

Date: 14 June 2010
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To: Members of the Audit and Corporate Governance Committee
(Councillors: David Atkins, Peter Bowden, Derek Button, Bob Buxton,
Chris Gibbings, Stephanie Jones, Ken Potter, Tim Wood)

East Devon District Council
Knowle
Sidmouth
Devon
EX10 8HL

For information:

Portfolio Holder, Resources – Councillor Andrew Moulding
Member Champion for Data Quality – Councillor Graham Troman

DX 48705 Sidmouth

Chief Executive
Corporate Directors
Internal Audit & Risk Manager
Head of Finance

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Dear Sir/Madam,

**Audit and Corporate Governance Committee
Thursday 24 June 2010
Committee Room at 2.30pm**

The above meeting will be held in the Council Chamber at East Devon District Council Offices, Knowle, Sidmouth, to consider the matters detailed on the agenda below. Ward Members are reminded that they are entitled to speak on any application within their own Ward but are not permitted to vote.

Yours faithfully,

MARK WILLIAMS

Chief Executive

Members of the public are welcome to attend this meeting.

- A period of 15 minutes has been provided to allow members of the public to raise questions.
- In addition, after a report has been introduced by the relevant Portfolio Holder and/or officer, the Chairman of the Committee will ask if any member of the public would like to speak in respect of the matter and/or ask questions.
- All individual contributions will be limited to a period of 3 minutes – where there is an interested group of objectors or supporters, a spokesperson should be appointed to speak on behalf of the group.
- The public is advised that the Chairman has the right and discretion to control questions to avoid disruption, repetition and to make best use of the meeting time.

AGENDA

PART A

Page/s

1 **Public question time – standard agenda item (15 minutes)**

Members of the public are invited to put questions to the Committee through the Chairman.

- Each individual questioner exercising the right to speak during this public question time is restricted to speaking for a total of 3 minutes.
- Councillors also have the opportunity to ask questions of the Leader and/or Portfolio Holders during this time slot whilst giving priority at this part of the agenda to members of the public.

The Chairman has the right and discretion to control question time to avoid disruption, repetition, and to make best use of the meeting time

2 To confirm the minutes of the meeting of the Audit & Governance Committee held on 18 March 2010.

4 - 9

3 To receive any apologies for absence.

4 To receive any declarations of interests relating to items on the agenda.

5 To consider any items which in the opinion of the Chairman, should be dealt with as matters of urgency because of special circumstances.

(Note: Such circumstances need to be specified in the minutes; any Member wishing to raise a matter under this item is requested to notify the Chief Executive in advance of the meeting).

6 To agree any items to be dealt with after the public (including the press) have been excluded. There are no items which Officers recommend should be dealt with in this way.

7 Annual Governance Statement for the year 1 April 2009 to 31 March and Action Plan for improvements

Internal Audit and
Governance Manager

10 - 21

8 Statement of Accounts 2009/2010

Head of Finance

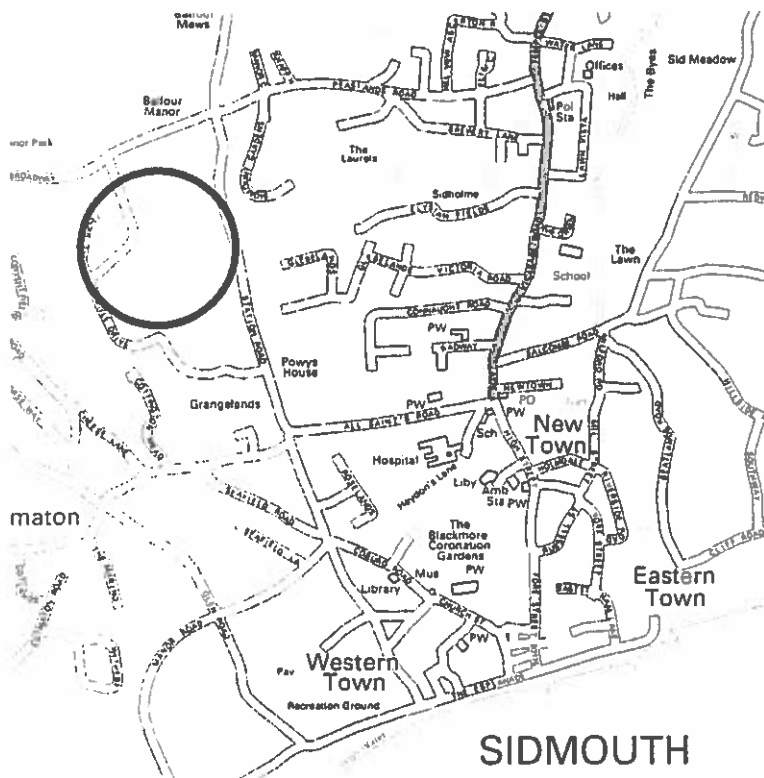
To follow

Members please note:

You must declare any personal or prejudicial interests in an item whenever it becomes apparent that you have an interest in the business being considered.

- Make sure you say the reason for your interest as this has to be included in the minutes.
- If your interest is prejudicial you must leave the room unless you have obtained a dispensation from the Council's Standards Committee or where Para 12(2) of the Code can be applied. Para 12(2) allows a Member with a prejudicial interest to stay for the purpose of making representations, answering questions or giving evidence relating to the business but only at meetings where the public are also allowed to make representations. If you do remain, you must not exercise decision-making functions or seek to improperly influence the decision; you must leave the meeting room once you have made your representation.
- You also need to declare when you are subject to the party whip before the matter is discussed.

Getting to the Meeting – for the benefit of visitors



The entrance to the Council Offices is located on Station Road, Sidmouth. **Parking** is limited during normal working hours but normally easily available for evening meetings.

The following **bus service** stops outside the Council Offices on Station Road:
From Exmouth, Budleigh, Otterton and Newton Poppleford – 157

The following buses all terminate at the Triangle in Sidmouth. From the Triangle, walk up Station Road until you reach the Council Offices (approximately ½ mile).
From Exeter – 52A, 52B
From Honiton – 52B
From Seaton – 52A
From Ottery St Mary – 379, 387

Please check your local timetable for times.

The Committee Suite has a separate entrance to the main building, located at the end of the visitor and Councillor car park. The rooms are at ground level and easily accessible; there is also a toilet for disabled users. The doors to the civic suite (meeting rooms) will be opened ¼ hour before the start time of the meeting. Councillors are reminded to bring their key fobs if they wish to access the area prior to that time. A hearing loop system will be in operation in the Council Chamber.

For a copy of this agenda in large print, please contact the Democratic Services Team on 01395 517546

EAST DEVON DISTRICT COUNCIL
Minutes of a Meeting of the
Audit and Corporate Governance Committee
held in the Council Chamber, Knowle, Sidmouth,
on Thursday 18 March 2010

Present: Councillors:
Ken Potter (Chairman)
Tim Wood (Vice-Chairman)
David Atkins
Bob Buxton
Chris Gibbings
Stephanie Jones

Also Present: Councillors:
Stuart Hughes – Portfolio Holder, Communications
Graham Troman – Member Champion for Data Quality
Andrew Moulding – Portfolio Holder, Resources

External Auditors: Kate Jefferies, Grant Thornton

Officers: Tanith Cox, Internal Audit and Governance Manager
Diccon Pearse, Corporate Director
Chris Powell, Head of ICT
Debbie Meakin, Democratic Services Officer
Graham Stubbs, Auditor
Mark Williams, Chief Executive
Len Wright, Parking Services Manager

Apologies: Councillors:
Derek Button
Peter Bowden

The meeting started at 2.30pm and ended at 4.52pm

***39 Public Questions**

No questions were raised by members of the public or Councillors.

***40 Minutes**

The minutes of the meeting of the Audit and Governance Committee held on 21 January 2010 were confirmed and signed as a true record.

***41 Loss of Income due to Counterfeit Coins**

Members considered the report of the Head of Finance, following previous consideration of car park income loss at the Committee's meeting on 21 January 2010.

The Royal Mint had been contacted concerning their procedures for dealing with fraudulent £1 coins. The response from the Mint was that the 'coins', being counterfeit, had no value to them and that there was no loss to the Council by the destruction of the coins. The options for Members were now to consider how to stop the fake coins from entering the car park machines; and to consider how any coins that do enter are correctly dealt with by the contractor responsible for counting the car park income.

*41 **Loss of Income due to Counterfeit Coins**

A clear audit trail was in place to track the coins from the car park machines, to the contractor's premises and to bank with reconciliation statements produced clearly identifying the number of counterfeit coins rejected by their counting machines. The Members had also been offered a visit to the counting house by the contractor to witness the counting operation.

Car park machines could be recalibrated to help reduce the number of fake coins accepted, at a cost of approximately £160 per machine, which could be carried out for the machines in the major car parks and any "hot spots" identified.

Members discussed the challenges of reducing the current level of lost car park income, including:

- Comparison with other authorities – Len Wright, Parking Services Manager highlighted the different methods used by other authorities, many collections made by an in-house service. Other local authorities have not shown the same level of lost income. It was not clear how the banks reconciled receipt of counterfeit coins;
- Members needed to be completely satisfied that any counterfeit coins at the counting house correctly dealt with, to avoid the coins going back into circulation;
- Consideration of other methods of payment for car parks to remove need for coinage, including payment by a pre-paid card which could be made available from local outlets, or credit/debit card, as a means to a long term saving. Len Wright advised that the current machines could not be converted to taking card payment, and that new machines would have to be installed for this facility at a cost of approximately £4,000 each. Another option could be utilising a service that offers payment by mobile phone, which could be linked to the handheld devices of the Civil Enforcement Officers to advise of expiry time.
- Increasing sensitivity of machines by recalibration may result in some loss of income as users have difficulties obtaining a ticket and therefore opt not to pay, but put a note in their cars to advise that the machine is not working. Recalibration would reduce the number of counterfeit coins accepted by the machine;
- The current contract expires in May 2011 and would be under review by the Member Champion for Procurement in light of the level of lost car parking income;
- Any recalibration should be carried out on machines where a problem had been identified of higher level of counterfeit coins, and notices put up to advise the public that the recalibration had taken place. The cost of recalibration would be paid back in a year by the reduction in lost income.

RESOLVED:

1. car park machines, as identified by the Parking Services Manager for high use and hot spots, be calibrated and notices be put on display to advise the public of their recalibration;
2. that Members and officers visit the premises of CSS to witness firsthand the procedures in place for the verification, counting, storage and banking of income collected.

*42 **Microsoft Migration Costs Review**

Members considered the report of the Head of ICT regarding the project for Microsoft migration. The original project had been budgeted at £50,000, and the Head of ICT gave Members a number of examples where unforeseen issues had arisen during the life of the project, and additional resources required. This had increased the cost of the expanded project to £114,396 excluding the capitalised internal labour. The increase in cost had been balanced by under spend in infrastructure elsewhere, therefore bringing the project in without overspending on the overall budget. The project had been successful and had led to improved capabilities and enabled the removal of three posts.

***42 Microsoft Migration Costs Review**

Members asked a number of questions relating to the planning of the project and the subsequent management of the costs. Many Members had not been aware of the escalating costs and were concerned that this needed to be prevented in future in order to ensure value for money, as well as being prepared to find savings elsewhere if such increasing costs could not be avoided, for example when dealing with unforeseen circumstances. The importance of setting aside a contingency sum for such situations, as often arose with IT issues, was stressed.

It was the role of the Programme Board, now chaired by the Portfolio Holder for Communications, to closely monitor such projects. Recommendations had been made following the ICT audit, which were being implemented. No project had been deferred because of the Microsoft migration.

The Chief Executive, as the previous Chairman of the Programme Board, highlighted that lessons had been learned from the project, and as a result there would be more focus on the planning and costing of such large scale projects. The strategic importance of the migration was stressed and the action taken, once the increase in costs became apparent, had led to an overall balanced budget for the service as a whole. All capital expenditure was monitored by the Executive Board, and in future those monitoring reports would include the detail on specific large scale projects.

Members requested that any significant issues found during the forthcoming audit of ICT be brought to the next meeting.

RESOLVED:

1. that the Committee notes the areas of expenditure for the Microsoft migration;
2. that the full cost of each element of an ICT project, including a contingency for unexpected events, in addition to the anticipated project start and completion dates be detailed in the business case presented to the ICT programme board;
3. that regular reports be prepared for the ICT programme board referring amongst other things to the cost incurred to date together with estimated final cost of the project, explanations for any variance, and to events that have, or might have, an adverse effect on the project completion date;
4. that projects must be undertaken in accordance with good practice, the Council's Contract Standing Orders, and complies with PRINCE 2 methodology for ICT project management.

Graham Stubbs left the meeting after this item.

***43 Annual audit fee letter 2010/11**

Kate Jefferies, of Grant Thornton, presented Members with the Annual Audit Fee letter for 2010/11, which set out the scope of the work and the fee. She outlined the planned work following the shared services decision, for the auditing of the joint arrangements at an estimate of £9,000. This work would be undertaken as a single exercise and the cost could be shared with South Somerset District Council. Members were not pleased with the overall cost set out in the letter, in particular the additional £9,000 for auditing the shared service principle.

RESOLVED: That the Annual Audit Fee letter for 2010/11 be noted.

*44 **Internal Audit activity report for the period 1 January to 31 March 2010**

Members considered the report of the Internal Audit and Governance Manager covering internal audit activity, including the Audit Plan Monitoring to 31 March 2010 and the executive summaries. Members noted the audit performance indicators and "Executive Summaries" from completed audit assignments. Attention was drawn to the audit completed by the Exeter team and to the way they present their audit reports. Attention was focussed on the controls appraisal spider-graph which was explained as an easy tool for quickly identifying areas of concern. As a result, the issue for this summary, highlighted as variations to pay, had been assessed and recommendations made to the service as a result.

RESOLVED: That the audit plan monitoring document, audit performance indicators and internal audit report executive summaries, be noted

45 **Corporate Governance activity report for the period 1 January to 31 March 2010**

Peter Bowden, Member Champion for Corporate Risk Management, was unable to make his presentation on progress of the Corporate Risk Management Group (CRMG) due to ill health. The future role of the CRMG had been agreed as:

- Performing a monitoring and review role, adopting a 'rolling programme' of reviews over successive months;
- The monitoring and review role will include a 'service by service' review of 'risks', 'mitigating control actions' and 'pure/residual risk scores', 'risk review dates' and the risk scores (both pure risk – the risk rating before any controls are added and the residual risk – the risk rating after controls are added);
- To include a review of the factual content of the CRR text fields to ensure that they properly and accurately detail risks and that the mitigating control actions are both sensible and robust;
- Should Members feel it appropriate, the relevant head of service or director will be asked to attend future CRMG meetings to discuss their risks, mitigating control actions and/or risk scores;
- The CRMG will flag up any significant issues to the relevant Scrutiny Committee as it sees fit and advise on the role of the various Scrutiny Committees to ensure that they take account of the CRR when reviewing services.

Members reviewed the Corporate Governance work plan for 2009/10 and noted the progress. Members were directed specifically to the results of the NFI exercise for 2008/09 and to the progress made in investigating NFI matches. Their attention was drawn also to the accompanying appendix which detailed the work completed on the NFI during 2009/10. Members were also briefed on the expansion of the NFI exercise to include registered social landlords to highlight housing tenancy fraud. Members were appraised of the amount of housing benefit fraud found this year which was directly attributable to the NFI exercise. Sub-letting of garages is not included but was noted for a future exercise.

Members were further appraised of significant improvements in the Council's Counter Fraud Initiatives and reference was made to Item 12 of the Agenda and on the work conducted by Internal Audit to produce the Counter Fraud Report.

Significant improvements in the Council's Counter Fraud arrangements were found within Housing Services. Other improvements were noted for Organisational Development and Finance.

Corporate Governance activity report for the period 1 January to 31 March 2010

Members were presented with the new online Fraud Report Form which is now available on the Council's website, the form being equipped with drop-down pick lists to enable users to self select when reporting a fraud to the Council. Members were informed of the leaflets and posters currently being rolled-out by Housing Services. Members were assured that all relevant telephone and website details are shown clearly on the form.

Members were asked to consider the Annual Governance Statement Action Plan, and in particular to the two areas where a response was still awaited from officers. In this respect the Head of ICT gave a verbal update to the Committee on his Disaster Recovery Arrangements and confirmed that the test was not undertaken in 2009 as previously stated but would take place this year, 2010.

RESOLVED:

1. that the progress report from the Chairman of the Corporate Risk Management Group be noted;
2. that the minutes of the Corporate Risk Management Group for 9 February 2010 be noted;
3. that the Corporate Governance Work Plan for 2009/10 be noted;
4. that the Counter Fraud Initiatives including the NFI exercise and improvements to the Counter Fraud arrangements, and the new online Fraud Report form, be noted;
5. That the Annual Governance Statement – Action Plan be noted;

RECOMMENDED

1. That the revised Corporate Risk Register be adopted, with the requirement that Elected Members and Officer regularly monitor and review risk and mitigation of risk as it applies to the corporate and operational responsibilities of the Council.

Counter Fraud Arrangements at East Devon District Council

Members considered the report of the Internal Audit and Governance Manager on the Council's counter fraud arrangements. She explained that the Report acknowledged good practice but also highlights where gaps exist in our current arrangements. The report contained a number of useful case studies and the best practice guidance in those scenarios from the Audit Commission. Various best practice guides had been used to produce the report, including the Audit Commission's "Protecting the Public Purse", CIPFA BGF Red Book 2 – Managing the Risk of Fraud and Guidance from the Audit Advisory Panel.

Members were pleased to see the issues highlighted, but held concern on resourcing the measures that were needed from Internal Audit to monitor the Council's Counter Fraud arrangements.

RESOLVED:

that the work program and action plan on the identification of gaps in the Council's anti-fraud arrangements, highlighting what the Council needs to put into place to achieve its commitment to zero tolerance against fraud, be approved.

***47 Internal Audit and Corporate Governance Work Plans and resources available to complete them**

The completion of the work plans had been put in jeopardy again following the resignation of the trainee auditor. This resignation had occurred after the report had been written and attached to the agenda papers. The issue of staff resource would be discussed outside of the meeting to find a long term solution for resourcing internal audit.

Tanith Cox, Internal Audit and Governance Manager, advised Members of her proposed plans for 2010/11 and to her attempt to cover high, medium and low risks with a recalculation of the audit days available to carry out the audits, Members' attention was drawn to the reduced scope of most audits in the plan, some to cover just the follow up of recommendations and the risks and controls in the Corporate Risk Register. However, she emphasised that with the resignation of the trainee auditor the plan would slip. An exemption to the Council's Contract Standing Orders had been drawn up to extend the year long contract of internal audit services and computer audit services for a further year.

RESOLVED:

1. that the resignation of the trainee auditor be noted;
2. that a long term solution to adequate resource for Internal Audit be investigated as a matter of urgency;
3. that the work plans for both Internal Audit and Corporate Governance for 2010/11 be approved;
4. That the extension to existing contracts with Exeter City Council and Lakespan Ltd for a further year be approved.

Chairman

Date

Agenda Item 7

Audit & Governance Committee

24 June 2010

TC



Annual Governance Statement for the year 1 April 2009 to 31 March 2010 together with the Action Plan for improvements.

Summary

The Council is required to produce an Annual Governance Statement and has used the CIPFA/SOLACE¹ Guidance Note for English Authorities "Delivering Good Governance in Local Government" as its framework for compliance.

This review of governance arrangements has taken into account the aspirations highlighted within the Audit Commission's Corporate Governance Key Lines of Enquiry and measures the Council's compliance with the KLoEs, it provides a thorough and detailed representation of the Council's arrangements.

The Annual Governance Statement provides the following assurance:

1. That the Council's governance arrangements are adequate and operating effectively in practice, and
2. Where reviews of the governance arrangements have revealed gaps, action is planned that will ensure effective governance in the future.

Consultation has taken place with the Monitoring Officer, Corporate Directors, all Heads of Service and other key staff. It was found that in the main, the Council were addressing the major issues that required corrective action.

Recommendation

Members are asked to agree and adopt the Annual Governance Statement and note the attached Governance Action Plan.

a) Reasons for Recommendation

The Annual Governance Statement gives a detailed account of the council's structures and processes including confirmation that it is complying with the Audit Commission's Key Lines of Enquiry for Corporate Governance and with its own Local Code of Corporate Governance

¹ Society of Local Authority Chief Executives

b) Alternative Options

None.

c) Risk Considerations

The Council is required to produce an Annual Governance Statement confirming that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

Failure to produce this Statement would affect our Use of Resources score and attract criticism from the External Auditors and other review agencies.

d) Policy and Budgetary Considerations

There are no policy and budgetary considerations

e) Date for Review of Decision

N/a

1 Main Body of the Report

ANNUAL GOVERNANCE STATEMENT

For the year 1st April 2009 to 31st March 2010

Scope of Responsibility

East Devon District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. To facilitate this, the Council has ensured that there are sound systems of internal control underpinning its operations and functions. This includes a robust framework for corporate governance arrangements, including the management of corporate and operational risks.

The Council has revised its Local Code of Corporate Governance in line with the CIPFA/SOLACE Joint Working Group Guidance and framework entitled "*Delivering Good Governance in Local Government*". A copy of this code is on our web site or can be obtained from the Council Offices, Knowle, Sidmouth EX10 8HL.

The Council is committed to the six core principles set out in its Local Code and has undertaken a thorough review of its corporate governance arrangements; both as a precursor to the preparation of this Statement and at regular intervals throughout the year. Appended to this Statement is an action plan that highlights areas for improvement found both during the recent review of corporate governance and from internal audit reviews throughout the year.

The Council's governance framework consists of the following:

- Corporate strategies and plans focussing on the main priorities of the Council in terms of delivering sustainable outcomes for the community; such strategies and plans are supplemented by lower-level policies and procedures.



- Internal working arrangements to ensure members and officers work together to achieve the Council's main priorities and that their roles and functions are clearly defined.
- Continuous promotion of the values of the Council and a demonstrable commitment to uphold high standards of conduct and behaviour.
- Transparent decision making which is subject to scrutiny and informed by effective risk management.
- A commitment to develop the capacity and capability of members and staff to ensure their continued effectiveness.
- Effective engagement with local people and other stakeholders to ensure robust public accountability.

This Statement describes the process of maintaining and reviewing the effectiveness of the Council's governance arrangements and provides a thorough and comprehensive understanding of the results of the review. It is available on our web site or can be obtained from the Council Offices, Knowle, Sidmouth EX10 8HL.

The purpose of the Governance Framework

The Council views the maintenance and effectiveness of its governance arrangements as a high priority and has put the following measures into place to ensure its continued effectiveness:

- Developed and promoted its vision and core values, and aligned these to reflect the needs of the community.
- Ensured that its partnerships are underpinned with the same vision and values and that adequate corporate governance arrangements are maintained.
- Published its Corporate Business Plan which sets out the Council's priorities and describes how 'quality of service' for users is to be measured and maintained.
- Devised a methodology to measure its environmental impact upon the community and surrounding area.

The Council has ensured that its governance arrangements are thoroughly reviewed and inspected throughout the year and has:

- Established a Corporate Overview Committee which reflects the voice and concerns of the public and its communities so as to make an impact on the delivery of public services. The Scrutiny Committee takes the lead and owns the post decision scrutiny process (in its widest sense) on behalf of the public with a view to making and improving the delivery of public services.
- An Audit & Governance Committee with wide-ranging terms of reference including the requirement to consider the effectiveness of the authority's governance arrangements, taking into account corporate risk management, the control environment and associated anti-fraud and anti-corruption arrangements.



- Arranged for a Standards Committee to promote and maintain high standards of conduct by members, to consider reports and make recommendations concerning the governance and ethical standards of the Council and advise on the adoption or revision of the Council's Code of Conduct for members, officers and any other related codes or protocols.
- Designated a Council director as Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations. After consulting with other directors and the Head of Paid Service, the Monitoring Officer will report to the full Council if they consider that any proposal, 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.
- Maintained an internal audit service which operates to the standards set out in the "Code of Practice for Internal Audit in Local Government in the UK". Internal audit are responsible for monitoring the effectiveness of systems of internal control. The Service operates to a 5-year audit plan which is approved by the Audit and Governance Committee and from which the annual audit coverage is identified. Reporting protocols require audit reports to be submitted to the relevant corporate director and the head of service. The report includes recommendations for improvements that are detailed on an action plan.

The Council's Internal Audit function is subject to regular inspection by the Council's external auditors.

This review of governance arrangements has been comprehensive and has taken into account the aspirations highlighted within the Audit Commission's Corporate Governance Key Lines of Enquiry and measures the Council's compliance with the KLoEs and provides a thorough and detailed representation of the Council's arrangements.

Affiliated work has also taken place within each service area of the Council with each Head of Service undertaking a "control risk self assessment" exercise culminating in the production of a 'compliance schedule'; these schedules allow Heads of Service to self-assess their systems and processes for actual or potential control deficiencies, ultimately the "compliance schedule" will highlight any deficiencies within the service area; a plan of action is agreed with the Head of Service to rectify any areas of concern.

The 'compliance schedule' also details key findings from Internal Audit reports prepared during the year.

This Governance inspection has taken into account the Corporate Governance Key Lines of Enquiry and hinges around 4 themes, each theme examines different aspects of corporate governance. These themes are:

Theme 1: Community focus – covering understanding of local needs, vision, access to services, communications and partnerships.

Theme 2: Structures and processes – covering democratic accountability, decision making and planning.

Theme 3: Risk management and internal control – covering financial, performance, risk and project management.

Theme 4: Leadership, culture and standards of conduct – covering community, political and managerial leadership, member-officer relationships, ethical standards and behaviour.



The Council has made excellent progress in recent years to meet the challenges within the corporate governance Key Lines of Enquiry and this Corporate Governance Statement sets out its key achievements..

This Corporate Governance Statement provides the following assurance:

3. That the Council's governance arrangements are adequate and operating effectively in practice, and
4. Where reviews of the governance arrangements have revealed gaps, action is planned that will ensure effective governance in the future.

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 Internal Auditor's "Annual Report";
- reports from the external auditors; and
- the work of the Heads of Service within the Council who have responsibility for the development and maintenance of the governance environment;
- other review agencies and inspectorates

Theme 1 - COMMUNITY FOCUS

- The Council can demonstrate a good understanding of local needs and has produced a Community Engagement Policy and Guide and holds regular Community Engagement Group meetings.
- The Council's vision has been translated into organisational 'priorities' via its Corporate Strategy and Corporate Business Plan. It has identified its 'priorities' in a coherent way utilising a 'visioning' exercise. This exercise included public consultation and involvement
- The Council is pro-active in its engagement with the community in planning and designing services, especially when different criteria are available for selection, a good example of this is the project at Millway Estate in Axminster which includes using S106 monies towards the provision of a new play area.
- There is participatory budgeting for Section 106 monies to ensure monies are spent on the play and recreation facilities chosen by local residents who are going to use them.
- The process of producing the Council's Local Development Framework consultation carried out in spring/summer 2009/2010 involved a vast range of local groups, organisations and parish and town councils. The Council has successfully achieved 'Service Excellence' accreditations within Environmental Health, Building Control, Licensing and the Customer Service Centre; suggesting good customer consultation.
- The Council has been pro-active in seeking partners across key sectors of the community, examples include the sharing of the Chief Executive between East Devon and South Somerset, the



regeneration schemes for Seaton and Exmouth, East Devon and Blackdown Hills AONB, Exmouth Town Management and the East and Mid Devon Community Safety Partnership. The Council develops partnerships where appropriate to deliver and improve services and funds the CAB to give specific housing advice. A further example is the Council's partnership with Leisure East Devon (LED); a substantial grant is made available to LED to support health and sports activities in the area.

- The Council are aware of developments outside its area, and makes contributions to sub-regional work at District level. Analysis is made of the "Place Survey" undertaken in 2008/09 and reference is made to the "Tenants Status" survey and to our partners' data to ensure that our knowledge base is up to date and adequately reflects the needs of our community. We have also conducted our own tenant profiling exercise.
- All this work is aimed at realising the potential of the area and addressing the needs of the sub-region. This is best illustrated by the work the Council is doing with the New Growth Point. We have established the New Growth Point Steering Board with Exeter City Council, Devon County Council, Teignbridge District Council and the regional bodies, SWRDA, GoSW, The Assembly, the Housing Corporation, Natural England and the Environment Agency and Highways Agency. The Council's Portfolio Holder for Strategic Planning is chairman and we provide the secretarial and officer support. The purpose of the New Growth Point Steering Board is to provide the leadership to meet the sustainable community needs of the New Growth Point. These are initiatives aimed at meeting the regional and sub-regional agenda. The New Growth Point work also picks up intelligence at national level and uses this to secure funding and support to our sub-regional agenda.
- Effective leadership and co-ordinated delivery structures have resulted in the Council achieving a BS Accreditation for its building control team and a Customer Excellence Award for environmental health.
- The Council publishes, or co-publishes a range of different literature for distribution either internally to staff, or externally to citizens, examples include 'Housing News', Tenants Newsletters, 'East Devon Talk', 'The Knowledge'; a publication focussed on Councillors' needs and 'Team Brief'; a publication specifically for members of staff. All of these documents can be produced in 'Braille' and 'large print' upon request. Our website has "speak this page" and "translate this page" facilities.

Theme 2 – STRUCTURES AND PROCESSES

- During 2009/10 an arrangement with South Somerset District Council has been entered into to share a Chief Executive through a Section 113 Agreement outlining the detail of the function and role. The Council is also considering sharing services with South Somerset District Council to achieve savings through partnership working.
- The Council keeps its organisational and officer structures under review and a number of the Council's Services have undergone a "Systems Thinking" review to ensure that the customer is at the heart of service design and delivery. The reviews have led to some radical redesigns in the way the Council works and its team structures. "Systems Thinking" reviews make sure work flows in the most efficient way across teams to cut out waste and duplication. This in turn has speeded up decision making and cut out confusion for our customers.
- The Constitution can demonstrate that the Council's structures are in line with the Local Government Act 2000 and are appropriately constituted, fit for purpose and Councillor and



officer delegation has been defined. Corporate structures ensure that appropriate standards regarding performance management, internal controls and communications are consistent and applied throughout the Council. This can be evidenced by SMT meeting minutes and from the Performance Excellence Reviews.

- Executive, scrutiny and regulatory functions are supported with effective work planning and officer briefing, this can be evidenced by the Council's forward programmes with Overview/Scrutiny Committees and Executive Board pre-meetings all commonplace. Licensing and Enforcement Committee receives a quarterly report so service delivery and strategy outcomes may be monitored.

Theme 3 – RISK MANAGEMENT AND INTERNAL CONTROL

- The Council has defined the roles and responsibilities for Councillors, directors and the Section 151 officer in respect of stewardship of the Council's resources in its financial regulations; these financial regulations are complemented by detailed financial operating procedures and contract standing orders. All three documents were revised during 2007, follow best practice and are modelled on CIPFA Guidelines. They are to be further revised during 2010.
- The status of the Council's financial regulations is made clear within the documents, they are supported by a range of ethical policies, including anti-fraud, theft and corruption and the whistle blowing policy.
- The Council has established a systematic strategy, framework and process for managing risk. During 2009/10 the CRM (Corporate Risk Management) function was reviewed and a new system identified for capturing the Council's risks and mitigating control actions. During the year this system was populated and is being kept up-to-date by Heads of Service.
- The new CRR (Corporate Risk Register) is subject to review by internal audit both during their routine audits and on an-hoc basis when requested by managers. The CRR is also critically reviewed by the CRMG (Corporate Risk Management Group), who carry out a top-down appraisal of each risk, including the mitigating control actions and the review date.
- The Council has appropriate protocols in place for the approval and management of key projects by means of the IT Programme Board which meets regularly to agree new ICT projects and monitor progress of the implementation of existing projects.
- The Council has defined the nature and frequency of financial reporting within the Council's financial regulations and financial strategy, Monthly monitoring reports are considered by SMT and the Executive Board. The Monthly Monitoring Reports seek to forecast the year-end balances and, where appropriate, the action to be taken to correct variations.

Theme 4 – STANDARDS OF CONDUCT

- In 2009/10 the Council was awarded the member led "South West Member Development Charter". The Council can evidence examples of where it has worked to achieve improvements to its ways of working for the benefit of the community.



- Members are trained on the Members' Code of Conduct and receive specialist training for the committees on which they sit and their roles of roles and responsibilities. The Council requires councillors appointed to quasi-judicial and regulatory committees to undertake training before they can take part in the decision making process.
- Councillors understand the link between corporate governance and service quality. They receive induction on Ethics, Standards and Corporate Governance when they are elected and as follow up training. A comprehensive Member Development programme is now in place, and the Council is seeking Member Charter status.
- Council leadership is open to self-criticism, challenge and review and takes seriously any recommendations made for improvement in audit and inspection letters, CPA and CAA inspection reports and action plans or peer reviews.
- Service managers have received core management training to help them engage openly and honestly with their staff. Fraud Awareness training is available for all staff and an up-to-date Anti-Fraud, Theft and Corruption Policy and Whistle Blowing Policy has been widely circulated. There are also provisions concerning corruption and separation of roles during tendering in the Code of Conduct for Employees. The Council has a confidential reporting system in the form of a telephone based "fraudline" for staff and members of the public.
- The Council promotes its ethical standards across the Council and attempts to ensure compliance throughout its operations. Ethical standards are contained within the Terms of Reference of the Standards Committee. The Audit & Governance Committee focuses on risk and governance and the Council's Financial Regulations and Contract Standing Orders appear within the Constitution. Legal challenges against the processes of council decision-making are very rare. Councillors regularly take advice about ethical issues from the Head of Legal, Licensing and Democratic Services and her staff, the Monitoring Officer and the Chief Executive.
- The Council has an up-to-date Code of Conduct for Councillors and the Standards Committee is responsible for oversight of the Code, amongst other ethical and propriety issues. The Council also has a protocol on 'relationships between members and officers' to guide both members and officers on how best to discharge their various roles. There is also a Code of Good Practice on planning matters for members and officers, again in the Constitution.
- The Register of Interests is up to date and regular reminders are sent to Councillors reminding them to register or update any interests they may have.

The Council will monitor these aspirations through:

- Defining procedures and practices which together create the framework for good corporate governance as described in the CIPFA/SOLACE Joint Working Group Guidance and framework "Delivery Good governance in Local Government:
- Nominating a lead officer who will be responsible for assessing the Council's governance arrangements and producing the Annual Governance Statement (and action plan) and subsequent reporting to the Audit and Governance Committee.

The key policies and procedures that will compose the core of this process are listed below:



- The Council Constitution
- Community Plan and Corporate Strategy.
- Financial Regulations, Contract Standing Orders, and other financial guides.
- Human Resources Policies including a comprehensive 'Managers' Guide'
- Members and Officers Codes of Conduct and Member / Officer Protocols
- Anti-Fraud Theft and Corruption Policy and Quick Guide, Whistle blowing Policy
- Risk Management Policy, Strategy and Toolkit
- Performance Management Framework

We propose over the coming year to take steps to address the issues raised in the action plan to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signatures:

24 th June 2010	Leader of the Council	○
24 th June 2010	Chief Executive	



Significant Governance and Control Issues Identified

Council Members and Officers have been continually updated and advised on the implications of reviews of the effectiveness of the Council's systems of internal control. Plans have been devised and put in place to ensure continuous improvement. The Council's annual review of the governance framework, including the system of internal controls and associated reviews during the year, identified some areas where action is appropriate to enhance the governance and internal control environment and ensure continuous improvement. These are listed below, along with the proposed actions to remedy or improve the position.

Area for Improvement	Suggested Action	Officer Resp.
<p>ICT Services and Street Scene Services</p> <p>Disaster Recovery Plans and Business Continuity Planning is not adequate to protect the Council or its assets.</p>	<p>Outstanding since 2007/08 and appeared on the 2007 Action Plan and the 2008/09 Action Plan.</p> <p>The Gov. Connect programme took precedence over the redesign of the Disaster Recovery plans in 2009.</p> <p>The Council must decide whether to involve South Somerset in the choice of Disaster Recovery location or stick to the original choice of the Honiton Business Centre.</p>	<p>CP</p> <p>CP</p>
<p>ICT Services</p> <p>Controls over project management, including budgets, overspends, delivery and budget variations and approval.</p>	<p>Resolution of Internal Audit & Governance Committee (March 2010) should prevent many of these issues by ensuring that budget overspends and slippage are monitored and challenged.</p> <p>Internal Audit have recommended that the full anticipated cost of a project, including labour is made clear at the outset.</p>	<p>CP</p>
<p>Financial Services - Housing Benefits.</p> <p>Checking accuracy of system calculations</p>	<p>Procedures for selecting claims for accuracy checking is reviewed and a full risk-based approach is used.</p> <p>Team leaders to check a minimum of 5% of assessed claims each month.</p> <p>Regular reports from team leaders on the number and results of the accuracy checks and where the number of checks or accuracy drops, appropriate action is promptly taken to address the situation.</p>	<p>SD</p> <p>SD</p> <p>SD</p>

Area for Improvement	Suggested Action	Officer Resp.
<p>Financial Services - Housing Benefits.</p> <p>Overpayment Recovery and write off (outstanding invoices do not agree with the Housing Benefit debt management system), (Misinterpretation of guidance on calculating indicators and errors in the calculation process has resulted in incorrect figures being reported to Members)</p>	<p>The Housing Benefit System reports used to calculate the overpayment recovery figures are reviewed and the reasons for the discrepancies identified</p> <p>After review, if the Housing Benefit System reports are found to be inaccurate, alternative methods of calculating the figures should be found</p> <p>Members are advised of the errors in the reported figures.</p>	<p>SD</p> <p>SD</p> <p>SD</p>
<p>Street Scene Services Flood Alleviation and Coast Protection Strategy</p> <p>The Strategy links to both national and regional plans and would draw down funding for protection schemes. Due to lack of resources in Street Scene, (Engineering) the capacity of the staff to deal with these issues is limited.</p>	<p>Outstanding since 2008/09 and appeared on the 2009 Action Plan.</p> <p>This has serious work capacity issues in the delivery of Engineering services in particularly those associated with Land Drainage, Flood Alleviation and Coastal Defence works. Failure to fill this post will mean work will need to be prioritised with some work areas not being carried out.</p>	<p>PJ</p>
<p>Street Scene Services / Financial Services</p> <p>Counterfeit Coins</p>	<p>Audit & Governance Committee already aware, steps being taken to recalibrate our ticket machines to increase the number of coins rejected, and to reduce the number of coins lost due to counterfeit. Issue to be kept under review and an internal audit is scheduled for 1st/2nd quarter of 2010.</p>	<p>PJ/SD</p>



Area for Improvement	Suggested Action	Officer Resp.
Organisational Development Corporate Anti-Fraud, Employment Screening	Address of prospective employees should be verified. "Character and Criminal Record Declaration Form" used by the DWP should be implemented.	KJ
Internal Audit & Governance The Council's Internal Audit Service has suffered from a lack of resources and does not have adequate resources to monitor the governance arrangements of the Council	The Council did enter into an arrangement with Exeter City Council and a specialist computer audit provider to provide extra audit resources, however the Unitary status has affected this arrangement. The Council needs to re-consider their options for the delivery of this service.	TC/DP
Housing Services Housing Needs Corporate Anti-Fraud, Tenancy Fraud	Online tenant photograph gallery to be implemented (as soon as technology allows) Update evidence capturing procedures, including the quality of evidence (eg: original birth certificates photocopied and placed on file or scanned to disk Use of Experian to check status of prospective tenants – including residency, financial and other background checks	JG JG JG

Legal Implications

The Legal Section will detail any implications here. If there are none, this should also be stated by the Legal Section.

Financial Implications

The Accountancy Section will detail any financial implications here. If there are none, this should also be stated by the Accountancy Section.

Consultation on Reports to the Executive

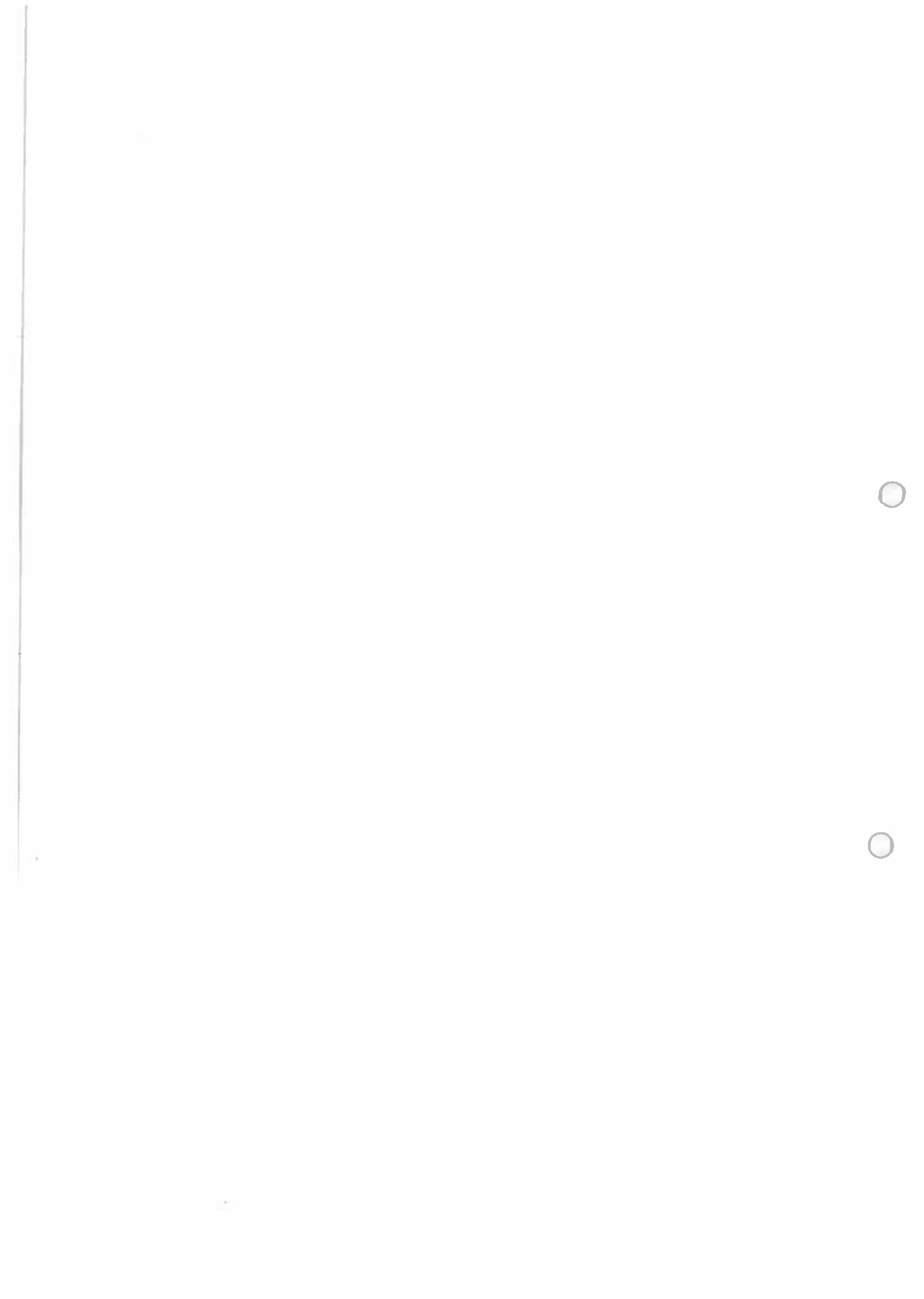
None

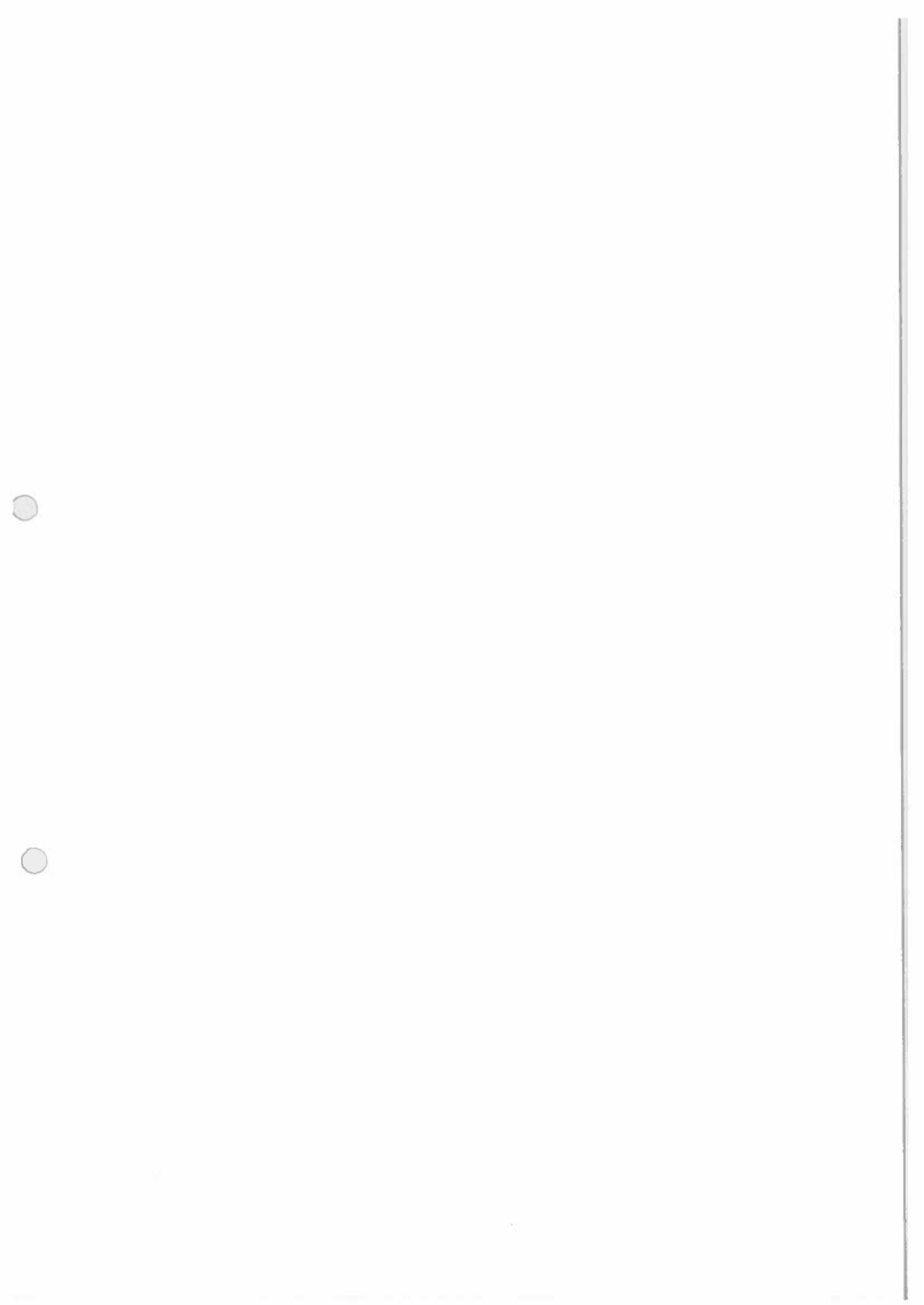
Background Papers

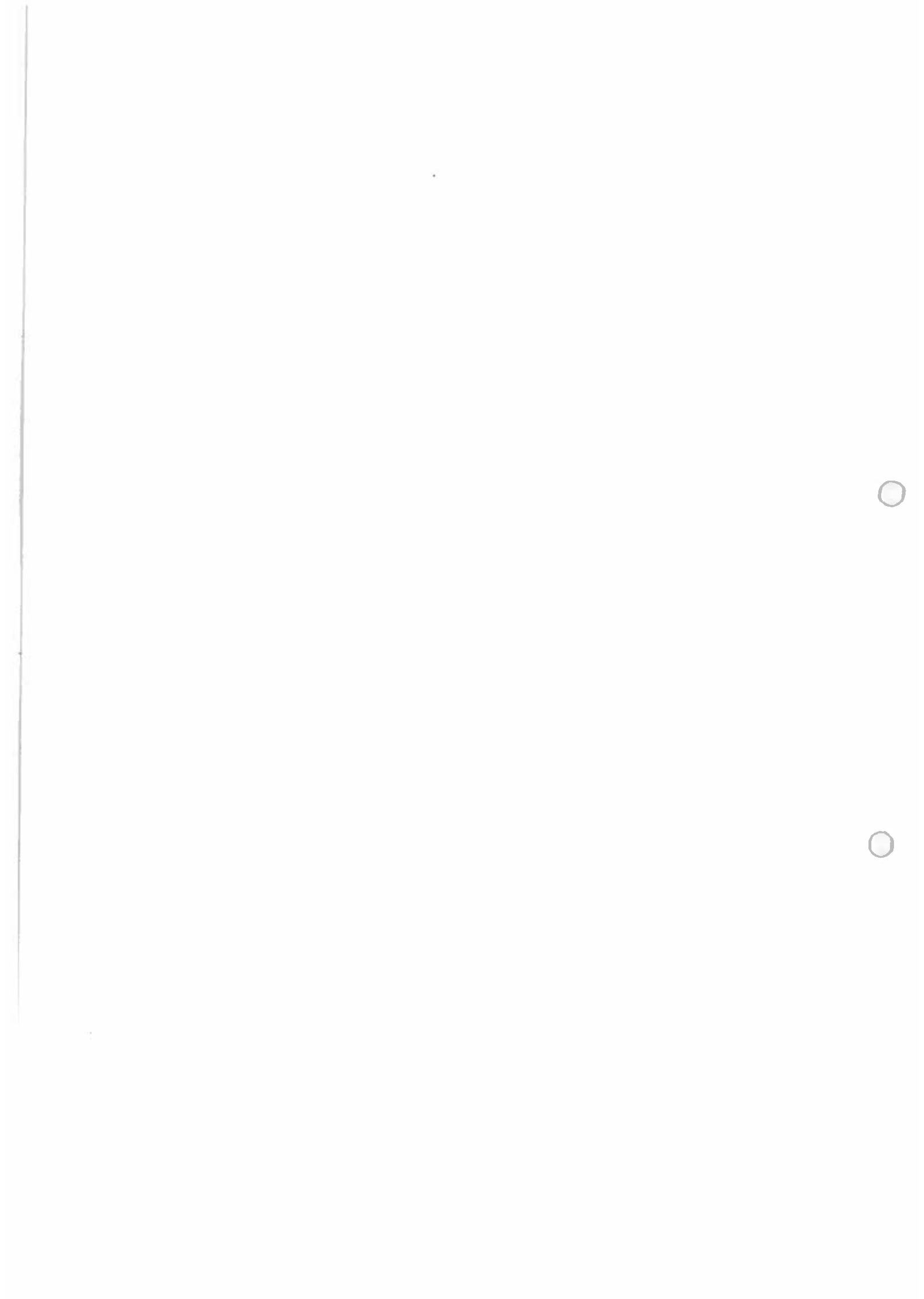
None

Tanith Cox
Internal Audit & Governance Manager







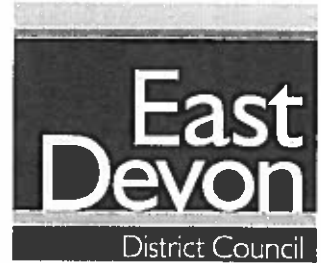


Agenda Item

Audit and Corporate Governance Committee

24 June 2010

SD



Annual Statement of Accounts 2009/10

Summary

The Audit and Governance Committee are required to approve the Council's Statement of Accounts prior to the 30 June 2010. The Statement of Accounts for 2009/10 is attached for approval.

Recommendation

That the Statement of Accounts for the financial year ended 31 March 2010 be approved.

a) Reasons for Recommendation

The Local Government Finance Act and the Accounts and Audit Regulations 2003 require the Council's Accounts to be approved by 30 June and audited and published by 30 September.

b) Alternative Options

The Authority is required to have its accounts approved by 30 June, this is a legislative requirement.

c) Risk Considerations

It is a legal requirement for the Statement of Accounts to be approved by the Council; this has been delegated to the Audit and Governance Committee. The Council would not wish from a legal or reputation point of view not to meet this requirement.

d) Policy and Budgetary Considerations

The budgetary implications of the Council's financial position for 2009/10 were reported to the Executive Board on 9 June 2010 in the Revenue and Capital Outturn Report. There are some minor variations identified through the preparation of the accounts and these identified and contained in this report.

e) Date for Review of Decision

Not applicable

Approval of the 2009/10 Statement of Accounts.

1. Background.

- 1.1 The Accounts and Audit regulations 2003 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 June. The Council has delegated this responsibility to the Audit and Governance Committee.

2. Statement of Accounts 2009/10.

- 2.1 The Statement of Accounts for 2009/10 is attached. The explanatory foreword on page 3 and 4 gives a brief summary as to the layout of the Accounts and the purpose of each of the main statements. Pages 3 to 13 give comment on the key financial points to be drawn from the Accounts and assists in making comparisons from the standard budget and Outturn reports presented previously to members and the prescribed format of the Statement of Accounts.
- 2.2 The Revenue and Capital Outturn report to the Executive Board on 9 June 2010 (where figures are prepared by mid May for the report deadline) detailed for members the position on the Council's finances compared with the budgets set. The information given in this report is based on Portfolio performance which is in line with how budgets are set and monitored through the Executive Board. The report also makes recommendations on the policy for holding reserves and balances, these recommendations have been reflected in the Accounts as shown on page 21 in the Balance Sheet.
- 2.3 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. Table One below compares those figures presented at Outturn with the corresponding figures now included in the Statement of Accounts.

Table One – Outturn compared with Statement of Accounts

	Outturn Position	Statement of Accounts	Variation
General Fund Deficit for 2009/10	£1.058m	£1.109m	£0.051m
-----	-----		
Outturn reported General Fund Surplus for 2009/10	-£0.906m	Deficit in General Fund Balance for the year (p.20)	Main change between outturn and statement of accounts is £0.041m included in Investment Income at outturn now transferred to "Available for Sale Reserve" as anticipated investment increase will not materialise until 2010/11.
Less agreed Transfer to Management & Maintenance Reserve	£1.163m		
Plus agreed transfer into General Fund from Local Government Review Reserve	-£0.038m		
Use of "ring fenced" sums within General Fund, therefore cost to General Fund:			
• Transformation sum set aside	£0.166m		
• Investment Income sum set aside	<u>£0.673m</u>		
General Fund Deficit	<u>£1.058m</u>		£0.010m through minor amendments in closing the
-----	-----		

			accounts.
Housing Revenue Account Deficit for 2009/10	£0.389m	£0.389m	No Variation
		Deficit in Housing Revenue Account Balance for the year (p.46)	
Capital Reserve Balance 31/3/10	£6.478m	£6.328m	£0.150m
	(Used in year £0.306m)	(Used in year £0.456m)	Main variation (£0.172m) relates to income received to pay for capital spend which needed to be taken into 2010/11 against specific project spend. At outturn it was wrongly assumed this could be used in 2009/10. This will have no overall effect as less monies will be required from the reserve in 2010/11 when this income is used. £0.022m minor adjustments picked up through accounts closure.

- 2.4 The Accounts and Audit Regulations 2003 state that the Accounts must be prepared in accordance with proper accounting practice. There are two specific documents which we follow to ensure we comply with these regulations; the Local Authority Statement of Recommended Practice (SORP) which represents proper accounting practice and the Best Value Accounting Code of Practice (BVACOP) which defines how to prepare financial performance information.
- 2.5 The Regulations state that the Accounts must be approved by members by 30 June, which is the purpose of this item on the agenda, and that the Audited accounts must be published by 30 September. Grant Thornton will commence their audit of the Accounts the end of July through to August, and will identify any material changes required to the Statements and detail any unadjusted misstatements found during the course of the audit. Both of these will then need to be considered by 'those charged with governance', which in respect of the Statements is this Committee.
- 2.6 An analysis of Investments/Cash etc supported by Reserves is shown in Appendix A for information.

Legal Implications

No legal implications have been identified.

Financial Implications

There are no financial implications as a consequence to this report.

Consultation on Reports to the Executive

None

Background Papers

- Financial Services working papers
- Revenue and Capital Outturn Report for 2009/10 – Executive Board 9 June 2010.
- The Accounts and Audit Regulations 2003.
- The Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice 2010.
- The Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice – Guidance Notes for Practitioners for 2009/10 Accounts and Disclosure Checklist 2009/10.
- The Best Value Accounting Code of Practice

Simon Davey
Head of Finance

Audit & Governance Committee
24 June 2010

Analysis of Investments/Cash etc Supported by Reserves.

	£'000	£'000
<u>Investments/Cash as per Balance Sheet</u>		
Investments		32,960
Investments – Long Term		<u>6</u>
		32,966
Deduct:		
Cash In Hand	(830)	
Temporary Loan	8,300	
Creditors, Receipts in advance	10,058	
Debtors, Payments in advance etc	(6,296)	<u>11,232</u>
Net Investments/Cash owned by the Council		<u>£21,734</u>
These Net Investments/Cash are supported by the following Revenue/Capital Reserves.		
General Fund		6,383
Housing Revenue Account – for the benefit of council Tenants		906
Collection Fund (EDDC element)		96
Earmarked Reserves		8,463
Capital Contributions Unapplied – Section 106 receipts		<u>5,886</u>
		<u>£21,734</u>

Note: The above items can be found within the Statement of Accounts on page 21, on the Balance Sheet.



Audit and Corporate Governance Committee

Thursday 24 June 2010

Committee Room at 2:30

Tabled papers & amendments.

Tabled Papers

Attached is the completed Cash Flow Statement and associated notes which were left blank from the accounts originally circulated.

Amendments

In the pre-meeting with the Vice Chairman of the Committee it was suggested that minor amendments were made to the explanatory forward on pages 4, 5 6, 11 and 12; not to amend the figures or details contained, but to use headings and a table to aid understanding for the reader.

Some minor adjustments have been identified since circulating the accounts which require amendment;

Page	Alteration	Printed figure	Revised figure
7	Rounding correction (Actuals)		
	Central Service to the public	1,566	1,565
	Culture & Heritage	365	364
	Net Expenditure on Services	7,443	7,441
	Net Gains and Losses on Disposals	(17)	(16)
	Reversal of impairments	10,376	10,377
12	Bullet point note: Date of local elections	2012	2011
21	Balance Sheet; General Fund Balance	6,383	6,385
26	Note 8b Senior Officers' emoluments Chief Executive; pension con'ts, total	20,771 132,917	16,559 128,745
41	Collection Fund Adjustment Account; narrative; East Devon's proportion of the Collection Fund surplus is and taken with surplus of	£0.88m £0.08m	£0.088m £0.008m

THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

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

	(1,285)	Revenue Activities Net Cash Flow - Note 36 Page 37		(3,556)
		Returns on Investments and Servicing of Finance		
		<u>Cash Outflows</u>		
43		Interest paid	10	
(233)		<u>Cash Inflows</u>		
		Interest received	(47)	
	(190)			(37)
		Capital Activities		
		<u>Cash Outflows</u>		
6,538		Purchase of fixed assets	7,461	
8		Other capital cash payments	295	
	6,546			7,756
		<u>Cash Inflows</u>		
(1,404)		Sale of fixed assets	(1,790)	
(3,241)		Capital Grants received	(5,053)	
(242)		Other capital cash receipts	(45)	
	(4,887)			(6,888)
	185	Net cash (inflow)/outflow before financing		(2,725)
		Management of Liquid Resources - Note 40 Page 39		
		Net increase/(decrease) in short term deposits	(351)	
3,049		Net increase/(decrease) in other liquid resources	1,164	
(1,770)	1,279			813
		Financing – Note 40 Page 39		
		<u>Cash Outflows</u>		
8,000		Repayments of amounts borrowed	10,000	
		<u>Cash Inflows</u>		
(10,000)		New loans raised	(8,300)	
		New short term loan(s)		
	(2,000)			1,700
	(537)	Net (increase)/decrease in cash Note 41 Page 39		(212)

NOTES TO THE CASH FLOW STATEMENT

Note 36: Reconciliation of Income and Expenditure Account to Revenue Activities Cash Flow

2008/09 £000's	2008/09 £000's		2009/10 £000's	2009/10 £000's
38,167		Deficit per Income & Expenditure Account	(5,042)	
(131)		Add: Collection Fund (Surplus)	(91)	
	38,167			(5,133)
		Items classified elsewhere in the cash flow statement:		
2,456		Interest	433	
(166)		Pooling payment to ODPM	(295)	
1,757		Pensions liability	1,910	
	4,047			2,048
		Non Cash Transactions:		
(2,410)		Net FRS 17 Costs	(3,707)	
(5,105)		Depreciation	(2,763)	
(34,296)		Impairments	10,377	
1,096		Other non cash transactions	(1,348)	
	(40,715)			(35)
(401)		(Increase) / Decrease in Creditors	(2,445)	
(2,383)	(2,784)	Increase / (Decrease) in Debtors & Payments in Advance	2,009	
				(436)
	(1,285)	Net Cash Outflow / (Inflow) from Revenue Activities		(3,556)

Note 37: Reconciliation of the Movement in Cash to the Movement in Borrowing

	As at 31 March 2009 £000's	As at 31 March 2010 £000's	Movement £000's
Bank Balance/Cash Equivalents	534	830	(212)
Total movement in cash	618	830	(212)
Other balance sheet movements			
Fixed Assets	340,220	366,920	(26,700)
Long-term Debtors	476	402	74
Long-term Investments	3	6	(3)
Current Assets			
Debtors	3,131	6,184	(3,053)
Payments in Advance	234	337	
Short-term Investments	33,311	32,960	351
Current Liabilities			
Creditors	(7,208)	(9,561)	2,353
Receipts in Advance	(54)	(497)	443
Long-term Liabilities			
Long-term Liabilities – Pensions	(28,810)	(48,704)	19,894
Capital Contributions Un-applied	(2,160)	(5,886)	3,726
Government and Other Contributions Deferred	(2,542)	(3,179)	637
Total	337,219	339,812	(2,593)
Net Movement in Reserves and other Fund Balances	(327,219)	(331,512)	4,293
Net Total	10,000	8,300	1,700
Reconciles to:			
Total Movement in Borrowing			
Temporary Loans	(10,000)	(8,300)	(1,700)
Total	(10,000)	(8,300)	(1,700)

NOTES TO THE CASH FLOW STATEMENT (CONT'D.)

Note 38: Movement in other Current Assets

Movement in other Current Assets	As at 31 March 2009 £000's	As at 31 March 2010 £000's	Movement £000's	Adjusted Movement £000's
Debtors & Payments in Advance ⁽¹⁾	4,124	5,685	1,561	2,009
Creditors ⁽²⁾	(6,251)	(8,616)	(2,365)	(2,445)

⁽¹⁾ Debtors include capital debtors movement between the years = increase of £448k.

⁽²⁾ Creditors include capital creditors movement between the years = decrease of £80k.

Note 39: Analysis of Other Government Grants Received

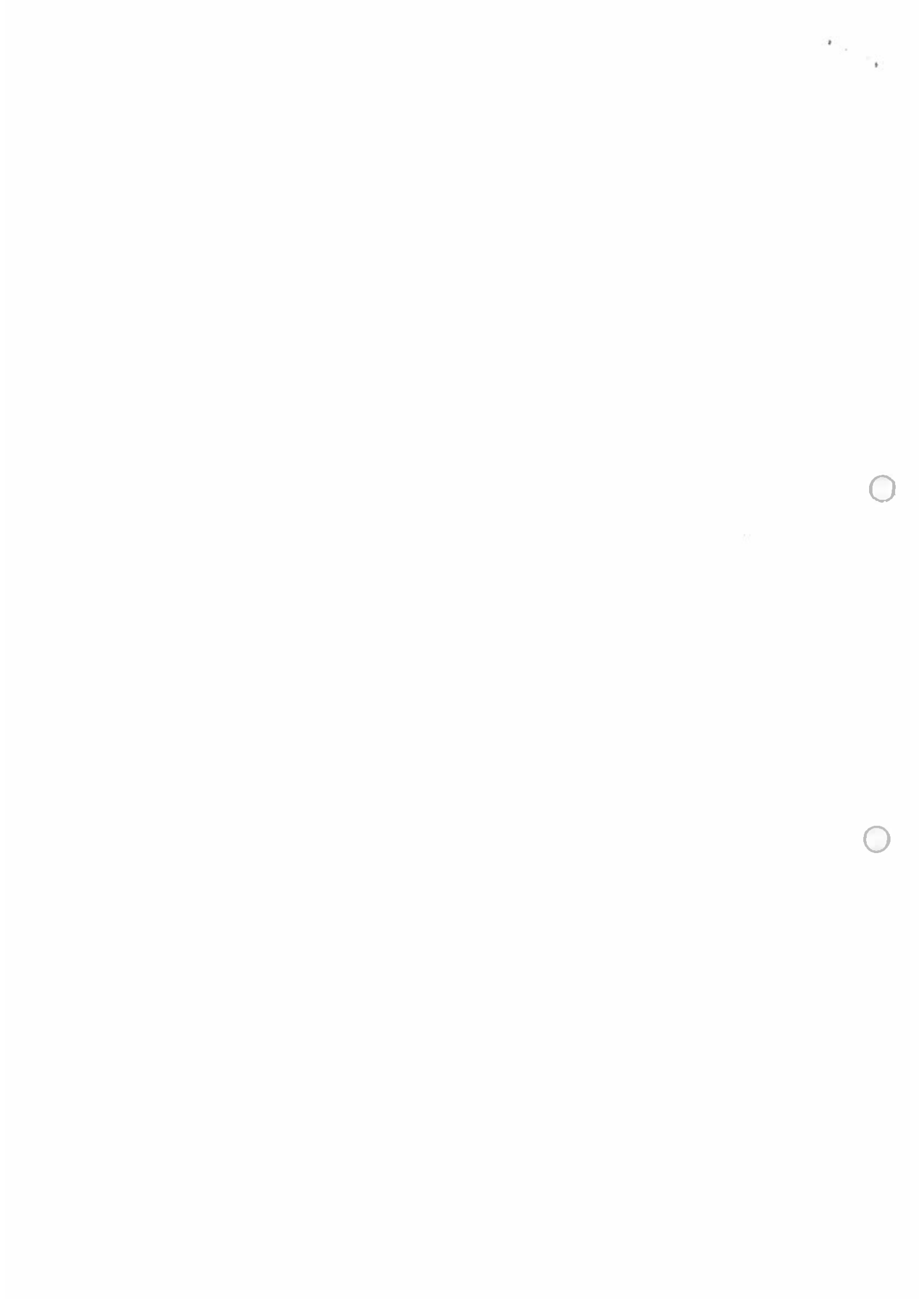
2008/09 £000's	Other Government Grants Received	2009/10 £000's
	Other Revenue Grants	
23	Area Based Grant for Climate Change	23
574	Concessionary Bus Pass Scheme	587
232	Council Tax Administration	250
1,502	DCLG	3,590
5	Elections	97
0	Habitats Assessment Grant	34
2	Housing Benefit – Local Authority Housing Allowance	0
816	Housing Benefit Administration Funding	901
74	Local Authority Business Growth Incentive	61
214	Planning Delivery Grant	9
788	Revenue Expenditure funded by capital under statute	1,056
60	Other	48
4,290		6,577

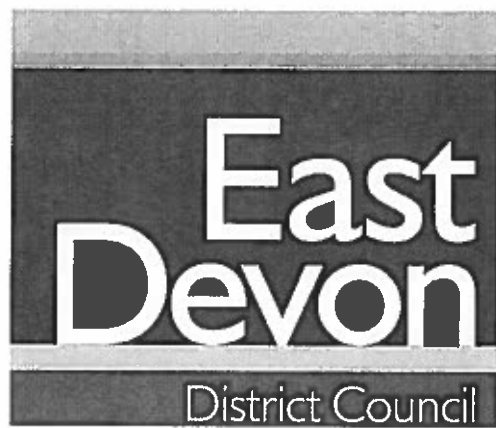
Note 40: Movement in Liquid Resources

Movement in Liquid Resources	As at 31 March 2009 £000's	As at 31 March 2010 £000's	Movement £000's
Investec Asset Management - Fund Valuation	33,311	32,960	(351)
Net NNDR Receipts due to/from Central Government	(759)	836	1,595
Net Council Tax due to/received from Major Preceptors	(1,011)	(1,442)	(431)
Movement in Liquid Resources	31,541	32,354	813

Note 41: Movement in Cash and Cash Equivalents

Movement in Cash and Cash Equivalents	As at 31 March 2009 £000's	As at 31 March 2010 £000's	Movement £000's
Cash at Bank/ (Cash Overdrawn)	618	830	212
Movement in Cash and Cash Equivalents	618	830	212





**Statement of Accounts
2009/10**

**East Devon District Council
Knowle
Sidmouth
Devon
EX10 8HL**

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

www.eastdevon.gov.uk

Statement of Accounts

2009/10

Contents Page

<u>Contents</u>	<u>Page</u>
1. Contents Page	1
2. Explanatory Foreword	2 - 13
3. Statement of Accounting Policies	13 - 17
4. Statement of Responsibilities for the Statement of Accounts	18
<u>Core Financial Statements</u>	
5. Income and Expenditure Account	19
6. Statement of the Movement on the General Fund Balance	20
7. Statement of Total Recognised Gains and Losses	20
8. Balance Sheet	21
9. Cash Flow Statement	22
<u>Notes to the Core Financial Statements</u>	
10. Notes to the Income and Expenditure Account	23 - 27
11. Notes to the Balance Sheet	28 - 42
12. Notes to the Cash Flow Statement	43 - 44
<u>Supplementary Financial Statements</u>	
13. Housing Revenue Account (HRA) Income and Expenditure Account	45
14. Statement of the Movement on the HRA Balance	46
15. Collection Fund	47
<u>Notes to the Supplementary Financial Statements</u>	
16. Notes to the HRA Income & Expenditure Account	48 - 51
17. Notes to the Collection Fund	52
<u>Glossary</u>	53 - 56
<u>Other Items</u>	
18. The Annual Governance Statement (submitted separately)	

EXPLANATORY FOREWORD

THE KEY ACCOUNTING STANDARDS AND STATEMENTS

We have followed the Chartered Institute of Public Finance & Accountancy's Code of Practice on Local Authority Accounting in the U.K: A Statement of Recommended Practice (SORP), in putting together the statement of accounts for 2009/10.

The accounts present East Devon's financial position for the financial year ended 31 March 2010. Our accounting policies are outlined in this document and have been fairly and consistently applied. We keep proper and up-to-date accounting records and take all reasonable steps to prevent and detect fraud and other irregularities.

Diccon Pearse, Corporate Director, is the statutory officer responsible for the proper administration of the Council's affairs. He is required by law to confirm that the Council's systems can be relied on to produce an accurate statement of accounts. His statement of assurance for 2009/10 appears on page 17 of this document.

It is a requirement of the SORP that the Council's accounts are presented in a prescribed format which makes comparison with the accounts of other local authorities and private sector bodies as easy as possible. In 2009/10, to meet the requirements of the Code of Practice and to ensure consistency with other local authorities, the main changes to the accounts that have been made are as follows:-

- o Prior to 2009/10 all council tax creditors and debtors were included in East Devon's accounts. The 2009 SORP now requires appropriate shares of council tax debtors and creditors to be accounted for in East Devon's and its major preceptors' accounts. The comparative figures in the Income & Expenditure Account, Balance Sheet and Cash Flow Statement have been restated to reflect this change.

Similarly arrears, prepayments and the impairment allowance for doubtful debts relating to national non domestic rates have been consolidated into a net debtor/creditor for amounts due to/from the government. 2008/09 comparative figures have been adjusted accordingly.

- o Further minor amendments have been made;
 - o Three note disclosures have been removed as requirements of the 2009 SORP as follows:
 - Section 137 expenditure;
 - expenditure on publicity;
 - the building control account.

However the information relating to these notes is still compiled and available.

- o The disclosure on officers' remuneration above a minimum level in bands has been re-phased to comply with the applicable regulations. Guidance has been issued (LAAP bulletin 85) to assist local authorities meet new regulations introduced to increase transparency and accountability in Local Government for reporting remuneration of senior employees.

THE FINANCIAL STATEMENTS

The Council's Statement of Accounts for the year ended 31 March 2010 is set out on the following pages. They comprise:

Statement of Accounting Policies

This explains the way in which the Council deals with various items shown in the accounts.

Statement of Responsibilities for the Statement of Accounts

This statement describes the authority's responsibilities regarding its financial affairs and also names the individual officer who is responsible for the completion of the Statement of Accounts.

Income and Expenditure Account

This account shows the costs for the year of the services provided by the Council together with the income from various sources used to finance the expenditure incurred.

The format of the Income and Expenditure Account complies with the Best Value Accounting Code of Practice (BVACOP).

Statement of Movement on the General Fund Balance

This statement adjusts the surplus/deficit on the Income and Expenditure Account by certain statutory prescribed items (e.g. capital expenditure charged to the General Fund, depreciation of fixed assets, gain/loss on sale of assets, FRS17 pension adjustments). The movement on this statement is an important aspect of the Council's financial stewardship. The Statement is used to adjust the Income and Expenditure Account to reflect the true position relating back to the Council Taxpayer.

Statement of Total Recognised Gains and Losses

This statement brings together all the gains and losses of the Council for the year and shows the aggregate change in its net worth.

Balance Sheet

This shows the Council's overall financial position at the end of its accounting year, which is 31 March 2010. It shows the balances and reserves at the Council's disposal at that date. It also summarises the fixed and current assets employed in carrying out the Council's functions and both its short and long term liabilities.

Cash Flow Statement

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

Housing Revenue Account Income & Expenditure Account

The Council is required by law to account separately for the cost of local authority housing. This account shows the major elements of expenditure and how that expenditure is financed from rents and also other income.

Collection Fund

This is a statutory fund reflecting the Council's position as a billing authority in respect of Non-Domestic Rates, residual Community Charge and Council Tax. It illustrates the ways in which these have been distributed to precepting authorities and the General Revenue Account. The Collection Fund is included in the Balance Sheet and the Cash Flow Statement.

The Annual Governance Statement

This statement is a statutory requirement and gives an overview of the Council's internal financial control procedures (including risk management) and also comments upon any areas of concern.

The format of these Accounts is prescribed by statute and covers a significant amount of detail. Below are the key financial points to be drawn from the Accounts, looking at the revenue and then capital expenditure of the Council.

Revenue Expenditure

Revenue expenditure is generally incurred on items consumed within a year. These are financed from the Council Tax, Government Grants and other income.

General Fund Services

In setting the 2009/10 budget the Council determined that £1.851m would be required from its General Fund Balance to make good the difference between the budgeted income and expenditure for the year. This need was derived from the recession and the significant fall in income available to the Council through reduced fees and charges and investment income. The Council set the objective through the year to make savings where possible and to reduce the need to use balances to this extent.

In addition to this use of the General Fund Balance the Council had "ring fenced" sums within the balance to use for predetermined specific purposes. The overall planned use of the General Fund balance in 2009/10 was:

In setting the budget it was anticipated an amount was required from the General Fund to meet a shortfall between expenditure and income due to the significant fall in income.	£1.851m
Ring fenced sum in General Fund to offset costs associated with transforming the Council to facilitate future savings. Costs associated with sharing a Chief Executive with South Somerset District Council.	£0.166m
Ring fenced sum in General Fund set aside in 2008/09 from excess return on investments to offset expected budget deficit in 2009/10.	<u>£0.673m</u>
Total budgeted use of General Fund balance in 2009/10.	<u>£2.690m</u>

The sum actually required from the General Fund balances was **£1.109m** as shown on the Statement of Movement on the General Fund Balance on page 19 of these accounts. This gives a saving of £1.581m.

This saving of £1.581m is comprised of two main elements, the first relates to net savings on service costs/additional income of **£0.744m**; as stated an objective was set for all budget managers to make savings during the year to offset the planned use of reserves when the budget was initially set. Main areas of saving/additional income are summarised as follows:

Savings/additional income achieved on service costs	£m
Savings from vacant posts	0.425
Planning income, particularly in February & March	0.255
Concessionary Fares savings on reimbursement payments	0.316
Savings in Grounds Maintenance – parks etc	0.121
Additional Housing Benefit Admin Grant due to increase workload	0.172
Car park income	0.142
Land Charges Income	0.047
Beaches & Foreshore Income	0.050
Effect of nil percent increase in salary against budgeted amount	0.189
Other Items of savings	0.053
Total Savings/Additional income	1.770
Additional Costs/Reduced Income	1.026
Net Savings	0.744
These savings were offset by additional costs/reduced income of £1.013m in certain areas; Refuse & Recycling £0.253m, reduction in Housing Planning Delivery Grant £0.110m, planning/legal compensation payments £0.083m, Investment income £0.125m, and agency staff £0.180m (all reported to Executive Board in monitoring reports)	

The second element of savings totalling **£0.837m** came from one off initiatives achieved during the year.

Housing Benefit Subsidy

Our total housing benefit subsidy claim for 2009/10 is £33.012m; in net terms after deducting an increase in benefit payments we have received **£0.629m** more in subsidy than budgeted. This is a 1.9% variance, however because of the amount involved it does have a significant impact on our outturn position. It should be noted that the claim is still subject to external audit that will not be completed until September.

We knew through our improved housing benefits performance and careful monitoring of incentive areas of the subsidy claim it would give us an improved financial position and this, to an extent, has been reflected in the 2010/11 budget.

Housing Benefit Bad Debts Provision

At the end of the financial year we reviewed all our bad debts provisions; considering total arrears outstanding, age of debt and our collection performance. In reviewing the provision set aside to meet housing benefit overpayments it is considered appropriate to reduce the level of the provision by **£0.208m**, this amount can therefore be transferred from the provision back to the General Fund, giving additional income to the General Fund.

The provision will still stand at a prudent level (£0.299m against total debt of £0.970m) which if collection continues to perform well could be lowered again during 2010/11.

During the year the Council took advantage of a flaw in previous legislation relating to Value Added Tax (VAT) paid. This legislation has now been corrected but gave local authorities amongst others an opportunity to reclaim VAT paid to HMRC in prior years on certain activities. The areas applicable for us are sporting activities, cultural activities (Exmouth Pavilion) and excess car parking penalties. As well as reclaiming VAT paid we are also eligible to interest on the amount refunded.

Working with PricewaterhouseCooper (PwC) we made claims from records we hold going back as far as 1974/75 in some cases. This is a technical issue requiring detailed argument in cases to HMRC. To date we have obtained refunds with interest totalling £1.189m (net of fees) and although we have only received these refunds recently we have processed them in the 2009/10 accounts. We still have two further claims outstanding totalling approximately £0.491m (net of fees) which are subject to final HMRC policy decisions and therefore at this stage have not been included in the 2009/10 accounts. The Council determined this windfall income would be transferred to an Asset Management and Maintenance Reserve; this is reflected in the Accounts.

A more detailed analysis of the Council's final outturn position compared against the revised budget for 2009/10 can be found in a report to the Council's Executive Board on the 09 June 2010 entitled "Revenue & Capital Outturn Report 2009/10", a copy of which can be found on the Council's website.

This report details the Council's financial performance in the same format as it prepares its management accounts and budgets, this is different to the format prepared for the statement of accounts. These statements can be reconciled with the net deficit on the General Fund balance of 1.109m. The following table shows the variance between the final outturn position across all service areas, as per the Best Value Accounting Code of Practice (BVACOP) requirements.

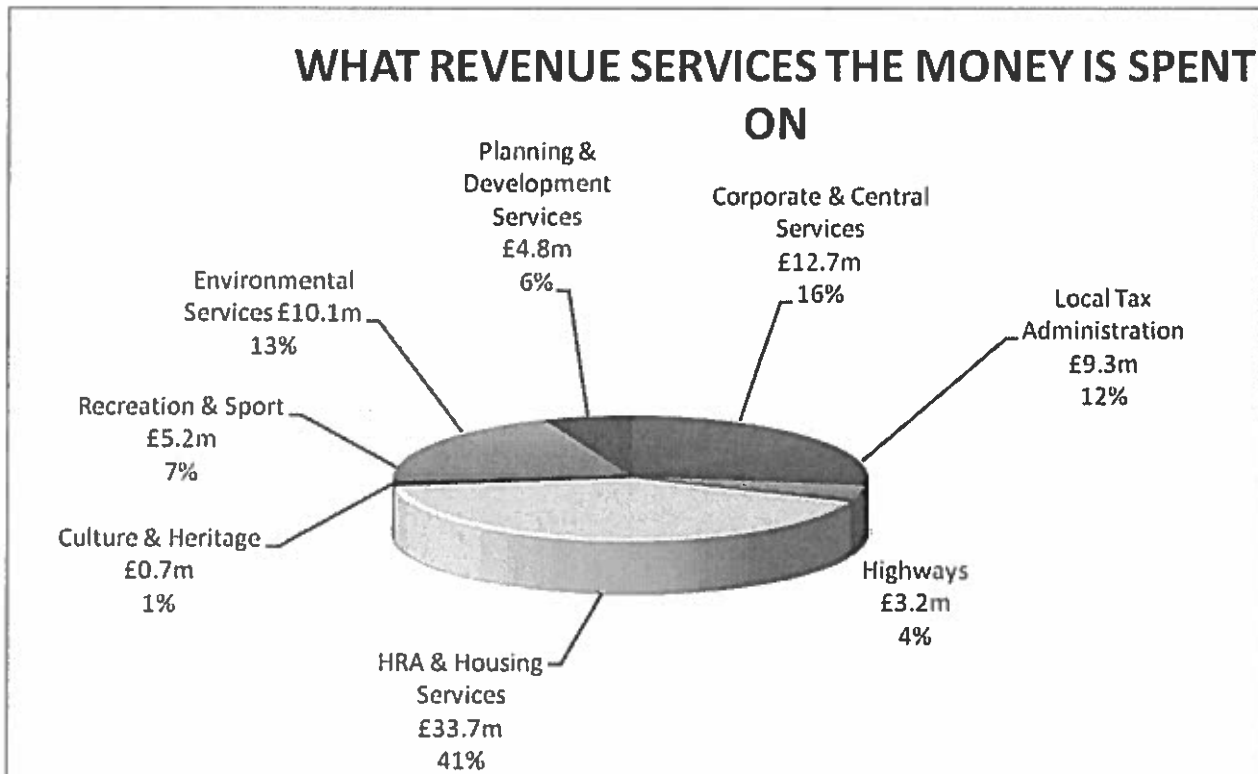
Service Areas per BV ACOP	Original Budget 2009/10 £000's	Revised Budget 2009/10 £000's	Actual 2009/10 £000's	Variance 2009/10 £000's
Central Services:				
Corporate & Democratic Core	1,857	1,857	2,131	274
Non Distributed Costs	365	312	295	(17)
Central Services to the Public	1,378	1,378	1,565	187
Highways, Roads & Transport Services	(489)	(489)	(825)	(336)
Housing Services:				
Housing General Fund Services	1,711	1,732	1,090	(642)
Housing Revenue Account	3,505	3,505	(10,583)	(14,088)
Cultural, Environmental & Planning Services:				
Culture & Heritage	243	236	364	128
Recreation & Sport	3,781	3,781	3,319	(462)
Environmental Services	7,930	7,910	7,837	(73)
Planning & Development Services	2,567	2,568	2,248	(320)
Net Expenditure on Services	22,848	22,790	7,441	(15,349)
Trading Services	20	15	(37)	(52)
Reversal of Depreciation Charges	(4,861)	(4,861)	(2,763)	2,098
Pension Transactions	0	0	704	704
Interest Receivable	(1,252)	(1,253)	(433)	820
Revenue Expenditure Funded from Capital Under Statute	0	0	(531)	(531)
Net Gains and Losses on Disposals	0	0	(16)	(16)
Reversal of Net Gains and Losses on Disposals	0	0	17	17
Reversal of Impairments	0	0	10,377	10,377
Amortisation	0	0	115	115
Housing Revenue Account Deficit	(396)	(396)	(389)	7
Amount by which Council Tax income and residual community charge adjustment included in the income & expenditure account is different from the amount taken to the GF in accordance with regulations	0	0	(47)	(47)
Contribution from Reserves	0	0	851	851
Revenue Contribution to Capital	262	274	390	116
Expenditure in excess of Major Repairs Allowance	0	0	176	176
Net Expenditure on Revenue Activities	16,621	16,569	15,855	(714)
Reconciled by:				
Use of General Fund Balance	(1,960)	(1,885)	(1,109)	776
Precept from Collection Fund	(6,713)	(6,713)	(6,775)	(62)
Area Based Grant	0	(23)	(23)	0
Revenue Support & Non Domestic Rates	(7,948)	(7,948)	(7,948)	0

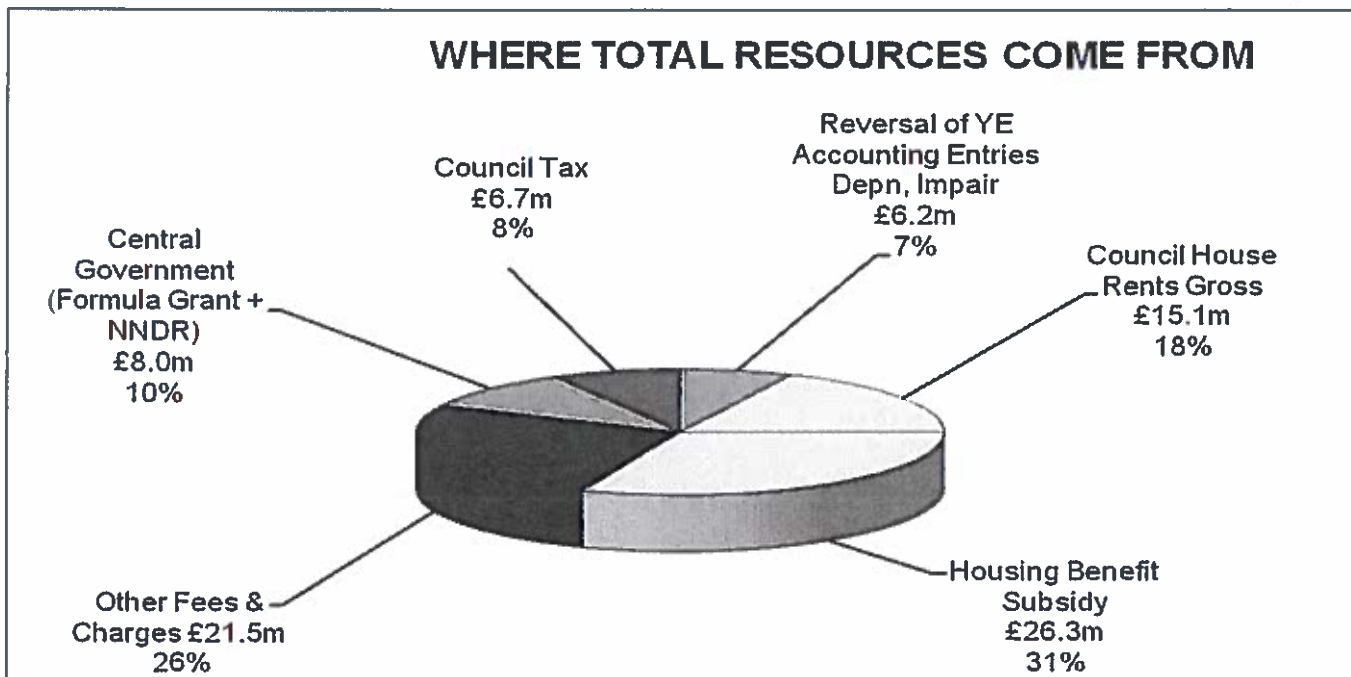
A number of the variations in the top part of this statement are reversed out in the middle part. These variations reflect year end accounting entries which do not affect the bottom line for the Council Tax Payer and are not budgeted for. The purpose of this statement is to assist in comparing the income and expenditure account back to the Council's budgets.

An analysis of the changes from the Original to the Revised Budget from the BVACOP table is as follows:

Reconciliation of the Original Budget 2009/10 for Net Expenditure on Revenue Activities to the Revised Budget 2009/10	£ 000's	£ 000's
Original 2009/10 Budget		16,621
Revenue Contribution to Capital:		
Homesafeguard	(19)	
Printing equipment	(55)	
SITA refuse collection Routing System	(42)	
		(116)
Homesafeguard	41	
Climate Change	23	
		64
Revised 2009/10 Budget		16,569

The total resources available for all revenue spending (including the Housing Revenue Account) and the services the money is spent on, are best represented by the following two pie charts:





The figure shown above for Year End Reversals of £6.2m includes depreciation, impairments and revenue expenditure funded from capital under statute which is charged to services, where appropriate, in the table showing where the money is spent. This is an accounting entry and is reversed out prior to reaching the amount of Council Tax to be levied.

The Central Government figure includes £0.023m Area Based Grant.

Housing Revenue Account Services

This Account (page 40) relates to the housing stock the Council provides directly and shows a decrease in the HRA balance for the year of £0.389m, this is shown in the accounts under the "Statement of Movement on the Housing Revenue Account Balance" on page 46.

This use of reserves leaves a Housing Revenue Account Balance at 31 March 2010 of £0.906m. Taking this final position with the use of the balance planned in 2010/11 will result in the HRA balance falling below its adopted minimum level by £0.153m. Savings will be sought in 2010/11 to bring the HRA balance back in line.

Capital Expenditure

Expenditure of a capital nature has to result in the acquisition, construction or enhancement of fixed assets and can be financed by the proceeds from the sale of capital assets, capital grants and contributions and the use of revenue and reserves. The Council is debt free and has an earmarked capital reserve standing at £6.328m.

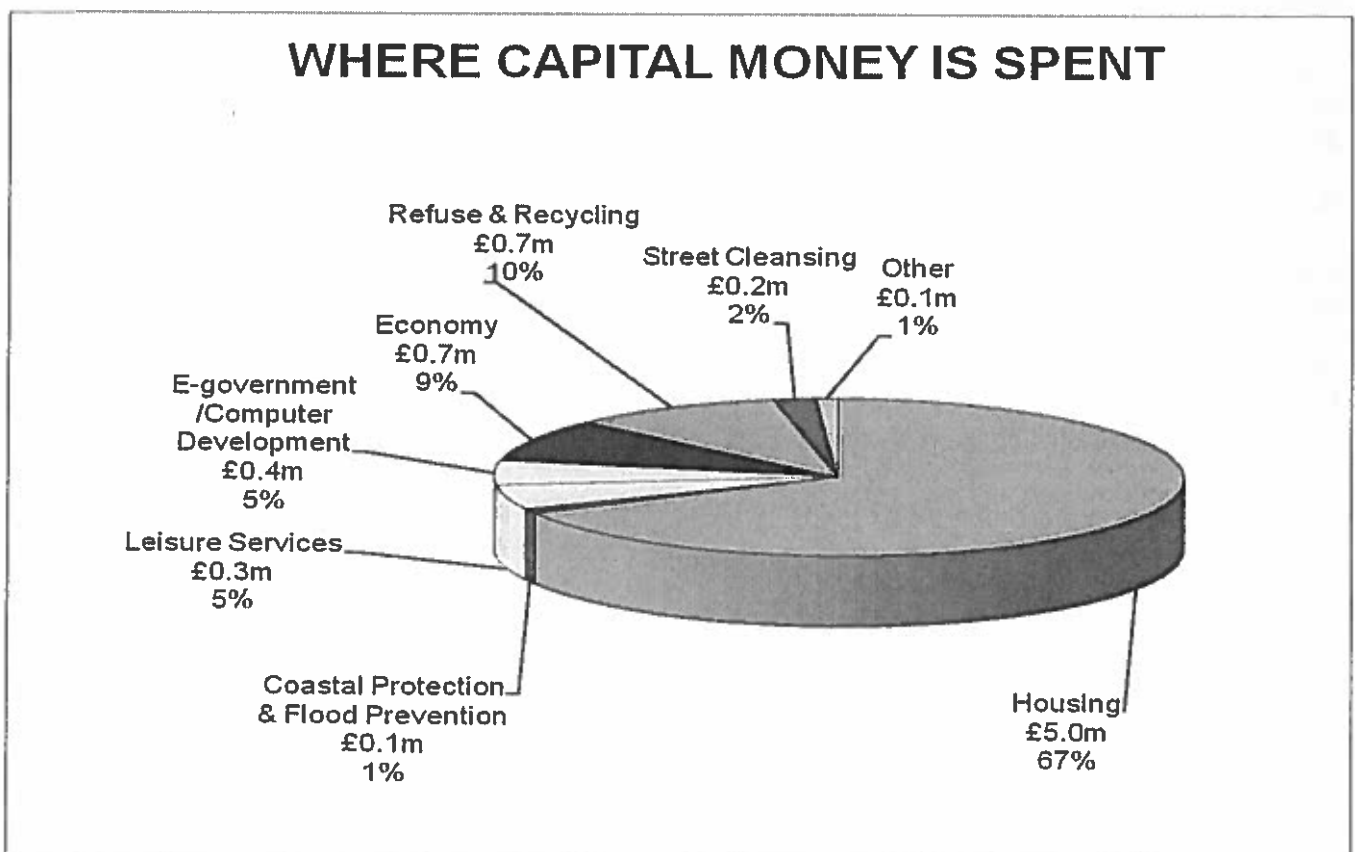
The Council spent £7.486m on capital projects during the year. The areas of expenditure were as follows:

	2009/10
	£m's
Housing (GF & HRA)	5.005
Affordable Homes	0.078
Coast Protection and Flood Prevention	0.064
Pollution Prevention	0.027
Leisure Services (Sports Halls/Swimming Pools, Parks & Gardens, Halls & Pavilions)	0.329
ICT Development	0.369
Refuse & recycling contract equipment	0.721
The Strand Exmouth	0.500
Thelma Hulbert Gallery	0.067
Other	0.326
Total Capital Expenditure	7.486

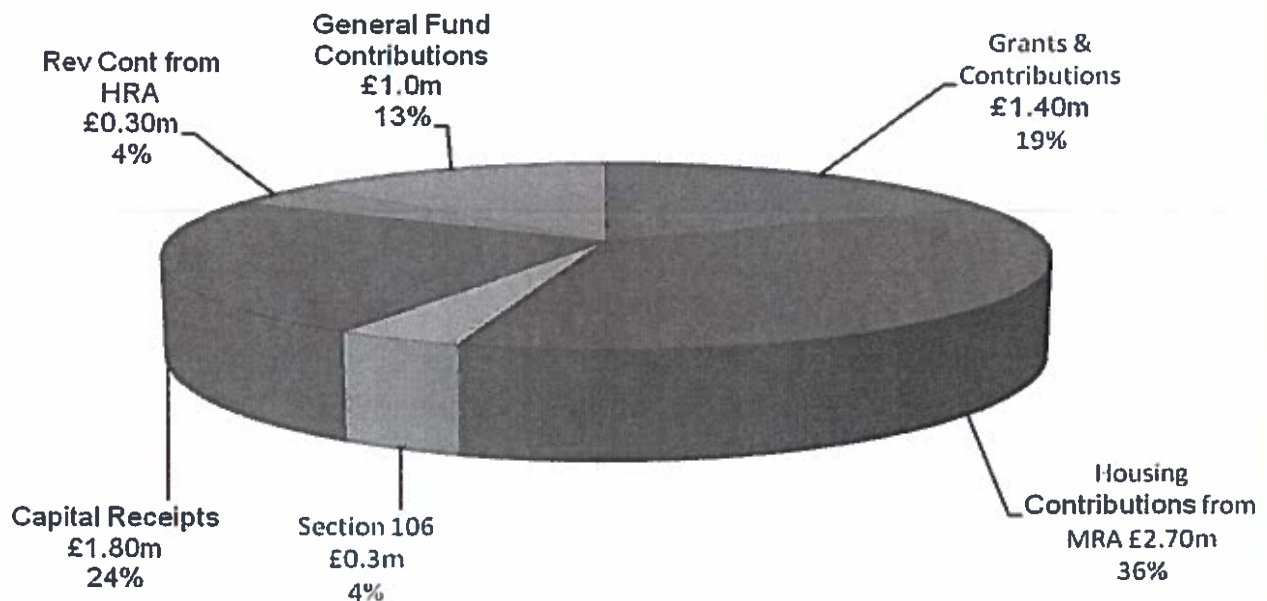
The expenditure was financed as follows:

	2009/10
	£m's
Grants & Contributions	1.404
Housing Contribution through the Major Repairs Reserve	2.770
Use of Capital Reserve	0.456
Use of Refuse Bins Reserve	0.403
Section 106 Receipts	0.266
Contribution from Planning Delivery Grant	0.011
Capital Receipts	1.786
Revenue contribution from the HRA	0.274
General Fund Contribution to Capital	0.116
Total Capital Expenditure	7.486

These figures are best represented by the following two pie charts:



WHERE CAPITAL MONEY COMES FROM



Financial Health and Performance

The Council recognises the significant financial risks facing it with reduced income from fees and charges and investment income already seen through the economic downturn, and the warnings of future cuts in government funding as the national debt is tackled.

A number of actions have been taken to prepare the Council including working towards a shared management team with South Somerset District Council; a joint Chief Executive is already in place, and looking at shared service delivery in other areas. Work is also being undertaken by an internal Councillor led Rationalisation Panel to consider what further savings can be achieved across the Council.

Through savings already achieved the Council is intentionally holding additional amounts in its General Fund Balance above its deemed recommended level of £1.830m. The General Fund balance at 31 March 2010 stands at £6.385m, additional sums are being held for:

A sum of £2.351m is being held within the General Fund balance to offset costs associated with transforming the Council to facilitate future savings; such costs to be met are possible redundancy costs, ICT investment etc.

The remaining £2.204m above the recommended level is being held to allow the Council time to adapt and address issues more carefully in what is seen as, financially, an extremely risky period. The financial risks are seen to be:

- The Coalition Government has stated tackling the deficit is essential and we have already seen quick actions in this area;

- A freeze in Council Tax for at least one year and possibly two years. We assumed a 2% increase in our Financial Strategy; one year of a freeze equates to a loss of income to us of £0.140m.
 - In the current year the Government is looking for cuts with Local Government expected to make a contribution of £1.165bn through reductions to individual grants. Currently we are unsure of the detail although it has been stated that this will not affect the formula grant for the current year.
 - Future Government settlements are likely to be painful; a 5% reduction in funding for us equates to a reduction in income of £0.408m a year, a 20% reduction would equate to £1.631m. The severity or speed of reductions is unknown at this stage but a figure of 5% to 20% over a period is being discussed by the public finance press.
- The 2010/11 budget has savings targets for procurement initiatives (£0.075m) and shared services (£0.200m). The procurement target is more certain from a timing perspective but although the shared service savings are more protracted, the total savings will be far greater than just the £0.200m.
 - The Council's latest Medium Term Financial Model showed an estimated deficit next year of £1.1m (assuming no reduction in government funding and a 2% rise in council tax). This deficit is being tackled through the work of the Rationalisation Panel and the Joint Integration Committee. Again there is risk to the amount and timings of the savings that might be achieved.
 - The transfer of responsibility for the Concessionary Fares Scheme (free bus scheme) from District Councils to County Councils will have an impact on our finances as the amount of grant we lose maybe greater than the costs we are incurring. The degree of the loss will depend on the formula used by Government to redistribute funding for this scheme. Initial estimates suggest we could be facing a net reduction in funding ranging from £0.378m to £1.031m.
 - Savings were made in 2009/10 on the area of Grounds Maintenance with the idea of offsetting costs in 2010/11 where no budget provision exists. It is anticipated an overspend of £0.100m may occur but this will be monitored closely.
 - Every 4th year, the next time in 2011, the Council is required to budget for local elections. With all the uncertainty surrounding future funding, and in view of the 'one-off' nature of this expenditure, it would be prudent to set aside £0.105m of the balance held for this purpose.

The Council's Assets and Liabilities

These are summarised in the table below:

2008/09 £m's		2009/10 £m's
341	Long term assets	367
37	Current assets	40
(22)	Current liabilities	(27)
(29)	Pension liability	(49)
327	Net assets	331
	Financed by:	
(29)	Pension Reserve	(49)
8	Earmarked reserves	8
8	General Fund Balance	6
340	Other reserves	366
327	Total reserves	331

The Council's Cash Position

The Council paid out more cash than it received during the year as shown in the table below:

	2009/10 £m's
Cash at 1/4/09	0.618
Cash in	(279.973)
Cash out	280.185
Cash at 31/3/10	0.830

STATEMENT OF ACCOUNTING POLICIES

1. General Principles

The Council's Financial Statements have been prepared in accordance with The Code of Practice on Local Authority Accounting in the United Kingdom 2009 A Statement of Recommended Practice (the SORP). The SORP is followed, except for some minor variations, which are identified within the relevant paragraphs shown below. These accounts also comply with the Accounts and Audit Regulations 2003 and the Best Value Accounting Code of Practice.

Accruals, Going Concern and Primacy of Legislative Requirements

The accounts have been compiled using the following fundamental accounting policies:

- Accruals - with the exception of the Cash Flow Statement, all known costs/income that are correctly chargeable to the 2009/10 accounts have been accrued into that period.
- Going Concern - the Accounts have assumed that the Council will be a continuing financial entity after the end of the accounting period which these accounts cover.
- Primacy of Legislative Requirements - the Accounts have also given overriding precedence to legal requirements over accounting principles.

STATEMENT OF ACCOUNTING POLICIES (CONT'D.)

2. Changes introduced by the 2009 SORP

The main changes introduced by the 2009 SORP which have required some redrafting of these policies are:

- The revised basis for accounting for council tax and NNDR
- Three note disclosures have been removed; Section 137 expenditure, expenditure on publicity, the building control account.
- The disclosure on officers' remuneration above a minimum level in bands has been re-phased to comply with the applicable regulations. Guidance has been issued (LAAP bulletin 85) to assist local authorities meet new regulations introduced to increase transparency and accountability in Local Government for reporting remuneration of senior employees.

3. Tangible Fixed Assets

All expenditure on the acquisition, erection or enhancement of fixed assets has been capitalised on an accruals basis.

Measurement

Fixed assets are included in the balance sheet as follows:

- Operational assets are valued on the basis of net realisable value in existing use or net current replacement cost as appropriate.
- Non-operational assets and investment properties are valued on the basis of net realisable value.
- Infrastructure and community assets are recorded on the basis of historic cost where known or nominal value, where historic cost figures were not available.
- Council dwellings are valued on the basis of Existing Use for Social Housing.

Assets are included in the Balance Sheet at current value but are revalued where there have been material changes in the value, or as a minimum, every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise increased gains. Exceptionally, gains might be credited to the income and expenditure account where they arise from the reversal of an impairment loss previously charged to a service account.

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.

Impairment

Where there is evidence of a reduction in any assets value the reduction is treated as an impairment and is accounted for by:

- Where attributable to the clear consumption of economic benefits the loss is charged to the relevant service revenue account.
- Otherwise, written off against any revaluations gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant services revenue account.

STATEMENT OF ACCOUNTING POLICIES (CONT'D.)

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

Impairments include instances where expenditure has not resulted in a pound for pound increase in an assets value.

Disposals

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Gains or losses on disposals are not charged against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance.

Grants and Contributions

Where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Accounts. The balance is then written down to revenue to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy allied to them.

4. Depreciation

Depreciation is provided on all fixed assets with a finite useful life (which can be determined at the time of acquisition or revaluation) by allocating the value of the asset in the Balance Sheet over the periods of expected benefit from their use. Depreciation is calculated on a straight-line allocation over the life of the asset as estimated by the valuer and allocated to the service which benefits from the use of that asset. The life of an asset is determined on an asset by asset basis. Depreciation is not provided for freehold land, community assets and assets under construction. Depreciation is charged in year of acquisition and until date of disposal.

5. Charges to Revenue for the use of Fixed Assets

Service accounts and support services are charged with a capital charge for all fixed assets used in the provision of services to record the real cost of holding fixed assets during the year. The total charge covers:

- the annual provision for depreciation
- impairment losses attributable to the clear consumption of economic benefits on assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off.

The Council is not required to raise council tax to cover depreciation and impairment losses. However, councils are required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement. This Council is debt free and make no such adjustment. Depreciation and impairment losses are replaced by a revenue provision in the Statement of Movement on the General Fund.

6. Revenue Expenditure Funded from Capital under Statute.

This represents expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets. Revenue Expenditure Funded from Capital under Statute during the year has been written off as expenditure to the relevant service revenue account in the year. A transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of council tax.

STATEMENT OF ACCOUNTING POLICIES (CONT'D.)

7. Leases

Where assets are acquired under operating leases, the leasing rentals payable are charged to the revenue accounts of those services that use the assets. The leases mainly relate to vehicles. The related liability for future rentals, are shown as Note 9 on Page 25 of the Income and Expenditure Account.

The Council did hold any existing finance leases, or acquire any assets under a finance lease agreement, in 2009/10.

8. Capital Receipts

Capital receipts from the disposal of assets are allocated between usable and amounts to be paid into the government pool. The usable proportion is available to finance new capital expenditure.

9. Grants

All grants are accrued in the accounts for the year in which the matching expenditure was incurred.

10. Debtors and Creditors

The accounts of the Council are maintained on an accruals basis. Debtors and creditors are raised based on either known amounts, or best estimates.

All significant sums due to the Council are recorded in the accounts at the time they become due; the debtors appearing in the Balance Sheet therefore represent sums due to the Council which had not been received at 31 March 2010.

Creditors included in the Balance Sheet relate to goods and services received or rendered during the year of account where payment has not been made by 31 March 2010. An exception to this principle relates to electricity and similar payments which are charged at the date of meter reading rather than being apportioned between financial years.

11. Investments

Investments are shown in the Balance Sheet as Financial Assets Available for Sale and valued at the bid price valuation in accordance with the SORP, for details, see note 18 on page 30.

12. Pensions

Employees, subject to qualifying criteria, are eligible to join the Local Government Pension Scheme (LGPS). The scheme provides members with defined benefits related to pay and service. The pension costs that are charged to the Council's accounts are in accordance with FRS17 regulations. Further details are contained within note 6 to the Income and Expenditure Account on pages 23-24 and note 25 to the Balance Sheet on pages 35 to 38.

Pension amounts disclosed in the Statement of Accounts have been supplied by Barnett Waddingham.

A separate Statement of Accounts is produced by the Devon County Council Superannuation Fund and further information can be obtained from the Treasurer at Devon County Council, County Hall, Exeter.

13. Support Services

The central support services have been allocated between Council services.

The cost of administrative buildings has been charged to Council services on the basis of the floor area that each service occupies.

STATEMENT OF ACCOUNTING POLICIES (CONT'D.)

14. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the statement of movement on the general fund balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the net cost of services in the income and expenditure account. The reserve is then appropriated back into the general fund balance statement so that there is no net charge against council tax expenditure.

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits that do not represent usable resources for the Council. A number of earmarked reserves are now held to meet specific items of revenue expenditure.

15. Capital Contributions Unapplied

These are receipts received mainly under Section 106 Agreements as part of the planning approval process which are being held to meet expenditure associated with the planning approval and when assets under construction come into operation.

16. VAT

All transactions in these accounts are shown net of Value Added Tax, unless they are irrecoverable amounts.

17. Group Accounts

The Council had none to declare for 2009/10.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required:

- to make arrangements for the proper administration of its financial affairs and to ensure that one of its Officers has the responsibility for the administration of these affairs. In this Authority, that Officer is the Corporate Director – D J Pearse.
- to manage its affairs to secure economic, efficient and effective use of its resources and to safeguard its assets.
- to approve the Statement of Accounts.

The Corporate Director's Responsibilities

The Corporate Director is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in United Kingdom ('the code'), is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2010.

As the responsible officer, I certify that in preparing this Statement of Accounts for the year ended 31 March 2010, I have:

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

I have also:

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

Diccon Pearse CPFA
Corporate Director

Date 24 June 2010

**INCOME & EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2010**

2008/09 Net Expenditure £000's	SERVICE	2009/10	2009/10	2009/10
		Gross		Net
		Expenditure	Income	Expenditure
		£000's	£000's	£000's
	Central Services:			
1,903	Corporate & Democratic Core	2,177	(46)	2,131
613	Non Distributed Costs	522	(227)	295
1,696	Central Services to the Public	10,003	(8,438)	1,565
(639)	Highways, Roads & Transport Services	3,196	(4,021)	(825)
	Housing Services:			
1,450	Housing General Fund Services	29,199	(28,109)	1,090
35,483	Housing Revenue Account	4,499	(15,082)	(10,583)
	Cultural, Environmental & Planning Services:			
286	Culture & Heritage	705	(341)	364
3,813	Recreation & Sport	5,183	(1,864)	3,319
7,150	Environmental Services	10,084	(2,247)	7,837
2,328	Planning & Development Services	4,775	(2,527)	2,248
54,083	NET COST OF SERVICES	70,343	(62,902)	7,441
1,509	Town and Parish Precepts			1,606
(69)	(Surplus)/Deficit from Trading Services – Note 3 Page 24			(37)
(2,479)	Interest receivable			(437)
23	Interest payable			4
161	Net (Gains) /Losses on Disposal of Fixed Assets			(16)
(46)	Other income received			(27)
4,700	Interest on Pension Scheme Liabilities - Note 6 Page 24			4,804
(3,690)	Expected Return on Pension Fund Assets - Note 6 Page 24			(2,306)
166	Contribution to Housing Pooled Capital Receipts – Note 14 Page 27			278
54,358	NET OPERATING EXPENDITURE			11,310
(8,227)	Precept demanded from the Collection Fund			(8,381)
(23)	Area Based Grant			(23)
(954)	Revenue Support Grant			(1,490)
(6,856)	Contribution from Non-Domestic Rate Pool			(6,458)
38,298	DEFICIT/(SURPLUS) FOR THE YEAR			(5,042)

Statement of Movement on the General Fund Balance for the Year Ended 31 March 2010

The Income and Expenditure Account shows the Council's 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 Council Tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment of a share of housing capital receipts to the Government scores as a loss in the Income & Expenditure Account, but is met from the usable capital receipts balance rather than Council Tax.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

2008/09 Expenditure £000's	Statement of Movement on the General Fund Balance for the Year Ended 31 March 2010	2009/10 Expenditure £000's
38,298	Deficit or (surplus) for the year on the Income & Expenditure Account	(5,042)
(42,080)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year - Note 2 Page 23)	6,151
(3,782)	Deficit / (Increase) in General Fund Balance for the year	1,109
(3,712)	General Fund Balance brought forward	(7,494)
(7,494)	General Fund Balance carried forward	(6,385)

Statement of Total Recognised Gains and Losses for the Year Ended 31 March 2010

2008/09 Expenditure £000's	Statement of Total Recognised Gains and Losses for the Year Ended 31 March 2010	2009/10 Expenditure £000's
38,298	Deficit for the Year on the Income and Expenditure Account	(5,042)
1,877	Deficit/(Surplus) arising on Revaluation of Fixed Assets & Impairments - see note 31 on Page 41	(17,377)
0	Deficit/(Surplus) arising on Revaluation of Available for Sale Financial Assets	(41)
13,240	Actuarial (Gains) / Losses on Pension Fund Assets and Liabilities	18,106
0	Prior Year Adjustment treatment of S106 funding	22
1,296	Prior Year Adjustment treatment of Collection fund	0
38	Reconciling Items	39
54,749	Total Recognised (Gain) / Loss for the Year	(4,293)

BALANCE SHEET AS AT 31 MARCH 2010

2008/09 £000's		2009/10 £000's	2009/10 £000's
	Fixed assets – Note 15 Page 28		
	<u>Tangible Fixed Assets</u>		
	Operational Assets:		
254,046	Council Dwellings	268,515	
60,563	Other Land and Buildings	78,692	
4,114	Vehicles, Plant, Furniture & Equipment	4,508	
10,185	Infrastructure Assets	9,937	
2,920	Community Assets	4,015	
8,392	Non-Operational Assets	1,253	
340,220	Total Fixed Assets		366,920
3	Long Term Investments – Note 18 Page 31	6	
476	Long Term Debtors:	402	
			408
340,699	Total Long Term Assets		367,328
	Current Assets		
33,311	Investments - Note 18 Page 31	32,960	
618	Bank – Cash in Hand	830	
3,131	Debtors – Note 19 Page 35	6,184	
234	Payments in Advance	337	
37,294	Total Current Assets	40,311	
	Current Liabilities		
(10,000)	Temporary Loan – note 18 Page 31	(8,300)	
(7,262)	Creditors and Receipts in Advance – Note 20 Page 35	(10,058)	
(2,160)	Capital Contributions Unapplied – Note 21 Page 35	(5,886)	
(2,542)	Government Grants & Contributions Deferred - Note 22 Page 35	(3,179)	
(21,964)	Total Current Liabilities	(27,423)	
15,330	Total Current Assets less Current Liabilities		12,888
	Long-term Liabilities		
(28,810)	Pensions - Note 25 Pages 36 - 39		(48,704)
327,219	Total Assets Less Liabilities – Note 26 Page 40		331,512
	Financed by:		
28	Deferred Capital Receipts – Note 29 Page 40		28
248	Usable Capital Receipts – Note 30 Page 40		0
8,420	Revaluation Reserve – Note 31 Page 41		25,250
329,956	Capital Adjustment Account – Note 32 Page 41		339,047
(4)	Available for Sale Reserve		41
143	Collection Fund Adjustment Account – Note 33 Page 41		96
(28,810)	Pensions Reserve - Note 34 Page 42		(48,704)
8,449	Ear Marked Reserves – Note 35 Page 42		8,465
7,494	General Fund Balance		6,383
1,295	Housing Revenue Account Balance		906
327,219	Total Reserves		331,512

Chief Financial Officer's Certificate

Diccon Pearce

24 June 2010

I certify that the accounts set out on pages 18 to 55 fairly state the financial position of the Council at 31 March 2010.

Approved by Chairman of the Audit and Governance Committee

24 June 2010

THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

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

	(1,285)	Revenue Activities Net Cash Flow - Note 36 Page 37		(3,556)
		Returns on investments and Servicing of Finance		
		<u>Cash Outflows</u>		
43		Interest paid	10	
(233)		<u>Cash Inflows</u>		
		Interest received	(47)	
	(190)			(37)
		Capital Activities		
		<u>Cash Outflows</u>		
6,538		Purchase of fixed assets	7,461	
8		Other capital cash payments	295	
	6,546			7,756
		<u>Cash Inflows</u>		
(1,404)		Sale of fixed assets	(1,790)	
(3,241)		Capital Grants received	(5,053)	
(242)		Other capital cash receipts	(45)	
	(4,887)			(6,888)
	185	Net cash (inflow)/outflow before financing		(2,725)
		Management of Liquid Resources - Note 40 Page 39		
3,049		Net increase/(decrease) in short term deposits	(351)	
(1,770)		Net increase/(decrease) in other liquid resources	1,164	
	1,279			813
		Financing – Note 40 Page 39		
		<u>Cash Outflows</u>		
8,000		Repayments of amounts borrowed	10,000	
		<u>Cash Inflows</u>		
		New loans raised	(8,300)	
(10,000)		New short term loan(s)		
	(2,000)			1,700
	(537)	Net (increase)/decrease in cash Note 41 Page 39		(212)

NOTES TO THE INCOME & EXPENDITURE ACCOUNT

Note 1: Format of the Statement: The 2009/10 Income & Expenditure Account fully complies with the Best Value Accounting Code of Practice and the 2009 Statement of Recommended Practice (SORP).

Note 2: Reconciliation of Movement on the General Fund:

This requires a reconciling note that breaks down the amounts which are not included within the Income & Expenditure Account but are required by statute or non-statutory proper practices to be debited or credited to the General Fund for the year.

2008/09 Expenditure £000's		2009/10 Expenditure £000's
	Amounts included in the I & E Account but required by statute to be excluded when determining the movement on the General Fund Balance for the year	
(36,940)	Depreciation and impairment of fixed assets	7,614
(68)	Amounts treated as revenue expenditure in accordance with the SORP but which are classified as capital expenditure by statute	(531)
46	Government Grants Deferred amortisation matching depreciation and impairments	115
6	Amount by which Council Tax income and residual community charge adjustment included in the income & expenditure account is different from the amount taken to the GF in accordance with regulations	(47)
(161)	Net Gain/Loss on Sale of Fixed Assets	17
(2,410)	Net charges made for retirement benefits in accordance with FRS 17	(3,707)
(39,527)		3,461
	Amounts not included in the I & E Account but required by statute to be included when determining the movement on the General Fund Balance for the Year	
895	Capital expenditure charged in-year to the General Fund Balance	593
(166)	Transfer for Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(278)
1,780	Employer's contributions payable to the DCC Pension Fund and retirement Benefits payable direct to pensioners	1,913
2,509		2,228
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the movement on the General Fund Balance for the year	
(908)	Housing Revenue Account surplus/(deficit)	(389)
(4,154)	Net transfer to / (from) earmarked reserves	851
(5,062)		462
(42,080)	Net additional amount required to be credited to the General Fund Balance for the year	6,151

NOTES TO THE INCOME & EXPENDITURE ACCOUNT (CONT'D.)

Note 3: Trading Services: The table below shows the outcome of these operations:

	Markets		Industrial Estates		Axmouth Harbour		Total	
	2008/09 £000's	2009/10 £000's	2008/09 £000's	2009/10 £000's	2008/09 £000's	2009/10 £000's	2008/09 £000's	2009/10 £000's
Income	(46)	(16)	(252)	(208)	(6)	(6)	(304)	(230)
Expenditure	41	23	135	130	59	40	235	193
(Surplus)/Deficit	(5)	7	(117)	(78)	53	34	(69)	(37)

Note 4: HRA Balance. The deficit of £0.389m (a deficit of £0.908m in 2008/09) has been transferred to the Housing Revenue Account balance.

Note 5: Contribution to/from Reserves. In 2009/10 the Council made a net transfer to reserves of £0.851m. This was made up of transfers from reserves (net); £0.037m from the planning delivery grant to support planning service revenue spending and £0.125m from the Local Government Review reserve. Transfer to reserves (net); £0.062m to the Local Authority Business Growth Incentive reserve and £0.951 to the Asset Management & Maintenance reserve (formerly the Planned Maintenance reserve).

Note 6: Disclosure of Information about the Movements in the Net Pensions Asset / Liability

As part of the terms and conditions of its officers and other employees, the authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments that need to be disclosed at the time that employees earn their entitlement.

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

The authority recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions.

However, the charges which the authority is required to make against council tax are based on the cash payable in the year, so the real cost of retirement benefits are reversed out of the Income & Expenditure Account after Net Operating Expenditure. The following transactions have been made in the Income & Expenditure Account during the year:

NOTES TO THE INCOME & EXPENDITURE ACCOUNT (CONT'D.)

Note 6 Contd:

Local Government Pension Scheme	2008/09 £000's	2009/10 £000's
Net Cost of Services		
Current service cost	(1,380)	(1,209)
Past service costs	(20)	0
Curtailments/settlements	0	0
Net Operating Expenditure		
Interest on fund liabilities	(4,700)	(4,804)
Expected return on fund assets	3,690	2,306
Contributions towards unfunded liabilities	0	0
Amounts to be met from Government Grants and Local Taxation		
Movement on pensions reserve	630	1,788
Actual amount charged against council tax for pensions in the year		
Employer's contributions payable to scheme	(1,780)	*(1,919)

*Includes £0.06m assumption by the Actuary for a pay award in March 2010.

Note 25 to the Balance Sheet (Pages 36-39) contains details of the assumptions made in estimating the figures included in this note.

Note 7: Leasing. The Council uses leased cars and vans financed under the terms of operating leases. The amount paid under these arrangements in 2009/10 was £360,000 (2008/09: £366,000). The future cash payments required under these leases are:

2010/2011	£327,000
2011/2012 onwards	£400,000

Note 8a: Employees' Remuneration of £50,000 or over.

The number of employees whose remuneration, excluding employer's pension contributions, is £50,000 or over in the following bands

Pay Band	Number of Employees	
	2008/09	2009/10
£50,000 - £54,999	1	1
£55,000 - £59,999	5	5
£60,000 - £64,999	0	1
£65,000 - £69,999	1	1
£70,000 - £74,999	0	0
£75,000 - £79,999	0	0
£80,000 - £84,999	3	3
£85,000 - £89,999	0	0
£90,000 - £94,999	0	0
£95,000 - £99,999	0	0
£100,000 - £104,999	0	0
£105,000 - £109,999	0	0
£110,000 - £114,999	1	1
£115,000 - £119,999	0	0
£120,000 - £124,999	0	0
	11	12

NOTES TO THE INCOME & EXPENDITURE ACCOUNT (CONT'D.)

Note 8b: Senior Officers emoluments-Salary between £50,000 and £150,000 per year

Post Holder Information (Post title)	Notes	Salary (including fees & allowances) £	Expense allowance £	Benefits in Kind (e.g. Car allowance) £	Total Remuneration excluding pension contributions 2009/10 £	Pension contr'ns £	Total Remuneration Including pension contributions 2009/10 £
Chief Executive	Note 1	110,660	81	1,405	112,146	16,599	128,745
Corporate Director / Deputy Chief Executive	Note 2	66,736	150	1,183	68,069	10,010	78,079
Corporate Director		82,308	0	1,221	83,529	12,346	95,875
Corporate Director		82,308	0	1,196	83,504	12,346	95,850
Corporate Director		82,308	0	1,345	83,653	12,346	95,999
Head of Finance		57,616	0	1,189	58,805	8,642	67,447
Head of ICT		57,616	150	1,181	58,947	0	58,947
Head of Organisational Development	Note 3	46,716	150	1,176	48,042	7,007	55,049
Head of Legal & Member Services	Note 4	51,854	150	1,171	53,175	7,778	60,953
Head of Street Scene		57,616	0	1,244	58,860	8,642	67,502
Head of Planning		57,616	150	1,179	58,945	8,642	67,587
Head of Housing		57,616	0	1,242	58,858	8,642	67,500
Head of Environmental Health	Note 5	34,570	150	1,170	35,890	5,185	41,075
Head of Environmental Health	Note 5	23,046	0	1,170	24,216	0	24,216
East of Exeter Projects Director		59,554	0	1,256	60,810	0	60,810
		928,140	981	18,328	947,449	118,185	1,065,634

Notes:

Note 1: The Chief Executive is shared with South Somerset District Council from 22/03/2010. From this date the Chief Executive's salary is shared equally by both parties.

Note 2: The Corporate Director/Deputy Chief Executive Works 30 hours a week. The whole time equivalent Salary is £82,308 per year.

Note 3: The Head of Organisational Development worked 4 days a week during the year but at the year end was working full time. The whole time equivalent salary is £57,616 per year.

Note 4: The Head of Legal & Member services works 30 hours a week. The whole time equivalent salary is £57,616 per year.

Note 5: The Head of Environmental Health post is shared between two officers. The whole time equivalent for one officer in post is £57,616.

Note 9: Members' Allowances. The total paid in the year amounted to £371,000 (2008/09: £368,000). This is actual allowances only and excludes any other expenses (e.g. travelling).

Note 10: Related Party Transactions. This note provides information in respect of material transactions with related parties not disclosed elsewhere in the Statement of Accounts. This involves transactions between the Council and Central Government, other local authorities and other bodies levying demands on the Council Tax, subsidiary and associated companies, joint ventures and joint partners and Members and Senior Officers.

All the above transactions are included in the Accounts, where applicable. The items which are not readily identifiable are related party transactions with Members and Officers of the Council's Strategic Management Team. This information was obtained by requesting a declaration to be completed by Members and Officers as in 2008/09. No transactions were considered material under this note (there were also none in 2008/09).

Note 11: Audit Costs. This note provides details on the actual audit costs incurred in 2009/10 (£151,000) and 2008/09 (£137,000), broken down into the various categories of work undertaken for the authority.

	2008/09 £000's	2009/10 £000's
Fees payable for core audit inspection	102	110
Fees payable for statutory inspection	6	8
Fees payable for certification of grant claims and returns	26	32
Fees payable for other services	3	1
Total	137	151

The fees payable for other services in 2009/10 were in respect of the National Fraud Initiative.

Note 12: Income from Bodies under the Local Authority (Goods and Services) Act 1970 and the related Expenditure. The Authority did not provide goods and services to other public bodies in 2009/10.

Note 13: Pooled Budgets.

The Authority did not have any pooled budgets in 2009/10.

Note 14: Contribution to Housing Pooled Capital Receipts. The Council is required to pay 75% of the capital receipts received when selling Council houses under the right to buy scheme into a central government pool.

NOTES TO THE BALANCE SHEET

Note 15: Fixed Assets

Tangible Fixed Assets have been split into two main headings - Operational Assets and Non-Operational Assets. Assets regarded by the Authority as Operational were valued on the basis of net realisable value for existing use or, where this could not be assessed because there was no market for the subject asset, the net current replacement cost. Properties regarded by the Authority as Non-Operational have been valued on the basis of net realisable value. Assets are revalued where there have been material changes in the value, or as a minimum, every five years.

Depreciation has been provided for all fixed assets with a finite life. This has been calculated based on the Balance Sheet Value, less the Estimated Residual Value, with the amount then equally divided over the period the Council expects it will benefit from the assets used on a straight-line allocation.

Operational Assets are those held, occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility. Examples of Operational Assets are office buildings and sports centres.

Non-Operational Assets are those assets held by the Council but not directly occupied, used or consumed in the delivery of services. Examples of Non-Operational Assets are industrial estates and land awaiting development.

Council Dwellings refer to housing units which have been valued on the basis of Existing Use Value for Social Housing. The valuation was carried out by the District Valuer for values as at March 2010.

The valuation of the Council's remaining freehold and leasehold properties has been undertaken by the Council's internal valuers; Mr W. R. Speers MRICS and Miss D Best MRICS, in accordance with the statements of Assets Valuation Practice and Guidance Notes of the Royal Institute of Chartered Surveyors. In arriving at valuations not all properties were inspected and reliance was placed on information contained in the Council's Asset Register.

Plant and Machinery assets installed primarily to provide services to buildings have been included within the valuation of the land and buildings they are located within. Any departure from this is stated on the relevant Valuation Statement.

Vehicles and equipment (computers and software systems, printers, telephone switchboard, vans, mowers, car park machines and emergency telephone units etc) have been included in the Balance Sheet at 31 March 2010 at replacement cost.

NOTES TO THE BALANCE SHEET (CONT'D.)

Note 15 (Cont'd): Movements in fixed assets and deferred charges during the year were as follows:

Operational Assets	Council Dwellings & Land	Other Land & Buildings	Vehicle, Plant & Equipment	Infra-structure Assets	Comm'ty Assets	Operational Assets Sub Total
	£000s	£000s	£000s	£000s	£000's	£000's
Current Value B/f	260,322	64,352	7,180	12,033	2,935	346,822
Accumulated Depreciation & Impairment B/f	(6,276)	(3,789)	(3,066)	(1,848)	(15)	(14,994)
Net book value at 31 March 2009	254,046	60,563	4,114	10,185	2,920	331,828
Additions	3,919	2,339	277	(164)	2,328	8,699
Previous Year Additions	18	425	1,177	89	97	1,806
Disposals	(240)	(65)	(23)	0	(1,327)	(1,655)
Revaluations	3	16,500	16	0	3	16,522
Depreciation	(3,083)	(1,070)	(1,053)	(173)	(6)	(5,385)
Impairments	13,852	0	0	0	0	13,852
Net book value of assets at 31 March 2010	268,515	78,692	4,508	9,937	4,015	365,667
Accumulated Depreciation & Impairment C/f	4,493	4,859	4,119	2,021	(21)	15,513
Current Value as at 31 March 2010	273,008	83,551	8,627	11,958	4,036	381,180

Previous year additions are assets classified as under construction which became operational in 2009/10.

Non Operational Assets	Non Operational Other Land & Buildings	Assets Under Construction	Non Operational Sub Total	Operational Sub Total	Total All Assets
	£000s	£000s	£000's	£000's	£000's
Current Value B/f	6,845	1,832	8,677	346,822	355,499
Accumulated Depreciation & Impairment B/f	(285)	0	(285)	(14,994)	(15,279)
Net book value at 31 March 2009	6,560	1,832	8,392	331,828	340,220
Additions	16	294	310	8,699	9,009
Previous Year Additions	(3,499)	(1,299)	(4,798)	1,806	(2,992)
Disposals	(51)	0	(51)	(1,655)	(1,706)
Revaluations	(2,602)	0	(2,602)	16,522	13,920
Depreciation	0	0	0	(5,385)	(5,385)
Impairments	2	0	2	13,852	13,854
Net book value of assets at 31 March 2010	426	827	1,253	365,667	366,920
Accumulated Depreciation & Impairment C/f	283	0	283	15,513	15,796
Current Value as at 31 March 2010	709	827	1,536	381,180	382,716

NOTES TO THE BALANCE SHEET (CONT'D.)

Note 15 (Cont'd):

Revenue expenditure funded from capital under statute: Capital expenditure which does not result in, or remain matched with, a tangible asset should not be held on the Balance Sheet. This expenditure is written out to revenue as it is incurred.

Revenue Expenditure Funded from Capital Under Statute	Balance as at 1 April 2009	Expenditure in Year	Financed Capital	Balance as at 31 March 2010
	£000's	£000's	£000's	£000's
Private Sector Renewal	0	183	183	0
Grants	0	593	593	0
Disabled Facility Grants	0	162	162	0
The Strand Exmouth	0	500	500	0
Other	0	32	32	0
Total Expenditure	0	1,470	1,470	0

The total Capital expenditure and financing for 2009/10 is shown below:

Capital Expenditure	2009/10 £000's	Financed from the following sources	2009/10 £000's
Fixed Assets	6,016	Grants and Contributions	1,404
Revenue expenditure funded from capital under statute	1,470	Revenue Contribution	389
Loans	0	Use of Capital Reserve	456
		Use of other reserves	415
		Major Repairs Reserve (Council Houses)	2,770
		Section 106 Contribution	266
		Capital Receipts	1,786
Total Expenditure	7,486	Total	7,486

Note 16: Capital Commitments

The Council's Capital Programme for the next two years is £8.383m (net of grants and contributions). Significant sums contractually committed at 31 March 2010 are as follows:

31 March 2009 £000's	Scheme	31 March 2010 £000's
330	Housing Grants	440
230	Refuse & Recycling	510
138	Public Conveniences Refurbishment	0
0	Information Communication Technology Programme	37
0	Parks & Pleasure grounds	10
698	Total	997

NOTES TO THE BALANCE SHEET (CONT'D.)

Note 17: Number and Type of Fixed Assets

Numbers of the main fixed assets held at 31 March 2010 as included on the Council's Asset Register:

31 March 2009 (Numbers)	Asset	31 March 2010 (Numbers)
4292	Council Houses	4290
1	Allotments	1
15	Cafes / Kiosks	15
54	Car Parks	54
5	Cemeteries	5
2	Cinemas	2
8	Depots	7
1	Golf Course	1
1	Harbour	1
14	Industrial Sites / Storage	13
11	Offices	10
29	Parks & Gardens	27
12	Private / Public Halls	10
47	Public Conveniences	47
2	Shops / Retail	2
9	Sports Halls / Pools	9
15	Sports Pavilions	15

Note 18: Investments & Loans – Financial Instruments

As at 31 March 2009 £000's		As at 31 March 2010 £000's
3	Long Term Stocks, Shares and Debentures (at cost)	6
32,511	Short Term Investec Asset Management Fund ⁽¹⁾	26,910
800	Short Term Investment	6,050
33,311		32,960

The Council has undertaken a full review of changes in carrying values and recognition in the Accounts, of all financial assets and liabilities in accordance with the requirements of FRS25, 26 and 29. The review included all loans and deposits held at the 31 March 2010, all trade payables and receivables and any "soft loans" (loans provided to support local initiatives), that the Council has made at less than a market rate of interest.

NOTES TO THE BALANCE SHEET (CONT'D.)

The measurement basis employed by the Council in preparing the treatment of Financial Instruments within its Accounts, are set out below:

Financial Instrument	Measurement	Value in Accounts £000s	Note
Investments	All internal investments are included at a carrying value adjusted for accrued interest	6,050	All internal investments are made at a fixed rate of interest with a fixed repayment date and are made in full compliance with the Council's approved Treasury Management Strategy.
Borrowings	All internal borrowings are included at a carrying value adjusted for accrued interest	8,300	All internal borrowings are made at a fixed rate of interest with a fixed repayment date
Investments – Fund Manager (Note 1)	Shown at Fair value through available for sale as the Fund is part of a portfolio of identified financial instruments managed in total	26,910	Fund Manager confirmed that the carrying "bid value" represents a fair value of the Fund at the 31 March 2010
Soft Loans (Note 2)	Where the Council enters into material "soft loans", an adjustment will be required to assess the interest foregone by the arrangement.	Nil	No material "soft loans" were entered into during the year, or held at the 31 March 2010
Trade Debtors	Included at billed amount less provision for uncollectable debtors	6,172	The amounts set aside by the council for probable non collection have been reviewed and amended. Bad debts provisions are detailed on page 35 within note 19.
Trade Creditors	Included at invoiced amount	10,054	The Council has a policy of settling non contested creditor invoices within 10 working days wherever possible and practicable.

Note 1 – Treasury Management Strategy

The Council employs an external fund manager to manage its investment portfolio, placing strict lending policies on the fund in terms of the financial assets it can deal in, the counterparties it can lend to, the amount invested with any one institution and the duration deposits can be placed.

The Council's treasury management strategy includes an overriding objective to "*minimising risks, while maximising returns*". It is recognised within the policy that this will result in potentially lower interest receipts, but also that this principal will ensure the security of invested funds.

As a consequence the fund has been valued as an "Available for Sale" financial asset and has been measured at its fair value, without any deduction for transaction costs that would be incurred on sale or other disposal. The Fund is shown at the bid price valuation in accordance with the 2009/10 SORP and is made up of a portfolio of Certificates of Deposit and a nominal call deposit account, which could have been sold for the value shown above at 31st March.

The strict portfolio instruction issued by the Council governing the way the fund is managed ensures that all credit, liquidity and market risk is minimised wherever possible.

NOTES TO THE BALANCE SHEET (CONT'D.)

Note 2 – “Soft Loans”

Following an assessment of its Financial Instruments the Council considers that the value of “soft loans” to be immaterial to the Accounts.

Examples of “soft loans” are monies that have been previously advanced to support local village halls and sports and recreational facilities, although no new loans of this type have been made during 2009/2010.

Nature and extent of risks arising from financial instruments

The Council’s activities expose it to a variety of financial risks, as follows:

- credit risk – the possibility that other parties might fail to pay amounts due to the Council
- liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss may arise for the Council as a result of changes to interest rates or stock movements

The Council seeks to minimise its risks using the following measures:

- by adopting the requirements of the CIPFA Treasury Management in the Public Services Code of Practice
- By approving annually in advance prudential indicators for the following 3 years, limiting the Council’s borrowing and maximum and minimum exposure to fixed and variable rates, the maturity structure of debt and exposure to investments maturing beyond one year.
- By approving a Treasury Management Strategy annually, this includes an investment strategy for the forthcoming year.

In addition clear written treasury guidance is available to support internal actions and decision making and regular reports are provided to members including consideration of interest rate and credit risk associated with the investment of surplus cash.

Credit risk is minimised by use of investments counterparties which meet specified criteria as detailed below:

- **Internal Investments**

Institution Type	Criteria	Lending Limit
Top 20 UK Building Society	Asset bases >£1 billion	£2 million
UK High Street Banks	Short Term: F1+ Long term: AA	£2 million
Local, Fire or Police Authority	N/A	£2 million

NOTES TO THE BALANCE SHEET (CONT'D.)

- **External Investment Fund**

In addition to the institution requirements detailed in the table below, the fund managers can place a proportion not to exceed 50% of the fund for durations in excess of 364 days and an instructional lending limit of not greater than 20% of the overall value of the fund.

Institution Type	Criteria
UK Banks & Building Society	Short Term: F1+ Long Term: AA Support: 2 Active in sterling markets Minimum Capital of US\$2,000 Million
Foreign Banks	Short Term: F1+ Long term: AA Support :2 Active in sterling markets Minimum Capital of US\$2,500 Million

This lending limit was breached with three institutions and retrospective permission was given as the breach arose out of the council withdrawing moneys to meet capital & revenue funding requirements for the year.

The Council has never experienced any financial loss due to credit risk and therefore no adjustment has been made to the carrying values of its investments or borrowings at the 31 March 2010.

Liquidity risk - The Council's Money Plan (medium term financial strategy) ensures sufficient monies are raised to cover annual expenditure. In the event of an unexpected cash requirement the Council has significant balances and also has access to borrowing to cover day to day cash flow need.

The Council currently has no long term debt and is therefore not exposed to liquidity risk associated with refinancing.

Market risk – The Council is exposed to risk in terms of interest rate movements on its borrowing & investments. The Council's treasury management strategy restricts investments and borrowing to fixed interest rate instruments which provides the Council with certainty over future receipts/payments. Market conditions are relatively unpredictable and it is possible that future receipts may increase if interest rates increase, or be lower than expected if the rates should fall. The impact of a 1% fall in interest rates in 2009/10 is estimated as being £0.305m for a full year.

The Council had £8.3m of borrowing outstanding at the 31 March 2010. These loans were from two institutions both with fixed rates of interest and agreed maturity dates in April 2010. The Council made no borrowing at variable rates of interest during 2009/10.

NOTES TO THE BALANCE SHEET (CONT'D.)

Note 19: Debtors

As at 31 March 2009 £000's		As at 31 March 2010 £000's
116	Government Departments	1,188
330	HMRC	1,812
624	Housing Tenants	573
115	Council Tax Payers	120
0	Non Domestic Rate Payers	0
	<u>Sundry</u>	
943	Housing Benefit Overpayments	1,017
674	Debts for Council Services Provided	1,441
1,031	Other	526
3,833		6,677
(702)	Less Provision for Doubtful Debts	(493)
3,131	Total	6,184

Note 20: Creditors and Receipts in Advance

As at 31 March 2009 £000's		As at 31 March 2010 £000's
1,532	Government Departments	4,540
508	HMRC	453
235	Housing Tenants Prepaid	263
98	Council Tax Prepaid	111
1,442	Council Tax Major Preceptors	1,011
0	Non Domestic Rates Prepaid	0
3,447	Sundry	3,680
7,262	Total	10,058

Note 21: Capital Contributions Unapplied

	As at 1 April 2009 £000's	Receipts/ Transfers £000's	Payments/ Transfers £000's	As at 31 March 2010 £000's
Section 106	2,150	217	391	1,976
Manor Pavilion donation	10			10
Low Carbon Infrastructure		3,900		3,900
Total	2,160	4,117	391	5,886

Capital contributions include £1.976m Section 106 receipts paid as part of the planning approval process. The receipts are being held to meet expenditure associated with the planning approval. £0.010m relates to a donation which has been received and £3.900m is a government grant and contributions from other authorities towards low carbon infrastructure in the New Growth Point area.

NOTES TO THE BALANCE SHEET (CONT'D.)

Note 22: Government Grants and Contributions Deferred

The Government Grants and Contributions Deferred balance is effectively treated as a receipt in advance balance, awaiting credit to the account as income in future years. The balance is therefore now recognised as a liability, despite the fact that the amounts received will have been applied to capital financing when the amounts originally became receivable.

Note 23: Trust Funds

The Council acts as trustee for the fund shown below. The fund has not been consolidated in the accounts of the Council.

	As at 1 April 2009 £000's	Receipts/ Transfers £000's	Payments/ Transfers £000's	As at 31 March 2010 £000's
Robinson Bequest	(13)	0	0	(13)
Total	(13)	0	0	(13)

Note 24: Euro Costs

It is not anticipated that any additional costs are likely to be incurred in connection with the Euro prior to any future decision for Britain to join.

Note 25: Pensions (Local Government Pension Scheme)

Participation in the pension scheme

As part of the terms and conditions of employment of its employees, the Council offers a scheme of retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to ensure that a full disclosure is made of the payments that will be needed to meet that future liability.

The Council is a member of the Local Government Pension Scheme Fund, which is administered by Devon County Council. The scheme is a funded defined benefits scheme based upon final salary, which means that the Council and its employees pay contributions into a fund calculated to be at a level to balance the pension liabilities with the predicted incomes from investment assets.

Transactions Relating to Retirement Benefits

The cost of retirement benefits is recognised within the Council's Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid out as pensions. However, the charge we are required to make against council tax is based on the actual cash payable in the year, and so the real cost of retirement benefits is reversed out in the Statement of Movement on the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement on the General Fund Balance:

2008/09 £m's	Income and Expenditure Accounts	2009/10 £m's
	Net Cost of Services	
1.38	Current Service Costs	1.21
0.02	Past Service Costs	0
0	Settlements and Curtailments	0
	Net Operating Expenditure	
4.70	Interest Cost	4.80
(3.69)	Expected Return on Scheme Assets	(2.30)
2.41	Net Charge to the Income and Expenditure Account	3.71

NOTES TO THE BALANCE SHEET (CONT'D.)

2008/09 £m's	Statement of Movement on the General Fund Balance	2009/10 £m's
(1.67)	Reversal of net charges made for retirement benefits in accordance with FRS 17	(1.80)
	Actual Amount charged against the General Fund Balance for pensions in the year	
1.70	Employers' contributions payable to the scheme	1.83
0.03		0.03

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains and losses of £18.11 million were included in the Statement of Total Recognised Gains and Losses for 2009/10. The cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses from 2004/05 onwards is £27.07million (loss).

Assets and liabilities in relation to retirement benefits

2008/09 £m's	Reconciliation of present value of the scheme liabilities (including unfunded liabilities)	2009/10 £m's
69.39	B/f 1 April	71.93
1.38	Current Service Cost	1.21
4.70	Interest Cost	4.80
0.68	Contributions by Scheme Participants	0.72
(1.53)	Actuarial Gains/(Losses)	29.72
(2.71)	Benefits Paid	(2.39)
0	Curtailments Gains/Losses	0
0.02	Past Service Costs	0
71.93	C/f 31 March	105.99

2008/09 £000's	Reconciliation of fair value of the scheme assets	2009/10 £000's
54.28	B/f 1 April	43.12
3.69	Expected Rate of Return	2.31
(14.62)	Actuarial Gains and (Losses)	11.61
1.70	Contributions by Scheme Employer	1.83
0.68	Contributions by Scheme Participants	0.72
(2.61)	Benefits Paid	(2.31)
43.12	C/f 31 March	57.28

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was a £13.92 million gain, compared to a £10.93 loss in 2008/09.

NOTES TO THE BALANCE SHEET (CONT'D.)

Scheme History

2008/09 £m's	Present Value of Liabilities	2009/10 £m's
43.12	Fair Value of Assets	57.28
(70.55)	Present Value of Liabilities	(104.56)
(27.43)	Surplus/Deficit in the Scheme	(47.28)
(1.38)	Present Value of Unfunded Liabilities	(1.42)
(28.81)	31 March	(48.70)

In accordance with Paragraph 79 of FRS17 (as revised), unfunded liabilities are disclosed separately for periods beginning on or after 6 April 2007. The history of experience gain/ (loss) on liabilities shown has not been re-stated for periods ending 2007, 2006 and 2005 and includes the experience relating to unfunded liabilities.

The liabilities show the Council's underlying commitment to meet the cost of retirement benefits over time. The total liability of £48.70 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet.

However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy as the scheme deficit will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total employer's contribution expected to be made to the Scheme by the Council in the year to 31 March 2011 is £1.902 million.

Basis for Estimating Assets and Liabilities

East Devon District Council employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at 31 March 2010.

Liabilities have been assessed on an actuarial basis to develop an estimate of the pensions that will be payable dependent on a number of assumptions such as probable mortality rates, salary levels etc. The Fund liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, who have made estimates and projections for the County Council Fund based upon the latest full valuation of the Scheme as at 31 March 2007.

NOTES TO THE BALANCE SHEET (CONT'D.)

The principal assumptions used by the actuary have been:

Long-term expected rate of return on assets in the scheme:	2008/09	2009/10
Equities	7.0%	7.5%
Property	6.0%	6.5%
Government Bonds	4.0%	4.5%
Corporate Bonds	5.8%	5.5%
Other	1.6%	3.0%
Mortality Assumptions		
Longevity at 65 for current pensioners		
Men	23.1 years	23.1 years
Women	25.0 years	25.0 years
Longevity at 65 for future pensioners (currently aged 45)		
Men	25.4 years	25.4 years
Women	27.3 years	27.3 years
Rate of Inflation	3.3%	3.9%
Rate of Increase in Salaries	4.8%	5.4%
Rate of increase in Pensions	3.3%	3.9%
Rate for Discounting scheme liabilities	6.7%	5.5%
Take-up of option to convert annual pension into retirement lump sum		
Expected Return on Assets	6.3%	6.6%

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

31 March 2009 %		31 March 2010 %
52.2	Equities	69
7.9	Property	6
21.5	Government Bonds	17
1.2	Corporate Bonds	-
17.2	Cash/Other	7
-	Absolute Return Funds	1
100		100

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2009/10 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2010.

	2005/06 %	2006/07 %	2007/08 %	2008/09 %	2009/10 %
Differences between the expected and actual return on assets	14.6	0.9	1.7	(25.3)	20.0
Experience gains and losses on liabilities	0.0	(0.2)	0.0	0.0	0.0

NOTES TO THE BALANCE SHEET (CONT'D)

Note 26 Analysis of Net Assets employed

This note shows the total net worth of the Council split between the three main operating areas.

As at 31 March 2009 £000's		As at 31 March 2010 £000's
62,666	General Fund	59,392
260,848	Housing Revenue Account	269,710
3,705	Trading Operations	2,410
327,219	Total	331,512

Note 27: Leasing Payments

The Council has a number of operating leases for its vehicles. The committed payments in 2010/11 and between 2011/12 and 2012/13 are as follows. These payments can be cross referenced to note 7 page 25 on the Income & Expenditure Account and can be split between leases expiring and continuing as follows:

	2010/11 £000's	2011/12 – 2012/13 £000's
Leases expiring	72	184
Leases continuing	256	216
Total	328	400

Note 28: Major Grants Received

The Council has received Government funding through the Revenue Support Grant of £1.490m and a contribution from the Non Domestic Rate Pool of £6.458m. In addition to these two core revenue grants it also received a Local Authority Business Growth Incentive Grant (LABGI) of £0.061m and an Area Based Grant of £0.023m. Government grants were also received towards capital expenditure, these being; Disabled Facility Grants of £0.402m and Private Sector Renewal Grants of £0.654m.

Note 29: Deferred Capital Receipts

Deferred Capital Receipts are in the main amounts derived from sales of assets which will be received in instalments over agreed periods of time. They arise principally from mortgages on sales of Council houses, which form part of mortgages under long term debtors. Other elements include loans made to organisations.

Note 30: Movement on Usable Capital Receipts

2008/09 £000's	Useable Capital Receipts	2009/10 £000's
(832)	Balance as at 1 April	(248)
(1,461)	Amounts received in Year	(1,816)
1,879	Amounts Applied to Finance New Capital Expenditure	1,786
166	Payment to Housing Pool	278
584	Net (Surplus) / Deficit for year	248
(248)	Balance as at 31 March	0

The Council has no remaining balance of capital receipts.

NOTES TO THE BALANCE SHEET (CONT'D)

Note 31: Movement on the Revaluation Reserve

This reserve records the gains on revaluation of fixed assets not yet realised through sales. This is as a result of inflation or other factors to the extent that the gains have not yet been consumed by subsequent downward movements in value.

2008/09 £000's	Movement on the Revaluation Reserve	2009/10 £000's
(12,334)	Balance as at 1 April	(8,420)
4,146	Impairment of Fixed Assets	0
848	Disposals linked to Revaluation	118
1,189	Difference between current value and historic cost depreciation	429
(2,269)	Revaluation	(17,377)
(8,420)	Balance as at 31 March	(25,250)

Note 32: Movement on the Capital Adjustment Account

This account records the consumption of historic cost over the life of the asset and revenue expenditure funded from capital under statute over the period that the authority benefits from the expenditure. The account also records the resources set aside to finance capital expenditure.

2008/09 £000's	Movement on Capital Adjustment Account	2009/10 £000's
(363,535)	Balance as at 1 April	(329,956)
3,916	Excess Depreciation over Minimum Revenue Provision	4,955
68	Write down of Capital Contributions & revenue expenditure financed by capital under statute	531
(46)	Amortisation	(116)
34,296	Impairments of Fixed Assets	(10,376)
713	Disposals	1,569
(5,180)	Financed Capital Expenditure	(5,676)
(187)	Previous Year Expenditure	22
(329,956)	Balance as at 31 March	(339,047)

Note 33: Collection Fund Adjustment Account

The surplus in respect of Council Tax along with the arrears, prepayments and bad debts provision is shared amongst the major precepting authorities in proportion to the amount of their precepts:

	Balance at 31 March 2010 £000's	East Devon £000's	Other Major Preceptors £000's
Council tax arrears	1,448	120	1,328
Allowance for doubtful debts	(155)	(13)	(142)
Council tax prepayments	(1,335)	(110)	(1,225)
Collection Fund surplus	(1,060)	(88)	(972)
Total	(1,102)	(91)	(1,011)

East Devon's proportion of the Collection Fund surplus is £0.088m and taken with a surplus of £0.008m in respect of residual Community Charge, which is for the benefit of East Devon Council Taxpayers only, makes up the balance on the Collection Fund Adjustment Account.

NOTES TO THE BALANCE SHEET (CONT'D)

Note 34: Pension Reserves

The cost of providing pensions for employees is funded in accordance with the statutory requirements governing the particular pension scheme in which the authority participates. However, accounting for employees' pensions will be in accordance with generally accepted accounting practice. Where the payments made for the year in accordance with the scheme requirements do not match the change in the authority's recognised asset or liability for the same period, the recognised cost of pensions will not match the amount required to be raised in taxation. This is represented by an appropriation to or from the pension reserve which equals the net change in the pensions liability recognised in the Income and Expenditure Account.

Note 35: Earmarked Reserves

	As at 1 April 2009 £000's	Receipts/ Transfers £000's	Payments/ Transfers £000's	As at 31 March 2010 £000's
General Reserve Capital	(6,784)		456	(6,328)
LABGI ⁽¹⁾	(683)	(146)	84	(745)
Local Government Review	(125)		125	0
RCCO ⁽²⁾ Refuse Bins	(403)		403	0
Asset Management & Maintenance	(260)	(1,188)	238	(1,210)
Planning Delivery Grant	(189)		48	(141)
DCLG ⁽³⁾ Council Tax Efficiency	(5)			(5)
Habitats Assessment Grant		(34)		(34)
Total	(8,449)	(1,368)	1,354	(8,463)

⁽¹⁾ Local Authority Business Growth Incentive

⁽²⁾ Revenue Contribution to Capital Outlay

⁽³⁾ Department for Communities & Local Government

In addition to the above earmarked reserves, the General Fund Balance has allocated within it £2.351m to assist in the implementation of transforming the Council to produce future savings.

NOTES TO THE CASH FLOW STATEMENT

Note 36: Reconciliation of Income and Expenditure Account to Revenue Activities Cash Flow

2008/09 £000's	2008/09 £000's		2009/10 £000's	2009/10 £000's
38,167		Deficit per Income & Expenditure Account	(5,042)	
(131)		Add: Collection Fund (Surplus)	(91)	
	38,167			(5,133)
		Items classified elsewhere in the cash flow statement:		
2,456		Interest	433	
(166)		Pooling payment to ODPM	(295)	
1,757		Pensions liability	1,910	
	4,047			2,048
		Non Cash Transactions:		
(2,410)		Net FRS 17 Costs	(3,707)	
(5,105)		Depreciation	(2,763)	
(34,296)		Impairments	10,377	
1,096		Other non cash transactions	(1,348)	
	(40,715)			(35)
(401)		(Increase) / Decrease in Creditors	(2,445)	
(2,383)	(2,784)	Increase / (Decrease) in Debtors & Payments in Advance	2,009	
				(436)
	(1,285)	Net Cash Outflow / (Inflow) from Revenue Activities		(3,556)

Note 37: Reconciliation of the Movement in Cash to the Movement in Borrowing

	As at 31 March 2009 £000's	As at 31 March 2010 £000's	Movement £000's
Bank Balance/Cash Equivalents	534	830	(212)
Total movement in cash	618	830	(212)
Other balance sheet movements			
Fixed Assets	340,220	366,920	(26,700)
Long-term Debtors	476	402	74
Long-term Investments	3	6	(3)
Current Assets			
Debtors	3,131	6,184	(3,053)
Payments in Advance	234	337	
Short-term Investments	33,311	32,960	351
Current Liabilities			
Creditors	(7,208)	(9,561)	2,353
Receipts in Advance	(54)	(497)	443
Long-term Liabilities			
Long-term Liabilities – Pensions	(28,810)	(48,704)	19,894
Capital Contributions Un-applied	(2,160)	(5,886)	3,726
Government and Other Contributions Deferred	(2,542)	(3,179)	637
Total	337,219	339,812	(2,593)
Net Movement in Reserves and other Fund Balances	(327,219)	(331,512)	4,293
Net Total	10,000	8,300	1,700
Reconciles to:			
Total Movement in Borrowing			
Temporary Loans	(10,000)	(8,300)	(1,700)
Total	(10,000)	(8,300)	(1,700)

NOTES TO THE CASH FLOW STATEMENT (CONT'D.)

Note 38: Movement in other Current Assets

Movement in other Current Assets	As at 31 March 2009 £000's	As at 31 March 2010 £000's	Movement £000's	Adjusted Movement £000's
Debtors & Payments in Advance ⁽¹⁾	4,124	5,685	1,561	2,009
Creditors ⁽²⁾	(6,251)	(8,616)	(2,365)	(2,445)

⁽¹⁾ Debtors include capital debtors movement between the years = increase of £448k.

⁽²⁾ Creditors include capital creditors movement between the years = decrease of £80k.

Note 39: Analysis of Other Government Grants Received

2008/09 £000's	Other Government Grants Received	2009/10 £000's
	Other Revenue Grants	
23	Area Based Grant for Climate Change	23
574	Concessionary Bus Pass Scheme	587
232	Council Tax Administration	250
1,502	DCLG	3,590
5	Elections	97
0	Habitats Assessment Grant	34
2	Housing Benefit – Local Authority Housing Allowance	0
816	Housing Benefit Administration Funding	901
74	Local Authority Business Growth Incentive	61
214	Planning Delivery Grant	9
788	Revenue Expenditure funded by capital under statute	1,056
60	Other	48
4,290		6,577

Note 40: Movement in Liquid Resources

Movement in Liquid Resources	As at 31 March 2009 £000's	As at 31 March 2010 £000's	Movement £000's
Investec Asset Management - Fund Valuation	33,311	32,960	(351)
Net NNDR Receipts due to/from Central Government	(759)	836	1,595
Net Council Tax due to/received from Major Preceptors	(1,011)	(1,442)	(431)
Movement in Liquid Resources	31,541	32,354	813

Note 41: Movement in Cash and Cash Equivalents

Movement in Cash and Cash Equivalents	As at 31 March 2009 £000's	As at 31 March 2010 £000's	Movement £000's
Cash at Bank/ (Cash Overdrawn)	618	830	212
Movement in Cash and Cash Equivalents	618	830	212

HOUSING REVENUE INCOME & EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010

The Local Government Act 1989 requires Councils to establish a "ring-fenced" Housing Revenue Account. The account represents a landlord/tenant account with the Council managing and maintaining its housing stock in return for rent income from tenants. The account has to be self-financing and there is a legal prohibition on cross subsidy to or from Council Taxpayers, unless directed to do so by legislation.

2008/09 Net Expenditure £000's	HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE ACCOUNT	2009/10 Net Expenditure £000's
	INCOME	
(13,266)	Dwelling Rents (Gross) - Note 2 Page 48	(13,659)
(293)	Garage Rents (Gross) – Note 2 Page 48	(323)
(637)	Other Income	(657)
(401)	Contribution from Supporting People	(443)
(14,597)	TOTAL INCOME	(15,082)
	EXPENDITURE	
3,069	Repairs and Maintenance	2,694
	Supervision and Management	
2,699	- General	2,605
1,321	- Special Services	1,461
230	- Other	214
0	Other Expenditure	0
(38)	Increase/Decrease in Bad Debt Provision – Note 4 Page 49	0
5,361	Housing Subsidy – Negative Subsidy (Payment to Secretary of State) – Note 5 Page 49	5,391
	Depreciation and Impairment of Fixed Assets	
37,175	Dwellings	(10,718)
264	Other Assets	2,852
50,080	TOTAL EXPENDITURE	4,499
35,483	NET COST OF SERVICE	(10,583)
(2)	Interest – Mortgages	(1)
(127)	- HRA Balances	(14)
8	(Gain) or loss on sale of HRA fixed assets	(134)
577	Interest on Pension Scheme Liabilities	596
(453)	Expected Return on Pension Fund Assets	(286)
35,486	(Surplus)/Deficit for the year on HRA services	(10,422)

STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE FOR THE YEAR ENDED 31 MARCH 2010

The HRA Income and Expenditure Account shows the HRA's 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 fixed assets 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.

2008/09 Expenditure £000's	Statement of Movement on the Housing Revenue Account Balance for the Year Ended 31 March 2010	2009/10 Expenditure £000's
35,486	Deficit or (Surplus) for the year on the HRA Income & Expenditure Account	(10,422)
(34,578)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year. (See Note 1 Page 48.)	10,811
908	Decrease/(Increase) in HRA Balance for the year	389
(2,204)	Housing Revenue Account Balance brought forward	(1,295)
(1,295)	Housing Revenue Account Balance carried forward	(906)

COLLECTION FUND FOR THE YEAR ENDED 31 MARCH 2010

This account reflects the statutory requirements for billing authorities to maintain a separate collection fund, which shows the transactions of the billing authority (i.e. the Council) in relation to non-domestic rates, residual community charge, and the council tax, and illustrates the way in which these have been distributed to preceptors and the general fund. The collection fund is consolidated with other accounts of the Council and its major preceptors.

COLLECTION FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010		
2008/09 £000's		2009/10 £000's
	INCOME	
(73,002)	Council Tax (net)	(75,059)
(7,412)	- Council Tax Benefit	(8,276)
0	- Transitional Relief	0
(23,171)	NNDR collectable from business ratepayers	(24,155)
0	Contribution – Adjustment in respect of previous years' Community Charge	0
(103,585)		(107,490)
	EXPENDITURE	
	Precepts	
60,318	Devon County Council	62,896
8,060	Devon & Cornwall Police Authority	8,572
8,172	East Devon District Council (including Parishes)	8,319
3,775	Devon & Somerset Fire Authority	3,974
	Distribution of previous year's estimated surplus	
0	Devon County Council	0
0	Devon & Cornwall Police Authority	0
50	East Devon District Council	110
0	Devon & Somerset Fire & Rescue Authority	0
0		0
	NNDR	
22,954	Contribution to National Pool	23,933
216	Cost of Collection Allowance	222
48	Write offs	83
	Adjustment to Bad Debt provisions (note 15 page 52)	
(213)	Council Tax	(7)
16	NNDR – prior years adjustment	(58)
103,396		108,044
(189)	MOVEMENT ON FUND BALANCE	554

NOTES TO THE HOUSING REVENUE ACCOUNT (HRA) INCOME AND EXPENDITURE ACCOUNT

Note 1: Reconciliation of Movement on HRA Balance

This requires a reconciling note that breaks down the amounts which are not included within the HRA Income & Expenditure Account but are required by statute or non-statutory proper practices to be debited or credited to the HRA for the year.

2008/09 Expenditure £000's		2009/10 Expenditure £000's
(37,438)	Amounts included in the HRA I & E Account but required by statute to be excluded when determining the movement on the HRA Balance for the year Depreciation and impairment of fixed assets	7,862
	Government Grants deferred amortisation	5
(8)	Gain or loss on sale of HRA fixed assets	134
(293)	Net charges made for retirement benefits in accordance with FRS 17	(457)
(37,739)		7,544
	Amounts not included in the HRA I & E Account but required by statute to be included when determining the movement on the HRA Balance for the Year	
264	Capital expenditure funded by the Housing Revenue Account	274
2,692	Transfer to Major Repairs Reserve	2,770
205	Employer's contributions payable to the DCC Pension Fund and retirement Benefits payable direct to pensioners	223
3,161		3,267
(34,578)	Net additional amount required to be credited to the HRA Balance for the year	10,811

Note 2: Rents

This is the total rent income collectable for the year after allowance is made for empty properties and amounts irrecoverable. Empty properties accounted for 1.35% of the gross rents; in 2008/09 the figure was 1.05%.

The average weekly rent for dwellings in 2009/10 was £61.58 compared with £59.72 in 2008/09. The average weekly rent for garages increased by 10% to £8.83.

Note 3: Rent Arrears

There was a decrease in rent arrears in the year to 31 March 2009 of £70,909.

2008/09 £000's		2009/10 £000's
451	Rent Arrears as at 31 st March	381
3.29%	Percentage of total rent debit	2.68%

**NOTES TO THE HOUSING REVENUE ACCOUNT (HRA) INCOME AND EXPENDITURE ACCOUNT
(CONT'D.)**

Note 4: Bad Debts Provision – The provision was reviewed at 31 March 2010.

2008/09 £000's		2009/10 £000's
122	Rent Payers Bad Debts Provision as at 31 st March	122

The bad debt provision has been decreased by £420. Former tenant arrears have increased to £105,000 at the 31 March 2010 (£81,000 at the 31 March 2009).

Note 5: Housing Subsidy

The Housing Revenue Account subsidy is based on a notional account representing the Government's assessment of what the Council should be collecting and spending. Below is a breakdown of that assessment for the past two years:

2008/09 £000's	Subsidy Element	2009/10 £000's
5,497	Management & Maintenance Allowances	5,629
2,461	Major Repairs Allowance	2,594
38	Charges for Capital	39
(3)	Interest on Receipts	(2)
(13,351)	Guideline Rent Income	(13,651)
(5,358)	Housing Subsidy Payable	(5,391)

Note 6: Housing Stock

The Council was responsible for managing on average 4,289 dwellings during 2009/10. The stock at the year end was made up as follows:

Type	Numbers as at 31 March 2010	
Flats & Maisonettes		
1 bedroom	613	1,167
2 bedroom	548	
3 bedroom	5	
4 bedroom	1	
Houses (including non-traditional)		
1 bedroom	3	2,075
2 bedrooms	418	
3 bedrooms	1,588	
4/5 bedrooms	66	
Bungalows		
1 bedroom	563	1,043
2 bedrooms	463	
3 bedrooms	17	
Other properties not used as dwellings		5
Total		4,290

**NOTES TO THE HOUSING REVENUE ACCOUNT (HRA) INCOME AND EXPENDITURE ACCOUNT
(CONT'D.)**

The Housing Stock and other Housing Revenue Account Assets are included in the Balance Sheet (page 21) at 31 March 2010 at a value of £279.739m (£262.834m at 1 April 2009). A full revaluation of the Council's dwellings as at 1 April 2005 was undertaken during the year, this valuation has been updated to April 2010. The asset valuations are shown below:

As at 1 April 2009 £000's	Council Dwellings	As at 31 March 2010 £000's
254,045	Operational Assets	268,515
8,414	Dwellings & Garages	5,885
375	Other Land & Buildings	339
	Plant & Equipment	
262,834	Balance Sheet Value HRA Assets	279,739

The actual Housing Stock figure at 31 March 2010 was 4,290 properties, of which 5 properties were not used to house tenants directly (e.g. Community Areas & shop). The remaining 4,285 properties are valued at £253.336m and are included within the 1 April Balance Sheet figure. These properties have been valued based on Existing Use Value for Social Housing. The value of these properties based on Vacant Possession would be £609.081m. The difference of £355.745m between these two figures represents the cost of providing council housing at less than open market rents.

Note 7: Average Costs Per Dwelling

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

2008/09 £	Type of Expenditure/(Income)	2009/10 £
£628.92	Supervision & Management - General	£607.46
£715.18	Repairs & Maintenance	£628.27
(£3,091.48)	Rent un-rebated	(£3,184.72)

Note 8: Major Repairs Reserve

In 2009/10 the Council was paid a Major Repairs Allowance of £2.594m as part of its Housing Subsidy from the Government, to be used for capital expenditure on HRA assets. This sum was paid into a separate Reserve called the Major Repairs Reserve and was used in full during the year to fund works on Council houses. In 2009/10 the full sum of £2.594m was used wholly for the capital improvement of the housing stock with additional expenditure of £0.176m totalling £2.770m. No balance remained on the Reserve as at 31 March 2010.

**NOTES TO THE HOUSING REVENUE ACCOUNT (HRA) INCOME AND EXPENDITURE ACCOUNT
(CONT'D.)**

Note 9: Capital Expenditure

Capital expenditure within the HRA for 2009/10 and how it was funded is shown below:

2008/09 £000's		2009/10 £000's
3,575	Expenditure: Council Houses - Improvements & Enhancements	3,833
3,575	Total Capital Expenditure	3,833
	Funded by:	
2,692	Major Repairs Reserve	2,770
264	Revenue Contribution	274
90	Capital Receipts – HRA	144
529	Capital Receipts – General Fund	645
3,575	Total	3,833

Note 10: Capital Receipts

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

2008/09 £000's	Source of Receipt	2009/10 £000's
225	Council Houses – Right to Buy Sales	374
11	Principal on Mortgage Repayments	18
20	Miscellaneous Sales	30
(166)	Less contribution to Housing Pool	(278)
90	Total HRA Capital Receipts	144

Note 11: Depreciation of Fixed Assets

Charges have been made to the HRA as follows:

- the depreciation charge on other HRA assets is based on the value of the asset, less any residual value, with the difference then charged to the HRA over the useful life of the asset.

Note 12: HRA share of contributions to/from the pension reserve

The Council's pension fund reserve liability increased from £28.81m to £48.70m during 2009/10. It has been estimated that 12.41% of the Council's salary costs relate to the HRA, therefore, the HRA's share of the overall pension deficit equates to £6.04m.

NOTES TO THE COLLECTION FUND

Note 13: Council Tax Base

The Council Tax Base, for tax setting purposes, is calculated by reference to the number of chargeable dwellings in each valuation band, with deductions for dwellings where discounts apply and adjustments made for exempt properties and anticipated amendments. This is then converted to an equivalent number of band D dwellings which is the amount the Council estimates would actually be collected if a tax of £1 is set. The figures for 2009/10 were:

Band	Dwellings	Adjustments	2 nd Homes @ 40%	Net Properties	Conversion Factor	Band D equivalent
A*	0	13	0	13	5/9ths	7
A	5,555	(1,175)	111	4,491	6/9ths	2,994
B	12,169	(1,860)	148	10,457	7/9ths	8,133
C	13,868	(1,798)	209	12,279	8/9ths	10,915
D	11,628	(1,413)	186	10,401	9/9ths	10,401
E	9,613	(935)	136	8,814	11/9ths	10,773
F	5,834	(463)	60	5,431	13/9ths	7,845
G	3,854	(340)	42	3,556	15/9ths	5,927
H	186	(55)	8	139	18/9ths	278
Total Band D Equivalent						57,273

Collection Rates at 98.5%	56,643
Contribution from MOD properties	128
TAX BASE	56,771

Note 14: Income from Business Rates

Under the arrangements for uniform business rates, the Council collects non-domestic rates for its area which are based on local rateable values (£58.616m at 1 April 2009) multiplied by a uniform rate of £0.485. The total amount, less certain reliefs and other deductions, is paid to a national pool (the NNDR pool) managed by Central Government.

Note 15: Provision for Un-collectable Amounts

Provision has been made within the accounts for un-collectable amounts based on Guidelines: - At the end of 2009/10 the accumulated provision stood at £242,000 (£220,000 for 2008/09) made up as follows:

2008/2009 £000's		2009/2010 £000's
58	National Non Domestic Rates	87
162	Council Tax	155
0	Community Charge	0
220		242

GLOSSARY

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.

Actuarial Gains and Losses

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

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

Amortisation

The writing down of an intangible fixed asset over its useful life.

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).
- **Fixed assets** provide benefits over their useful life for more than one year and can be tangible (e.g. school buildings) or intangible (e.g.: computer software licences).
- **Community assets** are assets that the local authority intends to hold in perpetuity, that have no determinable useful life and may have restrictions on their disposal (e.g.: works of art, windmills 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).
- **Operational assets** are fixed assets held and occupied by a local authority and used in the direct delivery of services.
- **Non Operational assets** are fixed assets held by a local authority but not directly occupied, used or consumed in the delivery of services (e.g.: buildings under construction and surplus assets).
- **Under Construction** details capital expenditure to date on work in progress.

Audit of Accounts

An independent examination of the Council'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.

Best Value Accounting Code of Practice

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

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 fixed assets used and the capital financing set aside to pay for them.

GLOSSARY (CONT'D)

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 fixed assets. The term covers the following:

Pre 1.4.2006 Depreciation (including impairment charges, amortisation of deferred charges) plus a capital financing charge for the use of the asset (also known as notional interest). These costs were included in gross expenditure.

Post 1.4.2006 Depreciation, Impairment charges and Amortisation of Deferred Charges (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 fixed assets.

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.

Corporate Democratic Core

Those activities which the local authority 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.

Creditor

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

Debtor

Sums of money due to the authority but unpaid at 31 March.

Deferred Liabilities

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

Depreciation

The allocation of the cost of the useful economic life of the Council's fixed assets 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.

Finance Lease

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

General Fund

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

GLOSSARY (CONT'D)

Government Grants

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

Government Grants Deferred

Grants or contributions received which have supported wholly or in part the acquisition of fixed assets, net of the appropriate share of depreciation on those assets for which a depreciation charge is made.

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 Contract

A contract entered into for the design, manufacture or construction of a single substantial asset, or the provision of a service (or a combination of assets and services which together constitute a single project), where the project falls into more than one accounting period.

Long Term Debtors

Sums of money due to the Authority 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 fixed assets 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.

GLOSSARY (CONT'D)

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 fixed asset restatement account cannot be used to meet current expenditure.

Revaluation Reserve

This 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 authority on such items as employees and equipment.

Revenue Expenditure funded from capital under statute

Expenditure which may properly be capitalised but which does not result in tangible fixed assets owned by the Council. These charges are to be amortised to revenue over an appropriate period.

Revenue Support Grant (RSG)

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

Trust Funds

Funds administered by the Council for such purposes as prizes, charities and specific projects, on behalf of minors.

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