

Date: 16 June 2009
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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)

Data Quality Champion – Councillor Graham Troman
Chief Executive
Corporate Directors
Internal Audit & Risk Manager
Head of Finance

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**Audit and Corporate Governance Committee
Thursday 25 June 2009,
Council Chamber at 3.30pm**

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

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 26 March 2009.

4 - 6

3 To receive any apologies for absence.

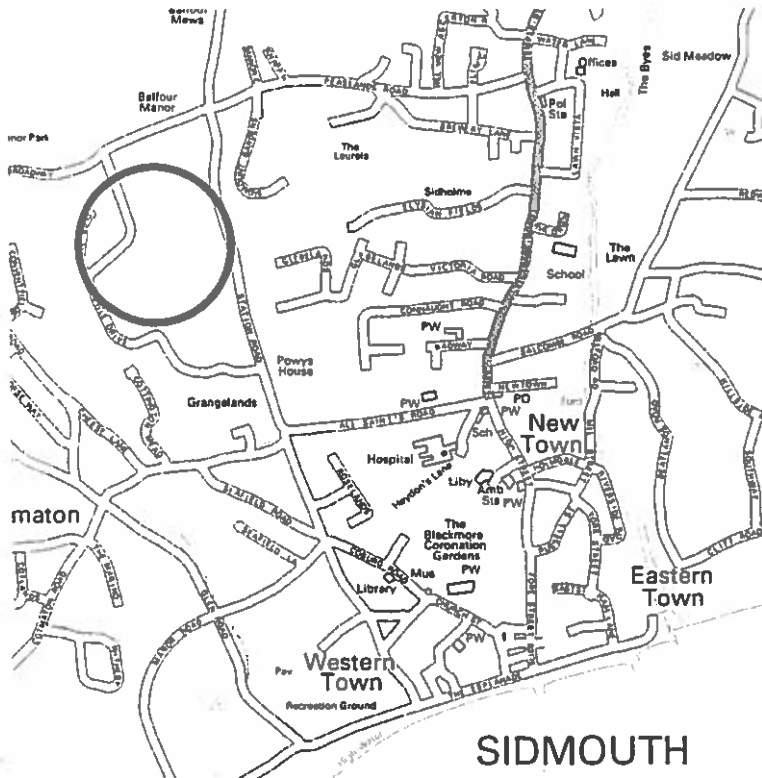
4	To consider any items which in the opinion of the Chairman, should be dealt with as matters of urgency because of special circumstances. (Note: Such circumstances need to be specified in the minutes; any Member wishing to raise a matter under this item is requested to notify the Chief Executive in advance of the meeting).		
5	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.		
6	Internal Audit – Options for Service Delivery	Diccon Pearse, Corporate Director	7 - 12
7	Internal Audit Annual Report for 2008/09	Internal Audit & Governance Manager	13 - 22
8	Annual Governance Statement	Internal Audit & Governance Manager	23 – 50
9	External Audit Interim Report	Grant Thornton	Booklet
10	Final statement of Accounts 2008/2009	Diccon Pearse, Corporate Director	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 Popleford – 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 – 340 (Railway Station), 387 (Town Centre)
From Seaton – 52A, 899
From Ottery St Mary – 382, 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 Governance Committee held at Knowle, Sidmouth on 26 March 2009

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

Also Present: Councillors:
Peter Bowden - Member Champion for Risk Management
Graham Troman - Member Champion for Data Quality
Martin Green - CAA Lead
Kate ? - Grant Thornton
Barrie Morris - Grant Thornton

Officers Present: Tanith Cox - Internal Audit and Governance Manager
Debbie Meakin - Democratic Services Officer
Diccon Pearse - Corporate Director
Mark Williams - Chief Executive

Apologies: Councillors:
Roger Boote
To check

The meeting started at 2.30 pm and ended at 4.51 pm

*43 **Public Questions**

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

*44 **Minutes**

The minutes of the meeting of the Audit and Governance Committee held on 29 January 2009 were confirmed and signed as a true record.

*45 **Annual Audit and Inspection Letter**

The Chairman welcomed Martin Green, CAA Lead from the Audit Commission.

Martin Green set into context the Audit and Inspection Letter, which referred to the financial year 2007/08 and had also been updated where necessary to reflect the situation when the inspection was carried out, late 2008 early 2009.

The key messages set out in the letter were discussed at length:

- delivery of affordable housing in the last 18 months has been limited as the Council had focused on the Cranbrook development - Members discussed the requirement on the Council to develop a new town and the recent economic climate that had impacted on progress. The advice from the Audit Commission was to seek out more innovative ways of realising housing development as other authorities had successfully achieved. The Chief Executive gave the example of the move to develop at Stowford in Sidmouth to provide homes for the rental market. Members agreed that Development Committee had a role in examining policy to permit more affordable development at exception sites;

*45 **Annual Audit and Inspection Letter (continued)**

- improvements had been delivered in a number of priority service areas including environment, housing and access to services. The Council had improved more of its performance indicators than most district councils and had an above average proportion of these in the best quartile;
- Housing benefits and planning services remain comparative weaknesses for the Council although there have been some recent improvements following systems reviews – Members discussed the recent progression with the systems thinking review and the recent working party looking at Ward Member involvement;
- The Council has retained its overall score of 3 (out of 4) for use of resources. There will be a revised assessment from spring 2009, which the Council was advised to be well positioned to meet the challenge of the revised use of resources assessment. Members discussed the merits of having reserves that had enabled a zero increase in council tax; the advice from Grant Thornton was that any reserves should be marked for specific projects as the Council did not have a role to hold tax payer's money without a justified reason.

The Chairman challenged why some information, such as the work on appealing the Boundary Commission's decision, was reflected in the Annual Letter; whilst other work carried out such as the implementation of fraud policies, was not reported. Grant Thornton responded with their view on the length of time that constituted as implementation being over two years in order to report in the Annual Letter.

Martin Green outlined the challenges ahead for the Council in meeting Comprehensive Area Assessment (CCA) and briefly outlined the criteria for the assessment. Partnership working would be key to cover the area based questions and he recommended to Members the case study of a fictitious Council and their assessment on the Audit Commission's website. A presentation on CCA would be made at a future Executive Board.

RESOLVED: that the Annual Audit and Inspection Letter be noted.

*46 **Annual Audit Fee 2009/10**

Grant Thornton highlighted a number of areas of their proposed work for 2009/10, including their risk assessment for value for money audit work:

- review of revenue budget;
- review of the constitution to ensure it meets current priorities;
- review the restructured Internal Audit plan;
- review the corporate risk register.

Members briefly debated the cost involved and the discounts previously given on the audit fee.

RESOLVED: that the Annual Audit Fee 2009/10 be noted.

*47 **Future of the Corporate Risk Management Arrangements**

Peter Bowden, Member Champion for Risk Management, gave credit to the officers and the Senior Management Team for the work and support to the new Risk Register. The next steps were:

- final revisions for clear descriptions;
- presentation of "tool kit" to Senior Management Team;
- Heads of Service updating the information held in the register for completion;
- Register fit for purpose by September 2009.

Andrew Moulding, Portfolio Holder for Resources, added his thanks to all involved in this important piece of work.

48 Internal Audit & Corporate Governance Work Plans 'v' budget and resources available to complete them

The Committee considered the report of the Internal Audit and Governance Manager. She reported the expectation that Internal Audit will not be able to complete their Annual Plans in the 2009/10 year due to lack of budget and trained staff resources. The report gave an overview of the original plan and guidance on audits deemed as priority. The report also highlighted the expectations placed upon the Council by the external auditors and the Audit Commission in terms of their reviews of internal control, data quality and Use of Resources.

Members debated the costs set out in the report, considering both the current freeze on recruitment and the need to minimise the risk to the Council in undertaking the audit work required. A secondment option was discussed but the time and resource of training other officers was thought to outweigh the benefit. The long term plans of the service would be discussed at a future meeting of the Committee.

RECOMMENDED:

1. that in light of the potential risk to the Council, the essential audit work be carried out;
2. that the revised audit plan be approved;
3. that an advertisement be made for a permanent member of staff, on the basis that should there be no suitable candidates, the Council continue to employ contractor staff;
4. that the projected budget to deliver the revised audit plan be approved for staff resources.

***49 Internal Audit Activity – 1 January to 31 March 2009**

The Internal Audit and Governance Manager updated Members on the progress with the core audit work. Priorities had changed in light of staff resource changes but it was hoped that the work would be completed within the planned timescale.

RESOLVED: that the report be noted.

***50 Corporate Governance Activity – 1 January to 31 March 2009**

The Committee considered the report of the Internal Audit and Governance Manager relating to the Corporate Governance activity report, looking in particular at the policies, strategies and codes recently introduced.

RESOLVED: that progress made on the Corporate Governance Work Plan 2008/09 be noted.

***51 Corporate Governance arrangements and the Council's Partnerships**

This item had been deferred previously, but Members agreed to defer to a future meeting because of the time needed to discuss the issue.

RESOLVED: that the Corporate Governance arrangements item be deferred to the next meeting of the Committee.

Chairman Date

Agenda Item 6

Audit and Governance Committee

25 June 2009

DP and TC



Internal Audit – Options for Service Delivery

Summary

In its meeting of the 26th March 2009 the Audit & Governance Committee approved a revised audit plan for 2009-10 in recognition of the internal audit resources available to the Council. Recently one of the two trainee auditors has resigned and, the Principal Auditor has left on maternity leave.

The service has struggled to recruit professional audit staff and has relied on external contractors. The team is currently supplemented by two contractors who have provided support to the Audit & Governance Manager.

Recognising the importance of the internal audit function and the previous problems experienced in recruiting and retaining staff and suitable contractors the Committee requested a report on the options for the long term provision of the audit service.

Recommendation

To supplement the limited resources of the in-house team an external provider be engaged for one year to undertake an agreed schedule of audits.

a) Reasons for Recommendation

The Council's internal audit team is now virtually depleted, with one remaining trainee auditor and the Audit & Governance Manager currently supplemented by 2 agency staff on temporary short term contracts. A viable solution needs to be found in order that the governance arrangements of the Council are maintained. In view of the continuing uncertainty over Local Government Reorganisation in Devon, and the anticipated return of the Principal Auditor from maternity leave at a future date, it is proposed that the contract be for an initial period of 1 year. During the course of that contract consideration will then be given to the delivery of the service beyond 12 months.

b) Alternative Options

The report contains a number of options that need to be considered.

c) Risk Considerations

It is imperative that for the Council to provide an appropriate level of resources to maintain an Internal audit service, capable of delivering the work plans approved. Failure to do so will impact on the governance arrangements of the Council and will lead to criticism by our external auditors.

d) Policy and Budgetary Considerations

Outsourcing of all or part of the service will have budgetary implications.

e) Date for Review of Decision

N/a

Background

The Council has found it difficult to recruit qualified internal auditors and, when it has taken the initiative to train junior officers, to then retain them.

In 2003, having failed to attract qualified staff, three trainees were appointed to the team. Whilst one of the initial batch left in 2005 a replacement was soon found and with a stable and maturing workforce the team successfully completed audits in accordance with the approved Work Plan. All 3 trainees attended external audit courses, were successful in attaining profession qualifications, were promoted and reimbursed accordingly.

In 2007 one of the new recruits left and a second, having passed their final exams, departed in 2008. Despite a number of attempts and the addition of a market supplement the Council again failed to attract suitably qualified auditors to the vacant positions so was obliged to appoint staff from recruitment agencies on short term contracts.

In 2008 the Audit and Governance TaFF recognised the advantages that accrued from maintaining an in-house audit service, as opposed to buying expertise in or joining a consortium of other councils. Members, noting the previous difficulties and the shortage of auditors in the labour market, agreed to seek the appointment of 2 new trainees and continue to use contract staff to fill the skills gap. At the time of that decision the one remaining principal auditor was due to return from maternity leave.

Once again failure to retain one of the two newly appointed trainees and the inability to consistently attract competent contract staff (several have come and gone during 2008/09 leaving behind unfinished audits and disappointed audit clients) contributed to the service failing to complete the 2008-09 Audit Plan. Further a number of the feedback reports completed by auditees have recorded dissatisfaction with the continued use of audit contractors.

The non the delivery of the Work Plan and the negative reaction to the use of audit contractors received from service managers is an obvious a concern to all parties including Members of the Audit and Governance Committee and our external auditors. The latter place reliance on the work undertaken by the internal audit team when reviewing and assessing the adequacy of our internal control and risk management arrangements.

In recognition of the resources issue, and as an interim measure, the March 2009 Audit & Governance Committee approved a revised Internal Audit Work Plan for the 2009/10 year. Dropping lower level audits the Committee agreed resources are to be devoted to the audit of the core financial systems (203 days), on a computer audit (55 days) and other deemed essential audit activities (219 days for contract and service audits, checking national performance indicators and other activities), plus the delivery of the governance work plan.

The Committee was advised that with regard to the core systems a prescribed level of testing had to be undertaken annually and that this external imposed requirement had an influence on the number of audit days required. With only the Manager, a trainee plus a number of days from the Principal Auditor (maternity leave) it would require a further 260 contract days to complete this shortened Work Plan. The cost of the latter was estimated at £59.2k.

Whilst Members were prepared to support the proposition that a replacement Principal Auditor be recruited they did request a report, dealing with the options for the future delivery the service, for consideration at their next meeting.

Of neighbouring councils West Devon audit plan for the last financial envisaged only 87 audit days and that for North Devon 290 days, including 50 contingency days. Whilst there is a big difference between the two the latter is still significantly lower than our proposals and although this can be partly attributed to differences in structure and service delivery (for

example neither have retained their council housing stock) that is only half the answer.

Both councils have outsourced the internal audit and from a brief analysis of the work plans it is apparent neither is undertaking reviews of each of the core systems on an annual basis and where reviews were scheduled the number of days being devoted did not correlate to that which Members were being advised was appropriate for East Devon.

In order to gain a better understanding of the position a meeting was arranged with Grant Thornton, our external auditor. The views expressed at that meeting, on core system audits, were very different from those expressed by our previous external auditors (the Audit commission). Here we were advised that it was appropriate to undertake a 'walk through' assessment first and then to undertake a more detailed audit of only those elements of the system where a risk was identified with a full audit being undertaken say every 2nd or 3rd year. There was no expectation of the internal audit service undertaking a full review of each core system annually.

Options for the future delivery of the Internal Audit Service.

The first issue to consider is how to resource the service. Basically there are 2 options, to provide an internal audit service using council employed staff or to appoint an external service provider.

The perceived advantages of internal and external provision are set out in the appendix to this report. In summary there are strong arguments in favour of a stable, loyal, qualified in-house team but this option has previously proved hard to deliver.

The alternative approach, the appointment of an external service provider, shifts responsibility for sourcing the service to the preferred supplier but can result in frequent changes in personnel; however there is the potential to benefit from having access to a pool of skilled auditors and to learn from best practice elsewhere.

The latter option has the potential to be more expensive of the two but this cost can be controlled through the annual assessment of the service required. Here it would be easier to achieve, say a 10-15% reduction in the number of audit days with an external supplier than would be the case with staff directly employed by the Council.

The second issue, assuming external provision is considered the appropriate way forward, is whether to look for some form of partnership, perhaps with one or more councils, or the appointment of a recognised private sector firm.

In summary partnering with one or more neighbouring district councils could provide the opportunity to share specialist skills, of say a computer auditor although it has to be recognised a small partnership, formed say with one other district council, could suffer the same recruitment problems currently experienced. Larger partnerships on the other hand, such as the Devon Audit Partnership (serving Devon CC Plymouth and Torbay unitaries), have the potential to attract and retain staff with the full range of specialisms.

A contract with a private sector firm could mean limited or no onsite presence at certain times as staff move between contracts. This would obviously be the case for specialist staff and could result in important issues, which will arise during the course of the year, being 'shelved' until the resource becomes available. Firms with a cross section of clients have the potential to bring new thoughts and methods of working to the council.

Issues such as attendance on site and continuity of staff would be dealt with in service level agreements or within contract documentation.

A hybrid, of part internal/part external supply, would be an alternative approach. Again the option of whether the external element is delivered through a local authority partnership or private firm is open for consideration. With this option the Council would retain an in-house presence, a level of expertise to deal with day to day issues, whilst

outsourcing that part of the audit work plan for which resources were not available or where specialist knowledge was deemed appropriate.

Staffing issues

As previously advised the Council currently employs a manager, 1 principal (parttime) auditor and 1 trainee auditor. In addition 1 trainee and 1 principal auditor post remain vacant. With the principal auditor on maternity leave for the next 12 months the skills gaps is such that the Council would need external support to complete the specialist ICT audit and the more complex core financial systems audits.

Proposal

As previously advised the Council currently employs agency staff to fill the skills gap. Other than the appointment of an ICT specialist and for the BVPI audit these officers are not taken for specific audits.

In light of the continuing Local Government Review process, the work being undertaken by the Service Transformation Group and present staffing it is consider appropriate to adopt a halfway house option for 2009-10 of seeking an external supplier to complete the audit of an agreed schedule of work including the core financial systems and the ICT audit. The exact composition of the specification will be dependent upon the level and range of audits the Internal Audit and Risk Manager, working with the Trainee, are capable of conducting. At this stage it is further proposed that the external provision be an initial period for one year. Buying time in this manner would allow the Council to take stock of the options available to it for 2010-11 onwards once it has a better understanding of both internal and external factors.

It is further proposed that until the appointment of an external supplier to undertake the core system, ICT other audits to be tendered the service continues to use agency staff as necessary. Approval for such to be delegated to the Chief Executive.

Legal Implications

Financial Implications

The options for consideration have been provided without taking into account any financial implications, where possible we have provided our opinion as to whether an option is likely to be cheap or expensive, but this needs to be clarified and will form part of the continuing work to be done on this project.

Consultation on Reports to the Executive

N/A

Background Papers

Appendix attached setting out advantages and disadvantages of various options.

Diccon Pearse and Tanith Cox - 2687
Corporate Director and Internal Audit and Governance

Audit & Governance Committee
25 June 2009

Options Appraisal – Advantages / Disadvantages

1(a) - Maintain In-house team

Advantages	Disadvantages
<p>Potential to develop an in-house loyal and competent audit team able to complete a wide range of audits and be available for ad-hoc work or consultancy work whenever needed</p> <p>Year round on site presence.</p> <p>Knowledge and skill retention and continuity of staff members.</p> <p>Realisation of the benefits of training and investment in audit staff.</p> <p>Costs remain fairly stable despite changes to audit scopes or priorities.</p>	<p>Difficulties recruiting competent qualified staff.</p> <p>Difficulties in retaining staff attracted by higher salaries elsewhere</p> <p>The level of resources required to be invested in the training and development of auditors</p> <p>Inability to recruit a team with the full range of specialist knowledge required.</p>

1(b) - Appoint External service provider

Advantages	Disadvantages
<p>Ready bank of skilled auditors able to give quality advice</p> <p>Responsibility for the recruitment of a skilled audit team passed to the external service provider</p> <p>Full range of skills available (including specialist areas such as computer and contract audits) to meet the Council's specification.</p> <p>Potential to increase/decrease the audit requirement depending on demand.</p> <p>Any gaps in skills or sickness/holiday absences can be covered immediately by skilled staff</p> <p>Auditors able to give fresh advice using experience gained working in other organisations.</p>	<p>Loss of direct staff control</p> <p>Possibly a highest cost option</p> <p>Potential lack of continuity of audit staff as they are moved around different locations.</p> <p>Audits may be undertaken by relatively inexperienced audit staff, with senior staff only conducting exit interviews.</p> <p>An audit presence may not be maintained year round</p> <p>Initial contract may be priced low to appear appealing and then increase over time, especially if ad-hoc work is required.</p> <p>Potential cost of redundancies (in-house team).</p>

2 - Hybrid Arrangement

Advantages

Knowledge and skill retention of existing staff members able to give quality advice.

Skilled staff to complete specialist areas of work such as computer and contract audits.

Audit work allocated could be increased or decreased as required with our own staff picking up areas not completed by the external providers.

Staff permanently on site.

Disadvantages

Loss of direct control of staff of outsourced team.

Potential loss of remaining in-house audit staff as perception of audit is of a team with declining opportunities to progress.

A decline in skill base of existing staff as technical knowledge becomes outdated.

Audits may be undertaken by relatively inexperienced audit staff, with senior staff only conducting exit interviews.

Lack of continuity of audit staff as they are moved around from location to location.

Confusion for audit clients between the different audit providers (e.g. external audit, outsourced internal audit provider, and remaining in-house team); uncertainty over who does what.

Agenda Item 7

Audit and Governance Committee

25th June 2009

TC



Internal Audit Annual Report for 2008/09

Summary

This Annual Report brings together, corporately and service by service, the main issues we have raised in the course of our audit work during 2008/09.

Our programme of work was as set out in the Internal Audit and Corporate Governance Work Plans that were endorsed by the Audit & Governance Committee on 27th March 2008, these were supplemented by a number of unplanned investigations, consultancy projects and other types of audit work.

The Service has suffered from a lack of resources throughout 2008/09, which has meant that the original audit plans for 2008/09 (and 2009/10) were revised to focus on 'high risk' areas only. The significant lack of resources has seriously affected the delivery of the revised audit plan, and it is only now, in June 2009, being finalised.

Work has however, been started on the current years' revised audit plan.

All the audits summarised here have been formally reported to the relevant senior managers, and I would like to thank them for being receptive to our comments and recommendations. We conduct follow up audits where appropriate to check on the progress of implementation.

More information on quality assurance and performance management arrangements for Internal Audit is provided in the main body of the report.

This report is intended particularly for senior management and the Audit Committee, and to provide the External Auditors with summaries of the work on which they may wish to place reliance. It will be available on the Council's website in due course.

Recommendations:

Members are asked to consider and note the Internal Audit Annual Report for 2008/09.

a) Reasons for Recommendation

The report outlines the work undertaken to ensure the Council's corporate governance arrangements were effective in 2008/09 and gives assurance that the Council is complying with its local Code of Corporate Governance. The report also draws attention to the lack of resources that have prevented the completion of the annual audit plans (including the revised plans) of audit work

b) Alternative Options

None

c) Risk Considerations

The Council is required to produce an Annual Report highlighting the work completed by the Internal Audit Service, if this is not produced, an overview of the work completed by the Service will not exist and weaknesses in internal controls and potential fraud and irregularities will not be highlighted. There will inevitably be criticism from the External Auditors.

Council Members and Officers have been continually updated and advised on the implications of reviews on 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 in the Annual Governance Statement along with the proposed actions to remedy or improve the position.

d) Policy and Budgetary Considerations

The budget required is explained in the attached report

e) Date for Review of Decision

N/a

Legal Implications

No legal observations

Financial Implications

None identified

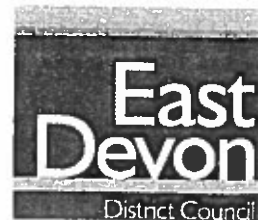
Consultation on Reports to the Executive

None

Background Papers

Tanith Cox - 2687
Internal Audit and Governance

Audit & Governance Committee
25th June 2009



INTERNAL AUDIT & GOVERNANCE

ANNUAL REPORT

2008/09

Prepared by: Tanith Cox
Internal Audit & Governance

June 2009

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Summary

This Annual Report brings together, corporately and service by service, the main issues we have raised in the course of our audit work during 2008/09.

Our programme of work was as set out in the Internal Audit and Corporate Governance Work Plans that were endorsed by the Audit & Governance Committee on 27th March 2008, these were supplemented by a number of unplanned investigations, consultancy projects and other types of audit work.

This Internal Audit Annual Report provides an independent opinion on the adequacy and effectiveness of the Council's **System of Internal Control** including:

- The key controls operating within core financial systems
- Financial management both corporately and within each Service area
- Arrangements for the tendering of contracts
- The controls within the Council's ICT service and infrastructure

In the Internal Audit & Governance Manager's opinion, the above arrangements were adequate and effective during 2008/09 subject to some areas for improvement which have been quickly actioned.

This opinion however, can only be based on the programme of work that was delivered, therefore the assurance given must be considered in this respect.

The Service has suffered from a lack of resources throughout 2008/09, which has meant that the original audit plans for 2008/09 (and 2009/10) were revised to focus on 'high risk' areas only. The significant lack of resources has affected the delivery of the revised audit plan, and it is only now, in June 2009, being finalised.

All the audits summarised in this report have been formally reported to the relevant senior managers, and I would like to thank them for being receptive to our comments and recommendations. We conduct follow up audits where appropriate to check on the progress of implementation.

More information on quality assurance and performance management arrangements for Internal Audit is provided in the main body of the report.

This report is intended particularly for senior management and the Audit Committee, and to provide the External Auditors with summaries of the work on which they may wish to place reliance. It will be available on the Council's website in due course.

The Requirement for Internal Audit

The need for an internal audit function is either explicit or implied in relevant legislation; Section 151 of Local Government Act 1972 and the Accounts and Audit Regulations 2003 incorporating Accounts and Audit (Amendment) (England) Regulations 2006. Both legislative Acts require local authorities to "make arrangements for the proper administration of their financial affairs" and/or "maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper internal audit practices".

Internal auditing at East Devon District Council is performed in accordance with the Code of Practice produced by CIPFA, (Chartered Institute of Public Finance and Accountancy), and the Professional Standards and Code of Ethics of the IIA (Institute of Internal Auditors). In addition, the CIPFA Standards on Computer Auditing and Contract Auditing are also adhered to.

Internal audit work is completed by suitably qualified and professional staff and has been subject to external review by the External Auditors.

Internal Audit Quality Assurance

This consists of an assessment by External Audit of the internal audit work delivered where they give their opinion. Similarly we examined feedback from audit clients (details on page 3).

External Audit Opinion – External Audit have indicated that they are able to place reliance on the work of internal audit. They did however, make some minor recommendations for improvement which have been accepted and will be implemented in the 2009/10 year. These included the requirement to introduce performance indicators and to report these quarterly to the Audit & Governance Committee and the requirement to analyse feedback responses from audit clients and report the 'satisfaction rate' to the Audit & Governance Committee.

Feedback from audit clients - on the completion of every audit, managers are sent a 'Feedback Report'. These Feedback Reports require the client to rate the audit product and the audit experience – and asks for an overall assessment of 'Satisfactory' or 'Not Satisfactory'

Of the 26 audits completed (some Feedback Reports for audits completed in the 2008/09 year have not yet been returned), however, 14 (54%) Feedback Reports were returned with a 'Satisfactory' rating. None were received with a 'Not Satisfactory' rating. A couple of the 'Feedback Reports' contained adverse comment on the quality of contractor staff and we can confirm that the quality of contractors has been variable.

Internal Audit 'Overall Opinion'

In the Internal Audit & Governance Manager's opinion, the arrangements for ensuring the Council's overall system of internal control were adequate and effective during 2008/09 subject to some areas for improvement which have been quickly actioned.

This opinion however, can only be based on the programme of work that was delivered, therefore the assurance given must be considered in this respect.

There remains however, a serious weakness in the council's overall governance framework in respect of its lack of qualified audit staff. This situation has existed for some considerable time and has had an adverse effect on the Council's ability to complete its overall governance work and internal audit plans.

Key Messages

Corporate Governance

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 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, it provides a thorough and detailed representation of the Council's arrangements.

The Corporate Governance Statement(s) are prepared annually by the Audit & Governance Manager.

Partnerships

The Service reviewed the "Safer Devon Partnership" to ensure that all monies due were received and that expenses were in line with the guidance issued by the Devon Safety Partnership. The review gave assurance that adequate internal controls exist to regulate the Partnership and the audit certification / grant claim was signed off accordingly.

¹ Society of Local Authority Chief Executives

We also undertook a review of the management of the LED contract. We concluded that LED are not complying with their contractual obligations and that the Council is not being fully compensated for grounds maintenance work they undertake for LED. This issue appears on the Annual Governance Statement - Action Plan.

We also reported that after reviewing LED's published accounts (2006) it would appear that LED is 'profitable' with a general reserve of approx £600k and net cash inflow from operating activities of approx £700k. We concluded that an opportunity may exist for the Council to reduce the level of financial support made available to LED from 2010.

Corporate Risk Management

In previous years, the corporate risk management function was driven forward by Internal Audit and the Service took a pro-active role in reminding colleagues of the need to update the corporate risk register. However, the lack of resources in internal audit has meant that this review function has slipped and consequently the current arrangements are not adequate.

Part of the solution was to raise the profile of corporate risk management by engaging with council members and selecting a 'Member Risk Champion' to drive a revived risk assessment process forward. The council also took the decision to move away from the process-driven corporate risk register and to use a web-based system (which is already being used to capture PI data). The corporate risk management 'Toolkit' has been subject to review and the corporate risk management process is beginning again in 2009 with renewed vigour.

Data Quality Review

A contractor was brought in to complete a review of the Council's BVPIs² and NIs³ for 2007/08. We found that most were either incorrect or needed remedial action, a few examples of anomalies found were rounding errors, lack of supporting evidence (documentation), and incorrect formula within spreadsheets. These findings meant that Internal Audit were not able to offer substantial assurance to management that all PIs were correct with adequate supporting documentation. Managers reacted positively to our recommendations, which if implemented will improve the position in 2008/09.

This exercise is being repeated this year on the 2008/09 Indicators.

Probity Work

As in previous years, we undertook work designed to detect or minimise the risk of fraud, corruption, or other misdemeanour. Our general anti-fraud and corruption work was also integrated into our systems audits, and we follow the Audit Commission's Anti-Fraud Checklists.

National Fraud Initiative – The Internal Audit service co-ordinate and administer the processes required for the Council to successfully participate in the NFI. This work culminated in an NFI Summary Report to the Audit & Governance Committee identifying the areas of the Council's business which are affected by the NFI and the work undertaken by Council staff. The report gave an indication of potential savings realised by undertaking this work and an opinion on its effectiveness.

Other cases requiring detailed investigations by internal audit were:

- Housing Benefits (arising from the National Fraud Initiative data matching exercise)
- Theft of laptop
- Missing cash relating to car park monies

² Best Value Performance Indicators

³ National Indicators

Where appropriate, we supported disciplinary processes and police investigations, and made recommendations for improvements to controls.

Core Financial Systems

The work of internal audit is relied upon by the external auditor, and our assurances on the adequacy of controls and analytical review of the core financial systems contribute towards the assessment of the Council's Use of Resources.

Overall controls continue to be generally satisfactory in each of the core systems, the budget monitoring process is sound with tight monitoring of spend against budgets.

We have completed audit work on the Council's main accounting arrangements and of its capital accounting processes, we found some areas of weakness, mainly a lack of procedures for capital accounting and the fact that the Fixed Asset Register is held in a number of areas. Although the audit did check a small sample of the Council's Fixed Assets we can offer no assurances that all the council's assets are recorded in the Asset Register.

We also completed work on the Council's treasury management arrangements which looked at the Council's investments and borrowings over the year. An amount of approximately £30M is managed by 'Investec' who operate within agreed parameters however, our review highlighted that the arrangement with this investment management company had existed since 1988 and there had never been a re-tendering exercise, nor has their performance been benchmarked. We can confirm that members are regularly appraised of 'investec's performance, but Management have given their commitment to review this arrangement in 2009.

Other key areas for improvement in the core systems included:

Payroll – we found minor weaknesses such as an out of date authorisation list, we also raised concern over CRB⁴ checking and we understand that a project is now underway to identify all staff and/or volunteers (who work with vulnerable groups) and ensure that they have been subject to a CRB check.

Housing Benefits and Local Taxation – We found that new claims for housing benefits and/or change of circumstances are not being assessed within the national target parameters. We also found some minor weaknesses within Council Tax and NNDR, relating to 'segregation of duties'.

Exchequer Services – We identified the need for a regular reconciliation between the 'write-off' report and the 'credit note raised' report. If a reconciliation is not completed it could result in the Council writing off debt where a potential credit balance is available. Management have agreed to initiate a reconciliation. We carried out a review of a random sample of cost centres and account codes. Analysis revealed that some expenditure is being coded to accounts with no allocated budget. We also identified a lack of segregation of duties in the invoice authorisation process.

Housing Rents – No major weaknesses were revealed apart from a lack of segregation of duties between the officer raising the rental debt and the collection / administration of the debt.

A lack of segregation of duties is found in many areas of the council, indeed in the examples noted above it has existed for some years (and has been raised previously by internal audit). The lack of segregation arises because of the small number of employees within the team. It should be noted that the council has accepted the risks of allowing these weaknesses to continue.

Other 'High Risk' Audit Areas

Refuse Collection and Recycling – We found that the format of financial documents provided by the contractor had not been agreed (at the time of our audit), consequently it had been difficult to verify either SITAs costs or whether once paid, they had been correctly coded to the council's

⁴ Criminal Records Bureau

financial system (Cedar). The follow up audit confirmed that some progress is being made but the Council is still not satisfied with the level of detail provided by SITA.

Customer Service Centre – We identified some minor concerns relating to staff training and its general organisation in terms of staff cover and rotas. We also raised concerns about the achievement of targets (80% of calls answered within 20 seconds). We understand steps have been taken to rectify this.

Housing Services – We do have some concerns over this area of the Council's activity in that the audit highlighted a lack of documentary evidence to support decisions and unauthorised, incomplete and /or missing documents with regard the allocation of Council housing. The audit also highlighted weaknesses in the Anite computerised housing management system in terms of the administration and separation of roles. We understand management have responded positively to our recommendations, however this area continues to be viewed as 'high risk' in terms of expenditure (budgets), and reputational risk and features within the audit plan for 2009/10.

Home Safeguard – We identified that the Supporting People Grant (administered by Devon County Council) listed payment to tenants who had died. We can confirm that repayments were made and the financial adjustments made accordingly. Other weaknesses were found within the Council's sheltered schemes, but these were dealt with promptly by senior managers.

Property Services – this service featured as 'high risk' in the audit plan because of the weaknesses found in previous years (mainly with regards contract administration). We found a much improved system of operation when the audit was completed in 2008/09, however we do have concerns regarding the contract with LED, and the costs incurred carrying out their work programme.

This latter point is expanded in the paragraph above detailing our review of the LED contract (page 4 and also appears as an item on the Annual Governance Statement – Action Plan).

Purchase Cards – We completed a comprehensive review of the administration and use of purchase cards and found several weaknesses including credit limits that had been increased without authorisation, in one case to £10,000 and in another to £5,000. We also found that card numbers and pins were swapped between card users, contrary to the 'Instructions to Card Holders' which had been signed by the cardholder on receipt of their card. The Corporate Director has tightened controls in this area, but it continues to be viewed as high risk and should be subject to regular review.

ICT Services – A contractor was brought in to complete a review of the Council's ICT Services. The review highlighted concerns over the accuracy and quality of data being reported to the Programme Board. It also identified widespread breaches to the Council's Financial Regulations and Contract Standing Orders. We concluded that ICT Services should be subject to a benchmarking exercise in order that the Council can be assured that ICT is delivering Value for Money. The Council reacted positively to our recommendations, however a follow up review to ensure their implementation is advised.

Medium and Lower Risk Audits completed during the year

Other audits concluded this year were:

- Bus Concessions
- Legal Services
- Democratic Services
- Housing Strategy
- Street Scene – Grounds Maintenance
- Financial Assistance Grants
- Arts Development
- Emergency Planning and Business Continuity

- Markets
- Crime and Disorder Partnership

No serious issues were identified.

Other Work completed during 2008-09

In addition to the mainstream audits from the internal audit plan, internal audit completed the following :

- November 2008 Production of the BVPI Report for Audit & Governance Committee members
Telephone Monitoring exercise and subsequent report
- January 2009 Mobile Phone Monitoring exercise and subsequent report
BVPI Response Report for Audit & Governance Committee members

The broader 'Governance' role

In addition to the work outlined above, we contributed to a range of corporate activities, including contributing to the Council's Use of Resources Assessment. The Service also introduced the following policies, strategies and codes during the year.

- March 2008 Updated Corporate Risk Management Policy and Strategy
Updated Corporate Risk Management 'Toolkit'
Audit & Governance Committee – Updated "Statement of Purpose"
- September 2008 Fraud Strategy introducing the Fraud Forum
- November 2008 Local Code of Data Matching
Anti-Money Laundering Policy and Strategy and Money Laundering Report
Forms
Disposal Policy and Strategy

Conclusion

This Annual Report highlights the work completed by the Service and summarises the main areas of concern found during our reviews. The Council is now considering the future provision of the Internal Audit service and it is hoped that this will result in a stable, motivated workforce with the necessary skill and knowledge to complete the internal audit plans.

Agenda Item 8

Audit and Governance Committee

25 June 2009

TC



Corporate Governance Statement

- **Annual Governance Statement (Full Statement)**
- **Annual Governance Statement (Summary)**

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 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, 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.

Recommendations:

Members are asked to agree and adopt the Annual Governance Statement (Full and Summary)

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.

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.

¹ Society of Local Authority Chief Executives

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 budgetary considerations

e) **Date for Review of Decision**

N/a

Legal Implications

No legal implications to report.

Financial Implications

None identified

Consultation on Reports to the Executive

None

Background Papers

- Annual Governance Statements (Full and Summary)

Tanith Cox - 2687
Internal Audit and Governance

Audit & Governance Committee
25 June 2009

FULL ANNUAL GOVERNANCE STATEMENT

For the year 1st April 2008 to 31st March 2009

Scope of Responsibility

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. A summary version of this Statement has been produced and is available on our web site or can be obtained from the Council Offices, Knowle, Sidmouth EX10 8HL.

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 the 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.

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.
- Formed 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.

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.

Each theme encompasses up to eight Key Lines of Enquiry focusing on each aspect of the Council's governance arrangements, including its organisation, aspirations and achievements in each of the theme areas.

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 the Council's stall in this respect.

This Corporate 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.

Review of Effectiveness

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

The review of effectiveness is informed by the work of the Heads of Service within the Council who have responsibility for the development and maintenance of the governance environment, the Internal Auditor's annual report, and also by comments made by the external auditors and 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 part funds and supports the East Devon residents' "Speak Now" panel which has 300 members, for engagement purposes. The Council has also initiated several general surveys of local citizens. Other surveys and Focus Groups include Council Housing Status Surveys, Environmental Health Focus Group, Development Control Agents Forum. The Leaders' 'transformation exercise' (as in previous similar budget reviews) has included independent reviewers. The Council uses a 'social inclusion tool' which promotes equalities between hard to reach groups within our community. The work to bring the Council into line with the Sustainable Communities Act planned for 2009 will also rely on public involvement.
- An effective strategic approach to research and consultation has been demonstrated and the Council has employed an Engagement and Funding Officer who facilitates various consultation groups. The Council also contributes to a multi-agency funded officer who seeks the views of hard to reach groups. The Council funds and liaises with the Devon Race Equality Council.
- Various youth groups throughout the district have been set up including a BMX Inline Skating event. The Council has funded the "Fun in the Sun" youth engagement project and funded the "Scene and Heard" youth panel. Details of research and consultation have been published on the Council's website. The Council takes part in the national 11 Million Day annually and invites 10-11 year olds into its offices to engage with members and officers.
- Shared learning can be demonstrated across services via monthly strategic management team meetings. The 'news and views' sessions for managers have a section on shared learning. Externally, shared learning can be evidenced by our work with our partners, in particular with the Local Strategic Partnership and joint work resolving issues in Honiton and Axminster.
- 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, some good examples of this are the work we have done dealing with gypsies and the consultation process surrounding discussions and decision making. The Council has also funded an information and analysis officer working within the Housing and Social Inclusion Service. The Council has adopted a Participatory Budgeting approach to spending most Section 106 monies which involves community events.
- The Council attempts to promote participation in debate and decision-making and Council meetings are open to the public, and members of the public can now be more

involved in the determination of planning applications. A new initiative to allow public speaking at committee and council meetings has been enthusiastically supported.

- In an attempt to engage all Councillors, the Council arranges for parish, town and district Councillors to meet twice yearly to encourage debate and joined-up decision making.
- Partnerships are important to the Council and demonstrate a willingness to engage with other sectors of the business community including the third sector. The Local Strategic Partnership comprises representatives from the County Council, Primary Care Trust, the Police, voluntary sector, Enterprise Agency and Devon Association of Parish Councils and Chamber of Commerce. The Council also participates in the Crime and Disorder Partnership
- The Council has mapped its partnerships and has arranged a top-down review of its partnerships to ensure adequate and effective corporate governance arrangements exist within each one. The Council has a partnership policy and a partnership framework.
- Partnerships feature within the Council's Financial Regulations including procedures for working with the third sector.
- We have been pro-active in seeking partners across key sectors of the community, examples include the regeneration schemes for Seaton, Exmouth and the West End, AONB, Housing Repairs, County-wide Home Improvement Agency and Devon Youth Association. 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 has taken steps to adequately monitor and review its partnerships and has engaged with outside review bodies to ensure continuous improvement in governance and outcomes.
- Equal access for all is encouraged throughout the Council's service areas, a range of access channels are available including housing benefit surgeries at locations where there is a proven need.
- The CSC (Customer Service Centre) has been implemented for just over two years and is constantly adding value to the service provided to the customer. As services have been migrated into the call centre the customer service advisor has become multi-skilled with training provided to answer any call presented to them on a 'one and done' basis.
- Constant telephone monitoring and coaching allows the Council to evaluate the call and provide feedback to the customer service advisors to enhance skills further which results in providing a better service to customers.
- A Customer Relationship Management system; 'Lagan', has been implemented as part of the Customer Service Centre. This is proving to be an effective method of dealing with many of the general customer enquires to the Council and also provides many one-stop-services at first point of contact.
- The Lagan system is linked to a powerful reporting tool; Business Objects, which enables any data stored within the Lagan system to be used for information. The use

of Business Objects as the Council's standard tool for reporting is being spread across the Council. This will start with a review of the production of Performance Indicators in 2009.

- The Council is continuing to develop its on-line facilities and provide a modern, useful and easily accessible website. All Council agenda and minutes are available for public inspection as are top-level policies, plans and strategies.
- The ICT Strategy was created with the assistance of an ICT Taff (Task and Finish Forum), which also reviewed the investment made by the Council in e-government to date and found it to be cost effective. The ICT Strategy was produced at the same time as the Corporate Strategy with the intention of cross integration between the two. The ICT Strategy also links into key policies, council strategies and service plans.
- While the e-government programme was in place the Council had e-Champions and a dedicated committee – the committee was wound up once the deadlines for e-government were met.
- The Council has now fully embraced the IT-Government agenda and is actively transforming its services to best meet customer needs. The "Vanguard, lean systems thinking" is being spread across the Council. Where ICT requirements emerge from this review, projects will be put into place to deliver what is needed.
- ICT resources have been applied to meet the Council's strategies, as identified in the latest ICT Service Plan (2009-2012). These plans are very likely to be modified as a result of the Leaders' 'transformation exercise' being carried out during the summer of 2009. Project resources are allocated as each project is approved by the IT Programme Board. Transformation is being actively carried out by teams lead by a corporate director.
- Reduction in the duplication of data and the ability to have common data sources across the Council is a key driver of systems design and integration.
- Councillors and staff have access to technology to enable them to communicate by email and to access council systems via the network. There are protocols governing misuse of the council's computer systems and an Information Security Policy has been rolled out with both officers and council members signing up to it.
- When new systems are required or improvements become necessary to existing systems, a business case is prepared that sets out the reasons for the change and the cost/benefits of making the change. All system procurements or system changes are carried out using the Prince2 project management tool. Post implementation reviews are part of the process. Each procurement or major change involving IT is monitored by the IT Programme Board.
- The Council now has a modern ICT infrastructure as a result of the e-government initiatives and includes a virtual server array and a storage area network. One of the last steps being completed is the change from Novell to Microsoft. Other changes are being considered, especially to keep pace with the changes in method of communication.
- The council has procedures in place to properly consider and evaluate alternative providers. However, ongoing contracts, especially high spending ones such as telecoms, are reviewed at contract renewal times or earlier as the market dictates.

- 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.
- 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 and the regional bodies, SWRDA, GoSW, The Assembly, the Housing Corporation, Natural England and the Environment Agency and Highways Agency. The Council's Leader is chairperson 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 growth area to the East of Exeter. 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.
- The Council supports the East Devon Business Forum, providing secretarial and officer support, as a vehicle for assessing and responding to the economic needs of the District. We fund business support through collaboration with Business Link and Business Information Point, West Devon. We are a partner (and the Council's Leader is Chairman) of the Exeter and Heart of Devon Economic Partnership which is established to assess and respond to the economic needs of the four component district council areas and the sub region.
- 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 has a wide range of policies ranging from equality and diversity to home energy and conservation which help address the district's broader social, economic and environmental issues. The Council is actively working on producing a practical sustainability impact review and is taking steps to capture information relating to its carbon footprint. Individual service plans reflect the priorities contained within the corporate strategy but are dedicated to providing sustainable or improved service quality and value for money.
- The Council has a Communications Strategy (revised in April 2008) and a Communications Officer who ensures the scope and standards within the Strategy are adhered to. The Council has a Communications and Consultation Support Officer to assist with press releases and media statements and community engagement activities.
- Communication skills training is available for Councillors and members of staff and the Council has a Learning and Development Brochure which gives details of the wide range of training opportunities available to members of staff. All documents are written in plain language and the Council offers 'Plain English' training to those responsible for producing documents that may be read by members of the public.
- 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.

- The Constitution and the Corporate Business Plan communicates the Council's structures and processes, and both are published on the Council's website. Internal and external directories are available, including the Councillors' Year Book; Residents' Service Guide and the Council Tax booklet which is also on the internet.
- A Communications Task and Finish Forum (TAFF) has considered the Council's communications function, monitored its progress and produced an 'action plan' to ensure improvements were made with the Council's communications

Theme 2 – STRUCTURES AND PROCESSES

- The Council can demonstrate that its corporate and service planning processes are comprehensive and consistent by the following examples; The Council's performance management framework consists of the Corporate Strategy, Service Plans, performance indicators and individual Performance Excellence Reviews. These are monitored on a regular basis by the Executive Board, Scrutiny Committee and managers. The service planning cycle encompasses our key strategies, eg the Corporate Strategy and the Corporate Business Plan. A timetable exists for preparing plans for service delivery and financial management up to 2012. Specific standards for service plans are enforced by the adoption of a 'service plan template' and 'guidance notes'. Responsibilities for ensuring standards are applied and that they comply with the timetable rests with officers within the Council's Communications and Improvement Team.
- Quarterly monitoring and review of Performance Indicators and Service Plan actions have kept them in focus by staff and Council Members. The Scrutiny Committee examines poorly performing performance indicators. The first services to be subjected to the "Vanguard, lean systems thinking" reviews were selected on the basis of poor performance.
- Cross-departmental planning can be evidenced by the plans drawn up between directorates and by both strategic management and corporate management. Cross-departmental working is encouraged by the formation of project groups, examples of these are the Equality Standard Steering Groups, Task and Finish forums and Think Tanks, all of which involve officers at all levels and Councillors. Some project groups also include stakeholder participants such as the Housing Review Board and the Community Engagement Group. The Council's staff newsletter 'Team Brief' contains articles relating to cross-department working to encourage shared learning.
- Procurement, taking into account partnerships and working with the third sector are included within the Procurement Strategy, and financial instructions relating to partnerships feature widely in the Council's Financial Operating Procedures.
- All Council plans, policies and strategies contain revision dates, the Council has a 'policy register', available to staff on the intranet, the policy register allows access to either the full document or provides a summary version for quick review.
- The Council is meeting its duties for improvement under the Local Government Act and has published information in the Council Tax Booklet and the Corporate Business Plan the latter of which is on the Council's website. Service improvements are monitored via Service Plan monitoring reports and associated action plans.
- The Council can evidence that it takes account of user data by reference to its Community Engagement Policy and service plans, it has also convened a Community Engagement Group to help develop council priorities.

- The Council uses a Consultation Calendar which helps to ensure all relevant documentation; such as reports, policies or strategies are available widely for consultation. The Council's research reports provide an understanding of the needs of different and diverse communities (recently conducted the 'Place Survey') and the Council has adopted an Equality and Diversity Policy.
- The services provided by the Council attempt to reflect the needs of citizens and meet their expectations; the Council has published service information such as leaflets and website 'information pages', and will produce documents in 'Braille' and 'large print' upon request. The Council offers many services directly to citizens in the form of 'home visits' applicable to residents and business premises visits to check health and safety and environmental compliance. The Council also provides a home safeguard facility for its elderly residents. This latter service has recently undertaken a thorough review of its 'disaster recovery' arrangements to ensure the continued well-being of our Home Safeguard users.
- Services are flexible and can be adjusted to accommodate changes in needs or legislation, Service plans ensure flexibility and/or that changes are made and that these changes are monitored.
- The Council has an Organisational Development and Workforce Strategy and many associated strategies and/or policies designed to support and enable the Council's Corporate Strategy. All have been ratified by the Council. There are also high-level 'managers' guides' outlining procedures for dealing with staffing issues.
- Legislative changes are picked up through professional journals, electronic updates, course attendance and alerts from the Institute of Personnel Managers. When legislation requires policy changes or new legislation, policies are drafted and agreed with the Staff Joint Forum and SMT and ratified by the Council. Recent new policies include changes to staffing policies such as Absence Management Policy, Flexible Working Policy, Discipline and Grievance Policy. Some legal changes are dealt with by updates in internal council processes.
- The Council monitors disability, gender and ethnicity of its workforce and attempts to monitor this information regarding applicants. However, this is not robust as people do not always provide this information. We are moving towards on-line Application Forms and these fields will become mandatory which will assist our monitoring.
- When advertising our situations vacant the Council uses the 'Disability' symbol to encourage applications from disabled people.
- The Council has robust procedures relating to capability, sickness and absenteeism, discipline and grievance. All are embodied in the Disciplinary Policy, Grievance Policy, Absence Management Policy, Acceptable Behaviour Policy, Dealing with Unsatisfactory Performance Policy and the Code of Conduct for Employees. There is also a 'Managers' Guide' dealing with discipline and grievances.
- Sickness data is captured on Return to Work forms and/or doctor's sickness certificates. On a regular basis, payroll staff compare sickness records against the Council's Interflex system (time recording system) to verify data. All sickness data is recorded in the Council's payroll system and is monitored monthly. A detailed report regarding sickness absence is provided to the Strategic Management Team on an annual basis.

- Staff turnover is monitored and a report is made available to both strategic management team and the Executive Board on a quarterly basis. Trends are summarised annually in the People Data Report which is made available to the strategic management team.
- A staff survey was carried out in 2008. Staff morale and satisfaction was also explored through the March 2009 Investor in People assessment which was very positive and led to successful retention of the IIP status.
- Health and safety guidance and training are provided as the Council has employed an Health & Safety Officer who runs various courses and refresher courses and implements appropriate health and safety policies. The legal service has an input in raising awareness on major changes, such as corporate manslaughter.
- The Council has robust personnel procedures relating to recruitment, staff pay records, secondment and contractors. All are embodied in the Employees Handbook, Policy on Local Government Pension and the Job Evaluation Policy. There is also a 'Managers' Guide' dealing with recruitment. There have been no referrals to industrial tribunal from EDDC staff.
- The Council takes steps to match staffing to current and planned needs and has an up to date Workforce Development Strategy. The Council also has a process for succession planning. The Council takes a broad approach to learning and development and has implemented a process of Performance Excellence Reviews which concentrate on both performance and areas for development. 'Back to the floor' sessions are encouraged for Directors, Heads of Service and Middle Managers as it is recognised that this helps managers stay in touch.
- The Council participated in the 'Best Councils to Work For' survey in 2007 and 2008. This survey is conducted by Best Companies, an independent and authoritative research company that specialises in Workplace Engagement and is sponsored by The Times and the IDeA. The results of the survey in 2008 led to a corporate improvement plan and service action plans
- "Happy, Healthy, Here" (Stress) Audits are conducted across the Council using the Health and Safety Executive model. Action plans are developed with the managers and teams to tackle any issues arising. The organisational development team monitor these action plans to ensure that actions are implemented.
- The Learning and Development Manager keeps records of staff that have taken up training / coaching / shadowing and/or secondment opportunities. The Council evaluates its training programmes by utilising a specific Training Evaluation form required to be completed by course attendees. These forms are monitored to ensure training needs are met and expectations satisfied.
- The Council has rigorous procedures for monitoring personnel strategies and all are reviewed on an annual or bi-annual basis. The review process is monitored by the Communications and Improvement Team who ensure reviews are completed. Any action plans arising from or emanating from the above policies are monitored either by individual directors or the Council's Strategic Management Team (SMT).
- 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.

- The Council keeps its organisational and officer structures under review, having last been reviewed in 2007 a further review is scheduled for 2009. Improvements have taken place with the allocation to the Council of a BS accreditation and a Customer Excellence Award. The Council also secured a 'Good' CPA score.
- 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.
- Councillors are supported by the Monitoring Officer and her deputy and know that they can readily seek advice from them and from the Democratic Services team on Code of Conduct matters.
- The Council uses internal and external audit and other inspection agencies to support scrutiny activity; this is reported through the Audit and Governance Committee. The Overview/Scrutiny Committees (including Housing Review Board) pro-actively support the Council's strategic objectives and this can be evidenced by the annual reports considered at the annual meeting of the Council.
- The Council's Asset Management Forum is made up of senior officers and council members and has developed the Asset Management Strategy. This document contains the council's Corporate Property Asset Management Plan 2009/12. The Asset Management Plan seeks to ensure that council assets are used in the most effective way to support the delivery of the corporate strategy. It also provides an overview of the Council's property portfolio and provides an illustration of how the property assets owned by the Council support its corporate priorities.
- Consultants have been instructed to carry out a review of the Council's main administrative centre at the Knowle and to suggest possible alternative locations. This study is linked to the 'Accommodation Review' where services have been asked to consider their present and future accommodation requirements which will feed into the Asset Management Plan.
- This process will provide an assessment of the use, suitability, condition, and occupation of council property supporting each of the council's services, and will form the basis of an Accommodation Strategy and will project future trends. The Accommodation Strategy will highlight future funding and workforce development plans which will need to be taken account of when considering our future property requirements.
- The council has commended a property review which will challenge asset ownership through an assessment of efficiency, effectiveness and affordability.
- Responsibilities have been assigned for maintaining the Council's non-housing assets to the Property Services team. This team also maintains the Council's Planned Maintenance System. The team carries out a rolling programme of surveys on Council property to ensure all assets are in reasonable condition and responds to essential works and maintenance where necessary.

Theme 3 – RISK MANAGEMENT AND INTERNAL CONTROL

- A strategic approach to the Council's performance monitoring and management is in place, adequate resources are available for its delivery and lead responsibility has been assigned to a corporate director, who actively monitors the performance management framework and ensures that the performance of services is reported regularly to the Council's Executive Board.
- Performance monitoring and management covers key areas of the Council's activity. Significant documents contributing to the process are the corporate strategy, service plans, performance indicators and performance excellence reviews. These documents demonstrate the link from the highest priorities of the Council, through its service plans to individual staff performance reviews. The Corporate Strategy is monitored quarterly, service plans and performance indicators are monitored quarterly, with additional scrutiny of poorly performing PIs.
- The Council has a bespoke computer system designed to provide PI information, this system is administered by the Council's Communications and Improvements Team. There is a timetable for preparing plans for service delivery and financial management up to 2012.
- Staff are fully engaged in the performance management process; service planning days are designed around operational plans, teams and individuals have an opportunity to contribute on several levels. Staff awareness seminars and specific corporate and middle management meetings are held regularly to inform all levels of staff of the Council's performance and to engage them in any corrective action that may be necessary.
- The Council has made its performance information available to a range of different stakeholders from members of the public to individual staff members. Performance monitoring reports are presented to members and are available on the Council's website. The Corporate Strategy and other key documents are also on the Council's website.
- The Council has a staff appraisal scheme in the format of 'Performance Excellence Reviews'. These reviews allow managers and staff to monitor individual objectives and to highlight any training needs. The performance excellence reviews have been universally applied throughout the Council, compliance is monitored by the human resources team. The targets for staff are linked to service plans, and clearly show the link to the Council's priorities and to its corporate strategy.
- The performance excellence reviews are followed up in regular one-to-one meeting where progress is monitored against individual targets. Good performance is celebrated and the Council has introduced Bouquets in its Team Brief and a Staff Recognition Scheme. Poor performance is dealt with during one-to-one meetings and if necessary through the Council's disciplinary procedures.
- The Council has procedures in place to monitor feedback from consultation and complaints and has a Complaints Officer who with directorate complaints officers, deals promptly and efficiently with complaints received from the public, These are monitored and any lessons learned disseminated to staff during corporate and/or middle management team meetings. The Audit and Governance Committee also receives a quarterly report of any complaints that involve a failure in the Council's policies and procedures. The Local Government Ombudsman's Annual Report on the Council is considered by the Executive Board.

- 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 2009.
- 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.
- All financial policies are available to staff on the intranet, but in addition to this, the financial regulations, financial operating procedures and contract standing orders have been communicated to staff via dedicated training sessions within each directorate of the Council.
- Following their revision in 2007, the Council's financial regulations and financial operating procedures contain information relating to partnerships and contracting with the third sector.
- The Section 151 officer approves all financial policies, strategies and plans and is a member of the Strategic Management Team.
- The Council has established a systematic strategy, framework and process for managing risk however the corporate risk register is no longer being regularly reviewed. This is the subject of an officer/member working group chaired by the Risk Management Champion, the terms of reference of which are to procure a new corporate risk register and revive the corporate risk management process. This will be rolled out during 2009.
- Nevertheless, the corporate risk management process is still fairly well embedded within the Council; routine decisions placed before committees include a risk assessment, and corporate initiatives such as the Council's recycling arrangements and its regeneration schemes at Seaton and Exmouth have all been informed by risk assessments.
- 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.
- Changes to the live ICT infrastructure are formally managed through an ITIL-based change management process which is continually evolving to optimise control.
- The Council has robust procedures in place for project management and utilises the Prince2 project management methodology. Each project follows the basic PRINCE2 processes and include a Project Initiation Document (PID) and risk assessment. Most Project Managers have been trained to Practitioner level and may run several projects concurrently.
- Selection of external project managers follows the normal staff selection procedure, Project managers from third party suppliers always work alongside the Council's staff.
- To ensure that Equality and Diversity is taken into account within projects an appropriate section has been introduced into the PID.

- Progress and outcomes are reviewed during and after the project and can be demonstrated by reviewing the IT Programme Board minutes and post implementation reviews of major IT systems. Plans are in place to disseminate all project information more widely via the intranet
- 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.
- The Monthly Monitoring Reports take into account any budget revisions and identify and monitor budgetary risks. An annual report is made in January / February outlining any new budget proposals to the Executive Board and then approved through Council.
- Budget holders are given reports of their budgets on a monthly basis together with written instructions of year end processes and budget preparation. Financial Regulations contain additional information. The Council presents its Revenue and Capital Out-turn Report to the Executive Board annually in June.
- In addition to monthly monitoring the Council identifies over and under-spends at year end and these are contained within the Capital and Revenue Out-turn Report.
- Key Councillors have received training on interpreting the Council's Statement of Accounts. The Council's financial regulations and associated procedures also attempt to clarify and explain the budgetary and financial arrangements of the Council. Lower level procedures have been written to further explain the Council's financial processes.
- The Capital and Revenue Out-turn Report and the Council's Statement of Accounts are reviewed by external audit and the year-end position is broadly in line with their expectations. The Council produces annual statements to statutory deadlines and has received no adverse comment from the audit commission.
- Information reported to the public and other stakeholders is accessible via the website. The Council publishes summary financial information in the Council Tax booklet distributed to all households in the district. It also produces a summarised version of its Statement of Accounts.
- In producing the 2009/10 budget the Council engaged constructively with Councillors to agree the budget setting process.
- The current Medium Term Financial Strategy (MTFS) forms part of the Financial Strategy. The MTFS covers the period 2009/10 to 2013/14 and identifies for each year the cost of providing services compared with the resources available. The Financial Strategy sets out in detail the assumptions and estimates involved in producing the MTFP and outlines the actions the Council needs to take in order to meet its objective of setting a balanced budget whilst delivering its services and achieving its priorities.
- The MTFS links with the Corporate Strategy and the Corporate Business Plan and contains a summary of the Council's 'General Fund' position, together with various models of capital expenditure. Milestones and resource needs have been identified within the MTFP.

- The Financial Strategy should ensure that finances are used in the most appropriate way in terms of funding activities. For example it questions whether the Investment Strategy is still appropriate, it considers options for leasing or buying equipment, and the use of the Prudential Code to borrow for capital purposes,
- The Council attempts to make realistic assumptions about service demand, inflation and efficiency savings, modelled at corporate and individual service levels and uses the previous years' budget (in this case the 2008/09 budget), to reflect the current cost of services. This budget is taken as a base indicator of spend. Additions or reductions are applied to reflect any 'one off' items included in 2008/09 budget or any supplementary estimates agreed by the Council since the original budget was approved in respect of any forecast variances identified through budget monitoring.
- Each year the Council strives to achieve efficiency savings to provide the current level of service at less cost, or an improved level of service at current cost. For example, this may include better, or more appropriate use of IT.
- The Corporate Business Plan, which incorporates the Council's Financial Strategy links with other key strategies of the Council including its Service Plans (2007/08 to 2009/10), the Asset Management Plan, Treasury Management and the Capital Strategy.

Theme 4 – STANDARDS OF CONDUCT

- The Executive Board and Overview and Scrutiny arrangements have evolved to ensure Councillors and senior officers are aware of their leadership responsibilities. The Council's Constitution contains a clear remit on the role of the leader and the chief executive in setting the culture and direction both for staff and the wider community. The Council has taken steps to distinguish appropriately between the roles of Councillors and officers.
- The Council can demonstrate that its leadership of the Council, the community and partnerships are shared between the executive and other Councillors and Council inspections have endorsed this (CPA inspection reports and the Annual Audit letter from the Audit Commission for example).
- The Council has a partnership policy. The expertise of non-Executive councillors has been harnessed through the development of the role of Member Champion, which is set out in the Council's Constitution. These councillors work in specific areas such as Procurement, Risk Management and Culture, and make annual reports to Council, and in developing these areas further.
- 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.
- The leadership demonstrates that it can take difficult decisions and an example is the transformation of services using the "Vanguard, lean systems thinking" methodology. The leadership remains focused on strategy and the Council's priorities and receives reports of progress on the outcomes and measures within the Council's Corporate Strategy.

- The Sustainable Community Plan, Customer Access Strategy and Service Plans demonstrate that the Council's vision acknowledges both community priorities and the Council's corporate priorities.
- The Council's Staff Joint Forum provides challenge where appropriate. Unison is the Council's recognised trade union association.
- Council leadership is open to self-criticism, challenge and review and takes seriously any recommendations made for improvement in audit and inspection letters, CPA inspection reports and action plans or peer reviews. The results of a recent Place Survey suggested that many of the Council services are performing well although confirmation is awaited with the delayed publication of the results for all councils in England. Investment in consultancy support to help refocus services and the organisation on the customer during 2008/09 shows an openness to challenge and change.
- Managerial leadership is demonstrated by the wide array of policies, procedures and strategies in use within the Council, including Codes of Conduct for both Councillors and staff and a Code of Corporate Governance.
- The SMT works collaboratively and attends both corporate management team and middle manager forums to give direction to staff. The Council publishes its 'Team Brief' and arranges staff awareness sessions delivered by the Council's Chief Executive. The atmosphere for staff is open and supportive, various initiatives are in place including staff suggestion and staff recognition schemes.
- 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 has provided a range of training opportunities for staff including sessions on equal opportunity and diversity. There is also a functional 'Equality Group' This Group is the Council's forum for discussion and progression of equalities issues corporately. There are representatives from each service area and Councillors. The Group is currently making progress towards the Local Authority Equalities Standard Level 2.
- The Council has three separate directorates, two facilitate front-line services and the other provides support and corporate direction. There is evidence of joined up working between directorates including collaboration between financial services' (revenues and housing benefits) with planning and housing functions. The Council's CSC also demonstrates collaborative working. The legal team works on a range of corporate projects, including delivering planning gain and affordable housing, transferring council assets, and in supporting a range of enforcement functions including noise nuisance, anti-social behaviour and licensing.
- In the main, the seven priorities in the new Corporate Strategy developed though the 'Vision 2011' during summer 2007 were a more refined and focused expression of the priorities that the Council was previously working to. There were, however, three priorities on which Members had expressed the wish to see clear improvement and which led to the reallocation of the Corporate Directors' responsibilities in November

2007 to make sure that greater progress was made than had previously proved to be the case. The changes in the Directors' responsibilities had a significant impact on the three priorities during 2008/09:

- The Deputy Chief Executive (and former Corporate Director – Central Services) was freed up to drive a step change in providing 'excellent service for our customers', notably through Systems Thinking reviews.
- The non-strategic planning responsibilities of the former Corporate Director – Environment meant that he was better able to champion the 'recycling' priority.
- The former Corporate Director – Environment was joined by the Planning Policy, Property and Economic Development and New Growth Point Delivery teams to support him to ensure delivery of the Council's aspirations for a 'thriving economy'
- The Council's Corporate Strategy demonstrates a strategic approach to its principles and aspirations for its own culture and values and this has been communicated to staff. There are 'End of Year' Reports for both the Corporate Overview Committee and the Scrutiny Committee which are considered by the full Council meeting at its first meeting in each new civic year.
- 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 Council can demonstrate that arrangements exist for sanctions and redress with regards Councillor conduct. Two new Standards sub-committees have been set up to deal with local hearings and reviews, and has dealt with several local investigations. The Standards Committee specifically deals with Councillor conduct and will consider any complaints brought against any Councillor or other issues brought to the attention of the Committee by the Monitoring Officer. The Committee will determine whether there has been any breach of the Code of Conduct, the Council's Standing Orders or Financial Regulations. The Committee will resolve what further action should be taken (if any) including deciding any training for or sanction on the Councillor concerned and may decide that a Councillor be removed from a committee or suspended for a period of time. The Council put in place an increased number of independent members on a voluntary 'good practice' basis, well before the law required it.
- The Standards Committee and Monitoring Officer have mechanisms in place for referral and joint working with an informal agreement with Mid-Devon and Exeter that enable each to undertake investigations if current workloads are heavy. If these officers are unavailable, the Council may approach an ex Monitoring Officer working locally in the private sector. There is also a good link with the Audit and Governance

Committee and attendees will be invited to a Standards Committee later in the year when the Council reviews its ethical governance issues.

- Training is mandatory for Councillors and consists of training on their Code of Conduct and on the planning, audit and governance, licensing and standards committees. The Democratic Services Manager takes responsibility for Councillor training and follows up non-attendance. For example, in the last year the Standards Committee has received training on Local Assessment and a refresher on conducting hearings. Training arrangements are made for those councillors who join regulatory committees mid-term.
- The Council website demonstrates the Council's openness and transparency in that access is available to committee agendas, minutes and reports together with a wide array of other documentation including plans, strategies and policies. Public speaking has been introduced at all council committees. Councillors and parish Councils are kept regularly updated on Code of Conduct requirements and Standards Board guidance through the Democratic Services' weekly publication the Knowledge. The Council has both a Data Protection Policy and a Freedom of Information Policy and a Regulation of Investigatory Powers policy.
- Ethical principles have been acknowledged in working practices and every report to committee contains a requirement for a legal and financial comment from an expert in that field. A new committee template is being introduced which flags up consideration of a wider range of ethical issues, including promoting diversity duties.
- 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. This is the responsibility of individual Councillors, since officers cannot know what their individual interests are. This is also part of the election process, and details of how to register interests was sent out for the May 2007 elections. Councillors elected mid-term, or co-opted members are also subject to the code of Conduct and register of interest requirements.
- The Council has robust procedures covering the use of Council resources for Councillors, these are contained within the Members' Yearbook which also contains information on members' allowances and travel expenses, together with guidance on the Code of Conduct and I.T. equipment. There is an ICT Equipment and Services for Members policy and an Information Security policy
- The Council's procurement policy has been reviewed, but further updating will ensure that it contains advice for contractors with regards ethics. Ethics for contractors are also contained within the Financial Regulations, Financial Operating Procedures and Contract Standing Orders. The Council is undertaking a separate exercise to ensure the Council's significant partnerships have adequate corporate governance arrangements including ethics and values and that these are regularly monitored. There is a Contract Tendering policy and a Code of Data Matching and an Anti-Money Laundering Policy.

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
- Information Security Policy and affiliated ICT Policies to protect Council data
- Partnership Policies
- Communication and Consultation Strategies for engaging with stakeholders
- Planning – Code of Guidance

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:

25 th June 2008	Leader of the Council
25 th June 2008	Chief Executive

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.
Disaster Recovery Plans and Business Continuity Planning is not adequate to protect the Council or its assets.	<p>The first IT service continuity test was carried out successfully in 2007. An additional set up and test has been carried out for Home Safeguard and was successful. The ICT infrastructure has changed significantly as a result of the new Microsoft infrastructure and the IT Service Continuity process has now reverted to tape back-up and recovery.</p> <p>The back up and recovery process will be improved to enable a better window of operation for live services and a DR test conducted of the new processes in 2009.</p>	CP
The Council's Corporate Risk Management System is not up to date and does not adequately identify and manage corporate risk.	The Corporate Risk Management Member group will drive this forward including a new corporate risk management system, training for Heads of Service and an updated Corporate Risk Management Policy Strategy and Toolkit.	DP
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 to consider the long-term provision of an internal audit service.	DP
There is a need to review Health and Safety compliance throughout Street Scene services.	<p>Review Health and Safety compliance and include in service objectives for this year and in PERs..</p> <p>These duties were part of the Performance Officer post (now deleted) existing staff need to find the capacity to move this forward at the expense of other works.</p>	MR

Area for Improvement	Suggested Action	Officer Resp.
<p>Failure to develop 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>The post of Principal Engineer is currently on hold pending the outcome of local government review and service transformation.</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 a work will need to be prioritised with some work areas not being carried out.</p>	KH
<p>LED Budgets – Planned Maintenance budgets affected by the shortfall in revenue received from LED (mismatch identified between work undertaken and amount of money received from LED – problem compounded as figures have been entered into the signed contract). Continuing to provide a service to LED will mean other maintenance work will remain outstanding.</p>	<p>Asset Management Forum will be reporting to the Asset Management Group to resolve some of the contractual issues on maintenance for LED .</p>	KH/DB

SUMMARY ANNUAL GOVERNANCE STATEMENT

For the year 1st April 2008 to 31st March 2009

Scope of Responsibility

This Summary Statement describes the process of maintaining and reviewing the effectiveness of the council's governance arrangements and provides a brief insight of the results of the review. The full version of this Statement (using the corporate governance Key Lines of Enquiry) has been produced and will be available on our web site or can be obtained from the Council Offices, Knowle, Sidmouth EX10 8HL.

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 the 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.

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.

Review of Effectiveness

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

- Established the 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.
- Formed 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 and these are monitored by the Audit and Governance Committee.

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 Audit and Governance Committee has advised the council of the implications of the review of governance arrangements and an action plan to address weaknesses and ensure continuous improvement of its arrangements is in place.

The action plan is appended to both the Summary Statement and the Full Statement.

Signatures:

25th June 2008

Leader of the Council

25th June 2008

Chief Executive

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>Disaster Recovery Plans and Business Continuity Planning is not adequate to protect the Council or its assets.</p>	<p>The first IT service continuity test was carried out successfully in 2007. An additional set up and test has been carried out for Home Safeguard and was successful. The ICT infrastructure has changed significantly as a result of the new Microsoft infrastructure and the IT Service Continuity process has now reverted to tape back-up and recovery.</p> <p>The back up and recovery process will be improved to enable a better window of operation for live services and a DR test conducted of the new processes in 2009.</p>	<p>CP</p> <p>CP</p>
<p>The Council's Corporate Risk Management System is not up to date and does not adequately identify and manage corporate risk.</p>	<p>The Corporate Risk Management Member group will drive this forward including a new corporate risk management system, training for Heads of Service and an updated Corporate Risk Management Policy Strategy and Toolkit.</p>	<p>DP</p>
<p>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</p>	<p>The Council to consider the long-term provision of an internal audit service.</p>	<p>DP</p>

Area for Improvement	Suggested Action	Officer Resp.
<p>There is a need to review Health and Safety compliance throughout Street Scene services.</p>	<p>Review Health and Safety compliance and include in service objectives for this year and in PERs..</p> <p>These duties were part of the Performance Officer post (now deleted) existing staff need to find the capacity to move this forward at the expense of other works.</p>	MR
<p>Failure to develop 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>The post of Principal Engineer is currently on hold pending the outcome of local government review and service transformation.</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 a work will need to be prioritised with some work areas not being carried out.</p>	KH
<p>LED Budgets – Planned Maintenance budgets affected by the shortfall in revenue received from LED (mismatch identified between work undertaken and amount of money received from LED – problem compounded as figures have been entered into the signed contract). Continuing to provide a service to LED will mean other maintenance work will remain outstanding.</p>	<p>Asset Management Forum will be reporting to the Asset Management Group to resolve some of the contractual issues on maintenance for LED .</p>	KH/DB



Grant Thornton

East Devon District Council

Interim Report

External Audit 2008-09

June 2009

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Appendices

- A Action plan**
- B Follow up of 2007-08 recommendations**

1 Executive summary

Introduction

This report summarises the findings from our interim audit, carried out in accordance with the requirements set out in our 2008-09 Audit Plan. As part of this work we have considered:

- the extent to which we can place reliance on the work of Internal Audit;
- the adequacy of the controls over information technology;
- the adequacy of controls over the financial reporting process and arrangements for year-end closedown and preparation of the annual accounts; and
- the key systems in place at the Council and the adequacy of the key controls in operation.

Our work, at this stage, has principally been focussed on our accounts audit responsibilities, under the Code of Audit Practice. In addition, we have reviewed the adequacy of budgetary control arrangements, risk management, governance and counter fraud arrangements as part of our Use of Resources work. This work will inform our assessment of the risk of misstatement in the accounts and there may be further issues which we will need to bring to your attention when we have completed our audit of the financial statements.

Key messages for the Council

The overall arrangements in place for the delivery of the Internal Audit programme are considered to be meeting minimum standards, although there are a number of significant opportunities for improvement which have been identified. The findings and recommendations from our review are set out in Section 2.

Our information systems specialist performed a high level review of the general IT control environment, as part of the overall review of the internal control system, and concluded that, from the work undertaken to date, there are no material weaknesses which could adversely impact on the council's financial statements. We identified some areas for improvement which are set out in Section 3.

No material weaknesses have been identified through our review of the key financial systems. There are a number of recommendations to enhance the existing processes, set out in Section 4.

The arrangements for closedown and financial reporting are considered to be adequate for the Council to meet their statutory requirements regarding financial reporting. We have identified one area for improvement which is set out in Section 5.

We have followed up the action plans arising from our 2007-08 interim and final accounts audits and have attached this for completeness at Appendix B. Some progress has been

made against a number of our previous recommendations but a significant number remain which have not been implemented or will be implemented as part of accounts preparation process, and we shall complete our review of the outstanding areas as part of the final accounts audit.

Use of this report

This report is part of a continuing dialogue between the Council and us and is not, therefore, intended to cover every matter, which came to our attention. Our procedures are designed to support our audit opinion and they cannot be expected to identify all weaknesses or inefficiencies in the Council's systems and work practices.

The report is not intended for use by third parties and we do not accept responsibility for any reliance that third parties may place on it.

The way forward

We have discussed our findings with officers, including the Corporate Director, Head of Finance and the Internal Audit and Governance Manager, and agreed the actions required to implement the recommendations, which are set out at Appendix A. We have summarised the recommendations arising from our previous audit reviews, where action remains outstanding, in Appendix B.

We will complete our remaining work as part of the audit of the final accounts and our Use of Resources assessment and discuss any issues arising with management. These will then be summarised in our ISA 260 report.

Acknowledgements

We would like to take this opportunity to thank the officers who have been involved in our interim audit for their assistance and co-operation.

2 Review of Internal Audit function

We review Internal Audit's overall arrangements against the CIPFA Standards for Internal Audit in detail every three years to ensure that they are adequate to produce robust and reliable work. We undertook a full review in 2007-08. In accordance with CIPFA standards such a comprehensive review is only required every three years unless there is an indication that a more frequent review is required. We have performed a comprehensive refresh of our review in 2008-09 considering the recommendations we made last year and the issues raised by the Task and Finish Forum and the Audit and Governance Committee. Due to the planned change in arrangements for 2009-10 a further full review will be undertaken again next year.

Where the arrangements are deemed to be adequate, we can gain assurance from the overall work undertaken by Internal Audit and can conclude that, the service in itself, is contributing positively to the internal control environment and overall governance arrangements within the Council.

In addition, where Internal Audit have completed specific work and detailed testing on an area that we have determined as representing an accounts risk to the Council's financial statements, we will review this work in detail to establish whether we can place reliance upon the testing they have undertaken and the conclusions reached. Where we seek to place reliance on specific areas, we undertake re-performance work to ensure that we would have drawn the same conclusions from the testing undertaken and resultant findings. This approach ensures that we maximise the assurance gained from Internal Audit's work in addressing the risk factors we have identified from our overall review of the financial statements and minimises duplication of audit work.

Findings and recommendations

We have concluded that overall Internal Audit arrangements for the delivery of the Internal Audit programme meet the minimum standards, and are sufficient for us to gain assurance over the work that they have completed on the internal control environment at the Council.

We have, however, identified some areas where existing arrangements could be significantly improved to ensure full compliance with the CIPFA Standards for Internal Audit. These findings are set out below.

Internal Audit strategy

Internal Audit currently produce a five year strategy and an Internal Audit Charter. These two documents include the majority of the requirements set out by the CIPFA standards for an Internal Audit strategy. However, there are gaps in the information which should be included in order for Internal Audit to be fully compliant with the CIPFA standards.

Recommendation 1

The Internal Audit Charter/Strategy should be updated to include the following:

- explicitly state the role of Internal Audit in the investigation of fraud;
- set out the extent to which Internal Audit can undertake additional consultancy work; and
- make specific reference to how the Head of Internal Audit will form and evidence their overall opinion on the control environment for the Annual Governance Statement.

Scope

The Internal Audit service have formal arrangements in place to develop the scope of audit reviews and to annually revise the scope of the review in advance of the audit field work, through discussion with Heads of Service. From our discussions with officers relating to ad hoc extraordinary audits, we have found that this process does not always have the effect of ensuring that the scope is tailored to the needs of the Council. Whilst the audit scope is not expected to include the detail of work to be performed, it should set out the focus of each element of work.

There are arrangements in place to formally obtain feedback from managers at the end of each audit on the quality of service which Internal Audit provided, whether it met the needs of the relevant department and whether the review added value. Where areas for improvement in performance are identified discussions take place between the Head of Internal Audit and the relevant Head of Service. We believe this process could be further enhanced by collating the feedback and reporting this to the Audit and Governance Committee, as part of the quarterly monitoring reports.

Recommendation 2

Internal Audit should ensure that the full scope and focus of audit work is agreed with appropriate officers, including ad hoc reviews, prior to commencement of the detailed field work.

Recommendation 3

Internal Audit should ensure that feedback is obtained from management for all completed audit reviews and act on the feedback received, to ensure that they are continuing to meet the needs of the Council. The results of the feedback should be reported to the Audit and Governance Committee.

Reporting

The 'Reporting Policy to SMT' sets out the reporting arrangements between Internal Audit and the Senior Management Team. The key principles within this document, such as the timescales for issuing the final report and the closedown timetable, should also be included within the audit planning memorandum sent to the relevant manager prior to individual audit reviews commencing. This would ensure that the information is clearly communicated to the individuals involved in the audit. The timescales for issuing the draft report should also be identified.

Recommendation 4

The reporting processes used by Internal Audit could be improved by documenting within the planning memorandum details of close down meetings, an indicative date for issue of a draft report, the expectation for management responses and when the final report will be issued.

Audit documentation

We undertook a detailed review of two Internal Audit files to ensure they fully complied with the CIPFA Internal Audit standards. Our review has identified a number of areas where quality assurance could be improved:

- On one of the files, we assessed a sample of five of the 40 tests for compliance with the CIPFA standards on documentation and audit evidence. We found there was no evidence on the file to support the conclusions reached for one of the tests. On another of the five tests, the work that was carried out was on control account reconciliations, however it had been referred to as suspense accounts throughout the testing. Therefore the conclusion reached was misleading. In order for us to be able to place reliance on the work of Internal Audit, the testing needs to be fully documented and conclusions supported by sufficient, appropriate evidence.
- We assessed the extent to which prior year recommendations had been followed up. On one of the files reviewed, there was a clear audit trail between the recommendations and how they had been resolved. On the second file, while the prior year recommendations were attached to the file, the audit trailing linking how the recommendations had been followed up was not complete. This process should be clearly documented to ensure that all prior year risks are considered and followed up by Internal Audit.
- Internal Audit use their audit manual to determine sample sizes for the majority of testing. We found sample sizes were documented on the file, however there is no documented justification for the size of the sample used. Justification should be provided on each test for the sample size used. If there is a standard sample size in accordance with the audit manual, this should be stated and that no reasons identified to deviate from this size. If alternative sample size used, justification should be documented.
- Our compliance reviews identified that some control findings which were identified as part of the testing, had not been carried forward to the report conclusions. Where issues are identified as part of the testing, Internal Audit should document on the audit file, why the issue has not been carried forward to the conclusion to ensure that all relevant issues are reported on.
- Our review of two completed IA files, identified that walkthrough testing is not performed. While walkthroughs may not be appropriate for systems based reviews such as Customer Services, walkthroughs should be performed on key systems financial system to confirm understanding of the process and the controls.

We have reviewed all the Internal Audit reports taken to the Audit and Governance Committee during the 2008-09 financial year which had been issued at the time of our on site work. The majority of reports conclude on the level of assurance which has been

obtained. However, there were a few reports, carried out by contractors, where the overall level of assurance was not set out in the report. While this was later reported to the Audit and Governance Committee as part of the monitoring report, it is of benefit if this is also included within the conclusion of the report issued to officers to summarise the findings of the review.

Recommendation 5

Internal Audit should ensure that:

- sufficient, appropriate audit evidence is documented on audit files to support conclusions reached;
- the follow up of prior year recommendations is clearly evidenced and documented on the file;
- all control findings identified are fed through to the report; and
- the rationale and basis for sample sizes is fully documented on all audit files.

Recommendation 6

Internal Audit should ensure that all reports include a conclusion on the level of assurance obtained.

Recommendation 7

Internal Audit should perform walkthrough tests annually to support systems documentation. These walkthrough tests should be documented with evidence relating to the financial year under review, to demonstrate that the auditor's understanding of the Council's systems is accurate.

Quality assurance

The CIPFA Internal Audit standards require that, in addition to the review of audit work carried out, Internal Audit should have arrangements in place to carry to ensure that internal quality reviews are undertaken periodically to ensure compliance with the Code and Internal Audit Manual. Our detailed assessment of two of the Internal Audit reviews, has identified that while the normal review process is in place and documented, there are no arrangements for a sample of files to be reviewed under the quality control arrangements, to ensure compliance with the audit manual, as required by the CIPFA Internal Audit standards. Given the small size of the Internal Audit function at the Council, practical ways to apply this will need to be considered.

Recommendation 8

Internal Audit should carry out a quality control review on a sample of reviews, outside of the normal review process, to demonstrate compliance with the audit manual.

Performance measures

A requirement of the CIPFA Internal Audit Standards is that a performance management and quality assurance framework must include:

- a comprehensive set of performance measures developed in consultation with appropriate parties;
- an action plan to implement improvements; and
- the Head of Internal Audit should report the results of the performance management in the annual audit report.

We raised a recommendation to introduce performance measures in our 2007-08 interim report. This recommendation has not yet been implemented.

Reporting against agreed performance measures with an action plan to address service improvements will give the Audit and Governance Committee a structured method to monitor the performance and progress of the Internal Audit service. It should ensure that resources invested by the Audit and Governance Task and Finish Forum provide value by demonstrating effective outcomes.

The Audit and Governance Task and Finish Forum have undertaken a review of the Internal Audit service. The minutes to these meetings, outline the action points raised. These action points should be formalised into an action plan, with agreed timescales and responsible individuals to ensure that improvements to the Internal Audit service are implemented and monitored.

Recommendation 9

Internal Audit should introduce a comprehensive set of performance measures and report against these measures at agreed periodic intervals to the Audit and Governance Committee. The performance measures should be approved through the Audit and Governance Committee.

Recommendation 10

Internal Audit should produce an action plan to implement improvements to the service, with timescales for completion. This should include the recommendations made by the Audit and Governance TAFF.

Annual report

The CIPFA Internal Audit Standards require that in addition to the interim reporting by Internal Audit to the Audit and Governance Committee, Internal Audit should also produce an annual report. This should summarise the work carried out during the year and provide an overall opinion on the control environment to support the Annual Governance Statement, as well as disclosing a number of other elements.

Internal Audit currently produce monitoring reports that compare the work planned against the actual work delivered as well as a Corporate Governance Assurance Statement Action Plan which covers the issues which are relevant in preparation of the Annual Governance Statement. These monitoring reports also update the Audit and Governance Committee on issues coming out of Internal Audit reviews as they are identified.

Whilst the final monitoring report, which covers the full financial year, includes some of the required information, it does not cover aspects such as the overall opinion on the control environment and compliance with the CIPFA Internal Audit standards.

Recommendation 11

Internal Audit should publish an annual report to supplement the information within the final monitoring report, to include:

- an overall opinion on the organisation's internal control environment;
- a summary of the audit work undertaken and a comparison against the audit plan;
- a summary of any issues that are relevant to the preparation of the Governance Statement;
- a comment on compliance with the CIPFA Internal Audit standards; and
- the performance of Internal Audit against the agreed performance measures.

Provision of the Internal Audit service

The Audit and Governance Committee have been addressing the short term resource issues relating to the Internal Audit service. We are also aware of, and have been involved in, the discussions around the longer term delivery of the Internal Audit service.

Recommendation 12

The Council should consider the longer term provision of the Internal Audit service and how it can provide suitable assurance together with any additional advisory or value for money services.

3 Review of Information Technology controls

Our information systems specialist has performed a high level review of the general IT control environments as part of the overall review of the internal control system.

The Council makes extensive use of information technology (IT) to process financial transactions and to produce their financial statements, the principal finance system is Cedar e-financials. This is an off-the-shelf purchased package which is supported by two finance system administrators. Key interfaces into Cedar include payroll data from the Trent system and council tax data from the Academy system.

The IT Department is well structured and organised, providing good change management and segregation of duties. Internal Audit have recently reviewed this area and their findings have been discussed and action to improve arrangements agreed. In particular, we note the report, dated Autumn 2008, includes a recommendation to improve the process for removing staff that are leaving the Council from their email accounts. Our review would re-enforce this and the Internal Audit action plan, dated February 2009, states that the IT Department are in discussion with Human Resources (HR) to mitigate this risk.

The Council have also been working towards the Government Code of Connection, meaning that security of the network in general has been significantly increased over the past few months. In particular, we would re-enforce the requirement for the Council to increase its monitoring of security vulnerabilities in line with Government guidelines.

We have completed our review and concluded that there were no material weaknesses within the IT arrangements that are likely to adversely impact our audit of the accounts. We have identified the following areas where arrangements could be strengthened further.

Findings and recommendations

Lockout

At present the network locks out a user out when they have incorrectly entered a username and /or password five times. The user is then locked out of the network for 30 minutes before being able to try again. Industry best practice, set out in ISO 27001, identifies that there should be a permanent lock out after three unsuccessful attempts at access. The risk is that an attacker could try five times, wait 30 minutes and try again continuously without monitoring, thereby increasing the risk of unauthorised access being gained.

Recommendation 13

The number of access attempts to the network, before lockout is enabled, should be reduced to three attempts and lockout should be permanent to facilitate declining procedures by IT.

Intrusion detection system (IDS)

There is currently no IDS in place. An IDS is software that operates on the network and is designed to alert IT if any data traffic is detected as moving outside pre-defined settings. This movement could indicate a potential breach of security. By having an IDS, IT are better able to protect the network by responding immediately. Without this, there is a risk that the Council maybe unaware of an attacker attempting to gain unauthorised access and not be in a position to take prompt action.

Recommendation 14

The Council should consider implementing an Intrusion Detection System.

4 Review of key financial systems

We review all the key financial systems to assess whether there are any major controls weaknesses that could affect the level of testing required at our final accounts audit. We rely on the work undertaken by Internal Audit, where appropriate to do so and have reviewed the following key financial systems:

- main accounting system;
- non-payroll expenditure;
- payroll;
- income;
- cash and treasury management
- fixed assets;
- council tax;
- housing benefit;
- NNDR; and
- housing rents.

We have concluded that key controls are in place for the systems that we have reviewed and we have not identified any issues that would impact on our risk assessment for the Council. The following findings have been identified as areas for improvement.

Findings and recommendations

Clearance of suspense accounts

Suspense accounts should be cleared on a regular basis to ensure that all income and expenditure is allocated to the appropriate budget or balance sheet code. If suspense accounts are left un-cleared, the Council is unable to monitor its budget accurately and effectively.

In our 2007-08 ISA260 report, we recommended that the Council should clear suspense accounts on a regular basis and we recognise that the Council has made significant progress in clearing these accounts. However, at the time of our interim work the cashiers account had not been cleared. While there was evidence that this account had been reviewed, the un-reconciled balance on this account was £13,279.39.

Recommendation 15

The Council should continue to ensure that all suspense accounts are cleared on a timely basis.

Bank account and control account reconciliations

Monthly reconciliations are performed between the main financial systems and the various subsystems in operation. Monthly reconciliations are also performed between the financial

system and the council's bank accounts. The reconciliation process is in place to ensure the accuracy of the accounting records.

From our review of key controls, we have identified that there is no documented evidence that the following reconciliations are reviewed by an individual other than the person who prepares the reconciliation:

- bank reconciliations;
- debtors;
- creditors;
- NNDR; and
- council tax.

In addition, our review of control account reconciliations between the main financial system and the NNDR and council tax systems, identified that reconciling items are identified but that they are not investigated. Many reconciling items in one month will be resolved in the next month due to timing issues, such as delayed payments, although other amounts may not be resolved and have to be reconciled at the year end. By identifying and reviewing these items during the year, resource pressures could be reduced at the year end during closedown and any related issues or risks would be raised in a timely manner.

Recommendation 16

All control account and bank account reconciliations should be reviewed by an individual other than the preparer, to ensure accuracy, and this review should be evidenced. All reconciling items should be investigated and followed up to ensure that outstanding issues are resolved in a timely manner.

Income

Formal write off procedures are available to all staff on the council's intranet. The write off procedures currently available, make reference to the outgoing Financial Services Manager, by name, as an individual with the authority to authorise write offs. These procedures should be updated to reflect the new arrangements.

As part of our review of the controls around write off procedures we identified an example of an invoice where a credit note had been issued when it should have been a write off as the service had already been provided. If credit notes are issued rather than writing off the income, the true financial position of the council is distorted as income and expenditure are both understated.

Recommendation 17

Write off procedures should be updated to take account in changes in staff, to ensure only appropriate staff are able to authorise write offs.

Recommendation 18

We recommended that staff are informed, or procedures should be put in place, to ensure staff are aware of the difference between issuing a credit note and writing off an amount so that they are used appropriately. This is to ensure income and expenditure is not misstated.

Fixed assets

In our 2007-08 ISA260 report we recommended that the asset register should be updated on a quarterly basis. Due to problems encountered during the 2008-09 financial year in rolling forward the asset register, the process of updating the register regularly has not taken place. As a result, in year transactions, including additions, disposals and depreciation have only been performed at the year end.

Recommendation 19

In-year transactions, including additions, disposals and depreciation, should be performed at regular intervals, at least quarterly, to keep the asset register up to date.

Housing rents

There should be segregation of duties between collection and recording of payments. Our testing identified that the four individuals in the housing rents team are able to amend the housing rents system, such as the rent amount, transfer amounts between accounts and process refunds, as well as to take payments over the phone. While the risk is reduced because the payments are not in cash, there is an increased risk of misappropriation and fraudulent activities.

Recommendation 20

The Council should review the ability of housing rents officers to amend data within the housing rents system and to be able to receive payments.

5 Review of financial reporting controls and closedown procedures

We have reviewed the controls in place to ensure that information generated and communicated from the various activities of the Council come together to deliver reliable financial reporting. Financial reporting processes include journal entries, applying appropriate accounting principles and mapping general ledger accounts to the financial statement.

In addition, we have reviewed the annual accounts closedown schedule, the guidance issued to departments and have discussed our requirements for working papers to support the audit with officers.

We have had regular discussions with the finance team and other key officers on relevant accounting issues during the year. These include:

- treatment of the bike and car loan schemes,
- the format of the existing budget monitoring arrangements and how it can be improved, and
- preparation for the IFRS conversion, including accounting for holiday pay accruals.

We will continue to liaise closely with the finance team whilst the financial statements are prepared.

We have identified a number of areas where improvements can be made, to the current arrangements. These have been detailed below.

Findings and recommendations

Journals

We recommended, in our 2007-08 ISA260 report that the Council should ensure journals are authorised, where appropriate, introducing input thresholds and authorisation limits.

As part of our audit work, we tested a sample of 30 journals with values between £74 and £26,879,000, and found that there was no authorisation of any of the journals. Our testing also identified that there are no input thresholds within the finance system.

We also assess whether journals have sufficient documented evidence to support them. Our testing identified that the evidence kept to support journal transactions varies significantly between different members of the finance team.

The movement of income and expenditure and balance sheet items by journal transfer needs to be adequately controlled if the accounting system is to be relied upon to produce financial statements that are free from material mis-statement.

We will undertake detailed testing on a sample of journals posted onto the finance system as part of the year-end processes as year end movements as part of our final accounts audit, to obtain necessary assurance that the finance data is accurate.

Recommendation 21

The Council should ensure that journals:

- are authorised, where appropriate, introducing input thresholds and authorisation limits; and
- have adequate supporting documentation to maintain a full and clear audit trail.

Closedown arrangements

After the Financial Services Manager (FSM) left the Council in September 2008 an interim appointment was made on a fixed term basis until January 2009. The post was vacant until the role was filled by a temporary member of staff, in May 2009, who will contribute to the accounts preparation. The FSM has, in prior years, been the lead contact for the audit of the accounts.

While the vacancy has been filled for the accounts preparation process, the position was vacant in the lead up to year end and in the initial stages of the closedown process. There is a risk for the audit that there will be a lack of accountability and responsibility taken for aspects of the final accounts, which will need to be managed. In addition the temporary member of staff will not be available during the accounts audit, which may impact on this process.

A Action plan

No	Recommendation	Priority	Management Response	Responsible Officer & Timescale
1	<p>Internal Audit - strategy</p> <p>The Internal Audit Charter/Strategy should be updated to include the following:</p> <ul style="list-style-type: none"> • explicitly state the role of Internal Audit in the investigation of fraud; • set out the extent to which Internal Audit can undertake additional consultancy work; and • make specific reference to how the Head of Internal Audit will form and evidence their overall opinion on the control environment for the Annual Governance Statement. 	Medium	Agreed.	Internal Audit and Governance Manager September 2009
2	<p>Internal Audit - scope and focus</p> <p>Internal Audit should ensure that the full scope and focus of audit work is agreed with appropriate officers, including ad hoc reviews, prior to commencement of the detailed field work.</p>	Medium	Already implemented.	Internal Audit and Governance Manager

No	Recommendation	Priority	Management Response	Responsible Officer & Timescale
3	<p>Internal Audit - feedback</p> <p>Internal Audit should ensure that feedback is obtained from management for all completed audit reviews and act on the feedback received, to ensure that they are continuing to meet the needs of the Council. The results of the feedback should be reported to the Audit and Governance Committee.</p>	Low	Already implemented.	Internal Audit and Governance Manager
4	<p>Internal Audit - reporting</p> <p>The reporting processes used by Internal Audit could be improved by documenting within the planning memorandum details of close down meetings, an indicative date for issue of a draft report, the expectation for management responses and when the final report will be issued.</p>	Low	Already implemented.	Internal Audit and Governance Manager
5	<p>Internal Audit - audit documentation</p> <p>Internal Audit should ensure that:</p> <ul style="list-style-type: none"> • sufficient, appropriate audit evidence is documented on audit files to support conclusions reached; • the follow up of prior year recommendations is clearly evidenced and documented on the file; • all control findings identified are fed through to the report; and • the rationale and basis for sample sizes is fully documented on all audit files. 	High	Agreed.	Internal Audit and Governance Manager September 2009

No	Recommendation	Priority	Management Response	Responsible Officer & Timescale
6	<p>Internal Audit - level of assurance Internal Audit should ensure that all reports include a conclusion on the level of assurance obtained.</p>	Medium	Already implemented.	Internal Audit and Governance Manager
7	<p>Internal Audit - walkthroughs Internal Audit should perform walkthrough tests annually to support systems documentation. These walkthrough tests should be documented with evidence relating to the financial year under review, to demonstrate that the auditor's understanding of the Council's systems is accurate.</p>	Medium	Agreed.	Internal Audit and Governance Manager September 2009
8	<p>Internal Audit - quality assurance Internal Audit should carry out a quality control review on a sample of reviews, outside of the normal review process, to demonstrate compliance with the audit manual.</p>	Medium	Agreed.	Internal Audit and Governance Manager September 2009
9	<p>Internal Audit - performance metrics Internal Audit should introduce a comprehensive set of performance measures and report against these measures at agreed periodic intervals to the Audit and Governance Committee. The performance measures should be approved through the Audit and Governance Committee.</p>	High	Agreed.	Internal Audit and Governance Manager September 2009

No	Recommendation	Priority	Management Response	Responsible Officer & Timescale
10	<p>Internal Audit - action plan from TAFF</p> <p>Internal Audit should produce an action plan to implement improvements to the service, with timescales for completion. This should include the recommendations made by the Audit and Governance TAFF.</p>	High	Agreed.	Internal Audit and Governance Manager September 2009
11	<p>Internal Audit - annual report</p> <p>Internal Audit should publish an annual report to supplement the information within the final monitoring report, to include:</p> <ul style="list-style-type: none"> • an overall opinion on the organisation's internal control environment; • a summary of the audit work undertaken and a comparison against the audit plan; • a summary of any issues that are relevant to the preparation of the Governance Statement; • a comment on compliance with the CIPFA Internal Audit standards; and • the performance of Internal Audit against the agreed performance measures. 	High	Already implemented.	Internal Audit and Governance Manager

No	Recommendation	Priority	Management Response	Responsible Officer & Timescale
12	<p>Internal Audit - long term provision of service The Council should consider the longer term provision of the Internal Audit service and how it can provide suitable assurance together with any additional advisory or value for money services.</p>	High	Already implemented.	Internal Audit and Governance Manager Subject to Audit and Governance Committee approval on 25 June 2009
13	<p>Information Technology - lockout The number of access attempts to the network, before lockout is enabled, should be reduced to three attempts and lockout should be permanent to facilitate declining procedures by IT.</p>	Low	Agreed.	Head of ICT December 2009
14	<p>Information Technology - Intrusion Detection Scheme (IDS) The Council should consider implementing an Intrusion Detection System.</p>	Low	Agreed to investigate in line with the Government guidelines.	Head of ICT December 2009
15	<p>Clearance of suspense accounts The Council should continue to ensure that all suspense accounts are cleared on a timely basis.</p>	Medium	Agreed and being done.	Head of Finance

No	Recommendation	Priority	Management Response	Responsible Officer & Timescale
16	<p>Control and bank account reconciliations</p> <p>All control account and bank account reconciliations should be reviewed by an individual other than the preparer, to ensure accuracy, and this review should be evidenced. All reconciling items should be investigated and followed up to ensure that outstanding issues are resolved in a timely manner.</p>	Medium	Agreed and being done.	Head of Finance
17	<p>Income - write off</p> <p>Write off procedures should be updated to take account in changes in staff, to ensure only appropriate staff are able to authorise write offs.</p>	Low	Agreed.	Head of Finance 30 September 2009
18	<p>Income - write off / credit notes</p> <p>We recommended that staff are informed, or procedures should be put in place, to ensure staff are aware of the difference between issuing a credit note and writing off an amount so that they are used appropriately. This is to ensure income and expenditure is not misstated.</p>	Low	Agreed.	Head of Finance 30 September 2009
19	<p>Fixed asset records</p> <p>In-year transactions, including additions, disposals and depreciation, should be performed at regular intervals, at least quarterly, to keep the asset register up to date.</p>	Medium	Agreed.	Head of Finance 30 September 2009

No	Recommendation	Priority	Management Response	Responsible Officer & Timescale
20	<p>Housing rents The Council should review the ability of housing rents officers to amend data within the housing rents system and to be able to receive payments.</p>	Medium	This needs to be considered further as we do not want to jeopardise efficiencies of working.	Head of Housing and Social Inclusion 28 August 2009
21	<p>Journals - authorisation and supporting documentation The Council should ensure that journals:</p> <ul style="list-style-type: none"> • are authorised, where appropriate, introducing input thresholds and authorisation limits; and • have adequate supporting documentation to maintain a full and clear audit trail. 	Medium	<p>Agree that Journal to be authorised after the event but do not intend to introduce authorisation limits. Staff will be reminded of the need to provide good supporting documentation.</p>	Head of Finance 31 July 2009

B Follow up of 2007-08 recommendations

Recommendation	Follow Up	Further Action Required
<p>Internal Audit - charter The Internal Audit Charter should be updated to include the role of the Internal Audit service in investigating potential fraud cases</p>	<p>Recommendation has not yet been implemented. Further recommendation made in this report.</p>	<p>Implementation will be reviewed in 2009-10.</p>
<p>Internal Audit - annual report Internal Audit should publish an annual report to include the following:</p> <ul style="list-style-type: none"> • an opinion on the overall adequacy and effectiveness of the organisation's internal control environment and any qualifications to that opinion; • a summary of any issues that are relevant to the preparation of the Governance Statement; • a comparison of performance against plan; • a comparison of performance of the function against its performance measures; and • a comment on compliance with the CIPFA Internal Audit Standards. 	<p>Recommendation has not yet been implemented. Further recommendation made in this report.</p>	<p>Implementation will be reviewed as part of the final accounts audit.</p>

Recommendation	Follow Up	Further Action Required
<p>Internal Audit - performance measures We recommend that Internal Audit should introduce a set of performance measures, and report achievement against these measures, at the end of the year to the Audit and Governance Committee. Internal Audit should also publish an action plan to demonstrate what actions are being taken to improve the service provided, with timescales for completion</p>	<p>Recommendation has not yet been implemented. Further recommendation made in this report.</p>	<p>Implementation will be reviewed in 2009-10.</p>
<p>Private sector renewals grant Amend the accounts to correctly disclose these transactions and improve arrangements to ensure that grant income is clearly linked to the assets it has been used to purchase.</p>	<p>To be followed up as part of the final accounts audit work.</p>	<p>Implementation will be reviewed as part of the final accounts audit.</p>
<p>Asset registers The Council should record all assets on a single asset register which will improve asset management and financial reporting.</p>	<p>The single asset register is still a work in progress. The plant and equipment are in the process of being put onto the single asset register. Housing assets will have to be left for a year due to the practicalities of getting the relevant information required for the central asset register.</p>	<p>Implementation will be reviewed in 2009-10.</p>

Recommendation	Follow Up	Further Action Required
<p>Maintenance of the asset registers The Council should update its asset register on a regular, at least quarterly, basis.</p>	<p>The asset register has not been updated during the year. Further recommendation made in this report.</p>	<p>Implementation will be reviewed in 2009-10.</p>
<p>Valuation report and certificate The Council should ensure a valuation report and certificate is prepared at the time of any (re) valuation of assets.</p>	<p>Certificates and formal reports are planned to be obtained. Not yet known whether this will be a full valuation or a table top exercise. This requirement will be communicated to the valuers when the valuation is booked. The requirement for separate land values from buildings will be built into the request to get valuations. To be followed up as part of the final accounts audit work.</p>	<p>Implementation will be reviewed as part of the final accounts audit.</p>
<p>Review of internal valuations The Council should formally consider adopting best practice and have internal valuations reviewed by an external chartered surveyor, on a sample basis. Appropriate procedures should be put in place to ensure that information added to the fixed asset register is reviewed for accuracy.</p>	<p>No external review of internal revaluations is planned. The internal revaluations input at year end. To be followed up as part of the final accounts audit work to ensure a review process is applied.</p>	<p>Implementation will be reviewed as part of the final accounts audit.</p>

Recommendation	Follow Up	Further Action Required
<p>Treasury management policy</p> <p>The Council should update its treasury management policy to reflect restrictions in place on its investments, such as the maximum amount held with one institution, or the maximum length of investment.</p>	<p>The treasury management policy has not been updated.</p>	<p>Implementation will be reviewed as part of the final accounts audit.</p>
<p>Calculation of provision for bad debts</p> <p>The Council should ensure that their provision for bad debts is calculated in accordance with the requirements for accounting for financial instruments.</p> <p>Aging analysis should be made available for all debtors.</p>	<p>Aged debt analysis is now available for housing benefits.</p> <p>Aged debt analysis still not available for housing rents.</p>	<p>Aged debt analysis should be made available for housing rent debtors.</p> <p>Implementation will be reviewed as part of the final accounts audit.</p>
<p>Bank reconciliation</p> <p>The Council should review its bank reconciliation process, to ensure that:</p> <ul style="list-style-type: none"> • cash in transit is identified as 'cash in bank'; and • only cash items are included within the reconciliation. 	<p>To be followed up as part of the final accounts audit work.</p>	<p>Implementation will be reviewed as part of the final accounts audit.</p>
<p>Review of un-presented cheques</p> <p>The Council should continue to ensure that un-presented cheques are reviewed, and that all cheques older than six months are cancelled and re-issued, as appropriate.</p>	<p>The Council has implemented procedures to review un-presented cheques as they expire. Progress has been made against the backlog of un-presented cheques.</p>	<p>Implementation will be reviewed as part of the final accounts audit.</p>

Recommendation	Follow Up	Further Action Required
<p>Journal authorisation The Council should ensure journals are authorised, where appropriate, introducing input thresholds and authorisation limits.</p>	<p>Journal authorisation has not been implemented. There are no input thresholds or authorisation limits.</p>	<p>Implementation will be reviewed as part of the final accounts audit and in 2009-10.</p>
<p>Review of suspense accounts The Council should ensure that all cash receipts are allocated to income codes on a regular basis.</p>	<p>Progress has been made in clearing suspense accounts during the year. However after the initial process of clearing the accounts, suspense accounts have not been cleared down on a regular basis. Further recommendation made in this report.</p>	<p>Policy on clearance of suspense accounts should be introduced. Implementation will be reviewed as part of the final accounts audit and in 2009-10.</p>
<p>Working papers The Council should ensure that accurate and complete working papers are prepared to support all figures in the financial statements and associated notes, meeting the requirements set out in our arrangements letter.</p>	<p>To be followed up as part of the final accounts audit work.</p>	<p>Implementation will be reviewed as part of the final accounts audit.</p>
<p>Soft loans The Council should ensure their soft loans are correctly accounted in accordance with FRS 26 & 29.</p>	<p>To be followed up as part of the final accounts audit work.</p>	<p>Implementation will be reviewed as part of the final accounts audit.</p>



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FULL ANNUAL GOVERNANCE STATEMENT

For the year 1st April 2008 to 31st March 2009

Scope of Responsibility

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. A summary version of this Statement has been produced and is available on our web site or can be obtained from the Council Offices, Knowle, Sidmouth EX10 8HL.

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 the 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.

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.
- Formed 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.

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.

Each theme encompasses up to eight Key Lines of Enquiry focusing on each aspect of the Council's governance arrangements, including its organisation, aspirations and achievements in each of the theme areas.

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 the Council's stall in this respect.

This Corporate 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.

Review of Effectiveness

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

The review of effectiveness is informed by the work of the Heads of Service within the Council who have responsibility for the development and maintenance of the governance environment, the Internal Auditor's annual report, and also by comments made by the external auditors and 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 part funds and supports the East Devon residents' "Speak Now" panel which has 300 members, for engagement purposes. The Council has also initiated several general surveys of local citizens. Other surveys and Focus Groups include Council Housing Status Surveys, Environmental Health Focus Group, Development Control Agents Forum. The Leaders' 'transformation exercise' (as in previous similar budget reviews) has included independent reviewers. The Council uses a 'social inclusion tool' which promotes equalities between hard to reach groups within our community. The work to bring the Council into line with the Sustainable Communities Act planned for 2009 will also rely on public involvement.
- An effective strategic approach to research and consultation has been demonstrated and the Council has employed an Engagement and Funding Officer who facilitates various consultation groups. The Council also contributes to a multi-agency funded officer who seeks the views of hard to reach groups. The Council funds and liaises with the Devon Race Equality Council
- Various youth groups throughout the district have been set up including a BMX Inline Skating event. The Council has funded the "Fun in the Sun" youth engagement project and funded the "Scene and Heard" youth panel. Details of research and consultation have been published on the Council's website. The Council takes part in the national 11 Million Day annually and invites 10-11 year olds into its offices to engage with members and officers.
- Shared learning can be demonstrated across services via monthly strategic management team meetings. The 'news and views' sessions for managers have a section on shared learning. Externally, shared learning can be evidenced by our work with our partners, in particular with the Local Strategic Partnership and joint work resolving issues in Honiton and Axminster.
- 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, some good examples of this are the work we have done dealing with gypsies and the consultation process surrounding discussions and decision making. The Council has also funded an information and analysis officer working within the Housing and Social Inclusion Service. The Council has adopted a Participatory Budgeting approach to spending most Section 106 monies which involves community events.
- The Council attempts to promote participation in debate and decision-making and Council meetings are open to the public, and members of the public can now be more

involved in the determination of planning applications. A new initiative to allow public speaking at committee and council meetings has been enthusiastically supported.

- In an attempt to engage all Councillors, the Council arranges for parish, town and district Councillors to meet twice yearly to encourage debate and joined-up decision making.
- Partnerships are important to the Council and demonstrate a willingness to engage with other sectors of the business community including the third sector. The Local Strategic Partnership comprises representatives from the County Council, Primary Care Trust, the Police, voluntary sector, Enterprise Agency and Devon Association of Parish Councils and Chamber of Commerce. The Council also participates in the Crime and Disorder Partnership
- The Council has mapped its partnerships and has arranged a top-down review of its partnerships to ensure adequate and effective corporate governance arrangements exist within each one. The Council has a partnership policy and a partnership framework.
- Partnerships feature within the Council's Financial Regulations including procedures for working with the voluntary sector.
- We have been pro-active in seeking partners across key sectors of the community, examples include the regeneration schemes for Seaton, Exmouth and the West End, AONB, Housing Repairs, County-wide Home Improvement Agency and Devon Youth Association. 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 has taken steps to adequately monitor and review its partnerships and has engaged with outside review bodies to ensure continuous improvement in governance and outcomes.
- Equal access for all is encouraged throughout the Council's service areas, a range of access channels are available including housing benefit surgeries at locations where there is a proven need.
- The CSC (Customer Service Centre) has been implemented for just over two years and is constantly adding value to the service provided to the customer. As services have been migrated into the call centre the customer service advisor has become multi-skilled with training provided to answer any call presented to them on a 'one and done' basis.
- Constant telephone monitoring and coaching allows the Council to evaluate the call and provide feedback to the customer service advisors to enhance skills further which results in providing a better service to customers.
- A Customer Relationship Management system; 'Lagan', has been implemented as part of the Customer Service Centre. This is proving to be an effective method of dealing with many of the general customer enquires to the Council and also provides many one-stop-services at first point of contact.
- The Lagan system is linked to a powerful reporting tool; Business Objects, which enables any data stored within the Lagan system to be used for information. The use

of Business Objects as the Council's standard tool for reporting is being spread across the Council. This will start with a review of the production of Performance Indicators in 2009.

- The Council is continuing to develop its on-line facilities and provide a modern, useful and easily accessible website. All Council agenda and minutes are available for public inspection as are top-level policies, plans and strategies.
- The ICT Strategy was created with the assistance of an ICT Taff (Task and Finish Forum), which also reviewed the investment made by the Council in e-government to date and found it to be cost effective. The ICT Strategy was produced at the same time as the Corporate Strategy with the intention of cross integration between the two. The ICT Strategy also links into key policies, council strategies and service plans.
- While the e-government programme was in place the Council had e-Champions and a dedicated committee – the committee was wound up once the deadlines for e-government were met.
- The Council has now fully embraced the IT-Government agenda and is actively transforming its services to best meet customer needs. The "Vanguard, lean systems thinking" is being spread across the Council. Where ICT requirements emerge from this review, projects will be put into place to deliver what is needed.
- ICT resources have been applied to meet the Council's strategies, as identified in the latest ICT Service Plan (2009-2012). These plans are very likely to be modified as a result of the Leaders' 'transformation exercise' being carried out during the summer of 2009. Project resources are allocated as each project is approved by the IT Programme Board. Transformation is being actively carried out by teams lead by a corporate director.
- Reduction in the duplication of data and the ability to have common data sources across the Council is a key driver of systems design and integration.
- Councillors and staff have access to technology to enable them to communicate by email and to access council systems via the network. There are protocols governing misuse of the council's computer systems and an Information Security Policy has been rolled out with both officers and council members signing up to it.
- When new systems are required or improvements become necessary to existing systems, a business case is prepared that sets out the reasons for the change and the cost/benefits of making the change. All system procurements or system changes are carried out using the Prince2 project management tool. Post implementation reviews are part of the process. Each procurement or major change involving IT is monitored by the IT Programme Board.
- The Council now has a modern ICT infrastructure as a result of the e-government initiatives and includes a virtual server array and a storage area network. One of the last steps being completed is the change from Novell to Microsoft. Other changes are being considered, especially to keep pace with the changes in method of communication.
- The council has procedures in place to properly consider and evaluate alternative providers. However, ongoing contracts, especially high spending ones such as telecoms, are reviewed at contract renewal times or earlier as the market dictates.

- 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.
- 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 and the regional bodies, SWRDA, GoSW, The Assembly, the Housing Corporation, Natural England and the Environment Agency and Highways Agency. The Council's Leader is chairperson 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 growth area to the East of Exeter. 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.
- The Council supports the East Devon Business Forum, providing secretarial and officer support, as a vehicle for assessing and responding to the economic needs of the District. We fund business support through collaboration with Business Link and Business Information Point, West Devon. We are a partner (and the Council's Leader is Chairman) of the Exeter and Heart of Devon Economic Partnership which is established to assess and respond to the economic needs of the four component district council areas and the sub region.
- 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 has a wide range of policies ranging from equality and diversity to home energy and conservation which help address the district's broader social, economic and environmental issues. The Council is actively working on producing a practical sustainability impact review and is taking steps to capture information relating to its carbon footprint. Individual service plans reflect the priorities contained within the corporate strategy but are dedicated to providing sustainable or improved service quality and value for money.
- The Council has a Communications Strategy (revised in April 2008) and a Communications Officer who ensures the scope and standards within the Strategy are adhered to. The Council has a Communications and Consultation Support Officer to assist with press releases and media statements and community engagement activities.
- Communication skills training is available for Councillors and members of staff and the Council has a Learning and Development Brochure which gives details of the wide range of training opportunities available to members of staff. All documents are written in plain language and the Council offers 'Plain English' training to those responsible for producing documents that may be read by members of the public.
- 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.

- The Constitution and the Corporate Business Plan communicates the Council's structures and processes, and both are published on the Council's website. Internal and external directories are available, including the Councillors' Year Book; Residents' Service Guide and the Council Tax booklet which is also on the internet.
- A Communications Task and Finish Forum (TAFF) has considered the Council's communications function, monitored its progress and produced an 'action plan' to ensure improvements were made with the Council's communications

Theme 2 – STRUCTURES AND PROCESSES

- The Council can demonstrate that its corporate and service planning processes are comprehensive and consistent by the following examples; The Council's performance management framework consists of the Corporate Strategy, Service Plans, performance indicators and individual Performance Excellence Reviews. These are monitored on a regular basis by the Executive Board, Scrutiny Committee and managers. The service planning cycle encompasses our key strategies, eg the Corporate Strategy and the Corporate Business Plan. A timetable exists for preparing plans for service delivery and financial management up to 2012. Specific standards for service plans are enforced by the adoption of a 'service plan template' and 'guidance notes'. Responsibilities for ensuring standards are applied and that they comply with the timetable rests with officers within the Council's Communications and Improvement Team.
- Quarterly monitoring and review of Performance Indicators and Service Plan actions have kept them in focus by staff and Council Members. The Scrutiny Committee examines any poor performance identified by performance indicators. The first services to be subjected to the "Vanguard, lean systems thinking" reviews were selected on the basis of poor performance.
- Cross-departmental planning can be evidenced by the plans drawn up between directorates and by both strategic management and corporate management. Cross-departmental working is encouraged by the formation of project groups, examples of these are the Equality Standard Steering Groups, Task and Finish forums and Think Tanks, all of which involve officers at all levels and Councillors. Some project groups also include stakeholder participants such as the Housing Review Board and the Community Engagement Group. The Council's staff newsletter 'Team Brief' contains articles relating to cross-department working to encourage shared learning.
- Procurement, taking into account partnerships and working with the third sector are included within the Procurement Strategy, and financial instructions relating to partnerships feature widely in the Council's Financial Operating Procedures.
- All Council plans, policies and strategies contain revision dates, the Council has a 'policy register', available to staff on the intranet, the policy register allows access to either the full document or provides a summary version for quick review.
- The Council is meeting its duties for improvement under the Local Government Act and has published information in the Council Tax Booklet and the Corporate Business Plan the latter of which is on the Council's website. Service improvements are monitored via Service Plan monitoring reports and associated action plans.
- The Council can evidence that it takes account of user data by reference to its Community Engagement Policy and service plans, it has also convened a Community Engagement Group to help develop council priorities.

- The Council uses a Consultation Calendar which helps to ensure all relevant documentation; such as reports, policies or strategies are available widely for consultation. The Council's research reports provide an understanding of the needs of different and diverse communities (recently conducted the 'Place Survey') and the Council has adopted an Equality and Diversity Policy.
- The services provided by the Council attempt to reflect the needs of citizens and meet their expectations; the Council has published service information such as leaflets and website 'information pages', and will produce documents in 'Braille' and 'large print' upon request. The Council offers many services directly to citizens in the form of 'home visits' applicable to residents and business premises visits to check health and safety and environmental compliance. The Council also provides a home safeguard facility for its elderly residents. This latter service has recently undertaken a thorough review of its 'disaster recovery' arrangements to ensure the continued well-being of our Home Safeguard users.
- Services are flexible and can be adjusted to accommodate changes in needs or legislation, Service plans ensure flexibility and/or that changes are made and that these changes are monitored.
- The Council has an Organisational Development and Workforce Strategy and many associated strategies and/or policies designed to support and enable the Council's Corporate Strategy. All have been ratified by the Council. There are also high-level 'managers' guides' outlining procedures for dealing with staffing issues.
- Legislative changes are picked up through professional journals, electronic updates, course attendance and alerts from the Institute of Personnel Managers. When legislation requires policy changes or new legislation, policies are drafted and agreed with the Staff Joint Forum and SMT and ratified by the Council. Recent new policies include changes to staffing policies such as Absence Management Policy, Flexible Working Policy, Discipline and Grievance Policy. Some legal changes are dealt with by updates in internal council processes.
- The Council monitors disability, gender and ethnicity of its workforce and attempts to monitor this information regarding applicants. However, this is not robust as people do not always provide this information. We are moving towards on-line Application Forms and these fields will become mandatory which will assist our monitoring.
- When advertising our situations vacant the Council uses the 'Disability' symbol to encourage applications from disabled people.
- The Council has robust procedures relating to capability, sickness and absenteeism, discipline and grievance. All are embodied in the Disciplinary Policy, Grievance Policy, Absence Management Policy, Acceptable Behaviour Policy, Dealing with Unsatisfactory Performance Policy and the Code of Conduct for Employees. There is also a 'Managers' Guide' dealing with discipline and grievances.
- Sickness data is captured on Return to Work forms and/or doctor's sickness certificates. On a regular basis, payroll staff compare sickness records against the Council's Interflex system (time recording system) to verify data. All sickness data is recorded in the Council's payroll system and is monitored monthly. A detailed report regarding sickness absence is provided to the Strategic Management Team on an annual basis.

- Staff turnover is monitored and a report is made available to both strategic management team and the Executive Board on a quarterly basis. Trends are summarised annually in the People Data Report which is made available to the strategic management team.
- A staff survey was carried out in 2008. Staff morale and satisfaction was also explored through the March 2009 Investor in People assessment which was very positive and led to successful retention of the IIP status.
- Health and safety guidance and training are provided as the Council has employed an Health & Safety Officer who runs various courses and refresher courses and implements appropriate health and safety policies. The legal service has an input in raising awareness on major changes, such as corporate manslaughter.
- The Council has robust personnel procedures relating to recruitment, staff pay records, secondment and contractors. All are embodied in the Employees Handbook, Policy on Local Government Pension and the Job Evaluation Policy. There is also a 'Managers' Guide' dealing with recruitment. There have been no referrals to industrial tribunal from EDDC staff.
- The Council takes steps to match staffing to current and planned needs and has an up to date Workforce Development Strategy. The Council also has a process for succession planning. The Council takes a broad approach to learning and development and has implemented a process of Performance Excellence Reviews which concentrate on both performance and areas for development. 'Back to the floor' sessions are encouraged for Directors, Heads of Service and Middle Managers as it is recognised that this helps managers stay in touch.
- The Council participated in the 'Best Councils to Work For' survey in 2007 and 2008. This survey is conducted by Best Companies, an independent and authoritative research company that specialises in Workplace Engagement and is sponsored by The Times and the IDeA. The results of the survey in 2008 led to a corporate improvement plan and service action plans
- "Happy, Healthy, Here" (Stress) Audits are conducted across the Council using the Health and Safety Executive model. Action plans are developed with the managers and teams to tackle any issues arising. The organisational development team monitor these action plans to ensure that actions are implemented.
- The Learning and Development Manager keeps records of staff that have taken up training / coaching / shadowing and/or secondment opportunities. The Council evaluates its training programmes by utilising a specific Training Evaluation form required to be completed by course attendees. These forms are monitored to ensure training needs are met and expectations satisfied.
- The Council has rigorous procedures for monitoring personnel strategies and all are reviewed on an annual or bi-annual basis. The review process is monitored by the Communications and Improvement Team who ensure reviews are completed. Any action plans arising from or emanating from the above policies are monitored either by individual directors or the Council's Strategic Management Team (SMT).
- 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.

- The Council keeps its organisational and officer structures under review, having last been reviewed in 2007 a further review is scheduled for 2009. Improvements have taken place with the allocation to the Council of a BS accreditation and a Customer Excellence Award. The Council also secured a 'Good' CPA score.
- 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.
- Councillors are supported by the Monitoring Officer and her deputy and know that they can readily seek advice from them and from the Democratic Services team on Code of Conduct matters.
- The Council uses internal and external audit and other inspection agencies to support scrutiny activity; this is reported through the Audit and Governance Committee. The Overview/Scrutiny Committees (including Housing Review Board) pro-actively support the Council's strategic objectives and this can be evidenced by the annual reports considered at the annual meeting of the Council.
- The Council's Asset Management Forum is made up of senior officers and council members and has developed the Asset Management Strategy. This document contains the council's Corporate Property Asset Management Plan 2009/12. The Asset Management Plan seeks to ensure that council assets are used in the most effective way to support the delivery of the corporate strategy. It also provides an overview of the Council's property portfolio and provides an illustration of how the property assets owned by the Council support its corporate priorities.
- Consultants have been instructed to carry out a review of the Council's main administrative centre at the Knowle and to suggest possible alternative locations. This study is linked to the 'Accommodation Review' where services have been asked to consider their present and future accommodation requirements which will feed into the Asset Management Plan.
- This process will provide an assessment of the use, suitability, condition, and occupation of council property supporting each of the council's services, and will form the basis of an Accommodation Strategy and will project future trends. The Accommodation Strategy will highlight future funding and workforce development plans which will need to be taken account of when considering our future property requirements.
- The council has commended a property review which will challenge asset ownership through an assessment of efficiency, effectiveness and affordability.
- Responsibilities have been assigned for maintaining the Council's non-housing assets to the Property Services team. This team also maintains the Council's Planned Maintenance System. The team carries out a rolling programme of surveys on Council property to ensure all assets are in reasonable condition and responds to essential works and maintenance where necessary.

Theme 3 – RISK MANAGEMENT AND INTERNAL CONTROL

- A strategic approach to the Council's performance monitoring and management is in place, adequate resources are available for its delivery and lead responsibility has been assigned to a corporate director, who actively monitors the performance management framework and ensures that the performance of services is reported regularly to the Council's Executive Board.
- Performance monitoring and management covers key areas of the Council's activity. Significant documents contributing to the process are the corporate strategy, service plans, performance indicators and performance excellence reviews. These documents demonstrate the link from the highest priorities of the Council, through its service plans to individual staff performance reviews. The Corporate Strategy is monitored quarterly, service plans and performance indicators are monitored quarterly, with additional scrutiny of poorly performing PIs.
- The Council has a bespoke computer system designed to provide PI information, this system is administered by the Council's Communications and Improvements Team. There is a timetable for preparing plans for service delivery and financial management up to 2012.
- Staff are fully engaged in the performance management process; service planning days are designed around operational plans, teams and individuals have an opportunity to contribute on several levels. Staff awareness seminars and specific corporate and middle management meetings are held regularly to inform all levels of staff of the Council's performance and to engage them in any corrective action that may be necessary.
- The Council has made its performance information available to a range of different stakeholders from members of the public to individual staff members. Performance monitoring reports are presented to members and are available on the Council's website. The Corporate Strategy and other key documents are also on the Council's website.
- The Council has a staff appraisal scheme in the format of 'Performance Excellence Reviews'. These reviews allow managers and staff to monitor individual objectives and to highlight any training needs. The performance excellence reviews have been universally applied throughout the Council, compliance is monitored by the human resources team. The targets for staff are linked to service plans, and clearly show the link to the Council's priorities and to its corporate strategy.
- The performance excellence reviews are followed up in regular one-to-one meeting where progress is monitored against individual targets. Good performance is celebrated and the Council has introduced Bouquets in its Team Brief and a Staff Recognition Scheme. Poor performance is dealt with during one-to-one meetings and if necessary through the Council's disciplinary procedures.
- The Council has procedures in place to monitor feedback from consultation and complaints and has a Complaints Officer who with directorate complaints officers, deals promptly and efficiently with complaints received from the public, These are monitored and any lessons learned disseminated to staff during corporate and/or middle management team meetings. The Audit and Governance Committee also receives a quarterly report of any complaints that involve a failure in the Council's policies and procedures. The Local Government Ombudsman's Annual Report on the Council is considered by the Executive Board.

- 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 2009.
- 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.
- All financial policies are available to staff on the intranet, but in addition to this, the financial regulations, financial operating procedures and contract standing orders have been communicated to staff via dedicated training sessions within each directorate of the Council.
- Following their revision in 2007, the Council's financial regulations and financial operating procedures contain information relating to partnerships and contracting with the third sector.
- The Section 151 officer approves all financial policies, strategies and plans and is a member of the Strategic Management Team.
- The Council has established a systematic strategy, framework and process for managing risk however the corporate risk register is no longer being regularly reviewed. This is the subject of an officer/member working group chaired by the Risk Management Champion, the terms of reference of which are to procure a new corporate risk register and revive the corporate risk management process. This will be rolled out during 2009.
- Nevertheless, the corporate risk management process is still fairly well embedded within the Council; routine decisions placed before committees include a risk assessment, and corporate initiatives such as the Council's recycling arrangements and its regeneration schemes at Seaton and Exmouth have all been informed by risk assessments.
- 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.
- Changes to the live ICT infrastructure are formally managed through an ITIL-based change management process which is continually evolving to optimise control.
- The Council has robust procedures in place for project management and utilises the Prince2 project management methodology. Each project follows the basic PRINCE2¹ processes and include a Project Initiation Document (PID) and risk assessment. Most Project Managers have been trained to Practitioner level and may run several projects concurrently.
- Selection of external project managers follows the normal staff selection procedure, Project managers from third party suppliers always work alongside the Council's staff.

¹ Project Management Methodology

- To ensure that Equality and Diversity is taken into account within projects an appropriate section has been introduced into the PID.
- Progress and outcomes are reviewed during and after the project and can be demonstrated by reviewing the IT Programme Board minutes and post implementation reviews of major IT systems. Plans are in place to disseminate all project information more widely via the intranet
- 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.
- The Monthly Monitoring Reports take into account any budget revisions and identify and monitor budgetary risks. An annual report is made in January / February outlining any new budget proposals to the Executive Board and then approved through Council.
- Budget holders are given reports of their budgets on a monthly basis together with written instructions of year end processes and budget preparation. Financial Regulations contain additional information. The Council presents its Revenue and Capital Out-turn Report to the Executive Board annually in June.
- In addition to monthly monitoring the Council identifies over and under-spends at year end and these are contained within the Capital and Revenue Out-turn Report.
- Key Councillors have received training on interpreting the Council's Statement of Accounts. The Council's financial regulations and associated procedures also attempt to clarify and explain the budgetary and financial arrangements of the Council. Lower level procedures have been written to further explain the Council's financial processes.
- The Capital and Revenue Out-turn Report and the Council's Statement of Accounts are reviewed by external audit and the year-end position is broadly in line with their expectations. The Council produces annual statements to statutory deadlines and has received no adverse comment from the audit commission.
- Information reported to the public and other stakeholders is accessible via the website. The Council publishes summary financial information in the Council Tax booklet distributed to all households in the district. It also produces a summarised version of its Statement of Accounts.
- In producing the 2009/10 budget the Council engaged constructively with Councillors to agree the budget setting process.
- The current Medium Term Financial Strategy (MTFS) forms part of the Financial Strategy. The MTFS covers the period 2009/10 to 2013/14 and identifies for each year the cost of providing services compared with the resources available. The Financial Strategy sets out in detail the assumptions and estimates involved in producing the MTFP and outlines the actions the Council needs to take in order to meet its objective of setting a balanced budget whilst delivering its services and achieving its priorities.
- The MTFS links with the Corporate Strategy and the Corporate Business Plan and contains a summary of the Council's 'General Fund' position, together with various

models of capital expenditure. Milestones and resource needs have been identified within the MTFP.

- The Financial Strategy should ensure that finances are used in the most appropriate way in terms of funding activities. For example it questions whether the Investment Strategy is still appropriate, it considers options for leasing or buying equipment, and the use of the Prudential Code to borrow for capital purposes,
- The Council attempts to make realistic assumptions about service demand, inflation and efficiency savings, modelled at corporate and individual service levels and uses the previous years' budget (in this case the 2008/09 budget), to reflect the current cost of services. This budget is taken as a base indicator of spend. Additions or reductions are applied to reflect any 'one off' items included in 2008/09 budget or any supplementary estimates agreed by the Council since the original budget was approved in respect of any forecast variances identified through budget monitoring.
- Each year the Council strives to achieve efficiency savings to provide the current level of service at less cost, or an improved level of service at current cost. For example, this may include better, or more appropriate use of IT.
- The Corporate Business Plan, which incorporates the Council's Financial Strategy links with other key strategies of the Council including its Service Plans (2007/08 to 2009/10), the Asset Management Plan, Treasury Management and the Capital Strategy.

Theme 4 – STANDARDS OF CONDUCT

- The Executive Board and Overview and Scrutiny arrangements have evolved to ensure Councillors and senior officers are aware of their leadership responsibilities. The Council's Constitution contains a clear remit on the role of the leader and the chief executive in setting the culture and direction both for staff and the wider community. The Council has taken steps to distinguish appropriately between the roles of Councillors and officers.
- The Council can demonstrate that its leadership of the Council, the community and partnerships are shared between the executive and other Councillors and Council inspections have endorsed this (CPA inspection reports and the Annual Audit letter from the Audit Commission for example).
- The Council has a partnership policy. The expertise of non-Executive councillors has been harnessed through the development of the role of Member Champion, which is set out in the Council's Constitution. These councillors work in specific areas such as Procurement, Risk Management and Culture, and make annual reports to Council, and in developing these areas further.
- 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.
- The leadership demonstrates that it can take difficult decisions and an example is the transformation of services using the "Vanguard, lean systems thinking" methodology. The leadership remains focused on strategy and the Council's priorities and receives reports of progress on the outcomes and measures within the Council's Corporate Strategy.

- The Sustainable Community Plan, Customer Access Strategy and Service Plans demonstrate that the Council's vision acknowledges both community priorities and the Council's corporate priorities.
- The Council's Staff Joint Forum provides challenge where appropriate. Unison is the Council's recognised trade union association.
- Council leadership is open to self-criticism, challenge and review and takes seriously any recommendations made for improvement in audit and inspection letters, CPA inspection reports and action plans or peer reviews. The results of a recent Place Survey suggested that many of the Council services are performing well although confirmation is awaited with the delayed publication of the results for all councils in England. Investment in consultancy support to help refocus services and the organisation on the customer during 2008/09 shows an openness to challenge and change.
- Managerial leadership is demonstrated by the wide array of policies, procedures and strategies in use within the Council, including Codes of Conduct for both Councillors and staff and a Code of Corporate Governance.
- The SMT works collaboratively and attends both corporate management team and middle manager forums to give direction to staff. The Council publishes its "Team Brief" and arranges staff awareness sessions delivered by the Council's Chief Executive. The atmosphere for staff is open and supportive, various initiatives are in place including staff suggestion and staff recognition schemes.
- 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 has provided a range of training opportunities for staff including sessions on equal opportunity and diversity. There is also a functional 'Equality Group' This Group is the Council's forum for discussion and progression of equalities issues corporately. There are representatives from each service area and Councillors. The Group is currently making progress towards the Local Authority Equalities Standard Level 2.
- The Council has three separate directorates, two facilitate front-line services and the other provides support and corporate direction. There is evidence of joined up working between directorates including collaboration between financial services' (revenues and housing benefits) with planning and housing functions. The Council's CSC also demonstrates collaborative working. The legal team works on a range of corporate projects, including delivering planning gain and affordable housing, transferring council assets, and in supporting a range of enforcement functions including noise nuisance, anti-social behaviour and licensing.
- In the main, the seven priorities in the new Corporate Strategy developed though the 'Vision 2011' during summer 2007 were a more refined and focused expression of the priorities that the Council was previously working to. There were, however, three priorities on which Members had expressed the wish to see clear improvement and

which led to the reallocation of the Corporate Directors' responsibilities in November 2007 to make sure that greater progress was made than had previously proved to be the case. The changes in the Directors' responsibilities had a significant impact on the three priorities during 2008/09:

- The Deputy Chief Executive (and former Corporate Director – Central Services) was freed up to drive a step change in providing 'excellent service for our customers', notably through Systems Thinking reviews.
- The non-strategic planning responsibilities of the former Corporate Director – Environment meant that he was better able to champion the 'recycling' priority.
- The former Corporate Director – Environment was joined by the Planning Policy, Property and Economic Development and New Growth Point Delivery teams to support him to ensure delivery of the Council's aspirations for a 'thriving economy'
- The Council's Corporate Strategy demonstrates a strategic approach to its principles and aspirations for its own culture and values and this has been communicated to staff. There are 'End of Year' Reports for both the Corporate Overview Committee and the Scrutiny Committee which are considered by the full Council meeting at its first meeting in each new civic year.
- 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 Council can demonstrate that arrangements exist for sanctions and redress with regards Councillor conduct. Two new Standards sub-committees have been set up to deal with local hearings and reviews, and has dealt with several local investigations. The Standards Committee specifically deals with Councillor conduct and will consider any complaints brought against any Councillor or other issues brought to the attention of the Committee by the Monitoring Officer. The Committee will determine whether there has been any breach of the Code of Conduct, the Council's Standing Orders or Financial Regulations. The Committee will resolve what further action should be taken (if any) including deciding any training for or sanction on the Councillor concerned and may decide that a Councillor be removed from a committee or suspended for a period of time. The Council put in place an increased number of independent members on a voluntary 'good practice' basis, well before the law required it.
- The Standards Committee and Monitoring Officer have mechanisms in place for referral and joint working with an informal agreement with Mid-Devon and Exeter that enable each to undertake investigations if current workloads are heavy. If these officers are unavailable, the Council may approach an ex Monitoring Officer working

locally in the private sector. There is also a good link with the Audit and Governance Committee and attendees will be invited to a Standards Committee later in the year when the Council reviews its ethical governance issues.

- Training is mandatory for Councillors and consists of training on their Code of Conduct and on the planning, audit and governance, licensing and standards committees. The Democratic Services Manager takes responsibility for Councillor training and follows up non-attendance. For example, in the last year the Standards Committee has received training on Local Assessment and a refresher on conducting hearings. Training arrangements are made for those councillors who join regulatory committees mid-term.
- The Council website demonstrates the Council's openness and transparency in that access is available to committee agendas, minutes and reports together with a wide array of other documentation including plans, strategies and policies. Public speaking has been introduced at all council committees. Councillors and parish Councils are kept regularly updated on Code of Conduct requirements and Standards Board guidance through the Democratic Services' weekly publication the Knowledge. The Council has both a Data Protection Policy and a Freedom of Information Policy and a Regulation of Investigatory Powers policy.
- Ethical principles have been acknowledged in working practices and every report to committee contains a requirement for a legal and financial comment from an expert in that field. A new committee template is being introduced which flags up consideration of a wider range of ethical issues, including promoting diversity duties.
- 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. This is the responsibility of individual Councillors, since officers cannot know what their individual interests are. This is also part of the election process, and details of how to register interests was sent out for the May 2007 elections. Councillors elected mid-term, or co-opted members are also subject to the code of Conduct and register of interest requirements.
- The Council has robust procedures covering the use of Council resources for Councillors, these are contained within the Members' Yearbook which also contains information on members' allowances and travel expenses, together with guidance on the Code of Conduct and I.T. equipment. There is an ICT Equipment and Services for Members policy and an Information Security policy
- The Council's procurement policy has been reviewed, but further updating will ensure that it contains advice for contractors with regards ethics. Ethics for contractors are also contained within the Financial Regulations, Financial Operating Procedures and Contract Standing Orders. The Council is undertaking a separate exercise to ensure the Council's significant partnerships have adequate corporate governance arrangements including ethics and values and that these are regularly monitored. There is a Contract Tendering policy and a Code of Data Matching and an Anti-Money Laundering Policy.

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
- Information Security Policy and affiliated ICT Policies to protect Council data
- Partnership Policies
- Communication and Consultation Strategies for engaging with stakeholders
- Planning – Code of Guidance

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:

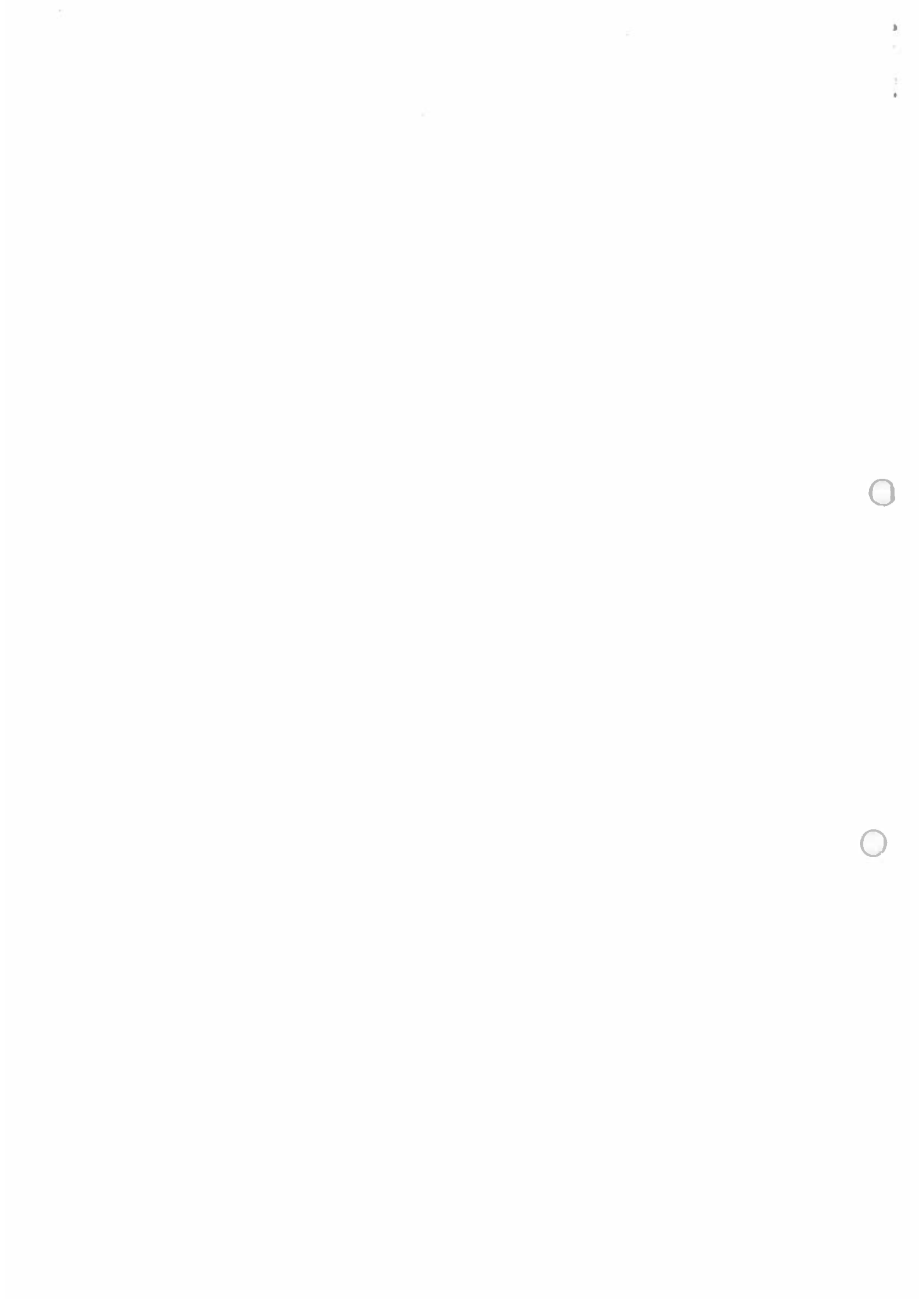
25 th June 2008	Leader of the Council
25 th June 2008	Chief Executive

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.
Disaster Recovery Plans and Business Continuity Planning is not adequate to protect the Council or its assets.	The first IT service continuity test was carried out successfully in 2007. An additional set up and test has been carried out for Home Safeguard and was successful. The ICT infrastructure has changed significantly as a result of the new Microsoft infrastructure and the IT Service Continuity process has now reverted to tape back-up and recovery.	CP
	The back up and recovery process will be improved to enable a better window of operation for live services and a DR test conducted of the new processes in 2009.	CP
The Council's Corporate Risk Management System is not up to date and does not adequately identify and manage corporate risk.	The Corporate Risk Management Member group will drive this forward including a new corporate risk management system, training for Heads of Service and an updated Corporate Risk Management Policy Strategy and Toolkit.	DP
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 to consider the long-term provision of an internal audit service.	DP
There is a need to review Health and Safety compliance throughout Street Scene services.	Review Health and Safety compliance and include in service objectives for this year and in PERs.. These duties were part of the Performance Officer post (now deleted) existing staff need to find the capacity to move this forward at the expense of other works.	MR

Area for Improvement	Suggested Action	Officer Resp.
<p>Failure to develop 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>The post of Principal Engineer is currently on hold pending the outcome of local government review and service transformation.</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 a work will need to be prioritised with some work areas not being carried out.</p>	KH
<p>LED Budgets – Planned Maintenance budgets affected by the shortfall in revenue received from LED (mismatch identified between work undertaken and amount of money received from LED – problem compounded as figures have been entered into the signed contract). Continuing to provide a service to LED will mean other maintenance work will remain outstanding.</p>	<p>Asset Management Forum will be reporting to the Asset Management Group to resolve some of the contractual issues on maintenance for LED .</p>	KH/DB

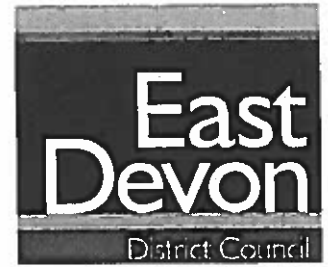


Agenda Item 10

Audit and Corporate Governance Committee

25 June 2009

SD



Annual Statement of Accounts 2008/09

Summary

The Audit and Governance Committee are required to approve the Council's Statement of Accounts prior to the 30 June 2009. The Statement of Accounts for 2008/09 is attached for approval.

Recommendation

That the Statement of Accounts for the financial year ended 31 March 2009 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 2008/09 were reported to the Executive Board on 10 June 2009 in the Revenue and Capital Outturn Report. Any variations to this position are contained in this report.

e) Date for Review of Decision

Not applicable

Approval of the 2008/09 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 2008/09.

- 2.1 The Statement of Accounts for 2008/09 is attached. The explanatory foreword on page 2 gives a brief summary as to the layout of the Accounts and the purpose of each of the main statements. Pages 3 to 10 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 10 June 2009 (where figures are prepared by mid May for the report deadline) detailed for members the position on the Councils 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 18 in the Balance Sheet. A copy of the report to Executive Board is copied in Appendix A (see footnote 1).
- 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	Statement of Accounts description & page number	Reason for variation
General Fund Deficit for 2008/09	£0.410m	£0.406m	Decrease in General Fund Balance for the year (p.17)	Minor amendments in closing the accounts
Housing Revenue Account Deficit for 2008/09	£0.908m	£0.908m	Decrease in Housing Revenue Account Balance for the year (p.21)	No Variation
Usable Capital Receipts carried forward to future years	£0.220m	£0.248m	Usable Capital Receipts (p.18)	Receipts received in advance now used to finance expenditure; this was not accounted for in outturn. This has allowed £0.028m additional capital receipts to be taken forward.
The reclassification of the other reserves and balances identified in the outturn report are now reflected in the Balance Sheet in the Statement of Accounts on page 18).				

Note 1 The report has been amended for two printing errors: para 2.6 should read -£0.161m (not £0.161m) and the Refuse and Recycling Equipment Reserve in the schedule of reserves should read £0.403m (not £0.201m)

- 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 B 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

- Finance Service working papers
 - Revenue and Capital Outturn Report for 2008/09 – Executive Board 10 June 2009.
 - The Accounts and Audit Regulations 2003.
 - The Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice 2008.
 - The Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice – Guidance Notes for Practitioners for 2008/09 Accounts and Disclosure Checklist 2008/09.
 - The Best Value Accounting Code of Practice
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Appendix A

Executive Board

10 June 2009

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Revenue and Capital Outturn Report for 2008/09

Summary

During 2008/09 monthly budget monitoring reports have been informing members of the anticipated year end position. This report now brings the final figures and compares this outturn position against the original and revised budgets for 2008/09. It also states the effect these results have had on the reserves and balances held by the Council.

The final Section of the report makes proposals on the future reserve and balance levels the Council should hold going forward for members to consider adopting.

Recommendation

1. The Executive Board agree the outturn position
2. Agree a new policy on reserves and balances as detailed in the schedule contained in Section 6 (Para. 6.3) of the report

a) Reasons for Recommendation

The final Outturn position is now known in relation to the Council's approved budgets for General Fund Services, Housing Revenue Account and Capital Expenditure. This final Position will flow through to the Council's Statement of Accounts. Members are asked to note the variations from the budgets that have been identified within the report and approve the final position.

It is also considered appropriate at the current time to reflect on the reserves and balances held by the Council and determine if these are right levels going forward.

b) Alternative Options

The Outturn position is the final year end position for members to note and to be satisfied on the explanations given in the variations reported compared with the plans and budgets they originally approved for the year.

Proposals have been made on future reserve and balance levels and the need for certain sums to be held. Alternatives can be considered by members in terms of the balances and reserves to be held and whether appropriate amounts have been determined..

c) Risk Considerations

In setting the 2008/09 a number of risks were considered and all significant income streams were set at prudent levels based on prior year activity levels. During the year income was significantly affected by the economic downturn with the effects being reported through the monthly financial monitoring reports. Steps were taken within the year to reduce costs with the main action being to freeze certain vacant posts.

In setting the 2009/10 budget this downturn in income has been reflected with anticipated low levels of income. In order to balance the 2009/10 general fund and capital budgets with reduced income levels significant sums have been taken from reserves to allow time for the Council to consider options for balancing future budgets; this work is being led by of the Leaders Service Transformation Group.

This report has also taken a fresh look at the monies the Council holds in reserves and considered these in light of recent economic events and other factors such as recent flooding incidents. Consideration has also been given to the Council's financial track record, internal and external audit reports on financial controls and is reflective of occurrences from external factors which affect the Council's finances.

d) Policy and Budgetary Considerations

This report outlines the financial results for 2008/09 and states the impact on the Council's reserves and balances. It also considers that significant sums have been used from balances in setting the 2009/10 revenue and capital budgets; £1.810m for general fund revenue costs and currently £3.312m for the capital programme.

e) Date for Review of Decision

Advice is sought from the Executive Board if it is consider appropriate for this report to be forwarded and considered by one of the overview/scrutiny committees.

Revenue and Capital Outturn Report for 2008/09.

1. Introduction

- 1.1 This report compares outturn figures against budgets for the financial year 2008/09 for General Fund Services, the Housing Revenue Account and the Capital Programme.
- 1.2 A summary position is given in this report for each of these areas and comments on significant variations or other matters to be drawn to Members attention. A detailed booklet is attached giving the original and revised budgets and final outturn figures for every service along with narrative on variations.
- 1.3 Finally, the report looks at the effect the outturn figures have had on the Council's balances and reserves and considers future policy for holding these sums.

2. General Fund Revenue Services

- 2.1 A summary of the net position for each Portfolio is shown in page 1 of the attached booklet, giving the original estimate, the revised estimate and the outturn.
- 2.2 The monthly budget monitoring of service costs for Month 11 predicted a general fund overspend of £0.655m. The final position is £0.047m better off against this monitored position giving a figure of £0.608m.
- 2.3 At year end a number of tasks are undertaken including the reassessment of bad debt provisions and the final determination of Housing Benefit subsidy. The following adjustments have been made, with the effect of reducing the outturn position downwards by £0.447m:

- Housing Benefit subsidy draft claim now completed with a better than budgeted grant, net of an adjustment to the overpayments bad debt provision. -£0.357m saving
- A reduction in the sundry debtors bad debt provision -£0.090m saving

2.4 The following statements compare the outturn position with the estimates agreed by Council for 2008/09 after accounting for any supplementary estimates approved during the year. The overall overspend against the revised estimate totalled £0.161m (£0.608 less £0.357 less £0.090m) and this can be broken down into the following main areas, a detailed analysis and explanation of variations are contained in the attached outturn booklet.

Portfolios Underspend of £0.161m (- 0.89%).

The main variations that have resulted in this underspend are as follows:

Communications Portfolio – underspend of £0.066m (-5.52%)

- The main saving came from staff vacancies totalling £0.082m within Information Communication and Technology (ICT), Customer Services Centre, Legal, Communications and Improvement Team and Human Resources.
- Additional licensing income of £0.039m was received from increase in applications in liquor, gambling and lottery and new street trading licences.

Community Portfolio – overspend of £0.134m (+7.07%)

- Increase in homeless persons costs with the writing off of loans under the rent deposit scheme of £0.025m.
- £0.010m for a disaster recovery ICT system in home safeguard, no provision was made but this became urgent during the year. Also additional costs were incurred in marketing and equipment replacement in the order of £0.016m.
- Legal costs incurred of £0.065m under public health services relating to Dunkeswell Race Track noise.
- Savings were made under community safety with grant income not budgeted from the Safer Devon Partnership of £0.024m

Economy Portfolio – overspend of £0.315m (+13.84%)

- Reduction in car park income of £0.155m.
- £0.88m overspend on corporate building mainly from energy cost which saw significant increases in the first part of the year compared with the budget provision.
- £0.057m expenditure funded by LABGI grant for Dunkeswell Eco Park and Seaton and Exmouth Regeneration Scheme not budgeted for.

- The level of payment to bus operators under the concessionary fares scheme was £0.212m less than budgeted and pass production produced a saving of £0.018m. Less government grant was received than originally budgeted by £0.040m

Environment Portfolio – underspend of £0.023m (-1.62%)

- £0.010m saving on beaches and foreshores planned maintenance and an increase in income of £0.065m from beach huts etc.
- Government grant received of £0.023m for carbon management programme not budgeted.
- £0.188m reduction in local land charges income but offset in part by £0.043 saving in search costs. £0.052 reduction in building control income but offset by staff vacancies and other savings making a net saving of £0.035m.

Street Scene Portfolio – overspend of £0.090m (+1.49%)

- £0.030m for payment for the surrender of lease for boatyard at Camperdown Terrace, Exmouth, with £0.005m for clearance costs and £0.012m in lost rent.
- £0.017m saving on public conveniences maintenance costs.
- An amount was included of £0.093m as a loan repayment for the purchase of recycling and refuses equipment which was not required as previous year savings were used. Additional costs of running the service totalling £0.134m offset this saving.
- Additional costs incurred in street cleansing for emergency clean up after flooding incidents, total service overspend by £0.092m.
- £0.083m saving in vacant posts within street scene.

Strategic Planning & Regeneration Portfolio – overspend of £0.080m (+4.57%)

- Staff vacancies in Development Control (£0.079m) and Policy and Conservation (£0.015m) have resulted in savings.
- £0.226m reduction in planning application income.

Resources Portfolio – underspend of £0.278m (-7.82%)

- An additional £1.309m in housing benefit payments has been more than offset by a £2.052m increase in benefit subsidy than prudentially budgeted, although this is still subject to audit. There has been a need to increase the housing benefit bad debt provision by £0.386m. Additional staffing costs have been incurred to backfill individuals working on the Vanguard changes and agency costs have been incurred to fill essential vacancies.
- £0.022m increase in corporate external audit fees.

- 2.5 In addition to this portfolio position the Council received an additional £0.673m from investments and other interest earned above that budgeted. At the time of setting the 2009/10 budget it was appreciated that the dramatic and continuing cuts in the interest rate would mean the interest receipts in that year would be lower than that provided for in draft estimates whilst substantially higher in 2008/09. In overall terms it was considered the sums to be received in the two years would be broadly equal to that being provided for. It was therefore agreed in the Treasury Management report to the Executive Board on 6 May 2009 that the 2008/09 surplus would be held to offset the shortfall on investment interest expected in 2009/10.
- 2.6 The overall effect on the General Fund Balance is as follows:

General Fund Balance as at 31 March 2008	£1.800m
Deficit for year (Para. 2.4 above)	-£0.161m
Use of Fund to support special items from previous years surpluses on budget.	-£0.249m
<i>(Overall deficit for the year £0.161m + £0.249m = £0.410m)</i>	
Add investment surplus 2008/09	£0.673m
Investment shortfall in 2009/10 estimated	-£0.673m
General Fund Balance as at 31 March 2009	£1.390m

The minimum recommended level the Council has previously deemed it should hold for its General Fund Reserve is 7.5% of the net budget, for 2009/10 this equates to £1.247m.

Section 6 of this report considers the position of the General Fund Balance and that of other balances held by the Council.

3.0 Housing Revenue Account

- 3.1 The monthly budget monitoring for Month 11 predicted a deficit in 2008/09 of £0.823m on the Housing Revenue Account (HRA), the final position is a deficit of £0.908m. This variation of £0.085m is mainly as a result of lower rental and other income and some additional areas of expenditure on repairs and maintenance, these costs have been slightly offset by a year end reduction of £0.038m in the bad debt provision. The use of reserves was planned as part of the HRA business plan in order bring balances closer to the adopted level and accelerate planned improvements.
- 3.2 A summary of HRA original and revised estimate against the outturn is shown on page 48 of the attached booklet which is then followed by detailed analysis of the variations.
- 3.3 This will result in an available HRA Balance of £1.296m as at the 31 March 2009, this being £0.245m above the recommended minimum level £1.051m.

4. Capital Programme

- 4.1 Page 57 of the attached booklet, provides a summary of capital expenditure for all portfolios during the year, comparing the revised estimate and the outturn figure. This shows that compared with the revised estimate of £3.427m the outturn figure is £2.559m (net of funding), creating an underspend of £0.868m. However of this figure £0.764mm has been added to the 2009/10 capital programme (proposed budget) relating to scheme slippage from 2008/09.

4.2 In the main the underspend has occurred due to:

- A number of ICT projects have been delayed with a net underspend of £0.090m being taken forward to the following year.
- Pollution prevention at Warren View and Imperial Field with a slippage of £0.038m.
- Slippage to the building of new affordable housing at Bonners Glenn, Axminster. Although this has a net effect on the programme as the contribution is by way of a capital receipt (£0.550m) foregone.
- £0.245m reduction Home Stay Grants take up.
- £0.202m to a delay in the recycling roll out of stage two, the equipment is now to be purchased in 2009/10.
- Housing Revenue Account projects underspend by £0.148m, with £0.055m being taken forward to 2009/10.

4.3 Amounts available to fund capital expenditure during 2008/09, were capital receipts totalling £2.119m, this includes a figure of £0.832m brought forward from the previous year.

4.4 It was agreed in setting the 2008/09 budget that the Housing Revenue Account would make a contribution towards capital expenditure of £0.250m.

4.5 In addition to the above receipts and contributions, during the year further revenue contributions of £0.358m were made (£0.344m General Fund and £0.014m HRA) and use was made of the Planning Delivery Grant and Planning Section 106 monies totalling £0.052m

4.6 Total resources available to fund capital expenditure in 2008/09 were £2.779m, after deducting the capital expenditure of £2.559m this leaves a balance of £0.220m that will be held as a capital receipt to be used to help support the £0.764m scheme slippage carried forward to 2009/10.

4.7 Details of capital expenditure and notes of variations are shown on pages 57 to 68, of the attached booklet.

5. Balances and Reserves.

5.1 After taking account of the overall outturn position the Council will hold the following balances at the 31 March 2009:

Balance/Reserve	31/3/09	Current Purpose
General Fund Balance	£1.390m	A working balance to help cushion the impact of uneven cash flows and a contingency to cushion the impact of unexpected events or emergencies
Planned Maintenance Reserve	£0.260m	To assist in meeting the general fund planned maintenance programme. This is to aid annual budgeting as works fluctuate on an annual

		basis; the reserve was also set up to address a backlog of work.
Planning Delivery Grant Reserve	£0.189m	Payments from Government are earmarked and spent on agreed initiatives to assist in delivering strategic and planning development works. Only £0.024m remains unallocated.
LABGI Reserve	£0.683m	To promote and deliver economic development.
Refuse & Recycling Equipment Reserve	£0.403m	Set aside to purchase equipment for the roll out of the new recycling scheme across the District. It is estimated the balance of this will be used in 2009/10.
Local Government Review Reserve	£0.125m	An amount was set aside from previous years savings to be used in the Councils actions to influence the Review.
Investment Shortfall Reserve	£0.673m	One off Reserve to offset the estimated shortfall in the 2009/10 budget
Housing Revenue Account Balance	£1.296m	A working balance to help cushion the impact of uneven cash flows and a contingency to cushion the impact of unexpected events or emergencies
General Reserve	£12.211m	To assist in the delivery of capital projects and investments. This is a revenue backed reserve with the balance partly earmarked to balance the 2009/10 revenue and capital budgets.
Available Capital Receipts	£0.220m	This is the balance of capital receipts available to fund the capital programme. It is estimated this sum will be used in 2009/10.

(These Reserves and Balances total £17.248m)

5.2 The Council has an agreed policy on the minimum reserve levels. These equate to:

Reserve Levels for 2009/10

	Criteria used for minimum level	Minimum Level	Balance 31/3/09
General Fund	7.5% net budget (£16.6m)	£1.247m	£1.390m
HRA	£245 per dwelling (4,290)	£1.051m	£1.296m
General Reserve	None determined	-	£12.211m <i>(see note below)</i>
Others	Specific sums setup for determined use	-	£2.381m

It has been agreed in 2009/10 that from the General Reserve £1.810m will be used to fund the General Fund budget and £2.749m to fund the capital programme shortfall.

5.3 It is considered appropriate to review the Councils Reserves and Balances Policy to ensure it complies with best practice and current advice from CIPFA (Chartered Institute of Public Finance and Accountancy). This is particular relevant in light of recent experience in the significant downturn in the Council's income streams from investments and fees and charges. This is dealt with in the following Section

6. Council's Reserves and Balance Policy

6.1 There are legal requirements which act as safeguards to help prevent local authorities over committing themselves financially. These include the assurance that the Council sets balanced budgets, the Chief Finance Officers' duty to report on the robustness of estimates and the adequacy of reserves when the authority is considering its budget setting, the proper administration of financial affairs, the prudential code and the external auditors' opinion. It is the responsibility of the Chief Finance Officer to advise on the level of reserves that should be held and to ensure that there are clear protocols for their establishment and use.

6.2 It has become clear through recent unprecedented economic world events which have affected the Council's income streams that the sum set for the General Fund Balance alone would not have been adequate to deal with the credit crunch. Had it not been for the ability to use the General Reserve to give the Council time to realign its services and budgets through the work of the Leaders Service Transformation Group then drastic cuts and actions would have been required in an urgent unstructured manner rather than through a formulated plan. In addition, as the work of this Group is likely to require time and resources to implement the changes proposed, it is in the interests of the Council set aside part of its reserves for this purpose. The General Reserve is also to be used to support the capital programme and this it is felt should also be formally identified.

6.3 Taking these factors into account the Schedule below sets out new criteria for holding reserves which members are asked to consider.

Balance/ Reserve	Purpose	Amount deemed appropriate	Management & timescale for review
General Fund Balance	A working balance to help cushion the impact of uneven cash flows and a contingency to cushion the impact of unexpected events or emergencies	<p>Proposed £2.494m + £1.810m to balance 2009/10 budget</p> <p>This is 2 years of the current minimum level (7.5% of net budget). This takes into account risks within the general fund budget and unexpected occurrences. The sum allows for time to react and to make changes in future budgets and caters for examples of significant reduction in income or significant emergencies such as flooding</p>	<p>This is to be reviewed and if necessary amended annually by Executive Board during its budget setting process.</p> <p>The Board will also consider the year end balance on the fund annually at the outturn stage and consider any actions on any surplus or deficit balance compared with deemed appropriate amount.</p> <p>The Chief Finance Officer will monitor the balance through budget monitoring reports to the Board and notify of any necessary action that should be considered.</p>
Planned Maintenance Reserve	To assist in meeting the general fund planned maintenance programme. This is to aid annual budgeting as works fluctuate on an annual basis	<p>No specific sum is to be maintained.</p> <p>(currently £0.260m)</p>	This is to be reviewed and recommendations made as part of the annual budget setting process by the Executive Board.
Planning Delivery Grant Reserve	Payments from Government are earmarked and spent on agreed initiatives to assist in delivering strategic and planning development works.	<p>No specific sum is to be maintained.</p> <p>PDG monies received from Government will be paid into this reserve.</p> <p>(currently £0.189m – only £0.024m not allocated to specific scheme)</p>	<p>This is to be reviewed and recommendations made as part of the annual budget setting process by the Executive Board.</p> <p>In addition during the year portfolio holder approval maybe given to spend from this reserve.</p>

Balance/ Reserve	Purpose	Amount deemed appropriate	Management & timescale for review
LABGI Reserve	To promote and deliver economic development.	<p>No specific sum is to be maintained.</p> <p>LABGI monies received from Government will be paid into this reserve.</p> <p>(Currently £0.683m)</p>	<p>This is to be reviewed and recommendations made as part of the annual budget setting process by the Executive Board.</p> <p>In addition during the year portfolio holder approval maybe given to spend from this reserve.</p>
Refuse & Recycling Equipment Reserve	Set aside to purchase equipment for the roll out of the new recycling scheme across the District.	<p>No specific sum is to be maintained.</p> <p>(Currently £0.403m)</p>	<p>This reserve was specifically set up from surpluses to pay for anticipated costs. This should be spent in 2009/10.</p> <p>It will formerly be reviewed during the next budget setting process.</p>
Local Government Review Reserve	An amount was set aside from previous years savings to be used in the Councils actions to influence the Review.	<p>No specific sum is to be maintained.</p> <p>(Currently £0.125m)</p>	<p>This reserve was specifically set up from surpluses to pay for anticipated costs. This should be spent in 2009/10 or the balance returned to General Fund.</p> <p>It will formerly be reviewed during the next budget setting process.</p>

Balance/ Reserve	Purpose	Amount deemed appropriate	Management & timescale for review
Investment Shortfall Reserve	One off Reserve to offset the estimated shortfall in the 2009/10 budget	No specific sum is to be maintained. (Currently £0.673m)	This reserve was specifically set up from surpluses to pay for anticipated costs. This should be spent in 2009/10 or the balance returned to General Fund. It will formerly be reviewed during the next budget setting process.
Housing Revenue Account Balance	A working balance to help cushion the impact of uneven cash flows and a contingency to cushion the impact of unexpected events or emergencies	(Currently £1.051m) £245 per dwelling (4,290) is deemed appropriate. Dwellings are insured against possible losses.	This is to be reviewed and if necessary amended annually by Executive Board during its budget setting process. The Chief Finance Officer will monitor the balance through budget monitoring reports to the Board and notify of any necessary action that should be considered.
General Reserve – capital	To assist in the delivery of capital projects and investments.	(Proposed £6.784m) This equates to 3 years deficit balance on the approved capital programme	This is to be reviewed and recommendations made as part of the annual budget setting process by the Executive Board. The Chief Finance Officer will monitor the balance through budget monitoring reports to the Board and notify of any necessary action that should be considered.

Balance/ Reserve	Purpose	Amount deemed appropriate	Management & timescale for review
Available Capital Receipts	This is the balance of capital receipts available to fund the capital programme. It is estimated this sum will be used in 2009/10.	(Currently £0.220m)	This is to be reviewed and recommendations made as part of the annual budget setting process by the Executive Board. It is anticipated the balance will be used in 2009/10.
Balance to be held as a General Reserve – Transformation Fund	This reserve is to assist in the Council's transformation programme primarily from recommendations from the Leaders Service Transformation Group. This will help deliver changes required in the key drivers for change: Services designed around the customers needs/Collaboration/Smarter Procurement/Asset Management/Better use of ICT.	Proposed £2.513m	This is to be reviewed and recommendations made as part of the annual budget setting process by the Executive Board.

(These Reserves and Balances total £17.003m. As the table in 5.1 shows we currently have £17.248m in reserves and balances, the difference in the figure is £0.245m which represents the amount the HRA balance is currently over the recommend minimum level.)

- 6.4 In addition to allowing the Council to manage unforeseen financial pressures and plan for known or predicted liabilities, there is a benefit to holding reserves and balances in terms of the interest earned on funds which are not utilised. This income is currently used to support the general fund budget and will need to be reviewed in line with the use of these balances when the Council considers its annual budget setting process.
- 6.5 There is an "opportunity cost" of holding monies in reserves in that these cannot then be spent on anything else. As an example if these funds were used to provide a new administration building for the council then savings could be made in future running costs as well as the possibility of freeing up a significant capital receipt. Therefore given the opportunity costs of holding reserves it is critical that these continue to be reviewed in line with the Schedule above to confirm that they are still required and that the level is still appropriate.

Legal Implications

The legal implications are set in Section 6 of the report and require no further comment

Financial Implications

The financial details are contained within the report

Consultation on Reports to the Executive

Consideration needs to be given as whether the Executive Board wish to ask one of the overview/scrutiny committees to review this report.

Background Papers

- Finance working papers and previous committee reports of the Executive Board
- CIPFA LAAP Bulletin 77 – Local authorities Reserves and Balances.

Simon Davey
Head of Finance

Executive Board
10 June 2009

Analysis of Investments/Cash etc Supported by Reserves.

	£'000	£'000
<u>Investments/Cash as per Balance Sheet</u>		
Investments		33,311
Investments – Long Term		<u>3</u>
		33,314
 Deduct:		
Cash In Hand	(534)	
Temporary Loan	10,000	
Creditors, Receipts in advance	8,078	
Debtors, Payments in advance etc	(5,498)	<u>12,046</u>
 Net Investments/Cash owned by the Council		<u>£21,268</u>
 These Net Investments/Cash are supported by the following Revenue/Capital Reserves.		
General Fund		4,304
Housing Revenue Account – for the benefit of council Tenants		1,295
Collection Fund – shared with other precepting Authorities		1,622
Earmarked Reserves		11,639
Capital Contributions Unapplied – Section 106 receipts		2,160
Capital Receipts		<u>248</u>
		<u>£21,268</u>

Note: The above items can be found within the Statement of Accounts on page 18, on the Balance Sheet.



Audit and Corporate Governance Committee 25 June 2009

Agenda Item 10: Draft Statement of Accounts 2008/09

Amendments made to the previously circulated Statement of Accounts

In reviewing the Statement two errors have been identified which have now been amended.

The adjustments relate to:

- Pension costs were over stated in the "Net Cost of Services" by £1.009m.

These costs are reversed from the Accounts before determining the deficit on the General Fund Balance for the year; therefore this error has had no effect on the final position and in correcting the error the General Fund balance deficit still remains at £0.406m.

Unfortunately a number of pages are affected as this effects all salary costs. The amended pages are attached with "P" against the figure to identify that it has been corrected for this pension error.

- An incorrect entry was made relating to a previous year debtor in the accounts of £0.115m that had already been corrected (2nd homes money due from Devon County Council). Reversing this entry does alter the Balance Sheet but does not affect any cash backed reserves. The amended pages are attached with "D" against the change signifying where the debtor correction has been made.
- In reproducing these pages the opportunity has been taken to make some presentation changes to the Housing Revenue Account.

A separate note has been prepared on pension costs to assist members in understand how pension costs are shown in the Accounts as this is an area that can be confusing.

COMMENTS FROM THE CHIEF FINANCE OFFICER

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

The Council's net budget requirement for 2008/09 was £14.473m before taking account of Formula Grant income and the District's Council Tax requirement.

In order to reconcile the £14.473m shown above back to the Net Operating Expenditure of £54.618m shown in the Income and Expenditure Account on page 16, the following adjustments are required:

	£000's	£000's
Net Operating Expenditure as shown by the Income & Expenditure Account:		54.618 P
Deduct:		
Town and Parish Precepts	1.509	
Housing Revenue Income & Expenditure Account	0.908	
Revenue expenditure funded from capital under statute	0.318	
Depreciation of Fixed Assets	5.105	
Impairments of Fixed Assets	34.296	
Revenue Contribution to Capital Expenditure	(3.310)	
Movement on Pensions Reserve	0.630 P	
Net Contribution from Reserves	0.025	
Contribution to Housing Pooled Capital Receipts	0.166	
Loss on Sale of Fixed Asset	0.161	
Government Grants Deferred Amortisation	(0.072)	
Contribution from Collection Fund Surplus	0.049	
Other Income Received	(0.046)	
		(39.739)
Actual Net Expenditure for year		14.879
Budget Requirement for the year		14.473
Budget Overspend		0.406

The effect of the transactions detailed above, in addition to a net transfer of £0.998m into the General Fund in line with the Council's Reserves and Balances policy (Executive Board 10 June 2009), have resulted in a General Fund balance at 31 March 2009 of £4.304m (i.e. Balance Brought forward as at 1 April 2008 of £3.712m less £0.406m 2008/09 overspend plus £0.998m transferred into the Fund).

COMMENTS FROM THE CHIEF FINANCE OFFICER (CONT'D.)

The table below shows the variance between the final outturn position across all service areas, as per the Best Value Accounting Code of Practice (BVACOP) requirements. The total overspend on Net Revenue Activities of £0.2m against a revised budget of £15.1 m represents an overspend of 1.3%.

Service Areas per BV ACOP	Original Budget 2008/09 £000's	Revised Budget 2008/09 £000's	Actual 2008/09 £000's	Variance 2008/09 £000's	
Central Services:					
Corporate & Democratic Core	1,762	1,849	1,903	P 54	P
Non Distributed Costs	437	535	613	P 78	P
Central Services to the Public	1,381	1,379	1,696	P 317	P
Highways, Roads & Transport Services	(768)	(775)	(639)	P 136	P
Housing Services:					
Housing General Fund Services	1,801	1,832	1,450	P (382)	P
Housing Revenue Account	2,626	2,685	35,483	P 32,798	P
Cultural, Environmental & Planning Services:					
Culture & Heritage	249	253	536	P 2983	P
Recreation & Sport	3,603	3,632	3,846	P 214	P
Environmental Services	6,965	7,093	7,127	P 34	P
Planning & Development Services	2,255	2,398	2,328	P (70)	P
Special Item Unallocated	142	0	0	0	
Net Expenditure on Services	20,453	20,881	54,343	P 33,462	P
Trading Services	(66)	(66)	(69)	(2)	
Reversal of Depreciation Charges	(3,822)	(3,822)	(5,105)	(1,283)	
Pension Transactions	0	0	380	P 380	P
Interest Receivable	(1,703)	(1,703)	(2,456)	(753)	
Deferred Charges	0	0	(318)	(318)	
Net Gains and Losses on Disposals	0	0	0	0	
Reversal of Net Gains and Losses on Disposals	0	0	0	0	
Reversal of Impairments	0	0	(34,296)	(34,296)	
Amortisation	0	0	72	72	
Housing Revenue Account Surplus	(349)	(423)	(908)	(485)	
Contribution from Reserves	0	0	(25)	(25)	
Revenue Contribution to Capital	250	264	618	354	
Major Repairs Allowance	0	0	2,692	2,692	
Net Expenditure on Revenue Activities	14,763	15,131	14,928	(203)	
Reconciled by:					
Use of General Fund Balance	(290)	(658)	0	658	
Net Expenditure on Revenue Activities	14,763	15,131	14,928	(203)	
Net General Fund Costs	14,473	14,473	14,928	455	
Precept from Collection Fund	(6,663)	(6,663)	(6,712)	(49)	
Revenue Support & Non Domestic Rates	(7,810)	(7,810)	(7,810)	0	
Net Deficit/(Surplus) on General Fund	0	0	406	406	
Balance brought forward at 1 April 2007	(3,712)	(3,712)	(3,712)		
Redesignation of reserves			(998)		
Balance carried forward at 31 March 2008	(3,712)	(3,712)	(4,304)	406	

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. A more detailed analysis of the Council's final outturn position compared against the revised budget for 2008/09 can be found in a report to the Council's Executive Board on the 10 June 2009 entitled "Revenue & Capital Outturn Report 2008/09", a copy of which can be found on the Council's Website.

**INCOME & EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2009**

2007/08 Net Expenditure £000's	SERVICE	2008/09	2008/09	2008/09
		Gross		Net
		Expenditure	Income	Expenditure
		£000's	£000's	£000's
	Central Services:			
1,996	Corporate & Democratic Core	1,983	80	1,903 P
682	Non Distributed Costs	1,302	689	613 P
1,530	Central Services to the Public	9,906	8,210	1,696 P
(656)	Highways, Roads & Transport Services	2,924	3,563	(639) P
	Housing Services:			
836	Housing General Fund Services	23,543	22,093	1,450 P
421	Housing Revenue Account	50,080	14,597	35,483 P
	Cultural, Environmental & Planning Services:			
275	Culture & Heritage	900	364	536 P
4,765	Recreation & Sport	4,500	654	3,846 P
6,603	Environmental Services	9,236	2,109	7,127 P
1,645	Planning & Development Services	4,288	1,960	2,328 P
18,097	NET COST OF SERVICES	108,662	54,319	54,343 P
1,382	Town and Parish Precepts			1,509
62	(Surplus)/Deficit from Trading Services – Note 3 Page 24			(69)
(1,910)	Interest receivable			(2,456)
217	Net (Gains) /Losses on Disposal of Fixed Assets			161
(76)	Other income received			(46)
3,830	Interest on Pension Scheme Liabilities - Note 8 Page 24			4,700
(3,730)	Expected Return on Pension Fund Assets - Note 8 Page 24			(3,690)
333	Contribution to Housing Pooled Capital Receipts – Note 15 Page 26			166
18,205	NET OPERATING EXPENDITURE			54,618 P
(7,729)	Precept demanded from the Collection Fund			(8,221)
(1,100)	Revenue Support Grant			(954)
(6,558)	Contribution from Non-Domestic Rate Pool			(6,856)
2,818	DEFICIT/(SURPLUS) FOR THE YEAR			38,587

Statement of Movement on the General Fund Balance for the Year Ended 31 March 2009

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.

2007/08 Expenditure £000's	Statement of Movement on the General Fund Balance for the Year Ended 31 March 2009	2008/09 Expenditure £000's
2,818	Deficit or (surplus) for the year on the Income & Expenditure Account	38,587 P
(4,263)	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	(38,181) P
(1,445)	Deficit / (Increase) in General Fund Balance for the year	406
	Reclassification of Reserves	(998)
(2,267)	General Fund Balance brought forward	(3,712)
(3,712)	General Fund Balance carried forward	(4,304)

Statement of Total Recognised Gains and Losses for the Year Ended 31 March 2009

2007/08 Expenditure £000's	Statement of Total Recognised Gains and Losses for the Year Ended 31 March 2009	2008/09 Expenditure £000's
2,818	Deficit for the Year on the Income and Expenditure Account	38,587 P
(12,704)	Deficit/(Surplus) arising on Revaluation of Fixed Assets & Impairments - see note 1 on Page 40	1,877
(4)	Deficit/(Surplus) arising on Revaluation of Available for Sale Financial Assets	0
(4,400)	Actuarial (Gains) / Losses on Pension Fund Assets and Liabilities	13,240
(898)	Other Reconciling Items ⁽¹⁾	(210) D
(15,188)	Total Recognised (Gain) / Loss for the Year	53,494 D

⁽¹⁾ Other reconciling items include -2008/09 is the Collection Fund increase of (£0.189m) and (£0.021m) which relates to roundings/balancing items. 2007/08 the Collection Fund increase of (£0.693m), a prior year capital disposal of (£0.179m) and a balancing item of £0.026m.

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2009

2007/08 £000's		2008/09 £000's	2008/09 £000's
	Fixed assets – Note 18 Page 27		
	<u>Tangible Fixed Assets</u>		
	Operational Assets:		
301,012	Council Dwellings	262,834	
52,097	Other Land and Buildings	52,150	
3,711	Vehicles, Plant, Furniture & Equipment	3,739	
10,095	Infrastructure Assets	10,185	
2,663	Community Assets	2,920	
8,112	Non-Operational Assets	8,392	
377,690	Total Fixed Assets		340,220
15	Long Term Investments – Note 21 Page 30	3	
285	Long Term Debtors:	226	229
377,990	Total Long Term Assets		340,449
	Current Assets		
30,262	Investments - Note 21 Page 30	33,311	
81	Bank – Cash in Hand	534	
6,306	Debtors – Note 22 Page 33	5,510	D
241	Payments in Advance	234	
36,890	Total Current Assets	39,589	D
	Current Liabilities		
(8,000)	Temporary Loan – note 21 Page 30	(10,000)	
(5,468)	Creditors – Note 23 Page 33	(7,365)	
(741)	Receipts in Advance	(713)	
(1,673)	Capital Contributions Unapplied – Note 25 Page 33	(2,160)	
(2,090)	Government Grants & Contributions Deferred - Note 26 Page 33	(2,516)	
(17,972)	Total Current Liabilities	(22,754)	
18,918	Total Current Assets less Current Liabilities		16,835 D
	Long-term Liabilities		
(14,940)	Pensions - Note 29 Pages 34 - 38		(28,810)
381,968	Total Assets Less Liabilities – Note 30 Page 38		328,474 D
	Financed by:		
259	Deferred Capital Receipts – Note 33 Page 38		215
832	Usable Capital Receipts – Note 34 Page 39		248
12,334	Revaluation Reserve – Note 35 Page 39		8,420
363,535	Capital Adjustment Account – Note 36 Page 39		329,545
(4)	Available for Sale Reserve		(4)
1,433	Collection Fund - Note 37 Page 40		1,622
12,211	General Reserve - Note 38 Page 40		0
(14,940)	Pensions Reserve - Note 39 Page 40		(28,810)
392	Ear Marked Reserves – Note 40 Page 41		11,639
3,712	General Fund Balance		4,304
2,204	Housing Revenue Account Balance		1,295
381,968	Total Reserves		328,474 D

Chief Financial Officer's Certificate

Diccon Pearse

25 June 2009

I certify that the accounts set out on pages 16 to 48 fairly state the financial position of the Council at 31 March 2009.

Approved by Chairman of the Audit and Governance Committee

25 June 2009

HOUSING REVENUE INCOME & EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2009

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.

2007/08 Net Expenditure £000's	HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE ACCOUNT	2008/09 Net Expenditure £000's	
	INCOME		
(12,812)	Dwelling Rents (Gross) - Note 48 Page 44	(13,266)	
(269)	Garage Rents (Gross) - Note 48 Page 44	(293)	
(737)	Other Income	(637)	
(617)	Contribution from Supporting People	(401)	
(14,435)	TOTAL INCOME	(14,597)	
	EXPENDITURE		
2,434	Repairs and Maintenance	3,069	
	Supervision and Management		
2,696	- General	2,699	P
1,240	- Special Services	1,321	P
166	- Other	230	P
25	Other Expenditure	0	
10	Increase/Decrease in Bad Debt Provision - Note 50 Page 44	(38)	
4,708	Housing Subsidy - Negative Subsidy (Payment to Secretary of State) - Note 51 Page 45	5,361	
	Depreciation and Impairment of Fixed Assets		
3,295	Dwellings	37,175	
282	Other Assets	264	
14,856	TOTAL EXPENDITURE	50,080	P
	NET COST OF SERVICE		
421		35,483	P
(3)	Interest - Mortgages	(2)	
(110)	- HRA Balances	(127)	
(228)	Gain or loss on sale of HRA fixed assets	8	
453	Interest on Pension Scheme Liabilities	577	
(442)	Expected Return on Pension Fund Assets	(453)	
91	(Surplus)/Deficit for the year on HRA services	35,486	P

STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE FOR THE YEAR ENDED 31 MARCH 2009

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.

2007/08 Expenditure £000's	Statement of Movement on the Housing Revenue Account Balance for the Year Ended 31 March 2009	2008/09 Expenditure £000's
91	Deficit or (Surplus) for the year on the HRA Income & Expenditure Account	35,486
(612)	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 47 Page 44.)	(34,578)
(521)	Decrease/(Increase) in HRA Balance for the year	908
(1,683)	Housing Revenue Account Balance brought forward	(2,204)
(2,204)	Housing Revenue Account Balance carried forward	(1,296)

NOTES TO THE INCOME & EXPENDITURE ACCOUNT

Note 1: Format of the Statement: The 2008/09 Income & Expenditure Account fully complies with the Best Value Accounting Code of Practice and the 2008 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.

2007/08 Expenditure £000's		2008/09 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	
(3,799)	Depreciation and impairment of fixed assets	(39,401)
(80)	Write down of revenue expenditure funded from capital under statute	(318)
12	Government Grants Deferred amortisation matching depreciation and impairments	72
(4)	Amount by which finance costs calculated in accordance with the SORP differ from the amount calculated under statutory requirements	0
(141)	Net Gain/Loss on Sale of Fixed Assets	(161)
(2,530)	Net charges made for retirement benefits in accordance with FRS 17	(2,410)
(6,542)		(42,218)
	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	
830	Capital expenditure charged in-year to the General Fund Balance	3,356
(333)	Transfer for Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(166)
1,717	Employer's contributions payable to the DCC Pension Fund and retirement Benefits payable direct to pensioners	1,780
2,214		4,970
	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	
521	Housing Revenue Account surplus/(deficit)	(908)
(456)	Net transfer to / (from) earmarked reserves	(25)
65		(933)
(4,263)	Net additional amount required to be credited to the General Fund Balance for the year	(38,181)

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

Note 13: Audit Costs. This note provides details on the actual audit costs incurred in 2008/09 (£144,000) and 2007/08 (£134,000), broken down into the various categories of work undertaken for the authority.

	2007/08 £000's	2008/09 £000's
Fees payable for core audit inspection	108	118
Fees payable for statutory inspection	1	1
Fees payable for certification of grant claims and returns	23	22
Fees payable for other services	2	3
Total	134	144

Note 14: 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 2008/09.

Note 15: Pooled Budgets.

The Authority did not have any pooled budgets in 2008/09.

Note 16: 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.

Note 17: Building Control Statement. This statement is required under the Local Authority Building Control Regulations. These regulations require the setting of charges for the administration of the building control function. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. These costs are referred to in the account shown below in the Non Chargeable column. The statement below shows the total cost of operating the Building Control Unit divided between chargeable and non-chargeable activities.

All of the figures included in the statement are included in the Income & Expenditure Account.

Building Regulations Charging Account 2008/09	Chargeable 2008/09 £000's	Non Chargeable 2008/09 £000's	Total Building Control 2008/09 £000's
Expenditure			
Employee expenses	291	143	434
Premises	0	0	0
Transport	30	10	40
Supplies & Services	48	8	56
Central and support service charges	116	51	167
Capital Charges	0	0	0
Total Expenditure	485	212	697
Income			
Building Regulations charges	(528)	0	(528)
Miscellaneous income	(1)	(40)	(41)
Total Income	(529)	(40)	(569)
Deficit/(Surplus) for Year	(44)	172	128

NOTES TO THE CONSOLIDATED 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
Internal Investments	All internal investments are included at a carrying value adjusted for accrued interest	800	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.
Internal Borrowings	All internal borrowings are included at a carrying value adjusted for accrued interest	10,000	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	32,510	Fund Manager confirmed that the carrying "bid value" represents a fair value of the Fund at the 31 March 2009
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 2009
Trade Debtors	Included at billed amount less provision for uncollectable debtors	5,510	The amounts set aside by the council for probable non collection have been reviewed and amended. Bad debts provisions are detailed on page 33 within note number 22.
Trade Creditors	Included at invoiced amount	7,365	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. The Council's Treasury Management Strategy which is based upon CIPFA's revised code for Treasury Management, was adopted by its Executive Board on 30 April 2008, and included a fundamental requirement that it should seek *"the maximisation of interest receipts, compliant with the minimisation of exposure to risk"*. 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.

The Council places a strict lending policy on its external investments in terms of the financial assets it can deal in and the counter parties it can lend to, restricting deposits to the top twenty building societies (providing their assets remain in excess of £1 billion), the main UK banks and subsidiaries, and all Police, Fire and Local Authorities. Furthermore the amounts that can be invested with any one financial institution are limited to a maximum of £2 million at any time, and the duration that deposits can be placed for are also carefully regulated. The overriding consideration is for the security of the investment Fund rather than the maximisation of investment return.

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 2008 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 CONSOLIDATED BALANCE SHEET (CONT'D.)

Note 22: Debtors

As at 31 March 2008 £000's		As at 31 March 2009 £000's
2,461	Government Departments	513
257	HMRC	330
452	Housing Tenants	624
1,266	Council Tax Payers	1,406
212	Non Domestic Rate Payers	277
	<u>Sundry</u>	
614	Housing Benefit Overpayments	943
1,619	Debts for Council Services Provided	1,211
273	Other	1,115
7,154		6,419
(848)	Less Provision for Doubtful Debts	(909)
6,306	Total	5,510

Note 23: Creditors

As at 31 March 2008 £000's		As at 31 March 2009 £000's
111	Government Departments	1,532
0	HMRC	508
116	Housing Tenants Prepaid	235
1,069	Council Tax Prepaid	1,204
121	Non Domestic Rates Prepaid	615
4,051	Sundry	3,271
5,468	Total	7,365

Note 24: Provisions

These monies have been set aside to cover potential liabilities. No such items have been identified.

Note 25: Capital Contributions Unapplied

Capital contributions include £2.150m Section 106 receipts paid as part of the planning approval process. The receipts are being held to meet expenditure associated with the planning approval. The other £0.010m relates to a donation which has been received.

Note 26: 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.

NOTES TO THE CONSOLIDATED BALANCE SHEET (CONT'D)

Note 34: Movement on Usable Capital Receipts

2007/08 £000's	Useable Capital Receipts	2008/09 £000's
(1,997)	Balance as at 1 April	(832)
(726)	Amounts received in Year	(1,461)
1,558	Amounts Applied to Finance New Capital Expenditure	1,879
333	Payment to Housing Pool	166
1,165	Net (Surplus) / Deficit for year	584
(832)	Balance as at 31 March	(248)

The Council has a remaining balance of £0.248m of capital receipts which can be used in the future to support capital activities.

Note 35: 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.

2007/08 £000's	Movement on the Revaluation Reserve	2008/09 £000's
0	Balance as at 1 April	(12,334)
166	Impairment of Fixed Assets – See note 1 & 3 below	4,146
12	Disposals linked to Revaluation – See note 4 below	848
183	Difference between current value and historic cost depreciation – See note 2 below	1,189
(12,695)	Revaluation – See note 1 below	(2,269)
(12,334)	Balance as at 31 March	(8,420)

Note 36: 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.

2007/08 £000's	Movement on Capital Adjustment Account	2008/09 £000's
(365,270)	Balance as at 1 April	(363,535)
4,872	Excess Depreciation over Minimum Revenue Provision – See note 2	3,916
4	Write down of Capital Contributions & revenue expenditure financed by capital under statute	318
(12)	Amortisation	(73)
1,190	Impairments of Fixed Assets – See note 3 below	34,296
785	Disposals – See note 4 below	713
(4,925)	Financed Capital Expenditure	(5,180)
(179)	Previous Year Expenditure	
(363,535)	Balance as at 31 March	(329,545)

NOTES TO THE CASH FLOW STATEMENT

Note 41: Reconciliation of Income and Expenditure Account to Revenue Activities Cash Flow

2007/08 £000's	2007/08 £000's		2008/09 £000's	2008/09 £000's
(693)	3,063	(Surplus) / Deficit per Income & Expenditure Account		406
(521)	(1,214)	Add: Collection Fund (Surplus) / Deficit	(189)	
		Housing Revenue Account (Surplus) / Deficit	908	
		Items classified elsewhere in the cash flow statement:		719
	1,850	Interest		2,456
		Non Cash Transactions:		
(4,373)		Depreciation	(5,105)	
456		Contribution (to)/from Reserves	406	
*(2,706)		Other non cash transactions	2,657	
	(6,623)			(2,042)
72		(Increase) / Decrease in Creditors	(1,897)	
810		Increase / (Decrease) in Debtors	(1,006)	
0	882	Increase / (Decrease) in Stocks	0	(2,903)
	(2,042)	Net Cash Outflow / (Inflow) from Revenue Activities		(1,364)

*Restated

Note 42: Reconciliation of the Movement in Cash to the Movement in Borrowing

	As at 31 March 2008 £000's	As at 31 March 2009 £000's	Movement £000's
Bank Balance/Cash Equivalents	81	534	(453)
Total movement in cash	81	534	(453)
Other balance sheet movements			
Fixed Assets	377,690	340,220	37,470
Long-term Debtors	285	226	59
Long-term Investments	15	3	12
Current Assets			
Stocks and Work in Progress	0	0	0
Debtors	6,306	5,510	796
Payments in Advance	241	234	7
Short-term Investments	30,262	33,311	(3,049)
Current Liabilities			
Creditors	(5,468)	(7,365)	1,897
Receipts in Advance	(741)	(713)	(28)
Long-term Liabilities			
Long-term Liabilities – Pensions	(14,940)	(28,810)	13,870
Capital Contributions Un-applied	(1,673)	(2,160)	487
Government and Other Contributions Deferred	(2,090)	(2,516)	426
Total	389,698	338,474	51,494
Net Movement in Reserves and other Fund Balances	(381,968)	(328,474)	53,494
Net Total	8,000	10,000	(2,000)
Reconciles to:			
Total Movement in Borrowing			
Temporary Loans	(8,000)	(10,000)	(2,000)
Total	(8,000)	(10,000)	(2,000)

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

Note 47: 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.

2007/08 Expenditure £000's		2008/09 Expenditure £000's
	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	
(3,596)	Depreciation and impairment of fixed assets	(37,438) P
228	Gain or loss on sale of HRA fixed assets	(8)
(287)	Net charges made for retirement benefits in accordance with FRS 17	(293) P
(3,655)		(37,739) P
	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	
250	Capital expenditure funded by the Housing Revenue Account	264
2,613	Transfer to Major Repairs Reserve	2,692
180	Employer's contributions payable to the DCC Pension Fund and retirement Benefits payable direct to pensioners	205
3,043		3,161
(612)	Net additional amount required to be credited to the HRA Balance for the year	(34,578) P

Note 48: 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 1.05% of the gross rents; in 2007/08 the figure was 1.28%.

The average weekly rent for dwellings in 2008/09 was £59.72 compared with £56.49 for 2007/08. The average weekly rent for garages increased by 10% to £8.03.

Note 49: Rent Arrears

There was a decrease in rent arrears in the year to 31 March 2009 of £657.

2007/08 £000's		2008/09 £000's
452	Rent Arrears as at 31 st March	451
3.41%	Percentage of total rent debit	3.29%

Note 50: Bad Debts Provision – The provision was reviewed at 31 March 2009.

2007/08 £000's		2008/09 £000's
160	Rent Payers Bad Debts Provision as at 31 st March 2009	122

The bad debt provision has been decreased by £38,000. Former tenant arrears have remained at £81,000 at the 31 March 2009 (also £81,000 at the 31 March 2008).

FRS 17 - PENSION STATEMENTS

Background

FRS 17 is designed to ensure that the Council's full obligations in regards to the Pension Fund are set out in a clear and transparent way. This requirement follows a number of serious frauds involving the inappropriate use of pension funds in the Private Sector e.g. Robert Maxwell.

Movements on the fund

The accompanying summary shows the main movements on the fund during the year and can be divided into three main areas:

Additions:

- Contributions to the fund: Employer's contributions for past and current service £1.78m. The Council currently pays a contribution of 17.6% (of pay) towards the cost of maintaining the fund which comprises 15% as an estimate of current and future obligations, and 2.6% to fund past changes. The average contribution rate for Devon authorities as a whole is 18.6%.
- Return on Assets: An estimate of the added value made to the fund during the year of its investment portfolio as attributable to East Devon DC (£3.69m).

Liabilities:

- FRS 17 estimates of past and current obligations: This is a value calculated by the Actuary (£1.4m).
- Interest on liabilities: The Actuary's assessment of this Council's share of the interest on liabilities during the year (£4.7m).

Actuarial loss:

The Actuary makes a full revaluation of the Pension fund every three years, but in the interim makes a judgement of the net movement in scheme value each year. The next full valuation is due at the end of March 2010, and at that time contribution rates may be amended to take account of changing valuations and actuarial assumptions. However, these changes are planned over a significant time frame (25 years), and should not have an immediate material impact upon the Council's current contribution rate.

Applying FRS 17

Within the Council's accounts the treatment is to remove the actual amounts paid during the year (£1.78m), and to replace these values with the FRS17 assumed obligations (£1.4m). However, these are notional amendments only, and intended to reflect the Councils' "true" current obligation, and the net impact of this accounting treatment (£0.38m) is therefore reversed in calculating the net expenditure on revenue activities (page 4 of the statement of accounts).

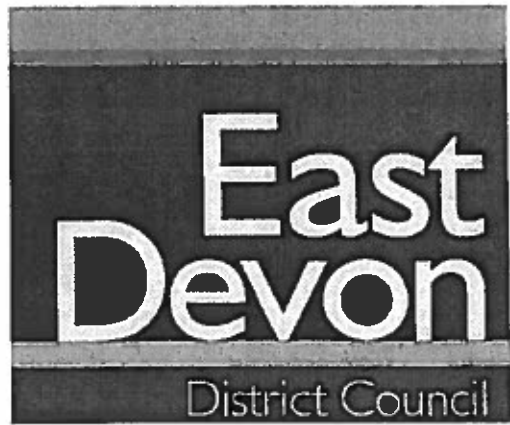
Balance of fund

From the accompanying summary it can be seen the overall calculated deficit as attributable to the Council has increased from £14.94m to £28.81m during the course of the year. The March 2010 Actuarial revaluation will take account of the deficit in determining future contribution rates.

ANALYSIS OF PENSION FUND MOVEMENTS

	£m's	£m's	£m's
Balance brought forward		(14,940)	
Add:			
Contributions made to the fund in the year	1,780		
Return on fund assets	<u>3,690</u>		
Value added to the fund in year		5,470	
Less:			
Actuary's estimate of current and past service costs	(1,400)		
Interest on scheme liabilities	<u>(4,700)</u>		
Estimate scheme liabilities for the year		(6,100)	
Calculated actuarial loss		(13,240)	
Balance carried forward			<u><u>(28,810)</u></u>





Draft Statement of Accounts

2008/09

East Devon District Council

Knowle

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Devon

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Statement of Accounts

2008/09

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EXPLANATORY FOREWORD

The Council's Statement of Accounts for the year ended 31 March 2009 is set out on the following pages. They comprise:

Comments from the Chief Finance Officer

This gives a summarised overview of the Council's financial transactions in 2008/09.

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.

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 2009. 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. For the draft accounts these currently not included but are considered as a separate item.

COMMENTS FROM THE CHIEF FINANCE OFFICER

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

The Council's net budget requirement for 2008/09 was £14.473m before taking account of Formula Grant income and the District's Council Tax requirement.

In order to reconcile the £14.473m shown above back to the Net Operating Expenditure of £55.627m shown in the Income and Expenditure Account on page 15, the following adjustments are required:

	£000's	£000's
Net Operating Expenditure as shown by the Income & Expenditure Account:		55.627
Deduct:		
Town and Parish Precepts	1.509	
Housing Revenue Income & Expenditure Account	0.908	
Revenue expenditure funded from capital under statute	318	
Depreciation of Fixed Assets	5.105	
Impairments of Fixed Assets	34.296	
Revenue Contribution to Capital Expenditure	(3.310)	
Movement on Pensions Reserve	1.640	
Net Contribution from Reserves	0.025	
Contribution to Housing Pooled Capital Receipts	0.166	
Loss on Sale of Fixed Asset	0.161	
Government Grants Deferred Amortisation	(0.073)	
Contribution from Collection Fund Surplus	0.049	
Other Income Received	(0.046)	
		(40.748)
Actual Net Expenditure for year		14.879
Budget Requirement for the year		14.473
Budget Overspend		0.406

The effect of the transactions detailed above, in addition to a net transfer of £0.998m into the General Fund in line with the Council's Reserves and Balances policy (Executive Board 10 June 2009), have resulted in a General Fund balance at 31 March 2009 of £4.304m (i.e. Balance Brought forward as at 1 April 2008 of £3.712m less £0.406m 2008/09 overspend plus £0.998m transferred into the Fund).

COMMENTS FROM THE CHIEF FINANCE OFFICER (CONT'D.)

The table below shows the variance between the final outturn position across all service areas, as per the Best Value Accounting Code of Practice (BVACOP) requirements. The total overspend on Net Revenue Activities of £0.2m against a revised budget of £15.1 m represents an overspend of 1.3%.

Service Areas per BV ACOP	Original Budget 2008/09 £000's	Revised Budget 2008/09 £000's	Actual 2008/09 £000's	Variance 2008/09 £000's
Central Services:				
Corporate & Democratic Core	1,762	1,849	1,917	68
Non Distributed Costs	437	535	861	326
Central Services to the Public	1,381	1,379	1,764	385
Highways, Roads & Transport Services	(768)	(775)	(614)	161
Housing Services:				
Housing General Fund Services	1,801	1,832	1,512	(320)
Housing Revenue Account	2,626	2,685	35,607	32,922
Cultural, Environmental & Planning Services:				
Culture & Heritage	249	253	545	292
Recreation & Sport	3,603	3,632	3,903	271
Environmental Services	6,965	7,093	7,358	265
Planning & Development Services	2,255	2,398	2,498	100
Special Item Unallocated	142	0	0	0
Net Expenditure on Services	20,453	20,881	55,351	34,470
Trading Services	(66)	(66)	(68)	(2)
Reversal of Depreciation Charges	(3,822)	(3,822)	(5,105)	(1,283)
Pension Transactions	0	0	(630)	(630)
Interest Receivable	(1,703)	(1,703)	(2,456)	(753)
Deferred Charges	0	0	(318)	(318)
Net Gains and Losses on Disposals	0	0	0	0
Reversal of Net Gains and Losses on Disposals	0	0	0	0
Reversal of Impairments	0	0	(34,296)	(34,296)
Amortisation	0	0	73	73
Housing Revenue Account Surplus	(349)	(423)	(908)	(485)
Contribution from Reserves	0	0	(25)	(25)
Revenue Contribution to Capital	250	264	618	354
Major Repairs Allowance	0	0	2,692	2,692
Net Expenditure on Revenue Activities	14,763	15,131	14,928	(203)
Reconciled by:				
Use of General Fund Balance	(290)	(658)	0	658
Net Expenditure on Revenue Activities	14,763	15,131	14,928	(203)
Net General Fund Costs	14,473	14,473	14,928	455
Precept from Collection Fund	(6,663)	(6,663)	(6,712)	(49)
Revenue Support & Non Domestic Rates	(7,810)	(7,810)	(7,810)	0
Net Deficit/(Surplus) on General Fund	0	0	406	406
Balance brought forward at 1 April 2007	(3,712)	(3,712)	(3,712)	
Redesignation of reserves			(998)	
Balance carried forward at 31 March 2008	(3,712)	(3,712)	(4,304)	406

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. A more detailed analysis of the Council's final outturn position compared against the revised budget for 2008/09 can be found in a report to the Council's Executive Board on the 10 June 2009 entitled "Revenue & Capital Outturn Report 2008/09", a copy of which can be found on the Council's Website.

COMMENTS FROM THE CHIEF FINANCE OFFICER (CONT'D.)

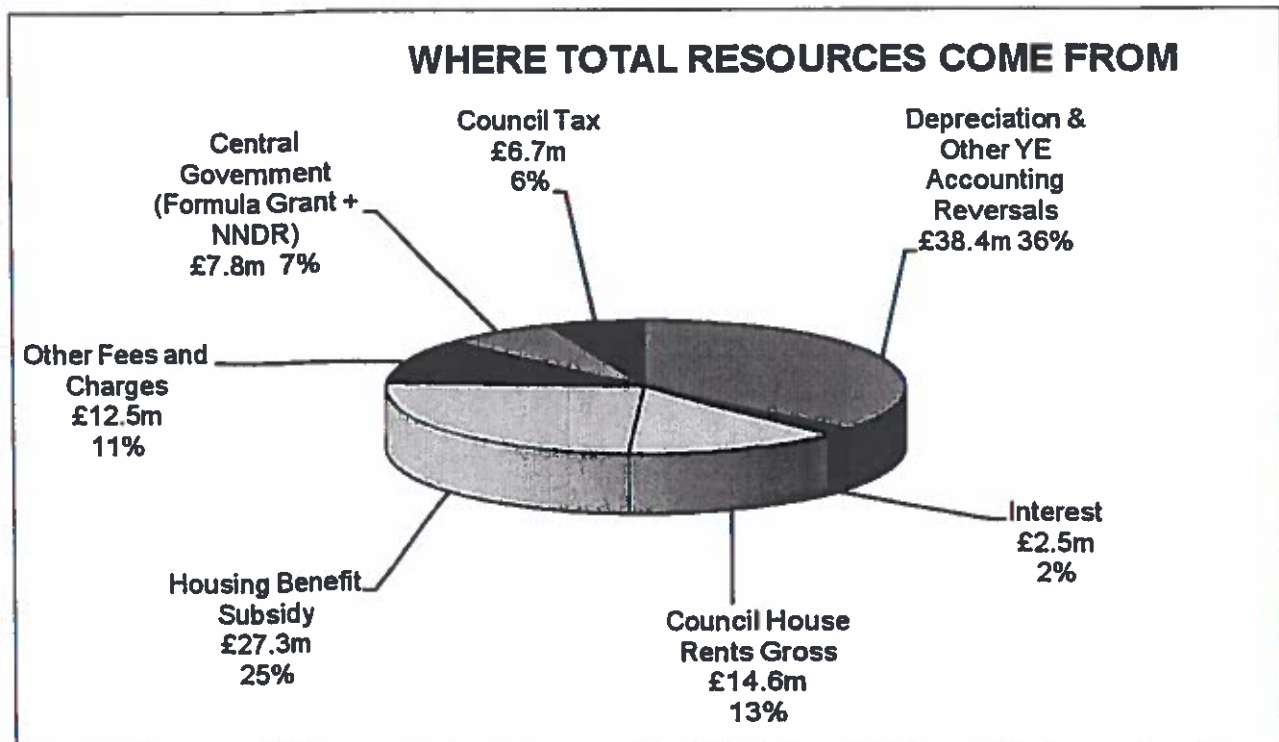
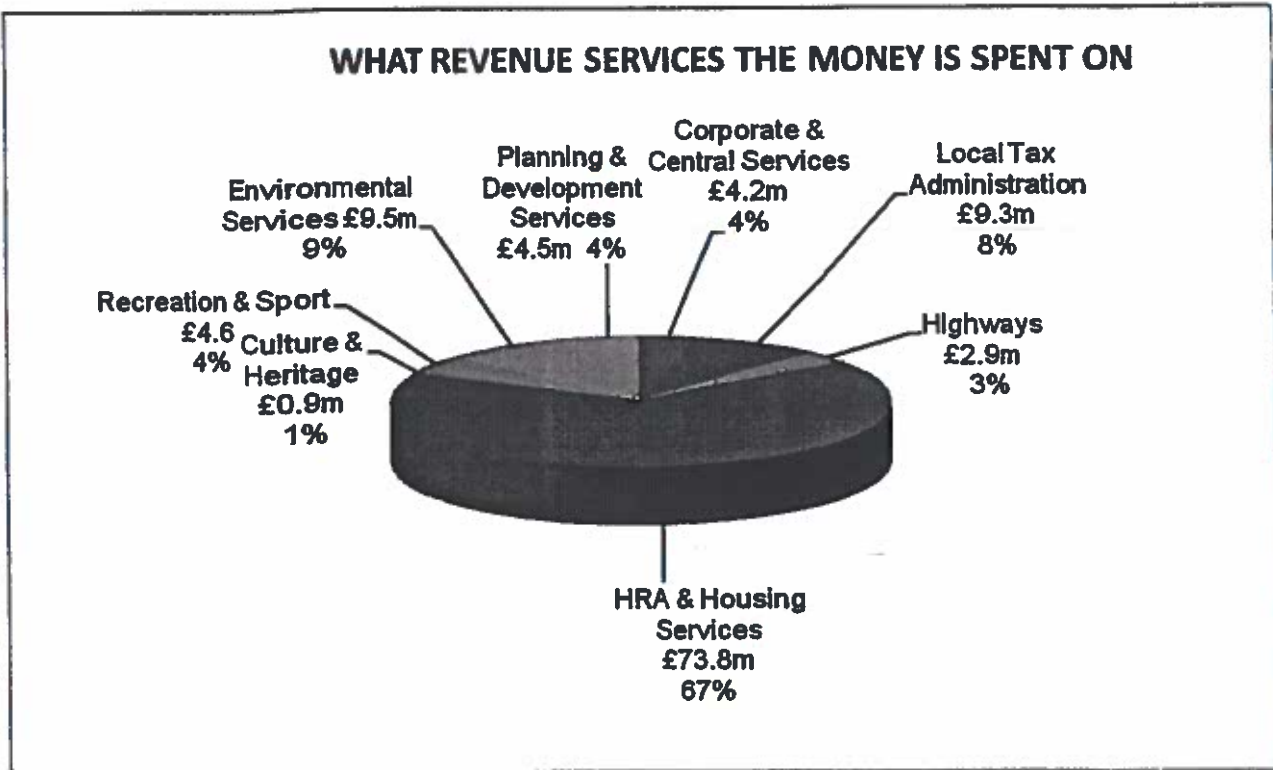
An analysis of the changes from the Original to the Revised Budget from the BVACOP table is as follows:

Reconciliation of Original Budget 2008/09 for Net Expenditure on Revenue Activities to Revised 2008/09	£ 000's	£ 000's
Original 2008/09 Budget		14,763
Revenue Contribution to Capital:		
- Elections software	(20)	
- Policy Snap Survey	(12)	
- Home Safeguard equipment	(10)	
- Ticket Machines Car Parks	(8)	
- Accountancy CEDAR Upgrade	(12)	
		(62)
Environmental Awareness Grants	75	
Planning Agency staff	23	
Internal Audit training & staff costs	53	
		151
Electoral Registration Software	18	
Homeless Night Stop / Youth Worker	10	
Housing Needs additional staff	33	
Customer Satisfaction	6	
Corporate Vanguard Project	60	
Licensing Chartermark	2	
Corporate Training IIP	4	
Internal Audit Additional Staff	19	
Special Items allocated above	(142)	
		10
LGA Subscription	16	
Seaton Odd Job person	6	
Cemeteries Memorial Stabilisation	7	
Tree Safety works	30	
Information Communication & Technology Mobile working project	30	
Contribution to Democracy Week	2	
Corporate Leadership Conference	5	
Best Council Survey	8	
		104
The Strand Development	100	
Estates advice	20	
Climate Change	20	
Wetlands Project	10	
Gateway towns visitor centres	15	
Local Authority Business Growth Insensitive Scheme		165
Revised 2008/09 Budget		15,131

The outturn overspend reported to Executive Board on the 10 June 2009 was £410,000 compared to the final overspend of £406,000. The difference represents some minor adjustments made in the preparation of the Final Accounts.

COMMENTS FROM THE CHIEF FINANCE OFFICER (CONT'D.)

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:



Note 1 – The figure shown above for Year End Reversals of £38.4m includes depreciation, impairments and revenue expenditure funded from capital under statute which is charged to all services 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.

COMMENTS FROM THE CHIEF FINANCE OFFICER (CONT'D.)

Housing Revenue Account Services

This Account (page 19 & 20) relates to the housing stock the Council provides directly and shows a deficit for the year of £0.908m., this use of reserves is in line with the Housing Revenue Account Business Plan. This leaves a Housing Revenue Account Balance at 31 March 2009 of £1.295m.

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 £6.784m.

The Council spent £ 6.511m on capital projects during the year. The areas of expenditure were as follows:

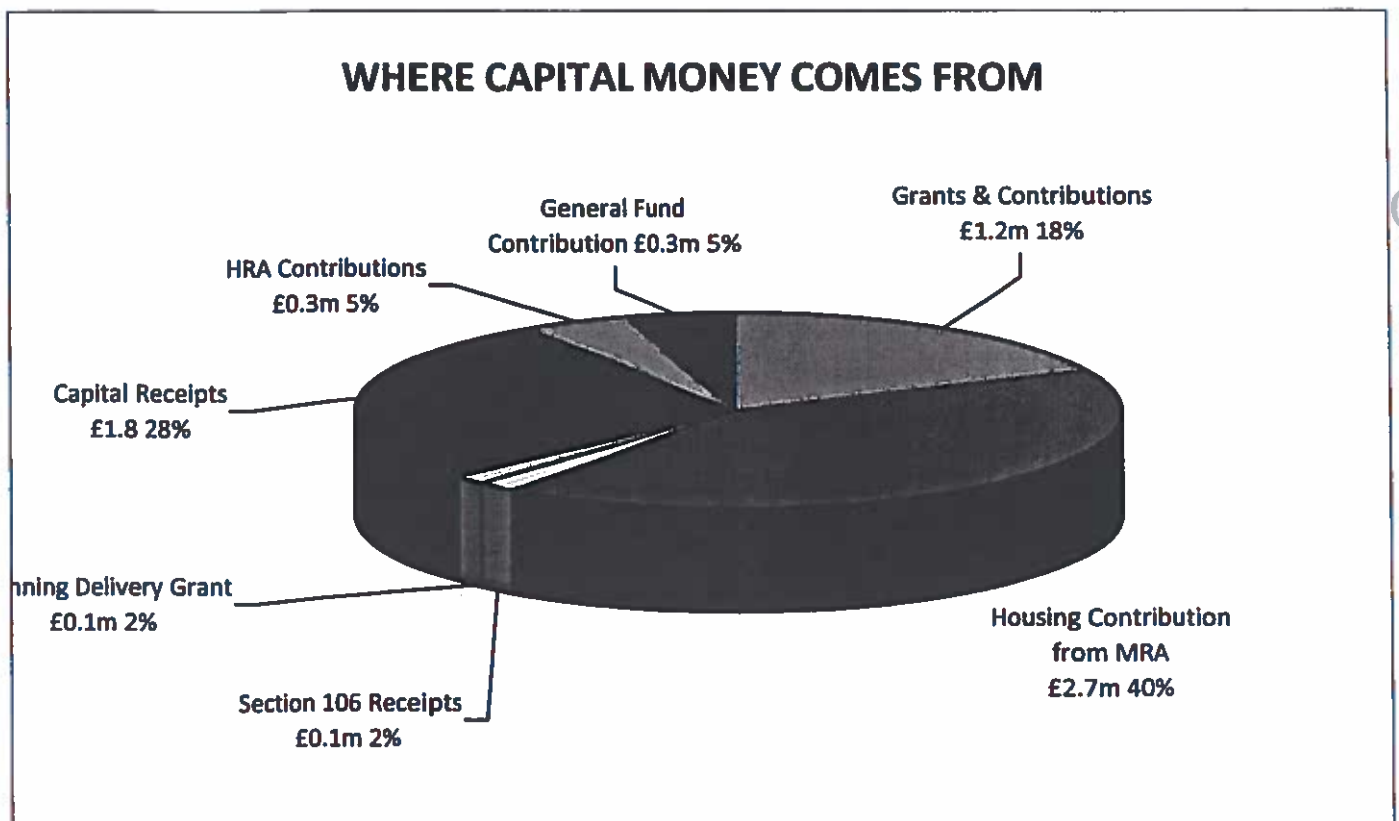
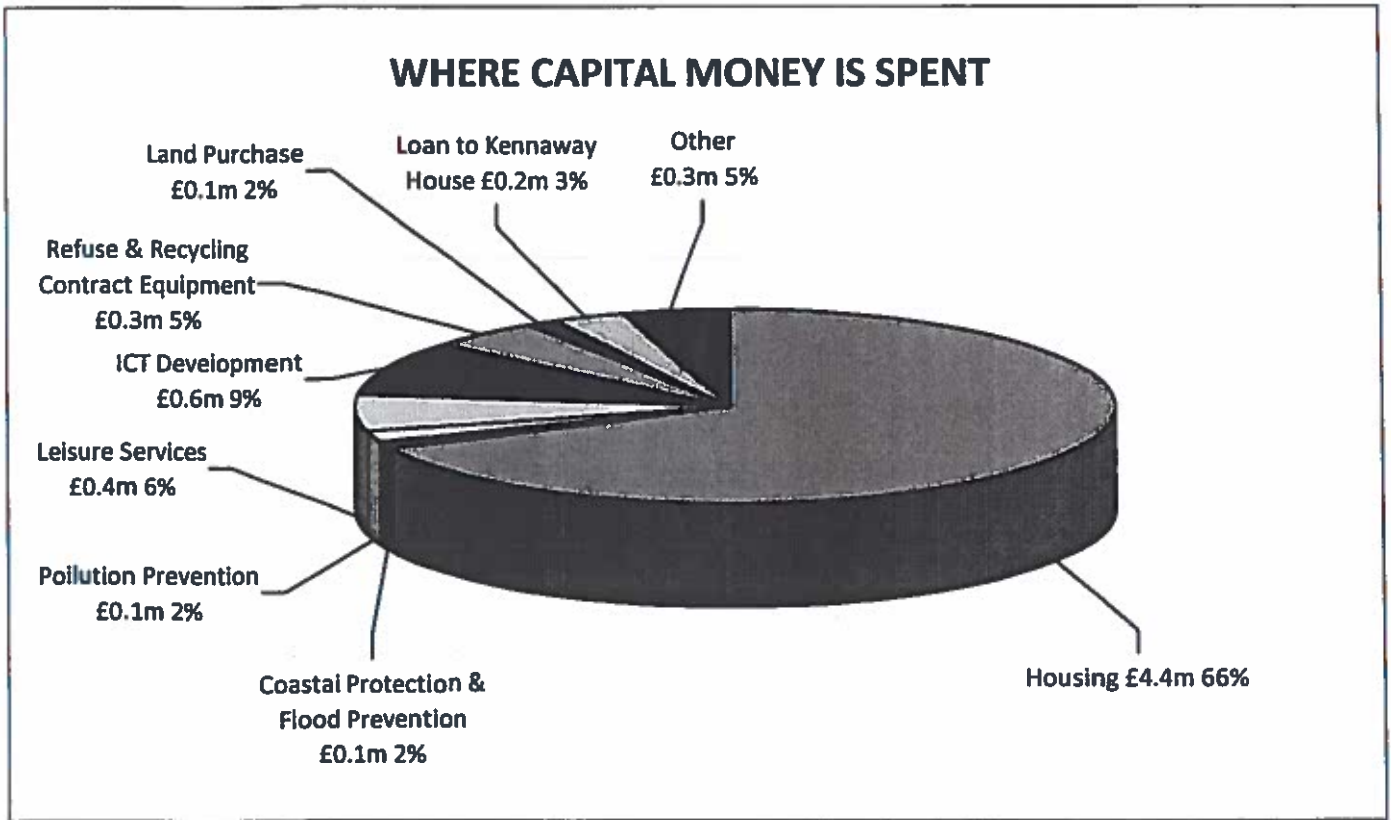
	2008/09
	£m's
Housing	4.453
Affordable Housing monies from reduction in Second Home Discounts	0.036
Coast Protection and Flood Prevention	0.097
Pollution Prevention	0.055
Leisure Services (Sports Halls/Swimming Pools, Parks & Gardens, Halls & Pavilions)	0.407
ICT Development	0.589
Refuse & recycling contract equipment	0.282
Land Purchase Seaton marshes	0.120
Loan – Kennaway House Trust	0.250
Other	0.282
Total Capital Expenditure	6.511

The expenditure was financed as follows:

	2008/09
	£m's
Grants & Contributions	1.331
Housing Contribution through the Major Repairs Reserve	2.692
Section 106 Receipts	0.022
Contribution from Planning Delivery Grant	0.030
Capital Receipts	1.848
Revenue contribution from the HRA	0.264
General Fund Contribution to Capital	0.324
Total Capital Expenditure	6.511

COMMENTS FROM THE CHIEF FINANCE OFFICER (CONT'D.)

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



COMMENTS FROM THE CHIEF FINANCE OFFICER (CONT'D.)

Financial Health and Performance

Spending on services in 2008/09 was £0.2m over budget giving a variance of only 1.3% on budget. This overall position does mask larger variations within services. The main areas being; a reduction in income from investments due to extremely low interest rates and reduced income from fees and charges (planning, car parks, land charges etc) due to the recession. These variations were monitored and reported monthly to the Council's Executive Board. This reduced income was offset by actions taken in the year on not filling some vacant posts and other cost saving actions, in addition a better return on Housing Benefit Subsidy to that budgetted has helped the position. The impact of falling income has been reflected in the 2009/10 budgets of the Council and the Council is currently considering its future service delivery through a specific member group (Leaders Service Transformation Group) in order to produce affordable budgets going forward into 2010/11 and beyond.

The £0.2m deficit on services above and the planned use of £0.2m from previous year's surplus on the general fund as resulted in overall deficit on the general fund of £0.4m.

Prudent levels of balances are held to mitigate against any unforeseen events. These have recently been reviewed and the general fund balance at £4.304m is considered appropriate in the current uncertain economic climate. The Council also holds other reserves earmarked for specific purposes.

The Council's external auditor publishes an annual assessment on the Council's use of resources. This includes the Council's financial standing, financial management, internal control, financial reporting and value for money. The auditor's opinion was that, overall, the Council's performance in the use of resources was assessed at a level 3. This grades the Council as consistently above minimum requirements and performing well. The Council continues to strive to ensure it maintains this score and where possible looks to improve it.

The Council's Assets and Liabilities

These are summarised in the table below:

2007/08 £m's		2008/09 £m's
378	Long term assets	341
37	Current assets	39
(18)	Current liabilities	(23)
(15)	Pension liability	(29)
382	Net assets	328
	Financed by:	
(15)	Pension Reserve	(29)
12	Earmarked reserves	12
4	General Fund Balance	4
381	Other reserves	341
382	Total reserves	328

The Council's Cash Position

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

	2008/09 £m's
Cash at 1/4/08	0.081
Cash in	(259.635)
Cash out	260.088
Cash at 31/3/09	0.534

D J PEARSE CPFA
CHIEF FINANCE OFFICER & CORPORATE DIRECTOR

22 June 2009

STATEMENT OF ACCOUNTING POLICIES

The Council's accounting policies have been reviewed and amended, where applicable, prior to commencing the 2008/09 statement of accounts.

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 2008 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 2008/09 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.

2. Changes introduced by the 2008 SORP

The main changes introduced by the 2008 SORP which have required some redrafting of these policies are:

- The revised basis for valuing pension fund assets for FRS17 disclosures, details are given in the note below.
- Renaming of "deferred charges" to "revenue expenditure funded from capital under statute"

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.

STATEMENT OF ACCOUNTING POLICIES (CONT'D.)

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.

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.

In 2006/07 Assets were revalued at point of disposal and no gains or losses on disposal accrued. From 2007/08 this is not the case and receipts are compared against the carrying value of the assets resulting in possible gains or losses on disposal.

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 property as estimated by the valuer and allocated to the service which benefits from the use of that asset. 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

STATEMENT OF ACCOUNTING POLICIES (CONT'D.)

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. As this Council is debt free, no such adjustment is required. 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.

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 not acquire any assets under a finance lease agreement in 2008/09.

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 2009.

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 2009. 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 21 on page 30.

STATEMENT OF ACCOUNTING POLICIES (CONT'D.)

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 8 to the Income and Expenditure Account on pages 24-25 and note 29 to the Balance Sheet on pages 34 to 38.

Pension amounts disclosed in the Statement of Accounts have been supplied by Hewitt Association Ltd.

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.

Any material under or over recovery of charges is adjusted centrally in that year's accounts.

14. Reserves

A number of earmarked reserves are now held to meet specific items of revenue expenditure.

15. Provisions

These are sums set aside by the Council for specific future expenses which are likely or certain to be incurred but the amount cannot yet be determined accurately, e.g. bad debts.

16. 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.

17. VAT

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

18. Prior Year Adjustments

A prior year adjustment has been made of £0.216m to reflect an imbalance between housing benefit overpayments system (Academy) and the Finance System (Cedar).

19. Group Accounts

The Council had none to declare for 2008/09.

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 Chief Finance Officer and 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 Chief Finance Officer's Responsibilities

The Chief Finance Officer 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 2009.

In preparing this Statement of Accounts, the Chief Finance Officer has:

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

The Chief Finance Officer has also:

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

**INCOME & EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2009**

2007/08 Net Expenditure £000's	SERVICE	2008/09	2008/09	2008/09
		Gross		Net
		Expenditure	Income	Expenditure
		£000's	£000's	£000's
	Central Services:			
1,996	Corporate & Democratic Core	1,997	80	1,917
682	Non Distributed Costs	1,550	689	861
1,530	Central Services to the Public	9,975	8,211	1,764
(656)	Highways, Roads & Transport Services	2,949	3,563	(614)
	Housing Services:			
836	Housing General Fund Services	23,605	22,093	1,512
421	Housing Revenue Account	50,230	14,622	35,608
	Cultural, Environmental & Planning Services:			
275	Culture & Heritage	909	364	545
4,765	Recreation & Sport	4,557	654	3,903
6,603	Environmental Services	9,466	2,109	7,357
1,645	Planning & Development Services	4,458	1,960	2,498
18,097	NET COST OF SERVICES	109,696	54,345	55,351
1,382	Town and Parish Precepts			1,509
62	(Surplus)/Deficit from Trading Services – Note 3 Page 24			(68)
(1,910)	Interest receivable			(2,456)
217	Net (Gains) /Losses on Disposal of Fixed Assets			161
(76)	Other income received			(46)
3,830	Interest on Pension Scheme Liabilities - Note 8 Page 24			4,700
(3,730)	Expected Return on Pension Fund Assets - Note 8 Page 24			(3,690)
333	Contribution to Housing Pooled Capital Receipts – Note 15 Page 26			166
18,205	NET OPERATING EXPENDITURE			55,627
(7,729)	Precept demanded from the Collection Fund			(8,221)
(1,100)	Revenue Support Grant			(954)
(6,558)	Contribution from Non-Domestic Rate Pool			(6,856)
2,818	DEFICIT/(SURPLUS) FOR THE YEAR			39,596

Statement of Movement on the General Fund Balance for the Year Ended 31 March 2009

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.

2007/08 Expenditure £000's	Statement of Movement on the General Fund Balance for the Year Ended 31 March 2009	2008/09 Expenditure £000's
2,818	Deficit or (surplus) for the year on the Income & Expenditure Account	39,596
(4,263)	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)	(39,190)
(1,445)	Deficit / (Increase) in General Fund Balance for the year	406
	Reclassification of Reserves	(998)
(2,267)	General Fund Balance brought forward	(3,712)
(3,712)	General Fund Balance carried forward	(4,304)

Statement of Total Recognised Gains and Losses for the Year Ended 31 March 2009

2007/08 Expenditure £000's	Statement of Total Recognised Gains and Losses for the Year Ended 31 March 2009	2008/09 Expenditure £000's
2,818	Deficit for the Year on the Income and Expenditure Account	39,596
(12,704)	Deficit/(Surplus) arising on Revaluation of Fixed Assets & Impairments - see note 1 on Page 40	1,877
(4)	Deficit/(Surplus) arising on Revaluation of Available for Sale Financial Assets	0
(4,400)	Actuarial (Gains) / Losses on Pension Fund Assets and Liabilities	12,320
(898)	Other Reconciling Items ⁽¹⁾	(184)
(15,188)	Total Recognised (Gain) / Loss for the Year	53,609

⁽¹⁾ Other reconciling items include –2008/09 is the Collection Fund increase of (£0.189)m and £0.005m which relates to roundings/balancing items. 2007/08 the Collection Fund increase of (£0.693m), a prior year capital disposal of (£0.179)m and a balancing item of £0.026m.

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2009

2007/08 £000's		2008/09 £000's	2008/09 £000's
	Fixed assets – Note 18 Page 27		
	<u>Tangible Fixed Assets</u>		
	Operational Assets:		
301,012	Council Dwellings	262,834	
52,097	Other Land and Buildings	52,160	
3,711	Vehicles, Plant, Furniture & Equipment	3,739	
10,095	Infrastructure Assets	10,185	
2,663	Community Assets	2,920	
8,112	Non-Operational Assets	8,392	
377,690	Total Fixed Assets		340,220
15	Long Term Investments – Note 21 Page 30	3	
285	Long Term Debtors:	226	229
377,990	Total Long Term Assets		340,449
	Current Assets		
30,262	Investments - Note 21 Page 30	33,311	
81	Bank – Cash in Hand	534	
6,306	Debtors – Note 22 Page 33	5,395	
241	Payments in Advance	234	
36,890	Total Current Assets	39,474	
	Current Liabilities		
(8,000)	Temporary Loan – note 21 Page 30	(10,000)	
(5,468)	Creditors – Note 23 Page 33	(7,365)	
0	Cash Overdrawn	0	
(741)	Receipts in Advance	(713)	
(1,673)	Capital Contributions Unapplied – Note 25 Page 33	(2,180)	
(2,090)	Government Grants & Contributions Deferred - Note 26 Page 33	(2,516)	
(17,972)	Total Current Liabilities	(22,764)	
18,918	Total Current Assets less Current Liabilities		16,720
	Long-term Liabilities		
(14,940)	Pensions - Note 29 Pages 34 - 38		(28,810)
381,968	Total Assets Less Liabilities – Note 30 Page 38		328,359
	Financed by:		
259	Deferred Capital Receipts – Note 33 Page 38		215
832	Usable Capital Receipts – Note 34 Page 39		248
12,334	Revaluation Reserve – Note 35 Page 39		6,420
363,535	Capital Adjustment Account – Note 36 Page 39		329,430
(4)	Available for Sale Reserve		(4)
1,433	Collection Fund - Note 37 Page 40		1,822
12,211	General Reserve - Note 38 Page 40		0
(14,940)	Pensions Reserve - Note 39 Page 40		(28,810)
392	Ear Marked Reserves – Note 40 Page 41		11,839
3,712	General Fund Balance		4,304
2,204	Housing Revenue Account Balance		1,295
381,968	Total Reserves		328,359

Chief Financial Officer's Certificate

Diccon Pearse



22 June 2009

I certify that the accounts set out on pages 16 to 48 fairly state the financial position of the Council at 31 March 2009.

Approved by Chairman of the Audit and Governance Committee

25 June 2009

THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2009

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

2007/08 £000's	2007/08 £000's		2008/09 £000's	2008/09 £000's
		Revenue Activities		
		Cash Outflows		
14,130		Cash paid to and on behalf of Employees	15,126	
25,381		Other operating cash payments	27,058	
11,472		Housing Benefits paid out	12,829	
4,451		Housing Subsidy	5,361	
20,786		NNDR payment to National Pool	22,954	
68,374		Precepts paid	72,153	
330		Payments to the Capital Receipts Pool	166	
	144,924			155,747
		Cash Inflows		
(6,200)		Rents (after rebates)	(6,578)	
(71,243)		Council Tax receipts	(74,130)	
(21,829)		Non-Domestic Rate receipts (after reliefs)	(24,217)	
(6,558)		NNDR Receipt from National Pool	(6,856)	
(1,101)		Revenue Support Grant	(954)	
(26,690)		DWP Grants for benefits	(27,696)	
0		DCLG Housing Subsidy	(4,290)	
*(2,610)		Other Government grants	(8,872)	
(8,603)		Cash received for goods & services	(2,812)	
(2,132)		Other operating cash receipts		
	(146,966)			(156,205)
	(2,042)	Revenue Activities Net Cash Flow - Note 41 Page 42		(458)
		Returns on investments and Servicing of Finance		
		Cash Outflows		
23		Interest paid	23	
		Cash Inflows		
(1,873)		Interest received	(2,479)	
	(1,850)			(2,456)
		Capital Activities		
		Cash Outflows		
2,259		Purchase of fixed assets	2,926	
0		Purchase of long term investments	0	
965		Other capital cash payments	893	
	3,224			3,819
		Cash Inflows		
(393)		Sale of fixed assets	(1,481)	
*(137)		Capital Grants received	(40)	
(0)		Other capital cash receipts	0	
	(530)			(1,501)
	(1,198)	Net cash (inflow)/outflow before financing		(598)
		Management of Liquid Resources - Note 45 Page 43		
1,157		Net increase/(decrease) in short term deposits	3,049	
0		Net increase/(decrease) in other liquid resources	0	
	1,157			3,049
		Financing - Note 45 Page 43		
		Cash Outflows		
8,200		Repayments of amounts borrowed	8,000	
		Cash Inflows		
(8,000)		New loans raised		
		New short term loan(s)	(10,000)	
	200			(2,000)
	159	Net (increase)/decrease in cash Note 46 Page 43		453

• Restated

HOUSING REVENUE INCOME & EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2009

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.

2007/08 Net Expenditure £000's	HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE ACCOUNT	2008/09 Net Expenditure £000's
	INCOME	
(12,812)	Dwelling Rents (Gross) - Note 48 Page 44	(13,266)
(269)	Garage Rents (Gross) – Note 48 Page 44	(293)
(737)	Other Income	(638)
(617)	Contribution from Supporting People	(400)
(14,435)	TOTAL INCOME	(14,597)
	EXPENDITURE	
2,434	Repairs and Maintenance	3,069
	Supervision and Management	
2,696	- General	3,055
1,240	- Special Services	1,353
166	- Other	230
25	Other Expenditure	0
10	Increase/Decrease in Bad Debt Provision – Note 50 Page 44	(38)
4,708	Housing Subsidy – Negative Subsidy (Payment to Secretary of State) – Note 51 Page 45	5,361
	Depreciation and Impairment of Fixed Assets	
3,295	Dwellings	2,692
282	Other Assets	37,391
14,856	TOTAL EXPENDITURE	53,113
	NET COST OF SERVICE	
421		38,516
(3)	Interest – Mortgages	(2)
(110)	- HRA Balances	(127)
(228)	Gain or loss on sale of HRA fixed assets	8
453	Interest on Pension Scheme Liabilities	566
(442)	Expected Return on Pension Fund Assets	(453)
91	(Surplus)/Deficit for the year on HRA services	38,508

STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE FOR THE YEAR ENDED 31 MARCH 2009

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.

2007/08 Expenditure £000's	Statement of Movement on the Housing Revenue Account Balance for the Year Ended 31 March 2009	2008/09 Expenditure £000's
91	Deficit or (Surplus) for the year on the HRA Income & Expenditure Account	38,508
(612)	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 47 Page 44.)	(37,600)
(521)	Decrease/(Increase) in HRA Balance for the year	908
(1,683)	Housing Revenue Account Balance brought forward	(2,204)
(2,204)	Housing Revenue Account Balance carried forward	(1,295)

COLLECTION FUND FOR THE YEAR ENDED 31 MARCH 2009

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.

COLLECTION FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2009		
2007/08 £000's		2008/09 £000's
	INCOME	
(69,742)	Council Tax (net)	(73,002)
(6,940)	- Council Tax Benefit	(7,412)
0	- Transitional Relief	0
(21,003)	NNDR collectable from business ratepayers	(23,171)
0	Contribution – Adjustment in respect of previous years' Community Charge	0
(97,685)		(103,585)
	EXPENDITURE	
	Precepts	
57,427	Devon County Council	60,318
7,388	Devon & Cornwall Police Authority	8,060
7,729	East Devon District Council (including Parishes)	8,172
3,559	Devon & Somerset Fire Authority	3,775
	Distribution of previous year's estimated surplus	
0	Devon County Council	0
0	Devon & Cornwall Police Authority	0
0	East Devon District Council	50
0	Devon & Somerset Fire & Rescue Authority	0
0		0
	NNDR	
20,786	Contribution to National Pool	22,954
217	Cost of Collection Allowance	216
19	Write offs	48
	Adjustment to Bad Debt provisions - Note 61 page 48	
(125)	Council Tax	(213)
(8)	NNDR	16
96,992		103,396
	MOVEMENT ON FUND BALANCE	
(693)		(189)
(740)	Balance at 1 April	(1,433)
(693)	(Surplus)/Deficit for year	(189)
(1,433)	Balance at 31 March	(1,622)

NOTES TO THE INCOME & EXPENDITURE ACCOUNT

Note 1: Format of the Statement: The 2008/09 Income & Expenditure Account fully complies with the Best Value Accounting Code of Practice and the 2008 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.

2007/08 Expenditure £000's		2008/09 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	
(3,799)	Depreciation and impairment of fixed assets	(39,401)
(80)	Write down of revenue expenditure funded from capital under statute	(318)
12	Government Grants Deferred amortisation matching depreciation and impairments	73
(4)	Amount by which finance costs calculated in accordance with the SORP differ from the amount calculated under statutory requirements	0
(141)	Net Gain/Loss on Sale of Fixed Assets	(161)
(2,530)	Net charges made for retirement benefits in accordance with FRS 17	(3,420)
(6,542)		(43,227)
	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	
830	Capital expenditure charged in-year to the General Fund Balance	3,358
(333)	Transfer for Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(166)
1,717	Employer's contributions payable to the DCC Pension Fund and retirement Benefits payable direct to pensioners	1,780
2,214		4,970
	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	
521	Housing Revenue Account surplus/(deficit)	(908)
(456)	Net transfer to / (from) earmarked reserves	(25)
65		(933)
(4,263)	Net additional amount required to be credited to the General Fund Balance for the year	(39,190)

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	
	2007/08 £000's	2008/09 £000's	2007/08 £000's	2008/09 £000's	2007/08 £000's	2008/09 £000's	2007/08 £000's	2008/09 £000's
Income	(53)	(46)	(230)	(252)	(6)	(6)	(289)	(304)
Expenditure	43	41	250	135	56	59	351	235
(Surplus)/Deficit	(10)	(5)	20	(117)	52	53	62	(69)

Note 4: HRA Balance. The deficit of £0.908m (surplus of £0.521m in 2007/08) has been transferred to the Housing Revenue Account balance.

Note 5: Contribution to/from Reserves. In 2008/09 the Council made a net transfer from reserves of £0.025m. This was made up of £0.128m from the planned maintenance reserve to support revenue spending across a number of council property assets, £0.129m from the Local Authority Business Grant Incentive reserve, £0.673m to a new reserve for future loss of interest, £0.059m from the S106 reserve, £0.125m from the Local Government Review reserve, £0.262m from the Refuse Bins reserve and £0.005m to the DCLG Grant for Council Tax Efficiency Statement reserve.

Note 6: Section 137 Expenditure. The Local Government Act 2000 granted new powers to authorities from October 2000 to promote well-being in their area. The expenditure the Council previously incurred under Section 137 of the Local Government Act 1972 (as amended) is covered by these new powers. No expenditure was made under this heading during 2008/09.

Note 7: Publicity. The Local Government Act 1986, S5(1) requires local authorities to keep a separate account of publicity expenditure. Net expenditure of £38,000 (2007/08: £32,000) was incurred in promoting the East Devon area. There was no spend on direct advertising in 2008/09 (also nil in 2007/08). A further £143,000 (2007/08: £123,000) was spent on advertising on areas shown below:

	2007/08 £000's	2008/09 £000's
Recruitment Advertising	78	62
Planning	14	18
Others	31	63
Total	123	143

Note 8: 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 needs 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 8 Contd:

Local Government Pension Scheme	2007/08 £000's	2008/09 £000's
Net Cost of Services		
Current service cost	(1,820)	(1,380)
Past service costs	(610)	(20)
Curtailments/settlements	0	0
Net Operating Expenditure		
Interest on fund liabilities	(3,830)	(4,700)
Expected return on fund assets	3,730	3,690
Contributions towards unfunded liabilities	0	0
Amounts to be met from Government Grants and Local Taxation		
Movement on pensions reserve	813	630
Actual amount charged against council tax for pensions in the year		
Employer's contributions payable to scheme	(1,717)	(1,780)

Note 29 to the Consolidated Balance Sheet (Pages 34-37) contains details of the assumptions made in estimating the figures included in this note.

Note 9: Leasing. The Council uses leased cars, pickup trucks, vans and road sweepers financed under the terms of operating leases. The amount paid under these arrangements in 2008/09 was £366,000 (2007/08: £331,000).

The future cash payments required under these leases are:

2009/2010	£294,000
2010/2011 onwards	£400,000

Note 10: Employees' Remuneration of £50,000 or over. Taxable remuneration of employees earning £50,000 or over fell within the following ranges:

Pay Band	Number of Staff	
	2007/08	2008/09
£110,000 - £119,999	0	1
£100,000 - £109,999	0	0
£ 90,000 - £ 99,999	1	0
£ 80,000 - £ 89,999	0	0
£ 70,000 - £ 79,999	3	3
£ 60,000 - £ 69,999	1	1
£ 50,000 - £ 59,999	5	6
Total	10	11

Note 11: Members' Allowances. The total paid in the year amounted to £368,000 (2007/08: £346,000). This is actual allowances only and excludes any other expenses (e.g. travelling).

Note 12: 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. No transactions were considered material under this note.

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

Note 13: Audit Costs. This note provides details on the actual audit costs incurred in 2008/09 (£144,000) and 2007/08 (£134,000), broken down into the various categories of work undertaken for the authority.

	2007/08 £000's	2008/09 £000's
Fees payable for core audit inspection	108	118
Fees payable for statutory inspection	1	1
Fees payable for certification of grant claims and returns	23	22
Fees payable for other services	2	3
Total	134	144

Note 14: 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 2008/09.

Note 15: Pooled Budgets.

The Authority did not have any pooled budgets in 2008/09.

Note 16: 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.

Note 17: Building Control Statement. This statement is required under the Local Authority Building Control Regulations. These regulations require the setting of charges for the administration of the building control function. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. These costs are referred to in the account shown below in the Non Chargeable column. The statement below shows the total cost of operating the Building Control Unit divided between chargeable and non-chargeable activities.

All of the figures included in the statement are included in the Income & Expenditure Account.

Building Regulations Charging Account 2008/09	Chargeable 2008/09 £000's	Non Chargeable 2008/09 £000's	Total Building Control 2008/09 £000's
Expenditure			
Employee expenses	312	154	466
Premises	0	0	0
Transport	30	10	40
Supplies & Services	48	8	56
Central and support service charges	116	51	167
Capital Charges	0	0	0
Total Expenditure	506	223	729
Income			
Building Regulations charges	(528)	0	(528)
Miscellaneous income	(1)	(40)	(41)
Total Income	(529)	(40)	(569)
Deficit/(Surplus) for Year	(23)	183	160

NOTES TO THE CONSOLIDATED BALANCE SHEET

Note 18: 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, 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, 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 2009.

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 2009 at replacement cost.

NOTES TO THE CONSOLIDATED BALANCE SHEET (CONT'D.)

Note 18 (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	304,806	54,719	5,687	11,757	2,678	379,647
Accumulated Depreciation & Impairment B/f	(3,794)	(2,622)	(1,976)	(1,662)	(15)	(10,069)
Net book value at 31 March 2008	301,012	52,097	3,711	10,095	2,663	369,578
Additions	3,575	121	892	278	257	5,123
Disposals	(233)	(335)	(8)	(1)	(500)	(1,077)
Revaluations	64	1,119	(0)	0	500	1,683
Depreciation	(3,244)	(781)	(825)	(187)	0	(5,037)
Impairments	(38,340)	(71)	(31)	0	0	(38,442)
Net book value of assets at 31 March 2009	262,834	52,150	3,739	10,185	2,920	331,828
Accumulated Depreciation & Impairment C/f	7,038	3,335	2,758	1,848	15	14,994
Current Value as at 31 March 2009	269,872	55,485	6,497	12,033	2,935	346,822

Previous year additions are assets classified as under construction which became operational in 2008/09.

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	6,742	1,567	8,329	379,647	387,976
Accumulated Depreciation & Impairment B/f	(217)	0	(217)	(10,069)	(10,286)
Net book value at 31 March 2008	6,525	1,567	8,112	369,578	377,690
Additions	0	542	542	5,123	5,665
Previous Year Additions	0	(297)	(297)		(297)
Disposals	(484)	0	(484)	(1,077)	(1,561)
Revaluations	587	0	587	1,683	2,270
Depreciation	(68)	0	(68)	(5,037)	(5,105)
Impairments	0	0	0	(38,442)	(38,442)
Net book value of assets at 31 March 2009	6,560	1,832	8,392	331,828	340,220
Accumulated Depreciation & Impairment C/f	285	0	285	14,994	15,279
Current Value as at 31 March 2009	6,843	1,832	8,677	346,822	355,499

NOTES TO THE CONSOLIDATED BALANCE SHEET (CONT'D.)

Note 18 (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 they are incurred.

Deferred Charges	Balance as at 1 April 2008	Expenditure in Year	Financed Capital	Balance as at 31 March 2009
	£000's	£000's	£000's	£000's
Affordable Housing Grants	0	36	36	0
Disabled Facility Grants	0	701	701	0
Homestay Grants	0	148	148	0
Other Grants	0	8	8	0
Total Expenditure	0	893	893	£0

The total Capital expenditure and financing for 2008/09 is shown below:

Capital Expenditure	2008/09 £000's	Financed from the following sources	2008/09 £000's
Fixed Assets	5,368	Grants and Contributions	1,331
Deferred Charges	893	Revenue Contribution	618
Loans	250	Major Repairs Reserve (Council Houses)	2,692
		Section 106 Contribution	22
		Capital Receipts	1,848
Total Expenditure	6,511	Total	6,511

Note 19: Capital Commitments

The Council's Capital Programme for the next two years is £7.876m (net of grants and contributions). Significant sums contractually committed at 31 March 2009 are as follows:

31 March 2008 £000's	Scheme	31 March 2009 £000's
0	Housing Grants	330
0	Refuse & Recycling	230
0	Public Conveniences Refurbishment	138
33	Information Communication Technology Programme	0
33	Total	698

NOTES TO THE CONSOLIDATED BALANCE SHEET (CONT'D.)

Note 20: Number and Type of Fixed Assets

Numbers of the main fixed assets held at 31 March 2009 as included on the Council's Asset Register:

31 March 2008 (Numbers)	Asset	31 March 2009 (Numbers)
4,298	Council Houses	4291
1	Allotments	1
15	Cafes / Kiosks	15
56	Car Parks	54
4	Cemeteries	5
2	Cinemas	2
8	Depots	8
1	Golf Course	1
1	Harbour	1
14	Industrial Sites / Storage	14
11	Offices	11
30	Parks & Gardens	29
12	Private / Public Halls	12
47	Public Conveniences	47
4	Shops / Retail	2
9	Sports Halls / Pools	9
15	Sports Pavilions	15

Note 21: Investments & Loans – Financial Instruments

As at 31 March 2008 £000's		As at 31 March 2009 £000's
15	Long Term Stocks, Shares and Debentures (at cost)	3
30,262	Short Term Investec Asset Management Fund ⁽¹⁾	32,511
0	Short Term Investment	800
30,262		33,311

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 2009, 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 CONSOLIDATED 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
Internal Investments	All internal investments are included at a carrying value adjusted for accrued interest	800	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.
Internal Borrowings	All internal borrowings are included at a carrying value adjusted for accrued interest	10,000	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	32,510	Fund Manager confirmed that the carrying "bid value" represents a fair value of the Fund at the 31 March 2009
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 2009
Trade Debtors	Included at billed amount less provision for uncollectable debtors	5,395	The amounts set aside by the council for probable non collection have been reviewed and amended. Bad debts provisions are detailed on page 33 within note number 23
Trade Creditors	Included at invoiced amount	7,365	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. The Council's Treasury Management Strategy which is based upon CIPFA's revised code for Treasury Management, was adopted by its Executive Board on 30 April 2008, and included a fundamental requirement that it should seek *"the maximisation of interest receipts, compliant with the minimisation of exposure to risk"*. 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.

The Council places a strict lending policy on its external investments in terms of the financial assets it can deal in and the counter parties it can lend to, restricting deposits to the top twenty building societies (providing their assets remain in access of £1 billion), the main UK banks and subsidiaries, and all Police, Fire and Local Authorities. Furthermore the amounts that can be invested with any one financial institution are limited to a maximum of 2 million at any time, and the duration that deposits can be placed for are also carefully regulated. The overriding consideration is for the security of the investment Fund rather than the maximisation of investment return.

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 2008 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 CONSOLIDATED 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 2008/2009.

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's Treasury Management Strategy seeks to identify these risks and put into place appropriate mitigation where necessary. 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 – this is proactively managed by the Council and it only deposits funds with financial institutions that are rated as AAA by Fitch and Moody credit rating agencies, or are one of the top twenty building societies, or are a local authority (including Police and Fire Services). To further minimise any exposure to credit risk the Council places a maximum limit of £2million that can be placed with any one financial institution. Also all internal deposits are made at fixed rates of interest and for a fixed duration. A similar restriction is placed on the External Fund via its operating mandate. However, fund managers can place a proportion (not to exceed 50%) of the Fund, for durations in excess of 364 days, and have a higher limit based upon a percentage of the overall Fund value (not to exceed 20%).

Liquidity risk - 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 2009. The Council's investment portfolio is carefully managed to ensure that funds are available to meet its requirements throughout the year.

Market risk – The Council is exposed to significant risk with regard to interest rate movements and during 2008/09 experienced a marked reduction in anticipated incomes. However, due to the fact that most lending/borrowing is undertaken at fixed rates of interest, the Council has 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 Council has set aside a significant contingency (£673,000), to offset potential future losses in investment income from 2009/10.

The Council had £10m of borrowing outstanding at the 31 March 2009. These loans were from five institutions all with fixed rates of interest and agreed maturity dates all in April 2009. The Council made no borrowing at variable rates of interest during 2008/09.

NOTES TO THE CONSOLIDATED BALANCE SHEET (CONT'D.)

Note 22: Debtors

As at 31 March 2008 £000's		As at 31 March 2009 £000's
2,461	Government Departments	513
257	HMRC	330
452	Housing Tenants	624
1,266	Council Tax Payers	1,406
212	Non Domestic Rate Payers	277
	<u>Sundry</u>	
614	Housing Benefit Overpayments	943
1,619	Debts for Council Services Provided	1,211
273	Other	1,000
7,154		6,304
(848)	Less Provision for Doubtful Debts	(909)
6,306	Total	5,395

Note 23: Creditors

As at 31 March 2008 £000's		As at 31 March 2009 £000's
111	Government Departments	1,532
0	HMRC	508
116	Housing Tenants Prepaid	235
1,069	Council Tax Prepaid	1,204
121	Non Domestic Rates Prepaid	615
4,051	Sundry	3,271
5,468	Total	7,365

Note 24: Provisions

These monies have been set aside to cover potential liabilities. No such items have been identified.

Note 25: Capital Contributions Unapplied

Capital contributions include £2.150m Section 106 receipts paid as part of the planning approval process. The receipts are being held to meet expenditure associated with the planning approval. The other £0.010m relates to a donation which has been received.

Note 26: 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.

NOTES TO THE CONSOLIDATED BALANCE SHEET (CONT'D.)

Note 27: Trust Funds

The Council acts as trustee for the fund shown below. The fund has not been consolidated in the accounts of the Council. It is invested in gilt-edged and equity securities.

	As at 1 April 2008 £000's	Receipts/ Transfers £000's	Payments/ Transfers £000's	As at 31 March 2009 £000's
Robinson Bequest	(15)	0	2	(13)
Total	(15)	0	2	(13)

Note 28: 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 29: 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.

Change of Accounting Policy

Under the 2008 SORP the Council has adopted the amendment to FRS 17: Retirement Benefits, and in accordance with Paragraph 77(o) of FRS17 (as revised), the assets for the current period and previous two periods are measured at current bid price. Asset values previously measured at mid-market value for periods ending 2008 and 2007 have been re-measured for this purpose. Asset values for periods ending 2006 and 2005 are shown at mid-market value and have not been re-measured as permitted by FRS17 (as revised).

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:

NOTES TO THE CONSOLIDATED BALANCE SHEET (CONT'D.)

	2007/08 £'m	2008/09 £'m
Income and Expenditure Account		
Net Cost of Services:		
Current Service Costs	1.82	1.38
Past Service Costs	0.61	0.02
Settlements and Curtailments	0	0
Net Operating Expenditure:		
Interest Cost	3.83	4.70
Expected Return on Scheme Assets	(3.73)	(3.69)
Net Charge to the Income and Expenditure Account	2.53	2.41

	2007/08 £'m	2008/09 £'000
Statement of Movement on the General Fund Balance		
Reversal of net charges made for retirement benefits in accordance with FRS 17	(1.52)	(1.67)
Actual Amount charged against the General Fund Balance for pensions in the year		
Employers' contributions payable to the scheme	1.62	1.70
	0.10	0.03

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains and losses of £12.32 million were included in the Statement of Total Recognised Gains and Losses for 2008/09. The cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses from 2004/05 onwards is £8.04 million (loss).

Assets and liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities (including unfunded liabilities):	2007/08 £'m	2008/09 £'m
1 April	72.38	69.39
Current Service Cost	1.82	1.38
Interest Cost	3.83	4.70
Contributions by Scheme Participants	0.56	0.68
Actuarial Gains/Losses	(7.20)	(1.53)
Benefits Paid	(2.61)	(2.71)
Curtailments Gains/Losses	0	0
Past Service Costs	0.61	0.02
31 March	69.39	71.93

NOTES TO THE CONSOLIDATED BALANCE SHEET (CONT'D.)

Reconciliation of fair value of the scheme assets:	2007/08 £'000	2008/09 £'000
1 April	53.67	54.28
Expected Rate of Return	3.71	3.69
Actuarial Gains and Losses	(2.77)	(14.62)
Contributions by Scheme Employer	1.62	1.70
Contributions by Scheme Participants	0.56	0.68
Benefits Paid	(2.51)	(2.61)
31 March	<u>54.28</u>	<u>43.12</u>

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 £10.93 million loss, compared to a £0.94 gain in 2007/08.

Scheme History

Present Value of Liabilities	2007/08 £m	2008/09 £m
Fair Value of Assets	54.28	43.12
Present Value of Liabilities	<u>(68.02)</u>	<u>(70.55)</u>
Surplus/Deficit in the Scheme	(13.74)	(27.43)
Present Value of Unfunded Liabilities	(1.37)	(1.38)
31 March	<u>(15.11)</u>	<u>(28.81)</u>

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 £28.81 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 2010 is £1.672 million.

NOTES TO THE CONSOLIDATED BALANCE SHEET (CONT'D.)

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 2009.

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 Hewitt Associates Limited, 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.

The principal assumptions used by the actuary have been:

Long-term expected rate of return on assets in the scheme:	2007/08	2008/09
Equities	7.7%	7.6%
Property	6.7%	6.6%
Government Bonds	4.7%	4.6%
Corporate Bonds	5.3%	6.8%
Other	5.6%	6.0%
Mortality Assumptions		
Longevity at 65 for current pensioners		
Men	22.1 years	23.1 years
Women	24.1 years	25.0 years
Longevity at 65 for future pensioners (currently aged 45)		
Men	24.0 years	25.4 years
Women	25.3 years	27.3 years
Rate of Inflation	3.2%	3.7%
Rate of Increase in Salaries	4.7%	5.2%
Rate of increase in Pensions	3.2%	3.7%
Rate for Discounting scheme liabilities	5.3%	6.8%
Take-up of option to convert annual pension into retirement lump sum		
Expected Return on Assets	7.0%	6.3%

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

	31 March 2008	31 March 2009
	%	%
Equities	63.9	52.2
Property	8.7	7.9
Government Bonds	15.9	21.5
Corporate Bonds	1.0	1.2
Cash/Other	10.5	17.2
	100	100

NOTES TO THE CONSOLIDATED BALANCE SHEET (CONT'D)

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2008/09 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2009.

	2004/05 %	2005/06 %	2006/07 %	2007/08 %	2008/09 %
Differences between the expected and actual return on assets	4.9	14.6	0.9	1.7	(25.3)
Experience gains and losses on liabilities	(2.3)	0.0	(0.2)	0.0	0.0

Note 30: 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 2008 £000's		As at 31 March 2009 £000's
76,325	General Fund	63,806
301,720	Housing Revenue Account	260,848
3,923	Trading Operations	3,705
381,968	Total	328,359

Note 31: Leasing Payments

The Council has a number of operating leases for its vehicles. The committed payments in 2009/10 and between 2010/11 and 2011/12 are as follows. These payments can be cross referenced to note 10 on the Income & Expenditure Account and can be split between leases expiring and continuing, as follows:

	2009/10 £000's	2010/11 – 2011/12 £000's
Leases expiring	55	102
Leases continuing	239	298
Total	294	400

Note 32: Major Grants Received

The Council has received Government funding through the Revenue Support Grant of £0.954m and a contribution from the Non Domestic Rate Pool of £6.856m. In addition to these two core revenue grants it also received a Local Authority Business Growth Incentive Grant (LABGI) of £0.074m. Government grants were also received towards capital expenditure, these being; Disabled Facility Grants of £0.369m and Private Sector Renewal Grants of £0.419m

Note 33: 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.

NOTES TO THE CONSOLIDATED BALANCE SHEET (CONT'D)

Note 34: Movement on Usable Capital Receipts

2007/08 £000's	Useable Capital Receipts	2008/09 £000's
(1,997)	Balance as at 1 April	(832)
(726)	Amounts received in Year	(1,461)
1,558	Amounts Applied to Finance New Capital Expenditure	1,879
333	Payment to Housing Pool	166
1,165	Net (Surplus) / Deficit for year	584
(832)	Balance as at 31 March	(248)

The Council has a remaining balance of £0.248m of capital receipts which can be used in the future to support capital activities.

Note 35: 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.

2007/08 £000's	Movement on the Revaluation Reserve	2008/09 £000's
0	Balance as at 1 April	(12,334)
166	Impairment of Fixed Assets – <i>See note 1 & 3 below</i>	4,146
12	Disposals linked to Revaluation – <i>See note 4 below</i>	848
183	Difference between current value and historic cost depreciation – <i>See note 2 below</i>	1,189
(12,695)	Revaluation – <i>See note 1 below</i>	(2,269)
(12,334)	Balance as at 31 March	(8,420)

Note 36: 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.

2007/08 £000's	Movement on Capital Adjustment Account	2008/09 £000's
(365,270)	Balance as at 1 April	(363,535)
4,872	Excess Depreciation over Minimum Revenue Provision – <i>See note 2</i>	3,918
4	Write down of Capital Contributions & revenue expenditure financed by capital under statute	318
(12)	Amortisation	(73)
1,190	Impairments of Fixed Assets – <i>See note 3 below</i>	34,296
785	Disposals – <i>See note 4 below</i>	713
(4,925)	Financed Capital Expenditure	(5,065)
(179)	Previous Year Expenditure	
(363,535)	Balance as at 31 March	(329,430)

NOTES TO THE CONSOLIDATED BALANCE SHEET (CONT'D)

Reconciliation note to the Revaluation Reserve and Capital Adjustment Account

Note 1: Deficit on Revaluation of Fixed Assets & Impairments used in Statement of Total Recognised Gains and Losses (page 17) is £1.877m which equals £4.146m - £2.269m previous page.

Note 2: Total Fixed Asset Depreciation is £5.105m which equals £1.189m + £3.916m previous page.

Note 3: Total Impairments of Fixed Assets is £38.442m which equals £4.146m + £34.296m previous page.

Note 4: Total Disposals of Fixed Assets is £1.561m which equals £0.848m+£0.713m previous page.

Note 37: Collection Fund

The Collection Fund is a statutory fund in which the Council records transactions for Council Tax, Business Rates and residual Community Charge. The balance on the fund is shared amongst this Council, Devon County Council, Devon and Cornwall Police Authority and the Devon & Somerset Fire & Rescue Authority. The surplus in respect of the fund as at 31st March 2009 was as follows:

Collection Fund Surplus	£000's
In respect of Council Tax	1,614
In respect of residual Community Charge debts	8
Total	1622

The surplus in respect of Council Tax is shared amongst the major precepting authorities in proportion to the amount of their precepts:

	£000's
East Devon District Council (including Parishes)	164
Devon County Council	1,212
Devon and Cornwall Police Authority	162
Devon & Somerset Fire & Rescue Authority	76
Total	1,614

The surplus in respect of residual Community Charge is for the benefit of East Devon Council Taxpayers only.

Note 38: General Reserve

The General Reserve is now included in Earmarked Reserves.

Note 39: 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.

NOTES TO THE CONSOLIDATED BALANCE SHEET (CONT'D)

Note 40: Earmarked Reserves

	As at 1 April 2008 £000's	Receipts/ Transfers £000's	Payments/ Transfers £000's	As at 31 March 2009 £000's
General Reserve	(12,211)		9,694	(2,517)
General Reserve Capital		(6,784)		(6,784)
Investment Shortfall		(673)		(673)
LABGI ⁽¹⁾		(886)	203	(683)
Local Government Review		(250)	125	(125)
RCCO ⁽²⁾ Refuse Bins		(665)	262	(403)
Planned Maintenance	(203)	(185)	128	(260)
Planning Delivery Grant	(189)	(71)	71	(189)
DCLG ⁽³⁾ Council Tax Efficiency		(5)		(5)
Total	(12,603)	(9,519)	10,483	(11,639)

⁽¹⁾ Local Authority Business Grant Incentive

⁽²⁾ Revenue Contribution to Capital Outlay

⁽³⁾ Department for Communities & Local Government

NOTES TO THE CASH FLOW STATEMENT

Note 41: Reconciliation of Income and Expenditure Account to Revenue Activities Cash Flow

2007/08 £000's	2007/08 £000's		2008/09 £000's	2008/09 £000's
(693)	3,063	(Surplus) / Deficit per Income & Expenditure Account		406
(521)	(1,214)	Add: Collection Fund (Surplus) / Deficit	(189)	
		Housing Revenue Account (Surplus) / Deficit	908	
		Items classified elsewhere in the cash flow statement:		719
	1,850	Interest		2,456
		Non Cash Transactions:		
(4,373)		Depreciation	(5,105)	
456		Contribution (to)/from Reserves	406	
*(2,706)	(6,623)	Other non cash transactions	3,448	
		(Increase) / Decrease in Creditors	(1,897)	(1,251)
72		Increase / (Decrease) in Debtors	(891)	
810		Increase / (Decrease) in Stocks	0	(2,788)
0	882			
	(2,042)	Net Cash Outflow / (Inflow) from Revenue Activities		(458)

*Restated

Note 42: Reconciliation of the Movement in Cash to the Movement in Borrowing

	As at 31 March 2008 £000's	As at 31 March 2009 £000's	Movement £000's
Bank Balance/Cash Equivalents	81	534	(453)
Total movement in cash	81	534	(453)
Other balance sheet movements			
Fixed Assets	377,690	340,220	37,470
Long-term Debtors	285	3	282
Long-term Investments	15	226	(211)
Current Assets			
Stocks and Work in Progress	0	0	0
Debtors	6,306	5,395	911
Payments in Advance	241	234	7
Short-term Investments	30,262	33,311	(3,049)
Current Liabilities			
Creditors	(5,468)	(7,365)	1,897
Receipts in Advance	(741)	(713)	(28)
Long-term Liabilities			
Long-term Liabilities – Pensions	(14,940)	(28,810)	13,870
Capital Contributions Un-applied	(1,673)	(2,160)	487
Government and Other Contributions Deferred	(2,090)	(2,516)	426
Total	389,698	338,359	51,609
Net Movement in Reserves and other Fund Balances	(381,968)	(328,359)	53,609
Net Total	8,000	10,000	(2,000)
Reconciles to:			
Total Movement in Borrowing			
Temporary Loans	(8,000)	(10,000)	
Total	(8,000)	(10,000)	

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

Note 43: Movement in other Current Assets

Movement in other Current Assets	As at 31 March 2008 £000's	As at 31 March 2009 £000's	Movement £000's	Adjusted Movement £000's
Debtors & Payments in Advance ⁽¹⁾	6,547	5,629	918	840
Creditors ⁽²⁾	(5,468)	(7,365)	(1,897)	(1,617)
Stocks	0	0	0	0

⁽¹⁾ Debtors include capital debtors movement between the years = increase of £78,000.

⁽²⁾ Creditors include capital creditors movement between the years = decrease of £280,000.

Note 44: Analysis of Other Government Grants Received

2007/08 £000's	Other Government Grants Received	2008/09 £000's
	Other Revenue Grants	
804	Housing Benefit Administration Funding	816
163	Housing Benefit – Local Authority Housing Allowance	2
217	Council Tax Administration	232
13	Elections	5
0	Climate Change	23
148	Planning Delivery Grant	214
186	Local Authority Business Growth Incentive	74
121	Concessionary Bus Pass Scheme	574
0	DCLG	1,502
5	Other	60
953	Revenue Expenditure funded by capital under statute	788
2,610		4,290

Note 45: Movement in Liquid Resources

Movement in Liquid Resources	As at 31 March 2008 £000's	As at 31 March 2009 £000's	Movement £000's
Investec Asset Management - Fund Valuation	30,262	33,311	3,049
Temporary Loan	0	0	0
Movement in Liquid Resources	30,262	33,311	3,049

Note 46: Movement in Cash and Cash Equivalents

Movement in Cash and Cash Equivalents	As at 31 March 2008 £000's	As at 31 March 2009 £000's	Movement £000's
Cash at Bank/ (Cash Overdrawn)	81	534	453
Movement in Cash and Cash Equivalents	81	534	453

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

Note 47: 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.

2007/08 Expenditure £000's		2008/09 Expenditure £000's
	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	
(3,596)	Depreciation and impairment of fixed assets	(40,347)
228	Gain or loss on sale of HRA fixed assets	(8)
(287)	Net charges made for retirement benefits in accordance with FRS 17	(406)
(3,655)		(40,761)
	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	
250	Capital expenditure funded by the Housing Revenue Account	264
2,613	Transfer to Major Repairs Reserve	2,692
180	Employer's contributions payable to the DCC Pension Fund and retirement Benefits payable direct to pensioners	205
3,043		3,161
(612)	Net additional amount required to be credited to the HRA Balance for the year	(37,600)

Note 48: 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 1.05% of the gross rents; in 2007/08 the figure was 1.28%.

The average weekly rent for dwellings in 2008/09 was £59.72 compared with £56.49 for 2007/08. The average weekly rent for garages increased by 10% to £8.03.

Note 49: Rent Arrears

There was a decrease in rent arrears in the year to 31 March 2009 of £657.

2007/08 £000's		2008/09 £000's
452	Rent Arrears as at 31 st March	451
3.41%	Percentage of total rent debit	3.29%

Note 50: Bad Debts Provision – The provision was reviewed at 31 March 2009.

2007/08 £000's		2008/09 £000's
160	Rent Payers Bad Debts Provision as at 31 st March 2009	122

The bad debt provision has been decreased by £38,000. Former tenant arrears have remained at £81,000 at the 31 March 2009 (also £81,000 at the 31 March 2008).

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

Note 51: 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:

2007/08 £000's	Subsidy Element	2008/09 £000's
5,440	Management & Maintenance Allowances	5,497
2,506	Major Repairs Allowance	2,461
37	Charges for Capital	38
(4)	Interest on Receipts	(3)
(12,700)	Guideline Rent Income	(13,351)
270	Rental Constraint Allowance	0
(4,451)	Housing Element Entitlement	(5,358)
(257)	2003/04 Adjustment	0
(4,708)	Housing Subsidy Payable	(5,358)

Note 52: Housing Stock

The Council was responsible for managing on average 4,291 dwellings during 2008/09. The stock at the year end was made up as follows:

Type	Numbers as at 31 March 2009	
Flats & Maisonettes		
1 bedroom	613	1,167
2 bedroom	548	
3 bedroom	5	
4 bedroom	1	
Houses (including non-traditional)		
1 bedroom	3	2,079
2 bedrooms	420	
3 bedrooms	1,590	
4/5 bedrooms	66	
Bungalows		
1 bedroom	563	1,041
2 bedrooms	461	
3 bedrooms	17	
Other properties not used as dwellings		5
Total		4,292

**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 Consolidated Balance Sheet (page 17) at 31 March 2009 at a value of £262.834m (£301.012m at 1 April 2008). 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 2009. The asset valuations are shown below:

As at 1 April 2008 £000's	Council Dwellings	As at 31 March 2009 £000's
	Operational Assets	
291,972	Dwellings & Garages	254,045
4,248	Other Land & Buildings	4,032
410	Plant & Equipment	375
296,630	Total	258,453
	Non Operational Assets	
4,382		4,382
301,012	Balance Sheet Value HRA Assets	262,834

The actual Housing Stock figure at 31 March 2009 was 4,292 properties, of which 5 properties were not used to house tenants directly (e.g. Community Areas & shop). The remaining 4,287 properties are valued at £253.378m 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 £575.858m. The difference between these two figures of £322.480m represents the cost of providing council housing at less than open market rents.

Note 53: Average Costs Per Dwelling

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

2007/08 £	Type of Expenditure/(Income)	2008/09 £
£627.05	Supervision & Management - General	£711.87
£565.84	Repairs & Maintenance	£715.18
(£2,979.46)	Rent un-rebated	(£3,091.48)

Note 54: Major Repairs Reserve

In 2008/09 the Council was paid a Major Repairs Allowance of £2.461m, 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 2008/09 the full sum of £2.461m was used wholly for the capital improvement of the housing stock. No balance remained on the Reserve as at 31 March 2009.

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

Note 55: Capital Expenditure

Capital expenditure within the HRA for 2008/09 and how it was funded is shown below:

2007/08 £000's		2008/09 £000's
3,290	Expenditure: Council Houses - Improvements & Enhancements	3,575
3,290	Total Capital Expenditure	3,575
	Funded by:	
2,613	Major Repairs Reserve	2,692
250	Revenue Contribution	264
201	Capital Receipts – HRA	90
226	Capital Receipts – General Fund	529
3,290	Total	3,575

Note 56: Capital Receipts

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

2007/08 £000's	Source of Receipt	2008/09 £000's
445	Council Houses – Right to Buy Sales	225
12	Principal on Mortgage Repayments	11
0	Discounts on Right to Buy Repaid	0
77	Miscellaneous Sales	20
(333)	Less contribution to Housing Pool	(166)
201	Total HRA Capital Receipts	90

Note 57: 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 58: HRA share of contributions to/from the pension reserve

The Council's pension fund reserve liability increased from £14.94m to £28.81million during 2008/09. It has been estimated that 12.27% of the Council's salary costs relate to the HRA, therefore, the HRA's share of the overall pension deficit equates to £3.53million.

NOTES TO THE COLLECTION FUND

Note 59: 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 2008/09 were:

Band	Dwellings	Adjustments	2 nd Homes @ 40%	Net Properties	Conversion Factor	Band D equivalent
A*	0	11	0	11	5/9ths	6
A	5,477	(1,130)	108	4,455	6/9ths	2,970
B	12,090	(1,812)	135	10,413	7/9ths	8,099
C	13,796	(1,792)	209	12,213	8/9ths	10,856
D	11,593	(1,437)	181	10,337	9/9ths	10,337
E	9,593	(949)	131	8,775	11/9ths	10,725
F	5,817	(443)	62	5,436	13/9ths	7,852
G	3,867	(338)	44	3,573	15/9ths	5,955
H	188	(52)	7	143	18/9ths	2
Total Band D Equivalent						57,086

Collection Rates at 98.5%	56,230
Contribution from MOD properties	120
TAX BASE	56,350

Note 60: 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 (£58.155m at 1 April 2008) multiplied by a uniform rate of £0.462. The total amount, less certain reliefs and other deductions, is paid to a national pool (the NNDR pool) managed by Central Government.

Note 61: Provision for Un-collectable Amounts

Provision has been made within the accounts for un-collectable amounts based on Guidelines:
- At the end of 2008/09 the accumulated provision stood at £220,000 (£417,000 for 2007/08) made up as follows:

2007/2008 £000's		2008/2009 £000's
42	National Non Domestic Rates	58
375	Council Tax	162
0	Community Charge	0
417		220

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 Financing Account

This has been replaced by the Revaluation Reserve and the Capital Adjustment Account.

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.

GLOSSARY (CONT'D)

General Fund

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

Government Grants

Payments by Central Government towards local 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.

GLOSSARY (CONT'D)

Provision

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

Reserves

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council. Some capital reserves such as the 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.

Stocks

Items of raw materials, work in progress or finished goods held at the financial year end, valued at the lower of cost or net realisable value.

Trust Funds

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