |
| Capital expenditure charged against the General Fund and HRA balances | 4,668 | 266 | 0 | 0 | 0 | 4,934 |
| Adjustments primarily involving the Capital Grants Unapplied Account: | | | | | | |
| Capital grants & contributions unapplied credited to the Comprehensive Income and Expenditure Statement | 138 | 0 | 0 | 0 | (138) | 0 |
| Application of grants to capital financing transferred to the Capital Adjustment Account | 0 | 0 | 0 | 0 | 204 | 204 |
| Adjustments primarily involving the Capital Receipts Reserve: | | | | | | |
| Transfer of cash sale proceeds credited as part of gains/loss on disposal to the Comprehensive Income and Expenditure Statement | 301 | 3,429 | (3,730) | 0 | 0 | 0 |
| Use of Capital Receipts Reserve to finance new capital expenditure | 0 | 0 | 2,723 | 0 | 0 | 2,723 |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool | (436) | 0 | 436 | 0 | 0 | 0 |
| Repayment of loans | 0 | 0 | (78) | 0 | 0 | (78) |
| Adjustments primarily involving the Major Repairs Reserve: | | | | | | |
| Reversal of Major Repairs Allowance credited to the HRA | 0 | 4,274 | 0 | (4,274) | 0 | 0 |
| Use of Major Repairs Reserve to finance new capital expenditure | 0 | 0 | 0 | 4,274 | 0 | 4,274 |
| Adjustments primarily involving the Financial Instruments Adjustment Account: | | | | | | |
| Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from the finance costs chargeable in the year in accordance with statutory requirements | (51) | 0 | 0 | 0 | 0 | (51) |
| Adjustments primarily involving the Pensions Reserve: | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement | (3,885) | (843) | 0 | 0 | 0 | (4,728) |
| Employer's pensions contributions & direct payments to pensioners payable in the year | 1,829 | 382 | 0 | 0 | 0 | 2,211 |
| Net Interest Defined liability | (136) | | 0 | 0 | 0 | (136) |
| Adjustments primarily involving the Collection Fund Adjustment Account: | | | | | | |
| Amount by which council tax income and non-domestic rate income credited to the CIES is different from the council tax income calculated in the year in accordance with statutory requirements | 789 | 0 | 0 | 0 | 0 | 789 |
| Adjustments between accounting basis and Funding Basis under regulations | 5,797 | 8,868 | (649) | 0 | 66 | 14,082 |

Note 9. Adjustments between Accounting Basis and Funding Basis under Regulations

| 2015/16 | General Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied Account | Total Useable Reserves |
|--|----------------------|-------------------------|--------------------------|-----------------------|----------------------------------|------------------------|
| £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement: | | | | | | |
| Charges for Depreciation & impairment of non-current assets | (2,551) | (140) | 0 | 0 | 0 | (2,691) |
| Revaluation Gain/ Losses on Property Plant & Equipment | (8,339) | (439) | 0 | 0 | 0 | (8,778) |
| Capital grants contributions applied | 1,666 | 0 | 0 | 0 | 0 | 1,666 |
| Revenue Expenditure Funded from Capital under Statute (England and Wales) | (749) | 0 | 0 | 0 | 0 | (749) |
| Amounts of non-current assets written off on disposal or sale as part of gains/loss on disposal to the Comprehensive Income and Expenditure Statement | (265) | (1,036) | 0 | 0 | 0 | (1,301) |
| Adjustment for share of Donated Assets | (210) | 0 | 0 | 0 | 0 | (210) |
| Insertion of items not debited or credited to the Comprehensive Expenditure and Income: | | | | | | |
| Statutory provision for the financing of capital investment = MRP | 419 | 1,029 | 0 | 0 | 0 | 1,448 |
| Capital expenditure charged against the General Fund and HRA balances | 1588 | 24 | 0 | 0 | 0 | 1,612 |
| Adjustment primarily involving the Capital Grants Unapplied Account: | | | | | | |
| Capital grants & contributions unapplied credited to the Comprehensive Income and Expenditure Statement | 203 | 0 | 0 | 0 | (203) | 0 |
| Application of grants to capital financing transferred to the Capital Adjustment Account | 0 | 0 | 0 | 0 | 1,037 | 1,037 |
| 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 | 489 | 1772 | (2,261) | 0 | 0 | 0 |
| Use of Capital Receipts Reserve to finance new capital expenditure B728 | 0 | 0 | 1,192 | 0 | 0 | 1,192 |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool | (440) | 0 | 440 | 0 | 0 | 0 |
| Repayment of loans | 0 | 0 | (234) | 0 | 0 | (234) |
| 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 | 0 | (1) | 0 | 0 | (1) |
| Adjustments primarily involving the Major Repairs Reserve: | | | | | | |
| Reversal of Major Repairs Allowance credited to the HRA | 0 | 4,764 | 0 | (4,764) | 0 | 0 |
| Use of Major Repairs Reserve to finance new capital expenditure | 0 | 0 | 0 | 4,764 | 0 | 4,764 |
| Adjustments primarily involving the Financial Instruments Adjustment Account: | | | | | | |
| Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from the finance costs chargeable in the year in accordance with statutory requirements | (432) | 0 | 0 | 0 | 0 | (432) |
| Adjustments primarily involving the Pensions Reserve: | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement | (4,087) | (875) | 0 | 0 | 0 | (4,962) |
| Employer's pensions contributions & direct payments to pensioners payable in the year | 1,582 | 357 | 0 | 0 | 0 | 1,939 |
| Adjustments primarily involving the Collection Fund Adjustment Account: | | | | | | |
| Amount by which council tax income and residual community charge adjustment credited to the CIES is different from the council tax income calculated in the year in accordance with statutory requirements | 300 | 0 | 0 | 0 | 0 | 300 |
| Adjustment primarily involving the Accumulated Absences Account: | | | | | | |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from the remuneration chargeable in the year in accordance with statutory requirements | 70 | 11 | 0 | 0 | 0 | 81 |
| Adjustments between accounting basis and Funding Basis under regulations | (10,756) | 5,467 | (864) | 0 | 834 | (5,319) |

Note 10. 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 2016/17.

| | Balance at 31 March 2015 | Transfers In | Transfers out | Balance at 31 March 2016 | Transfers In | Transfers out | Balance as at 31 March 2017 |
|--------------------------------------|--------------------------------|----------------|---------------|--------------------------------|----------------|---------------|-----------------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Earmarked Reserves | | | | | | | |
| Asset Maintenance Reserve | (1,102) | 0 | 67 | (1,035) | 0 | 38 | (997) |
| General Capital Reserve | (2,038) | (1,144) | 777 | (2,405) | (2,470) | 4,875 | 0 |
| New Homes Bonus Reserve | 0 | (1,031) | 1,031 | 0 | 0 | 0 | 0 |
| Sea Cadet Cap Res Ext 201516 | 0 | (50) | 0 | (50) | (9) | 59 | 0 |
| Capital Reserve IT projects | (67) | 0 | 32 | (35) | 0 | 1 | (34) |
| Total Capital Reserves | (3,207) | (2,225) | 1,907 | (3,525) | (2,479) | 4,973 | (1,031) |
| Transformation fund | (350) | (226) | 47 | (530) | 0 | 47 | (483) |
| New Homes Bonus Volatility Reserve | (1,166) | (265) | 0 | (1,431) | 0 | 0 | (1,431) |
| Business Rates Volatility Reserve | (1,069) | (314) | 449 | (933) | 0 | 294 | (639) |
| IT website development reserve | (386) | 0 | 64 | (322) | 0 | 37 | (285) |
| Community Led housing reserve | 0 | 0 | 0 | 0 | (1,210) | 0 | (1,210) |
| Revenue Reserves less than £250k | (2,890) | (646) | 956 | (2,580) | (907) | 774 | (2,713) |
| STRATA Reserves | (388) | (114) | 281 | (221) | (73) | 0 | (294) |
| General Fund Revenue reserves | (6,249) | (1,565) | 1,797 | (6,017) | (2,190) | 1,152 | (7,055) |
| HRA Business Plan Volatility Reserve | (3,400) | (1,000) | 0 | (4,400) | 0 | 0 | (4,400) |
| Total HRA Earmarked Reserves | (3,400) | (1,000) | 0 | (4,400) | 0 | 0 | (4,400) |
| TOTAL Earmarked Reserves | (12,856) | (4,790) | 3,704 | (13,942) | (4,669) | 6,125 | (12,486) |

The **Asset Maintenance Reserve** is for asset refurbishment in excess of normal planned maintenance and any backlogged maintenance.

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

The **New Homes Bonus Reserve** funded from central government grant, is used for funding capital spend.

The **Sea cadets Reserve** was used during 2016/17 to complete the project.

The **Capital Reserve IT Projects Reserve** holds funds for spending on the website and other IT projects in 2017/18.

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

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

The **Business Rates Volatility Reserve** has been established for revenue funding in future years.

The **Building Control Enhancements Reserve** is from surpluses for service enhancement in future years.

Growth Point Reserves are holding external grant income for the Growth Point team for 2017/18.

The **Homelessness Reserve** was established from specific government grants to support homelessness initiatives in future years.

The **Capital Reserve IT Projects Reserve** holds funds for spending on the website and other IT projects in 2017/18.

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

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

The **IT Website Development Reserve** holds funds for spending on the website in 2017/16.

The **Business Rates Volatility Reserve** has been established for revenue funding in future years.

The **Community led Housing Reserve** was established from a specific government grant to support housing initiatives in future years.

The balance of **Revenue Reserves** <£250k are various revenue reserves established from external income with no conditions attached set aside to provide specific services in future years.

The **Strata Useable Reserves** represents our share of the useable funds held from the Strata joint operation.

Note 11. Other Operating Expenditure

| | 2016/17 | 2015/16 |
|--|--------------|--------------|
| Other Operating Expenditure | £000 | £000 |
| Town and Parish precepts | 2,739 | 2,326 |
| Payments to Government Housing Capital Receipts Pool | 436 | 440 |
| Gain/loss on disposal of non-current assets | (979) | (960) |
| Net loss/(gain) on share of Donated Assets | 0 | 166 |
| | 2,196 | 1,972 |

Note 12. Financing and Investment Income and Expenditure

| | 2016/17 | 2015/16 |
|--|--------------|--------------|
| Financing and Investment Income and Expenditure | £000s | £000s |
| Interest Payable and similar charges | 50 | 87 |
| Interest on loans | 2,598 | 2,630 |
| Net interest on the net defined benefit liability | 1,741 | 1,743 |
| Interest Receivable and similar income | (455) | (538) |
| | 3,934 | 3,922 |

Note 13. Taxation and Non Specific Grant Income and Expenditure

| | 2016/17 | 2015/16 |
|---|-----------------|-----------------|
| Taxation and Non-Specific Grant Income | £000s | £000s |
| Council tax income | (9,893) | (9,247) |
| Town & Parish Council Tax Support Grant | 98 | 136 |
| Non Domestic Rates | (3,866) | (3,202) |
| Non ring-fenced government grants | (5,869) | (5,113) |
| Capital grants and contributions | (2,270) | (926) |
| | (21,800) | (18,352) |

Note 14. Trading Services

The authority 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 authority or other organisations. All services are incorporated into the Comprehensive Income and Expenditure Statement under the relevant service within Cost of Services. Details are as follows:

| | 2016/17 | | | 2015/16 | | |
|--|----------------------|-----------------|----------------------|----------------------|-----------------|----------------------|
| | Expenditure £'000 | Income £'000 | Expenditure £'000 | Expenditure £'000 | Income £'000 | Expenditure £'000 |
| The authority manages the Building Control Service . The trading objective is to break even. | 497 | (498) | (1) | 476 | (477) | (1) |
| The authority manages the Land Charges Service . The trading objective is to break even. | 253 | (258) | (5) | 180 | (370) | (190) |
| The authority lets 40 units in Industrial Estates located in various parts of the district. As part of the authority's economic development strategy, tenant leases are flexible to allow easy in/out arrangements. | 134 | (268) | (134) | 257 | (231) | 26 |
| The authority manages a Home safeguard Service providing alarms and support for vulnerable residents. The trading objective is to at least break even. | 496 | (798) | (302) | 537 | (954) | (417) |
| Total Cost of Services | 1,380 | (1,822) | (442) | 1,450 | (2,032) | (582) |

Note 15. Statutory Harbour authority – Axmouth Harbour

East Devon District authority is the Harbour authority for the Axmouth Harbour.

An annual Statement of Account relating to harbour activities is required to be prepared, in accordance with the 1964 Harbours Act.

| Axmouth Harbour | 2016/17 | 2015/16 |
|---|----------------|----------------|
| | £'000 | £'000 |
| Income | | |
| Fees and Charges | (6) | (6) |
| Expenditure | | |
| Premises | 3 | 3 |
| Support Services | 5 | 5 |
| Capital Charges | 30 | 30 |
| Net cost of Harbour Activities as included in the Comprehensive Income and Expenditure Statement | 32 | 32 |

Note 16. Community Infrastructure Levy (CIL)

The Council has elected to charge a Community Infrastructure Levy (CIL) from 1st September 2016. The levy is charged on new builds (chargeable developments within the Council's administrative area) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, health, and education projects) to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions.

The Council received £2k CIL of which £0.3k (15%) will be paid to Parish and Town Councils and £0.1k (5%) applied to costs of administration and collection. The balance of £1.6k has been retained and is unapplied Capital contributions in 2016/17.

Note 17. Members' Allowances

The authority paid the following amounts to members of the authority during the year:

| Members Allowances | 2016/17 | 2015/16 |
|---------------------------|----------------|----------------|
| | £'000 | £'000 |
| Allowances | 360 | 363 |
| Expenses | 28 | 36 |
| Total | 388 | 399 |

Note 18. Officers' Remuneration

The remuneration paid to the Council's senior employees in 2016/17 was as follows:

| 2016/17 | Salary (Including Fees & Allowances) £ | Expenses Reimbursed £ | Benefits in Kind (e.g. Lease Car) £ | Total Remuneration Excluding Pension Contributions £ | Pension Contributions £ | Total Remuneration £ |
|---|---|--------------------------|--|---|----------------------------|-------------------------|
| <u>Posts Employed for Full Year</u> | | | | | | |
| Chief Executive | 113,549 | 0 | 0 | 113,549 | 21,366 | 134,915 |
| Deputy C. Exec | 89,939 | 0 | 0 | 89,939 | 16,853 | 106,792 |
| Strategic Lead - Finance | 79,534 | 0 | 0 | 79,534 | 14,876 | 94,410 |
| Strategic Lead - OD | 69,209 | 0 | 0 | 69,209 | 12,944 | 82,153 |
| Strategic Lead - Legal, Licensing & Member Services | 62,965 | 0 | 0 | 62,965 | 11,963 | 74,928 |
| Strategic Lead - Housing and Environment | 79,688 | 0 | 0 | 79,688 | 14,905 | 94,593 |
| East of Exeter Projects Director | 66,889 | 0 | 0 | 66,889 | 12,474 | 79,363 |
| Service Lead - Revenues & Benefits | 55,863 | 0 | 0 | 55,863 | 10,493 | 66,355 |
| Service Lead - Environmental Health & Car parks | 63,542 | 0 | 0 | 63,542 | 11,838 | 75,380 |
| Service Lead - Street Scene | 54,459 | 0 | 0 | 54,459 | 10,112 | 64,571 |
| Service Lead - Planning Strategy & Development Management | 61,675 | 0 | 0 | 61,675 | 11,718 | 73,393 |
| Service Lead - Countryside & Leisure | 56,463 | 0 | 0 | 56,463 | 10,493 | 66,956 |
| <u>Posts Employed for Part Year</u> | | | | | | |
| Service Lead - Regeneration & Property (Feb 17 onwards) | 6,081 | 0 | 0 | 6,081 | 1,155 | 7,237 |

The annualised salaries for posts employed during part of the year were: (1) Service Lead - Regeneration & Property (February 2017 onwards) - £55,224

The remuneration paid to the Council's senior employees in 2015/16 was as follows:

| 2015/16 | Salary (Including Fees & Allowances) £ | Expenses Reimbursed £ | Benefits in Kind (e.g. Lease Car) £ | Total Remuneration Excluding Pension Contributions £ | Pension Contributions £ | Total Remuneration £ |
|---|---|--------------------------|--|---|----------------------------|-------------------------|
| <u>Posts Employed for Full Year</u> | | | | | | |
| Chief Executive | 115,961 | 0 | 0 | 115,961 | 24,218 | 140,179 |
| Deputy C. Exec | 89,061 | 0 | 0 | 89,061 | 16,686 | 105,747 |
| Strategic Lead - Finance | 78,759 | 0 | 0 | 78,759 | 14,729 | 93,488 |
| Strategic Lead - OD | 63,903 | 0 | 0 | 63,903 | 11,863 | 75,766 |
| Strategic Lead - Legal, Licensing & Member Services | 59,787 | 0 | 0 | 59,787 | 11,360 | 71,147 |
| Strategic Lead - Housing and Environment | 78,911 | 0 | 0 | 78,911 | 14,758 | 93,669 |
| East of Exeter Projects Director | 66,239 | 0 | 0 | 66,239 | 12,350 | 78,589 |
| Service Lead - Revenues & Benefits | 53,096 | 0 | 0 | 53,096 | 9,903 | 62,999 |
| Service Lead - Environmental Health & Car parks | 59,743 | 0 | 0 | 59,743 | 11,116 | 70,858 |
| Service Lead - Street Scene | 52,053 | 0 | 0 | 52,053 | 9,655 | 61,707 |
| Service Lead - Planning Strategy & Development Management | 52,122 | 0 | 0 | 52,122 | 9,903 | 62,025 |
| Service Lead - Countryside & Leisure | 53,361 | 0 | 0 | 53,361 | 9,903 | 63,264 |

Remuneration of Employees

There were no employees earning over £50,000 other than senior officers already mentioned in the note above.

Note 19. Termination Benefits

The number of exit packages, with total cost per band and total cost of compulsory/other redundancies are set out in the table below.

| Exit Package Cost Band (including special payments) | Number of Compulsory Redundancies | | Number of Other Departures Agreed | | Total number of Exit Packages by Cost Band | | Total Cost of Exit Packages in Each Band £'000 | |
|--|-----------------------------------|----------|-----------------------------------|-----------|--|-----------|---|------------|
| | 2016/17 | 2015/16 | 2016/17 | 2015/16 | 2016/17 | 2015/16 | 2016/17 | 2015/16 |
| £0 - £20,000 | 0 | 1 | 5 | 8 | 5 | 9 | 26 | 26 |
| £20,001 - £40,000 | 0 | 0 | 0 | 1 | 0 | 1 | 0 | 38 |
| £40,001 - £60,000 | 0 | 0 | 0 | 2 | 0 | 2 | 0 | 93 |
| £60,001 - £80,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| £80,000 - £100,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| £100,000 - £150,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| £150,000< | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 0 | 1 | 5 | 11 | 5 | 12 | 26 | 157 |

Note 20. Defined Benefit Pension Schemes

20.1 Participation in Pension Schemes

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

The authority participates in two post-employment schemes:

- The Local Government Pension Scheme, administered locally by Devon County authority
This is a funded defined benefit final salary scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.
- 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 pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, and structural changes to the scheme (i.e. large scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and the Housing Revenue Account the amounts required by statute as described in the accounting policies note.

20.2 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 and Housing Revenue Account via the Movement in Reserves Statement.

20.2 Transactions Relating to Post-employment Benefits

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:

| | 2016/17 | 2015/16 |
|---|----------------|----------------|
| | £'000 | £'000 |
| Comprehensive Income & Expenditure Statement | | |
| Cost of Services: | | |
| Current Service Cost | 3,169 | 3,390 |
| Past Service Cost/(Gain) – Including Curtailments | 0 | 80 |
| Administration Expense | 47 | 31 |
| Financing and Investment Income and Expenditure: | | |
| Net Interest Expense | 1,741 | 1,742 |
| Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services | 4,958 | 5,243 |
| Other Comprehensive Income & Expenditure: | | |
| Return on Plan Assets (excluding amounts included in net interest expense) | (11,194) | 2,143 |
| Actuarial (Gains) & Losses Arising on Changes in Demographic Assumptions | (141) | 0 |
| Actuarial Gains & Losses Arising on Changes in Financial Assumptions | 30,785 | (9,480) |
| Experience(Gain)/loss on defined benefit obligation | (2,363) | (1) |
| Other actuarial (Gains) & Losses on assets | 1,555 | 0 |
| Total Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement | 18,642 | (7,338) |
| | 2016/17 | 2015/16 |
| | £'000 | £'000 |
| Movement in Reserves Statement | | |
| Reversal of net charges made to the Surplus or Deficit for the Provision of Services for Post-Employment Benefits in accordance with the Code | (4,958) | (5,243) |
| Employer's Contributions Payable to the Pension Scheme | 2,305 | 2,220 |
| Total | (2,653) | (3,023) |

20.3 Pensions Assets and Liabilities Recognised in the Balance Sheet

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

| | 2016/17 | 2015/16 |
|---|-----------------|-----------------|
| | £'000 | £'000 |
| Pension Assets & Liabilities Recognised in the Balance Sheet | | |
| Present value of the defined benefit obligation | (155,268) | (122,718) |
| Fair value of plan assets | 85,740 | 74,426 |
| Sub-total | (69,528) | (48,292) |
| Other movements in the liability | (1,179) | (1,120) |
| Net liability arising from defined benefit obligation | (70,707) | (49,412) |
| Assets and Liabilities in relation to Retirement Benefits | | |

Reconciliation of present value of scheme liabilities and assets are set out below:

| | 2016/17 | 2015/16 |
|--|------------------|------------------|
| | £'000 | £'000 |
| Reconciliation of Present Value of Scheme Liabilities | | |
| Liabilities as of the Beginning of the Period | (123,838) | (129,148) |
| Current Service Cost | (3,169) | (3,390) |
| Interest Cost | (4,410) | (4,214) |
| Contributions by Scheme Participants | (774) | (734) |
| Change in financial assumptions | (30,785) | 9,480 |
| Change in demographic assumptions | 141 | 0 |
| Experience (Losses)/Gains on defined benefit obligation | 2,363 | 1 |
| Losses on Curtailments | 0 | (80) |
| Benefits Paid | 4,025 | 4,247 |
| Past Service Costs | 0 | 0 |
| Liabilities as of the End of the Period | (156,446) | (123,838) |

| | 2016/17 | 2015/16 |
|--|---------------|---------------|
| | £'000 | £'000 |
| Reconciliation of Fair Value of Scheme Assets | | |
| Assets as of the Beginning of the Period | 74,426 | 75,421 |
| Interest on Assets | 2,669 | 2,472 |
| Return assets less interest | 11,194 | (2,143) |
| Actuarial Gains/(Losses) | (1,555) | 0 |
| Administration expenses | (47) | (31) |
| Employer Contributions | 2,305 | 2,220 |
| Contributions by Scheme Participants | 774 | 734 |
| Benefits Paid | (4,025) | (4,247) |
| Assets as of the End of the Period | 85,740 | 74,426 |

Impact on the Council's cash Flow

The liabilities show the underlying commitments that the authority has in the long run to pay post-employment (retirement) benefits. The total liability of £156.446m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative overall balance of £70.707m.

However, statutory arrangements for funding the deficit mean that the financial position of the authority 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 authority in the year to 31 March 2018 is £2.436m.

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

Sensitivity Analysis

Funding levels are monitored on an annual basis, with the last triennial review and valuation completed at 31 March 2016. The fund liability may go up and down depending on assumptions applied.

Measurement of Pension Liability

The present value of the pension liability depends on a number of factors that are determined on an actuarial basis and the value of the underlying assets. The actual liability of the Council will continue to be subject to volatility, as a result of a number of factors.

The estimated effects of the changes in the key individual assumptions in determining the net pension liability would increase the Council's pension liability as of 31 March 2017 as follows:

| Sensitivity Analysis | £'m |
|--|------------|
| 0.1% increase in the real discount rate | 4.736 |
| 1 year increase in member life expectancy | 5.010 |
| 0.1% increase in the salary increase rate | 4.885 |
| 0.1% increase in the pension increase rate | 4.977 |

The above table presents the changes in key assumptions in isolation. The information is only indicative of the estimated impact as the assumptions interact in complex ways.

20.4 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 authority Pension Fund being based on the latest full valuation of the scheme as at 31 March 2016.

The principal assumptions used by the actuary in the calculations are:

| Principal Assumptions | 2016/17 | 2015/16 |
|--|----------------|----------------|
| | % | % |
| Rate of inflation: RPI | 3.6 | 3.2 |
| Rate of inflation :CPI | 2.7 | 2.3 |
| Rate of increase in salaries | 4.2 | 4.1 |
| Rate of increase In pensions | 2.7 | 2.3 |
| Rate of discounting scheme liabilities | 2.7 | 3.6 |

These assumptions are set with reference to market conditions as at 31 March 2017.

The estimated duration of Employer's liabilities is 18 years.

The discount rate is the annualised yield at the 18 year point on the Merrill Lynch AA-rated corporate bond yield curve which has been chosen to meet the requirements of IAS19 and with consideration of the duration of the Employer's liabilities.

The Retail Prices Index (RPI) increase assumption is set based on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England (BoE), specifically the 18 year point on the BoE market implied inflation curve.

Future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI.

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

| Mortality Assumptions | 2016/17 | 2015/16 |
|--|----------------|----------------|
| | Years | Years |
| Longevity at 65 for current pensioners | | |
| Men | 23.4 | 22.9 |
| Women | 25.5 | 26.2 |
| Longevity at 65 for future pensioners | | |
| Men | 25.6 | 25.2 |
| Women | 27.8 | 28.6 |

The following assumptions have been made:

- Members will exchange half of their commutable pension for cash at retirement.
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age.
- Members opted-in to the 50:50 section at the previous valuation date will continue in this section.

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

| Estimated Asset Allocation | 2016/17 | 2015/16 |
|--------------------------------------|----------------|----------------|
| | % | % |
| Equity investments (UK and overseas) | 59 | 56 |
| Gilts | 3 | 3 |
| Property and infrastructure | 13 | 15 |
| Target Return Portfolio | 15 | 15 |
| Cash | 3 | 2 |
| Other bonds | 2 | 3 |
| Alternative assets | 5 | 6 |
| Total | 100 | 100 |

Note 21. External Audit Costs

The authority 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 authority's external auditors:

| External Audit Costs | 2016/17 | 2015/16 |
|--|----------------|----------------|
| | £'000 | £'000 |
| External audit services carried out by KPMG LLP for the year | 51 | 51 |
| External audit services carried out by KPMG LLP for an earlier year | 11 | 0 |
| Certification of grant claims by KPMG LLP and returns for the year | 8 | 8 |
| Other services carried out by Grant Thornton for the year | 3 | 2 |
| Certification of grant claims by Grant Thornton and returns for the year | 0 | 11 |
| Total | 73 | 72 |

Note 22. Grant Income

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

| | 2016/17 £'000 | 2015/16 £'000 |
|---|------------------|------------------|
| Grants and Contributions credited to Services | | |
| Elections & Electoral Registration Grants | (383) | (127) |
| Community Led Housing Grants | (1,210) | 0 |
| Housing Benefits and council tax Benefits Grants | (32,107) | (31,874) |
| Disabled facilities & Home Stay Grants | (784) | (468) |
| AONB/Countryside projects Grants | (133) | (241) |
| Growth Point Delivery Team Grants | (75) | (379) |
| Neighbourhood Planning Grants | (269) | (95) |
| Other Grants and Contributions | (1,278) | (1,901) |
| Grants and Contributions credited to Services | (36,239) | (35,085) |
| | | |
| Credited to Taxation and non-specific Grant income | | |
| | 2016/17 | 2015/16 |
| Non-Ring Fenced Government Grants | £'000 | £'000 |
| Revenue Support Grant | (1,203) | (1,877) |
| Local Area Services support Grant | 0 | (97) |
| New Homes Bonus | (4,381) | (3,023) |
| Council Tax Freeze Grant | 0 | (73) |
| Rural Service Delivery Grant | (224) | (43) |
| Transition Grant | (62) | 0 |
| Total | (5,870) | (5,113) |
| | | |
| | 2016/17 | 2015/16 |
| Capital Grants And Contributions | £'000 | £'000 |
| S106 Receipts | (1,561) | (178) |
| Feniton Flood alleviation | (347) | (102) |
| Seaton Jurassic (Discovery Centre) | (415) | (634) |
| Other Grants and Contributions | (58) | (12) |
| Total | (2,381) | (926) |
| | | |
| | 2016/17 | 2015/16 |
| Grants and Other Contributions | £'000 | £'000 |
| As of the Beginning of the Period | (5,562) | (5,029) |
| Receipts | (45,584) | (44,102) |
| Conditions Satisfied | 47,125 | 43,569 |
| Closing Balance | (4,021) | (5,562) |
| | | |
| | 2016/17 | 2015/16 |
| Capital Grants Yet to be Recognised as Income | £'000 | £'000 |
| Short term - Section 106 Receipts | (361) | (361) |
| Long Term - Section 106 Receipts | (3,460) | (5,201) |
| Total | (3,821) | (5,562) |

Note 23. Related Parties

The authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the authority or to be controlled or influenced by the authority. Disclosure of these transactions allows readers to assess the extent to which the authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the authority. There were no material third party transactions recorded in 2016/17.

23.1 Central Government

Central government has effective control over the general operations of the authority – it is responsible for providing the statutory framework within which the authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 12 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2016 are also shown in the Debtors Note 30.

23.2 Members

Members of the authority have direct control over the authority's financial and operating policies. The total of members' allowances paid in 2015/16 is shown in Note 17.

23.3 Other Public Bodies and Entities

| Names of Related Parties | 2016/17 | | 2015/16 | |
|---|-----------------|---------------|-----------------|---------------|
| | Income | Expenditure | Income | Expenditure |
| | £'000 | £'000 | £'000 | £'000 |
| Government Departments | | | | |
| Department for Communities & Local Government | (5,133) | 436 | (7,243) | 440 |
| Department for Work & Pensions | (31,876) | 0 | (31,927) | 0 |
| Department for Environment, Food & Rural Affairs | (133) | 0 | (154) | 0 |
| HMRC (VAT, NI, PAYE) | (4,916) | 3,409 | (4,495) | 2,942 |
| Environment Agency | (347) | 0 | (164) | 0 |
| PWLB | (1,799) | 4,148 | (1,023) | 3,717 |
| Other Public Bodies | | | | |
| Devon County Council | (696) | 644 | (743) | 469 |
| South Somerset District Council (shared services) | (21) | 24 | (71) | 24 |
| Plymouth City Council (NNDR Pool) | 0 | 14,157 | 0 | 13,414 |
| Total | (44,921) | 22,818 | (45,820) | 21,006 |

Note 24. Interests in Joint Operations

East Devon District authority is a Member of SWAP which is a company limited by guarantee and is wholly owned and controlled, as an in-house company, by the members and is a local authority controlled company for the purposes of Part V of the Local Government and Housing Act 1989.

The liability of each member is limited to £1, being the amount that each member undertakes to contribute to the assets of the Company in the event of it being wound up while he is a member or within one year after he ceases to be a member.

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

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

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

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

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

| | In Year Adjustments to 31 March 2017 | Cumulative Adjustments to 31 March 2016 |
|--|--|---|
| Adjustments to Comprehensive Income and Expenditure | £000 | £000 |
| Fees | (142) | (3,890) |
| Cost of sales | (1,230) | 1,497 |
| Admin expenses | 1,724 | 1,748 |
| Adjust Strata Services solutions Ltd REFCUS | 35 | 0 |
| Transfer of pension scheme liability | 0 | 1,160 |
| Cost of Services | 387 | 515 |
| Loss on disposal of assets | 0 | 697 |
| Adjust Strata Services solutions Ltd REFCUS | 0 | (1,357) |
| Net interest on the defined benefit liability | 47 | 70 |
| Interest receivable | (2) | (4) |
| (Surplus) or Deficit on Provision of Services | 432 | (79) |
| Re-measurement of the net defined benefit liability | 1,167 | (147) |
| Total Comprehensive income and expenditure | 1,599 | (226) |

| | In Year 2016/17 | Accumulative to 2015/16 |
|--|--------------------|----------------------------|
| Adjustments to Balance Sheet | £000 | £000 |
| Property, plant & equipment | (62) | 466 |
| Intangible assets | (33) | 720 |
| Investment in Strata removed upon consolidation and replaced with proportional share of assets and liabilities | (168) | (164) |
| Total Long Term Assets | (263) | 1,022 |
| Inventories | (1) | 3 |
| Short Term Debtors | 35 | 279 |
| Cash & cash equivalents | 113 | 186 |
| Total Current Assets | 147 | 468 |
| Short Term Creditors | (123) | (284) |
| Total Current Liabilities | (123) | (284) |
| Capital grants Receipts in advance | (57) | 259 |
| Pension Scheme Liability | (1,303) | (1,239) |
| Total Long Term Liabilities | (1,360) | (980) |
| Net assets | (1,599) | 226 |
| Financed by: | | |
| Usable Reserves | (73) | (221) |
| Unusable Reserves | 1,672 | (5) |
| Total Reserves as at 31 March | 1,599 | (226) |

Note 25: Property, Plant and Equipment

2016/17

| | Council Dwellings | Other Land & Buildings | Vehicles, Plant & Equipment | Infrastructure Assets | Community Assets | Assets Under Construction | Total Property, Plant and Equipment |
|--|-------------------|------------------------|-----------------------------|-----------------------|------------------|---------------------------|-------------------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| <u>Cost/Valuation</u> | | | | | | | |
| As of the beginning of the period | 242,900 | 70,500 | 12,224 | 17,238 | 1,763 | 5,042 | 349,667 |
| Additions | 7,297 | 2,082 | 4,909 | 1,172 | 18 | 841 | 16,319 |
| Accumulated Depreciation and Impairment written out to GCA | (52,663) | (874) | 0 | 0 | 0 | 0 | (53,537) |
| Revaluation increases recognised in the Revaluation Reserve | 29,274 | 2,331 | 0 | 0 | 0 | 0 | 31,605 |
| Revaluation decreases recognised in the Revaluation Reserve | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | 7,052 | 5,735 | 0 | 0 | 0 | 0 | 12,787 |
| Impairment recognised in the Surplus/Deficit on the Provision of Services | (4,890) | (513) | (37) | 0 | 0 | 0 | (5,440) |
| Reclassifications | 0 | 3,333 | 0 | 0 | 0 | 0 | 3,333 |
| Disposals (to Assets Held for Sale) | (1,703) | (1,041) | (223) | 0 | 0 | 0 | (2,967) |
| Disposals (Other) | 0 | 0 | (68) | 0 | 0 | 0 | (68) |
| As of the end of the period | 227,267 | 81,553 | 16,805 | 18,410 | 1,781 | 5,883 | 351,699 |
| <u>Accumulated Depreciation</u> | | | | | | | |
| As of the beginning of the period | (51,837) | (2,842) | (6,998) | (5,393) | (69) | 0 | (67,139) |
| Depreciation charge | (1,194) | (1,429) | (1,074) | (215) | 0 | 0 | (3,912) |
| Reclassifications | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Accumulated revaluation written out to GCA | 14,499 | 663 | 0 | 0 | 0 | 0 | 15,162 |
| Accumulated impairment written out to GCA | 38,164 | 211 | 0 | 0 | 0 | 0 | 38,375 |
| Impairment Losses/(Reversals) recognised in the Revaluation Reserve | 0 | (132) | (1) | 0 | 0 | 0 | (133) |
| Disposals (to Assets Held for Sale) | 368 | 0 | 192 | 0 | 0 | 0 | 560 |
| Disposals (Other) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| As of the end of the period | 0 | (3,529) | (7,881) | (5,608) | (69) | 0 | (17,087) |
| Net Book Value at 31 March 2016 | 227,267 | 78,024 | 8,924 | 12,802 | 1,712 | 5,883 | 334,612 |

2015/16

| | Council Dwellings | Other Land & Buildings | Vehicles, Plant & Equipment | Infrastructure Assets | Community Assets | Assets Under Construction | Total Property, Plant and Equipment |
|--|----------------------|---------------------------|--------------------------------|--------------------------|---------------------|------------------------------|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost/Valuation | | | | | | | |
| As of the beginning of the period | 187,408 | 81,690 | 13,963 | 16,993 | 1,938 | 2,098 | 304,090 |
| Additions | 5,222 | 580 | 337 | 237 | 39 | 2,943 | 9,358 |
| Depreciation written out to Gross Carrying Amount on Revaluation | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Revaluation increases recognised in the Revaluation Reserve | 0 | 2,853 | 52 | 0 | 64 | 0 | 2,969 |
| Revaluation decreases recognised in the Revaluation Reserve | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (439) | (8,109) | 0 | 0 | (235) | 0 | (8,783) |
| Impairment recognised in the Surplus/Deficit on the Provision of Services | 0 | (422) | (30) | 0 | 0 | 0 | (452) |
| Accumulated Depreciation and Impairment written out to GCA | 0 | (2,584) | (86) | 0 | (44) | 0 | (2,714) |
| Disposals (to Assets Held for Sale) | (1,036) | (360) | 0 | 0 | 0 | 0 | (1,396) |
| Disposals (Other) | 0 | (209) | (2,042) | 0 | 0 | 0 | (2,251) |
| As of the end of the period | 191,155 | 73,439 | 12,194 | 17,230 | 1,762 | 5,041 | 300,821 |
| Accumulated Depreciation | | | | | | | |
| As of the beginning of the period | (93) | (3,837) | (7,626) | (5,447) | (98) | 0 | (17,101) |
| Depreciation charge | (1,139) | (1,011) | (1,285) | (215) | 0 | 0 | (3,650) |
| Reclassifications | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Depreciation written out to Gross Carrying Amount on Revaluation | 0 | 2,550 | 16 | 0 | 0 | 0 | 2,566 |
| Depreciation written out to Gross Carrying Amount on Impairment | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Impairment Losses/(Reversals) recognised in the Revaluation Reserve | 0 | (162) | (74) | 0 | 0 | 0 | (236) |
| Disposals (to Assets Held for Sale) | 0 | 6 | 1,998 | 0 | 0 | 0 | 2,004 |
| Disposals (Other) | 1,139 | 33 | 0 | 277 | 29 | 0 | 1,478 |
| As of the end of the period | (93) | (2,421) | (6,971) | (5,385) | (69) | 0 | (14,939) |
| Net Book Value at 31 March 2015 | 191,062 | 71,018 | 5,223 | 11,845 | 1,693 | 5,041 | 285,882 |

25.3 Depreciation

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

- Authority Dwellings: 23 - 60 years (includes components). Any charge is reversed as part of the annual revaluation process. Depreciation is charged in year of disposal to disposal date, and not charged in year of acquisition
- Infrastructure: 5 -100 years
- Other Land and Buildings: 2 - 60 years
- Vehicles, Plant, & Equipment: 2 -15 years

25.4 Capital Commitments

The estimated maximum contractual commitments for capital expenditure for significant schemes (annual value over £250k) that had started, or where legal contracts had been entered into, as of 31 March 2017 are as follows:

| Scheme | 2016/17 | 2015/16 |
|----------------------------------|------------|--------------|
| | £'000 | £'000 |
| HRA Housing schemes | 0 | 294 |
| IT Systems | 0 | 427 |
| Cranbrook Play equipment | 0 | 43 |
| Feniton Flood alleviation scheme | 0 | 230 |
| LED loan | 0 | 400 |
| Regeneration schemes | 0 | 1,665 |
| Refuse and Recycling contract | 516 | 0 |
| Total | 516 | 3,059 |

25.5 Revaluations

The authority 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. The carrying amounts of assets subject to the 5 year rolling revaluation programme not revalued during the year and revalued at the beginning of the year are not materially different from their fair value.

With the exception of the authority 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 authority's dwellings using individual beacon site visits was undertaken as at 31 March 2015 and is repeated every five years. All other assets are valued as at 1 April 2017.

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.

Property, Plant and Equipment Valuations

| | Council Dwellings £'000 | Other Land & Buildings £'000 | Vehicles, Plant & Equipment £'000 | Infrastructure Assets £'000 | Community Assets £'000 | Assets Under Construction £'000 | Total Property, Plant and Equipment £'000 |
|--------------------------------|----------------------------|---------------------------------|---|--------------------------------|---------------------------|---------------------------------------|---|
| Carried at Historic Cost: | 0 | 0 | 16,409 | 18,410 | 1781 | 5,883 | 42,483 |
| Valued at fair value as at: | | | | | | | |
| 2016/17 | 227,267 | 29,998 | 0 | 0 | 0 | 0 | 257,265 |
| 2015/16 | 0 | 6,866 | 0 | 0 | 0 | 0 | 6,866 |
| 2014/15 | 0 | 26,671 | 0 | 0 | 0 | 0 | 26,671 |
| 2013/14 | 0 | 4614 | 0 | 0 | 0 | 0 | 4614 |
| 2012/13 | 0 | 13,404 | 0 | 0 | 0 | 0 | 13,404 |
| Total Cost or Valuation | 227,267 | 81,553 | 16,409 | 18,410 | 1,781 | 5,883 | 351,303 |

Note 26. Assets Held for Sale

| | 2016/17 £'000 | 2015/16 £'000 |
|--|------------------|------------------|
| Assets Held For Sale | | |
| As of the Beginning of the Period | 360 | 18 |
| Assets Transferred | 2,462 | 1,396 |
| Sold to Other Entities and Individuals | (2,772) | (1,054) |
| As at the end of the Period | 50 | 360 |

Note 27. Capital Expenditure and Capital Financing

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

| | 2016/17 | 2015/16 |
|---|-----------------|-----------------|
| Capital Financing Requirement | £'000 | £'000 |
| Opening Capital Financing Requirement | (2,927) | (1,479) |
| Capital Investment: | | |
| Property, Plant and Equipment | 16,283 | 9,358 |
| Revenue Expenditure Funded from Capital Under Statute | 993 | 749 |
| Capital investment Strata | 168 | 164 |
| Total Expenditure | 17,444 | 10,271 |
| Sources of Finance: | | |
| Capital Receipts | (2,723) | (1,192) |
| Government Grants and Other Contributions | (5,387) | (2,703) |
| Sums Set Aside (MRR, Deferred Capital Receipts etc.) | | |
| Direct Revenue Contributions | (7,053) | (4,841) |
| Use of Earmarked Reserves | 0 | (1,535) |
| Minimum Revenue Reserve | (1,550) | (1,448) |
| Total Financing | (16,713) | (11,719) |
| Closing Capital Financing Requirement | (2,196) | (2,927) |
| | | |
| | 2016/17 | 2015/16 |
| Capital Financing Requirement | £'000 | £'000 |
| Increase/(Decrease) in underlying need to borrow (Supported by government financial assistance) | 0 | 0 |
| Increase/(Decrease) in underlying need to borrow (Unsupported by government financial assistance) | (731) | 1,448 |
| Assets Acquired Under Finance Lease | 0 | 0 |
| Increase in Capital Financing Requirement | (731) | 1,448 |

Note 28. Leases

28.1 Authority as Lessee

28.1.1 Finance Leases

The authority did not have any finance leases in 2016/17 as they expired on 31 March 2016.

| | Minimum Lease Payments 2016/17 £'000 | Finance Lease Liabilities 2016/17 £'000 | Minimum Lease Payments 2015/16 £'000 | Finance Lease Liabilities 2015/16 £'000 |
|--|--|---|--|---|
| Finance Leases - Council as Lessee - Minimum Lease Payments | | | | |
| Not later than one year | 0 | 0 | 400 | 361 |
| Total | 0 | 0 | 400 | 361 |

28.1.2 Operating Leases

The authority 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:

| | 2016/17 £'000 | 2015/16 £'000 |
|---|------------------|------------------|
| Operating Leases - Council as Lessee | | |
| Not later than one year | 489 | 785 |
| Later than one year and not later than five years | 1,118 | 1,242 |
| Later than five years | 1,243 | 1,413 |
| Total | 2,850 | 3,440 |

28.2 EDDC as Lessor

28.2.1 Operating Leases

The authority 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:

| | 2016/17 | 2015/16 |
|---|--------------|--------------|
| Operating Leases - Council as Lessor - Future Minimum Lease Payments | £'000 | £'000 |
| Not later than one year | 452 | 463 |
| Later than one year and not later than five years | 1,105 | 1,254 |
| Later than five years | 5,487 | 5,316 |
| Total | 7,044 | 7,033 |

Note 29. Financial Instruments

Balance Sheet items

The Council is obliged to analyse any Financial Instruments that it holds (whether liabilities such as borrowings or assets such as investments) into certain categories.

The Investments and Debtors disclosed in the Balance Sheet, as set out below (adjusted to exclude statutory debtors), are all categorised as Loans and Receivables, and are carried in the Balance Sheet at amortised cost.

| Financial Assets – Amortised Cost | £'000 | £'000 |
|--|---------------|---------------|
| Short-term Debtors | 5,054 | 5,991 |
| Long-term Debtors | 2,898 | 2,305 |
| Short-term Investments - cash | 3,827 | 5,606 |
| Short-term Investments - Available-for-sale financial assets | 28,973 | 30,872 |
| Long-term Investments | 225 | 225 |
| Total | 40,977 | 44,999 |

The investments, cash at bank and accrued interest are not yet due for repayment. No breaches of the Council's counterparty criteria occurred during the reporting period, and the Council does not expect to suffer any financial losses from default on its financial instruments. The Council's maximum potential exposure to credit risk is the carrying value of the financial assets in the Balance Sheet.

Amounts owed by customers represent sums which have been reviewed for impairment and are presented net of any impairment in the Balance Sheet.

The Short-term Creditors are carried at contract value, Long-term Creditors and Long-term Borrowings are carried at amortised cost in the Balance Sheet, as set out in the following table.

| Financial Liabilities – Amortised Cost | 2016/17 | 2015/16 |
|---|-----------------|-----------------|
| | £'000 | £'000 |
| Short-term Creditors | (3,145) | (4,222) |
| Short-term Borrowings - cash overdrawn | (1,568) | (2,683) |
| Short-term Borrowings (PWLB) | (1,477) | (1,960) |
| Long-term Borrowings (PWLB) | (82,085) | (83,520) |
| Total | (88,275) | (92,385) |

The fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the investments, using the following assumptions:

- Ranges of premature repayment discount rates as at 31 March 2017 between -0.09% and 1.64% for loans from the Public Works Loan Board (PWLB).
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate fair value.
- Trade and other receivables are taken to be the invoiced or billed amount.

The fair values are as follows:

| Financial Liabilities – Fair Value | 2016/17 £'000 | 2015/16 £'000 |
|---|--------------------------|--------------------------|
| Short-term Creditors | (3,145) | (4,222) |
| Short-term Borrowings - Cash Overdrawn | (1,568) | (2,683) |
| Short-term & Long-term Borrowings (PWLB) | (102,654) | (100,310) |
| Total | (107,367) | (107,215) |

The Authority has used a transfer value for the fair value of financial liabilities. The exit price fair value of £102.65m has been calculated using early repayment discount rates. The Authority has no contractual obligation to pay these penalty costs and would not incur any additional cost if the loans run to their planned maturity date.

Refinancing and Maturity Risk

The Council maintains a significant investment portfolio. The prudential indicator limiting the amount of funds placed in investments for terms exceeding one year is a key factor limiting this risk, as is the medium term financial policy on reducing the Council's reliance on interest earnings to fund its core activities.

Trade creditors and debtors are due to be settled within one year. The long-term debtors principally comprise amounts owed by Voluntary Organisations borrowed at below market rates (soft Loans).

All current borrowing by the Council is fixed-term from the PWLB in relation to Self-Financing at a preferential fixed rate. The repayment of these loans is factored into the Housing Revenue Account 30-year plan and as such there is minimal risk that the Council will need to refinance these loans at a time of unfavourable interest rates.

The following table sets out the maturity analysis of Long-term Borrowing by the Council:

| Duration | Repayment Type | Interest Frequency | 2016/17 £'000 | 2015/16 £'000 |
|------------------------|-----------------------|---------------------------|--------------------------|--------------------------|
| Less than 1 Year | On Maturity | Half Yearly | 1,434 | 1,915 |
| Between 1 and 2 Years | On Maturity | Half Yearly | 1,715 | 1,434 |
| Between 2 and 5 Years | On Maturity | Half Yearly | 7,133 | 6,161 |
| Between 5 and 10 years | On Maturity | Half Yearly | 19,119 | 17,053 |
| More than 10 Years | On Maturity | Half Yearly | 54,119 | 58,872 |
| Total | | | 83,520 | 85,435 |

Liquidity Risk

The Council has access to the money markets for short-term debt to cover revenue expenditure and to the money markets and PWLB for longer-term borrowing. The Council's short and medium term cash forecasting procedures are aimed at ensuring that sufficient funds mature at the right time to cover expenditure. There is no significant risk that the Council would be unable to raise finance to meet its commitments under financial instruments.

Interest Rate/Credit Risk

The Council is exposed to interest rate movements on its investments, and has a number of strategies for managing interest rate risk. The annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. As part of this strategy, the Council sets the prudential indicators which provide maximum and minimum limits for fixed and variable interest rate exposure.

The in-house Treasury Team monitors market and forecast interest rate movements, and selects the most advantageous investments allowed within the limits of the Council's treasury policies.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be easily 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 the Council's deposits, but there was no evidence at the 31 March 2017 that this risk was likely to crystallise.

Price Risk

The Council does not invest in equity holdings or in financial instruments whose capital value is subject to market fluctuations. It therefore has no exposure to losses arising through price valuations.

Foreign Exchange Risk

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

Gains and Losses on Financial Instruments

Gains and losses on financial instruments are limited to interest received and paid on Loans and Receivables (investments) and Borrowings. The gain arising from interest income, as recorded in the Comprehensive Income and Expenditure Statement, was £0.45m (£0.54m 2015/16). The expense arising from interest payments, as recorded in the Comprehensive Income and Expenditure Statement, was £2.65m (£2.72m 2015/16).

29.1 Soft loans made by the Council

The authority has made a number of loans to voluntary organisations at less than market rates (soft loans). The details of these are shown in the tables below. When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account. 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 Comprehensive Income and Expenditure Statement.

Any gains or losses that arise on de-recognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement.

The soft loans information material to the accounts is as follows:

| | Balance brought forward 31 March 2016 £'000 | New loans granted £'000 | New loans granted (rolled up interest) £'000 | Loans repaid £'000 | Loans re-financed and no longer defined as soft loan £'000 | Fair value adjustment £'000 | Balance brought forward 31 March 2017 £'000 | Nominal value carried forward 31 March 2017 £'000 |
|-------------------------------------|--|----------------------------|---|-----------------------|---|--------------------------------|--|--|
| Soft Loans - 31 March 2017 | | | | | | | | |
| Exeter Science Park Company Limited | 811 | 0 | 25 | 0 | 0 | 0 | 836 | 1,051 |
| Beer Community Land Trust | 305 | 0 | 0 | (15) | (290) | 0 | 0 | 0 |
| Kennaway House Trust | 207 | 0 | 13 | 0 | 0 | 0 | 220 | 310 |
| LED Ltd | 1,209 | 400 | 0 | (56) | 0 | (52) | 1,501 | 1,751 |
| Total | 2,532 | 400 | 38 | (71) | (290) | (52) | 2,557 | 3,112 |

| | Balance brought forward 31 March 2015 £'000 | New loans granted £'000 | New loans granted (rolled up interest) £'000 | Loans repaid £'000 | Loans re-financed and no longer defined as soft loan £'000 | Fair value adjustment £'000 | Balance brought forward 31 March 2016 £'000 | Nominal value carried forward 31 March 2016 £'000 |
|-------------------------------------|--|----------------------------|---|-----------------------|---|--------------------------------|--|--|
| Soft Loans - 31 March 2016 | | | | | | | | |
| Exeter Science Park Company Limited | 955 | 0 | 25 | 0 | 0 | (169) | 811 | 1,026 |
| Beer Community Land Trust | 488 | 0 | 0 | (183) | 0 | 0 | 305 | 305 |
| Kennaway House Trust | 262 | 0 | 10 | 0 | 0 | (65) | 207 | 297 |
| LED Ltd | 0 | 1,450 | 0 | (43) | 0 | (198) | 1,209 | 1,407 |
| Total | 1,705 | 1,450 | 35 | (226) | 0 | (432) | 2,532 | 3,035 |

Note 30. Debtors and Payments in Advance

Long-term Debtors

The council makes loans to a number of organisations. An analysis is shown below.

| | 2016/17 | 2015/16 |
|--------------------------------|--------------|--------------|
| Long-term Debtors | £'000 | £'000 |
| Other Entities and Individuals | 2,898 | 2,305 |
| Total Long-term Debtors | 2,898 | 2,305 |

The following table shows the analysis of short term debtors, offset by the bad debt provision held.

| | 2016/17 | 2015/16 |
|---------------------------------------|--------------|--------------|
| Short-term Debtors | £'000 | £'000 |
| Central Government Bodies | 1,411 | 1,270 |
| Other Local Authorities | 2,044 | 1,713 |
| NHS Bodies | 0 | 0 |
| Public Corporations and Trading Funds | 0 | 0 |
| Other Entities and Individuals | 5,576 | 6,491 |
| Total Short-term Debtors | 9,031 | 9,474 |

The following Bad Debt impairment Allowances have been included in the above table.

| | 2016/17 | 2015/16 |
|----------------------------------|--------------|--------------|
| Bad Debt Impairment Allowances | £'000 | £'000 |
| Sundry Debtors | (94) | (52) |
| Housing Rents | (49) | (60) |
| Council Tax/Summons Fees | (30) | (29) |
| Business Rates/Summons Fees | (123) | (73) |
| Benefits Overpayments | (301) | (329) |
| Total Bad Debt Provisions | (597) | (543) |

Note 31. Cash and Cash Equivalents

| | 2016/17 | 2015/16 |
|--|--------------|--------------|
| Cash and Cash Equivalents | £'000 | £'000 |
| Cash in transit and cash floats | 0 | 425 |
| Bank current accounts | 178 | 2,994 |
| Strata Services Solutions Ltd cash at bank | 299 | 187 |
| Short term deposits | 3,350 | 2,000 |
| Total | 3,827 | 5,606 |

Note 32. Creditors and Receipts in Advance

| Short-term Creditors | 2016/17 £'000 | 2015/16 £'000 |
|-----------------------------------|--------------------------|--------------------------|
| Central Government Bodies | (1,340) | (527) |
| Other Local Authorities | (1,618) | (978) |
| NHS Bodies | 0 | 0 |
| Other Entities and Individuals | (8,187) | (9,229) |
| Total Short-term Creditors | (11,145) | (10,734) |

Note 33. Provisions

| | Balance as at 31 March 2016 £'000 | Contribution to Provision £'000 | Use of Provision £'000 | Amounts Reversed Unused £'000 | Balance as at 31 March 2017 £'000 |
|---|--|--|---------------------------------------|--|--|
| Short-term General Fund Provisions | | | | | |
| Business Rates Appeals | (1,337) | 932 | 1,790 | (2,006) | (621) |
| Total Short-term General Fund Provisions | (1,337) | 932 | 1,790 | (2,006) | (621) |

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

Note 34: Usable Reserves

Movements in the authority's Usable Reserves are detailed in the Movement in Reserves Statement and Note 9.

Note 35: Unusable Reserves

| Unusable Reserves | 2016/17 £000 | 2015/16 £000 |
|--|-------------------------|-------------------------|
| Accumulated Absences Account | 108 | 108 |
| Available for Sale Financial Instruments Reserve | (49) | 47 |
| Capital Adjustment Account | (204,711) | (187,434) |
| Collection Fund Adjustment Account | (392) | 397 |
| Financial Instrument Adjustment Reserve | 556 | 505 |
| Pensions Reserve | 70,707 | 49,412 |
| Revaluation Reserve | (46,669) | (16,477) |
| Total Unusable Reserves | (180,450) | (153,442) |

35.1 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.

| Accumulated Absences Account | 2016/17 | 2015/16 |
|---|----------------|----------------|
| | £000 | £000 |
| Balance at 1 April | 108 | 189 |
| Settlement or cancellation of accrual made at the end of the preceding year | 0 | (189) |
| Amounts accrued at the end of the current year | 0 | 108 |
| 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 | 108 | 108 |
| Balance at 31 March | 108 | 108 |

35.2 Available for Sale Financial Instruments Reserve

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

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

| Available for Sale Financial Instruments Reserve | 2016/17 | 2015/16 |
|---|----------------|----------------|
| | £000 | £000 |
| Balance at 1 April | 47 | (4) |
| Upward revaluation of investments | (96) | 0 |
| Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services | 0 | 51 |
| | (96) | 51 |
| Accumulated gains on Assets sold & maturing assets written out to the Comprehensive Income & Expenditure Statement as part of Other Investment Income | 0 | 0 |
| Balance at 31 March | (49) | 47 |

35.3 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.

| Collection Fund Adjustment Account | 2016/17 | 2015/16 |
|--|----------------|----------------|
| | £000 | £000 |
| Balance as at 1 April | 397 | 697 |
| 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 | (789) | (300) |
| Balance at 31 March | (392) | 397 |

35.4 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 authority as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the authority. 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 9 provides details of the source of all the transactions posted to the Account apart from those involving the Revaluation Reserve.

| Capital Adjustment Account | 2016/17 | 2015/16 |
|--|------------------|------------------|
| | £'000 | £'000 |
| Balance at 1 April | (187,434) | (188,596) |
| Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement: | | |
| Charges for depreciation and impairment of noncurrent assets | 9,314 | 2,691 |
| Revaluation losses on Property, Plant and Equipment | (12,787) | 8,778 |
| Amortisation of intangible assets | 0 | 0 |
| Revenue expenditure funded from capital under Statute | 993 | 959 |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 2,749 | 1,301 |
| Loss on share of donated assets | 370 | 0 |
| | 639 | 13,729 |
| Adjusting amounts written out of the Revaluation Reserve | (1,280) | (1,082) |
| Net written out amount of the cost of non-current assets consumed in the year | (641) | 12,647 |
| Capital financing applied in the year: | | |
| Use of the Capital Receipts Reserve to finance new capital expenditure | (2,723) | (1,192) |
| Use of the Major Repairs Reserve to finance new capital expenditure | (4,274) | (4,764) |
| Capital grants and contributions credited to the CI&E Statement that have been applied to capital financing | (3,028) | (1,666) |
| Application of grants to capital financing from the Capital Grants Unapplied Account | (204) | (1,037) |
| Statutory provision for the financing of capital investment charged against the General Fund and HRA balances | (1,551) | (1,448) |
| Reduction in lease liabilities | 0 | 0 |
| Capital expenditure charged against the General Fund & HRA balances | (4,856) | (1,378) |
| | (16,636) | (11,485) |
| Balance at 31 March | (204,711) | (187,434) |

35.5 Financial Instruments Adjustment Reserve

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenditure relating to certain financial instruments and for bearing losses or benefiting from gains per statute.

| Financial Instrument Adjustment Reserve | 2016/17 | 2015/16 |
|--|----------------|----------------|
| | £000 | £000 |
| Balance at 1 April | 505 | 73 |
| Proportion of premiums incurred in previous Financial Years charged against General Fund balance in accordance with statutory requirements | 51 | 432 |
| Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year accordance with statutory requirements | 51 | 432 |
| Balance at 31 March | 556 | 505 |

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

| Pension Reserve | 2016/17 | 2015/16 |
|--|----------------|----------------|
| | £'000 | £'000 |
| Liability at Beginning of the Period | 49,412 | 53,727 |
| Re-measurement of the net defined benefit liability | 18,642 | (7,338) |
| 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 | 4,958 | 5,243 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | (2,305) | (2,220) |
| Balance at 31 March | 70,707 | 49,412 |

35.7 Revaluation Reserve

The Revaluation Reserve contains the gains made by the authority 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

| | 2016/17 £000 | 2015/16 £000 |
|---|-----------------|-----------------|
| Revaluation Reserve | | |
| Balance at 1 April | (16,477) | (14,826) |
| Upward revaluation of assets | (31,605) | (2,969) |
| Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | 133 | 236 |
| Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services | (31,472) | (2,733) |
| Difference between fair value depreciation and historical cost depreciation | 1,014 | 904 |
| Accumulated gains on assets sold or scrapped | 266 | 178 |
| Amount written off to the Capital Adjustment Account | 1,280 | 1,082 |
| Balance at 31 March | (46,669) | (16,477) |

Note 36. Contingent Liabilities

The Council has resolved and is progressing the refurbishment of Exmouth Town Hall (to be completed in November 2017) and to building a new HQ building at Heathpark, Honiton (to be completed in December 2018). The total gross budget approved for this project is £10.361m plus a further sum of £0.225m to fund a direct access road to the new Headquarters building past the East Devon Business Centre. This expenditure is to be mainly funded from an expected receipt from the sale of the Council's existing offices at the Knowle in Sidmouth which is subject to a conditional sale agreement with a developer for a minimum sum of £7.505m. Should this sale not proceed the Council has still resolved to sale the Knowle but there is uncertainty in relation to how much capital receipt for the sale would be received. The financial implications and mitigations were considered by Council in making the decision to progress with this project.

Note 37. Contingent Assets

Section 106 Receipts

The potential receipts from for section 106 payments for planning applications given to the end of March 2017 currently stand at £26.408m.

Housing Revenue Income and Expenditure Statement for the Year Ended 31 March 2017

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.

| | HRA Note | 2016/17 £'000 | 2015/16 £'000 |
|---|-------------|------------------|------------------|
| Income | | | |
| Dwelling Rents (Gross) | | (17,610) | (17,744) |
| Non Dwelling Rents (Gross) | | (445) | (714) |
| Charges for Services & Facilities | | (496) | (482) |
| Contributions Received Towards Expenditure | | (1,539) | 0 |
| Sums Directed by Secretary of State that are Income in Accordance with the Code | | 0 | 0 |
| Total Income | | (20,090) | (18,940) |
| Expenditure | | | |
| Repairs and Maintenance | | 4,037 | 4,495 |
| Supervision and Management | | 4,354 | 4,138 |
| Rents, Rates, Taxes and Other Charges | | 40 | 23 |
| Negative Subsidy – Payments to Secretary of State | | 0 | 0 |
| Increase in Allowance for Bad and Doubtful Debts | | (10) | 3 |
| Depreciation and Impairment of Fixed Assets | 6 | 6,224 | 579 |
| Other Comprehensive Income & Expenditure | | 273 | 0 |
| Sums Directed by Secretary of State that are Expenditure in Accordance with the Code | | 0 | 0 |
| Total Expenditure | | 14,918 | 9,238 |
| Net Expenditure/(Income) of HRA Services as Included in the Comprehensive Income & Expenditure Statement | | (5,172) | (9,702) |
| Non-distributable Costs – Pensions Past Service Cost | | 134 | 125 |
| HRA Share of Corporate and Democratic Core | | 940 | 853 |
| Net Expenditure/(Income) of HRA Services | | (4,098) | (8,724) |
| HRA Share of Operating Income and Expenditure Included in the Comprehensive Income & Expenditure Account | | | |
| (Gain)/Loss on Disposal of Non-Current Assets | | (1,053) | (737) |
| (Gain) or loss on revaluation of Non-Current assets | | (7,052) | 0 |
| Interest and Investment Income | | (39) | (35) |
| Interest Payments | | 2,552 | 2,559 |
| Net Interest on the Net Defined Benefit Liability | | 305 | 301 |
| Capital Grants and Contributions Received | | (1,418) | 0 |
| (Surplus)/Deficit for the Year on HRA Services | | (10,803) | (6,636) |

Statement of Movement on the Housing Revenue Account for the Year Ended 31 March 2017

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 authority 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.

| HRA Note | 2016/17 £'000 | 2015/16 £'000 |
|---|------------------|------------------|
| Balance as at 1 April | (5,135) | (4,966) |
| Movement in Reserves: | | |
| Surplus/(Deficit) on Provision of Services | (10,803) | (6,636) |
| Total Comprehensive Income & Expenditure | (15,938) | (11,602) |
| Adjustments Between Accounting Basis and Funding Basis Under Regulations: | | |
| Capital Grants and Contributions Applied | 1,418 | 0 |
| Revenue Expenditure Funded from Capital Under Statute | 0 | 0 |
| Depreciation and Impairment of Non-current Assets | (6,224) | (579) |
| Reversal of Employee Leave Accrual | 0 | 10 |
| Reversal Revaluation & Impairment (Gains)/Losses on Property Plant & Equipment | 7,052 | 0 |
| Amounts of non-current assets written off on sale as part of the gain on disposal to the Comprehensive Income and Expenditure Statement | (2,376) | (1,036) |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 3,429 | 1,773 |
| Revenue Contribution to Capital | 266 | 24 |
| Transfer to/(from) Major Repairs Reserve | 4,274 | 4,764 |
| Minimum revenue Provision | 1,490 | 1,029 |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and expenditure Statement | (843) | (875) |
| Employer's Pension Contributions to Pension Fund Payable in the year | 382 | 357 |
| Total Adjustments Between Accounting Basis and Funding Basis Under Regulations | 8,868 | 5,467 |
| Net Increase/(Decrease) Before Transfers to Earmarked Reserves | 8,868 | 5,467 |
| Transfer (to)/from Earmarked Reserves | 0 | 1,000 |
| Increase/(Decrease) in Year | 8,868 | 6,467 |
| Balance as at 31 March | (7,070) | (5,135) |

HRA Note 1. 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 1.54% (£277k) of the gross rents. In 2015/16 the figure was 1.86% (£345k).

The average weekly rent for dwellings was £81.49 in 2016/17 (£81.89 in 2015/16). The average weekly rent for garages was £11.79.

HRA Note 2. Rent Arrears

There was an increase of £6,000 in rent arrears and £10,000 decrease in bad debt provision for the year ended 31 March 2017.

| | 2016/17 £'000 | 2015/16 £'000 |
|--|------------------|------------------|
| Rents - Current Tenants | 186 | 189 |
| Rents - Former Tenants | 50 | 51 |
| Total Arrears | 236 | 240 |
| Provision for Bad and Doubtful Debts | (50) | (60) |
| Total Housing Arrears | 186 | 180 |
| Arrears as a percentage of Total Rent Debit | 1.03% | 1.29% |

HRA Note 3. Housing Stock

The authority was responsible for managing on average 4,215 dwellings during 2016/17. The stock at the year-end was made up as follows:

| | 31-Mar-16 | Reclassified | Additions | Sales & Demolitions | 31-Mar-17 |
|--|--------------|--------------|-----------|------------------------|-------------|
| Flats & Maisonettes | 1,212 | 0 | 1 | (2) | 1,211 |
| Houses (including non-traditional) | 2,017 | 0 | 11 | (26) | 2002 |
| Bungalows | 988 | 0 | 0 | 0 | 988 |
| House in multiple occupation | 1 | 0 | 0 | 0 | 1 |
| Other properties not used as dwellings | 4 | 1 | 0 | 0 | 5 |
| Total Dwellings | 4,222 | 1 | 12 | (28) | 4207 |

HRA Note 4. Housing Property, Plant and Equipment

The Housing Stock and other Housing Revenue Account Assets are included in the Balance Sheet at 31 March 2017 at a value of £231.890m (£195.825m at 1 April 2016). A desktop revaluation of the authority's dwellings as at 31 March 2017 was undertaken and has resulted in the updated beacon values used in the accounts..

| 2016/17 | Council Dwellings | Other Land & Buildings | Vehicles, Plant & Equipment | Infrastructure Assets | Community Assets | Assets Under Construction | Total Property, Plant and Equipment |
|--|----------------------|---------------------------|--------------------------------|--------------------------|---------------------|------------------------------|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| <u>Cost/Valuation</u> | | | | | | | |
| As of the beginning of the period | 242,900 | 4,822 | 715 | 155 | 0 | 0 | 248,592 |
| Additions | 7,297 | 1,041 | 0 | 0 | 0 | 0 | 8,338 |
| Depreciation written out to Gross Carrying Amount on Revaluation | (52,663) | 0 | 0 | 0 | 0 | 0 | (52,663) |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 29,274 | 0 | 0 | 0 | 0 | 0 | 29,274 |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | 7,052 | 0 | 0 | 0 | 0 | 0 | 7,052 |
| Impairment recognised in the Surplus/Deficit on the Provision of Services | (4,890) | 0 | 0 | 0 | 0 | 0 | (4,890) |
| Reclassifications | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals (to Assets Held for Sale) | (1,703) | (1,041) | 0 | 0 | 0 | 0 | (2,744) |
| Disposals (Other) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| As of the end of the period | 227,267 | 4,822 | 715 | 155 | 0 | 0 | 232,959 |
| <u>Accumulated Depreciation</u> | | | | | | | |
| As of the beginning of the period | (51,837) | (266) | (663) | 0 | 0 | 0 | (52,766) |
| Depreciation charge | (1,194) | (95) | (45) | 0 | 0 | 0 | (1,334) |
| Reclassifications | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Depreciation written out to Gross Carrying Amount on Revaluation | 14,499 | 0 | 0 | 0 | 0 | 0 | 14,499 |
| Depreciation written out to Gross Carrying Amount on Impairment | 38,164 | 0 | 0 | 0 | 0 | 0 | 38,164 |
| Disposals (to Assets Held for Sale) | 368 | 0 | 0 | 0 | 0 | 0 | 368 |
| Disposals (Other) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| As of the end of the period | 0 | (361) | (708) | 0 | 0 | 0 | (1,069) |
| Net Book Value at 31 March 2016 | 227,267 | 4,461 | 7 | 155 | 0 | 0 | 231,890 |

2015/16

| | Council Dwellings | Other Land & Buildings | Vehicles, Plant & Equipment | Infrastructure Assets | Community Assets | Assets Under Construction | Total Property, Plant and Equipment |
|--|----------------------|---------------------------|--------------------------------|--------------------------|---------------------|------------------------------|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| <u>Cost/Valuation</u> | | | | | | | |
| As of the beginning of the period | 238,117 | 4,823 | 715 | 155 | 0 | 0 | 243,810 |
| Additions | 5,222 | 0 | 0 | 0 | 0 | 0 | 5,222 |
| Depreciation written out to Gross Carrying Amount on Revaluation | | | | | | | 0 |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (439) | 0 | 0 | 0 | 0 | 0 | (439) |
| Impairment recognised in the Surplus/Deficit on the Provision of Services | | 0 | | | | | 0 |
| Reclassifications | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals (to Assets Held for Sale) | (1,036) | 0 | 0 | 0 | 0 | 0 | (1,036) |
| Disposals (Other) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| As of the end of the period | 241,864 | 4,823 | 715 | 155 | 0 | 0 | 247,557 |
| <u>Accumulated Depreciation</u> | | | | | | | |
| As of the beginning of the period | (50,802) | (171) | (619) | 0 | 0 | 0 | (51,592) |
| Depreciation charge | (1,139) | (95) | (45) | 0 | 0 | 0 | (1,279) |
| Reclassifications | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Depreciation written out to Gross Carrying Amount on Revaluation | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals (to Assets Held for Sale) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals (Other) | 1,139 | 0 | 0 | 0 | 0 | 0 | 1,139 |
| As of the end of the period | (50,802) | (266) | (664) | 0 | 0 | 0 | (51,732) |
| Net Book Value at 31 March 2015 | 191,062 | 4,557 | 51 | 155 | 0 | 0 | 195,825 |

HRA Note 5. Vacant Possession Value of HRA Dwellings

Council dwellings had a valuation of £642.843 million as at 1 April 2017 on the basis of existing use value assuming vacant possession. To comply with the requirements of the Resource Accounting regulations, a regional adjustment factor of 35% has to be applied to the Existing Use Value for Social Housing (EUV-SH) valuation. This is to reflect the fact that local authority housing is let at sub-market rents. The reduction in value shows the economic cost to the Government of providing council housing at less than open market rents.

HRA Note 6. Average Costs per Dwelling

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

| Type of Cost / Income | 2016/17 £'000 | 2015/16 £'000 |
|------------------------------------|--------------------------|--------------------------|
| Supervision & Management - General | 1,033 | 1,205 |
| Repairs & Maintenance | 958 | 973 |
| Rent un-rebated | (4,178) | (4,094) |

HRA Note 7. Major Repairs Reserve

Regulation 7(5) of the Accounts and Audit Regulations 2003 (as amended) establishes arrangements for the Major Repairs Reserve (MRR) under which the MRA is effectively restricted to being applied towards new capital expenditure, the repayment of debt or meeting liabilities under credit arrangements. The regulation requires a credit to the MRR of an amount in respect of the depreciation charged to the Housing Revenue Account for the year. Together with the Item 8 Determination provisions for transferring the difference between the MRA and depreciation to the MRR, the net effect is to credit a net amount equal to the MRA each year to the MRR.

| Major Repairs Reserve | 2016/17 £'000 | 2015/16 £'000 |
|-------------------------------|--------------------------|--------------------------|
| Balance as at 1 April | 0 | 0 |
| Income | | |
| Depreciation | (1,194) | (1,279) |
| Additional HRA Contribution | (3,696) | (3,485) |
| Expenditure | | |
| Major Repairs Expenditure | 4,890 | 4,764 |
| Balance as at 31 March | 0 | 0 |

HRA Note 8. Capital Expenditure

Capital expenditure within the HRA for 2016/17 and how it was funded is shown below:

| Capital Expenditure | 2016/17 £'000 | 2015/16 £'000 |
|--|--------------------------|--------------------------|
| Reroofing | 211 | 92 |
| New Affordable Housing | 3,447 | 50 |
| Aids & Adaptations | 414 | 408 |
| Kitchens & Bathrooms | 823 | 726 |
| Doors, Windows, Soffits and Fascias | 503 | 835 |
| Heating | 507 | 1321 |
| Decent Homes and Other Capital Schemes | 2,451 | 1790 |
| Total Capital Expenditure | 8,356 | 5,222 |
| Financed by: | | |
| Capital Receipts | (3,770) | (434) |
| Major Repairs Reserve | (4,274) | (4,764) |
| Capital Grants | (46) | 0 |
| Revenue Contributions | (266) | (24) |
| Total Financing | (8,356) | (5,222) |

HRA Note 9. Capital Receipts

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

| Capital Receipts | 2016/17 £'000 | 2015/16 £'000 |
|--------------------------------------|--------------------------|--------------------------|
| Sale of HRA Dwellings -Right To Buy | (2,388) | (1,332) |
| Sale of HRA Other land and Buildings | (1,042) | 0 |
| Mortgage Repayments | (1) | (1) |
| Miscellaneous Sales | 0 | (3) |
| Total Capital Receipts | (3,431) | (1,336) |

HRA Note 10. HRA share of contributions to/from the Pension Reserve

The authority's pension fund reserve liability increased to £68.165m from £48.173m during 2015/16. It has been estimated that 17.98% of the authority's salary costs relate to the HRA, therefore the HRA's share of the overall pension deficit equates to £12.256m.

Collection Fund - Income and Expenditure Account 2016/17

| | Business Rates | Council Tax | Total |
|--|-----------------------|--------------------|------------------|
| | £'000 | £'000 | £'000 |
| Income | | | |
| council tax (net) | 0 | (93,780) | (93,780) |
| NDR collectable from business ratepayers | (33,399) | 0 | (33,399) |
| Total Income | (33,399) | (93,780) | (127,179) |
| <u>Contributions to previous year's estimated deficit</u> | | | |
| Central Government | (662) | 0 | (662) |
| Devon County authority | (119) | 0 | (119) |
| East Devon District authority | (530) | 0 | (530) |
| Devon & Somerset Fire & Rescue authority | (13) | 0 | (13) |
| | (34,723) | (93,780) | (128,503) |
| Expenditure | | | |
| <u>Precepts, Demands and Shares</u> | | | |
| Central Government | 16,654 | 0 | 16,654 |
| Devon County authority | 2,998 | 68,115 | 71,113 |
| Devon & Cornwall Police authority | 0 | 9,749 | 9,749 |
| East Devon District authority (including towns & parishes) | 13,324 | 9,890 | 23,214 |
| Devon & Somerset Fire & Rescue authority | 333 | 4,511 | 4,844 |
| <u>Contributions to previous year's estimated surplus</u> | | | |
| Devon County authority | 0 | 1,107 | 1,107 |
| Devon & Cornwall Police authority | 0 | 162 | 162 |
| East Devon District authority | 0 | 156 | 156 |
| Devon & Somerset Fire & Rescue authority | 0 | 75 | 75 |
| <u>Charges to Collection Fund</u> | | | |
| Transitional protection payments | 168 | 0 | 168 |
| Cost of Collection Allowance | 227 | 0 | 227 |
| Write offs | 83 | 23 | 106 |
| Adjustment to Bad Debt provision | 126 | 0 | 126 |
| Adjustment to Appeals provision | (1,790) | 0 | (1,790) |
| Backdated appeals spreading adjustment | 0 | 0 | 0 |
| Renewable Energy Schemes | 242 | 0 | 242 |
| Total Expenditure | 32,365 | 93,788 | 126,153 |
| Movement on fund balance | (2,358) | 8 | (2,350) |
| Balance at beginning of Year | 2,313 | (4,972) | (2,659) |
| Balance at end of Year | (45) | (4,964) | (5,009) |
| Shares of Balance | | | |
| Devon County Council | (4) | (3,669) | (3,673) |
| Devon & Cornwall Police Authority | 0 | (515) | (515) |
| East Devon District Council (including Parishes) | (18) | (541) | (559) |
| Devon & Somerset Fire & Rescue Service | (1) | (239) | (240) |
| DCLG | (22) | 0 | (22) |
| | (45) | (4,964) | (5,009) |

Collection Fund - Income and Expenditure Account 2015/16

| | Business Rates | Council Tax | Total |
|--|-----------------------|--------------------|------------------|
| | £'000 | £'000 | £'000 |
| Income | | | |
| council tax (net) | 0 | (88,807) | (88,807) |
| NDR collectable from business ratepayers | (32,392) | 0 | (32,392) |
| Transitional protection payments | (60) | 0 | (60) |
| Total Income | (32,452) | (88,807) | (121,259) |
| <u>Contributions to previous year's estimated deficit</u> | | | |
| Central Government | (792) | 0 | (792) |
| Devon County authority | (143) | 0 | (143) |
| East Devon District authority | (634) | 0 | (634) |
| Devon & Somerset Fire & Rescue authority | (16) | 0 | (16) |
| | (34,037) | (88,807) | (122,844) |
| Expenditure | | | |
| <u>Precepts, Demands and Shares</u> | | | |
| Central Government | 16,168 | 0 | 16,168 |
| Devon County authority | 2,911 | 64,205 | 67,116 |
| Devon & Cornwall Police authority | 0 | 9,369 | 9,369 |
| East Devon District authority (including towns & parishes) | 12,935 | 9,060 | 21,995 |
| Devon & Somerset Fire & Rescue authority | 323 | 4,336 | 4,659 |
| <u>Contributions to previous year's estimated surplus</u> | | | |
| Devon County authority | 0 | 738 | 738 |
| Devon & Cornwall Police authority | 0 | 108 | 108 |
| East Devon District authority | 0 | 104 | 104 |
| Devon & Somerset Fire & Rescue authority | 0 | 50 | 50 |
| <u>Charges to Collection Fund</u> | | | |
| Cost of Collection Allowance | 227 | 0 | 227 |
| Write offs | 96 | 134 | 230 |
| Adjustment to Bad Debt provision | 38 | 0 | 38 |
| Adjustment to Appeals provision | (106) | 0 | (106) |
| Backdated appeals spreading adjustment | 707 | 0 | 707 |
| Renewable Energy Schemes | 198 | 0 | 198 |
| Total Expenditure | 33,497 | 88,104 | 121,601 |
| Movement on fund balance | (540) | (703) | (1,243) |
| Balance at beginning of Year | 2,853 | (4,269) | (1,416) |
| Balance at end of Year | 2,313 | (4,972) | (2,659) |
| Shares of Balance | | | |
| Devon County Council | 208 | (3,670) | (3,462) |
| Devon & Cornwall Police Authority | 0 | (529) | (529) |
| East Devon District Council (including Parishes) | 925 | (528) | 397 |
| Devon & Somerset Fire & Rescue Service | 23 | (245) | (222) |
| DCLG | 1,157 | 0 | 1,157 |
| | 2,313 | (4,972) | (2,659) |

Note 1. General

This account represents the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to Non-Domestic Rates, council tax and the distribution to the major preceptors and the General Fund. The account is consolidated with other accounts of the Council.

In 2013/14 there was a change to the method for distributing and accounting for business rates income. Prior to 1st April 2013 Non-Domestic Rates were collected by the Council and then completed paid over to the Government, who then redistributed these sums across the country in the form of the Non-Domestic rates grant.

From 1st April 2013 Business Rates Retention applies, whereby local authorities East Devon District Council (40%), Devon County Council (9%) and Devon & Somerset Fire & Rescue authority (1%) retain 50% of the business rates collected for the area and pay the remaining 50% to central government. In addition the government has set a level of business rates funding deemed to be applicable to each area and every Council receives a top-up (if business rates collected are below this deemed level of funding) or pays a tariff (if business rates collected are above this deemed level of funding).

With the introduction of business rates retention if a local authority increases its business rates base, and thereby increases its business rate income, it is allowed to retain a proportion of this increased income, whilst paying up to a maximum of 50% across to central government. This payment where it occurs is known as a levy payment.

Note 2. Business Rates

Business Rates is a local tax that is paid by the occupiers of all non-domestic/business property.

Business rates are calculated and collected by the Council. The Government specifies an amount (49.7p in 2016/17; 48.4p for small businesses) and, subject to the effects of transitional arrangements, local businesses pay NNDR calculated by multiplying their rateable value by that amount. The income raised in East Devon is distributed between East Devon District Council, Devon County Council, Devon & Somerset Fire & Rescue authority and Central Government in line with the distribution rules set out in Business Rates legislation.

NNDR income was £33.4m in 2016/17. The rateable value for the Council's area was £92.09m at 31 March 2017 VOA valuation (2015/16: £88.7m).

Note 3. Provision for Un-collectable Amounts

Provision has been made within the accounts for un-collectable amounts based on guidelines. At the end of 2016/17 the accumulated provision for bad debts stood at £0.582m (£0.455m for 2015/16) made up as follows:

| | 2016/17 | 2015/16 |
|--|------------|------------|
| | £'000 | £'000 |
| Provision for Uncollectable Amounts | | |
| Non Domestic Rates | 308 | 181 |
| Council tax | 274 | 274 |
| Total Provision | 582 | 455 |

Note 4. 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, adjusted 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 authority estimates would actually be collected if a tax of £1 is set. The figures for 2016/17 are:

| Band | Estimated equivalent no. of taxable properties after effect of discounts | Ratio | Band D Equivalent Dwellings |
|--|---|--------------|------------------------------------|
| A* | 12 | 5/9ths | 7 |
| A | 3,822 | 6/9ths | 2,548 |
| B | 9,395 | 7/9ths | 7,307 |
| C | 12,273 | 8/9ths | 10,909 |
| D | 10,536 | 9/9ths | 10,536 |
| E | 9,114 | 11/9ths | 11,139 |
| F | 5,649 | 13/9ths | 8,160 |
| G | 3,674 | 15/9ths | 6,123 |
| H | 162 | 18/9ths | 324 |
| Totals | 54,637.00 | | 57,053 |
| Adjustment for collection rate and contributions in lieu (-1.4%) | | | (799) |
| Contribution from MOD Properties | | | 150 |
| Council Tax Base 2016/17 | | | 56,404 |
| Council Tax Base 2015/16 | | | 55,289 |

A* = Disabled Band A

The Council tax payable at each band is shown below. This does not include parishes.

| Band | Multiplier | East Devon District Council | Devon County Council | Devon & Cornwall Police Authority | Devon & Somerset Fire & Rescue Service | Total |
|-------------|-------------------|------------------------------------|-----------------------------|--|---|--------------|
| A | 6/9ths | 84.52 | 805.08 | 115.23 | 53.32 | 1,058.15 |
| B | 7/9ths | 98.61 | 939.26 | 134.43 | 62.21 | 1,234.51 |
| C | 8/9ths | 112.69 | 1,073.44 | 153.64 | 71.09 | 1,410.86 |
| D | 9/9ths | 126.78 | 1,207.62 | 172.84 | 79.98 | 1,587.22 |
| E | 11/9ths | 154.95 | 1,475.98 | 211.25 | 97.75 | 1,939.93 |
| F | 13/9ths | 183.13 | 1,744.34 | 249.66 | 115.53 | 2,292.66 |
| G | 15/9ths | 211.30 | 2,012.70 | 288.07 | 133.30 | 2,645.37 |
| H | 18/9ths | 253.56 | 2,415.24 | 345.68 | 159.96 | 3,174.44 |

Annual Governance Statement 2016/2017

ANNUAL GOVERNANCE STATEMENT

For the year ended 31st March 2017

1. Corporate Governance

Corporate Governance is about how the Council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. Good governance ensures that the Council provides for effective leadership and management in the use of public money; ensures the delivery of high quality services to all taxpayers and citizens; and achieves the desired outcomes for service users and communities.

East Devon District Council acknowledges its responsibility for ensuring that there is a sound system of governance. The Council has developed a Local Code of Corporate Governance that defines the principles that underpin the governance of the organisation. The Code can be accessed on the Council's website at <http://eastdevon.gov.uk/council-and-democracy/council-business/our-key-policies/code-of-corporate-governance/purpose-and-scope-of-the-policy/> or can be obtained by writing to the Council. The principles upon which it is based are summarised in this Statement.

2. The Annual Governance Statement

The Accounts & Audit (England) Regulations 2015 require the Council to prepare and publish an annual governance statement. This is a public document that reports on the extent to which the Council complies with its own code of corporate governance. The Annual Governance Statement explains how the Council makes decisions; manages its resources in line with the Council's priorities; and achieves the required outcomes for service users and communities.

In the Annual Governance Statement the Council:

- Acknowledges its responsibility for ensuring that there is a sound system of governance
- Summarises the key elements of the governance framework and the roles of those responsible for the development and maintenance of the governance environment
- Describes how the Council has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period (Appendix 1)
- Provides details of how the Council has responded to any issue(s) identified in last year's governance statement
- Reports on any significant governance issues identified from this review and provides a commitment to addressing them (Section 6)

3. The Governance Framework

Scope of Responsibility:

East Devon District Council is responsible for ensuring that:

- Business is conducted in accordance with the law and proper standards
- Public money is safeguarded, properly accounted for and used economically, efficiently and effectively

The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Purpose of the Governance Framework:

The Council's governance framework comprises the systems, processes, cultures and values by which the Council is directed and controlled and activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money. The framework aims to ensure that in conducting its business the Council:

- Operates in a lawful, open, inclusive and honest manner
- Makes sure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively
- Has effective arrangements for the management of risk
- Secures continuous improvements in the way that it operates

The Governance Framework:

The governance framework sets out how the Council is operating in order to demonstrate compliance, ongoing improvement, its commitment to maintaining the highest ethical standards and levels of governance. The governance framework has been in place at East Devon District Council for the year ended 31 March 2017 and up to the date of approval of the statement of accounts.

The Council has based its governance framework on the CIPFA/SOLACE guidance 2016 'Delivering Good Governance in Local Government'. The framework sets out seven core principles for good governance. Appendix 1 provides a summary of key elements of the Council's governance framework and how they relate to the seven principles.

4. Review of Effectiveness

East Devon District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of:

- Internal Audit (SWAP) Annual Report and Opinion 2016/17– Report presented to Audit & Governance Committee 29th June 2017 giving reasonable assurance. Key areas for improvement have been picked up within this Statement in Section 6.
- External audit and inspection (KPMG) – a Report will presented to the Audit Governance Committee in September 2017 but no areas of concern are expected to be raised.
- A specific review of the effectiveness of internal control and compliance to the governance framework undertaken in May 2017 through the completion of assurance statements by the Strategic Management Team. These were then reviewed by the Assistant Director for SWAP, the Strategic Lead Finance (CFO/S151), the Monitoring Officer, Chief Executive and the

Chairman and Vice Chairman of the Audit & Governance Committee for compliance and any apparent organisational improvements are included in this Statement.

- The mechanisms for maintaining and reviewing the effectiveness of the system of internal control throughout the year include.
 - Cabinet is responsible for considering overall financial and performance management and receives comprehensive budget monitoring reports on a frequent basis and Council service performance reports.
 - Overview & Scrutiny Committees hold the Cabinet Committee to account.
 - The Standards Committee meets quarterly when required and at every meeting considers an update report on complaints against councillors which includes learning points and recommended actions. The Committee also keeps under review the Council's policies and procedures for maintaining high ethical standards.
 - The Audit & Governance Committee meet five times a year to provide independent assurance to the Council in relation to the effectiveness of the risk management and internal control environment.
 - The South West Audit Partnership provides an independent and objective assurance service (Internal Audit function) to the Council and completes a programme of reviews each year to inform an opinion on the internal control, risk management and governance arrangements. The service undertakes any fraud investigation and proactive fraud detection work which includes reviewing the control environment in areas where suspected fraud or irregularity has occurred.

The results of the annual review of the effectiveness of the key elements of the Council's governance processes during 2016-17 are set out in the table in Appendix 1.

5. Significant Governance Issues - Issues raised in 2015/16 Annual Governance Statement

Issues raised in last year's Annual Governance Statement related to two specific SWAP investigations within the year. Appropriate actions were reported as having been taken at the time of the audits and no remaining actions are outstanding.

A further weakness was raised in 2015/16 by the Council's external auditors following an objection to the Accounts from a member of the public which resulted in recommendations being agreed on the recording, reporting and accounting for S106 commitments. An update report was reported to Audit & Governance in June 2017 to give members assurance that the necessary improvements in procedures had been made.

6. Significant Governance Issues – Issues raised in 2016/17 Annual Governance Statement

Worth noting from this year's review indicating additional improvements to governance arrangements include:

- A SWAP audit was completed on Committee Decisions which was given a substantial assurance opinion.

- A revised Code of Corporate Governance was reviewed by the Audit & Governance Committee and adopted by Cabinet based on the CIPFA/SOLACE guidance 2016 'Delivering Good Governance in Local Government'.
- SWAP rated the Council with a High Assurance opinion under its recent Combined Assurance – Healthy Organisation assessment. This assurance considers all critical activities and key risks of the Council.
- A number of key policies were reviewed and adopted in the year including Whistle-blowing, Anti-Fraud, Theft and Corruption Policy and Anti-Money Laundering.

Key issues identified in the annual review in relation to improvements required in governance arrangements or internal control procedures are given in the table below.

| Key Issue to be addressed | Responsible Officer | Date for implementation |
|--|--------------------------------------|-----------------------------------|
| Contract Standing Orders (CSO) & Financial Regulations (FR) require reviewing and updating | Strategic Lead Finance | CSO June/Sept 2017 FR Dec 2017 |
| Recommendations identified in SWAP report on Major Projects as highlighted in the Healthy Organisation Assessment. There will be SWAP follow up 2017/18. | Strategic Lead Finance | September 2017 |
| Recommendations identified in SWAP report on Procurement Audit and highlighted in the Healthy Organisation Assessment. There will be SWAP follow up in 2017/18. | Strategic Lead Finance | September 2017 |
| Completion of Business Continuity Plan | Strategic Lead Housing & Environment | December 2017 |

Signed & Dated

Chief Executive 21/9/2017

Signed & Dated

Leader of the Council 21/9/2017

Appendix 1 – Assessment of key controls

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| <p>CORE PRINCIPLE A Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.</p> | |
| <p>Supporting Principles</p> | <p>Assessment of the effectiveness of key elements of the Council’s governance processes during 2016-17</p> |
| <p>Behaving with Integrity</p> <p>Demonstrating strong commitment to ethical values</p> <p>Respecting the rule of law</p> | <p>The Council has a robust Constitution in place that sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, proportionate, transparent and accountable. The Constitution was reviewed during 2016/17; this included revisions to the scheme of delegation to Senior Members and Officers.</p> <p>The Constitution contains the Code of Conduct for staff and members. Officers have a clear understanding of their roles and responsibilities through an approved scheme of delegation and through job descriptions and person specifications. All staff have been asked to confirm that they had read and understood the Code of Conduct and is included in the induction for new members and staff.</p> <p>Registers of gifts & hospitality and member & officer interests were maintained. Individual members' interests are published on the Council’s website.</p> <p>The Council has effective arrangements in place for dealing with complaints against members of East Devon District Council. Allegations that a member has failed to comply with the Code of Conduct are assessed initially by the Monitoring Officer, in consultation with an Independent Person, in order to decide whether the allegations merit investigation or another course of action. Details of complaints and the findings of any investigations are reported to the Standards Committee.</p> <p>The Standards Committee comprises five Members of East Devon District Council plus four non-voting independent Persons and regulates and oversees the Code of Conduct. The Committee took an active approach to ensuring high levels of good governance, ethical behaviour and transparency throughout the Council’s decision making processes. The Scrutiny Committee monitored and scrutinised the performance and decision making of the authority.</p> <p>All Legal and Financial advice supporting recommendations made to Council committees are documented.</p> <p>The Council has an appointed Corporate Counter Fraud & Compliance Manager and a report of outcomes for 2016/17 and strategy for 2017/18 has been reviewed by the Strategic Management Team and will be reported to Cabinet.</p> <p>The Council has a whistle-blowing, Anti-Fraud and Corruption Policy and Anti-Bribery Policy.</p> <p>The Council has a designated Monitoring Officer whom ensures compliance with established policies, procedures, laws and regulations. After consulting with the Head of Paid Service and Chief Finance Officer the Monitoring Officer will report to the full Council if it is considered that any proposal,</p> |

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| | <p>decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered. The Council also conforms to the requirements of the CIPFA statement on the Role of the Chief Financial Officer in Local Government.</p> <p>Every contract that the Council enters into adheres to the Public Contract Regulations 2015 and follows Contract Standing Orders and requires high standards of transparency and ethics.</p> |
| <p>CORE PRINCIPLE B Ensuring openness and comprehensive stakeholder engagement</p> | |
| <p>Supporting Principles</p> | <p>Assessment of the effectiveness of key elements of the Council's governance processes during 2016-17</p> |
| <p>Openness</p> <p>Engaging comprehensively with other organisations that the council needs to work with to improve services and outcomes</p> <p>Engaging with individual citizens and service users effectively citizens</p> | <p>The Council Plan for 2016-20 sets out our main priorities and forms the focus of all that we aim to achieve by 2020.</p> <p>Delivery of the Council Plan is supported by a performance framework with service plans and individual targets for staff agreed through the Performance Framework which is recorded and monitored through the Council's performance management systems. Delivery of the Council Plan is monitored by the Overview and Scrutiny Committees. These Committees drive the scrutiny process on behalf of the public with a view to improving the delivery of public services.</p> <p>Council Plan outcomes for the year are presented in the Annual report.</p> <p>The Council has a communication Plan 2016-20 which amongst other items sets out we will;</p> <ul style="list-style-type: none"> - continue to keep our website up to date using our adopted principles so that the information clear and easy to find - write policies and strategies for intranet and web - involve residents in deciding what good public services means to them - make the most of opportunities for communities and councils to improve their local areas - tailor our communications to specific audiences using different ways to suit different people (for example, some people prefer social media whereas others prefer a newsletter so we will take this into account and monitor how effective we are) - Rigorous use of Communication and Consultation Plans at the outset of larger projects. <p>The Council has an Engagement Policy and evidence of such engagement can be seen from the Council's viewpoint survey.</p> <p>The Council complies with the Local Government Transparency Code 2015 and the Freedom of Information Act publication scheme and has a stated position towards transparency - In 2014/15 32 reports were considered in Part B of committee agendas, this reduced to only 2 in 2015/16.</p> |

CORE PRINCIPLE C**Defining outcomes in terms of sustainable economic, social, and environmental benefits****Supporting Principles****Assessment of the effectiveness of key elements of the council's governance processes during 2016-17****Defining outcomes
Sustainable economic,
social and
environmental benefits**

The Council Plan for 2016-20 includes priorities and outcomes: Encouraging communities to be outstanding, developing an outstanding local economy, delivering and promoting our outstanding environment and continuously improving to be an outstanding Council.

Delivery of the Council Plan is supported by a performance framework with service plans and individual targets for staff agreed through the Performance Framework which is recorded and monitored through the Council's performance management systems

The Procurement Strategy sets out how the Council will procure goods, works and services by the most economic, efficient, effective and sustainable means to ensure that the needs of the community are met, within a clear framework of accountability and responsibility.

The Council has an adopted Local Plan.

CORE PRINCIPLE D**Determining the interventions necessary to optimise the achievement of the intended outcomes****Supporting Principles****Assessment of the effectiveness of key elements of the council's governance processes during 2016-17****Determining
interventions**

The Council operates a Cabinet system including delegation to Lead Members who are members of the Cabinet as defined in the Council's Constitution with a range of thematic portfolios. This gives a clearly defined decision making process.

Planning interventions**Optimising
achievement of
intended outcomes**

The Council's Constitution contains details of the respective roles and responsibilities of elected members, named officer roles and all officers employed by the Council. The Council's Constitution lists statutory roles for officers which ensure legality, financial prudence and transparency in decisions and transactions.

The Council operates an Overview and Scrutiny function. Members can "call in" decisions that have been made but not yet implemented, to enable them to consider whether the decision has been taken in accordance with the Council's decision making principles. The Budget and Public Policy framework is detailed in the Council's Constitution.

The Scrutiny Committee monitors and scrutinises the performance and decision making of the authority. They may make recommendations to the Full Council.

The Council has a robust organisational approach to business planning and performance management. A Performance Framework exists with monthly and quarterly performance monitoring and publication including financial monitoring.

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| | The Council has an adopted Financial Plan (2017 – 2022) linked to its Transformation Strategy. The Council annual budget approval involves significant Councillor involvement before adoption. |
| CORE PRINCIPLE E Developing the entity's capacity, including the capability of its leadership and the individuals within it | |
| Supporting Principles | Assessment of the effectiveness of key elements of the Council's governance processes during 2016-17 |
| Developing the entity's capacity | A corporate Member's induction programme is in place and ongoing training for Members includes the member code of conduct, personal safety and procedures. |
| Developing the entity's leadership | The Council has investors in people Gold award recognising good policies and procedures are in place and working well which externally validated. |
| Developing the capability of individuals within the entity | This includes having in place a performance framework covering all officers including an appraisal system with targeted, relevant training. There are regular team meetings, and one to ones. The Authority implements the national agreement on pay and conditions of service. The Authority has achieved its commitment to pay the Living Wage for its entire staff. |
| CORE PRINCIPLE F Managing risks and performance through robust internal control and strong public management | |
| Supporting Principles | Assessment of the effectiveness of key elements of the Council's governance processes during 2016-17 |
| Managing Risk | The Council has an adopted Risk Management Policy with clear accountability and review processes in place. Audit & Governance receive 1/4ly updates on the risk register. |
| Managing Performance | |
| Robust Internal Control | The Council has an induction and development programme for Councillors. This is of vital importance, given the technical complexity of the Council's core operations, the decision making structure and the financial value of the transactions controlled by the Authority. All statutory Officers receive the training and support to carry out their duties effectively and, as appropriate, participate in continuous professional development. |
| Strong Public Financial Management | The Cabinet meets on a monthly basis at set times to consider key matters including those on performance. Matters are published in the Forward Plan to enable the public to be aware of future decisions. All reports include reference to the Council Plan. In addition to the quarterly performance reports there are at least quarterly financial reports submitted to Cabinet detailing estimated out-turn against the approved budget. The annual budget is supported by the Strategic Lead Finance commenting upon its deliverability and is supported by an appropriate reserves policy. The final accounts, of which this statement is an integral part, outline the Outturn of the |

| | |
|--|---|
| | <p>Authority and are prepared in accordance with professional standards and subject to external audit.</p> <p>In order to demonstrate robust internal control the Authority has:</p> <ul style="list-style-type: none"> • A Risk Management Framework linked into the Authority Structure; • An appropriate suite of Anti-Fraud and Corruption Policies; • A balanced budget supported by appropriate reserves • Standards Committee supported by independent Members <p>The Council has undertaken a survey of all its staff in 2016/17 to assess their views on the management of the organisation. The findings have been considered in the production of service plans and priorities.</p> |
| <p>CORE PRINCIPLE G Implementing good practices in transparency, reporting, and audit to deliver effective accountability</p> | |
| <p>Supporting Principles</p> | <p>Assessment of the effectiveness of key elements of the Council's governance processes during 2016-17</p> |
| <p>Implementing good practice in transparency</p> <p>Implementing good practices in reporting</p> <p>Assurance and effective accountability</p> | <p>The Council makes as much information as possible available on its website. Support is also available to those residents who cannot access the internet.</p> <p>The Council publishes its statement of accounts on the website.</p> <p>The Council's external auditors KPMG issued their Annual Findings Report 2015/16 in September 2016 which contained an unqualified opinion on the financial statements. KPMG also gave an unqualified value for money conclusion on the Council's arrangements to secure economy efficiency and effectiveness in its use of resources.</p> <p>The Strategic Management Team is responsible for responding to recommendations made by Internal Audit, External Audit.</p> <p>Progress made against the issues identified in the 2015-16 Annual Governance Statement action plan have been monitored by the Strategic Management Team and the Audit & Governance Committee.</p> <p>The Council has a Whistle-blowing Policy which is advertised both inside the Council and on the Council's website. The council updated the Whistleblowing Policy in 2016-17 to encourage and enable staff to raise serious concerns within the council.</p> <p>The Anti-Fraud, Theft and Corruption Policy was updated during 2016/17 and approved by the Audit & Accounts Committee.</p> <p>The Council has a clear process for dealing with Freedom of Information (FOI) requests from the public. It complies with the Transparency Code and has a stated transparency agenda.</p> |

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.

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.

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 Council 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.

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 on 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.

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.

Date: **Agenda item 10**
Contact number:
Email: 21September 2017
Reference: 01395 517490
sdavey@eastdevon.gov.uk
SD



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Dear Darren

This representation letter is provided in connection with your audit of the financial statements of East Devon District Council (“the Authority”), for the year ended 31 March 2017, for the purpose of expressing an opinion:

- i. as to whether these financial statements give a true and fair view of the financial position of the Authority as at 31 March 2017 and of the Authority’s expenditure and income for the year then ended;
- ii. whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

These financial statements comprise the Expenditure and Funding Analysis, the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the Collection Fund and the related notes.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Authority has fulfilled its responsibilities, as set out in the Accounts and Audit Regulations 2015, for the preparation of financial statements that:
 - i. give a true and fair view of the financial position of the Authority as at 31 March 2017 and of the Authority’s expenditure and income for the year then ended;

East Devon – an outstanding place

Chief Executive: Mark R Williams Deputy Chief Executive: Richard Cohen
agenda page 164



- ii. have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable.
3. All events subsequent to the date of the financial statements and for which IAS 10 *Events after the reporting period* requires adjustment or disclosure have been adjusted or disclosed.

Information provided

4. The Authority has provided you with:
 - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
 - additional information that you have requested from the Authority for the purpose of the audit; and
 - unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.
5. All transactions have been recorded in the accounting records and are reflected in the financial statements.
6. The Authority confirms the following:
 - i) The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.
 - ii) The Authority has disclosed to you all information in relation to:
 - a) Fraud or suspected fraud that it is aware of and that affects the Authority and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements; and
 - b) allegations of fraud, or suspected fraud, affecting the Authority's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

7. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
8. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
9. The Authority has disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.

Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as we understand them as defined in IAS 24 and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

10. The Authority confirms that:

- a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the Authority's ability to continue as a going concern as required to provide a true and fair view.
- b) Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Authority to continue as a going concern.

11. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 (Revised) Employee Benefits.

The Authority further confirms that:

- a) all significant retirement benefits, including any arrangements that are:
 - statutory, contractual or implicit in the employer's actions;
 - arise in the UK and the Republic of Ireland or overseas;
 - funded or unfunded; and
 - approved or unapproved,
- b) have been identified and properly accounted for; and
- c) all plan amendments, curtailments and settlements have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Audit Committee on 21 September 2017.

Yours sincerely,

Mark Williamson
Chair of the Audit & Governance Committee

Simon Davey
Strategic Lead Finance – S151

Appendix to the Authority Representation Letter of East Devon District Council: Definitions

Financial Statements

A complete set of financial statements comprises:

- A Comprehensive Income and Expenditure Statement for the period;
- A Balance Sheet as at the end of the period;
- A Movement in Reserves Statement for the period;
- A Cash Flow Statement for the period; and
- Notes, comprising a summary of significant accounting policies and other explanatory information and the Expenditure and Funding Analysis.

A local authority is required to present group accounts in addition to its single entity accounts where required by chapter nine of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

A housing authority must present:

- a HRA Income and Expenditure Statement; and
- a Movement on the Housing Revenue Account Statement.

A billing authority must present a Collection Fund Statement for the period showing amounts required by statute to be debited and credited to the Collection Fund.

A pension fund administering authority must prepare Pension Fund accounts in accordance with Chapter 6.5 of the Code of Practice.

An entity may use titles for the statements other than those used in IAS 1. For example, an entity may use the title 'statement of comprehensive income' instead of 'statement of profit or loss and other comprehensive income'.

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state that:

“Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.”

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- a) was available when financial statements for those periods were authorised for issue; and
- b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

Related Party and Related Party Transaction

Related party:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

- a) A person or a close member of that person's family is related to a reporting entity if that person:
 - i. has control or joint control over the reporting entity;
 - ii. has significant influence over the reporting entity; or
 - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions applies:
 - i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - iii. Both entities are joint ventures of the same third party.
 - iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

- v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- vi. The entity is controlled, or jointly controlled by a person identified in (a).
- vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- viii. The entity or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Key management personnel in a local authority context are all chief officers (or equivalent), elected members, the chief executive of the authority and other persons having the authority and responsibility for planning, directing and controlling the activities of the authority, including the oversight of these activities.

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

- a) a government that has control, joint control or significant influence over the reporting entity; and
- b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

Related party transaction:

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Report to: **Audit and Governance Committee**
Date of Meeting: 21 September 2017
Public Document: Yes
Exemption: None



Agenda item: 11

Subject: **Expenditure on consultants and agency staff 2016/17**

Purpose of report: As requested at Audit and Governance, this report details capital and revenue spend on consultants and specialist advice and agency staff for 2016/17.

Recommendation: **To note the details of expenditure on consultants and agency staff in 2016/17.**

Reason for recommendation: Members of the Audit and Governance Committee have responsibility for the approval of the Annual Statement of Accounts.

Officer: Laurelie Gifford, Financial Services Manager
lgifford@eastdevon.gov.uk

Financial implications: There are no financial implications.

Legal implications: There are no legal implications requiring comment.

Equalities impact: Low Impact

Risk: Low Risk

Links to background information: .

Link to Council Plan: Funding this Outstanding Place

Report in full

1. Consultants expenditure

1.1 Expenditure on consultants and specialised technical advice has been analysed between items £10,000 and greater (Appendix A 2016/17), and less than £10,000 (Appendix B 2016/17). These are then split between Revenue and Capital expenditure.

1.2 Both lists show the Supplier, the service area / capital project for which the work has been done, and the responsible officer. Items over £10,000 also have the reason for the external consultation.

1.3 Summary of expenditure is in the following table:

| Consultants 2016/17 | Capital £ | Revenue £ | Total £ |
|----------------------------|----------------------|----------------------|--------------------|
| Total Over £10,000 | 762,422 | 364,362 | 1,126,784 |
| Total Under £10,000 | 51,726 | 214,544 | 266,270 |
| Grand Total | 814,148 | 578,906 | 1,393,054 |

Comparison:

| Consultants 2015/16 | Capital £ | Revenue £ | Total £ |
|----------------------------|----------------------|----------------------|--------------------|
| Total Over £10,000 | 663,101 | 513,438 | 1,176,539 |
| Total Under £10,000 | 50,436 | 203,892 | 254,328 |
| Grand Total | 713,537 | 717,330 | 1,430,867 |

2. Agency expenditure

2.1 Expenditure on agency staff has been analysed by service. (Appendix C.) There is no expenditure on agency staff for Capital projects.

2.2 The list shows the Supplier, the service area for which the work has been done, and the responsible officer with the reason for the use of agency staff.

2.3 Summary of expenditure is in the following table:

| Agency | Revenue £ |
|----------------|----------------------|
| 2016/17 | 525,684 |
| 2015/16 | 477,119 |

| Consultants 2016/17 Over £10,000 by Supplier | | | | | | | | Appendix A |
|--|-------------|--------------------------------|-------------------|--|----------------|----------------|----------------|-----------------------|
| Company | Cost Centre | Service | Officer | Reason | Capital £ | Revenue £ | Statutory? Y/N | External Funding? Y/N |
| AECOM LIMITED | 83502 | Hq Relocation Project | Steve Pratten | Multi design consultancy | 438,476 | | N | N |
| Bevan Brittan | 83502 | Hq Relocation Project | Steve Pratten | Specialist legal adviceLegal consultancy | 13,390 | | N | N |
| BICKERDIKE ALLEN PARTNERS | 43410 | Projects Team (Cranbrook) | Andrew Wood | Acoustic survey, design & investigation on the impact of Exeter Airport on the Cranbrook development | | 13,318 | N | N |
| CAPITA BUSINESS SERVICES LTD | 21401 | Hsg Ben Section | Libby Jarrett | Specialist IT Consultants | | 17,045 | Y | Part |
| Civica Uk Ltd | 53032 | Electronic Doc Mgmt-Trans Fund | Laurence Whitlock | Specialist IT Consultants | | 10,085 | N | N |
| Design Council | 43410 | Projects Team (Cranbrook) | Andrew Wood | Commission for Architecture and the Built Environment - Profesional Advice | | 20,914 | N | N |
| ERIMAX LTD | 43415 | Neighbourhood Planning | Matt Dickins | Examination of Neighbourhood Plans - undertaken by Nigel McGuirk | | 16,736 | Y | N |
| FOOTPRINT ECOLOGY LTD | 43410 | New Growth Point Delivery Team | Andrew Wood | Ecological consultation and investigation for the Greater Exeter Strategic Plan | | 15,000 | N | N |
| GJR ARCHITECTS LTD | 83201 | Queens Drive Leisure Area Infr | Alison Hayward | Architecture and design input into the Reserved Matters Planning application for Queen's Drive | 30,000 | | N | N |
| GVA GRIMLEY LLP | 43203 | New Growth Point Delivery Team | Andrew Wood | Real estate advisory services relating to the Greater Exeter Strategic plan including a retail and leisure study | | 36,688 | N | N |
| HALCROW GROUP LIMITED | 08002 | Sidmouth Beach Management Plan | Dave Turner | Specialist engineers and coastal scientists | | 35,732 | N | Part |
| IAN HOWICK AND PARTNERS LTD | 83905 | Feniton Flood Alleviation Work | Dave Turner | Design and engineering work for the Feniton Flood Scheme | 52,432 | | Y | Part |
| INTERSERVE CONSTRUCTION LTD | 83502 | Hq Relocation Project | Steve Pratten | Building Contractor | 106,498 | | N | N |
| Julian Brown Consultancy Limited | 83201 | Queens Drive Leisure Area Infr | Alison Hayward | Professional advice and surveys in relation to the removal of badgers from the Queen's Drive site, Exmouth. | 10,070 | | N | N |
| MICHAEL BURGIN | 50006 | Asset Management Plan | Richard Cohen | Specialise IT support in setting up Uniform system | | 10,951 | N | N |
| RUTH WORSLEY | 36040 | Aonb Legacy To Landscape Proj | Chris Woodruff | Specialised geographical knowledge | | 12,402 | N | Y |
| Stephen J Pratten | 83502 | Hq Relocation Project | Steve Pratten | Project management | 89,218 | | N | N |
| STRATA SERVICE SOLUTIONS LTD | 53032 | Electronic Doc Mgmt-Trans Fund | Steve Gammon | Specialist IT Consultants | | 16,666 | N | N |
| STRATA SERVICE SOLUTIONS LTD | 53036 | Website Development/Re-Design | Steve Gammon | Specialist IT Consultants | | 37,530 | N | N |
| The South West Research Company Ltd | 23010 | La Business Growth Incentive | Richard Cohen | Visitor Survey for Exmouth commissioned by the Coastal Community Team for Exmouth | | 11,600 | N | N |
| TORBAY DEVELOPMENT AGENCY | 59275 | Property Services | Richard Cohen | Estates and Property - Specialist support | | 38,504 | N | N |
| VALUATION OFFICE AGENCY ADMINISTRATION | 43401 | Development Management | Ed Freeman | Specialist agricultural valuation advice | | 21,555 | Y | N |
| WSP UK LTD | 83201 | Queens Drive Leisure Area Infr | Alison Hayward | Specialist engineering, ecological and environmental advice | 22,338 | | N | N |
| WSP UK LTD | 50023 | Exmth Regen Tidal Study | Dave Turner | Specialist engineering, ecological and environmental advice | | 49,638 | N | Y |
| | | | | | 762,422 | 364,362 | | |

| Consultants 2016/17 Under £10,000 by Supplier | | | | | | | Appendix A |
|---|-------------|--------------------------------|------------------|-----------|-----------|---------------|----------------------|
| Company | Cost Centre | Service | Officer | Capital £ | Revenue £ | Statutory Y/N | External Funding Y/N |
| A M LANE | 43410 | Projects Team (Cranbrook) | Andrew Wood | | 1,924 | N | N |
| ARA CHARTERED ARCHITECT | 62492 | New Build Feasibility | Andrew Mitchell | | 2,652 | N | N |
| BAKER ELECTRICAL LTD | 39322 | Thg Self Funded Projects | Angela Blackwell | | 45 | N | Y |
| BSW CONSULTING LTD | 43410 | Projects Team (Cranbrook) | Andrew Wood | | 5,645 | N | N |
| BSW CONSULTING LTD | 62492 | New Build Feasibility | Andrew Mitchell | | 375 | N | N |
| BURGES SALMON | 43401 | Development Management | Ed Freeman | | 4,500 | N | N |
| CAPITA BUSINESS SERVICES LTD | 42015 | Cncl Tax Liab And Recovery | Libby Jarrett | | 7,968 | Y | Part |
| CAPITA BUSINESS SERVICES LTD | 42018 | Nndr | Libby Jarrett | | 1,134 | Y | Part |
| CAPITA PROPERTY & INFRASTRUCTURE LTD | 62495 | Business Plan Review | John Golding | | 6,750 | N | N |
| CAPITA TREASURY SOLUTIONS LTD | 58211 | Accountancy Section | Laurelie Gifford | | 1,019 | Y | N |
| CAPITA TREASURY SOLUTIONS LTD | 61001 | Hra Supervision And Management | John Golding | | 7,091 | N | N |
| CELTIC ROCK SERVICES LTD | 08001 | Coast Protection | Dave Turner | | 650 | Y | N |
| CHARTERED INSTITUTE OF HOUSING | 61010 | Hsg Landlord Services | Sue Bewes | | 174 | N | N |
| CHARTERED INSTITUTE OF HOUSING | 61011 | Housing Needs & Strategy | Andrew Mitchell | | 174 | N | N |
| CHARTERED INSTITUTE OF HOUSING | 61060 | Tenant Participation | Jane Reading | | 57 | N | N |
| CIPFA BUSINESS LTD | 55204 | Sidmth Knowle | Richard Cohen | | 500 | N | N |
| CIPFA BUSINESS LTD | 58224 | Estates | Richard Cohen | | 500 | N | N |
| CIPFA BUSINESS LTD | 59275 | Property Services | Richard Cohen | | 500 | N | N |
| Civica Uk Ltd | 21403 | Revs And Benefits Support Team | Libby Jarrett | | 866 | Y | Part |
| Civica Uk Ltd | 59211 | Planning Admin | Nick Wright | | 1,295 | N | N |
| CORNWALL COLLEGE | 61010 | Hsg Landlord Services | Sue Bewes | | 1,269 | N | N |
| CREATING EXCELLENCE (SW) | 43401 | Development Management | Ed Freeman | | 1,016 | N | N |
| DAVID ROCHE GEOCONSULTING LTD | 08001 | Coast Protection | Dave Turner | | 500 | Y | N |
| DAVID WEATHERLY EDUCATION LTD | 36040 | Aonb Legacy To Landscape Proj | Chris Woodruff | | 90 | N | Y |
| Design Review Ltd | 43401 | Development Management | Ed Freeman | | 950 | N | N |
| DEVON COMMUNITIES TOGETHER | 43415 | Neighbourhood Planning | Ed Freeman | | 9,800 | Y | N |
| DEVON COMMUNITIES TOGETHER | 61060 | Tenant Participation | Jane Reading | | 50 | N | N |
| DEVON COUNTY COUNCIL | 43203 | New Growth Point Delivery Team | Andrew Wood | | 832 | N | N |
| DEVON SOMERSET DORSET FIRE RISK ASSESSMENTS | 55204 | Sidmth Knowle | Richard Cohen | | 450 | Y | N |
| DEVON SOMERSET DORSET FIRE RISK ASSESSMENTS | 55265 | Exmth Town Hall | Richard Cohen | | 200 | Y | N |
| DEVON WILDLIFE ENTERPRISES LTD | 83502 | Hq Relocation Project | Steve Pratten | 450 | | N | N |
| DEVON WILDLIFE TRUST | 36052 | Ed Farmers Facilitation Group | Chris Woodruff | | 887 | N | Y |
| DORSET COUNTY COUNCIL | 36061 | Aonb Landscape Fund | Chris Woodruff | | 384 | N | Y |
| EMMA VOYSEY | 36052 | Ed Farmers Facilitation Group | Chris Woodruff | | 260 | N | Y |
| ENCOMPASS ECOLOGY LTD | 43410 | Projects Team (Cranbrook) | Andrew Wood | | 3,679 | N | N |
| FARMING & WILDLIFE ADVISORY GROUP | 36052 | Ed Farmers Facilitation Group | Chris Woodruff | | 1,109 | N | Y |
| FIGURA PLANNING LTD | 43207 | Enterprise Zone | Andrew Wood | | 3,500 | N | N |
| FOCUS ON BANKING LIMITED | 58211 | Accountancy Section | Laurelie Gifford | | 1,500 | Y | N |
| FOOTPRINT ECOLOGY LTD | 43411 | Planning Policy | Matt Dickens | | 5,966 | N | N |
| GEOTECHNICS LIMITED | 83502 | Hq Relocation Project | Steve Pratten | 2,150 | | N | N |

| Company | Cost Centre | Service | Officer | Capital £ | Revenue £ | Statutory Y/N | External Funding Y/N |
|---------------------------------|-------------|--------------------------------|---------------------------|-----------|-----------|---------------|----------------------|
| Ginkgo | 43206 | Art In The Exe Project | Simon Bates | | 5,000 | N | Y |
| Ginkgo | 43410 | Projects Team (Cranbrook) | Andrew Wood | | 2,000 | N | N |
| GIRLING JONES LTD | 61012 | Hsg Asset & Property Team | Amy Gilbert | | 7,234 | N | N |
| HEALTHY BUILDINGS INTERNATIONAL | 01005 | Sports Centres, Pools, Exm Pav | Simon Allchurch | | 1,285 | Y | N |
| HEALTHY BUILDINGS INTERNATIONAL | 65704 | Asbestos Surveys | Amy Gilbert | | 1,150 | Y | N |
| HI-TEC DRAINS | 83502 | Hq Relocation Project | Steve Pratten | 395 | | N | N |
| IAN HARRISON CONSULTANCY | 83200 | Mamhead Slipway | Alison Hayward | 7,185 | | N | N |
| IRRV | 21401 | Hsg Ben Section | Libby Jarrett | | 731 | Y | N |
| JBA CONSULTING | 08001 | Coast Protection | Dave Turner | | 5,500 | Y | N |
| JBA CONSULTING | 17001 | Flood Prev | Dave Turner | | 7,850 | Y | N |
| JBA CONSULTING | 36042 | Nature Reserves | James Chubb | | 1,500 | N | N |
| Jillings Heynes Planning Ltd | 83201 | Queens Drive Leisure Area Infr | Alison Hayward | 9,568 | | N | N |
| Jillings Heynes Planning Ltd | 83502 | Hq Relocation Project | Steve Pratten | 1,799 | | N | N |
| JOHN SLATER PLANNING | 43415 | Neighbourhood Planning | Ed Freeman | | 1,815 | Y | N |
| Jon England | 39321 | Thelma Hulbert Gallery | Angela Blackwell | | 700 | N | N |
| Jon England | 39322 | Thg Self Funded Projects | Angela Blackwell | | 200 | N | Y |
| JONES LANG LASALLE LIMITED | 23010 | La Business Growth Incentive | Richard Cohen | | 1,500 | N | N |
| K FREWIN | 23066 | Seaton Town Manager | Alison Hayward | | 513 | N | N |
| Kendall Kingscott | 83200 | Mamhead Slipway | Alison Hayward | 113 | | N | N |
| Land registry | 61011 | Housing Needs & Strategy | Andrew Mitchell | | 15 | N | N |
| LAND USE CONSULTANTS | 43410 | Projects Team (Cranbrook) | Andrew Wood | | 6,864 | N | N |
| LAND USE CONSULTANTS | 43411 | Planning Policy | Matt Dickens | | 3,636 | N | N |
| M E REED | 36040 | Aonb Legacy To Landscape Proj | Chris Woodruff | | 990 | N | Y |
| MALCOLM RYAN | 44001 | Build Control Fee Earning | Paul Seager | | 50 | N | N |
| MARINE MANAGEMENT ORGANISATION | 50023 | Exmth Regen Tidal Study | Dave Turner | | 141 | N | Part |
| MEADOWS (EXMOUTH) LTD | 61020 | Council House Sales | Amy Gilbert | | 1,825 | N | N |
| MEADOWS (EXMOUTH) LTD | 62492 | New Build Feasibility | Andrew Mitchell | | 200 | N | N |
| MICHAEL BURGIN | 08001 | Coast Protection | Andrew Hancock | | 875 | Y | N |
| MICHAEL BURGIN | 59275 | Property Services | Richard Cohen | | 5,663 | N | N |
| Mr Jonathan England | 39322 | Thg Self Funded Projects | Angela Blackwell | | 100 | N | Y |
| NEXUS | 32211 | Manor Pavilion, Sidmouth | Graham Whitlock | | 325 | N | N |
| NPS SOUTH WEST LTD | 85904 | Remodelling Of Sheltered Schm | Amy Gilbert | 452 | | Y | N |
| NT SECURITY LTD | 51007 | Flexi Time Systems | Terry Wilson | | 2,400 | N | N |
| Parkeon | 05001 | Car Park Management | Andrew Ennis | | 356 | N | N |
| PARTRIDGE VENTILATION | 33050 | Enviro Protection Team | John Smith / Andrew Ennis | | 300 | N | N |
| PRICEWATERHOUSECOOPERS LLP | 62492 | New Build Feasibility | Andrew Mitchell | | 2,500 | N | N |
| Probation service | 39322 | Thg Self Funded Projects | Angela Blackwell | | 200 | N | Y |
| PROJECT COSMIC | 36049 | Aonb Project Development | Chris Woodruff | | 1,160 | N | Y |
| PROJECT COSMIC | 36061 | Aonb Landscape Fund | Chris Woodruff | | 1,660 | N | Y |
| PROJECT COSMIC | 39321 | Thelma Hulbert Gallery | Angela Blackwell | | 70 | N | N |
| PROMOTE COLYTON GROUP | 36040 | Aonb Legacy To Landscape Proj | Chris Woodruff | | 55 | N | Y |

| Company | Cost Centre | Service | Officer | Capital £ | Revenue £ | Statutory Y/N | External Funding Y/N |
|---|-------------|--------------------------------|------------------|---------------|----------------|---------------|----------------------|
| PS Tax | 58211 | Accountancy Section | Laurelie Gifford | | 3,500 | Y | N |
| REC Asbestos South Ltd | 83502 | Hq Relocation Project | Steve Pratten | 828 | | N | N |
| REDCOTEC LLP | 55204 | Sidmth Knowle | Richard Cohen | | 1,320 | Y | N |
| REED BUSINESS INFORMATION | 57221 | Human Resources | Karen Jenkins | | 3,468 | N | N |
| RH2 CIVIL ENGINEERING LTD | 83200 | Mamhead Slipway | Alison Hayward | 4,922 | | N | N |
| RICHARD EDMONDS | 36040 | Aonb Legacy To Landscape Proj | Chris Woodruff | | 150 | N | Y |
| RICHARD SANDOVER | 36040 | Aonb Legacy To Landscape Proj | Chris Woodruff | | 70 | N | Y |
| RUBICON REGENERATION | 23065 | Exeter And Heart Of Devon | Alison Hayward | | 7,000 | N | N |
| S HENDERSON | 39321 | Thelma Hulbert Gallery | Angela Blackwell | | 368 | N | N |
| SAVILLS (L&P) | 43410 | Projects Team (Cranbrook) | Andrew Wood | | 4,513 | N | N |
| SAVILLS (L&P) | 83502 | Hq Relocation Project | Steve Pratten | 3,225 | | N | N |
| SHEAMUS MACHIN | 43401 | Development Management | Ed Freeman | | 1,500 | N | N |
| SNAP SURVEYS LIMITED | 21401 | Hsg Ben Section | Libby Jarrett | | 900 | Y | N |
| SNAP SURVEYS LIMITED | 43410 | Projects Team (Cranbrook) | Andrew Wood | | 1,365 | N | N |
| SOUTH WEST COUNCILS | 50005 | Multi Serv Acty Annual | Simon Davey | | 1,738 | Y | N |
| SOUTH WEST COUNCILS | 58200 | Dce Develm'T, Regen & P'Ship | Richard Cohen | | 245 | N | N |
| SOUTH WEST HERITAGE TRUST TRADING LTD | 36040 | Aonb Legacy To Landscape Proj | Chris Woodruff | | 344 | N | Y |
| STRATA SERVICE SOLUTIONS LTD | 21401 | Hsg Ben Section | Libby Jarrett | | 7,910 | N | N |
| STRATA SERVICE SOLUTIONS LTD | 58211 | Accountancy Section | Laurelie Gifford | | 5,250 | Y | N |
| STRATEGIC ECONOMICS LTD | 43203 | New Growth Point Delivery Team | Andrew Wood | | 1,350 | N | N |
| STRI LTD | 43411 | Planning Policy | Matt Dickens | | 9,375 | N | N |
| Synergykey Ltd | 58211 | Accountancy Section | Laurelie Gifford | | 1,050 | Y | N |
| TAMESIDE MBC | 21401 | Hsg Ben Section | Libby Jarrett | | 37 | Y | Part |
| TAMESIDE MBC | 21404 | Corporate Fraud And Compliance | Libby Jarrett | | 14 | Y | Part |
| TELECARE SERVICES ASSOCIATION | 61001 | Hra Supervision And Management | John Golding | | 1,230 | N | N |
| THE DESIGN REVIEW PANEL | 43401 | Development Management | Ed Freeman | | 1,800 | N | N |
| THOMAS LISTER | 83502 | Hq Relocation Project | Steve Pratten | 2,750 | | N | N |
| TPAS LIMITED | 61060 | Tenant Participation | Sue Bewes | | 569 | N | N |
| TROWN HOUSING CONSULTANCY LTD | 61011 | Housing Needs & Strategy | Andrew Mitchell | | 163 | N | N |
| UNIVERSITY OF EXETER | 43401 | Development Management | Ed Freeman | | 250 | N | N |
| UNIVERSITY OF EXETER | 43411 | Planning Policy | Matt Dickens | | 5,040 | N | N |
| W T Hills Ltd | 83200 | Mamhead Slipway | Alison Hayward | 1,020 | | N | N |
| W T Hills Ltd | 83201 | Queens Drive Leisure Area Infr | Alison Hayward | 680 | | N | N |
| WARD WILLIAMS ASSOCIATES | 83245 | Seaton Jurassic | Alison Hayward | 3,045 | | N | Y |
| WARD WILLIAMS ASSOCIATES | 83905 | Feniton Flood Alleviation Work | Dave Turner | 9,091 | | N | Part |
| WARM COMPANY (SW) LIMITED | 85816 | Hmo 102 St Andrews Rd - Exmth | Paul Lowe | 2,305 | | N | Part |
| WH LANDSCAPE CONSULTANCY LTD | 43410 | Projects Team (Cranbrook) | Andrew Wood | | 7,290 | N | N |
| WSP UK LTD | 08002 | Sidmouth Beach Management Plan | Dave Turner | | 3,362 | N | Part |
| WSP UK LTD | 83214 | Overspill Carpark Seaton Juras | Alison Hayward | 1,750 | | N | N |
| WYVERN HERITAGE AND LANDSCAPE CONSULTANCY | 36040 | Aonb Legacy To Landscape Proj | Chris Woodruff | | 750 | N | Y |
| | | | | 51,726 | 214,544 | | |

| Agency Staff 2016/17 | | | | | Appendix C |
|------------------------------------|-------------|-------------------------------|---------------------|--|----------------|
| Company | Cost Centre | Service | Officer | Reason | Amount |
| BISHOPSGATE BUSINESS SOLUTIONS LTD | 59275 | Property Services | Richard Cohen | Cover for vacant posts statutory requirement | 47,998 |
| BUILDING RECRUITMENT CO LTD | 61012 | Hsg Asset & Property Team | Nigel Waterson | Interim cover of maintenance surveyor role | 10,911 |
| COMENSURA LTD | 28005 | Gm East | Andrew Hancock | Seasonal Grounds Staff | 24,063 |
| | 28006 | Gm West | Andrew Hancock | Seasonal Grounds Staff | 41,243 |
| | 41005 | Sc East | Andrew Hancock | Seasonal street cleansing Staff | 31,829 |
| | 41006 | Sc West | Andrew Hancock | Seasonal street cleansing Staff | 59,191 |
| DEVON COUNTY COUNCIL | 23320 | East Devon Business Centre | Tammy Down | Interim cover for vacant part time reception post. | 6,191 |
| | 61012 | Hsg Asset & Property Team | Mike Purcell | Housing advisor back filling vacancy | 3,926 |
| DEVON COUNTY COUNCIL | 57221 | Human Resources | Karen Jenkins | Requirement for independent investigation | 2,433 |
| | 57291 | Lic Section | Steve Saunders | Long term illness cover | 9,338 |
| | 61010 | Hsg Landlord Services | Gary Street | Temporary staff to assist with compliance documentation and data admin under review to make permanent | 2,530 |
| HUNTRESS SEARCH LIMITED | 53100 | Customer Service Centre | Cherise Foster | Temporary back fill cover for Refuse roll out | 5,702 |
| PENNA PLC | 58211 | Accountancy Section | Simon Davey | Temporary HRA and year end support | 42,725 |
| PRACTICUS LTD | 35001 | Refuse Collection & Recycling | Andrew Hancock | Interim Waste Contract Manager | 35,380 |
| THE OYSTER PARTNERSHIP LIMITED | 43401 | Development Management | Ed Freeman | Short term need while undertaking systems thinking and team structure review/ recruitment difficulties | 68,617 |
| MATCHTECH GROUP UK LTD | 43401 | Development Management | Ed Freeman | Short term need while undertaking systems thinking and team structure review/ recruitment difficulties | 47,469 |
| LIGHTHOUSE LAW LIMITED | 57211 | Legal Serv | Henry Gordon-Lennox | Maternity cover | 51,600 |
| Venn Group | 61012 | Hsg Asset & Property Team | Mike Purcell | Housing advisor back filling vacancy | 33,385 |
| | 62101 | Road Repairs | Mark Dale | Temporary cover for short term vacancy | 1,152 |
| TOTAL | | | | | 525,684 |

Report to: **Audit and Governance Committee**

Date of Meeting: 21 September 2017

Public Document: Yes

Exemption: None

Review date for release None

Agenda item: 13

Subject: **RIPA Annual Report and RIPA Policy update**

Purpose of report: To have strategic oversight of the Council's RIPA function by receiving an annual report and to seek adoption of the revised Policy.

Recommendation: **Members are asked to;**

- 1. note the content of the report including the annual report for 2015/16 and 2016/17, and**
- 2. approve and adopt the revised RIPA Policy contained at Appendix A.**

Reason for recommendation: To update Members on RIPA activity since the last report and to seek Members approval to a revised RIPA policy.

Officer: Henry Gordon Lennox, Monitoring Officer and RIPA Senior Responsible Officer

Financial implications: There are no financial implications identified in the report.

Legal implications: Although the RIPA powers are rarely used, it is important that the Council has an up to date and relevant RIPA Policy so that officers are able to understand when authorisation is required and how to go about obtaining an authorisation. This is reinforced by the fact that the RIPA policy is one of the Council's key policies. There are no significant changes to the policy and therefore the Committee is recommended to adopt the revised Policy.

Equalities impact: Low Impact

Risk: Medium Risk

Although not often used it is important that the Council are aware of RIPA powers and responsibilities and have a robust policy that can be applied and followed when the need arises. Using RIPA properly allows evidence to be legitimately gathered such that it can be used in court proceedings.

Links to background information: • [Current RIPA Policy](#)

Link to Council Plan: Continuously improving to be an outstanding Council.



Report in full

1. The Regulation of Investigatory Powers Act 2000 governs the use of directed surveillance and use of covert human sources. The Act imposes obligations on those carrying out directed surveillance and using covert human sources to ensure that the powers are not abused, people's rights are not inappropriately interfered with and evidence gathered is admissible in court. The details of when RIPA can be used (predominantly more serious offences punishable by a maximum sentence of 6 months custody or are related to the sale of alcohol / tobacco to minors) is detailed in the current policy (see background links) and the proposed policy (see Appendix A).
2. This Council has used RIPA powers in the past, although it is understood that this has been limited to directed surveillance (e.g. covert surveillance) and not the use of individuals to detect criminal activity (e.g. undercover operatives). However it should be noted that the powers have been used only very occasionally.
3. Each year the Council reports to the Surveillance Commissioner on its RIPA activity. The RIPA policy also recommends that an annual report is also provided to this Committee in relation to the Council's RIPA activity. The Committee was last informed about RIPA back in March 2015 following the routine inspection by the then Surveillance Commissioner. A copy of that report can be found [here](#).
4. Due to a change in personnel in March / April 2016 the annual report to the Committee was missed in 2016. This year the Council has been subject to another routine inspection (although this was by way of a document based return rather than a physical visit from the Surveillance Commissioner) and therefore it seemed prudent to await the outcome of that inspection before reporting. However, the RIPA policy was due for review in 2017 and the return to the Surveillance Commissioners did say that the revised policy would be reported to this Committee meeting for consideration. Accordingly, and notwithstanding that the inspection report has not yet been received, it is considered expedient to report at this stage. A further report will be brought once the inspection report is received.

Annual Report – 2015/16 and 2016/17

5. The Council did not carry out any RIPA related activity (in that it did not grant any authorisations and nor were any requested) in either of 2015/16 or 2016/17.
6. There has been no specific training organised by the Council in either of these years for the authorising officers or investigating officers, although some investigating officers have attended outside training sessions. Refresher training for both the authorising and investigating officers is currently being organised for later on in 2017.
7. Every year staff are reminded of the RIPA Policy and what it is for through our metacompliance system given its importance and that it is a key policy of the Council.
8. There has been no change to the legal position during these two years although the Government's guidance documentation has been updated (although there is no significant change in relation to the guidance as it applies to the Council's likely activities).

RIPA Policy

9. The current policy (see background links) was adopted in March 2015, although it was subsequently updated in April 2016 to make some minor changes. The previous inspection found the Policy to be an '*excellent document*', although it was revised shortly afterwards to take account of some of the findings from that inspection.

10. The Policy was reviewed in July 2017 and a copy of the revised Policy is attached as Appendix A. Given that there has been no relevant legislative changes which need to be addressed, the changes to the policy are relatively minor. In summary they comprise;
- a. Amendments so that previous changes (identifying then relatively recent legislative changes) are now stated as being the standard position,
 - b. Amendments to relevant contacts due to staffing changes,
 - c. Amendments to refer to the updated guidance,
 - d. Greater clarity in Section 2 over the primary and secondary legislation and relevant guidance and codes with links where appropriate,
 - e. Section 3.4 is amended to clarify the services likely to need to use RIPA,
 - f. Section 6 has been expanded / amended to make clearer the circumstances when directed surveillance can be used and how to obtain an authorisation,
 - g. A new section 6.15 has been added relating to the use of CCTV systems in the context of RIPA requirements,
 - h. Other minor tidying up changes to make it more user friendly.
11. The Committee is requested to approve the revised Policy.

East Devon District Council

Policy on use of directed surveillance and covert human intelligence sources - Regulation of Investigatory Powers Act 2000

Reviewed

July 2017.

Policy Approval

Audit and Governance Committee on 21st September 2017.

Reasons for introducing the Policy

To explain legal requirements and act as a brief guide to the legislation for Council staff.

Policy Statement

The purpose of this procedure is to ensure that the Council complies with the requirements of the Regulation of Investigatory Powers Act 2000 ('RIPA') and that appropriate authorisations are given for directed surveillance and the use of covert human intelligence sources ('CHIS').

RIPA, together with its associated regulatory framework, provides a valuable protection to the Council if directed or covert surveillance is carried out, and may protect the Council from the risks of civil action in the event of a breach of a person's human rights. In addition, its correct application may ensure that evidence gained by such means will be admitted in evidence more readily in the criminal courts.

The policy sets out the tests which must be applied in deciding whether authorisation is appropriate. RIPA now restricts directed surveillance to serious criminal cases or to tobacco or licensing offences related to children. Authorisations for directed surveillance or covert human intelligence sources are not effective until approved by a Justice of the Peace (Magistrate).

Terms Explained

These are set out in the policy at appropriate points in the context of the legislation.

How will we go about it?

The policy has been approved by the senior management team, and senior and relevant staff have been offered training on its implementation.

Specific Policy Areas

1 INTRODUCTION

1.1 The Regulation of Investigatory Powers Act 2000 controls the use of covert investigative techniques by public authorities. It provides for the application for and granting of authorisations for those techniques covered by the Act.

1.2 Article 8 of the European Convention on Human Rights provides a right to private and family life. This is not an absolute right; it may be infringed in

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certain circumstances. The RIPA is designed to provide a statutory regulatory framework, which will meet the requirements of the European Convention on Human Rights.

2 ASSOCIATED DOCUMENTS

2.1 Relevant Statutes

- (a) Regulation of Investigatory Powers Act 2000 as amended by the Protection of Freedoms Act 2012 and explanatory notes
- (b) Human Rights Act 1998
- (c) Police and Criminal Evidence Act 1984

Relevant Statutory Instruments (include)

- (d) Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) Order 2003 (SI 2003 No 3171) as amended by Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) Order 2010/521 as amended and Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) (Amendment) Order 2012/1500
- (e) The Regulation of Investigatory Powers (Juveniles) Order 2000/2793
- (f) The Regulation of Investigatory Powers (Extension of Authorisation Provisions: Legal Consultations) Order 2010

2.2 Relevant Guidance

- (a) Protection of Freedoms Act 2012 – Home Office Guidance
- (b) Code of Practice for covert surveillance and property interference
- (c) Code of Practice for covert human intelligence sources
- (c) Codes of Practice for the acquisition and disclosure of communications data and retention of communications data
- (d) Code of Practice for investigation of protected electronic information
- (e) Guidance from the Office of Surveillance Commissioner – website
- (f) Guidance from the Home Office on the judicial approval process for RIPA and crime threshold for directed surveillance

All Codes, relevant legislation and guidance is available on the [Office of the Surveillance Commissioner website](#), while the RIPA Codes and guidance on the judicial approval process are also available on the [Home Office website](#).

3 SCOPE

The Act provides a regime of primary legislation and Codes of Practice, which divide covert investigation techniques into categories distinguished to an extent by the degree of intrusion involved. This procedure applies to all investigation and surveillance that may be subject of an authorisation under RIPA.

3.1 The Act provides the following investigatory powers:

- (1) Part 1(Chapter I) – interception of communications
- (2) Part 1 (Chapter II) – the acquisition of communications related data e.g. telephone billing data

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- (3) Part II deals with:
- intrusive surveillance on residential premises or in private vehicles
 - directed surveillance, that is covert surveillance in the course of a specific operation
 - the use of covert human intelligence sources e.g. agents, informants, undercover officers
- (4) Part III – deals with the power to seize electronic keys giving access to encrypted computer material
- (5) Part IV – provides for scrutiny, complaint procedures and codes of practice.

3.2 This policy document relates to the **use of directed surveillance** and **covert human intelligence sources**.

3.3 RIPA sets out the purposes for which each of these powers may be used, the Agencies and authorities that can use them and who should authorise the use. Authorisation under RIPA gives lawful authority for the use of these methods of obtaining information provided there is compliance with the statutory requirements and procedures. Obtaining an authorisation will ensure that the action is carried out in accordance with law and subject to stringent safeguards against abuse. It will also make the action less vulnerable to challenge under the Human Rights Act 1998.

3.4 Services likely to conduct investigations covered by RIPA are Planning, Environmental Health, Housing, Licensing and Revenues & Benefits. **However, before conducting an investigation using methods or techniques covered by this Act, the officer doing so is required to seek the necessary authorisations.**

3.5 Care must be taken that covert surveillance does not become intrusive surveillance. Intrusive surveillance is **only** available to the Home Office, MI5 and certain other central government bodies, **not to councils**.

3.6 Intrusive surveillance is defined in Section 26(3) of RIPA which states that it is intrusive surveillance only if it is covert and it;

- is carried out in relation to anything taking place on residential premises or in a private vehicle; and
- involves the presence of an individual on the premises or vehicle or is carried out by a surveillance device.

4 **ACTIVITY REQUIRING AUTHORISATION**

4.1 The following types of activity will require authorisation:

- directed surveillance
- the conduct and use of covert human intelligence sources

4.2 Directed surveillance is, in essence, any activity undertaken covertly for the purpose of a specific investigation in such a way that is likely to result in obtaining information about a person's private life.

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- 4.3 A covert human intelligence source (CHIS) is usually, but not always an inside informant or undercover officer who develops or maintains their relationship with the surveillance target, having the covert purposes of obtaining or accessing information for the investigator. Under the 2000 Act, a person is a CHIS if:
- (a) he establishes or maintains a personal or other relationship with a person for the covert purpose of facilitating the doing of anything falling within paragraph b) or c);
 - (b) he covertly uses such a relationship to obtain information or to provide access to any information to another person; or
 - (c) he covertly discloses information obtained by the use of such a relationship or as a consequence of the existence of such a relationship

5 APPLYING FOR AUTHORISATIONS

- 5.1 The authorising officers for the Council are; the Chief Executive (Mark Williams), Monitoring Officer and RIPA Senior Responsible Officer (Henry Gordon Lennox) and the s.151 Finance Officer (Simon Davey).
- 5.2 Any officer intending to use directed surveillance or a CHIS shall apply for authorisation by completing the appropriate application form - **DS/1 - [Application for the use of Directed Surveillance](#) or CHIS/1- [Application for the use of Covert Human Intelligence Sources \(CHIS\)](#)** - and consult with the RIPA Co-ordinating Officer, who is the Principal Solicitor and Deputy Monitoring Officer (Anita Williams) who is also the central point for advice on law and procedure. She will submit completed authorisations to an authorising officer for consideration and advise the officer of the decision. In line with government guidance, the investigating officer will be responsible for making the application to the Magistrates' Court and attending any hearing.
- 5.3 **Confidential information**
Where the likely consequence of the directed surveillance or conduct of a source would be for any person to acquire knowledge of confidential information, the deployment of a source must be subject to special authorisation. Confidential information consists of matters subject to legal privilege, confidential personal information or confidential journalistic material. In these cases the proposed course of conduct must be referred to the Chief Executive, or in his or her absence to the person acting as Head of Paid Service, normally the Deputy Chief Executive, for a decision as to whether authorisation may be granted. [*See Code of Practice for covert surveillance and property interference - Section 4 and Annex A*].
- 5.4 Broadly speaking, legal privilege extends to communications between lawyers and their clients, but not where that communication has a criminal purpose.
- 5.5 Confidential journalistic material includes material acquired or created for the purposes of journalism and held subject to an undertaking to hold it in confidence, as well as communications resulting in information being acquired for the purposes of journalism and held subject to such an undertaking.

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5.6 Confidential personal information is information held in confidence relating to the physical or mental health or spiritual counselling concerning an individual (whether living or dead) who can be identified from it. Such information, which can include both oral and written communications, is held in confidence if it is held subject to an express or implied undertaking to hold it in confidence or it is subject to a restriction on disclosure or an obligation of confidentiality contained in existing legislation. Examples might include consultations between a health professional and a patient, information from a patient's medical records or information held by a stockbroker which has been acquired or created in the course of the profession or business, including communications in which personal information is acquired or created.

5.8 In those cases where confidential information has been acquired and retained, the matter should be reported to the relevant Commissioner or Inspector during his next inspection and the material be made available to him if requested. Any application for authorisation to acquire confidential data should only be made where there has been prior consultation with the RIPA Co-ordinating Officer or other qualified legal officer.

6 GRANTING OF AUTHORISATIONS FOR DIRECTED SURVEILLANCE

6.1 Section 28 provides that a person shall not grant authorisation for *directed surveillance* unless he believes that:

6.1.1 the authorisation is **necessary** in the circumstances for the purpose of;

- preventing or detecting conduct which is a criminal offence being an offence punishable, whether on summary conviction or indictment, by a maximum term of at least 6 months' imprisonment, or
- offences relating to the underage sale of alcohol and tobacco (*being those offences listed in Article 7A of the 2010 Order [SI: 2010/521] as amended*), or
- preventing disorder where such disorder involves a criminal offence punishable (whether on summary conviction or indictment) by a maximum term of 6 months' imprisonment,

and therefore any application must address **why** it is necessary.

6.1.2 the authorised surveillance is **proportionate** to what is sought to be achieved by it. This involves balancing the intrusiveness of the activity on the target and others who might be affected by it against the need for the activity in operational terms. The activity will not be proportionate if it is excessive in the circumstances of the case or if the information which is sought could reasonably be obtained by other less intrusive means. All such activity should be carefully managed to meet the objective in question and must not be arbitrary or unfair.

6.2 A local authority may **not** authorise the use of directed surveillance under RIPA to investigate conduct or disorder that does not involve criminal offences or to investigate low level offences which may include, for example, littering,

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dog control and fly-posting. At the start of an investigation, council officers will need to satisfy themselves they are investigating a criminal offence punishable by a prison term of 6 months at least (unless related to under age tobacco and alcohol sales).

- 6.3 The authorising officer in determining whether the surveillance is proportionate will give particular consideration to any collateral intrusion on or interference with the privacy of persons other than the subject(s) of the surveillance. Measures should be taken, wherever practicable, to avoid or minimise unnecessary intrusion into the lives of those not directly connected with the investigation or operation.
- 6.4 The Council officer must obtain an authorisations in writing from an authorising officer (see Section 5). Wherever possible authorising officers should not be responsible for authorising the activities of their own services.
- 6.5 Having obtained a written authorisation, it is then necessary to obtain the approval of a Justice of the Peace (Magistrate) ('JP'). The Home Office has issued guidance (which can be found [here](#)) on the judicial approval process as well as the relevant forms to use.
- 6.6 The RIPA Co-ordinating Officer (Principal Solicitor) will organise for the completion of the judicial application / order form with the investigating officer and liaise with HMCTS to arrange a hearing.
- 6.7 The investigating officer will attend the Court hearing with the application ready to answer the JP's questions, although the forms and supporting papers must by themselves make the case.
- 6.8 If the JP is satisfied that the statutory tests have been met and continue to be met and that the use of the technique is necessary and proportionate s/he will issue an order approving the grant or renewal. The JP will also check that the Council authorising officer was an appropriate designated person within the council and the authorisation was made in accordance with any applicable legal restrictions, for example that the crime threshold for directed surveillance has been met. This assessment does not remove or reduce in any way the duty of the Council's authorising officer to determine whether the tests of necessity and proportionality have been met.
- 6.9 The application/order signed by the JP and the original RIPA authorisation will need to be retained by the Council and kept on the central register maintained by the RIPA Co-ordinating Officer.
- 6.10 The 2012 Home Office Guidance states that in most emergency situations where the police have power to act, then they are able to authorise activity under RIPA without prior JP approval. Therefore local councils may need to work with the police if faced with an emergency.
- 6.11 No RIPA authority is required in immediate response to events or situations where it is not reasonably practicable to obtain it (for instance when criminal activity is observed during routine duties).

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6.12 Duration of Directed Surveillance Authorisations and Reviews

An authorisation in writing ceases to have effect at the end of a period of 3 months beginning with the day on which it took effect. So an authorisation starting 1 January would come to an end on 31 March. Regular reviews of authorisations should be undertaken. If, during an investigation it becomes clear that the activity being investigated does not amount to a criminal offence or that it would be a less serious offence that does not meet the threshold (of at least a maximum of 6 months in prison) the use of directed surveillance should cease. The results of the review should be recorded on **DS/2** [Review of the use of directed surveillance](#) and a copy filed on the central record of authorisations. If the surveillance provides access to confidential information or involves collateral intrusion more frequent reviews will be required. The authorising officer should determine how often a review should take place.

6.13 Renewals

6.13.1 While an authorisation is still effective the authorising officer can renew it if he considers this necessary for the purpose for which the authorisation was originally given. The authorisation will be renewed in writing for a further period, beginning with the day when the authorisation would have expired, but for the renewal, and can be for a further period of 3 months.

6.13.2 Applications requesting renewal of an authorisation are to be made on the appropriate form as set out at **DS/3** [Renewal of directed surveillance](#) and be submitted to the authorising officer.

6.13.3 Applications for renewal will record:

- whether this is the first renewal, if not, the occasion which the authorisation has previously been renewed
- the information as required in the original application, as it applies at the time of the renewal; together with;
 - the significant changes to the information in the previous authorisation
 - the reasons why it is necessary to continue with the surveillance
 - the content and value to the investigation or operation of the information so far obtained by the surveillance
 - an estimate of the length of time the surveillance will continue to be necessary

Renewals will also require the approval of a JP in the magistrates' court before they can take effect and investigating officers should bear in mind the relevant timescales when considering the need to renew an authorisation.

6.14 Cancellations

The person who granted or last renewed the authorisation **MUST** cancel it if he is satisfied that the directed surveillance no longer meets the criteria for authorisation. Requests for cancellation will be made on the appropriate form as set out at **DS/4** [Cancellation of the use of directed surveillance](#).

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and submitted to the authorising officer for authorisation of the cancellation. No JP's involvement is required for cancellation. When cancelling an authorisation, the authorising officer should:

- record the date and times (if at all) that surveillance took place and when the order to cease the activity was made
- the reason for cancellation
- ensure that the surveillance equipment has been removed and returned
- provide directions for the management of the product
- ensure that detail of property interfered with, or persons subjected to surveillance, since the last review or renewal is properly recorded.
- record the value of the surveillance or interference (i.e. whether the objectives as set in the authorisation were met).

6.15 Use of CCTV systems

6.15.1 General operation of overt CCTV equipment and the use of any information it has gathered in a reactive operation will not require a RIPA authorisation as it is not viewed as directed surveillance (see *paragraph 2.27 – 2.30 Code of Practice on Covert Surveillance and Property Interference*). Use as part of a proactive investigation (i.e. to track individuals) may well require authorisation.

6.15.2 The Council has regard to the [Surveillance Camera Code of Practice](#) regarding the use of CCTV and has a policy relevant to it which can be found [[here – link to be inserted](#)].

7 GRANTING OF AUTHORISATION FOR THE CONDUCT AND USE OF COVERT HUMAN INTELLIGENCE SOURCES (CHIS)

7.1 The same requirements of 'necessity' and 'proportionality' exist for the granting of CHIS authorisations as are set down for directed surveillance (see *sections 6.1.1. and 6.1.2* above) but the crime threshold (i.e. the availability of 6 month prison sentence) **does not** apply.

7.2 Additionally the authorising officer shall not grant an authorisation unless he/she believes that arrangements exist for a CHIS which satisfy the following requirements:

- there will at all times be an officer with day to day responsibility for dealing with the source and the source's welfare
- there will at all times be an officer who will have general oversight of the use made of the source
- there will at all times be an officer with responsibility for maintaining a record of the use made of the source
- those records will always contain particulars of all such matters as may be specified for this purpose by the Secretary of State

- records which disclose the identity of the source will not be available to persons except to the extent that there is a need for access to them to be made available
- 7.3 Similarly before authorising use or conduct of the source, the authorising officer must be satisfied that the conduct/use is proportionate to what the use or conduct of the source seeks to achieve, taking into account the likely degree of intrusion into privacy of those potentially effected or the privacy of persons other than those who are directly the subjects of the operation or investigation. Alternative means of gathering the evidence should be considered, and reasons given why this has been rejected. Measures should be taken, wherever practicable, to avoid unnecessary intrusion into the lives of those not directly connected with the operation. Where there is intrusion upon a target this and any collateral intrusion should be kept to a minimum.
- 7.4 Particular care is required where people would expect a high degree of privacy or where, as a consequence of the authorisation confidential material is likely to be obtained. Where confidential material is likely to be acquired, or a juvenile or vulnerable CHIS is used, then approval must be obtained from the Chief Executive, or in his absence, the person acting as Head of Paid Service.
- 7.5 Consideration is also required to be given to any adverse impact on community confidence that may result from the use or conduct of a source or information obtained from that source.
- 7.6 Additionally, the authorising officer should make an assessment of any risk to a source in carrying out the conduct in the proposed authorisation. This should include the risk to the source of any task and the likely consequences should the role of the source become known. The ongoing security and welfare of the source, after the cancellation of the authorisation, should also be considered at the outset. A responsible officer should be identified within the service concerned who will have day to day responsibility for the control and direction and activities of the source, recording the information supplied by the source; and monitoring the source's security and welfare.
- 7.7 Authorisation for the use of a CHIS must be given in writing. **Care must be taken to make sure that covert surveillance does not become intrusive surveillance** (see section 3.6 above for what this is), **as this authority is not permitted to carry out intrusive surveillance. Application must also be made to a JP for authorisation before covert surveillance is undertaken.**
- 7.8 Ideally the authorising officers should not be responsible for authorising their own activities, e.g. those in which they themselves are to act as a source or in tasking a source. However it is recognised that this will not always be possible especially in the case of small departments.
- 7.9 An application for authorisation for the use or conduct of a source will be made on the appropriate form as set out at **CHIS/1 [Application for the use of Covert Human Intelligence Sources \(CHIS\)](#)** and must record:
- The source's pseudonym or ref number

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- The details of the handler
- The details of the manager with general oversight
- The person responsible maintaining records under the RIPA (Source Records) Regulations 2000
- Operation name
- Job title of authorising officer
- Purpose of specific operation or investigation
- The purpose for which the source will be tasked or deployed
- Details of what the source would be tasked to do
- Why the conduct or use of the source is necessary for the purpose of preventing or detecting crime or preventing disorder
- Why the conduct or use of the source is proportionate to what it seeks to achieve
- Details of potential collateral intrusion and why the intrusion is unavoidable, precautions to minimise collateral intrusion and how any will be managed, and whether the evidence could be obtained by any other means
- Any particular sensitivities in the local community where the source is to be used, and whether similar activities are being undertaken by other public authorities that could impact on the deployment of the source
- A risk assessment of the risk to the source in carrying out the proposed conduct
- Details of any confidential material that might be obtained as a consequence of the authorisation and confidential information authorisation

The RIPA (Source Records) Regulations 2000 (SI 2000/2725) further require a record to be kept of

- the identity of the source;
- the identity, where known, used by the source;
- any relevant investigating authority other than the authority maintaining the records;
- the means by which the source is referred to within each relevant investigating authority;
- any other significant information connected with the security and welfare of the source;
- any confirmation made by a person granting or renewing an authorisation for the conduct or use of a source that the information in paragraph (d) has been considered and that any identified risks to the security and welfare of the source have where appropriate been properly explained to and understood by the source;

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- the date when, and the circumstances in which, the source was recruited;
- the identities of the persons who, in relation to the source, are discharging or have discharged the functions mentioned in section 29(5)(a) to (c) of the 2000 Act or in any order made by the Secretary of State under section 29(2)(c);
- the periods during which those persons have discharged those responsibilities;
- the tasks given to the source and the demands made of him in relation to his activities as a source;
- all contacts or communications between the source and a person acting on behalf of any relevant investigating authority;
- the information obtained by each relevant investigating authority by the conduct or use of the source;
- any dissemination by that authority of information obtained in that way; and
- in the case of a source who is not an undercover operative, every payment, benefit or reward and every offer of a payment, benefit or reward that is made or provided by or on behalf of any relevant investigating authority in respect of the source's activities for the benefit of that or any other relevant investigating authority.

7.10 **Duration of Authorisations**

A written authorisation, unless renewed, will cease to have effect at the end of a period of twelve months beginning with the day on which it took effect.

7.11 **Renewals**

Authorisations for the conduct and use of CHIS can be renewed, the same criteria applying as on first authorisation. Applications for renewal must be made on the appropriate form as set out at **CHIS/3 [Renewal of authorisation to use Covert Human Intelligence Sources](#)** and submitted to the authorising officer. However, an application for renewal should not be made until shortly before the authorisation period is coming to an end.

7.12 An authorisation may be renewed more than once – provided it continues to meet the criteria for authorisation. **Renewals must also be approved by a JP before they can take effect.**

7.13 **Reviews**

Regular reviews of authorisations should be undertaken. The results of the review should be recorded on **CHIS/2 [Reviewing the use of Covert Human Intelligence Sources \(CHIS\)](#)** and a copy filed on the central record of authorisations. If the surveillance provides access to confidential information or involves collateral intrusion frequent reviews will be required. The authorising officer should determine how often a review should take place.

7.14 Before an authorising officer renews an authorisation he must be satisfied that a review has been carried out of:

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- The use made of the source during the period authorised
 - The tasks given to the source
 - The information obtained from the use or conduct of the source
- 7.15 If the authorising officer is satisfied that the criteria necessary for the initial authorisation continue to be met, he may renew it in writing for a further period. **Renewals must also be approved by a JP before they can take effect.**
- 7.16 **Cancellations**
The officer who granted or renewed the authorisation **MUST** cancel it if he/she is satisfied that
- the use or conduct of the source no longer satisfies the criteria for authorisation, or
 - that the arrangements for the source's case no longer exist
- 7.17 Requests for cancellation will be made on the appropriate form as set out at **CHIS/4 [Cancellation of Covert Human Intelligence Sources \(CHIS\)](#)** and submitted to the authorising officer for authorisation of the cancellation. The cancellation process does not involve a JP.
- 7.18 **Management Responsibility**
The day to day contact between the Council and the source is to be conducted by the handler, who will usually be an officer below the rank of the authorising officer. No vulnerable person or young person under the age of 18 should be used as a source.
- 7.19 **Security and Welfare**
Account must be taken of the safety and welfare of the source. The authorising officer prior to granting authorisation should ensure that an assessment is carried out to determine the risk to the source of any tasking and the likely consequences should the target know the role of the source.
- 7.20 **Special Rules**
The fullest consideration should be given in cases where, the subject of the surveillance might reasonably expect a high degree of privacy, for instance in his/her home, or where there are special sensitivities.

8 MAINTENANCE OF RECORDS

- 8.1 The RIPA Co-ordinating Officer is responsible for keeping in a dedicated place;
- a record of all authorisations sought
 - a record of authorisations granted and refused
 - applications for the granting, renewing and cancellation of authorisations
 - a record of all JP approvals and renewals

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The records will be confidential and will be retained for a period of 5 years (for both CHIS and directed surveillance) from the ending of the authorisation. It is intended that the Central Record will be spreadsheet format and represent the requirements of the *Code of Practice for Covert Surveillance and Property Interference (Chapter 8)* and the *Code of Practice for CHIS (Chapter 7)*

- 8.3 Authorising officers will ensure compliance with the appropriate data protection requirements and any relevant codes of practice produced by individual authorities in the handling and storage of material.
- 8.4 Where material is obtained by surveillance which is wholly unrelated to a criminal or other investigation or the person subject of the surveillance and no reason to believe it will be relevant to future civil or criminal proceedings it should be destroyed immediately. The decision to retain or destroy material will be taken by the relevant authorising officer.

9 USE OF SOCIAL MEDIA FOR GATHERING EVIDENCE TO ASSIST IN ENFORCEMENT ACTIVITIES

- 9.1 As explained in this policy, the Regulation of Investigatory Powers Act 2000 regulates the use of covert surveillance activities by Local Authorities. Special authorisation arrangements need to be put in place whenever the Council considers commencing a covert surveillance or obtaining information by the use of informants or officers acting in an undercover capacity.
- 9.2 This also includes the use of social media sites for gathering evidence to assist in enforcement activities, as set out below:

- officers must not create a false identity in order to 'befriend' individuals on social networks without authorisation under RIPA.

- officers viewing an individual's public profile on a social network should do so only to the minimum degree necessary and proportionate in order to obtain evidence to support or refute their investigation.

- repeated viewing of open profiles on social networks to gather evidence or to monitor an individual's status, must only take place once RIPA authorisation has been granted and approved by a Magistrate.

- officers should be aware that it may not be possible to verify the accuracy of information on social networks and, if such information is to be used as evidence, take reasonable steps to ensure its validity.

10 AWARENESS OF THE CONTENTS OF THE ACT AND TRAINING

It shall be the responsibility of the RIPA Senior Responsible Officer to have oversight of the training programme (to be organised by the H.R. training team) and to ensure that all staff involved or likely to be involved in investigations or

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enforcement receive a copy of the training document, have received training and are aware of the requirements and implications of the Act.

11 CODES OF PRACTICE

A copy of each Code of Practice shall be kept in the reception area and be available to members of the public during usual working hours.

Outcomes

A clear policy should support a positive outcome when the Council is next inspected by the Office of the Surveillance Commissioner.

Who is responsible for delivery?

The Monitoring Officer as Senior Responsible Officer has oversight of:

- the integrity of the process in place within the local authority for the management of CHIS;
- compliance with Part II of the Act and with the Codes;
- oversight of the reporting of errors to the relevant oversight Commissioner and the identification of both the cause(s) of errors and the implementation of processes to minimise repetition of errors;
- engagement with the Office of the Surveillance Commissioner (OSC) inspectors when they conduct their inspections, where applicable; and
- where necessary, oversight of the implementation of post-inspection action plans approved by the relevant oversight Commissioner.
- ensuring that all authorising officers are of an appropriate standard in light of any recommendations in the inspection reports prepared by the OSC.
- where an inspection report highlights concerns about the standards of authorising officers, this individual will be responsible for ensuring the concerns are addressed.
- ensuring staff are aware of the policy and receive appropriate support and training (with appropriate support from Heads of Service).

The Chief Executive, Monitoring Officer and s.151 Finance officer are the council's three authorising officers. Only the Chief Executive may authorise surveillance which involves confidential information (*see section 5.3*). Records of all authorisations, reviews and cancellations are to be kept by the RIPA Co-ordinating Officer.

Performance Monitoring

Through the review provisions set out in the policy. The Council is also monitored by the Office of the Surveillance Commissioner which inspects approximately three yearly at the current time (last inspection Summer 2017).

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It is also recommended that the Audit and Governance Committee should review the authority's use of RIPA, and the policy on an annual basis. Councillors must not be directly involved in, or have details disclosed to them of specific authorisations or engage in the authorisation process.

Policy Consultation

Strategic Management Team and Audit and Governance Committee

Policy Review

The RIPA Senior Responsible Officer will review the policy in 2020. In the interim any changes necessary to reflect updates in legislation or guidance will be made by the RIPA Senior Responsible Officer.

Related Policies and Strategies.

Anti-fraud, Theft and Corruption Policy

Note:

The links within the policy to Forms CH1, CH2, CH3, CH4, DS1, DS2, DS3, DS4 are to the forms on the Government website. The forms are also maintained on the Policy Register under RIPA by the RIPA Co-ordinating Officer.

Report to: **Audit and Governance Committee**

Date of Meeting: 21 September 2017

Public Document: Yes

Exemption: None

Review date for release None



Agenda item: 13

Subject: **Audit and Governance Committee membership numbers**

Purpose of report: To make a recommendation to Council to increase the membership of the Audit and Governance Committee by an additional 2 members from 8 Councillors to 10.

Recommendation: **Audit and Governance Committee recommend to Council that;**
(i) the membership of the Audit and Governance Committee be increased from 8 Councillors to 10, and
(ii) that the Council's constitution is amended to reflect this change along with an increase in the quorum from 2 to 3, and
(iii) Council to appoint the 2 additional members comprising 1 Conservative and 1 Independent.

Reason for recommendation: The Chairman of Audit and Governance asked for a review to consider increasing the number of Councillors on the Committee for reasons outlined in the report

Officer: Simon Davey
Strategic Lead Finance
sdavey@eastdevon.gov.uk

Financial implications: Financial implications are not significant

Legal implications: Any change to the numbers of members sitting on A&G would require a change to committees Terms of Reference as set out in the Constitution which can only be done by Full Council, hence the recommendation. There are no other legal implications arising.

Equalities impact: Low Impact

Risk: Low Risk

Links to background information:

Link to Council Plan: .

1. Introduction

1.1 The membership of the Audit and Governance Committee is currently 8 Councillors. The Chair of the Committee requested that a review be undertaken with the intention of increasing the membership, the principal argument being to improve the quality of work in terms of analysis, debate and accountability. The issues expressed by the Chair are:

- Inevitably like all Committees there are apologies - illness, work commitments, holidays, occasionally a priority competing meeting. The reduction to, on some occasions, five Members raises the issue of public accountability.
- To stimulate more and quality debate in the Committee, not for its own sake but because the matters on the Agenda are of central importance to the effectiveness and efficiency of the Council. Six (if you exclude Chair and Vice Chair) is not really sufficient for an in-depth discussion, let alone a debate.
- The importance of the matters covered in the Terms of Reference suggest a commensurately proportional involvement of Members. At present it is 13% of Council. An increase to 9 would bring it up to 15% and 10 to 17%.

1.2 The Chairman asked SWAP to make a comparison with other Councils which appended to the report. This would suggest that East Devon's membership of the Audit & Governance Committee is on the low side.

2. Recommendation

2.1 It is proposed that a recommendation is made to Council to increase the membership of the Audit and Governance Committee from 8 members to 10.

2.2 This would result in 1 additional Conservative member being appointed and 1 additional member of the Independent Group. The addition of two extra Members does not otherwise affect the allocation of seats to different political groups as agreed by Council at its meeting on 17th May 2017.

| Type/Size of Partner | Council | Name of Audit Committee | Number of Representatives on Audit Committee |
|----------------------|--|--------------------------------------|--|
| Borough | Cheltenham Borough Council | Audit Committee | <u>11</u> |
| | Weymouth and Portland Borough Council | Audit Committee | <u>9</u> |
| | Taunton Deane Borough Council | Corporate Governance Committee | <u>14</u> |
| Police | Devon and Cornwall Office of the Police and Crime Commissioner | Joint Audit Committee | <u>11</u> (Joint Committee with Devon and Cornwall Police) |
| | Devon and Cornwall Police | | |
| | Dorset Police | Joint Independent Audit Committee | <u>5</u> |
| | Dorset Office of the Police and Crime Commissioner | | |
| | Wiltshire Police | Joint Independent Audit Committee | 5 |
| | Wiltshire Office of the Police and Crime Commissioner | | |
| District | Forest of Dean District Council | Audit Committee | <u>7</u> |
| | Mendip District Council | Audit Committee | <u>8</u> Regular Members and 4 Substitutes |
| | North Dorset District Council | Accounts and Audit Committee | <u>7</u> |
| | South Somerset District Council | Audit Committee | <u>10</u> |
| | West Dorset District Council | Audit Committee | <u>12</u> |
| | West Oxfordshire District Council | Audit and General Purposes Committee | <u>17</u> |
| | West Somerset District Council | Audit Committee | <u>7</u> |
| | Sedgemoor District Council | Audit and Governance Committee | <u>11</u> |
| | East Devon District Council | Audit and Governance Committee | 8 |
| | Cotswold Borough Council | Audit Committee | <u>5</u> |
| County/Unitary | Wiltshire Council | Audit Committee | <u>19</u> |
| | Herefordshire Council | Audit Committee | <u>6</u> |
| | Powys Council | Audit Committee | <u>14</u> |

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|--|-------------------------|--------------------------------|-----------|
| | Dorset County Council | Audit and Governance Committee | <u>10</u> |
| | Somerset County Council | Audit Committee | <u>9</u> |
| Average Across District Council Partners | 9 | | |
| Average Across All Partners | 10 | | |

Agenda Item: 14



Audit and Governance Committee

21 September 2017

Audit and Governance Committee

Forward Plan 2017/18

| Date of Committee | Report | Lead Officer |
|-------------------|--|---|
| 16 November 2017 | <ul style="list-style-type: none">• Annual audit letter• Risk management review – half year review• Future of External Audit• Partnership Register• Surveillance Commissioner's Report• Internal Audit Planning | KPMG Management Information Officer Strategic Lead – Finance Management Information Officer Strategic Lead – Governance and Licensing Chairman |
| 18 January 2018 | <ul style="list-style-type: none">• Internal Audit Activity – Quarter 3 2017/18• Audit Committee update• Certification Report | SWAP KPMG KPMG |
| 15 March 2018 | <ul style="list-style-type: none">• Annual Audit Plan 2018/19• External Audit Plan• Audit Committee update• Accounting Policies Approval | SWAP KPMG KPMG Financial Services Manager |