

# Agenda for Audit and Governance Committee

## Thursday, 24 September 2015 2.30pm

[Members of the Committee](#)

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

[View directions](#)

**Contact:** [Amanda Coombes](#), 01395 517543 (or group number 01395 517546): Issued 15 September 2015

- 1 [Public speaking](#)
- 2 Minutes for 25 June 2015 (pages 3-8)
- 3 Apologies
- 4 [Declarations of interest](#)
- 5 [Matters of urgency](#) – none identified
- 6 To agree any items to be dealt with after the public (including press) have been excluded. There are no items that officers recommend should be dealt with in this way.

### Part A Matters for Decision

- 7 **Statement of Accounts 2014/15 and Governance Statement – Strategic Lead, Finance (pages) – to follow**
  - a) Financial Statement (plus Statement of Accounts booklet provided as a separate attachment) - to follow (pages)
  - b) Annual Governance Statement (pages 9-14)
  - c) Letter of Representation (pages 15-17)
  - d) Report to those charged with Governance – to be presented by External Auditors, Grant Thornton - to follow (pages)
  - e) Assessment of Going Concern Status (pages 18-21)
- 8 **Internal Audit Plan – Review of 2015/16 Quarters 1 & 2 - SWAP (pages 22-32)**  
Appendix A - Report of Internal Activity for Quarters 1 and 2  
Appendix B - Plan Progress Table with Status and Opinion for each audit  
Appendix C - Audit Opinion Definitions
- 9 **Partnership Review Year end 2014/15 – Management Information Officer (pages 33-40)**  
Appendix A – Partnership Review Year end 2014/15
- 10 **Analysis of consultants fees 2014/15 – Financial Services Manager (pages 41-45)**  
Appendix A – Consultant fees



East Devon District Council  
Knowle  
Sidmouth  
Devon  
EX10 8HL  
DX 48705 Sidmouth  
Tel: 01395 516551  
Fax: 01395 517507

[www.eastdevon.gov.uk](http://www.eastdevon.gov.uk)

- 11 **5 Year Land Supply update** - Service Lead, Planning Strategy and Development Management (pages 46-53)  
**Appendix 1** - Housing Monitoring update (pages 54-100)
- 12 **Audit and Governance Forward Plan** – Strategic Lead, Finance (page 101)

Under the Openness of Local Government Bodies Regulations 2014, any members of the public are now allowed to take photographs, film and audio record the proceedings and report on all public meetings (including on social media). No prior notification is needed but it would be helpful if you could let the democratic services team know you plan to film or record so that any necessary arrangements can be made to provide reasonable facilities for you to report on meetings. This permission does not extend to private meetings or parts of meetings which are not open to the public. You should take all recording and photography equipment with you if a public meeting moves into a session which is not open to the public.

If you are recording the meeting, you are asked to act in a reasonable manner and not disrupt the conduct of meetings for example by using intrusive lighting, flash photography or asking people to repeat statements for the benefit of the recording. You may not make an oral commentary during the meeting. The Chairman has the power to control public recording and/or reporting so it does not disrupt the meeting.

Members of the public exercising their right to speak during Public Question Time, but do not wish to be recorded, need to inform the Chairman who will instruct those taking a recording to cease while they speak.

[Decision making and equalities](#)

**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 & Governance Committee held at Knowle, Sidmouth on 25 June 2015**

#### **Attendance list at end of document**

The meeting started at 3.30pm and ended at 4.55pm.

#### **\*1 Chairman's welcome**

The Chairman welcomes everyone to the meeting. He paid special thanks to the previous Chairman Ken Potter. He paid tribute to Ken's great drive to promote the importance of the Audit and Governance Committee to make it centre stage in the Council's work. The Council owed him a great deal of thanks for this service.

The Chairman introduced the Vice-Chair Cllr Dean Barrow.

#### **\*2 Public Speaking**

There was no public speaking.

#### **\*3 Minutes**

The minutes of the Audit and Governance Committee meeting held on 5 March 2015 were confirmed and signed as a true record.

#### **\*4 Declarations**

None

#### **\*5 Audit and Governance - Terms of Reference**

The key functions of Audit and Governance were highlighted. These would be referred to for financial and other matters affecting the residents of East Devon. The Chairman suggested that all members on the committee keep a copy for future meetings.

#### **RESOLVED:**

that the terms of reference were noted.

#### **\*6 Audit Plan/Audit Committee update**

Members considered the report of Grant Thornton who provided the Council with a report on progress in delivering responsibilities as their external auditor. Progress as at the year-end 31 March 2015 included: the Audit Plan and Audit and Governance update. The key challenges and opportunities facing the Council were:

- Shared Services
- Non-Domestic rates (NDR) accounting and appeals
- Office relocation
- Local Government Finance Settlement

The audit was designed around specific risks and 2 had been identified:

1. The revenue cycle includes fraudulent transactions
2. Management over-ride of controls.

Other risks identified were:

1. Operating expenses
2. Staff remuneration

Value for Money work would be undertaken to identify areas of risk. Work in the following areas to address the risks identified was:

- review the Council's medium term financial planning regarding plan to balance budgets and responsiveness to changes
- review the transition of ICT services to Strata and savings achieved
- consider sickness absence and effect on service delivery

There was discussion on the office relocation expenses; Grant Thornton stated all expenses were clearly shown.

Barrie Morris, Director from Grant Thornton highlighted other issues from the Audit and Governance committee update report.

- The second welfare reform report, 'Easing the burden', followed on from 'Reaping the benefits?' provided insight into the impact of welfare reform on English local authority and social housing organisations over the past two years.
- 'Spreading your wings' was the first in a series on alternative delivery models in local government. This report focused on how to set up a local authority trading company and how to make it successful.
- Inspection into the governance of Rotherham Council looking at functions on governance, children and young people and taxi and private hire licensing. Discussion around this case included the impact of this through licensing with members being assured that thorough checks were made on all taxi drivers in East Devon. Where drivers come from outside the EU, their prospective embassies were asked to do checks.

The Chairman thanked Barrie for the reports.

**RESOLVED:**

1. that the contents of the Audit Plan/Audit Committee update be noted;
2. that the Value for Money conclusion be reported to the Committee in September.

**\*7 Annual Audit Plan**

Members considered the report of Jo George, Assistant Director, SWAP. As a key element of its Governance arrangements the Council had a partnership arrangement with South West Audit Partnership (SWAP) to deliver an annual internal audit plan. The Assistant Director for SWAP, together with the Council's S151 Officer and in consultation with the Senior Management Team produced an Audit Plan for 2015-16 that was presented for approval by the Audit and Governance Committee in March 2015.

The plan was approved, subject to the following resolution:

*“that the Internal Audit Plan 2015/16 include consideration of the value of Consultants Fees and also whether members were receiving the right level of detail and information in officer reports to make worthwhile decisions.”* The revisions to the 2015/16 Audit Plan had now been made and were re-presented to the Committee for Approval. These included the addition of the following Audits:

- Use of Consultants
- Committee Decisions.

These audits replaced the audit on Regeneration, which had been removed from the Audit Plan as risks were now lower but would be relooked at be over the coming year if this changed.

**RESOLVED:**

that the revisions to the Internal Audit Plan of 376 days for April 2015 to March 2016 be approved.

**\*8 Internal Audit Charter**

The internal audit service, provided by the South West Audit Partnership Ltd (SWAP), worked to a charter that defined its roles and responsibilities and the roles and responsibilities of the District Council's managers to show transparency and delivery. Best Practice in corporate governance require that the Charter be reviewed and approved annually by the Audit and Governance Committee. The Charter was last reviewed by the Audit Committee at their meeting on 26 June 2014.

The report aims was to obtain endorsement from Members for the revised Internal Audit Charter for this current year. Only minor updates (such as job titles) had been made to the Charter since it was approved by the Committee last June.

**RESOLVED:**

that the Internal Audit Charter be approved.

**\*9 Annual Opinion report**

This report provided the outturn position for the Internal Audit Plan at the end of 2014/15 and also the Internal Audits overall opinion on the systems of internal control at East Devon District Council. The Audit and Governance Committee agreed the 2014/15 Internal Audit plan at its March 2014 meeting. An update was provided for Quarters 1 and 2 in September 2014 and Quarter 3 in January 2015. This report was the final outturn position at the end of Quarter 4.

Discussions included the delay in the production of some reports and the lead-time taken to commission reports. Jo suggested report writers be given advanced warning of at least one month. David Hill, SWAP stated it was difficult to collect Audit Partnerships benchmarking figures from the private sector because of commercial sensitivity. However benchmarks against audit services within local government were available.

**RESOLVED:**

that the content of the Internal Audit Annual Report and Opinion be noted.

**\*10 Year end full Risk Review 2014/15**

Members considered the report of the Management Information Officer; the Committee monitored high strategic and operational risks outside the bi-annual reporting (March/September). Members were told that risk owners were expected to review high risks on a monthly basis.

To acquire consistency in approach refresher training had been completed for risk owners since the last review. Offices accepted that risk descriptions needed to have plenty of detail of what was involved.

Discussions included:

- Concerns why Exmouth Town Hall lone working scores were lower than Landlord services.
- The question of risks for relocation – it was explained that the office relocation had its own risk review in place. The Management Information Officer had a summary of

this review; the Chairman requested this be reported to the committee at the next meeting.

The Chairman thanked the Management Information Officer for her report.

**RESOLVED:**

1. that the report be noted
2. that a summary of the relocation risk review be reported at the meeting in September.

**\*11 Draft Annual Governance Statement – year ended 31 March 2015**

The Council had a duty to comply with its Code of Corporate Governance to which there were 6 key principals:

1. Focus on purpose of the Council, vision for local area and outcomes for the community.
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles.
3. Promoting values and upholding high standards of conduct and behaviour.
4. Taking informed and transparent decisions scrutinised and risk managed.
5. Developing capacity of Members and Officers to be effective.
6. Engaging with local people to ensure public accountability.

A final governance statement would be reported back to the committee in September once members had made comments to the draft statement. The Strategic Lead, Finance went through the scope of responsibility and explained the annual review would check the effectiveness of the governance framework. Improvements in governance arrangements were the new post of Corporate Counter Fraud & Compliance Officer. There was a report going to the next Cabinet meeting on the recent tribunal and ICO decisions.

SWAP audit recommendations during the year included three areas worth including in this Statement because of their nature:

- A review and update of the Council's Business Continuity Plan.
- Formal review of the Emergency Planning Service and ensure an up to date service level agreement is in place which reflects the Council's priorities.
- The need to adopt a social housing anti-fraud policy and that action is taken to ensure the editing of notes on the housing choice based letting system (Home Connections) is no longer possible.

The length of time taken on the Graham Brown investigation was raised. The Strategic Lead, Finance confirmed that SWAP had undertaken testing in the area of planning and risk of influence that could be placed on decisions made but this was in relation to controls in place to prevent fraud in general rather than an investigation into an individual's activities.

The 5 Year Land Supply and its monitoring was discussed, the committee structure and who was accountable for this was still ongoing. It was suggested this was put on the forward plan for future discussion. The Chairman requested assurance that the Council has a 5 Year Land Supply at all times and a mechanism on how to manage and monitor this. Members were not sure if this committee could ensure this but suggested it be taken up with the Overview of Scrutiny committees. An update of this situation was requested for the next Audit and Governance meeting.

**RESOLVED:**

1. that the draft statement be noted
2. that a final governance statement would be reported back to the committee in September
3. that the Planning Policy Manager update the committee on the position of the 5 Year Land Supply and its monitoring for the September meeting.
4. that the Chief Executive urgently addresses how the 5 Year Land Supply is monitored and which committee bears that responsibility.

**\*12 Annual Revenue and Capital Outturn report 2014/15**

This final outturn report had been discussed recently at Cabinet; the Audit and Governance committee would finally agree these accounts in September 2015. Cabinet had agreed various recommendation and it was hoped that this committee would do the same.

**RESOLVED:**

1. that the outturn 2014/15 position be noted and that the Cabinet decision be endorsed.
2. that the level of Reserves detailed in the report and the transfers recommended be agreed; namely;
  - a) The transfer of £0.941m from the General Fund into the Capital Reserve
  - b) The transfer of £0.619m into the NNDR Volatility Fund
  - c) The Transfer of £0.500m from the Housing Revenue Account into the HRA Business Plan Volatility Reserve.
  - d) The Transfers to other earmarked reserves for specific projects where funding contributions have been made in advance of spend and monies are held at year end to fund this work in future years. The Outturn Book contains full details of these transfers in 2014/15.

**\*13 Audit and Governance Forward Plan**

Members noted the contents of the Committee Forward Plan for 2015/16, which was updated during the meeting. The Planning Policy manager's 5 Year land supply update would be added to the Committee Forward Plan for September 2015. The risk review for the office relocation would be added for November 2015 as well as a quarterly review.

**RESOLVED:**

that the updated Forward Plan be noted.

**\*14 Annual audit fee letter 2015/16**

The Strategic Lead, Finance reported a reduction in fees over the last four years and the change of auditors later in the year was because of a government initiative. It was good practice to swap external auditors; Grant Thornton had been the auditors for over five years. The length of KPMG's contract was to be confirmed.

**RESOLVED:**

that the Annual audit fee letter 2015/16 be noted.

**Attendance list**

**Present:**

Councillors  
Mark Williamson (Chairman)  
Dean Barrow (Vice Chairman)  
John Dyson  
Steve Gazzard  
Steve Hall  
Ben Ingham  
Bill Nash

Geoff Jung  
Megan Armstrong  
Ian Thomas, Portfolio Holder Finance

**Apologies:**

John Humphreys  
Mark Williams

**Officers:**

Simon Davey, Strategic Lead – Finance  
Joanne Avery, Management Information Officer  
Amanda Coombes, Democratic Services Officer

Jo George, Assistant Director, South West Audit Partnership (SWAP)  
David Hill, South West Audit Partnership (SWAP)  
Kristian Hawkes, South West Audit Partnership (SWAP)  
Barrie Morris, Director, Grant Thornton

Chairman ..... Date.....



## **ANNUAL GOVERNANCE STATEMENT**

For the year ended 31<sup>st</sup> March 2015

### **Scope of Responsibility**

East Devon District Council is required to ensure that its business is conducted in accordance with the law and proper standards; that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard again to a combination of economy, efficiency and effectiveness.

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

East Devon's Council's Audit & Governance Committee has approved a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. This statement explains how East Devon District Council has complied with the code. The Council is required under the Accounts and Audit Regulations 2011 to have approved an annual governance statement (AGS) which accompanies its Statement of Accounts.

The Head of Internal Audit is required to provide a written annual report to those charged with governance to support the AGS, this report is presented to the Council's Audit and Governance Committee on 26 June 2015.

### **Purpose of the Governance Framework**

The governance framework comprises the systems, processes, culture and values by which the authority is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievements of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and therefore only provides reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of East Devon District Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively and economically.

### **The Governance Framework**

The governance framework described has been in place for the year ending 31 March 2015 and up to the date of the approval of the statement of accounts.

Some of the key features of the governance framework are set out in the following paragraphs:

- The Council has an adopted Constitution that sets out how it operates, how decisions are taken and the procedures to follow.
- The Council has a Council Plan for 2012 -16 it has 4 core strategies supporting the Plan; Homes and Communities, Economy, Environment and Finance.
- Delivery of the Council Plan is supported by a performance framework with service plans and individual targets for staff agreed through the annual appraisal process which is recorded and monitored through the Council's performance management systems. Delivery of the Council Plan is monitored by Overview and Scrutiny Committee. This Committee drives the scrutiny process on behalf of the public with a view to improving the delivery of public services.
- A Standards Committee is in place 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 advice on the adoption or revision of the Council's Code of Conduct for members, officers and any other related codes or protocols. The Committee meet quarterly if required.
- Audit & Governance Committee exists with wide-ranging terms of reference including the requirement to consider the effectiveness of the Authority's governance arrangements, taking into account risk management, the control environment and associated anti-fraud and anti-corruption arrangements. This committee also holds Cabinet to account with particular areas in 2014/15 being separately scrutinised at the request of the Audit & Governance Committee.
- The Council has designated Monitoring Officer, arrangements changed during the year with new management structure and appointment of new officer to the post, part of the year the Monitoring Officer role was held by Ian Clarke (Assistant Director – Legal & Corporate Services). This position ensures compliance with established policies, procedures, laws and regulations. After consulting with the Head of Paid Service and Chief Finance Officer the Monitoring Officer will report to the full Council if 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. The Council also conforms with the requirements of the CIPFA statement on the Role of the Chief Financial Officer in Local Government.
- An internal audit service is provided through the South West Audit Partnership 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 an audit plan approved by the Audit and Governance Committee. The Council's Internal Audit function is subject to regular inspection by the Councils external auditors (Grant Thornton UK LLP).
- The Council has a whistle-blowing and anti-fraud and corruption policy.

Appendix A contains a more detailed overview of the Council's Governance Framework

### **Review of Effectiveness**

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

- Internal Audit Annual Report and Opinion 2014/15
- Internal and external audit and inspection.
- A specific review of the effectiveness of internal control and compliance to the governance framework undertaken in May/June through the completion of assurance statements by the Strategic Management Team. These were then reviewed by the Director and Assistant Director for SWAP, the Strategic Lead for Finance (CFO/S151), the Monitoring Officer and the Chairman of the Audit & Governance Committee for compliance and any apparent organisational improvements are included in the Governance Action Plan.
- The mechanisms for maintaining and reviewing the effectiveness of the system of internal control throughout the year include.
  - Cabinet is responsible for considering overall financial and performance management and receives comprehensive budget monitoring reports on a monthly basis and council service performance reports.
  - Overview & Scrutiny Committee holds the Cabinet Committee to account.
  - The Standards Committee meets quarterly when required and at every meeting considers an update report on complaints against councillors which includes learning points and recommended actions. The Committee also keeps under review the Council's policies and procedures for maintaining high ethical standards.
  - The Audit & Governance Committee meet five times a year to provide independent assurance to the Council in relation to the effectiveness of the risk management and internal control environment.
  - The South West Audit Partnership provides an independent and objective assurance service to the Council and completes a programme of reviews each year to inform an opinion on the internal control, risk management and governance arrangements. The service undertakes fraud investigation and proactive fraud detection work which includes reviewing the control environment in areas where fraud or irregularity has occurred.

Improvements made in Governance arrangements during 2014/15 to note include;

- The Council approved a business case for a new post of Corporate Counter Fraud & Compliance Officer with allocated management support and resources. An appointment was made in February 2015.
- A business case was approved to work with Data Tank to review Single Person Discounts on Council Tax; to be jointly funded by major preceptors along a review of Council Tax Support Cases. Part of this work was undertaken in 2014/15 and will continue into 2015/16.
- Currently leading on a Devon wide counter fraud compliance initiative for data sharing.
- Part of Devon wide initiative for tackling tenancy fraud.
- All actions highlighted for improvement in the 2013/14 Governance Statement have been addressed.
- The Audit & Governance Committee were extremely active during the year and played a key part in adding to the Council's Governance arrangements.

### **Significant Governance and Control Issues Identified.**

- Details were included in last year's Governance Statement on a councillor's resignation in the previous year following allegations made against the councillor concerning planning influence. This was reported at the time as still being under Police investigation; we have been informed that the Police are taking no action against the individual.
- The Audit and Governance Committee continued to keep an eye on the process to be put in place in order to regularly monitor a 5 year land supply for strategic planning purposes.
- In 2014/15 the Council was involved in two significant projects which had associated risks; office relocation and the proposal for an ICT shared service arrangement with Exeter City Council and Teignbridge District Council. In addition to this being monitored through a detailed risk register for each project, SWAP in 2014/15 independently reviewed both of these projects. Further days have been included in the 2015/16 SWAP audit plan.
- The Grant Thornton Audit Finding Report presented to the Audit and Governance Committee last September included three recommendations on the Council's asset valuation process, these have been addressed in the preparation of the 2014/15 Accounts. The recommendations were to ensure that all assets within the same class are valued within the same financial year, all assets are revalued at least every five years (6 assets were found to be outside this timescale) and asset life and depreciation should be formalised for vehicles, plant and equipment.

- Recent Tribunal / ICO decisions have highlighted the impact to the Council of increasing Freedom of Information requests and the ability to deal with these requests in a timely manner. A report is being prepared for Cabinet's consideration which seeks to identify how to address the issue from a number of different perspectives, including resourcing.
- 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.

SWAP audit recommendations during the year include three areas worth including in this Statement because of their nature:

- A review and update of the Council's Business Continuity Plan.
- Formal review of the Emergency Planning Service and ensure an up to date service level agreement is in place which reflects the Council's priorities.
- The need to adopt a social housing anti-fraud policy and that action is taken to ensure the editing of notes on the housing choice based letting system (Home Connections) is no longer possible.

Signed & Dated

**Chief Executive**

**25/9/2015**

Signed & Dated

**Leader of the Council**

**25/9/2015**

## Appendix A

### Below is an overview of the Council's Governance Framework

As stated the Council has an adopted Code of Corporate Governance which is inline with CIPFA/SOLACE documentation on delivering good governance in local Government. This defines the corporate governance framework and sets out six core principles of good governance as shown below.

<b>Corporate Governance Framework</b>		
Corporate Governance comprises the systems and processes, cultures and values, by which the council is directed and controlled, and through which we account to, engage with and where appropriate, lead the community.		
1. Focus on purpose of the Council, vision for local area and outcomes for the community.	2. Members and officers working together to achieve a common purpose with clearly defined functions and roles.	3. Promoting values and upholding high standards of conduct and behaviour.
4. Taking informed and transparent decisions scrutinised and risk managed.	5. Developing capacity of Members and Officers to be effective.	6. Engaging with local people to ensure public accountability.

(A) Key Documents: Regular/Annual Review or Production	(B) Key Documents: Ad hoc Review or Production	(C) Contributory Processes/Regulatory Monitoring	
<ul style="list-style-type: none"> <li>• Medium Term Financial Plan</li> <li>• Annual Revenue &amp; Capital Estimates</li> <li>• Service Plans</li> <li>• Statement of Accounts</li> <li>• Internal/External Audit Protocol</li> <li>• Council Tax Booklet</li> <li>• Performance Monitoring Reports (Measure Reports &amp; performance indicators)</li> <li>• Financial Monitoring Reports</li> <li>• East Devon Connect</li> <li>• External Audit Report to those charged with Governance</li> <li>• External Audit Review report</li> <li>• Annual opinion from SWAP Group Audit Manager to support Annual Governance Statement</li> <li>• Management Assurance Statements</li> <li>• Governance Statement</li> </ul>	<ul style="list-style-type: none"> <li>• Council Plan</li> <li>• Constitution including Financial and Contract Standing Orders</li> <li>• Scheme of Delegation</li> <li>• Code of Corporate Governance</li> <li>• Anti-Fraud, Theft and Corruption Policy</li> <li>• Complaints Procedure</li> <li>• Communication Plan</li> <li>• Community Engagement Policy</li> <li>• Customer Service Plan</li> <li>• Procurement Strategy</li> <li>• Freedom of Information</li> <li>• Health Safety, Welfare and Employment Policies</li> <li>• Data and Information Quality Policy</li> <li>• Information Security Policy</li> <li>• ICT Strategy</li> <li>• Protocol – Member Officer Relations</li> <li>• Members Code of Conduct</li> <li>• Employees Code of Conduct</li> <li>• Partnership Policy and Guidance</li> <li>• Risk Management Policy and Guidance</li> <li>• Published Agendas, Reports and Minutes of Committees</li> <li>• Whistleblowing Policy</li> </ul>	<ul style="list-style-type: none"> <li>• Audit &amp; Governance Committee</li> <li>• Standards Committee</li> <li>• Overview &amp; Scrutiny Committee</li> <li>• Housing Review Board</li> <li>• Independent Remuneration Panel for Members Allowances</li> <li>• Strategic Management Team</li> <li>• Monitoring Officer appointed</li> <li>• S151 Officer Appointed</li> <li>• Head of Paid Service appointed</li> <li>• Customer Complaints/Feedback Process</li> <li>• Procurement &amp; Efficiency Group</li> <li>• Resident's Panel consultation</li> <li>• Asset Management Forum</li> </ul>	<ul style="list-style-type: none"> <li>• Job Descriptions and Person Specifications</li> <li>• Job Evaluation Process</li> <li>• Employee Induction</li> <li>• Employee Surveys</li> <li>• Learning and Development Programme – Employees/Members</li> <li>• Performance Excellence Review</li> <li>• Criminal Conviction Checks</li> <li>• Health &amp; Safety Officer</li> <li>• Fraud Forum</li> <li>• External Audit</li> <li>• Internal Audit</li> <li>• Gift and Hospitality Registers for Employees</li> <li>• Members Register of Interest</li> <li>• Annual Review of Internal Audit, Risk Management &amp; Governance Arrangements</li> </ul>

Date: 24 September 2015  
Contact number: 01395 517490  
E-mail: sdavey@eastdevon.gov.uk  
Direct Fax:  
Our Reference: SD  
Your Reference:



Grant Thornton Uk Llp  
Hartwell House  
55-61 Victoria Street  
Bristol  
Bs1 6ft

East Devon District Council  
Knowle  
Sidmouth  
EX10 8HL  
DX 48705 Sidmouth  
Tel: 01395 516551

Dear Sirs,

**East Devon District Council**  
**Financial Statements for the year ended 31 March 2015**

This representation letter is provided in connection with the audit of the financial statements of East Devon District Council for the year ended 31 March 2015 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

**Financial Statements**

- i We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code") as adapted for International Financial Reporting Standards; in particular the financial statements give a true and fair view in accordance therewith.
- ii We have complied with the requirements of all statutory directions and these matters have been appropriately reflected and disclosed in the financial statements.
- iii We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- iv Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

- v We are satisfied that the material judgements used by us in the preparation of the financial statements are soundly based, in accordance with the Code, and adequately disclosed in the financial statements. There are no further material judgements that need to be disclosed.
- vi We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant retirement benefits have been identified and properly accounted for (including any arrangements that are statutory, contractual or implicit in the employer's actions, that arise in the UK or overseas, that are funded or unfunded).
- vii Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the code.
- viii All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the code requires adjustment or disclosure have been adjusted or disclosed.
- ix We have not adjusted the misstatements brought to our attention in the Audit Findings report, which are considered to be immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- x We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xi We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

### **Information Provided**

- xii We have provided you with:
  - a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - b. additional information that you have requested from us for the purpose of your audit; and
  - c. unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
- xiii We have communicated to you all deficiencies in internal control of which management is aware.



- xiv All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xv We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xvi We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
  - a. management;
  - b. employees who have significant roles in internal control; or
  - c. others where the fraud could have a material effect on the financial statements.
- xvii We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, regulators or others.
- xviii We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xix We have disclosed to you the entity of the Council's related parties and all the related party relationships and transactions of which we are aware.

**Annual Governance Statement**

- xx We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS

**Approval**

The approval of this letter of representation was minuted by the Council's Audit and Governance Committee at its meeting on 24 September 2015.

**Signed on behalf of the Council**

Name Simon Davey

Position Strategic Lead Finance (S151/CFO)

Date 24/9/2015 .....

Name Cllr Mark Williamson

Position Chair of Audit & Governance Committee

Date 24/9/2015 .....

**Report to:** **Audit and Governance Committee**  
**Date of Meeting:** 24 September 2015  
**Public Document:** Yes  
**Exemption:** None



**Agenda item:** 7f

**Subject:** **Assessment of going concern status**

**Purpose of report:** **This report informs the Committee of an Assessment of the Council as a 'going concern' for the purposes of producing the Statement of Accounts for 214/15.**

**Recommendation:** **To note the outcome of the assessment made of the Council's status as a 'going concern' for the purposes of the draft Statement of Accounts 2014/15.**

**Reason for recommendation:** To provide assurance to the Committee on the Council's status as a 'going concern'.

**Officer:** Simon Davey – Strategic Lead Finance (CFO/S151 Officer)  
[sdavey@eastdevon.gov.uk](mailto:sdavey@eastdevon.gov.uk) ext: 2690

**Financial implications:** The financial implications are detailed in the report.

**Legal implications:** The legal implications are set out within the report and require no further comments at this stage.

**Equalities impact:** Low Impact

**Risk:** Low Risk

**Links to background information:** •

**Link to Council Plan:**

### Report in full

1. The concept of a *'going concern'* assumes that an authority, its functions and services will continue in operational existence for the foreseeable future. This assumption underpins the accounts drawn up under the Local Authority Code of Accounting Practice and is made because local authorities carry out functions essential to the local community and are themselves revenue raising bodies (with limits on their revenue raising powers arising only at the discretion of central government). If an authority were in financial difficulty, the probability is that alternative arrangements would likely be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year.
2. Where the 'going concern' concept is not the case, particular care would be needed in the valuation of assets as they may not be realisable at their book values and provisions may be needed for closure costs or redundancies. An inability to apply the going concern concept would potentially have a fundamental impact on the financial statements.
3. Given the significant reduction in funding for local government in recent years and the potential threat this poses to the ongoing viability of one or more councils as a consequence, External Auditors are placing a greater emphasis on local authorities undertaking an assessment of the

'going concern' basis on which they prepare their financial statements. In response this report sets out the position for East Devon.

4. As with all principal local authorities, the Council is required to compile its Statement of Accounts in accordance with the Code of Practice on Local Authority Accounting for 2014/15 (the Code) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA). In accordance with the Code the Council's Statement of Accounts is prepared assuming that the Council will continue to operate in the foreseeable future and that it is able to do so within the current and anticipated resources available. By this, it is meant that the Council will realise its assets and settle its obligations in the normal course of business.
5. The main factors which underpin this assessment are:
  - The Council's current financial position
  - The Council's projected financial position
  - The Council's governance arrangements
  - The regulatory and control environment applicable to the Council as a local authority.

Each of the above is considered in more detail below.

#### 5.1 The Council's current financial position (General Fund Revenue)

As can be seen from the Council's Accounts there was an under spend on the General Fund revenue budget in 2014/15 resulting in a £0.721m increase in the General Fund Balance. After considering the planned use of the Balance in 2015/16 the Reserve level was £0.941m above the Council adopted level, members resolved to transfer this excess sum into the Council's capital reserve to assist in capital project funding. This will leave £3.6m in the General Fund Balance going forward, this being at the top end of adopted range (£2.8m to £3.6m) and is seen as a healthy position to assist the Council against any unforeseen financial risks. In total as at the 31<sup>st</sup> March 2015 the Council held revenue reserves of £10.9m comprised of:

<b>General Fund Revenue Reserves</b>	<b>£m</b>
Budget Strategy (Support) reserves General Fund (Business Rates Volatility Fund + New Homes Bonus Volatility Fund + Transformation Reserve)	2.586
GF Balance (31/3/15 = £4.646m less £0.941m transfer to capital in 2015/16 less £0.105m revenue use in 2015/16 gives £3.6m going forward)	4.646
Other earmarked reserves (set aside for specific schemes/expenditure)	3.663
<b>Total</b>	<b>10.895</b>

To date the Council has set balanced budgets whilst managing the significant reductions in government funding without adversely effecting service delivery. This has been achieved by following its adopted Financial Plan. For 2015/16 the Council set a budget with a sum of £105,000 being used from the General Fund Balance to meet the request from members for specific additional staff resources to meet service demand. This use of the Balance still left the General Fund balance within the Council's adopted range and this position is continually monitored and regularly reported to members for their assurance.

#### 5.2 The Council's current financial position (HRA Revenue)

As reported to Cabinet in June, the HRA achieved an underspend of £0.665m resulting in a year end balance of £4.966m after transfers to reserves. The HRA Business Plan Volatility Reserve (created in 2012/13 to provide a cushion for repaying the self financing loans should adverse fluctuations in spending and/or rent income occur) now stands at a total of £3.4m.

<b>HRA Reserves</b>	<b>£m</b>
HRA balance	4.966
HRA earmarked reserves	3.400
<b>Total HRA reserves</b>	<b>8.366</b>

In considering the appropriate level of balances/reserves to be held for the HRA there are two key factors:

- ensuring the Balance held at any point over the 30 year business plan does not drop below the adopted minimum level of £2.123m
- there is a sufficient sum above this level to meet debt repayments when required as part of the Plan. Both of these criteria have been met.

The recent Government budget announcement to reduce council house rents for the next 4 years by 1% will have a significant effect on the projected rent income, an estimated loss of £7.9m over the 4 years. This will have to be factored into a revised business plan for the HRA and will curtail future housing growth plans, expenditure plans will be adjusted in accordance with the income reduction to continue to set balanced budgets.

### 5.3 The Council's current financial position (Capital)

Details of the capital outturn for 2014/15 were reported to Cabinet in June. The report highlighted a significant underspend in the budget of £6.3m mainly due to scheme slippage, these costs will now be incurred in later years and the resources have been held to meet these costs. Total capital reserves are identified below.

<b>Capital reserves</b>	<b>£m</b>
Capital Ear marked reserves	3.207
Capital Receipts	2.891
Capital grants unapplied	1.174
<b>Total Capital</b>	<b>7.272</b>

### 5.4 The Council's balance sheet as at 31<sup>st</sup> March 2015

The financial overview included in the draft Statement of Accounts for 2014/15 includes reference to the Council's balance sheet as at 31<sup>st</sup> March 2015 and concludes that it is robust. Factors giving rise to this assessment include:

- Review of debts owed to the Council;
- The adequacy of risk-assessed provisions for doubtful debts;
- The range of reserves set aside to help manage expenditure;
- An adequate risk-assessed working balance to meet unforeseen expenditure.

### 5.5 The Council's Financial Plan

The Council's Financial Plan which contains a medium-term financial plan model is updated regularly and reported at least annually to members; this reflects a five-year assessment of the council's spending plans and associated funding. It includes the ongoing implications of approved budgets and service levels and the revenue costs of the council's capital programme, as well as the management of debt and investments.

The latest Financial Plan was presented to members in July 2015 and identified a budget deficit of £2.6m by 2020/21. Alongside the Plan members approved a Transformation Strategy which addressed the budget deficit with actions to provide the Council with a balanced budget to 2020/21.

## **5.6 The Council's governance arrangements**

The Council has a well established and robust corporate governance framework. This includes the statutory elements of the posts of Head of Paid Service, the Monitoring Officer and the Section 151 Officer in addition to the current political arrangements.

An overview of this governance framework is provided within the Annual Governance Statement which is included in the Statement of Accounts provided elsewhere on this agenda. This includes a detailed review of the effectiveness of the Council's governance arrangements. Whilst it is not possible to provide absolute assurance the review process as outlined in the Annual Governance Statement does conclude that the existing arrangements remain fit for purposes and help provide reasonable assurance of their effectiveness.

## **5.7 The external regulatory and control environment**

As a principal local authority the Council has to operate within a highly legislated and controlled environment. An example of this is the requirement for a balanced budget each year combined with the legal requirement for Council to have regard to consideration of such matters as the robustness of budget estimates and the adequacy of reserves. In addition to the legal framework and central government control there are other factors such as the role undertaken by External Audit as well as the statutory requirement in some cases for compliance with best practice and guidance published by CIPFA and other relevant bodies.

Against this backdrop it is considered unlikely that a local authority would be 'allowed to fail' with the likelihood being when faced with such a scenario, that central government would intervene supported by organisations such as the Local Government Association to bring about the required improvements or maintain service delivery.

## **6 Conclusions**

6.1 It is considered that having regard to the Council's arrangements and such factors as highlighted in this report that the Council remains *a going concern*. This assessment will be undertaken annually in the course of preparing the Council's financial statements for each year.

**Report to:** **Audit and Governance Committee**  
**Date of Meeting:** 24 September 2015  
**Public Document:** Yes  
**Exemption:** None



**Agenda item:** 8

**Subject:** Internal Audit Plan – Review of 2015/16 - Quarters 1 and 2

**Purpose of report:** The Audit and Governance Committee agreed the 2015/16 Internal Audit plan at its June 2015 meeting. This report is the update position at the end of Quarters 1 and 2.

Appendix A - Report of Internal Activity for Quarters 1 and 2  
Appendix B - Plan Progress Table with Status and Opinion for each audit  
Appendix C - Audit Opinion Definitions

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

**Reason for recommendation:** As a key element of its Governance arrangements the Council have a partnership arrangement with South West Audit Partnership to deliver an annual internal audit plan. The Assistant Director for SWAP, together with the Council's S151 Officer and in consultation with the Senior Management Team produced an Audit Plan for 2015-16 that was approved by the Audit and Governance Committee in June 2015.

**Officer:** The Committee are required to review the progress of the audit plan.  
Jo George – Assistant Director (SWAP)  
[Jo.George@southwestaudit.co.uk](mailto:Jo.George@southwestaudit.co.uk)

Moya Moore – Principal Auditor (SWAP)  
[Moya.Moore@southwestaudit.co.uk](mailto:Moya.Moore@southwestaudit.co.uk)

**Financial implications:** No direct financial implications

**Legal implications:** The legal framework is reflected in the report

**Equalities impact:** Low Impact

**Risk:** Low Risk

**Links to background information:** • [Approved Internal Audit Plan 2015/16 – Audit and Governance Meeting June 2015](#)

**Link to Council Plan:** Funding this outstanding place.

## APPENDIX A



### East Devon District Council

Report of Internal Audit Activity  
Quarter 1 and 2 Update, 2015/16

# Contents

The contacts at SWAP in connection with this report are:

**Gerry Cox**

Chief Executive - SWAP  
Tel: 01935 385906  
[gerry.cox@southwestaudit.co.uk](mailto:gerry.cox@southwestaudit.co.uk)

**David Hill**

Director of Planning  
Tel: 01935 385906  
[David.hill@southwestaudit.co.uk](mailto:David.hill@southwestaudit.co.uk)

**Jo George**

Assistant Director  
Tel: 07720 312466  
[jo.george@southwestaudit.co.uk](mailto:jo.george@southwestaudit.co.uk)

Summary:

Role of Internal Audit Overview of Internal Audit Activity	Page 1
Internal Audit Work Programme 2015/16:	Page 2
Operational Audits	Page 3
Key Controls Audits	Page 4
Information Systems	Page 4
Governance, Fraud and Corruption	Page 5
Special Reviews	Page 5
Future Planned Work	Page 6
Conclusions	Page 6



Our audit activity is split between:

- **Operational Audit**
- **Key Control Audit**
- **Governance, Fraud & Corruption Audit**
- **IT Audit**
- **Special Reviews**

## Role of Internal Audit

The Internal Audit service for East Devon District Council is provided by the South West Audit Partnership (SWAP). SWAP has adopted and works to the Standards of the Institute of Internal Auditors, but also follows the CIPFA Code of Practice for internal audit and the Public Sector Internal Audit Standards (PSIAS). The Partnership is also guided by the Internal Audit Charter last approved in June 2015.

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

- Operational Audit Reviews
- Annual Review of Key System Controls
- Cross Cutting Fraud and Governance Reviews
- IT Audit Reviews
- Other Special or Unplanned Reviews

## Overview of Internal Audit Activity

Internal Audit work is largely driven by an Annual Audit Plan. This is approved by the Section 151 Officer following consultation with Directors, Assistant Directors, Service Managers and External Audit. This year's Audit Plan was discussed and approved by the Audit Committee at its meeting in June 2015.

Audit assignments are undertaken in accordance with this Plan to assess current levels of governance, control and risk.

Quarter 1&2 Outturn:

## Audit Assignments undertaken in the Quarter

- **Operational Audits**

### Operational Audits

The schedule provided at [Appendix B](#) contains a list of all audits as agreed in the Annual Audit Plan 2015/16. It is important that Members are aware of the status of all audits and that this information helps them place reliance on the work of Internal Audit and its ability to complete the plan as agreed.

Each completed assignment includes its respective “control assurance” opinions together with the number and relative ranking of recommendations that have been raised with management. The assurance opinion ratings have been determined in accordance with the Internal Audit “Audit Framework Definitions” as shown in [Appendix C](#).

Where assignments record that recommendations have been made to reflect that some control weaknesses have been identified as a result of audit work, these are considered to represent a less than significant risk to the Council’s operations. However, in such cases, the Committee can take assurance that improvement actions have been agreed with management to address these.

Operational Audits are a detailed evaluation of a Service’s control environment. A risk evaluation matrix is devised and controls are tested. Where weaknesses or areas for improvement are identified, actions are agreed with management and target dated.

In Quarters 1 and 2 there were five Operational audits planned and four follow up audits planned;

Audit Area	Opinion	Audit Area	Opinion
Civil Contingencies / Disaster Recovery	Removed	S106 Planning Obligations	Not started
Home Safeguard	In progress	Food Safety	Removed
Building Control Fees	Audit work completed - In review	StreetScene Asset Inspections (Public Safety) Follow up	Non - Opinion
Emergency Planning Follow Up	Non - Opinion	Private Water Supply Follow up	Non - Opinion
Tenancy Fraud Follow Up	Non - Opinion		

The Civil Contingencies/ Disaster Recovery Audit has been removed, along with Food Safety at the request of the client. These have been replaced with a special investigation (see page 5) and an audit of Mobile Support Officers. An update for the 2 audits in progress (Building Control Fees and Home Safeguard) will be provided at the next Committee meeting. 4 Follow ups of 2014/15 audits that received Partial Assurance have been completed. The S106 Planning Obligations Audit has not yet started owing to the timings of the Community Infrastructure Levy implementation. This in turn has been delayed by the need for an approved Local Plan.

In addition to the above audits, the Economy and Regeneration, Recruitment Vetting Fraud Theme and Statutory Officers audits (2014/15) have been finalised, and the Leisure East Devon Audit (2014/15) is also due to be reported shortly.

Quarter 1&2 Outturn:

**Audit Assignments undertaken in the Quarter**

- Key Control Audits
- Information Systems

**Key Controls Audits**

Key Control Audits are completed to assist the External Auditor in their assessment of the Council’s financial control environment. It is essential that all key controls identified by the External Auditors are operating effectively to provide management with the necessary assurance that there is a satisfactory framework of internal control.

8 key control audits are planned to provide assurance over the main financial systems;

Council Tax and NDR	Housing and Council Tax Benefits	Main Accounting
Car Park Income	Payroll	Creditors
Treasury Management	Housing Rents	

These audits are usually undertaken in Qtr 3 (October – December). Work has commenced on the Payroll Audit, which is in progress and the Car Park Income Audit, which is in review.

**Information Systems**

Information Systems – IT audits provide the Authority with assurance with regards to their compliance with industry best practice. As with Operational Audits, an audit opinion is given. In Quarters 1 & 2 there were two IT audits planned, one of which is due to be reported in the near future.

Audit Area	Opinion	Audit Area	Opinion
Mobile and Remote Working	Draft Report Stage	Protective Marking	Not started

An update for these audits will be provided at the next Committee meeting.

**Quarter 1&2 Outturn:**

**Audit Assignments undertaken in the Quarter**

- **Governance, Fraud and Corruption Audits**
- **Special Reviews**

## Governance, Fraud and Corruption Audits

Governance, Fraud and Corruption Audits focus primarily on key risks relating to cross cutting areas that are controlled and/or impact at a Corporate rather than Service specific level. It also provides an annual assurance review of areas of the Council that are inherently higher risk. This work will in some cases enable SWAP to provide management with added assurance that they are operating best practice as we will be conducting these reviews at all of our Client sites.

There were three governance audits planned for Quarter 1&2;

Audit Area	Opinion	Audit Area	Opinion
Expenses & Reimbursement Fraud Prevention	In Progress	Mobile Support Officers (Wardens)	In Progress
Committee Decisions	Not Started		

The Mobile Support Officers Audit was added to the Audit Plan following a special investigation (see below). This replaced the Food Safety Audit that was originally planned.

## Special Reviews

1 special investigation was completed in the period. This related to an alleged abuse of position. This replaced the Audit on Civil Contingencies / Disaster Recovery that was originally planned.

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

## Future Planned Work

This is detailed in [Appendix B](#) and is subject to any changes in agreement with the S151 officer.

## Conclusions

For the audits completed to report stage, each report contains an action plan with a number of recommendations which are given service priorities. Definitions of these priorities can be found in the Categorisation of Recommendations section of [Appendix C](#).

The Committee will be aware that in June 2015, SWAP were pleased to provide an Audit Opinion for the Annual Governance Statement for 2014/15 that gave Reasonable Assurance.

Our approach to the audits for 2015/16 reflects this positive assurance and we are seeking to undertake more challenging and cross-cutting reviews rather than traditional service reviews that we have done over recent years, given that these areas have now proven themselves to have adequate and often good internal controls. We shall continue to give ongoing assurance on key controls, but similarly we can do this with less resource than we have previously.

A list of all audits planned for 2015/16 and their status at the end of Quarter 2 are detailed in [Appendix B](#).

There were no High Priority Findings identified from the work completed so far in Quarter 1 and 2.

Audit Type	Audit Title	Quarter	Status	Opinion	No. of recs	Recommendations				
						5	4	3	2	1
Advice	Council Office Relocation	1	Ongoing	Non Opinion	0	0	0	0	0	0
Follow Up	Streetscene Asset Inspections (Public Safety)	1	Final	Non Opinion	0	0	0	0	0	0
Follow Up	Emergency Planning	1	Final	Non Opinion	0	0	0	0	0	0
Operational	Civil Contingencies / Disaster Recovery	1	Removed. But participation in Themed Audit Review	-	0	0	0	0	0	0
Key Control	Car Parks Income	1	In Review		0	0	0	0	0	0
Operational	Building Control Fees	1	In Review		0	0	0	0	0	0
ICT	Mobile and Remote Working	1	Draft Report		0	0	0	0	0	0
Special Investigation	Abuse of Position	1	Final	Non Opinion	0	0	0	0	0	0
Governance, Fraud & Corruption	Expenses & Reimbursement Fraud	1	In Progress		0	0	0	0	0	0
Operational	S106 Planning Obligations	2	Not Started		0	0	0	0	0	0
Follow Up	Private Water Supply	2	Final	Non Opinion	0	0	0	0	0	0
Operational	Food Safety	2	Removed	-	0	0	0	0	0	0
Operational	Home Safeguard	2	In Progress		0	0	0	0	0	0
Follow Up	Tenancy Fraud	2	Final	Non Opinion	0	0	0	0	0	0
ICT	Protective Marking	2	Not Started		0	0	0	0	0	0
Governance, Fraud & Corruption	Committee Decisions	2	Not Started		0	0	0	0	0	0
Governance, Fraud & Corruption	Mobile Support Officers (Wardens)	2	In Progress		0	0	0	0	0	0
ICT	Incident & Problem Management (Help	3			0	0	0	0	0	0
Key Control	Main Accounting	3			0	0	0	0	0	0
Key Control	Council Tax and Non-Domestic Rates	3			0	0	0	0	0	0
Key Control	Housing and Council Tax Benefits	3			0	0	0	0	0	0
Key Control	Payroll	3	In Progress		0	0	0	0	0	0
Key Control	Creditors	3			0	0	0	0	0	0
Key Control	Treasury Management	3			0	0	0	0	0	0
Key Control	Housing Rents	3			0	0	0	0	0	0
Follow Up	Enforcement Agents	3			0	0	0	0	0	0
Operational	Debt Management	3			0	0	0	0	0	0
Operational	Asset Register & Land Record Management	4			0	0	0	0	0	0
Operational	Leisure East Devon	4			0	0	0	0	0	0
Operational	SITA Waste Collection	4			0	0	0	0	0	0
Governance, Fraud & Corruption	Grant Awards	4			0	0	0	0	0	0
Governance, Fraud & Corruption	Use of Consultants	4			0	0	0	0	0	0

## Audit Framework Definitions

### Control Assurance Definitions

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

### Categorisation Of Recommendations

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

Priority 5: Findings that are fundamental to the integrity of the unit's business processes and require the immediate attention of management.

Priority 4: Important findings that need to be resolved by management.

Priority 3: The accuracy of records is at risk and requires attention.

Priority 2: Minor control issues have been identified which nevertheless need to be addressed.

Priority 1: Administrative errors identified that should be corrected. Simple, no-cost measures would serve to enhance an existing control.

### Definitions of Risk

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



**Report to:** **Audit and Governance Committee**  
**Date of Meeting:** 24 September 2015  
**Public Document:** Yes  
**Exemption:** None



**Agenda item:** 9

**Subject:** **Partnership Review 2014-15**

**Purpose of report:** Partnership information for the 2014/15 financial year until March 2015 is supplied to allow the Audit and Governance Committee to monitor the status of our partnerships. This follows the year end review of partnerships by responsible officers for 2014/15.

**Recommendation:** **That the Audit and Governance Committee considers the current status of partnerships until March 2015.**

**Reason for recommendation:** To ensure that the Partnership Management Policy and Guidance is being followed and all partnership are being monitored.

**Officer:** Beth Levi, Management Information Officer  
[blevi@eastdevon.gov.uk](mailto:blevi@eastdevon.gov.uk) ext 2332

**Financial implications:** There are no direct financial implications.

**Legal implications:** There are no direct legal implications

**Equalities impact:** Low Impact

**Risk:** Low Risk

Failure to assess, monitor and review our partnerships could impact negatively (i.e. financial, reputational, operationally) on the council.

**Links to background information:**

- [Appendix A – Year End Partnership Review 2014-15](#)

**Link to Council Plan:** Living, working, enjoying and outstanding Council

### Report in full

1. The EDDC's Partnership Policy requires all partnerships identified by the council to be reviewed annually. There are currently 13 partnerships as defined by our policy which states that EDDC uses the following as the definition of a partnership: "An agreement between two or more independent bodies to work collectively to achieve an objective." Also a partnership must reflect the following criteria:

- critical to the delivery of the Council's corporate priorities
- strategic in nature
- require significant resource input from the Council
- have constitution and governance arrangements in place
- have multi-agency membership

2. For this Year End Review for 2014/15 all lead officers involved with a partnership were asked to assess the overall partnership, reviewing budget issues, achievements, forward plans and the ongoing benefit of continuing engagement with the Partnership.
3. All of the partnerships are active and meet at least three times annually, some more often. There are no major current budget issues with any of the partnerships although most receive some funding from EDDC. It is recommended that our involvement with each of the partnerships continues with benefits of continued engagement with each being outlined below.

Partnership	Benefit of continued engagement
Exeter Science Park	Key objective of the Council is delivery of a thriving, competitive local economy.
Shared ICT service with Exeter City and Teignbridge Councils (Strata)	Council Plan Outstanding Council: efficiencies - both financial, time saving and service resilience
South West Audit Partnership (SWAP)	Council Plan Outstanding Council: efficiencies - both financial, time saving and service resilience
Exeter and Heart of Devon Growth Board	Continued delivery of new homes and jobs and investment in infrastructure in line with Corporate Plan objectives
Exmouth Regeneration Board	Continued discussion and strategic regeneration input from cross sector partners is beneficial to development and delivery of projects and impact
Seaton Regeneration Board	Continued discussion and strategic regeneration input from cross sector partners is beneficial to development and delivery of projects and impact.
Crime and Disorder Partnership	The Community Safety Partnership at all levels engages with practitioners from across the district as well as with senior decision making staff from a variety of agencies.
Leisure East Devon	Presents an opportunity to monitor performance and share priorities
Devon Rural Housing Partnership	Effective lobby group for affordable housing in rural areas
Devon Strategic Housing Partnership	Useful for housing networking and awareness of good practice
Greater Exeter Greater Devon	Helps deliver EDDC's Corporate ambitions
Blackdown Hills Area of Outstanding Natural Beauty (AONB)	Helps deliver EDDC Corporate Plan – enjoying this outstanding environment
East Devon Area of Outstanding Natural Beauty (AONB)	Helps deliver EDDC Corporate Plan – enjoying this outstanding environment

4. A report showing the partnerships detail appears in [Appendix A](#).

## Partnership Review Year End 2014/15

Partnership	Responsible officer	Active or inactive partnership	How often did you meet in 2014/15	Any budget issues arising from the Partnership?	Achievements from 2014/15	Forward Plans for 2015/16	Benefit of continued engagement
Exeter Science Park (Exeter Science Park Company Ltd – ESPL)	Council Lead Officer: Simon Davey (Alternative Director).  Director: Cllr I Thomas.  Shareholder Rep: Cllr P Skinner	Active	8 times during the year.	£250k Shareholding (7.1%)  £1m loan to ESPL to help fund Science Park Centre	<ul style="list-style-type: none"> <li>Science Park Centre building completed, this being the second building to open on the park, joining Eagle House where growing tech start-up blur Group are currently based. The landscape of the park is due to develop further as work commences on the Met Office's IT Hall and collaboration facility, due to start this summer.</li> <li>The building of the Science Park Centre has been made possible with shareholder equity from Devon County Council, East Devon District Council, Exeter City Council, the University of Exeter; the Heart of the South West LEP which committed an additional £4.5m loan from the Growing Places Fund; and a £1 million grant from the Regional Growth Fund.</li> </ul>	<ul style="list-style-type: none"> <li>Business Plans are being drawn up for the building of a further 3 buildings on the site which will hopefully attract Government funding.</li> <li>Work continues to facilitate further occupancies and land sales of the site.</li> </ul>	Key objective of the Council is delivery of a thriving, competitive local economy

Partnership	Responsible officer	Active or inactive partnership	How often did you meet in 2014/15	Any budget issues arising from the Partnership?	Achievements from 2014/15	Forward Plans for 2015/16	Benefit of continued engagement
Shared ICT service with Exeter City and Teignbridge Councils (Strata)	Council Lead Officer: Simon Davey (Strata Director).  Joint Executive Committee: Cllr P Diviani	Active	Board fortnightly. Joint Executive Board & Joint Scrutiny Committee meet currently meet at least 6 times a year	Transfer of ICT budget to Strata in the order of £2m for EDDC.	<ul style="list-style-type: none"> <li>• Strata as company formed and staff transferred over from all 3 authorities on 1 November 2014</li> <li>• Business Plan being delivered to date; reduce costs, reduce risks and improve capacity. First stage was savings from management posts which was achieved.</li> </ul>	<ul style="list-style-type: none"> <li>• First part of year will be delivering infrastructure changes; building of new data centre and backup centre with full kit out, roll out of new Wider Area Network and Virtual Desktop, implementation of Office 2013, new Skype for business. Towards the end of the year looking at business migration programme.</li> </ul>	Council Plan Outstanding Council: efficiencies - both financial, time saving and service resilience
South West Audit Partnership (SWAP)	Lead Officer Simon Davey	Active	Board meets approximately every 3 months	£108k annual budget	<ul style="list-style-type: none"> <li>• Provision of internal audit and advice service.</li> <li>• Good assurance received from external audit</li> </ul>	<ul style="list-style-type: none"> <li>• Audit Plan approved for 2015/16 and adopted by Audit &amp; Governance Committee.</li> </ul>	Council Plan Outstanding Council: efficiencies - both financial, time saving and service resilience
Exeter and Heart of Devon Growth Board	Lead Officer Andrew Wood	Active	4 times	No	<ul style="list-style-type: none"> <li>• Continued to provide a forum for engagement between the public and private sector partners to overcome barriers to the delivery of growth</li> <li>• Paper on future transport priorities agreed</li> </ul>	<ul style="list-style-type: none"> <li>• Ongoing quarterly meetings addressing topical issues relevant to the delivery of growth including; <ul style="list-style-type: none"> <li>○ CIL forward funding study</li> <li>○ Low carbon priorities</li> </ul> </li> </ul>	Continued delivery of new homes and jobs and investment in infrastructure in line with

Partnership	Responsible officer	Active or inactive partnership	How often did you meet in 2014/15	Any budget issues arising from the Partnership?	Achievements from 2014/15	Forward Plans for 2015/16	Benefit of continued engagement
					<ul style="list-style-type: none"> <li>• Successful delivery of £8m Regional Growth Fund programme</li> <li>• Provided direction to work of the delivery team</li> </ul>	<ul style="list-style-type: none"> <li>○ Infrastructure priorities and investment</li> <li>• Engagement with the Local Enterprise Partnership and HCA</li> </ul>	Corporate Plan objectives
Exmouth Regeneration Board	Lead Officer Richard Cohen	Active	Biannually	Administration and project budgets sufficient	<p>Notes of meetings are published with Cabinet papers on a regular basis. The Board has discussed and advised upon:</p> <ul style="list-style-type: none"> <li>• Successful completion and operation of Premier Inn</li> <li>• Mamhead Slipway renewal options</li> <li>• Transport interchange and public realm investment</li> <li>• Queens Drive redevelopment progress</li> </ul>	<p>Consider and advise on the following:</p> <ul style="list-style-type: none"> <li>• Coastal Communities Team development and delivery of Exmouth Masterplan review</li> <li>• Priority projects including progress on Queens Drive and Mamhead Slipway</li> <li>• Transport Interchange and associated challenges</li> </ul>	Continued discussion and strategic regeneration input from cross sector partners is beneficial to development and delivery of projects and impact
Seaton Regeneration Board	Lead Officer- Richard Cohen	Active	Quarterly	Administration and project budgets sufficient	<p>Notes of meetings are published with Cabinet papers on a regular basis. The Board has discussed and advised upon:</p> <ul style="list-style-type: none"> <li>• Seaton Jurassic construction</li> <li>• Tramway Terminus design proposals</li> <li>• Natural Seaton 'way points'</li> <li>• High street vitality and town events</li> <li>• Seafront issues</li> </ul>	<p>Consider and advise on the following:</p> <ul style="list-style-type: none"> <li>• Launch and operation of Seaton Jurassic</li> <li>• Seaton Tramway terminus redevelopment</li> <li>• High street and town centre vitality</li> <li>• Additional and relevant regeneration activity</li> </ul>	Continued discussion and strategic regeneration input from cross sector partners is beneficial to development and delivery of projects and impact

Partnership	Responsible officer	Active or inactive partnership	How often did you meet in 2014/15	Any budget issues arising from the Partnership?	Achievements from 2014/15	Forward Plans for 2015/16	Benefit of continued engagement
Crime and Disorder Partnership	Lead Officer Gerry Moore	Very Active	The Steering Group met every 2 months. The 4 geographically based Local Action Groups in East Devon met every 6 weeks	None £10K. funding is provided by the Police and Crime Commissioner	See <a href="#">Newsletter</a>	<a href="#">CSP Plan 2015-18</a>	The Community Safety Partnership at all levels engages with practitioners from across the district as well as with senior decision making staff from a variety of agencies.
Leisure East Devon	Lead Officer John Golding / Mark Williams	Active	Quarterly	Budget support for LED is kept under review by the group	<ul style="list-style-type: none"> <li>• Budget and performance monitoring undertaken</li> <li>• Strategy and policy debated</li> <li>• Health &amp; Wellbeing issues promoted</li> </ul>	<ul style="list-style-type: none"> <li>• Ongoing budget monitoring and search for efficiencies</li> <li>• Forum for high level discussion on shared priorities</li> <li>• Exploring opportunities in Cranbrook and new business ideas</li> </ul>	Presents an opportunity to monitor performance and share priorities
Devon Rural Housing Partnership	Lead Officer John Golding	Active	Quarterly	We provide support through a subscription paid annually	<ul style="list-style-type: none"> <li>• Assistance in affordable housing delivery in rural areas</li> <li>• Undertaking local housing needs studies</li> <li>• Advice to parish councils on affordable housing delivery</li> </ul>	<ul style="list-style-type: none"> <li>• Maintaining a housing enabling role</li> <li>• Lobbying for more affordable housing in rural areas</li> <li>• Supporting parish councils who want to address housing needs in their parish</li> </ul>	Effective lobby group for affordable housing in rural areas

Partnership	Responsible officer	Active or inactive partnership	How often did you meet in 2014/15	Any budget issues arising from the Partnership?	Achievements from 2014/15	Forward Plans for 2015/16	Benefit of continued engagement
Devon Strategic Housing Partnership	Lead Officer John Golding	Active	Bi-monthly	None	<ul style="list-style-type: none"> <li>Lobbying for housing delivery and quality homes in Devon</li> <li>Overseeing Devon Home Choice and other countywide housing initiatives</li> </ul> Networking with housing partners and consideration of housing policy issues	<ul style="list-style-type: none"> <li>Valued officer networking group for housing issues</li> <li>Sharing of good practice and ideas</li> <li>Assisting making the case for housing priorities across the county</li> </ul>	Useful for housing networking and awareness of good practice
Greater Exeter Greater Devon	Lead Officer Mark Williams	Active	3 times	Any budget issues are brought to Cabinet for approval.	This is an emerging partnership that co-ordinates a range of issues involving joint discussions with Exeter, Teignbridge and the County Council. To date, discussions have centred around shared services; growth ambitions (through respective local plans); the evolving nature of the Exeter & East Devon Growth Board; how to best develop the local economy; and the Heart of the South West Local Enterprise Partnership	The Government has indicated a wish for all areas of the country to participate in the 'devolution debate'. All councils in the Heart of the South West LEP area are collectively debating what this might mean and the GE/GD partnership will provide a vehicle for focused discussion on how to achieve the best for our area. In addition the ongoing financial pressures impacting on councils mean that the shared services agenda will continue, as will the need for EDDC to have excellent relations with Exeter & Teignbridge	Helps deliver EDDC's corporate ambitions
Blackdown Hills Area of Outstanding Natural Beauty (AONB)	Lead Officer Charlie Plowden	Active	3 x Officer Support Group meetings per annum	Concerns that Somerset LAs, Devon CC & Defra are reducing their contributions	<ul style="list-style-type: none"> <li>Delivery of Sustainable Development Fund into communities</li> <li>Delivery of Natural Futures lottery funded project 2014-17</li> </ul>	<ul style="list-style-type: none"> <li>Delivery of new Making it Local initiative into the AONB</li> <li>Delivery of bat project</li> <li>Delivery of traineeships funded by Natural Futures funding</li> </ul>	Helps deliver EDDC Corporate Plan – enjoying this outstanding environment

					<ul style="list-style-type: none"> <li>• Successful joint bid for new Making it Local fund - £1.8 million across East Devon &amp; Blackdown Hills AONBs</li> <li>• Successful bid for Devon-wide bat project</li> </ul>	<ul style="list-style-type: none"> <li>• Review of joint working arrangements with East Devon AONB</li> <li>• Provide planning advice</li> </ul>	
East Devon Area of Outstanding Natural Beauty (AONB)	Lead Officer Charlie Plowden	Active	3 x Executive Group meetings per annum	Concerns that Devon CC & Defra are reducing their contributions	<ul style="list-style-type: none"> <li>• Successful joint bid application for £1.8 million Making it local fund</li> <li>• Delivery of SDF projects across communities In AONB</li> <li>• Delivery of English Heritage funded Historic Environment Action Plan</li> <li>• Devon wide bat project in partnership with Blackdown Hills AONB – funding bid</li> <li>• East Devon Way business plan development</li> </ul>	<ul style="list-style-type: none"> <li>• Delivery of Making it Local across the AONB</li> <li>• Delivery of Devon-wide bat project</li> <li>• Delivery of SDF community based projects</li> <li>• Delivery of East Devon Way business plan</li> </ul>	Helps deliver EDDC Corporate Plan – enjoying this outstanding environment



**Report to:** **Audit and Governance Committee**  
**Date of Meeting:** 24 September 2015  
**Public Document:** Yes  
**Exemption:** None



**Agenda item:** **10**

**Subject:** **Expenditure on Consultants 2014/15**

**Purpose of report:** As requested at Audit and Governance, this report details capital and revenue spend on consultants and specialist advice for 2014/15.

**Recommendation:** **To note the details of expenditure on consultants in 2014/15.**

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

**Officer:** Laurelie Gifford Financial Services Manager  
[lgifford@eastdevon.gov.uk](mailto:lgifford@eastdevon.gov.uk) ext. 2613

**Financial implications:** There are no financial implications.

**Legal implications:** There are no legal implications arising.

**Equalities impact:** Low Impact

**Risk:** Low Risk

**Links to background information:** • .

**Link to Council Plan:** Funding this Outstanding Place

## Report in full

### 1. Consultants expenditure

1.1 Expenditure on consultants and specialised technical advice has been analysed between items £10,000 and greater (Appendix A 2014/15), and less than £10,000 (Appendix B 2014/15). These are then split between Revenue and Capital expenditure.

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

1.3 Summary of expenditure is in the following table:

<b>Consultants 2014/15</b>	<b>Capital £</b>	<b>Revenue £</b>	<b>Total £</b>
Total Over £10,000	369,615	512,392	<b>882,007</b>
Total Under £10,000	61,755	243,219	<b>304,974</b>
<b>Grand Total</b>	<b>431,370</b>	<b>755,611</b>	<b>1,186,980</b>

Comparison:

<b>Consultants 2013/14</b>	<b>Capital £</b>	<b>Revenue £</b>	<b>Total £</b>
Total Over £10,000	211,072	472,471	<b>683,543</b>
Total Under £10,000	40,656	213,073	<b>253,729</b>
<b>Grand Total</b>	<b>251,728</b>	<b>685,545</b>	<b>937,272</b>

Consultants 2014/15 Over £10,000 by Supplier

Appendix A

Company	Cost Centre Code	Service	Reason for using consultants	Capital £	Revenue £	Officer	Statutory? Y/N	External Funding? Y/N
AECOM LTD	55203	Office Relocation - Revenue	Project management		110,208	Richard Cohen	N	N
ASH FUTURES LTD	43401	Development Management	Specialist consultancy - Cranbrook economic development strategy		14,244	Ed Freeman	N	Y
BAKER TILLY	35001	Refuse Collection & Recycling	We no longer use Baker Tilly; we did use them for audit work (forensic accountancy) relating to the SITA contract but ceased using them in 2014. We now use SWAP through a SLA arranged by the council.		11,125	Paul Mc Henry	Y	Part
BENNETT LEISURE & PLANNING LTD	43411	Planning Policy	Specialist consultancy - playing pitch strategy		11,600	Matt Dickens		Y
CARTER JONAS	23010	Local authority Business Growth Incentive	Serviced workspace demand and delivery appraisal EDBC		25,000	Alison Hayward	N	N
CIPFA BUSINESS LTD	50006	Asset Management Plan	TNRP review sports activity clubs		10,000	Donna Best	N	N
DAVID ROCHE GEOCONSULTING LTD	08001	Coast Protection	Annual inspection of cliffs. Note this contract will be sent out to tender in the near future.		24,945	Keith Steel	Y	N
							N	Y
DEVON WILDLIFE TRUST	83245	Seaton Jurassic	Specialist habitat advice	20,000		Alison Hayward		
DILLONS DESIGN LTD	65304	Fire risk assessment Consultants & Reports	Specialist statutory fire risk reports		20,243	Mark Dale	Y	N
Grant Thornton	55203	Office Relocation - Revenue	New Build Feasibility		23,216	Richard Cohen	N	N
HALCROW GROUP LTD	08002	Sidmouth Beach Management Plan	Specialist engineers		36,314	Andrew Hancock	N	Y
							N	Y
HELEN SHACKLETON	83245	Seaton Jurassic	Interpretation Consultancy	74,450		Alison Hayward		
			Salterton Road, Exmouth planning advice on the feasibility of the application and coordinating the planning process		22,454	Alison Hayward	N	N
Heynes Planning Limited	50019	Exmouth Regeneration - Estuaryside						
IAN HOWICK AND PARTNERS LTD	83905	Feniton Flood Alleviation Work	Design and engineering work for the Feniton Flood Scheme	57,773		Keith Steel	Y	Y
			Marketing advice and services for Queens Drive Exmouth		10,000	Alison Hayward	N	N
JONES LANG LASALLE LTD	50018	Exmouth Regeneration - Splash/Queen'S Drive					N	Y
LLOYD TURNER LTD	83245	Seaton Jurassic	Ecological Construction Solutions	11,400		Alison Hayward		
MICHAEL BURGIN	50006	Asset Management Plan	Support in setting up Uniform system		15,193	Donna Best	N	N
NEXUS OPEN SYSTEMS LTD	53031	Devon Shared It Project	Specialist IT Consultants		18,000	Chris Powell	N	Part
QUANTUM SURVEY MANAGEMENT LTD	64006	Insurance claim	Insurance claim survey		14,915	Mark Dale	Y	Y
ROYAL HASKONING DHV	83200	Mamhead Slipway	Specialist engineers	62,371		Alison Hayward	N	N
SAVILLS (L&P)	50019	Exmouth Regeneration - Estuaryside	Relocation Exmouth Rugby Club		11,674	Alison Hayward	N	N
SHARED INTELLIGENCE	58205	Local Government Association Economic Advisors Pr	Specialist financial modelling- Growth Point		13,137	Richard Cohen	N	N
							N	N
STRATA	83801	Windows 7 Implementation	IT service	13,364		Chris Powell		
							Y	N
VALUATION OFFICE AGENCY ADMINISTRATION	43401	Development Management	Specialist agricultural valuation advice		31,968	Ed Freeman		
WA CONSULTANTS LTD	53030	It Section	Specialist IT Consultants		11,275	Chris Powell	N	N
WA CONSULTANTS LTD	53031	Devon Shared It Project	Specialist IT Consultants		13,520	Chris Powell	N	Part
WA CONSULTANTS LTD	83801	Windows 7 Implementation	Specialist IT Consultants		43,165	Chris Powell	N	N
							N	Y
WARD WILLIAMS ASSOCIATES	83245	Seaton Jurassic	Specialist Surveyors	130,257		Alison Hayward		
WYVERN HERITAGE AND LANDSCAPE CONSULTANCY	36061	AONB Landscape Fund	Specialist Consultancy - Historic Environment Action Plan		20,195	Chris Woodruff	N	Y
<b>TOTAL</b>				<b>369,615</b>	<b>512,392</b>			

Consultants 2014/15	Capital£	Revenue£	Total
Total Over £10,000	369,615	512,392	882,007
Total Under £10,000	61,755	243,219	304,974
<b>Grand Total</b>	<b>431,370</b>	<b>755,611</b>	<b>1,186,980</b>

## Consultants 2014/15 under £10,000 by Supplier

## Appendix B

Company	Cost Centre	Service	Capital	Revenue	Officer	Statutory? Y/N	External Funding? Y / N
A J SANDS LTD	50019	Exmouth Regeneratr-Estuaryside		1,510	Alison Hayward	N	N
A J SANDS LTD	55203	Office Relocation		1,105	Richard Cohen	N	N
ACS LTD	42015	Council Tax Liability and Recovery		300	Libby Jarrett	Y	Part
Adampport Fire Protection Specialists Ltd	65530	Statutory fire risk assessment Building works		2,475	Mark Dale	Y	N
AECOM LIMITED	55203	Office Relocation		2,050	Richard Cohen	N	N
AirWatch	53033	Mobile Working Scheme (Revenue)		4,550	Chris Powell	N	N
ANGELA MCTIERNAN	62053	Honiton Together		200	Sue Bewes	N	N
							Y
ANNA LODGE CONSULTING	83245	Seaton Jurassic	1,350		Alison Hayward	N	N
AP Land Surveys Ltd	83201	Queens Drive Leisure Area Infrastructure	2,995		Alison Hayward	N	N
ARCHITECTURE CENTRE DEVON & CORNWALL	43401	Development Management		795	Ed Freeman	N	N
Ash Futures	43401	Development Management		8,442	Ed Freeman	N	N
ASH FUTURES LTD	43203	New Growth Point Delivery Team		7,130	Andrew Wood	N	N
ASH FUTURES LTD	43411	Planning Policy		4,800	Matt Dickens	N	N
BLUEFORT SECURITY LTD	53030	It Section		900	Chris Powell	N	N
BROWNE JACOBSON LLP	35001	Refuse Collection & Recycling		1,534	Paul Mc Henry	Y	N
BUREAU VERITAS UK LIMITED	33050	Environment Protection Team		2,448	John Smith / Andrew Ennis	Y	N
Burges Salmon	43401	Development Management		3,544	Ed Freeman	N	N
Capacity Grid	42016	Revenues & Benefits Customer Service		685	Libby Jarrett	Y	Part
CAPITA BUSINESS SERVICES LTD	21401	Housing Benefits Section		3,013	Libby Jarrett	Y	Y
CAPITA BUSINESS SERVICES LTD	42013	Revenues & Benefits Scanning		2,430	Libby Jarrett	Y	Part
CAPITA BUSINESS SERVICES LTD	42015	Council Tax Liability and Recovery		6,283	Libby Jarrett	Y	Part
CAPITA BUSINESS SERVICES LTD	42018	NNDR		1,393	Libby Jarrett	Y	Part
CAPITA BUSINESS SERVICES LTD	58211	Accountancy Section		6,042	Laurelie Gifford	Y	N
COMMUNITY COUNCIL OF DEVON	61060	Tenant Participation		50	Sue Bewes	N	N
CORNWALL COLLEGE	61001	HRA Supervision And Management		726	Amy Gilbert	N	N
CROFT SURVEYORS	64003	Storm Damage		1,260	Jonathon Burns	N	N
CROFT SURVEYORS	68121	Subsidence		490	Jonathon Burns	N	N
CROFT SURVEYORS	85816	House of multiple occupation 102 St Andrews Rd - Exmouth	3,563		Jonathon Burns	N	Part
DATATANK LIMITED	42016	Revenues & Benefits Customer Service		886	Libby Jarrett	Y	Part
David Coultie Associates Ltd	43411	Planning Policy		1,250	Matt Dickens	N	N
Deirdre Ryan	62053	Honiton Together		450	Sue Bewes	N	N
DENIS KIGONGO VICTOR	62052	Community Development Work		620	Sue Bewes	N	N
Design Council	43401	Development Management		8,000	Ed Freeman	N	N
DEVON COUNTY COUNCIL	33501	Housing and General Health Group		2,396	Meryl Spencer	N	N
DEVON COUNTY COUNCIL	35001	Refuse Collection & Recycling		5,000	Andrew Hancock	Y	N
DEVON COUNTY COUNCIL	53021	Corporate Manager Organisational Development		2,808	Karen Jenkins	Y	N
DEVON COUNTY COUNCIL	55203	Office Relocation		420	Richard Cohen	N	N
DEVON COUNTY COUNCIL	59271	Streetscene Management		210	Andrew Hancock	N	N
DEVON COUNTY COUNCIL	59274	Str Scene Engineering		894	Andrew Hancock	N	N
DEVON COUNTY COUNCIL	61010	Housing Landlord Services		90	Sue Bewes	N	N
DEVON INVESTIGATIONS LTD	05020	Car Parks & Buildings On Carparks		120	Andrew Ennis / Giles Salter	Y	N
DEVON MEDIATION SERVICE	62100	Minor Management Schemes		2,000	Sue Bewes	N	N
DEVON SKILLS LTD	62053	Honiton Together		4,999	Sue Bewes	N	N
DEVON SOMERSET DORSET FIRE RISK ASSESSMENTS	65300	Statutory fire risk assessment Electrical		1,900	Jonathon Burns	Y	N
DEVON WILDLIFE ENTERPRISES LTD	55203	Office Relocation		350	Richard Cohen	N	N
DEVON WILDLIFE TRUST LTD	36061	AONB Landscape Fund		500	Chris Woodruff	N	Y
DOUG HULYER	83245	Seaton Jurassic	3,035		Alison Hayward	N	Y
EAD SOLICITORS LLP	53020	Deputy Chief executive Transformation & Systems Thinking		360	Karen Jenkins	N	N
EAST DEVON TREE CARE	68121	Subsidence		100	Jonathon Burns	N	N
EDP ENVIRONMENTAL LTD	64420	Electrical Repairs		300	Mark Dale	N	N
EDP ENVIRONMENTAL LTD	68102	Electrical Updating		700	Mark Dale	N	N
Encription Limited	83802	Revenues & Benefits software - security testing	2,599		Chris Powell	Y	N
Fruition Creative Services L	83245	Seaton Jurassic	9,400		Alison Hayward	N	Y
GE Consulting Services (UK) Limited	50019	Exmouth Regeneratr-Estuaryside		7,883	Alison Hayward	N	N
GHEE BOWMAN	62053	Honiton Together		815	Sue Bewes	N	N
Ginkgo	43203	New Growth Point Delivery Team		4,500	Andrew Wood	N	N
Heynes Planning Limited	55203	Office Relocation		6,152	Richard Cohen	N	N
HONITON CHAMBER OF COMMERCE	62053	Honiton Together		500	Sue Bewes	N	N
IAN HARRISON CONSULTANCY	08003	Mamhead Slipway Study		1,323	Alison Hayward	N	N
IAN HARRISON CONSULTANCY	50019	Exmouth Regeneratr-Estuaryside		1,228	Alison Hayward	N	N
IAN HARRISON CONSULTANCY	83200	Mamhead Slipway	5,832		Alison Hayward	N	N
IAN HARRISON CONSULTANCY	50019	Exmouth Regeneratr-Estuaryside		3,772	Alison Hayward	N	N
IAN HOWICK AND PARTNERS LTD	17001	Flood Prevention		394	Andrew Hancock	N	N
IDOX SOFTWARE LIMITED	26001	Local Land Charges		2,250	Nick Wright	Y	N
IDOX SOFTWARE LIMITED	43401	Development Management		6,500	Ed Freeman	N	N

Company	Cost Centre	Service	Capital	Revenue	Officer	Statutory? Y/N	External Funding? Y / N
IDOX SOFTWARE LIMITED	26001	Local Land Charges		2,250	Nick Wright	Y	N
INTERNATIONAL PASSIVE FIRE LIMITED	65304	Statutory fire risk assessment Consultants & Reports		2,509	Mark Dale	Y	N
INTERROUTE APPLICATION MANAGEMENT LTD	53030	It Section		550	Chris Powell	N	N
KELWAY (UK) LIMITED	53030	It Section		3,868	Chris Powell	N	N
KENSINGTON TAYLOR	50019	Exmouth Regeneratn-Estuaryside		8,624	Alison Hayward	N	N
LAN2LAN Limited	53030	It Section		1,391	Chris Powell	N	N
LAND USE CONSULTANTS	43411	Planning Policy		7,000	Matt Dickens	N	N
LAVAT	50005	Multi Service Activity Annual Costs		900	Simon Davey	Y	N
LAVAT	50019	Exmouth Regeneratn-Estuaryside		990	Alison Hayward	N	N
LAVAT	55203	Office Relocation		1,500	Richard Cohen	N	N
LAVAT	58211	Accountancy Section		1,650	Laurelie Gifford	Y	N
LAVAT	62701	Mobile Support Officers		720	Sue Bewes	N	N
LEWIS BROWN	83905	Feniton Flood Alleviation Work	700		Keith Steel	Y	Y
LIQUID MOTION TRAINING ACADEMY	62052	Community Development Work		300	Sue Bewes	N	N
Mach Testing	85816	House of multiple occupation 102 St Andrews Rd - Exmouth	2,475		Jonathon Burns	N	Y
MALCOLM RYAN	44001	Build Control Fee Earning		375	Paul Seager	N	N
MARINE MANAGEMENT ORGANISATION	08003	Mamhead Slipway Study		1,393	Alison Hayward	N	N
MARINE MANAGEMENT ORGANISATION	83200	Mamhead Slipway	2,440		Alison Hayward	N	N
MEADOWS (EXMOUTH) LTD	61020	Council House Sales		450	Sue Bewes	N	N
MIDLAND SOFTWARE LIMITED	53031	Devon Shared It Project		979	Chris Powell	Y	N
MIDLAND SOFTWARE LIMITED	58214	Payroll		929	Terry Wilson	Y	N
MR MATT YOUNG	36061	Aonb Landscape Fund		100	Chris Woodruff	N	Y
MR R D SHARPE	23066	Seaton Town Manager		375	Alison Hayward	N	N
NEAL PURVIS	61060	Tenant Participation		675	Sue Bewes	N	N
Network Rail Ltd	83905	Feniton Flood Alleviation Work	6,086		Keith Steel	Y	Y
Nixon Design Ltd	83245	Seaton Jurassic	9,982		Alison Hayward	N	Y
PETER BRETT ASSOCIATES LLP	43411	Planning Policy		2,783	Matt Dickens	N	N
Plymouth City Council	49005	Finance Officer S151 Duties		152	Simon Davey	N	N
PRIME EXAMPLE CONSULTING	83245	Seaton Jurassic	1,200		Alison Hayward	N	Y
PROJECT COSMIC	62052	Community Development Work		1,833	Sue Bewes	N	N
PROJECT COSMIC	62053	Honiton Together		1,833	Sue Bewes	N	N
RED ROCK GEOSCIENCE LTD	62492	New Build Feasibility		3,850	Jonathon Burns	N	N
REDCOTEC LLP	55204	Sidmouth Knowle		470	Richard Cohen	N	N
REDCOTEC LLP	59275	Property Services		470	Richard Cohen	N	N
REED BUSINESS INFORMATION	57221	Human Resources		3,042	Karen Jenkins	Y	N
REMEDIAL TECHNICAL SERVICES	65958	Dampness Eradication		763	Jonathon Burns	N	N
ROYAL HASKONING DHV	08002	Sidmouth Beach Management Plan		8,000	Andrew Hancock	N	Y
ROYAL HASKONING DHV	08003	Mamhead Slipway Study		5,050	Alison Hayward	N	N
ROYAL HASKONING DHV	02707	Axmouth Harbour		3,650	Andrew Hancock	N	N
SAVILLS (L&P)	83905	Feniton Flood Alleviation Work	2,773		Keith Steel	Y	Y
SECTOR TREASURY SERVICES LTD	58211	Accountancy Section		968	Laurelie Gifford	Y	N
SECTOR TREASURY SERVICES LTD	61001	HRA Supervision And Management		2,900	John Golding	N	N
South West Land Surveys Limited	50019	Exmouth Regeneration - Estuaryside		1,100	Alison Hayward	N	N
Stem Group Ltd	53030	It Section		45	Chris Powell	N	N
STRATEGIC ECONOMICS LTD	50017	Exmouth Regeneration - Other		4,550	Alison Hayward	N	N
Support Solutions Ltd	62701	Mobile Support Officers		1,785	Sue Bewes	N	N
SYNERGYKEY LIMITED	21401	Housing Benefits Section		830	Libby Jarrett	Y	Y
SYNERGYKEY LIMITED	42018	NNDR		830	Libby Jarrett	Y	Part
The South West Research Company Ltd	23066	Seaton Town Manager		250	Alison Hayward	N	N
THINNOVATION LTD	53031	Devon Shared It Project		1,171	Chris Powell	N	Part
TIM DARSLEY ASSOCIATES LIMITED	53022	Monitoring Officer Local Investigations		667	Henry Gordon-Lennox	Y	N
Tony Burch	08001	Coast Protection		4,000	Andrew Hancock	Y	N
TOTAL PROPERTY SOLUTIONS	50019	Exmouth Regeneratn-Estuaryside		1,110	Alison Hayward	N	N
TPAS LIMITED	61060	Tenant Participation		1,868	Sue Bewes	N	N
UNIVERSITY OF EXETER	43203	New Growth Point Delivery Team		960	Andrew Wood	N	N
UNIVERSITY OF EXETER	43411	Planning Policy		1,128	Matt Dickens	N	N
URBAN EDGE ARCHITECTURE LTD	50019	Exmouth Regeneratn-Estuaryside		4,000	Alison Hayward	N	N
WA CONSULTANTS LTD	44010	Building Control Ict Projects		1,800	Paul Seager	N	N
WARM COMPANY (SW) LIMITED	85816	House of multiple occupation 102 St Andrews Rd - Exmouth	6,085		Jonathon Burns	N	Part
WH LANDSCAPE CONSULTANCY LTD	43401	Development Management		8,366	Ed Freeman	N	N
WILLIAM CASELY	83245	Seaton Jurassic	1,242		Alison Hayward	N	Y
YMCA EXETER COMMUNITY PROJECTS	62052	Community Development Work		1,643	Sue Bewes		
<b>TOTAL</b>			<b>61,755</b>	<b>243,219</b>			

**Report to:** **Audit and Governance Committee**

**Date of Meeting:** 24 September 2015

**Public Document:** Yes

**Exemption:** None

**Review date for release** None



**Agenda item:** 11

**Subject:** **Five Year Housing Land Supply: Methodology, Corporate responsibilities for maintaining an adequate supply of sites and latest update.**

**Purpose of report:** This report outlines the methodology used to calculate the Council's five year housing land supply position detailing what evidence and information is used to inform the assessment and how it is calculated. The report also seeks to explain the recent change in position and why officers consider that we can now demonstrate a 5 year land supply when only a few months ago we were some way short of the required supply position. The report also considers the implications of this change in position and the current and future reporting and responsibility arrangements within the current structure.

Appended to the report is also the latest Housing monitoring Report which provides an update on the current supply of housing in the district and the 5 year housing land supply position.

**Recommendation:**

- 1. That Members consider the summary of the methodology used to calculate the 5 year housing land supply position.**
- 2. That Members agree the proposed reporting arrangements detailed in the report.**
- 3. That Members consider the appended Housing Monitoring Report which demonstrates that the current data shows that we can demonstrate a 5 year housing land supply.**
- 4. That Members acknowledge that while the current 5 year housing land supply position is a material consideration until the SHMAA has been endorsed by the Local Plan Inspector this position can only carry limited weight in decision making.**

**Reason for recommendation:** Where in the past some Members have sought to drive down housing numbers to protect the environment and satisfy the expressed desires of residents to see only limited growth and development this has arguably been a short sighted and perhaps self defeating approach. In terms of following through on the Government's objectives, we are required to have an objectively assessed housing need which meets the identified needs of the district and then to purposively meet that need.

**Officer:** Ed Freeman, Service Lead – Planning Strategy and Development Management [efreeman@eastdevon.gov.uk](mailto:efreeman@eastdevon.gov.uk), Tel: 01395 517519

**Financial implications:** No financial implications have been identified

<b>Legal implications:</b>	No legal implications are identified other than those set out in the report.
<b>Equalities impact:</b>	Low Impact
<b>Risk:</b>	Low Risk
<b>Links to background information:</b>	• <a href="http://planningguidance.planningportal.gov.uk/">http://planningguidance.planningportal.gov.uk/</a>
<b>Link to Council Plan:</b>	Living in /Working in/ Enjoying this Outstanding Place.

## Report in full

### 1. Background

1.1 The National Planning Policy Framework (NPPF) provides clear guidance on the need to maintain a suitable supply of housing sites by stating:

“To boost significantly the supply of housing, local planning authorities should:

- use their evidence base to ensure that their Local Plan meets the full, objectively assessed needs for market and affordable housing in the housing market area, as far as is consistent with the policies set out in this Framework, including identifying key sites which are critical to the delivery of the housing strategy over the plan period;
- identify and update annually a supply of specific deliverable sites sufficient to provide five years worth of housing against their housing requirements with an additional buffer of 5% (moved forward from later in the plan period) to ensure choice and competition in the market for land. Where there has been a record of persistent under delivery of housing, local planning authorities should increase the buffer to 20% (moved forward from later in the plan period) to provide a realistic prospect of achieving the planned supply and to ensure choice and competition in the market for land;
- identify a supply of specific, developable sites or broad locations for growth, for years 6-10 and, where possible, for years 11-15;
- for market and affordable housing, illustrate the expected rate of housing delivery through a housing trajectory for the plan period and set out a housing implementation strategy for the full range of housing describing how they will maintain delivery of a five-year supply of housing land to meet their housing target; and set out their own approach to housing density to reflect local circumstances.”

1.2 The need to maintain a 5 year housing land supply stems from a government desire to boost housing supply. The new government have made this an even greater priority and are driving economic growth through house building targeting 200,000 new homes to be built per year. This has placed an even greater emphasis on the need for Local Planning Authorities to identify and meet their housing needs. This drive for housing growth is not just about providing market housing but is also seen as a way of meeting growing needs for affordable housing nationally. Historically HCA grants and other funding for affordable housing has enabled developments to come forward that provide a high proportion of affordable housing and these have significantly helped in meeting needs. These funding mechanisms are no longer available following funding cuts and therefore affordable homes

provided by developers alongside schemes of largely market housing now make up the vast majority of affordable housing provision. In addition the proportion of affordable housing that can be afforded on many sites is reducing due to the lack of alternative funding. Therefore the only way of addressing a growing need for affordable housing is to substantially increase the number of homes being built in total to secure the necessary affordable homes. Where in the past Members may have sought to drive down housing numbers to protect the environment and satisfy the desires of residents to see only limited growth and development this is no longer an option and we are required to have an objectively assessed housing need which meets the identified needs and then to meet that need.

1.3 The NPPF also makes clear the consequences of not having a 5 year housing land supply by stating:

“Housing applications should be considered in the context of the presumption in favour of sustainable development. Relevant policies for the supply of housing should not be considered up-to-date if the local planning authority cannot demonstrate a five-year supply of deliverable housing sites.”

Policies relevant to the supply of housing can include those directing where new housing should be built down to specific policies such as those defining built-up area boundaries. The impact of not having a 5 year housing land supply can be significant and can make it hard to resist applications for new housing outside of built-up area boundaries and in other locations where they would not otherwise be permitted. Despite this appeal decisions have demonstrated that the above guidance does not mean that we have to have a completely open door approach and that when a development would lead to significant harm they can still be refused and successfully defended on appeal. We did not have a 5 year housing land supply for much of the last two years but successfully defended Feniton from two major developments outside of its built up area boundary and a large scale development north of Seaton that would have incurred on the green wedge between Seaton and Colyford. Despite these successes there is no doubt that had we had a 5 year housing land supply these developments would have been easier to resist and others would not have even applied for permission knowing that they would not have a reasonable prospect of gaining permission. It is therefore clear that it is very important that we maintain a 5 year housing land supply but also that our calculations are robust as they will come under regular scrutiny by developers and at appeal.

## **2. Methodology**

2.1 Housing land supply assessment is essentially concerned with comparing the future need for housing against the availability of sites and land to accommodate housing development. It arises out of a government concern that a lack of land being brought forward for development through the planning system is constraining housing development leading to too little housing being built.

### 2.2 Identifying need

The calculation of 5 year housing land supply starts with the objectively assessed housing need for the district which results from the Strategic Housing Market Assessment (SHMA). The SHMA basically calculates what the housing needs of the district should be over a period of time taking into account variables such as demographic change including inward and outward migration, economic drivers such as trends in labour supply and demand, the state of the housing market and housing stock etc. The SHMA is however only an assessment of current and recent trends which are projected forward and so in the case of East Devon the SHMA is supplemented by further work that ensures that housing need calculations take sufficient account of the growth point and the major uplift in jobs and



economic prosperity that will arise from developments there. Sites such as Science park, Skypark and the Intermodal Freight Terminal will create a level of jobs growth that will be substantially beyond that which has taken place in East Devon in the recent past.

2.3 This information has led to an objectively assessed housing need of 17,100 homes which equates to 950 homes per year over the term of the draft local plan. Therefore in order to maintain a 5 year housing land supply we need to be able to demonstrate that we can provide this number of homes over the plan period and have sufficient supply to show that the 5 year supply exceeds need. Our trajectory for delivery does not however have to be flat at 950 homes per year and could be higher some years and lower in others. Our projected housing trajectory shows higher levels of delivery in the early years of the New Local Plan to tie in with high delivery rates at Cranbrook and across the rest of the growth point in the early years of the plan. The result of this is that the requirement is lower in the later years of the plan because so much of the identified housing need of 17,100 will already have been met by this time. This approach aligns with the government drive for increased house building and also helps to address perceived past under provision and so it is hoped that this approach will find favour with the Local Plan Inspector.

2.4 In terms of calculating a 5 year housing need clearly a need for 950 homes per year equates to a need for 4,750 over 5 years ( $5 \times 950$ ), however our 5 year supply needs to be tested taking into account any past under provision and so any shortfall from the previous period has to be added on to the 4,750 along with a 20% buffer which is required under government guidance in the NPPF as quoted earlier in this report due to past under provision. The sum of all of these numbers gives us a 5 year requirement.

2.5 How past under provision is dealt with was a point of controversy in the past as two approaches to this developed known as the “Liverpool” approach and the “Sedgefield” approach after the authorities that had their approaches tested on appeal. The Liverpool approach suggests that any past shortfall in provision is made up over the entire plan period thereby spreading its impact. This approach has been found unsound at appeals in East Devon and the Sedgefield approach should now be used which calculates any past under provision and makes this up in the next 5 years delivery. This change in approach and the change from measuring our needs against the new SHMA having previously calculated them against figures in the RSS (Regional Spatial Strategy) which has now been withdrawn means that comparing data from the previous housing monitoring reports with the latest reports is difficult. Reports prior to that of September last year were measured against the RSS data and were significantly affected by having to include our past under-provision when measured against that data. The new SHMA provides a much more up to date and robust evidence base and takes a more accurate account of past under provision when projecting our needs moving forward and thus the shift from using RSS data to the SHMA has led to a significant shift in our position on 5 year housing land supply. This improvement in position has also been significantly aided by increased build out rates and high numbers of permissions issued over the last year.

## 2.6 Projecting Supply

Having calculated our housing requirement for the next 5 years it is then necessary to calculate supply. In order to be included sites must deliverable, available now and viable with a reasonable prospect that housing will be delivered on the site within the next 5 years. Supply therefore consists of the following elements:

Extant permissions – This element comprises developments that have planning permission and either are currently being built out or are likely to be built out within the next 5 years. Data such as building control completions and registrations for Council Tax are used to calculate past completions and project these forward to predict future supply.

Sites with acknowledged development potential – These are known sites where development is anticipated within 5 years but do not currently have permission.

Future windfalls – These are sites which are as yet unknown but for which a small allowance can be made based on past trends showing that a number of windfall sites have come forward in the past.

Strategic allocations – These sites are allocated in the Local Plan and are expected to deliver housing in the next 5 years.

2.7 There is a lot of uncertainty involved in assessing delivery rates of developments under the above categories. Where a site is currently being built out there should be evidence of past delivery rates to project forward to estimate future build out rates, however where a site has not commenced there will be significant uncertainty. Good communication with developers is key to this, however historically we have not had the resources to keep in regular contact with developers to gain good intelligence from them on delivery rates. A new post is being created to enable this to happen and to drive forward delivery of sites with permission by providing a contact point to help with delivery problems and issues. It is worth noting however that developers may sometimes be unwilling to share information about delivery rates or over-estimate/under-estimate depending on their interests elsewhere in the district.

2.8 The five year supply calculation is presented as a number of years of supply and so a figure of less than 5 suggests that we do not have a 5 year supply and conversely a number in excess of 5 suggests that we do. How much higher or lower than 5 the figure is will suggest how much in excess of or below the required level we are.

### **3 Corporate Responsibilities**

3.1 The Council's performance against 5 year housing land supply has variously been reported to Audit and Governance Committee and Development Management Committee in the past. It has not been possible to provide this information as frequently as officers would have liked due to the time it takes to produce and consider the evidence and calculate the position. The position does not however change markedly over short periods. At the present time until the SHMA has been considered by the Local Plan Inspector and hopefully found sound we cannot confirm whether we do actually have a 5 year housing land supply although the latest evidence suggests that we do. New processes and procedures are being worked on to make the monitoring process more automated and make it less labour intensive to produce up to date data on 5 year housing land supply, however fundamentally the data will not change markedly from month to month and it is considered that reporting more than quarterly would not be worthwhile.

3.1 It is however considered appropriate to formalise reporting lines and the following arrangement is recommended:

That a Quarterly Housing Monitoring Report be reported to Audit and Governance Committee.

That the report be copied to Development Management Committee in advance of Audit and Governance Committee for them to note and comment as appropriate.

That the report be noted at Council as part of the minutes of Audit and Governance Committee.

- 3.2 It is considered that this reporting arrangement would enable quarterly reporting and regular Member scrutiny but also enable the Development Management Committee to be aware of the position and for it to inform their decision making.

#### **4 Housing Monitoring Update**

- 4.1 Appended to this report is the latest Housing Monitoring Update report which provides a more detailed explanation of the process for calculating 5 year housing land supply and shows the latest data. This data shows that even without taking account of allocations in the new draft Local Plan which do not have permission or a resolution to grant permission we can demonstrate a 5.39 year housing land supply. Upon adoption of the Local Plan this would rise to 5.86 years by including houses on allocated sites which do not currently have permission or a resolution to grant that would come forward in the next 5 years.

- 4.2 This should be a strong position, however recent appeal decisions have demonstrated that Planning inspector's consider that our assessment can carry only limited weight at the present time. This issue has been considered in most detail at a recent appeal to consider schemes for 10 and 25 homes respectively on land opposite the village hall in Talaton. In those cases the Inspector stated:

*"The Council maintains that it can demonstrate a 5.45 year supply of deliverable housing sites, including a 20% buffer to take account of persistent under-delivery in previous years. That figure is set out within the March 2015 HMU and is derived from calculations regarding the objectively assessed housing need for the area in the Strategic Housing Market Assessment (SHMA) for the period 2013 to 2033. The SHMA for East Devon comprises a number of reports prepared on behalf of the Council as part of its evidence base for the emerging New East Devon Local Plan (ELP)2. On the basis of those reports, the Council predicts that the OAN for East Devon for the period 2013-31 is 17,100 dwellings, equating to a need of 950 per annum.*

*As stated, the evidence put forward by the Council with regard to housing need has been prepared as part of the evidence base in relation to the ELP. That has yet to be tested through examination in public (EiP). The Council is currently consulting on the evidence based upon a number of questions set out by the Local Plan Inspector. Amongst other things, the consultation seeks views on whether the evidence base provides a robust and reliable assessment to support the revised target of 17,100 dwellings for the period 2013-2031.*

*I am not in a position to predict the level of response to the consultation, or the outcome of the Local Plan process. It would not be appropriate for me, in the context of determining specific appeals, to attempt to perform the function of the EiP in seeking to determine the objectively assessed need for the district. To do so would run contrary to advice within the Planning Practice Guidance (PPG) which states that the examination of local plans is intended to ensure that housing requirements are tested in a way that cannot be replicated in the course of determining individual applications.*

*Thus, in view of the fact that the evidence has yet to be tested, and the fact that the response to the current consultation exercise is unknown, I can give little weight to the housing requirement of 17,100 within the proposed modification to the ELP. Until that figure has been properly tested through the EiP I cannot conclude that it forms a robust and reliable basis from which to derive the OAN for the area.*

*In effect, the current position results in a hiatus, with no up-to-date housing needs assessment that has been tested through the local plan process. In such situations, the PPG advises that the household projections published by the Department for Communities and Local Government should be used as the starting point for assessing future need, albeit that the weight to be attributed should take account of the fact that those figures have not been tested or moderated against relevant constraints.”*

4.3 The inspector goes on to consider some detailed issues regarding the Council’s calculations that were raised by the appellants in relation to past under supply of housing and predicted delivery rates before concluding that:

*“.....fundamentally, the OAN of 17,100 cannot be relied upon as a robust basis for predicting the future housing need until it has been tested through the EiP. The EiP will also assess the approach to past under-supply of housing and the implications of altering the proposed start date for the plan period. Until those matters are resolved, on the evidence presented to the Hearing, it is not possible to conclude that the Council can demonstrate a five-year supply of housing sites for the purposes of the appeals before me. In the absence of a demonstrable five year supply policies for the supply of housing should not be considered up-to-date, including policy S5 of the LP which is a relevant policy for the supply of housing. Thus, I can give limited weight to the conflict with that policy which seeks to restrict development outside of the defined settlement boundary for the village. Similarly, until such time as the OAN for the district has been subject to EiP, I can give little weight to policies Strategy 1, 7 and 27 of the ELP. In the context of the need to boost significantly the supply of housing and the persistent under-delivery within the district, the benefit in terms of the provision of housing represents a material consideration in support of both appeals. Those benefits would apply to the provision of general market and affordable housing.”*

4.4 Other Inspector’s have made similar comments including recent appeals at Newton Poppleford, Ebford and Lymptstone and so the above comments are reflective of a number of Inspector’s thoughts on this issue. In each case the appeal has been dismissed on other grounds.

4.5 The Talaton inspector’s comments regarding using DCLG household projection data as a starting point for assessing need under the guidance is noted and this has been considered. It would not however the address the fundamental issue because in order to get a realistic assessment of need the reports by Edge Analytics and Understanding Data that address jobs growth in the district are needed to give a meaningful needs figure. If these are applied to the DCLG household projections then essentially the need figure is virtually the same (only 126 houses lower over the plan period) as that already within our calculations. We can provide this data in future to Inspector’s to reinforce our position but ultimately until the work on the jobs growth scenario by Edge Analytics and Understanding Data has been found sound by the Local Plan Inspector the data will not be given significant weight.

4.6 It is hoped that we will have the Local Plan Inspector's report later in the year and that this will confirm the SHMA and its associated reports to be a sound evidence base upon which to calculate our 5 year housing land supply, however until that time the data will be treated with some caution by planning inspectors. It should also be given only limited weight in the Council's own considerations, however it is considered to be a material consideration and it is important that Inspectors are made aware of the current position as in very balanced cases it may make a difference.



## **East Devon District Council**

**Housing monitoring update to  
31 March 2015**

**August 2015**

1.	Introduction .....	1
2.	Completions .....	2
	How do we know if a house has been completed? .....	2
	How is a “dwelling” defined? .....	2
	Total completions .....	3
	Completions by parish and settlement .....	3
	Greenfield/brownfield split .....	7
	Affordable completions .....	8
	Windfall completions .....	8
3.	Projections .....	10
	Excerpt from the Exeter HMA SHLAA Methodology: Market conditions model for calculating housing delivery rates .....	11
	Extant permissions .....	12
	Sites with acknowledged development potential .....	28
	Strategic allocations .....	33
	Windfalls .....	37
	Overall projections and trajectory .....	39
4.	Five Year Land Supply Calculations .....	42
	Five Year Land Supply calculation .....	44

## VERSION CONTROL

Version Number	Reason for Update	Date
01	Version for September Development Management Committee	27 August 2015



# 1. Introduction

- 1.1 This document provides a housing monitoring update for East Devon District Council to a base date of **31 March 2015**. The report considers the following:
- Housing completions over the last six months (1 October 2014 – 30 September 2015) and collectively for the full 2014/15 year including:
    - Total completions district wide, on a parish by parish and settlement by settlement basis;
    - Breakdown of completions on brownfield and greenfield sites; and
    - Breakdown of completions of affordable housing.
    - Analysis of windfall completions.
  - Housing projections and housing trajectory for the plan period;
  - Five year land supply calculations for the period 1 April 2015 – 31 March 2020.
- 1.2 Section 113 of the Localism Act (2011) removed the requirement of Councils to submit an Annual Monitoring Report (AMR) to the Secretary of State, but allowed monitoring reports to be produced covering individual indicators which must be published at least once a year. This housing monitoring update complies with that requirement.
- 1.3 The National Planning Policy Framework (NPPF) requires Councils to be able to demonstrate a five year supply of land for housing plus a 5% or 20% buffer requirement depending on past performance. Paragraph 47 of the NPPF states that local planning authorities should:
- “identify and update annually a supply of specific deliverable sites sufficient to provide five years worth of housing against their housing requirements with an additional buffer of 5% (moved forward from later in the plan period) to ensure choice and competition in the market for land. Where there has been a record of persistent under delivery of housing, local planning authorities should increase the buffer to 20% (moved forward from later in the plan period) to provide a realistic prospect of achieving the planned supply and to ensure choice and competition in the market for land”.*
- In addition to this, paragraph 49 of the NPPF states:
- “Housing applications should be considered in the context of the presumption in favour of sustainable development. Relevant policies for the supply of housing should not be considered up-to-date if the local planning authority cannot demonstrate a five-year supply of deliverable housing sites”.*
- 1.4 This report considers the extent to which extant permissions, sites with a resolution to grant permission or acknowledged development potential, proposed allocations and future windfalls contribute towards meeting the five year requirement.

## 2. Completions

### How do we know if a house has been completed?

- 2.1 Housing completions are monitored every six months through interrogation of Building Control and Council Tax records against a list of sites with planning permission. Dwellings are considered to be complete if they fall into one of the following brackets:
- East Devon Building Control have recorded a dwelling as having completed; OR
  - East Devon Council Tax have recorded a dwelling as being banded or awaiting banding (sent to the Valuation Office); OR
  - A Building Control approved inspector has notified the Council that a dwelling has been completed; OR
  - The developer of a site has provided the Council with a build return showing completions.

### How is a “dwelling” defined?

- 2.2 For the purposes of housing monitoring, generally, a dwelling is defined as being a separately Council Tax banded property. As an example, this would mean that if a house that had previously been a single Council Tax banded dwelling were split into four flats, each being separately Council Tax banded, then there would be an assumed three net new dwellings on the site upon completion.
- 2.3 The above definition means that annexes are not counted as a dwelling unless they become separately Council Tax banded. By becoming Council Tax banded, the annexe is recognised as a self contained dwelling. Despite the fact that it may still be tied conditionally to be used ancillary to the main dwelling, it is serving the purpose of a self contained dwelling and therefore should still be counted as such for the purposes of monitoring.
- 2.4 In addition to this the Strategic Housing Land Availability Assessment (SHLAA) methodology for the Exeter Housing Market Area (HMA) has recently been updated and now states that care and extra-care homes should contribute towards dwelling numbers despite units not being separately Council Tax banded. The reasoning for this is that as elderly people move into care / extra-care homes they “free up” open market dwellings for others to move into. The methodology conservatively assumes that one dwelling is freed up by every two nursing or care home beds created. This is based on primary research conducted within the HMA whereby existing care homes were contacted to find out numbers of residents, the proportion that were permanent and the proportion that had previously lived alone. This research suggested that on average 50% of residents were permanent and had previously lived alone which suggests that when they permanently moved to the care home they were leaving an empty house. This equates to the rate of two beds equalling one dwelling. Two bed spaces equalling one dwelling is the final confirmed ratio in the updated SHLAA methodology, however previous drafts of the updated methodology have included 1.4 bed spaces equalling one dwelling and 1.67 bed spaces equalling one dwelling. Completions of care/nursing homes in the October 2013-March 2014 monitoring period assumed 1.4:1 as a ratio, completions from April 2014 to September 2014 assumed 1.67:1 as a ratio, and completions/projections from 1 October 2014 onwards now assume 2:1 as the correct ratio. Extra-care homes/sheltered housing is assumed to be a new dwelling in its own right. Generally this type of housing is separately Council Tax banded anyway.

## Total completions

- 2.5 As shown in the table below, over the last six months (1 October 2014 – 31 March 2015) a total of 626 dwellings have been completed in East Devon. This includes 306 at the district's "West End" and 320 in the rest of East Devon.

	April 2013 - Sept 2013	Oct 2013 - Mar 2014	Apr 2014 - Sept 2014	Oct 2014 – Mar 2015
West End	184	302	225	306
RoED	196	142	238	320
East Devon TOTAL	380	444	463	626
Annual TOTAL	824		1,089	

- 2.6 It is clear from both the six monthly and annual figures in the table above that housing delivery is significantly increasing both in terms of the West End and the Rest of East Devon. It is evidence of the fact that the upturn in housing delivery is not solely because of Cranbrook and other West End sites, though clearly they are a significant factor. This shows that the "step change" in housing delivery that the Government is promoting is starting to take effect in East Devon and in a more general sense reflects a market desire to build that was less pronounced in previous years.

## Completions by parish and settlement

- 2.7 The table below shows the last six months of completions alongside the previous six months broken down by parish and by settlements that were proposed to have Built-up Area Boundaries in Strategy 27 of the new Local Plan (as submitted for Examination – note the latest draft of the plan has amended Strategy 27 and the settlements with proposed Built-up Area Boundaries) plus the new settlements of Cranbrook, Pinhoe and North of Blackhorse. Rural parish councils are highlighted in green and town councils in blue. Settlements and rural areas within parishes are listed below each parish title to show the make-up of parish completions.
- 2.8 Please note, for the purposes of monitoring, development at Cranbrook (including that by the New Community Partners, the Wainhomes site at land opposite Oriental Promise, London Road, and at Jack in the Green by Cavanna Homes) is considered to be in the parish and settlement of Cranbrook despite the fact that the town council is now operational and some of that permitted development is within the administrative boundaries Rockbeare Parish Council. Development at Pinhoe is considered as being at Pinhoe settlement but within the parish of Broadclyst.

Parish	April 2014 to Sept 2014	Oct 2014 to March 2015	2014/15 TOTAL
Settlement			
<b>All Saints</b>	<b>0</b>	<b>1</b>	<b>1</b>
Smallridge	0	0	0
Rural areas	0	1	1
<b>Awliscombe</b>	<b>0</b>	<b>0</b>	<b>0</b>
Awlliscombe	0	0	0
Rural areas	0	0	0
<b>Axminster</b>	<b>31</b>	<b>125</b>	<b>156</b>
Axminster	30	123	153
Rural areas	1	2	3

Parish	April 2014 to Sept 2014	Oct 2014 to March 2015	2014/15 TOTAL
Settlement			
<b>Axmouth</b>	<b>0</b>	<b>0</b>	<b>0</b>
Axmouth	0	0	0
Rural areas	0	0	0
<b>Aylesbeare</b>	<b>3</b>	<b>3</b>	<b>6</b>
Aylesbeare	3	3	6
Rural areas	0	0	0
<b>Beer</b>	<b>1</b>	<b>9</b>	<b>10</b>
Beer	1	9	10
Rural areas	0	0	0
<b>Bicton</b>	<b>0</b>	<b>0</b>	<b>0</b>
Rural areas	0	0	0
<b>Bishop's Clyst (Clyst St Mary and Sowton)</b>	<b>0</b>	<b>1</b>	<b>1</b>
Clyst St Mary	0	0	0
Rural areas	0	1	1
<b>Bramford Speke</b>	<b>0</b>	<b>0</b>	<b>0</b>
Bramford Speke	0	0	0
Rural areas	0	0	0
<b>Branscombe</b>	<b>0</b>	<b>1</b>	<b>1</b>
Branscombe	0	0	0
Rural areas	0	1	1
<b>Broadclyst</b>	<b>60</b>	<b>76</b>	<b>136</b>
Broadclyst	0	0	0
Pinhoe	60	75	135
Rural areas	0	1	1
<b>Broadhembury</b>	<b>0</b>	<b>0</b>	<b>0</b>
Broadhembury	0	0	0
Rural areas	0	0	0
<b>Buckerell</b>	<b>0</b>	<b>0</b>	<b>0</b>
Rural areas	0	0	0
<b>Budleigh Salterton</b>	<b>21</b>	<b>18</b>	<b>39</b>
Budleigh Salterton	21	18	39
Rural areas	0	0	0
<b>Chardstock</b>	<b>0</b>	<b>0</b>	<b>0</b>
Chardstock	0	0	0
Rural areas	0	0	0
<b>Clyst Honiton</b>	<b>1</b>	<b>0</b>	<b>0</b>
Clyst Honiton	0	0	0
Rural areas	1	0	0
<b>Clyst Hydon</b>	<b>0</b>	<b>0</b>	<b>0</b>
Clyst Hydon	0	0	0
Rural areas	0	0	0
<b>Clyst St George</b>	<b>0</b>	<b>0</b>	<b>0</b>
Clyst St George	0	0	0
Ebford	0	0	0
Rural areas	0	0	0
<b>Clyst St Lawrence</b>	<b>0</b>	<b>0</b>	<b>0</b>
Rural areas	0	0	0

Parish	April 2014 to Sept 2014	Oct 2014 to March 2015	2014/15 TOTAL
Settlement			
<b>Colaton Raleigh</b>	<b>1</b>	<b>1</b>	<b>2</b>
Colaton Raleigh	1	1	2
Rural areas	0	0	0
<b>Colyton</b>	<b>5</b>	<b>13</b>	<b>18</b>
Colyton	1	12	13
Colyford	1	1	2
Rural areas	3	0	3
<b>Combe Raleigh</b>	<b>0</b>	<b>0</b>	<b>0</b>
Rural areas	0	0	0
<b>Compyne Rousdon</b>	<b>1</b>	<b>0</b>	<b>1</b>
Rural areas	1	0	1
<b>Cotleigh</b>	<b>0</b>	<b>0</b>	<b>0</b>
Rural areas	0	0	0
<b>Cranbrook</b>	<b>165</b>	<b>231</b>	<b>396</b>
Cranbrook	165	231	396
<b>Dalwood</b>	<b>0</b>	<b>0</b>	<b>0</b>
Dalwood	0	0	0
Rural areas	0	0	0
<b>Dunkeswell</b>	<b>1</b>	<b>14</b>	<b>15</b>
Dunkeswell	0	0	0
Dunkeswell (Highfield)	0	14	14
Rural areas	1	0	1
<b>East Budleigh</b>	<b>0</b>	<b>0</b>	<b>0</b>
East Budleigh	0	0	0
Rural areas	0	0	0
<b>Exmouth</b>	<b>53</b>	<b>43</b>	<b>96</b>
Exmouth	53	43	96
Rural areas	0	0	0
<b>Farringdon</b>	<b>1</b>	<b>0</b>	<b>0</b>
Rural areas	1	0	0
<b>Farway</b>	<b>0</b>	<b>0</b>	<b>0</b>
Rural areas	0	0	0
<b>Feniton</b>	<b>6</b>	<b>17</b>	<b>23</b>
Feniton	6	17	23
Rural areas	0	0	0
<b>Gittisham</b>	<b>-1</b>	<b>0</b>	<b>-1</b>
Rural areas	-1	0	-1
<b>Hawkchurch</b>	<b>0</b>	<b>0</b>	<b>0</b>
Hawkchurch	0	0	0
Rural areas	0	0	0
<b>Honiton</b>	<b>73</b>	<b>10</b>	<b>83</b>
Honiton	73	10	83
Rural areas	0	0	0
<b>Huxham</b>	<b>1</b>	<b>0</b>	<b>1</b>
Rural areas	1	0	1
<b>Kilminster</b>	<b>0</b>	<b>1</b>	<b>1</b>
Kilminster	0	1	1
Rural areas	0	0	0

Parish	April 2014 to Sept 2014	Oct 2014 to March 2015	2014/15 TOTAL
Settlement			
<b>Luppitt</b>	<b>0</b>	<b>0</b>	<b>0</b>
Rural areas	0	0	0
<b>Lympstone</b>	<b>0</b>	<b>0</b>	<b>0</b>
Lympstone	0	0	0
Rural areas	0	0	0
<b>Membury</b>	<b>0</b>	<b>0</b>	<b>0</b>
Membury	0	0	0
Rural areas	0	0	0
<b>Monkton</b>	<b>0</b>	<b>0</b>	<b>0</b>
Rural areas	0	0	0
<b>Musbury</b>	<b>0</b>	<b>0</b>	<b>0</b>
Musbury	0	0	0
Rural areas	0	0	0
<b>Newton Poppleford</b>	<b>0</b>	<b>1</b>	<b>1</b>
Newton Poppleford	0	1	1
Rural areas	0	0	0
<b>Northleigh</b>	<b>0</b>	<b>0</b>	<b>0</b>
Rural areas	0	0	0
<b>Offwell</b>	<b>0</b>	<b>0</b>	<b>0</b>
Offwell	0	0	0
Rural areas	0	0	0
<b>Otterton</b>	<b>0</b>	<b>0</b>	<b>0</b>
Otterton	0	0	0
Rural areas	0	0	0
<b>Ottery St Mary</b>	<b>15</b>	<b>23</b>	<b>38</b>
Ottery St Mary	13	22	35
West Hill	1	1	2
Tipton St John	0	0	0
Rural areas	1	0	1
<b>Payhembury</b>	<b>0</b>	<b>1</b>	<b>1</b>
Payhembury	0	0	0
Rural areas	0	1	1
<b>Plymtree</b>	<b>0</b>	<b>0</b>	<b>0</b>
Plymtree	0	0	0
Rural areas	0	0	0
<b>Poltimore</b>	<b>0</b>	<b>0</b>	<b>0</b>
Rural areas	0	0	0
<b>Rewe</b>	<b>0</b>	<b>0</b>	<b>0</b>
Rural areas	0	0	0
<b>Rockbeare</b>	<b>0</b>	<b>0</b>	<b>0</b>
Rockbeare	0	0	0
Rural areas	0	0	0
<b>Seaton</b>	<b>15</b>	<b>21</b>	<b>36</b>
Seaton	12	21	33
Rural areas	3	0	3
<b>Sheldon</b>	<b>0</b>	<b>0</b>	<b>0</b>
Rural areas	0	0	0
<b>Shute</b>	<b>0</b>	<b>0</b>	<b>0</b>
Rural areas	0	0	0

Parish	April 2014 to Sept 2014	Oct 2014 to March 2015	2014/15 TOTAL
Settlement			
<b>Sidmouth</b>	<b>2</b>	<b>5</b>	<b>7</b>
Sidmouth	2	5	7
Sidbury	0	0	0
Rural areas	0	0	0
<b>Southleigh</b>	<b>0</b>	<b>0</b>	<b>0</b>
Rural areas	0	0	0
<b>Stockland</b>	<b>0</b>	<b>0</b>	<b>0</b>
Stockland	0	0	0
Rural areas	0	0	0
<b>Stoke Canon</b>	<b>0</b>	<b>0</b>	<b>0</b>
Rural areas	0	0	0
<b>Talaton</b>	<b>0</b>	<b>0</b>	<b>0</b>
Talaton	0	0	0
Rural areas	0	0	0
<b>Uplyme</b>	<b>0</b>	<b>3</b>	<b>3</b>
Uplyme	0	2	2
Rural areas	0	1	1
<b>Upton Pyne</b>	<b>1</b>	<b>0</b>	<b>1</b>
Rural areas	1	0	1
<b>Whimble</b>	<b>2</b>	<b>3</b>	<b>5</b>
Whimble	2	2	4
Rural areas	0	1	1
<b>Widworthy</b>	<b>0</b>	<b>0</b>	<b>0</b>
Rural areas	0	0	0
<b>Woodbury</b>	<b>5</b>	<b>3</b>	<b>8</b>
Woodbury	0	1	1
Woodbury Salterton	3	0	3
Rural areas	2	2	4
<b>Yarcombe</b>	<b>0</b>	<b>0</b>	<b>0</b>
Rural areas	0	0	0

### Greenfield/brownfield split

2.9 The table below shows the breakdown of completions between greenfield and brownfield sites over the past year. Greenfield describes any site on land which has not previously been developed. Brownfield therefore describes sites of previously developed land, the definition of which can be found within the glossary of the NPPF but is reproduced below for ease of reference:

*“Land which is or was occupied by a permanent structure, including the curtilage of the developed land (although it should not be assumed that the whole of the curtilage should be developed) and any associated fixed surface infrastructure. This excludes: land that is or has been occupied by agricultural or forestry buildings; land that has been developed for minerals extraction or waste disposal by landfill purposes where provision for restoration has been made through development control procedures; land in built-up areas such as private residential gardens, parks, recreation grounds and allotments; and land that was previously-developed but where the remains of the*

permanent structure or fixed surface structure have blended into the landscape in the process of time.”

		April 2014 to Sept 2014		Oct 2014 to Mar 2015		2014/15 Total	
		Dwgs	%	Dwgs	%	Dwgs	%
Greenfield	Greenfield	283	61%	463	74%	746	69%
	Barn Conversions	1	0%	4	1%	5	0%
	Garden Sites	24	5%	24	4%	48	4%
	<b>TOTAL</b>	308	67%	491	78%	799	73%
Brownfield	Redevelopment	104	22%	124	20%	228	21%
	Conversions/COU	51	11%	11	2%	62	6%
	<b>TOTAL</b>	155	33%	135	22%	290	27%
<b>TOTAL</b>		463	100%	626	100%	1,089	100%

### Affordable completions

2.10 The table below shows the number of affordable homes completed across East Devon over the last year. Affordable homes are those completed as “affordable rented”, “social rented”, “shared ownership”, “intermediate” or “affordable by design”.

	April 2014 to Sept 2014	Oct 2014 to Mar 2015	2014/15 Total
RoED	20	144	164
West End	54	137	191
<b>East Devon TOTAL</b>	74	281	355

2.11 A significant proportion of affordable completions have come from the West End developments at Cranbrook and Old Park Farm, however clearly there has been and increase in affordable completions in the rest of East Devon. This has been driven by the completion of a number of sites providing purely or mainly affordable housing including Rodney Rendall in Axminster, Land off Mount View in Colyton, Land adjacent to Ball Knapp in Dunkeswell and Beer Quarry Caves in Beer amongst others as well as large sites such as Cloakham Lawn in Axminster taking off.

### Windfall completions

2.12 Windfalls refer to sites built out which are the result of speculative planning applications. They have not been allocated by either the current or emerging Local Plans.



2.13 The table below shows that over the past six months 242 of the 626 completions have been windfalls. This equates to 39% of all completions in the last six months. However, of these 204 windfall completions 26 were on the Wainhomes site at the West End and 216 were in the Rest of East Devon. This means that of the 320 completions in the Rest of East Devon, 68% were windfalls.

Net site capacity	1-2 dwellings	3-5 dwellings	6-10 dwellings	11-20 dwellings	21+	TOTAL
RoED	41	9	25	34	107	<b>216</b>
West End	0	0	0	0	26	<b>26</b>
<b>TOTAL</b>	<b>41</b>	<b>9</b>	<b>25</b>	<b>34</b>	<b>133</b>	<b>242</b>

2.14 Over the course of the full year 2014/15, 470 of the 1,089 completions have been windfalls. This equates to 43% of all completions. 430 of these were on sites in the rest of East Devon. This means that of the 558 completions in the rest of East Devon, 77% were windfalls.

Net site capacity	1-2 dwellings	3-5 dwellings	6-10 dwellings	11-20 dwellings	21+	TOTAL
RoED	83	27	27	58	235	<b>430</b>
West End	0	0	0	0	40	<b>40</b>
<b>2014/15 TOTAL</b>	<b>83</b>	<b>27</b>	<b>27</b>	<b>58</b>	<b>275</b>	<b>470</b>

2.15 In addition to the headline totals, the above table shows how many windfalls have been delivered on sites of different sizes. The net site capacity refers to the net number of dwellings due to be delivered on a site as a whole. As an example, if 2 windfall dwellings were completed in the last six months on a site due to take a total of 5 net new dwellings they would be listed in the 3-5 dwellings column.

2.16 In terms of calculating five year land supply, paragraph 48 of the NPPF allows for future windfalls to be counted towards supply, however the figure should not include residential gardens. This being the case, the assessment below shows the number of windfall completions in the last six months on sites other than back gardens.

Net site capacity	1-2 dwellings	3-5 dwellings	6-10 dwellings	11-20 dwellings	21+	TOTAL
RoED	20	6	25	34	107	<b>192</b>
West End	0	0	0	0	26	<b>26</b>
<b>TOTAL</b>	<b>20</b>	<b>6</b>	<b>25</b>	<b>34</b>	<b>133</b>	<b>218</b>

2.17 The table below shows the same assessment over the full year 2014/15. Further analysis of windfalls for the purposes of projections can be found in paragraphs 3.20-3.24 below.

Net site capacity	1-2 dwellings	3-5 dwellings	6-10 dwellings	11-20 dwellings	21+	TOTAL
RoED	46	16	27	58	235	<b>382</b>
West End	0	0	0	0	40	<b>40</b>
<b>TOTAL</b>	<b>46</b>	<b>16</b>	<b>27</b>	<b>58</b>	<b>275</b>	<b>422</b>

### 3. Projections

- 3.1 This section is an assessment of projected completions for the remainder of the plan period. The revised draft new Local Plan runs from 2013 to 2031.
- 3.2 Projections are broken down into:
- Extant permissions;
    - These are sites that already have planning permission (either in full or outline and including sites that are already under construction) and are expected to be built out.
  - Acknowledged development potential;
    - These are sites which either have gained a resolution to grant planning permission subject to a S106 being signed, or sites which are known to be available and which are policy compliant but which do not yet have planning permission.
  - Strategic allocations;
    - These are sites allocated by the strategic policies of the new Local Plan which do not yet have planning permission.
  - Future windfalls.
    - These are an allowance for completions on windfall sites that do not yet have permission. Windfalls are calculated based on historic past windfall completions in line with the NPPF.
- 3.3 Projections are based on the status of sites and extant planning permissions at 31 March 2015.
- 3.4 Projected build out rates for sites generally follow the approach advocated by the Exeter Housing Market Area (HMA) Strategic Housing Land Availability Assessment (SHLAA) methodology market conditions model unless we are aware of an alternative build out rate. The market conditions model assumes currently reduced build out rates for the next five years indicating a lack of market confidence from the SHLAA panel which includes representatives of the development industry. This approach is set out over the page for ease of reference. This is a conservative assumption as seen by the clearly inflated delivery over the past six months and year in comparison to previous months and years. However, they are used to project the delivery of the majority of sites in the interest of consistency. Where an alternative build out rate is used this is because there is clear evidence that the site has and will continue to build at above methodology rates and the commentary column explains the reasoning behind this.

**Excerpt from the Exeter HMA SHLAA Methodology: Market conditions model for calculating housing delivery rates**

Size of site (no of dwellings)	Commencement of sites			Build out rate	
	Sites where dwellings are under construction	Sites where dwellings have planning permission	Suitable sites without planning permission	Years 1-5	Years 6+
1-15 dwellings (assumes one developer)	Commence in Year 1	Commence in Year 1	Commence in Year 3	1 <sup>st</sup> year – 12 dwellings maximum 2 <sup>nd</sup> year onward – 25 dwellings per year maximum	1 <sup>st</sup> year 25 dwellings maximum 2 <sup>nd</sup> year onward – 50 dwellings per year maximum
16-500 dwellings (assumes one developer)	Commence in Year 1	Commence in Year 2	Commence in Year 3	1 <sup>st</sup> year – 12 dwellings maximum 2 <sup>nd</sup> year onward – 25 dwellings per year maximum	1 <sup>st</sup> year 25 dwellings maximum 2 <sup>nd</sup> year onward – 50 dwellings per year maximum
501-1000 dwellings (assumes two developers)	Commence in Year 1	Commence in Year 3	Commence in Year 4	1 <sup>st</sup> year – 12 dwellings maximum 2 <sup>nd</sup> year onward – 50 dwellings per year maximum	1 <sup>st</sup> year 25 dwellings maximum 2 <sup>nd</sup> year onward – 100 dwellings per year maximum
1001+ dwellings (assumes three developers)	Commence in Year 1	Commence in Year 3	Commence in Year 4	1 <sup>st</sup> year – 12 dwellings maximum 2 <sup>nd</sup> year onward – 75 dwellings per year maximum	1 <sup>st</sup> year 25 dwellings maximum 2 <sup>nd</sup> year onward – 150 dwellings per year maximum

N.B. These figures provide a general guideline. Different commencement dates or build out rates may be chosen for selected sites by the SHLAA panel if warranted due to site specific issues, or if landowners have identified sites as being available at a later date.

## Extant permissions

3.5 The tables below consider large sites (sites of 10 or more gross units) already with planning permission at 31 March 2015 which are expected to be built out. It discounts any sites which are acknowledged as unlikely to go ahead – these are set out at Appendix 2. Sites which have gained permission since 31 March 2015 and sites whose planning permission is deemed to have lapsed are not included.

### Large development sites in the Rest of East Devon

Site	Permission	Settlement	Commentary on Site	2015 - 16	2016 - 17	2017 - 18	2018 - 19	2019 - 20	2020 - 21	2021 - 22	2022 - 23	2023 - 24	2024 - 25	2025 - 26	2026 - 27	2027 - 28	2028 - 29	2029 - 30	2030 - 31	Total outstanding
Land At Rear Of West Close , West Street, Axminster, Devon	03/P2728 AND 07/1128/MRES AND 08/2300/RES AND 12/2257/FUL AND 13/2612/MFUL	Axminster	Site containing multiple permissions and different parts of the site are at different stages. Building control records show 9 terraced cottages were approaching completion at February 2015. 8 apartments have approved building control applications. 5 apartments and 6 townhouses do not yet have approved building control applications. Delivery projected to be spread out over a number of years rather than at SHLAA rate based on current status of building control applications but all within the five year period. 2 units completed.	9	8	11														28
Land At, Dukes Way, Axminster, Devon  Phase 2	09/2350/MFUL	Axminster	Second phase of Betterment Homes development. Variation to S106 agreed October 2014 to now only require 6 further affordables on this site. Site recommenced soon after this and now back on track.3 homes Council Tax banded at 31 March 2015. Assume remaining homes to be completed in line with SHLAA methodology.	25	25	17														67
Chard Road -	10/0132/MFUL	Axminster	Phase 3 of Wainhomes site off	25	25	2														52

Site	Permission	Settlement	Commentary on Site	2015 - 16	2016 - 17	2017 - 18	2018 - 19	2019 - 20	2020 - 21	2021 - 22	2022 - 23	2023 - 24	2024 - 25	2025 - 26	2026 - 27	2027 - 28	2028 - 29	2029 - 30	2030 - 31	Total outstanding
Phase 3 -south of brook (eastern portion)			Chard Road. 46 dwellings completed by 31 March 2015, assume remainder will be built out over the next three and a half years in line with SHLAA methodology.																	
Land at Cloakham Lawns	10/0816/MOUT AND 13/1489/MRES AND 14/0774/MRES	Axminster	Site well underway. Wider site (400 units total) now has reserved matters approval. Completions are significantly ahead of SHLAA rate and so higher delivery rates could be argued but a conservative approach of applying SHLAA rates has been used. 42 completed (24 of which affordable).	25	25	25	25	25	50	50	50	50	33							358
Phillips Centre Leacombe House Lyme Close Axminster EX13 5BA	11/0718/MFUL AND 14/1500/VAR	Axminster	All plots commenced. Assume completion in line with SHLAA methodology in 2015/16 and 2016/17.	12	1															13
Axminster Football Club	11/1660/MFUL	Axminster	Development well advanced with nearly all plots commenced and almost half now complete. 29 dwellings completed. Assume remaining dwellings to be completed in line with SHLAA methodology.	25	17															42
Magnolia Rise Lyme Road Axminster EX13 5BH	12/2678/FUL	Axminster	Conversion of 10 independent living units (all Council Tax banded) into 22 care bed spaces. Using the SHLAA methodology rate of 2 bed spaces = 1 dwelling this means in the future there will be 11 dwellings on site so a net increase of 1. Not yet implemented. Assume completion will be in 2016/17	0	1															1

Site	Permission	Settlement	Commentary on Site	2015 - 16	2016 - 17	2017 - 18	2018 - 19	2019 - 20	2020 - 21	2021 - 22	2022 - 23	2023 - 24	2024 - 25	2025 - 26	2026 - 27	2027 - 28	2028 - 29	2029 - 30	2030 - 31	Total outstanding
Land At Milbrook Valley Stoney Lane Axminster	92/P0998 AND 11/0509/VAR	Axminster	Jessopp site adjacent to Wainhomes (Chard Road) site, part of the oldest permission for Chard Road developments, permission therefore remains extant. 2011 variation of condition to enable development without improvements to Stoney Lane. Site expected to be commenced like any other site with planning permission and assumed it will be built out within the five year period.	0	12	6														18
Land South Of B3178 Budleigh Salterton	11/2629/MFUL	Budleigh Salterton	Site on North side of Budleigh Salterton allocated in the new Local Plan. Current planning application (15/1118/MOUT) pending consideration for phase 2 next door. Site not yet commenced so assume first completions will be in 2016/17.	0	12	25	22													59
Land adjacent to and North of 53 Greenway Lane, Budleigh Salterton	12/2507/MRES	Budleigh Salterton	This site is allocated in the emerging Local plan and now has a planning permission for up to 48 dwellings. Site over halfway complete and so far coming through a little faster than SHLAA rate.	21																21
Land To The East Of The Village Hall Clyst St Mary	13/0365/MOUT	Clyst St Mary	Large site at Clyst St Mary. RES application pending consideration.	0	0	12	25	25	18											80
Land North Of Yaffles Coly Road	13/1401/MOUT	Colyton	No reserved matters approval as yet. Assume completion will be in 2017/18.	0	0	12	4													16

Site	Permission	Settlement	Commentary on Site	2015 - 16	2016 - 17	2017 - 18	2018 - 19	2019 - 20	2020 - 21	2021 - 22	2022 - 23	2023 - 24	2024 - 25	2025 - 26	2026 - 27	2027 - 28	2028 - 29	2029 - 30	2030 - 31	Total outstanding
Colyton																				
Hillcrest School St Johns Road Exmouth EX8 4EB	09/2331/MFUL AND 11/2814/MFUL	Exmouth	C G Fry & Son Ltd site on former Hillcrest School, Exmouth. 53 units completed. All others close to completion. Assume completion between 2015/16.	14																14
Land At, Marcus Road, Exmouth	10/1392/MFUL	Exmouth	All plots underway but as yet none complete. Assume completion in 2015/16 and 2016/17 in line with SHLAA methodology.	12	2															14
11 Camperdown Terrace, Exmouth, EX8 1EJ	10/1686/MFUL	Exmouth	Building control plans submitted Feb 2014 for 3 of the apartments (plots 9,10 and 11). Excavations on plot 9 began March 2014. Letter on planning file states that this was considered to be a material operation and so planning consent remains extant. Previously assumed that this meant the site would build out now,however, no further information so now conservatively assumed to not deliver within the five year period.	0	0	0	0	0	9											9
Seaview, Bonville, Fulford, Courtney 8 Douglas Avenue Exmouth EX8 2AU	10/2530/MFUL AND 12/1215/MFUL	Exmouth	McCarthy & Stone site of 52 care assisted apartments. Most appear to be completed but only 49 Council Tax banded as yet. Assume remainders will be banded in 2015/16.	3																3
Dunsinane Maer Road Exmouth	11/0721/MFUL	Exmouth	Former Rolle College halls of residence site on Maer Road. Commenced on site Summer 2013.	12	2															14

Site	Permission	Settlement	Commentary on Site	2015 - 16	2016 - 17	2017 - 18	2018 - 19	2019 - 20	2020 - 21	2021 - 22	2022 - 23	2023 - 24	2024 - 25	2025 - 26	2026 - 27	2027 - 28	2028 - 29	2029 - 30	2030 - 31	Total outstanding
EX8 2DA			Flatted development of two blocks expected to deliver each block in entirety in one go. All units well advanced. Assume completion from 2015/16 in line with SHLAA methodology.																	
6 Portland Avenue, Exmouth, Devon, EX8 2BS	11/0733/FUL AND 12/2171/FUL AND 14/0588/FUL	Exmouth	Not yet implemented. Assume completion will be in 2016/17	0	6															6
Pier Head Mamhead View Exmouth	12/2163/MFUL	Exmouth	Site adjacent to Exmouth Docks commenced March 2015. Assume completion in line with SHLAA methodology in 2015/16 and 2016/17.	12	1															13
Land Adjacent To Buckingham Close (Plumb Park) Buckingham Close Exmouth	13/0297/MOUT	Exmouth	Pre-app meeting regarding reserved matters held September 2014. Email from landowners (Clinton Devon Estates) explains reserved matters planning application for 264 of the 350 homes due to be submitted Summer 2015 and first homes to be completed in 2016.	0	12	25	25	25	50	50	50	50	50	13						350
34 Cranford Avenue Exmouth EX8 2QA	13/2647/MFUL	Exmouth	Not yet implemented. Assume completion will be in 2016/17	0	11															11
34 Douglas Avenue Exmouth EX8 2HB	14/1542/MFUL	Exmouth	Redevelopment of former hotel site to provide 11 dwellings. Pre-commencement conditions cleared July 2015 so assume will be commencing on site soon. Assume completion will be in 2016/17.	0	11															11
Land North Of	11/1021/MFUL	Feniton	Site allowed at appeal. Not yet	12	20															32



Site	Permission	Settlement	Commentary on Site	2015 - 16	2016 - 17	2017 - 18	2018 - 19	2019 - 20	2020 - 21	2021 - 22	2022 - 23	2023 - 24	2024 - 25	2025 - 26	2026 - 27	2027 - 28	2028 - 29	2029 - 30	2030 - 31	Total outstanding
Acland Park Feniton			implemented but in the process of clearing pre-commencement conditions. Assume completion will be from 2016/17 onwards in accordance with SHLAA methodology.																	
Land Adjacent To Louvigny Close Station Road Feniton	11/2481/MFUL	Feniton	23 completed by end of March 2015. Building out ahead of SHLAA rate so far but conservatively projected SHLAA rate compliance in future years. Remaining 27 to be completed in 2015/16 and 2016/17.	25	2															27
Holyshute House Monkton Road Honiton EX14 1PZ	11/2106/MFUL	Honiton	This site gained planning permission on appeal in August 2012 for 41 retirement apartments (net increase of 40 units). 40 completed. Assume remaining one will be completed soon.	1																1
Land Off Of Clapper Lane (Previously Allotments) Honiton	13/2508/MOUT	Honiton	No reserved matters approval as yet. Assume completion will be in 2017/18.	0	0	10														10
Land West Of Hayne Lane Honiton	13/2744/MOUT	Honiton	Site approved February 2015. No reserved matters application as yet so assume completions from 2017/18.	0	0	12	25	25	50	50	50	50	38							300
Heathfield House, Rosemount Lane, Honiton, EX14 1RN	14/0344/MOUT	Honiton	No reserved matters approval as yet. Assume completion will be in 2017/18.	0	0	10														10
The Cedars Otter Valley	14/0405/VAR	Honiton	No new completions to report. Assume completion will be within	0	0	5														5

Site	Permission	Settlement	Commentary on Site	2015 - 16	2016 - 17	2017 - 18	2018 - 19	2019 - 20	2020 - 21	2021 - 22	2022 - 23	2023 - 24	2024 - 25	2025 - 26	2026 - 27	2027 - 28	2028 - 29	2029 - 30	2030 - 31	Total outstanding
Park Honiton EX14 4PA			the five year period.																	
Land South Of The A35 (off George Lane) Gammons Hill Kilmington	14/1905/MFUL	Kilmington	Mainly affordable housing site. Commenced July 2015. Assume completion will be in 2015/16 and 2016/17 in line with SHLAA methodology.	12	1															13
Land To The West Of Strawberry Hill Lymptone	12/0506/MFUL	Lymptone	Mixed market and affordable site immediately adjacent to Lymptone. Appeal for alternative scheme on site (13/0820/MFUL) recently dismissed. Assume original application will now be implemented. Assume completion will be in 2016/17 and 2017/18 in accordance with SHLAA methodology.	0	12	3														15
Land South Of Jackson Meadow Lymptone Exmouth	12/2625/MFUL	Lymptone	Commenced Feb 2015. Assume completion will be in 2015/16 and 2016/17 in line with SHLAA methodology.	12	1															13
Land South Of King Alfred Way Newton Poppleford Sidmouth	13/0316/MOUT	Newton Poppleford	Reserved matters (15/0642/MRES) currently pending consideration and recommended for approval at August Committee. Assume completion from 2017/18 onwards in line with SHLAA methodology.	0	0	12	25	3												40
Marist Convent 8 Broad Street Ottery St Mary Devon EX11	12/1622/MFUL	Ottery St Mary	Site well advanced but no completions to date. Has developed slower than SHLAA rates projected but a number of dwellings close to completion.	12																12

Site	Permission	Settlement	Commentary on Site	2015 - 16	2016 - 17	2017 - 18	2018 - 19	2019 - 20	2020 - 21	2021 - 22	2022 - 23	2023 - 24	2024 - 25	2025 - 26	2026 - 27	2027 - 28	2028 - 29	2029 - 30	2030 - 31	Total outstanding
1BZ			Assume completion will be in 2015/16																	
Land South Of Exeter Road Ottery St Mary	12/2341/MOUT AND 14/2553/MRES	Ottery St Mary	This site is an allocation in the emerging Local Plan for 200 dwellings however permission is for 165 dwellings plus a 60 bed car home (which equates to 30 dwellings in SHLAA methodology). RES permission granted for 165 dwellings but care home RES still outstanding but presumed this will be built out beyond the five year period. Commenced June 2015 so assume completions from 2015/16 in line with SHLAA methodology.	12	25	25	25	25	50	33										195
Land Adjoining The Tumbling Weir Hotel Ottery St Mary	12/2770/MFUL AND 12/2771/MFUL AND 12/2772/MOUT AND 12/2773/OUT	Ottery St Mary	Local Plan allocation redevelopment of former mill site. Not yet implemented and some elements still require reserved matters approval. Application (15/0571/FUL) recently approved (June 2015) for the removal of condition restricting demolition of buildings until contracts for redevelopment are let. This has been hampering marketing of the site and should enable the site to now move forwards. Demolitions commenced July 2015. Developer in place for part of site (McCarthy & Stone). Expecting pre-application discussions for remainder of site soon. Assume completion will be from 2016/17 onwards in line with SHLAA methodology.	0	12	25	25	25	13											100
Land East of Butts Road,	13/0577/MRES	Ottery St Mary	30 completions to end of March 2015, building out ahead of	25	25	25	25													100

Site	Permission	Settlement	Commentary on Site	2015 - 16	2016 - 17	2017 - 18	2018 - 19	2019 - 20	2020 - 21	2021 - 22	2022 - 23	2023 - 24	2024 - 25	2025 - 26	2026 - 27	2027 - 28	2028 - 29	2029 - 30	2030 - 31	Total outstanding
Higher Ridgeway, Ottery St Mary			projected SHLAA rate to date but conservatively projected SHLAA compliant rate for future years.																	
Former Gerway Nurseries Sidmouth Road Ottery St Mary EX11 1PN	14/1227/MOUT	Ottery St Mary	Site approved December 2014. No reserved matters application as yet. Assume completions from 2017/18 onwards.	0	0	12	25	8												45
Land North Of Higher Ridgeway Ottery St Mary	14/2419/MFUL	Ottery St Mary	Site redeveloping existing allotments and replacing them on adjacent land. Essentially phase 2 to Redrow development off Butts Road so assume will carry on where that development completes.	0	0	0	0	25	6											31
Kerswell Barton Farm Broadclyst Exeter EX5 3AF	12/1285/MFUL	Rural Areas/Small Villages Without BuABs	Not yet implemented. Assume completion will be in 2016/17	0	12															12
Land South Of Glebe Close Upton Pyne	13/1617/MFUL	Rural Areas/Small Villages Without BuABs	Site commenced January 2015. Assume completion will be in 2015/16	10																10
Seaton Quay, (Former Racal Site), Riverside Way, Seaton, Devon, EX12 2UE	13/0304/MOUT	Seaton	Seaton Quay development that has been stalled for recent years but has now been permitted with less obligations. New permission granted in 2013 with 0% affordable housing. Current application (15/1107/VAR) pending consideration to allow a more viable site layout to be considered through a subsequent reserved	0	0	12	25	25	25	3										90

Site	Permission	Settlement	Commentary on Site	2015 - 16	2016 - 17	2017 - 18	2018 - 19	2019 - 20	2020 - 21	2021 - 22	2022 - 23	2023 - 24	2024 - 25	2025 - 26	2026 - 27	2027 - 28	2028 - 29	2029 - 30	2030 - 31	Total outstanding
			matters application. This being the case expect the site to move forward now. No RES permission as yet. Assume early completion in line with SHLAA methodology once approved.																	
Land Off Of Barnards Hill Lane Seaton	13/1168/MOUT	Seaton	No reserved matters approval as yet. Assume completion will be in 2017/18.	0	0	12	9													21
Land Adjacent Harbour Road Seaton	13/2392/MRES	Seaton	Site within Seaton Regeneration Area adjacent to Tesco. Site building out well ahead of SHLAA rate so far but conservatively projected SHLAA compliant rate for future years.	12	25	25	25	25	50	41										203
Fosse Way Court Seaton EX12 2LP	14/0187/MFUL	Seaton	Refurbishment of existing apartments plus construction of new block linking existing buildings comprising total 30 additional open market apartments. Not yet implemented so assume completion will be in 2016/17 onwards in line with SHLAA methodology rate.	0	12	18														30
Land To Rear Of, 39 Fore Street, Seaton, Devon, EX12 2AD	14/1960/MRES	Seaton	Reserved matters (14/1960/MRES) approved November 2014. Building control quote provided April 2015. Site not yet commenced. Assume completion will be in 2016/17 and 2017/18 in line with SHLAA methodology.	0	12	1														13
Victoria Hotel, The Esplanade,	06/2382/MRES	Sidmouth	Site commenced 2008 (08/1873/CPE certificate of lawfulness for foundations	0	0	12	2													14

Site	Permission	Settlement	Commentary on Site	2015 - 16	2016 - 17	2017 - 18	2018 - 19	2019 - 20	2020 - 21	2021 - 22	2022 - 23	2023 - 24	2024 - 25	2025 - 26	2026 - 27	2027 - 28	2028 - 29	2029 - 30	2030 - 31	Total outstanding
Sidmouth, Devon, EX10 8RY			implementing this development). No further information and assume requires new building control application approval to recommence but expected to happen within the five year period.																	
Parsons Bros Builders Ltd Foundry Yard Sidmouth EX10 8QN	10/1653/MFUL	Sidmouth	Site commenced June 2014. Assume completion will be in 2015/16	12																12
Land At Frys Lane Sidford	12/2222/MOUT	Sidmouth	No reserved matters approval as yet. Assume completion will be in 2017/18.	0	0	12														12
Land West Of Combe Hayes Sidmouth	12/2452/MFUL	Sidmouth	8 plots commenced. Assume completion will be in 2015/16 and 2016/17 in line with SHLAA methodology.	12	6															18
Land At Barton Orchard Tipton St John	11/2172/MFUL AND 14/1745/VAR	Tipton St John	Mixed market and affordable site immediately adjacent to Tipton St John. Variation to permission (14/1745/VAR) approved December 2014 to increase size of open market units. Not yet implemented. Assume completion will be in 2016/17 and 2017/18 in accordance with SHLAA methodology.	0	12	3														15
West Hayes West Hill Road West Hill Ottery St Mary EX11 1UZ	12/2672/MFUL AND 14/1127/VAR	West Hill	Variation to permission (14/1127/VAR) approved October 2014 to reduce size of specific plots and reduce affordable housing provision from 60% to 40%. Not yet	0	10															10

Site	Permission	Settlement	Commentary on Site	2015 - 16	2016 - 17	2017 - 18	2018 - 19	2019 - 20	2020 - 21	2021 - 22	2022 - 23	2023 - 24	2024 - 25	2025 - 26	2026 - 27	2027 - 28	2028 - 29	2029 - 30	2030 - 31	Total outstanding
			implemented. Assume completion will be in 2016/17.																	
Land North Of Eastfield West Hill	13/1809/MOUT	West Hill	Reserved matters (14/2861/MRES) approved May 2015. Commenced on site in March 2015. Assume completion from 2017/18 onwards in line with SHLAA methodology.	0	12	13														25
Land Adjacent Primley Town Lane Woodbury	11/2490/MFUL	Woodbury	Mixed market and affordable site immediately adjacent to Woodbury. Site subject to current planning application (14/1380/MOUT) for alternative proposal of 11 dwellings rather than 15 but extant permission assumed to be relevant. Not yet implemented. Assume completion will be in 2016/17 and 2017/18 in accordance with SHLAA methodology.	0	12	3														15
Land North Of Webbers Caravan Park Castle Lane Woodbury Devon	12/2627/MFUL	Woodbury	Large mixed market/affordable site at Woodbury. All plots commenced but only one completed at end of March 2015. Assume remaining completions will be from 2015/16 onwards in line with SHLAA methodology.	25	8															33
Land To South Broadway Woodbury	13/1231/MOUT	Woodbury	Site immediately adjacent to the BUAB. Variation (15/0982/VAR) and reserved matters (15/1370/MRES) pending consideration. Assume completion in line with SHLAA methodology once agreed.	0	0	12	8													20
<b>ROED TOTAL</b>				<b>377</b>	<b>390</b>	<b>397</b>	<b>320</b>	<b>236</b>	<b>321</b>	<b>227</b>	<b>150</b>	<b>150</b>	<b>121</b>	<b>13</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,702</b>

### Large development sites at East Devon's West End

Site	Permission	Settlement	Commentary on Site	2015 - 16	2016 - 17	2017 - 18	2018 - 19	2019 - 20	2020 - 21	2021 - 22	2022 - 23	2023 - 24	2024 - 25	2025 - 26	2026 - 27	2027 - 28	2028 - 29	2029 - 30	2030 - 31	Total outstanding
Site Of New Town Honiton Road Rockbeare Exeter Devon	03/P1900 AND 11/0053/MRES AND 13/1752/MFUL	Cranbrook	New Community being developed by East Devon New Community Partners (EDNCPs) consortium of developers. Latest build returns shows 962 completions by the end of March 2015 so 205 completions since last monitored position. Updating further, there have been 1,056 completions to the end of June 2015. Local Plan Inspector suggested 400 projections per annum a reasonable figure to use for EDNCP sites. However, beyond the five year period delivery rate assumed to increase to 421 per annum on EDNCP sites to enable the full build out of Cranbrook within the plan period.	400	400	400	400	400	421	104										2,525
Land Opposite The Oriental Promise London Road Whimble	12/0754/MRES	Cranbrook	Wainhomes site adjacent to Cranbrook. All but three units completed. Assume completion in 2015/16.	3																3
Land Rear Of The Jack In The Green London Road Rockbeare	14/0300/MFUL	Cranbrook	Windfall site immediately adjacent to Cranbrook. Commenced March 2015. Assume completion will be in 2015/16 and 2016/17 in accordance with SHLAA methodology.	12	7															19
Tithebarn Green, Land At Monkerton,	12/1291/MOUT	North of Blackhorse	Large site straddling the M5 between East Devon and Exeter. 580 of the proposed dwellings would be within the EDDC area.	0	35	70	70	70	70	70	70	70	55							580



Site	Permission	Settlement	Commentary on Site	2015 - 16	2016 - 17	2017 - 18	2018 - 19	2019 - 20	2020 - 21	2021 - 22	2022 - 23	2023 - 24	2024 - 25	2025 - 26	2026 - 27	2027 - 28	2028 - 29	2029 - 30	2030 - 31	Total outstanding
Exeter And Redhayes/North Of Blackhorse, East Devon			Site has outline permission and signed S106. Variation to S106 agreement reducing affordable housing on site from 28% to 25% being recommended for approval at August DMC. Reserved matters for northern end of the link road currently pending consideration (15/1515/MRES). Developer advises they expect to submit reserved matters for first residential parcel this year and recently submitted phasing plan discharging condition 22 of outline permission shows development of residential parcels 1 and 2 between 2016 and 2018. Linked application for Mosshayne development (14/2761/MOUT) has resolution to grant permission subject to S106 which is currently being negotiated. Both developments to be built out simultaneously to a total of 135 per annum as per email from developer.																	
Land At Old Park Farm Pinn Hill Exeter EX1 3TH	12/0130/MRES	Pinhoe	Developers have advised that expect to complete Old Park Farm 1 by Autumn 2017 depending on sales. 190 units CT banded or awaiting banding by end of March 2015. Remaining units awaiting completion. Site building out well ahead of SHLAA rate and even above projections so far. Projections for future years may be conservative.	100	100	49														249
Land South Of	13/0215/MOUT	Pinhoe	Site immediately to North of Pinn	0	0	12	23													35

Site	Permission	Settlement	Commentary on Site	2015 - 16	2016 - 17	2017 - 18	2018 - 19	2019 - 20	2020 - 21	2021 - 22	2022 - 23	2023 - 24	2024 - 25	2025 - 26	2026 - 27	2027 - 28	2028 - 29	2029 - 30	2030 - 31	Total outstanding
Moonhill Copse West Clyst Exeter			Court Farm allocation site. RES application currently pending consideration. Assume completion from 2017/18 in line with SHLAA methodology.																	
<b>West End TOTAL</b>				<b>515</b>	<b>542</b>	<b>531</b>	<b>493</b>	<b>470</b>	<b>491</b>	<b>174</b>	<b>70</b>	<b>70</b>	<b>55</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,411</b>

3.6 The tables above show that for the next five years, 1,720 dwellings are projected to be built on large sites with extant planning permissions in the rest of East Devon and 2,551 dwellings on large sites with extant planning permissions at the West End.

3.7 Small sites are shown as a combined total in the table below. There are 450 small sites with extant planning permission (all within the rest of East Devon) expected to deliver between 0 and 9 gross units. 439 of these sites are expected to deliver 623 net new dwellings in the next five years. The remaining 11 sites are considered to be currently stalled or otherwise not expected to deliver within the five year period so have been projected to deliver the remaining 20 dwellings in 2020-21. A schedule of all of the small sites can be found at Appendix 1. It is important to note that whilst these smaller sites are projected to deliver in specific years based on their status (under construction, not yet implemented or awaiting reserved matters etc), it is in fact perhaps more appropriate to consider them as being deliverable within the five year period as a whole. For instance, a site that is under construction is generally projected to be completed within the next six to twelve months and so is projected to deliver in 2015/16, however, in reality some sites take longer and may be delivered in 2016/17, 2017/18 or later but critically they can reasonably be expected to deliver in the five year period. An implication is that future projected year on year predictions can show variation compared against actual delivery that will be recorded with a bias to higher first year development. But over the longer term, 5 years, peaks and troughs even out and so it is the five year total projection that is the relevant and critical consideration.

	2015 - 16	2016 - 17	2017 - 18	2018 - 19	2019 - 20	2020 - 21	2021 - 22	2022 - 23	2023 - 24	2024 - 25	2025 - 26	2026 - 27	2027 - 28	2028 - 29	2029 - 30	2030 - 31	Total outstanding
All small sites with planning permission	296	251	76	-	-	20	-	-	-	-	-	-	-	-	-	-	643

3.8 The combined totals of large and small sites with planning permission are shown in the table below.

All sites with planning permission	2015 - 16	2016 - 17	2017 - 18	2018 - 19	2019 - 20	2020 - 21	2021 - 22	2022 - 23	2023 - 24	2024 - 25	2025 - 26	2026 - 27	2027 - 28	2028 - 29	2029 - 30	2030 - 31	Total outstanding
Rest of East Devon	676	641	473	320	236	341	227	150	150	121	13	0	0	0	0	0	3,348
West End	515	542	531	493	470	491	174	70	70	55	0	0	0	0	0	0	3,411
<b>Combined total</b>	<b>1,191</b>	<b>1,183</b>	<b>1,004</b>	<b>813</b>	<b>706</b>	<b>832</b>	<b>401</b>	<b>220</b>	<b>220</b>	<b>176</b>	<b>13</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,759</b>

3.9 The table above shows that 2,346 dwellings with permission in the rest of East Devon and 2,551 dwellings with permission at the West End are projected to be built out within the next five years.

### Sites with acknowledged development potential

3.10 Sites with acknowledged development potential are sites that did not have planning permission at 31 March 2015, however, they are expected to gain permission in the future. These are mainly sites that have been to Development Management Committee and gained a resolution to grant permission subject to signing a Section 106 Agreement, however there are also sites that are known to be available for development and which are considered to be policy compliant.

3.11 Sites with a resolution to grant permission are assumed to start delivering in the next few years, however, sites that are simply considered to be policy compliant but for which there is no current application are expected to be delivered after the next five years.

3.12 The table below lists the sites with acknowledged development potential in the rest of East Devon and their projected build out rates.

Site	Application number (if relevant)	Settlement	Commentary on Site	2015 - 16	2016 - 17	2017 - 18	2018 - 19	2019 - 20	2020 - 21	2021 - 22	2022 - 23	2023 - 24	2024 - 25	2025 - 26	2026 - 27	2027 - 28	2028 - 29	2029 - 30	2030 - 31	Total outstanding
Webster Garage Site, Axminster	No Application	Axminster	This site is identified as having development potential, is allocated in the existing Local Plan and is fully policy compliant. The 25 dwelling figure is a lower end estimate and whilst development may happen in the five year period the site is conservatively projected to come forward outside of this time period.	0	0	0	0	0	12	13										25
Land adjacent The Fountain Head, Branscombe	10/0921/MFUL	Branscombe	Application (10/0921/MFUL) Delegated recommendation to approve made in May 2011 and awaiting S106 agreement. Unlikely to get S106 signed on this scheme as finances no longer available for affordables. New application (15/1291/MOUT) currently pending consideration for lower number of affordables. Assume development will happen but outside five year	0	0	0	0	0	10											10

Site	Application number (if relevant)	Settlement	Commentary on Site	2015 - 16	2016 - 17	2017 - 18	2018 - 19	2019 - 20	2020 - 21	2021 - 22	2022 - 23	2023 - 24	2024 - 25	2025 - 26	2026 - 27	2027 - 28	2028 - 29	2029 - 30	2030 - 31	Total outstanding
			period.																	
Land Adjoining Withycombe Brook St Johns Road Exmouth	12/1016/MFUL	Exmouth	This scheme has been approved by DM Committee and is awaiting S106 agreement. Understood that issues holding up S106 have largely been resolved so now moving forward.. Assume completion from 2016/17 in line with SHLAA methodology.	0	12	25	15													52
Pankhurst Close Trading Estate Pankhurst Close Exmouth	13/1230/MFUL	Exmouth	This scheme has been approved by DM Committee and is awaiting S106 agreement. Early development is expected once permission is granted. Assume completion from 2016/17 in line with SHLAA methodology.	0	12	25	13													50
Former University of Plymouth, Rolle College Campus, Exmouth	No Application	Exmouth	This site is being marketed for development purposes. Pre-application discussions have taken place and residential uses are seen as policy compliant with the site potentially able to accommodate up to 100 units with development expected from late in the five year period.	0	0	0	12	25	25	25	13									100
Salston Manor Hotel Ottery St Mary EX11 1RQ	13/0496/MFUL	Rural Areas/Small Villages Without BuABs	This scheme has been approved by DM Committee and is awaiting S106 agreement. Early development is expected once permission is granted. Assume completion from 2016/17 in line with SHLAA methodology.	0	12	15														27
Land North of Rowan Drive	13/1091/MOUT	Seaton	DMC resolved to grant permission (13/1091/MOUT) subject to S106 in July 2015 for 36 dwellings.	0	0	12	24													36
			<b>ROED TOTAL</b>	<b>0</b>	<b>36</b>	<b>77</b>	<b>64</b>	<b>25</b>	<b>47</b>	<b>38</b>	<b>13</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>300</b>

3.13 The table below lists the sites with acknowledged development potential at the West End and their projected build out rates.

Site	Application number (if relevant)	Settlement	Commentary on Site	2015 - 16	2016 - 17	2017 - 18	2018 - 19	2019 - 20	2020 - 21	2021 - 22	2022 - 23	2023 - 24	2024 - 25	2025 - 26	2026 - 27	2027 - 28	2028 - 29	2029 - 30	2030 - 31	Total outstanding
Site Of Cranbrook New Community Road Past Till House Farm London Road Broadclyst	No Permission	Cranbrook	Care/extra care home in Cranbrook town centre. 50 beds @ 2 bed = 1 dwelling equivalent = 25 dwelling equivalent.						12	13										25
Mosshyane	14/2761/MOUT	North of Blackhorse	Allocation site on further land North of Blackhorse and to the East of Tithebarn Green. Planning application (14/2761/MOUT) resolved to approve subject to S106 Agreement. Developer intention is to build out simultaneous to Tithebarn Green to a total of 140 per annum. Once Tithebarn Green complete (2024/25) assumed Mosshyane build out rate increases in response.		30	70	70	70	70	70	70	70	85	140	140	15				900
Pinn Court Farm Pinncourt Lane Exeter EX1 3TG	12/0795/MOUT	Pinhoe	Appeal allowed June 2015. Pre-application discussions regarding reserved matters have taken place, however no reserved matters application as yet. Recently submitted phasing schedule suggests phase 1 (150 dwellings) to start March 2016 and built out over	0	12	61	61	56	50	50	50	50	50	50						490

Site	Application number (if relevant)	Settlement	Commentary on Site	2015 - 16	2016 - 17	2017 - 18	2018 - 19	2019 - 20	2020 - 21	2021 - 22	2022 - 23	2023 - 24	2024 - 25	2025 - 26	2026 - 27	2027 - 28	2028 - 29	2029 - 30	2030 - 31	Total outstanding
			three years with phase 2 (150 dwellings) starting in June 2019 and phase 3 (130 dwellings) starting in June 2022 so reasonable to assume first completions in 2016/17 and a rate to allow 150 completions by June 2019. Assume SHLAA compliant 12 dwellings for year 1 then remaining 138 to be delivered over the following 27 months to June 2019 = 5.11 per month = 61.33 per annum so assume 61 maximum build out per year. Future years (beyond June 2019) build out reduced to 50 per annum in line with submitted phasing schedule.																	
Old Park Farm Two West Clyst Exeter	13/0001/MOUT	Pinhoe	Site awaiting S106 Agreement but assumed to continue on where phase one completes. Phase one is completing faster than previously projected so slight change to phase two projections. In fact, potentially could come forward sooner as phase two to be built out by Redrow rather than David Wilson/Barratts and agreement in place to access phase two before phase one complete, however, as site still awaiting S106 agreement and no reserved matters application as yet first completions in 2017/18 may be appropriate.	0	0	51	100	100	99											350
			<b>West End TOTAL</b>	<b>0</b>	<b>42</b>	<b>182</b>	<b>231</b>	<b>226</b>	<b>231</b>	<b>133</b>	<b>120</b>	<b>120</b>	<b>135</b>	<b>190</b>	<b>140</b>	<b>15</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1765</b>

3.14 The combined totals of sites with acknowledged development potential at the West End and in the rest of East Devon are shown below.

All sites with acknowledged development potential	2015 - 16	2016 - 17	2017 - 18	2018 - 19	2019 - 20	2020 - 21	2021 - 22	2022 - 23	2023 - 24	2024 - 25	2025 - 26	2026 - 27	2027 - 28	2028 - 29	2029 - 30	2030 - 31	Total outstanding
Rest of East Devon	0	36	77	64	25	47	38	13	0	0	0	0	0	0	0	0	300
West End	0	42	182	231	226	231	133	120	120	135	190	140	15	0	0	0	1,765
<b>Combined total</b>	<b>0</b>	<b>78</b>	<b>259</b>	<b>295</b>	<b>251</b>	<b>278</b>	<b>171</b>	<b>133</b>	<b>120</b>	<b>135</b>	<b>190</b>	<b>140</b>	<b>15</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,065</b>

3.15 Of the above sites it can be seen that 202 dwellings in the rest of East Devon and 681 dwellings at the West End are projected to be built out within the next five years. It should be noted that all of the sites with acknowledged development potential that are projected to deliver within the five year period have a resolution to grant planning permission subject to S106 with the exception of the former Rolle College site in Exmouth, however, this site is seen as generally policy compliant and pre-application discussions have recently taken place to suggest that an application is likely to be received this year.



## Strategic allocations

3.16 The table below shows the strategic allocations in the rest of East Devon which have not yet gained planning permission or a resolution to grant permission.

Site	Application number (if relevant)	Settlement	Commentary on Site	2015 - 16	2016 - 17	2017 - 18	2018 - 19	2019 - 20	2020 - 21	2021 - 22	2022 - 23	2023 - 24	2024 - 25	2025 - 26	2026 - 27	2027 - 28	2028 - 29	2029 - 30	2030 - 31	Total outstanding
East of Town	15/0435/MOUT AND 15/0436/MOUT AND 15/0442/MOUT No Permission	Axminster	Planning applications (15/0435/MOUT, 15/0436/MOUT and 15/0442/MOUT) pending consideration for a total of 430 dwellings but larger area than allocation. Additional site within allocation currently at pre-application stage.	0	0	12	50	50	100	100	100	100	100	38						650
Winslade Park	14/2637/OUT AND 14/2640/MFUL AND 14/2642/FUL No Permission	Clyst St Mary	This site is an allocation in the emerging Local Plan. Applications are currently being considered for Winslade Park (Friends Life) and on the adjoining Plymouth Brethren land. Subject to gaining outline and subsequent reserved matters approval development might be expected to commence in 2017/18.	0	0	12	25	25	50	38										150
Goodmores Farm	14/0330/MOUT No Permission	Exmouth	This site is an allocation in the emerging Local Plan. An application is currently being considered having been submitted in February 2014. Subject to gaining outline and subsequent reserved matters approval development might be expected to commence in 2017/18.	0	0	12	25	25	50	50	50	50	50	38						350
Ottery Moor Lane	14/0557/MOUT No Permission	Honiton	This site is an allocation in the emerging Local Plan. Planning application (14/0557/MOUT) resolved to grant permission subject to S106 Agreement June	0	0	12	25	25	50	38										150

Site	Application number (if relevant)	Settlement	Commentary on Site	2015 - 16	2016 - 17	2017 - 18	2018 - 19	2019 - 20	2020 - 21	2021 - 22	2022 - 23	2023 - 24	2024 - 25	2025 - 26	2026 - 27	2027 - 28	2028 - 29	2029 - 30	2030 - 31	Total outstanding
			2015 (after 31 March). Subject to gaining outline and subsequent reserved matters approval development might be expected to commence in 2017/18.																	
Lympstone Nurseries	No Permission	Lympstone	40 dwellings allocated at Lympstone through the Neighbourhood Plan but 34 of these already have permission. 6 remaining dwellings allocated by NP on site W119 are projected to be completed in the latter part of the five year period.	0	0	6														6
Council Offices, The Knowle, Station Road, Sidmouth, EX10 8HL	No Permission	Sidmouth	Site allocated in Local Plan for 50 dwellings plus a 50 bed space care home (@ 2 beds to 1 dwelling methodology =25 equivalent dwellings) and not yet with permission. The Council has publicly stated its intention to relocate from The Knowle with relocation to be finalised in mid 2017. Conditional sale of The Knowle agreed and signed in July 2015. Projections for first completions on this site to be in 2017/18.	0	0	12	25	25	13											75
Manstone Depot, Sidmouth	No Permission	Sidmouth	Site allocated in Local Plan and not yet with permission	0	0	12	8													20
Port Royal, Sidmouth	No Permission	Sidmouth	Site allocated in Local Plan and not yet with permission	0	0	12	18													30
			<b>ROED TOTAL</b>	<b>0</b>	<b>0</b>	<b>90</b>	<b>176</b>	<b>150</b>	<b>263</b>	<b>226</b>	<b>150</b>	<b>150</b>	<b>150</b>	<b>76</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,431</b>

3.17 The table below shows the strategic allocations at the West End that have not yet gained planning permission or a resolution to grant permission and their projected build out rate.

Site	Application number (if relevant)	Settlement	Commentary on Site	2015 - 16	2016 - 17	2017 - 18	2018 - 19	2019 - 20	2020 - 21	2021 - 22	2022 - 23	2023 - 24	2024 - 25	2025 - 26	2026 - 27	2027 - 28	2028 - 29	2029 - 30	2030 - 31	Total outstanding
Cranbrook Expansion Areas (East, West and additional areas to be defined through the masterplan)	14/2945/MOUT AND 15/0045/MOUT 15/0046/MOUT 15/0047/MOUT No Permission	Cranbrook	This provision will form part of the longer term development at Cranbrook comprising of allocated East and West expansion areas (totalling 2,820 including 250 on Farlands site by separate developer) plus 1550 on additional land to be defined through the masterplan . Delivery in years 2021/22 and 2022/23 includes both EDNCP and Farlands sites. 30 September 2014 monitor showed 757 completions up to the end of August. Latest build returns shows 962 completions by the end of March 2015 so 205 completions since last monitored position. Updating further, there have been 1,056 completions to the end of June 2015. Inspector suggested 400 projections per annum a reasonable figure to use for EDNCP sites. Farlands site is in addition to this and projected to deliver from 2017/18 onwards. Beyond the five year period delivery rate assumed to increase to 421 per annum on EDNCP sites to enable the full build out of Cranbrook within the plan period.	0	0	12	50	50	50	367	459	421	421	421	421	421	421	421	435	4370
<b>WEST END TOTAL</b>				<b>0</b>	<b>0</b>	<b>12</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>367</b>	<b>459</b>	<b>421</b>	<b>421</b>	<b>421</b>	<b>421</b>	<b>421</b>	<b>421</b>	<b>421</b>	<b>435</b>	<b>4,370</b>

3.18 The combined projected build out rates for the remaining strategic allocations are shown in the table below.

All strategic allocations	2015 - 16	2016 - 17	2017 - 18	2018 - 19	2019 - 20	2020 - 21	2021 - 22	2022 - 23	2023 - 24	2024 - 25	2025 - 26	2026 - 27	2027 - 28	2028 - 29	2029 - 30	2030 - 31	Total outstanding
Rest of East Devon	0	0	90	176	150	263	226	150	150	150	76	0	0	0	0	0	1,431
West End	0	0	12	50	50	50	367	459	421	421	421	421	421	421	421	435	4,370
<b>Combined total</b>	<b>0</b>	<b>0</b>	<b>102</b>	<b>226</b>	<b>200</b>	<b>313</b>	<b>593</b>	<b>609</b>	<b>571</b>	<b>571</b>	<b>497</b>	<b>421</b>	<b>421</b>	<b>421</b>	<b>421</b>	<b>435</b>	<b>5,801</b>

3.19 The above assessment shows that of the strategic allocations sites 416 dwellings in the rest of East Devon and 112 dwellings at the West End are projected to be built out in the next five years.

## Windfalls

3.20 Paragraph 48 of the NPPF allows for future windfall completions to be taken into account so long as historic windfall delivery is considered and sites on gardens are not counted. This being the case, the assessment below shows windfall completions (excluding gardens) over the last four years (1 April 2011 to 31 March 2015) which is the period which the Council have the most accurate information on). Completed windfall dwellings are split into the net capacity of the site on which they came forward in order to be able to analyse the types of windfalls that might come through in the future.

Net site capacity	1-2 dwellings	3-5 dwellings	6-10 dwellings	11-20 dwellings	21+	TOTAL
RoED	180	98	115	185	447	<b>1,423</b>
West End	0	0	0	0	40	<b>40</b>
<b>TOTAL</b>	<b>180</b>	<b>98</b>	<b>115</b>	<b>185</b>	<b>487</b>	<b>1,463</b>

3.21 Taking the combined total windfalls and dividing by the number of years they were delivered in (4 years) gives an average number of dwellings completed on each size of site per annum.

Net site capacity	1-2 dwellings	3-5 dwellings	6-10 dwellings	11-20 dwellings	21+	TOTAL
<b>TOTAL</b>	45	24	29	46	122	<b>265</b>

3.22 If past trends were reproduced in the future with regards to windfall completions then it would be prudent to assume that 265 windfalls could be built each year in the future, however, upon adoption of the new Local Plan it can be assumed that the larger greenfield windfall sites which have significantly pushed up the average totals would be treated as a departure from the plan. Upon adoption the Council will be able to demonstrate a five year supply of land for housing and so such schemes will be unlikely to gain permission. Taking a very conservative/cautious approach it is assumed that the only windfalls will be infill, redevelopment and conversion sites. This being the case it is assumed that average total windfall completions of the last four years on sites of 20 dwellings and under might be delivered in the future. This equates to 144 dwellings per year.

3.23 In recent years, a figure of 130 dwellings per year has been used for projected future windfalls. Therefore, this same figure continues to be used in the projections below, however the assessment above shows that this is a conservative estimate and in reality larger windfall sites will come forward for development as will garden sites.

3.24 The table below shows the projected windfalls for the remaining plan period as per the above assessment. It is expected that windfall completions will start to come through from 2017/18 onwards, however the figure for 2017/18 is reduced to take account of sites with permission that are already in the system. The table shows that 350 windfall completions are projected to occur within the next five years.

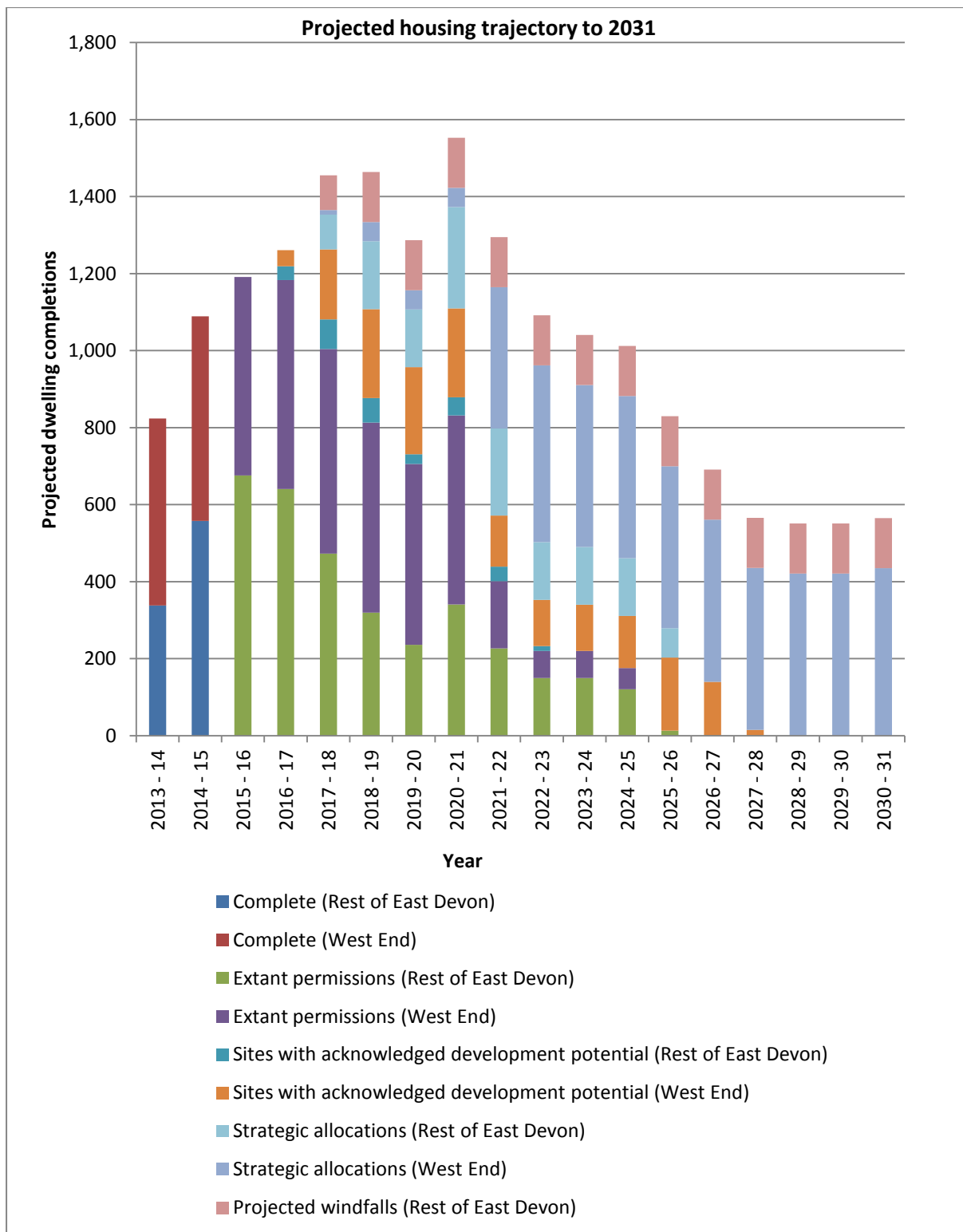
Windfalls	All windfalls
0	2015 - 16
0	2016 - 17
90	2017 - 18
130	2018 - 19
130	2019 - 20
130	2020 - 21
130	2021 - 22
130	2022 - 23
130	2023 - 24
130	2024 - 25
130	2025 - 26
130	2026 - 27
130	2027 - 28
130	2028 - 29
130	2029 - 30
130	2030 - 31
1,780	Total outstanding

## Overall projections and trajectory

3.25 Having gone through the various elements of supply above, the below table and graph set out the projected development for the plan period to 31 March 2031.

	2013 - 14	2014 - 15	2015 - 16	2016 - 17	2017 - 18	2018 - 19	2019 - 20	2020 - 21	2021 - 22	2022 - 23	2023 - 24	2024 - 25	2025 - 26	2026 - 27	2027 - 28	2028 - 29	2029 - 30	2030 - 31	Total
Complete (Rest of East Devon)	338	558	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	896
Complete (West End)	486	531	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,017
Extant permissions (Rest of East Devon)	0	0	676	641	473	320	236	341	227	150	150	121	13	0	0	0	0	0	3,348
Extant permissions (West End)	0	0	515	542	531	493	470	491	174	70	70	55	0	0	0	0	0	0	3,411
Sites with acknowledged development potential (Rest of East Devon)	0	0	0	36	77	64	25	47	38	13	0	0	0	0	0	0	0	0	300
Sites with acknowledged development potential (West End)	0	0	0	42	182	231	226	231	133	120	120	135	190	140	15	0	0	0	1,765
Strategic allocations (Rest of East Devon)	0	0	0	0	90	176	150	263	226	150	150	150	76	0	0	0	0	0	1,431
Strategic allocations (West End)	0	0	0	0	12	50	50	50	367	459	421	421	421	421	421	421	421	435	4,370
Projected windfalls (Rest of East Devon)	0	0	0	0	90	130	130	130	130	130	130	130	130	130	130	130	130	130	1,780
Projected windfalls (West End)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total (Rest of East Devon)</b>	<b>338</b>	<b>558</b>	<b>676</b>	<b>677</b>	<b>730</b>	<b>690</b>	<b>541</b>	<b>781</b>	<b>621</b>	<b>443</b>	<b>430</b>	<b>401</b>	<b>219</b>	<b>130</b>	<b>130</b>	<b>130</b>	<b>130</b>	<b>130</b>	<b>7,755</b>
<b>Total (West End)</b>	<b>486</b>	<b>531</b>	<b>515</b>	<b>584</b>	<b>725</b>	<b>774</b>	<b>746</b>	<b>772</b>	<b>674</b>	<b>649</b>	<b>611</b>	<b>611</b>	<b>611</b>	<b>561</b>	<b>436</b>	<b>421</b>	<b>421</b>	<b>435</b>	<b>10,563</b>
<b>TOTALS</b>	<b>824</b>	<b>1,089</b>	<b>1,191</b>	<b>1,261</b>	<b>1,455</b>	<b>1,464</b>	<b>1,287</b>	<b>1,553</b>	<b>1,295</b>	<b>1,092</b>	<b>1,041</b>	<b>1,012</b>	<b>830</b>	<b>691</b>	<b>566</b>	<b>551</b>	<b>551</b>	<b>565</b>	<b>18,318</b>

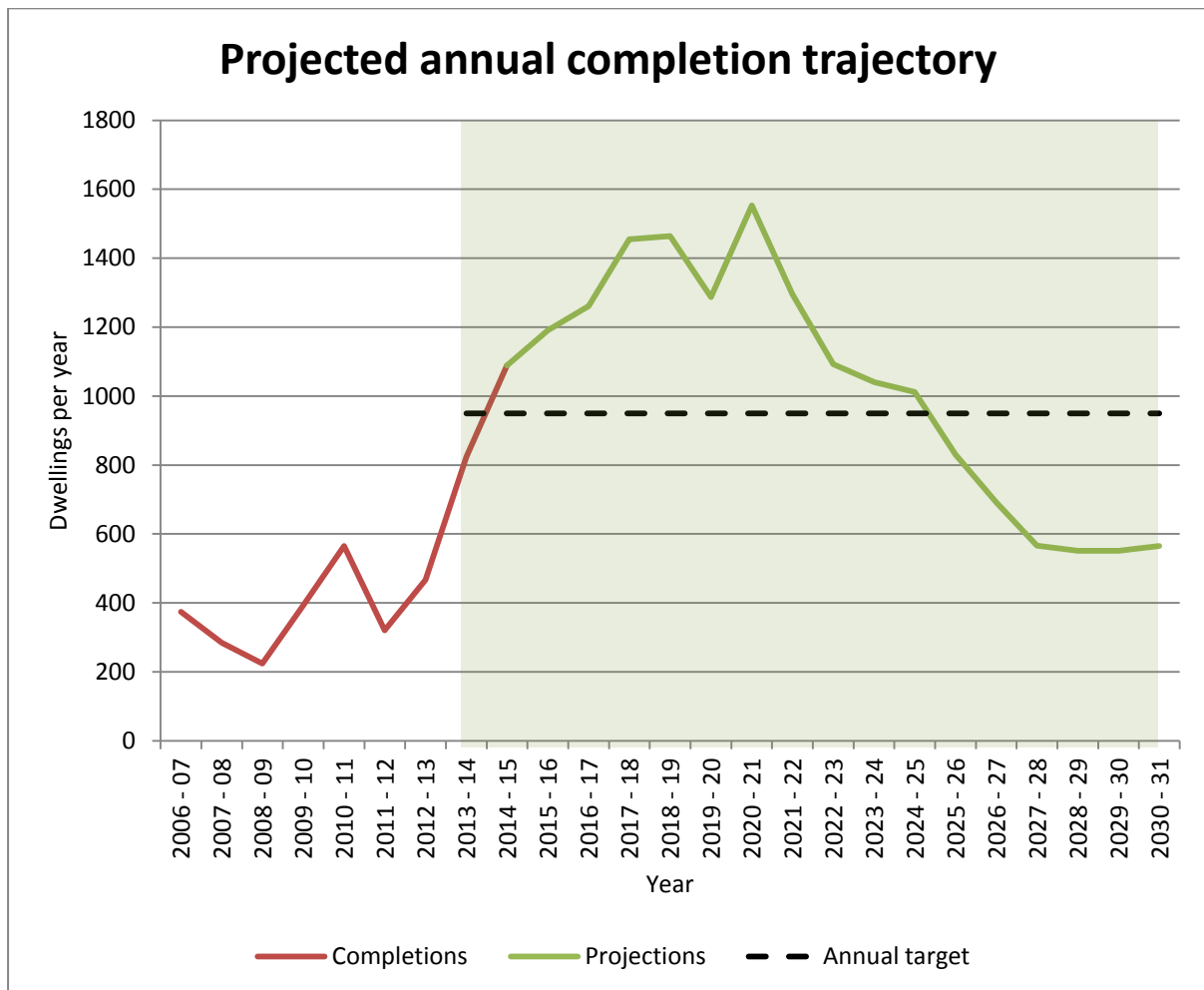
3.26 The graph below shows the breakdown of different sites making up the housing trajectory projected to 2031.





3.27 It should be noted that projected completions are based on an assessment of available sites and a SHLAA panel/developer assessment of what can and is available to build on. Whether house builders choose to build at these levels will be informed by market demand and commercial attractiveness to build.

3.28 Looking back at previous completions and projected completions it is possible to see the significant increase in annual figures especially in the first ten years of the new plan period (2013 – 2023). The graph below shows that East Devon is providing the “step change” in housing delivery required by the Government.



## 4. Five Year Land Supply Calculations

- 4.1 Paragraph 47 of the NPPF requires Councils to “*identify and update annually a supply of specific deliverable sites sufficient to provide five years worth of housing against their housing requirements with an additional buffer of 5% (moved forward from later in the plan period) to ensure choice and competition in the market for land. Where there has been a record of persistent under delivery of housing, local planning authorities should increase the buffer to 20% (moved forward from later in the plan period) to provide a realistic prospect of achieving the planned supply and to ensure choice and competition in the market for land*”.
- 4.2 The point of demonstrating a five year land supply is to ensure that there is enough housing coming forward to meet requirements. On top of this, the current Government is seeking to increase housing delivery in the immediate future by requiring Councils to demonstrate a minimum of 5% extra provision but in places where delivery has been persistently below requirements 20% extra. East Devon has persistently undersupplied housing since the previous start date of the new Local Plan (2006) when compared against now abolished strategic plan targets. This has been due to delays in Cranbrook getting started. Because Cranbrook did not start when expected, at a time when consumer demand was low and the house building industry worked to reduced build rates, this meant that completions for the period 1 April 2006 to 31 March 2013 were significantly below what the draft Local Plan at the time suggested they should have been. This being the case, the Council is required to apply the 20% buffer.
- 4.3 The NPPF explains that to be considered deliverable in the context of the requirement to demonstrate a five year land supply, “*sites should be available now, offer a suitable location for development now, and be achievable with a realistic prospect that housing will be delivered on the site within five years and in particular that development of the site is viable. Sites with planning permission should be considered deliverable until permission expires, unless there is clear evidence that schemes will not be implemented within five years, for example they will not be viable, there is no longer a demand for the type of units or sites have long term phasing plans*”.
- 4.4 This being the case, sites projected to deliver within the next five years from the following sites categories can be considered deliverable (refers to the categories used in Part 3 of this report (Projections):
- Extant permissions;
  - Sites with acknowledged development potential;
  - Future windfalls.
- 4.5 Sites projected to deliver in the next five years from the following site categories cannot be considered deliverable until the new Local Plan has been found sound by the Inspector. This is because there can be no certainty over their delivery until a sound plan formally allocates them.
- Strategic allocations.
- 4.6 East Devon has calculated its five year land supply using the “Sedgefield” method which requires the shortfall in delivery from previous years of the plan to be delivered within the next five years. This means that by the end of the next five years delivery should have caught up with the requirements of the Local Plan. An alternative is known as the “Liverpool” method which requires the shortfall in delivery from previous years of the plan to be delivered over the rest of the remaining plan period. The NPPF

and NPPG do not set out a preferred methodology, and nor is there any official Government guidance on this, however, the Government clearly wishes to increase housing delivery right now, and therefore this could indicate the appropriateness of the Sedgefield method.

- 4.7 In the past, the housing requirement has been set by the draft South West Regional Spatial Strategy, however the Localism Act has revoked all regional plans and in any case, this was never fully adopted. From the revocation of the draft RSS up until the Council received the Inspector's initial thoughts following the Local Plan Examination in April 2014 the Council had used the Local Plan housing target as the requirement, however, the Inspector questioned this figure and the evidence behind it.
- 4.8 The Council has since worked with neighbouring authorities on a new Strategic Housing Market Assessment (SHMA) covering the period 2013 - 2033. The SHMA for East Devon comprises the SHMA Report itself produced by DCA for all the HMA authorities, the Employment Projections supporting technical advice produced by Ash Futures and the 'Policy-on' Sub-Scenario Report produced by Edge Analytics which translates the employment projections into housing numbers. The combined result of these pieces of work is that the objectively assessed housing need for East Devon for the 2013-31 proposed plan period is 17,100 or 950 per annum.
- 4.9 Whilst this overall and annual requirement is still being examined, it clearly provides the most up to date and best available figure in terms of a requirement.
- 4.10 The calculation of five year land supply below has therefore been worked out against a requirement of 17,100 dwellings for the 2013 - 31 period.

## Five Year Land Supply calculation

Requirement based on **SHMA 2013 - 31 (17,100)**

	Item	Calculation	Combined
A	Requirement		17,100
B	Annual requirement (basic)	A/18	950
C	5 Year requirement (basic)	Bx5	4,750
D	Requirement to have been delivered by 30 Sept 2014	Bx2	1,900
E	Completions 1 April 2013 - 30 Sept 2014		1,913
F	Shortfall/Surplus	D-E	- 13
G	5 Year requirement (excluding buffer)	C+F	4,737
H	5 Year Target (including 5% buffer)	Gx1.05	4,974
I	<b>5 Year Target (including 20% buffer)</b>	<b>Gx1.20</b>	<b>5,684</b>

J	<b>Annual Target (assuming 20% buffer)</b>	<b>I/5</b>	<b>1,137</b>
---	--	------------	--------------

	Supply element at 30 Sept 2014 expected to deliver 1 Oct 2014 - 30 Sept 2019		
K	Extant permissions (including under construction)		4,897
L	Sites with resolution to grant permission		883
M	Strategic allocations		528
N	Future windfalls		350
O	<b>Total deliverable supply</b>	<b>K+L+M+N</b>	<b>6,658</b>
P	Total deliverable supply (excluding allocations without permission or windfalls)	K+L	5,780
Q	Total deliverable supply (excluding allocations without permission but including windfalls)	K+L+N	6,130

R	<b>Surplus/Deficit</b>	<b>I-O</b>	<b>- 974</b>
S	Surplus/Deficit (excluding allocations without permission or windfalls)	I-P	- 96
T	Surplus/Deficit (excluding allocations without permission but including windfalls)	I-Q	- 446

U	<b>Years of land supply</b>	<b>O/J</b>	<b>5.86</b>
V	Years of land supply (excluding allocations without permission or windfalls)	P/J	5.08
W	Years of land supply (excluding allocations without permission but including windfalls)	Q/J	5.39

4.11 Row W in the above assessment shows that taking account of the elements of supply that we are able to right now (see paragraphs 4.4-4.5 above) the Council is able to demonstrate **5.39 years** of land supply for housing even without taking account of Local Plan allocations that do not yet have planning permission or a resolution to grant permission.

4.12 According to the above calculation, there is a surplus (number of dwellings above the required supply for the next five years) of 446 dwellings (row T) which is a significant buffer capable of allowing for non-implementation of a number of sites.

4.13 However, upon adoption of the new Local Plan (2013-31) as drafted it would be possible to demonstrate an even stronger five year land supply of **5.86 years** (row U). The calculation above shows that a surplus of 974 dwellings are expected to be completed over the next five years again providing a significant buffer (row R).

## Agenda Item: 12

**Audit and Governance Committee**

**24 September 2015**



### **Audit and Governance Committee**

#### **Forward Plan 2015/16**

<b>Date of Committee</b>	<b>Report</b>	<b>Lead Officer</b>
19 November 2015	<ul style="list-style-type: none"><li>• Annual audit letter</li><li>• Risk management review – half year review</li><li>• KPMG – New Auditor Introduction</li></ul>	Grant Thornton Management Information Officer KPMG
7 January 2016	<ul style="list-style-type: none"><li>• Internal Audit Activity – Quarter 3 2015/16</li><li>• Audit Committee update</li><li>• Certification Report</li></ul>	SWAP Grant Thornton/KPMG Grant Thornton/KPMG
3 March 2016	<ul style="list-style-type: none"><li>• Annual Internal Audit Plan 2016/17</li><li>• External Audit Plan</li><li>• Audit Committee update</li><li>• Internal Audit Charter</li></ul>	SWAP KPMG KPMG SWAP

**Report to:** **Audit and Governance Committee**  
**Date of Meeting:** 24 September 2015  
**Public Document:** Yes  
**Exemption:** None



**Agenda item:** 7

**Subject:** Statement of Accounts 2014/15

**Purpose of report:**

The Council's Statement of Accounts for 2014/15 has now been audited and is attached for presentation to the Audit & Governance Committee for approval.

Following the audit some changes have been made to improve the presentation of the Accounts but no amendments have been affecting the Council's reported financial position.

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

This report compares the final position on the Council's Accounts compared with the position presented to members in the June Outturn Report to Committee.

**Recommendation:**

**Members Approve the 2014/15 Statement of Accounts.**

**Reason for recommendation:**

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

**Officer:**

Simon Davey Head of Finance  
[sdavey@eastdevon.gov.uk](mailto:sdavey@eastdevon.gov.uk) ext: 2690

**Financial implications:**

Details are included in the report.

**Legal implications:**

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

**Equalities impact:**

Low Impact

**Risk:**

Low Risk

**Links to background information:**

**Link to Council Plan:**

## **Report in full**

### **1. Introduction**

- 1.1 The Accounts and Audit Regulations 2011 set out the requirements for the production and publication of the Annual Statement of Accounts.
- 1.2 Within the regulations there is a requirement that a representative group of Members approve the Annual Statement of Accounts, by 30 September. The Council has delegated this responsibility to the Audit and Governance Committee.

### **2. Statement of Accounts 2014/15.**

- 2.1 The Accounts were published in draft on 30 June 2015 and presented for audit, some minor amendments have been made as a consequence of the audit but the adjustments have not altered the usable reserves or balances of the Council as presented in the draft Accounts.
- 2.2 A report is contained on the Agenda from the Council's external auditors Grant Thornton detailing the work carried out and the audit conclusions. This includes areas we have not adjusted in the misstatements brought to our attention in the audit findings report as we consider them to be immaterial to the results of the Council and its financial position at the year end.
- 2.3 The amended audited Statement of Accounts for 2014/15 is attached for approval. The explanatory foreword on pages 3 to 11 gives a brief summary as to the layout of the Accounts and the purpose of each of the main statements; comment is also given on the key financial points to be drawn from the Accounts. The Annual Governance Statement which forms part of the Accounts is included on the Agenda for the Committee's approval.

### **3. Comparison to Revenue and Capital Outturn position previously reported**

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

### **General Fund as at 31/3/15**

Outturn Reported	<u>£4.646m</u>
Statement of Accounts (Page 13 Movement in Reserves Statement)	<u>£4.646m</u>

### **Housing Revenue Account as at 31/3/15**

Outturn reported	<u>£5.468m</u>
Statement of Accounts (Page 13 Movement in Reserves Statement)	<u>£4.966m</u>

£0.500m was transferred into the HRA Business volatility fund as agreed by members within the Outturn Report, the remaining difference of £2k is roundings.

### **Capital Reserve as at 31 March 2015**

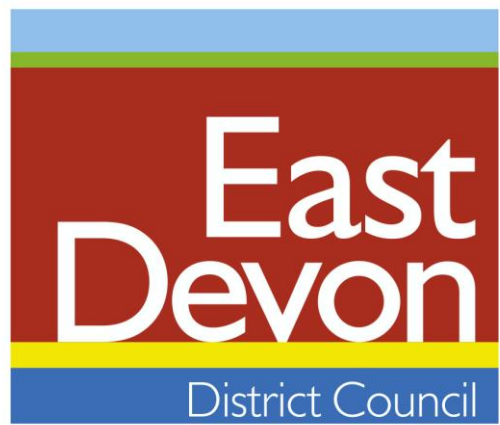
Outturn Reported	<u>£2.410m</u>
Statement of Accounts (Note Page 40)	<u>£2.038m</u>
Outturn included use of £0.372m New Homes bonus as a separate income line, this was already accounted for.	<u>£ 0.372m</u>

There were no amendments made on any other cash reserves held.

## **4. Appointment of new Auditor from 2015/16 accounts**

- 4.1 To remind members the Council has been formally notified that the Audit Commission has appointed KPMG LLP to audit the accounts of East Devon District Council from 2015/16 for two years. The appointment will start on 1 April 2015.





**Draft Statement of Accounts  
2014/15  
East Devon District Council  
Knowle  
Sidmouth  
Devon  
EX10 8HL**

**Contact Name: Simon Davey  
Tel: 01395 517413  
Email: [sdavey@eastdevon.gov.uk](mailto:sdavey@eastdevon.gov.uk)**

**[www.eastdevon.gov.uk](http://www.eastdevon.gov.uk)**

## Statement of Accounts

2014/15

### Contents Page

<b>Contents</b>	<b><u>Page</u></b>
1. Contents Page	1
2. Introduction	2
3. Explanatory Foreword	3
4. Statement of Responsibilities for the Statement of Accounts	12
<b>Core Financial Statements and Notes</b>	
5. Movement in Reserves Statement (MiRS)	13
6. Comprehensive Income and Expenditure Statement (CIES)	14
7. Balance Sheet (BS)	15
8. Cash Flow Statement (CFS)	16
9. Index of Notes	17
10. Note 1 Statement of Accounting Policies	18
11. Notes 2 - 6	31
12. Adjustment between Accounting Basis and Funding Basis Notes 7	34
13. Note 8 Earmarked Reserves	40
14. CIES Notes 9 - 23	41
15. Balance Sheet Notes 24 - 36	58
16. Cash Flow Statement Note 37	78
17. Interests in Joint Operations Note 38	78
<b>Supplementary Statements and Notes</b>	
18. HRA Income and Expenditure Statement and HRA Notes 1 - 10	80
19. Collection Fund and CF Notes 1 - 4	86
20. Glossary of Terms	89
<b>Other Items</b>	
21. The Annual Governance Statement - Separate document on EDDC website	
22. Audit Opinion - Separate document on EDDC website	

## Introduction

### Welcome to East Devon District Council's Statement of Accounts for 2014/15

The Council continued to provide good services without any significant reductions in front line service delivery despite ongoing Government austerity measures. This was the fourth year of our 2012 - 16 Council Plan and we have continued to build on the actions that are contained in that Plan, further details on the achievements for 2014/15 can be found in the Council's Annual Report. The Council continues to be recognised for its sound financial management and providing good value services.

The Accounts show a saving/underspend against budgets for both our revenue and capital budgets for the year with budget variations explained in detail within the Council's Outturn Book 2014/15 available here: [EDDC 2014/15 Outturn Book](#) The Council has maintained the level of reserves and balances in line with its adopted levels, sums have been retained to mitigate risk and reserves set up to deal with timings in funding service expenditure to be undertaken in future years.

East Devon District Council as a billing authority, collected Council Tax for Devon County Council, Devon & Cornwall Police & Crime Commissioner, Devon & Somerset Fire and Rescue Authority and town and parish councils as well as East Devon District Council itself. East Devon's element of a typical council tax bill in 2014/15 was just £121.78. This was held at the same level as in for the fifth year running due to good financial management and the receipt of a Council Tax Freeze grant from the Government, equivalent to a 1% increase in Council Tax.

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

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

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

**Simon Davey CPFA** (S151/CFO)

Strategic Lead for Finance  
East Devon District Council  
Council Offices  
Knowle  
Sidmouth  
EX10 8HL

## EXPLANATORY FOREWORD

The intention of the Statement of Accounts is to give the reader a view of the finances of East Devon District Council for 2014/15.

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

The Explanatory Forward is divided into the following sections:

- 1. Inspection of the Accounts**
- 2. 2014/15 Performance - Outturn**
  - 2.1 General Fund Revenue
  - 2.2 Housing Revenue Account
  - 2.3 Capital Programme
  - 2.4 Reserves and Balances
  - 2.5 Review of Key Objectives and Events
- 3. Looking Forward to 2015/16**
  - 3.1 Issues affecting 2015/16 Budget
  - 3.2 Future Year Budgets
- 4. Key Accounting Information**
  - 4.1 Summary of Purpose and Relationship Between Statements
  - 4.2 Change in Accounting Policies
  - 4.3 Prior Year Adjustments
  - 4.4 Preparation of the Accounts
  - 4.5 Annual report

### 1. Inspection of the Accounts

Under provisions contained in Section 15 and 16 of the Audit Commission Act 1998 and the Accounts and Audit Regulations 2011, the Statement of Accounts for 2014/15 was available for inspection from 1 July 2015 to 28 July 2015.

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

### 2.0 2014/15 Performance (Outturn)

#### 2.1 General Fund Revenue

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

#### 2.1.1 Comparing Budget to Actual - explaining the big differences.

Details at Portfolio and individual services level are available in the [EDDC 2014/15 Outturn Book](#) which was published at the Cabinet meeting on 17<sup>th</sup> June 2015.

<b>Major Outturn Budget Variations 2014/15</b>	<b>Variations £000</b>
<b>Environment Services</b>	
Public Health Licensing income and other efficiencies	(92)
Savings on car park cash collection contract and other areas	(52)
Car Park income below budget; pay and display income budget set too optimistically and permit sales also down on expected budget level	178
<b>Street Scene Services</b>	
Savings on cleansing and grounds maintenance services mainly from extended equipment and machinery life	(138)
Recycling and Refuse contract payments – additional collections required earlier than expected	101
<b>Finance Services</b>	
Revenues & Benefits; additional external funding achieved, income from identification and recovery, payments below budget including discretionary rate relief	(270)
<b>Strategic Development &amp; Partnership Services</b>	
Planning income – additional phase of Cranbrook received	(391)
Additional external funding secured by Growth Point Team	(90)
<b>Sustainable Homes &amp; Communities Services</b>	
Homelessness – reduced costs through successful initiatives to reduce homelessness and costs involved	(91)
<b>All services</b>	
Savings from vacant posts and structure changes during the year	(729)
Premises savings across a number of assets mainly from utility costs	(248)

### 2.1.2 Treasury Management performance including interest payable

General Fund and HRA interest of £0.279m received for 2014/15 was only £6k in excess of the budget.

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

Full details of performance are available in the Annual Treasury Management report presented to Cabinet on 17 June 2015, [2014/15 Annual Treasury Management Review](#) and under the financial instruments notes in the accounts. Further details of the EDDC [2014/15 Treasury Management Strategy](#) are available on the website.

### 2.1.3 Material items of Income and expenditure

Most large items of expenditure are covered in the Council's capital programme detailed below.

The following item is included in the 2014/15 Comprehensive Income and Expenditure:

The cost to EDDC for pension provision for 2014/15 was £2.126m payable to the Local Government Pension Scheme administered by Devon County Council.

## 2.2 Housing Revenue Account

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

**2.2.1 Comparing Budget to Actual** - explaining the big differences

<b>HRA 2014/15</b>	<b>Variations £000</b>
Rent income higher due to reduced void times & excellent collection rates	(238)
Other Income including garden licences, individual garden maintenance, sold flats recovery of costs, rent of land and supporting people self-funders income	(141)
Day to day repairs – increase in demand and storm damage costs	491
Programmed maintenance – includes additional works identified as a result of solid fuel & gas servicing	94
Catch up Repairs – this budget is spent across other budget heads associated with the actual spend	(275)
Major Repairs	(386)
Revenue contribution to capital lower than anticipated due to lower costs than budgeted , slippage and use of capital receipts to fund capital expenditure	(183)

Further details are available in the [EDDC 2014/15 Outturn Book](#) which was published at Cabinet on 17<sup>th</sup> June 2015.

**2.3 Capital Programme**

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

The capital programme is approved each year in February at full Council for the next three years with estimated spend and sources of funding. As at 1 April 2015, the predicted balance remaining on our Capital Reserve at 31 March 2018 was £6.615m.

**2.3.1 Comparing Budget to Actual** - explaining the big differences

<b>Capital Programme 2014/15</b>	<b>Variations £000</b>
<b>Economy &amp; Regeneration</b>	
Seaton Visitor Centre – budget should have been profiled more accurately, there is some scheme slippage	(2,171)
Seaton Workshop provision – this scheme is on hold awaiting a new report. Circumstances have changed	(519)
Manstone Workshop provision – this scheme is on hold awaiting a new report	(109)
<b>Environment</b>	
LED loan for Exmouth Sports Centre extension – legal complications have delayed expected payments but we have met LED cashflow requirements	(1,451)
Feniton Flood Alleviation Scheme – slippage to 2015/16, scheme complications	(297)
<b>Street Scene</b>	
Axe Wetlands development – budget should have been profiled more accurately and there is some slippage	(186)
<b>Community HRA</b>	
HRA Housing System – scheme to be completed in 2015/16, significant work involved in ensuring system is implemented correctly	(159)
Housing in multiple occupation Exmouth – scheme slippage to 2015/16	(168)

Details at Portfolio and individual project level are available in the [EDDC 2014/15 Outturn Book](#) which was published for the June Cabinet meeting.

### 2.3.2 Details of significant projects

Expenditure of £8.341m on Growth Point infrastructure including roads in and around Cranbrook was funded by the central government Regional Growth Fund.

There was also expenditure of £1.560m on Exmouth and Seaton regeneration development. Grants to help disabled people in their own homes were paid out totalling £0.463m.

Loans of £1.0m to Exeter Science Park to facilitate building of the Science Park Centre, and £0.755m to Beer Community Land Trust for provision of affordable houses within the village.

In addition to £5.153m expenditure on improvements to existing EDDC council stock, the HRA funded the purchase of three affordable houses for £0.483m.

## 2.4 Reserves and Balances

### 2.4.1 Summary of major reserves

	Opening Balance	Movement in Year	Closing Balance
	£000	£000	£000
<b>General Fund Reserve</b>	(3,925)	(721)	(4,646)
<b>HRA Reserve</b>	(3,891)	(1,075)	(4,966)
<b>Capital Reserve</b>	(2,509)	471	(2,038)
<b>Total</b>	<b>(10,325)</b>	<b>(1,325)</b>	<b>(11,650)</b>

#### 2.4.2 General Fund balance

The movement in the General Fund balance in year of £0.721m is detailed in the [EDDC 2014/15 Outturn Book](#) on the Summary page. In addition a contribution was made of £0.619m to the Business Rate Volatility Fund. A further transfer will be made from the General Fund balance of £0.941m to the Capital reserve in 2015/16 as agreed by Council in the 2014/15 Outturn report.

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

#### 2.4.3 HRA balance

Contributions to the HRA balance in the year of £1.075m are detailed in the [EDDC 2014/15 Outturn Book](#) from page 57. The HRA also contributed a further £0.500m to the HRA Business Plan Volatility Reserve to provide a cushion for repayment of the HRA self financing loans bringing the balance in the reserve to £3.4m.

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

#### 2.4.4 Earmarked Reserves

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

Overall, earmarked reserves have increased by £1.167m. See Note 8 in the Accounts for a summary of movements and in the [EDDC 2014/15 Outturn Book](#) for details of individual reserves.

#### 2.4.5 Capital Reserve

This reserve helps fund our Capital Programme. The Capital reserve was used to fund £0.887m of the Capital programme in 2014/15 leaving £2.038 for future years. Details of estimated future expenditure are in the [EDDC 2014/15 Outturn Book](#).

**2.4.6 Pensions Liability**

The money owed by us at 31 March includes a £53.727m pension liability. The pension liability is estimated by our pension fund actuary and shows the commitment that we have, in the long-term, to pay retirement benefits.

**2.5 Review of Key Objectives and Events****2.5.1 Performance - using Revenue and Capital resources**

The annual Capital and Revenue budgets are approved by full Council each February for the following 1 April to 31 March. These budgets are the product of a process starting in September of the prior financial year and are scrutinised by service managers, the Finance Team, the Strategic Management Team and finally Cabinet, Overview and Scrutiny and full Council. The Annual Revenue and Capital Budget book is available on the EDDC website here <http://eastdevon.gov.uk/council-and-democracy/council-business/our-finance/financial-information-201415/>.

The performance of EDDC is measured by the actual use of these revenue and capital resources against budget and is monitored on a monthly basis with reports to Cabinet. These reports cover the General Fund, HRA, the Capital Programme and levels of reserves. They also detail any additional expenditure required and the source of funding. These reports are within the monthly Cabinet Agendas which are available on the EDDC website (<http://eastdevon.gov.uk/council-and-democracy/committees-and-meetings/cabinet/>) The Council also produces Quarterly Performance Monitoring reports and an Annual Report, again available on the EDDC website.

**2.5.2 Key Issues in 2014/15**

Spending plans and income was affected in 2014/15 by decreasing central government funding, however a balanced budget was set with the final outturn achieving savings that were required.

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

**2.5.3 Major changes in Assets and Liabilities on the Balance Sheet**

The decrease in the value of Other Land & Buildings assets of £9.965m is mainly due to the reclassification of The Knowle as Assets held for Sale and revaluations.

The increase of £1.330m on Short Term Debtors is mainly due to Housing Benefits overpayments to be recouped from claimants and a general increase in debts for other council services provided.

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

The increase of £5.037 on Short Term Creditors is mainly due to the balance of Regional Growth Fund grant owed to Devon County Council for infrastructure works in the west of the district.

**2.5.4 Current Borrowing Facilities and Capital Borrowing**

Details of the Council's authorised borrowing limits are in the annual Prudential Indicators report which is presented as an appendix to the Revenue and Capital Estimates. It is presented to Cabinet and then full Council in February each year and is available on the EDDC website at [Revenue and Capital Estimates 2014/15](#).

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

There was no restructuring of debt or early repayment during 2014/15.



### 3. Looking forward to 2015/16

#### 3.1 Issues affecting 2015/16 budget

Central Government funding for local authorities continues to reduce against increasing pressures and costs for councils to continue to deliver services for its customers. In 2014/15 the Council received a further reduction in funding of 14%, or £0.794m in its main Government service grant.

In leading up to setting the 2015/16 budget, significant work was undertaken by a Member Group (Budget Working Party) who made recommendations on a number of initiatives to address the budget shortfall in 2014/15 with an eye to balancing 2015/16 at the same time. This meant the Council set a balanced budget for 2015/16 within available funding resources within a well managed approach and timescale.

#### 3.2 Future years

Going forward, the Council will continue to find it difficult to afford its spending plans against further government spending cuts, the added pressure of inflationary increases in costs and pay awards, continued low investment income, an increasing call on services, members' ambitions to enhance and improve services and the wish to keep to moderate increases in Council Tax and other fees and charges.

The Council's Financial Plan which looks at the projected finances of the Council up to 2021 estimates a funding gap of £2.6m by 2020/21 if service costs remain the same when compared against funding levels. Alongside the Financial Plan sits a Transformation Strategy which outlines East Devon District Council's purpose is to be a successful district council delivering or commissioning the services our council tax payers expect despite the huge reductions in grants. Both these documents were presented to July 2015 Cabinet for approval.

The Transformation Strategy is intended to be a dynamic 5 year strategy which will require review and update on at least an annual basis over the period so that we can track progress and savings made.

The following 'strategic themes' make up our Transformation Strategy.

- 1) Deliver our Worksmart Strategy and transform our culture through new ways of working underpinned by the right technology at the right time
- 2) Deliver improved online services through our Open for Business project
- 3) Implement systems thinking reviews across all services
- 4) Maximise the value of our assets through commercial thinking with a focus on income generation, sustainability and developing local economies
- 5) Actively pursue alternative service delivery methods and models

The 'strategic themes' of this Transformation Strategy will be used to ensure that spending and savings proposals can be tested on an ongoing basis against pre-agreed criteria. Keeping the 'strategic imperatives' in mind will help everyone in the council keep a firm focus on how it directs its human and financial resources so that we steer a steady course to deliver despite the reductions in government funding.

### 4. Key Accounting Information

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011 which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Chartered Institute of Public Finance and Accountancy (CIPFA), Local Authority (Scotland) Accounts Advisory Committee (LASAAC), Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code) and the Service Reporting Code of Practice for Local Authorities 2014/15 (SeRCOP), supported by International Financial Reporting Standards (IFRS).

The 2014/15 accounts summarise the Council's transactions for the 2014/15 financial year and its position at the year end of 31 March 2015.

## **4.1 Summary of Purpose and Relationship Between Statements**

### **4.1.1 The Statement of Responsibilities for the Statement of Accounts**

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

### **4.1.2 The Auditor's Statement**

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

### **4.1.3 The Annual Governance Statement**

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

### **4.1.4 Movement in Reserves Statement - Core Financial Statement**

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

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

### **4.1.5 Comprehensive Income and Expenditure Statement - Core Financial Statement**

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations but this may be different from the accounting cost. It includes Pension liabilities that are outside the control of the Council. The taxation position is shown in the Movement in Reserves Statement.

The 2014/15 deficit of £13.757m is mainly due to increased costs to the pension fund of £11.063m. This is reversed out in the Movement on Reserves Statement to the Pension Reserve on the Balance Sheet resulting in a nil effect on the General Fund Balance.

### **4.1.6 Balance Sheet - Core Financial Statement**

The Balance Sheet summarises the Council's financial position at 31 March 2015 showing the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council.

Reserves are reported in two categories:

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

#### 4.1.6 Balance Sheet - Core Financial Statement

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

As at 31 March 2015, our balance sheet has a net decrease of £13.757m due to an increase on Usable reserves of £3.127m relating to revenue and capital underspends, and a decrease in Unusable reserves of £16.884m due to pension and capital adjustments.

#### 4.1.7 Cash Flow Statement - Core Financial Statement

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

#### 4.1.8 Housing Revenue Account (HRA) - Supplementary Financial Statements

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

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

#### 4.1.9 Collection Fund - Supplementary Financial Statements

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

#### 4.2 Change in Accounting Policies

#### 4.3 Prior Year adjustments

Due to the spreading of the back dated appeals provision for NNDR, the following restatement of items in the CIES and MIRS and Balance Sheet for 2013/14 have been necessary:

##### Comprehensive Income & Expenditure Account:

The NNDR income line within Taxation and Non-domestic grant income/expenditure has decreased by £0.377m resulting in a restated Net Surplus of £0.102m.

##### MIRS:

The General Fund Balance Surplus and Deficit on the Provision of Service line has been adjusted by £0.377m and then been reversed on the Adjustments between accounting basis and funding basis under regulations line below, to the Collection Fund Adjustment account.

#### **4.3 Prior Year adjustments Contd.**

This results in no change to the General Fund balance, and an increase to the Collection Fund Adjustment Account balance carried forward.

Balance Sheet:

The £0.377m increase to the Collection fund Adjustment Account has a corresponding decrease in the short term provision line in the Balance sheet resulting in a nil net effect on the Balance Sheet.

#### **4.4 Preparation of the Accounts**

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

#### **4.5 Annual Report**

The Council produces an Annual Report which details the Council's plans for 2014/15 and compares this to actual performance. Details of the objectives and the Performance Indicators are contained in the report which will be published on the EDDC website in July 2015.



Simon Davey CPFA  
Strategic Lead for Finance

## The Statement of Responsibilities

### The Council's Responsibilities

The Council is required to:

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

### The Strategic Lead for Finance Responsibilities

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

In preparing this Statement of Accounts, the Strategic Lead for Finance has:

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

The Strategic Lead for Finance has also:

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

The unaudited accounts were issued on 30 June 2015 and the audited accounts were authorised for issue on 24 Sept 2015.



Simon Davey CPFA  
**Strategic Lead for Finance**

I certify on behalf of the Council that the Statement of Accounts 2014/15 were approved in final form by the Audit & Governance Committee on 24<sup>th</sup> September 2015.

Councillor Mark Williamson  
Chairman of the Audit and Governance Committee

## Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The (Surplus) or Deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2013</b>	<b>(3,810)</b>	<b>(7,996)</b>	<b>(2,970)</b>	<b>(1,710)</b>	<b>(175)</b>	<b>(3,399)</b>	<b>(20,060)</b>	<b>(165,990)</b>	<b>(186,050)</b>
<b>Movement in reserves during 2013/14:</b>									
(Surplus) / Deficit on the provision of services	*4,527	0	(4,629)	0	0	0	*(102)	0	*(102)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	(6,763)	(6,763)
<b>Total Comprehensive Income and Expenditure</b>	<b>*4,527</b>	<b>0</b>	<b>(4,629)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(102)</b>	<b>(6,763)</b>	<b>(6,875)</b>
Adjustments between accounting basis & funding basis under regulations (Note 7)	*(5,434)	0	2,518	0	(1,758)	1,431	*(3,243)	*3,244	*0
<b>Net (Increase) / Decrease before Transfers to/from Earmarked Reserves</b>	<b>*(908)</b>	<b>0</b>	<b>(2,111)</b>	<b>0</b>	<b>(1,758)</b>	<b>1,431</b>	<b>(3,346)</b>	<b>(3,519)</b>	<b>(6,865)</b>
Transfers to/from Earmarked Reserves (Note 8)	793	(793)	1,190	(1,190)	0	0	0	0	0
<b>(Increase)/Decrease in 2013/14</b>	<b>(115)</b>	<b>(793)</b>	<b>(921)</b>	<b>(1,190)</b>	<b>(1,758)</b>	<b>1,431</b>	<b>*(3,346)</b>	<b>*(3,519)</b>	<b>*(6,865)</b>
<b>Balance at 31 March 2014</b>	<b>(3,925)</b>	<b>(8,789)</b>	<b>(3,891)</b>	<b>(2,900)</b>	<b>(1,933)</b>	<b>(1,968)</b>	<b>(23,406)</b>	<b>*(169,509)</b>	<b>*(192,915)</b>
(Surplus) or deficit on the provision of services	7,323	0	(1,947)	0	0	0	5,376	0	5,376
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	12,265	12,265
<b>Total Comprehensive Income and Expenditure</b>	<b>7,323</b>	<b>0</b>	<b>(1,947)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,376</b>	<b>12,265</b>	<b>17,641</b>
Adjustments between accounting basis & funding basis under regulations (Note 7)	(8,711)	0	372	0	(958)	794	(8,503)	8,503	0
<b>Net (Increase) / Decrease before Transfers to/from Earmarked Reserves</b>	<b>(1,388)</b>	<b>0</b>	<b>(1,575)</b>	<b>0</b>	<b>(958)</b>	<b>794</b>	<b>(3,127)</b>	<b>20,768</b>	<b>17,641</b>
Transfers to/from Earmarked Reserves (Note 8)	667	(667)	500	(500)	0	0	0	0	0
<b>(Increase)/Decrease in 2014/15</b>	<b>(721)</b>	<b>(667)</b>	<b>(1,075)</b>	<b>(500)</b>	<b>(958)</b>	<b>794</b>	<b>(3,127)</b>	<b>20,768</b>	<b>17,641</b>
<b>Balance at 31 March 2015</b>	<b>(4,646)</b>	<b>(9,456)</b>	<b>(4,966)</b>	<b>(3,400)</b>	<b>(2,891)</b>	<b>(1,174)</b>	<b>(26,533)</b>	<b>(148,741)</b>	<b>(175,274)</b>

\*Restated for NNDR spreading adjustment.

## Comprehensive Income and Expenditure Statement

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

Comprehensive Income and Expenditure Statement For the year ended 31 March 2015						
2013/14 Gross Expenditure £000	2013/14 Gross Income £000	2013/14 Restated Net Expenditure £000		2014/15 Gross Expenditure £000	2014/15 Gross Income £000	2014/15 Net Expenditure £000
2,114	(1,081)	1,033	Central services to the public	2,229	(1,277)	952
7,099	(2,264)	4,835	Cultural and related services	8,883	(1,689)	7,194
9,647	(2,266)	7,381	Environmental and regulatory services	10,050	(2,481)	7,569
6,105	(4,202)	1,903	Planning services	13,549	(11,649)	1,900
3,457	(4,226)	(769)	Highways & transport services	1,313	(3,410)	(2,097)
			Housing services:			
12,003	(18,525)	(6,522)	Local Council housing (HRA)	15,670	(19,231)	(3,561)
34,430	(33,103)	1,327	Other housing services	34,562	(33,239)	1,323
1,985	(226)	1,759	Corporate & Democratic Core	3,170	(1,705)	1,465
428	(120)	308	Non Distributed Costs	2,605	(202)	2,403
<b>77,267</b>	<b>(66,013)</b>	<b>11,254</b>	<b>Cost of Services</b>	<b>92,031</b>	<b>(74,883)</b>	<b>17,148</b>
		1,099	Other operating expenditure (Note 9)			1,854
		4,113	Financing & investment income & expenditure (Note 10)			4,022
			Taxation and non-specific grant income/expenditure (Note 11)			
		(8,571)	Council tax income			(8,857)
		184	Parish Council Tax Support			158
		*(1,634)	Non domestic rates			(1,956)
		(5,571)	Non-ringfenced government grants			(5,828)
		(976)	Capital grants and contributions			(1,165)
		<b>*(102)</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>5,376</b>
		(2,433)	(Surplus) or Deficit on revaluation of Property, Plant & Equipment assets			1,265
		71	(Surplus) or Deficit on revaluation of Available for Sale financial assets			(63)
		(4,401)	Remeasurement of the net defined benefit liability			11,063
		<b>(6,763)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>12,265</b>
		<b>*(6,865)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>17,641</b>

\*In accordance with the code of practice, the 2013/14 comparatives have been adjusted to reflect a prior year adjustment for spreading of back dated NNDR appeals.

## The Balance Sheet as at 31 March 2015

Restated 31 March 2014		Note	31 March 2015	
£000			£000	£000
189,388	Council Dwellings		187,315	
84,453	Other Land and Buildings		74,488	
7,134	Vehicles, Plant, Furniture & Equipment		6,337	
11,726	Infrastructure Assets		11,546	
1,714	Community Assets		1,840	
645	Asset Under Construction		2,098	
<b>295,060</b>	<b>Total Property, Plant &amp; Equipment</b>	24		<b>283,624</b>
1,071	Intangible Assets		791	
231	Long Term Investments	27	226	
685	Long Term Debtors	27	1,659	
<b>297,047</b>	<b>Long Term Assets</b>			<b>286,300</b>
60	Assets Held for Sale (<1year)	26	3,383	
30,860	Short Term Investments	27	30,923	
0	Inventories		5	
5,786	Short Term Debtors and PIA	29	7,116	
2,466	Cash and Cash Equivalents	30	8,499	
<b>39,172</b>	<b>Current Assets</b>			<b>49,926</b>
(2,132)	Bank Overdraft	30	(2,188)	
(636)	Short Term Borrowing	28	(1,118)	
(7,890)	Short Term Creditors	31	(12,927)	
(407)	Other Short Term Liabilities	27	(361)	
*(628)	Short Term Provision	34	(818)	
(3,033)	Grants and Receipts in Advance	21	(347)	
<b>(14,726)</b>	<b>Current Liabilities</b>			<b>(17,759)</b>
(85,116)	Long Term Borrowing	28	(84,784)	
(40,557)	Other Long Term Liabilities	19/27	(53,727)	
(2,905)	Grants and Receipts in Advance	21	(4,682)	
<b>(128,578)</b>	<b>Long-term Liabilities</b>			<b>(143,193)</b>
<b>192,915</b>	<b>Net Assets</b>			<b>175,274</b>
<b>(23,406)</b>	<b>Total Usable Reserves</b>	35		<b>(26,533)</b>
<b>*(169,509)</b>	<b>Total Unusable Reserves</b>	36		<b>(148,741)</b>
<b>(192,915)</b>	<b>Total Reserves</b>			<b>(175,274)</b>



## The Cash Flow Statement

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

Restated 2013/14 £000	<b>THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2015</b>	<b>2014/15 £000</b>
*(102)	<b>Net (surplus) or deficit on the provision of services</b>	<b>5,376</b>
(11,962)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(13,355)
4,276	Adjustments to net surplus or deficit on the provision of services that are investing and financing activities	(563)
<b>(7,788)</b>	<b>Net cash flows from Operating Activities (Note 37)</b>	<b>(8,542)</b>
9,258	Purchase of property, plant and equipment, investment property and intangible assets	10,552
12,093	Purchase of short-term and long-term investments	0
(3,205)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,215)
(12,093)	Proceeds from short-term and long term investments	0
(1,691)	Other receipts from investing activities	(3,027)
<b>4,362</b>	<b>Net cash flows from Investing Activities</b>	<b>5,310</b>
(305)	Cash receipts of short and long-term borrowing	(755)
(751)	Other receipts from financing activities	(3,033)
568	Cash payments for the reduction of the outstanding liabilities relating to finance leases	407
2,760	Repayments of short and long term borrowing	636
477	Other payments for financing activities	0
<b>2,749</b>	<b>Net cash flows from Financing Activities</b>	<b>(2,745)</b>
<b>(677)</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>(5,977)</b>
343	Cash and cash equivalents at the beginning of the reporting period	(334)
<b>(334)</b>	<b>Cash and cash equivalents at the end of the reporting period (Note 30)</b>	<b>(6,311)</b>

\*In accordance with the code of practice, the 2013/14 comparatives have been adjusted to reflect a prior year adjustment for spreading of back dated NNDR appeals.

<b>Index of Notes</b>	<b>Page</b>
1. Accounting Policies	18
2. Accounting Standards Issued, Not Adopted	31
3. Critical Judgements in Applying Accounting Policies	32
4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty	33
5. Material Items of Income and Expense	34
6. Events After the Balance Sheet Date	34
7. Adjustments between Accounting Basis and Funding Basis under Regulations	34
8. Transfers to/from Earmarked Reserves	40
9. Other Operating Expenditure	41
10. Financing and investment Income and Expenditure	42
11. Taxation and Non-specific Grant Income	42
12. Amounts Reported for Resource Allocation Decisions	42
13. Trading Services	46
14. Statutory Harbour Authority - Axmouth Harbour	46
15. Agency Services	47
16. Members' Allowances	47
17. Officers' Remuneration	48
18. Termination Benefits	49
19. Defined Benefit Pension Scheme	49
20. External Audit costs	54
21. Grant Income	54
22. Related Parties	55
23. Leases	56
24. Property, Plant and Equipment	58
25. Capital Expenditure and Capital Financing	61
26. Assets Held for Sale	62
27. Financial Instruments	62
28. Nature and Extent of Risks Arising from Financial Instruments	68
29. Debtors and Payments in Advance	72
30. Cash & Cash Equivalents	72
31. Creditors and Receipts in Advance	73
32. Contingent Liabilities	73
33. Contingent Assets	73
34. Provisions	73
35. Usable Reserves	74
36. Unusable Reserves	74
37. Cash Flow Statement – Operating Activities	78
38. Interest in Joint Operations	79

## **Note 1. Accounting Policies**

### **1.1 General Principles**

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year end of 31 March 2015. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the Service Reporting Code of Practice 2014/15, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

### **1.2 Accruals of Income and Expenditure**

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

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

### **1.3 Available-for-Sale Assets (Financial Instruments)**

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

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

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

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

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

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

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

#### **1.4 Cash and Cash Equivalents**

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

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

#### **1.5 Changes in Accounting Policies, Prior Period Adjustments and Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

#### **1.6 Charges to Revenue for Non-Current Assets**

Services, support services and trading accounts are debited with the following amounts to record the cost of holding property, plant and equipment during the year:

- Depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- Amortisation of intangible property, plant and equipment attributable to the service.

## **1.6 Charges to Revenue for Non-Current Assets Contd.**

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

## **1.7 Employee Benefits**

### **1.7.1 Benefits Payable During Employment**

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

### **1.7.2 Post Employment Benefits**

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

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

### **1.7.3 The Local Government Pension Scheme**

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

- The liabilities of the Devon County pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted at the annualised yield at the 18 year point on the Merrill Lynch AA rated corporate bond curve which has been chosen to meet the requirements of IAS19 and with consideration of the duration of the Employer's liabilities. This is consistent with the approach used at the last accounting date.
- The assets of Devon County pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities - current bid price
  - unquoted securities - professional estimate
  - unitised securities - current bid price
  - property - market value.

### 1.7.3 The Local Government Pension Scheme Contd.

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

- **Service cost comprising:**
  - current service cost - the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - past service cost - the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - pensions interest cost and expected return on pensions assets, i.e. net interest expense for the Council - the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement - this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period - taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
- **Remeasurements comprising:**
  - The return on plan assets – excluding amounts included in the pensions interest cost and expected return on pensions assets – charged to the Pensions Reserve as Other comprehensive Income and Expenditure
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- **Contributions paid to the Devon Pension Fund:**
  - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

### 1.7.4 Discretionary Benefits

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

### 1.8 Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised

for issue. Two types of events can be identified:

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

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

## **1.9 Financial Instruments**

### **1.9.1 Financial Liabilities**

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

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

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

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

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

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

### **1.9.2 Financial Assets**

Financial assets are classified into two types:

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

## 1.10 Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

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

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

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

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

## 1.11 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

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

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

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

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



## **1.12 Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

### **1.12.1 The Council as Lessee**

#### **1.12.1.1 Finance Leases**

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

Lease payments are apportioned between:

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

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

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

#### **1.12.1.2 Operating Leases**

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

## 1.12.2 The Council as Lessor

### 1.12.2.1 Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

### 1.12.2.2 Operating Leases

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

## 1.13 Loans and Receivables

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

### **1.13 Loans and Receivables Contd:**

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

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

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

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

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

### **1.14 Long term contracts**

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

### **1.15 Disposals and Non-current Assets Held for Sale**

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

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

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

### 1.15 Disposals and Non-current Assets Held for Sale contd.

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals is payable to the Government.

The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

### 1.16 Overheads and Support Services

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

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

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

### 1.17 Property, Plant and Equipment (PPE)

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

#### 1.17.1 PPE Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

### 1.17.2 PPE Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

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

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

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

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

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

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

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

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

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

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

### 1.17.3 PPE Impairment

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

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

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

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### 1.17.4 PPE Depreciation

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

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

Depreciation is calculated on the following bases and charged in the year of disposal, but not acquisition:

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

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

## 1.18 Provisions, Contingent Liabilities and Contingent Assets

### 1.18.1 Provisions

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

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

**1.18.1 Provisions contd.**

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

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

**1.18.2 Contingent Liabilities**

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

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

**1.18.3 Contingent Assets**

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

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

**1.19 Reserves**

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

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

**1.20 Revenue Expenditure Funded from Capital under Statute**

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

**1.21 VAT**

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

## 1.22 Tax Income - Council Tax and Non-Domestic Rates (NDR)

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

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

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

### 1.22.1 Non Domestic Rates (NDR)

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

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

### 1.22.2 Council Tax

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

## 1.23 Joint Operations

Jointly controlled operations are arrangements where contractual agreements are in place under which two or more parties share control. The parties each have rights to the assets and obligations for the liabilities relating to that arrangement.

Joint operations are recognised in the Council's single entity statements by bringing in its share of the assets, liabilities, revenue and expenses of the arrangement.

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

## Note 2. Accounting Standards issued, Not Adopted

The Code of Practice on Local Authority Accounting requires the disclosure of information relating to the expected impact of accounting changes that will be required by a new standard that has been issued but not yet adopted due to the timing of the accounts.

In compiling the 2014/15 accounts the following accounting policies have not been adopted:

- IFRS 13: Fair Value Measurement. This standard will provide a standard definition of 'fair value' in respect of financial and non-financial assets and liabilities. It defines fair value as the price that would be received or paid, taking into account condition, location and restrictions on use. The standard will also require significant disclosure where fair value has been



**Note 2. Accounting Standards issued, Not Adopted contd.**

calculated using techniques not derived from market information. Operational property, plant and equipment assets are outside the scope of IFRS 13 so this standard is not expected to have a material impact on the Statement of Accounts.

- IFRIC 21 Levies. This standard provides guidance on levies imposed by government in the financial statements of entities paying the levy. The IFRIC specifies the obligating event as the activity that triggers the timing of the payment of the levy. The amount payable may be based on information relating to a period before the obligation to pay arises or the levy is payable only if a threshold is reached, or both. This standard will not have a material impact on the Statement of Accounts.
- Annual Improvements to IFRSs (2011 – 2013 Cycle). These improvements are minor, principally providing clarification and will not have a material impact on the Statement of Accounts.

**Note 3. Critical Judgements in Applying Accounting Policies**

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Council's leisure centres and leisure service is operated by Leisure East Devon, a charitable organisation that leases and operates the leisure centres previously run by the Council. It has been determined that the Council does not have control of the Trust and it is not a subsidiary of the Council.
- With the introduction of Business Rate Retention, the council has estimated a provision for NNDR rate appeals. We have analysed information from the valuation office and consulted with other Devon Authorities and CIPFA to arrive at the figure in the accounts.
- Strata Service Solutions Ltd is a registered company which has been established to assist the three authorities; Exeter City Council, East Devon District Council and Teignbridge District Council, in the provision and operation of shared ICT services. It is deemed to be a joint operation due to the inherent rights to the assets and obligations for liabilities each authority has relating to the joint arrangement, based upon the following facts and circumstances:
  - The three authorities have joint control of the entity. Each authority has one nominated Director and each Director has one vote. The Directors are responsible for the management of the Company's business, for which purpose they may exercise all the powers of the company with decisions made collectively and unanimously.
  - The Company is required by the Councils to carry out the tasks as set out in the Business Plans and Service Plans and is limited to the business and objectives as set by the Councils
  - The Company's revenue derives from the financial allocations set and controlled by each of the Councils

**Note 3. Critical Judgements in Applying Accounting Policies contd.**

- There are no plans for Strata to do anything other than provide services to the three authorities. The Company has been established as an in-house mutual trading local authority controlled company to assist them in the provision of services.
- Joint operations are not consolidated into group accounts, instead each authority has recognised in its financial statement its share of assets, liabilities, revenue and expenses pertaining to Strata Service Solutions Ltd.

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

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

The items in the Council's Balance Sheet at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if Actual Results Differ from Assumptions</b>
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. As an indication of the sums involved annual depreciation is currently £3.970m for all the Council's assets.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £2.271m. A 0.1% decrease would result in an increase of £2.314m.
Arrears	At 31 March 2015, the Council had a balance of sundry debtors of £1.712m. A review of significant balances suggested that an impairment of doubtful debts of £0.042m was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £0.042m to set aside as an allowance.

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

**Note 5. Material Items of Income and Expense and Prior Year Adjustments**

There were no material items to be disclosed on the face of the Comprehensive Income and Expenditure Statement in 2014/15.

There is a prior year adjustment of £0.377m increase to the Collection fund Adjustment Account and a corresponding decrease in the short term provision line in the Balance sheet resulting in a nil net effect on the Balance Sheet.

**Note 6. Events After the Balance Sheet Date**

The Statement of Accounts was authorised for issue by the Strategic Lead - Finance on 30 June 2015 and are likely to be signed off on 24 September 2015. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2015, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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

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

2014/15	Usable Reserves					Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement:</b>						
Charges for depreciation and impairment of non-current assets	(3,195)	(144)				3,339
Revaluation gain / (losses) on Property Plant and Equipment	(4,373)	(6,059)				10,432
Amortisation of intangible assets	(263)	(16)				279
Capital grants and contributions applied	10,560					(10,560)
Revenue expenditure funded from capital under statute	(8,431)					8,431
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(1,439)	(1,648)				3,087
Loss on share of Donated Assets	(531)	0				531
<b>Insertion of items not debited or credited to the Comprehensive Income &amp; Expenditure Statement:</b>						
Statutory provision for the financing of capital investment	464	580				(1,044)
Capital expenditure charged against the General Fund and HRA balances	915	342				(1,257)

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

2014/15	Usable Reserves					Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000	
<b>Adjustment primarily involving the Capital Grants Unapplied Account:</b>						
Application of grants to capital financing transferred to the Capital Adjustment Account					794	(794)
<b>Adjustment primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of gains/loss on disposal to the Comprehensive Income & Expenditure Statement	143	2,852	(2,995)			0
Use of Capital Receipts Reserve to finance new capital expenditure			2,131			(2,131)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current assets disposal	(100)	(1)	101			0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(385)		385			0
Repayment of loans			(580)			580
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>						
Transfer of deferred sale proceeds credited as part of the gains/loss on disposal to the Comprehensive Income & Expenditure Statement			(1)			1
<b>Adjustments primarily involving the Major Repairs Reserve:</b>						
Reversal of Major Repairs Allowance credited to the HRA		4,849		(4,849)		0
Use of Major Repairs Reserve to finance new capital expenditure				4,849		(4,849)

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

2014/15	Usable Reserves					Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from the finance costs chargeable in the year in accordance with statutory requirements	(73)					73
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 19)	(2,646)	(724)				3,370
Employer's pensions contributions and direct payments to pensioners payable in the year	1,783	337				(2,120)
STRATA adjustments	(1,218)					1,218
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	47					(47)
<b>Adjustment primarily involving the Accumulated Absences Acct:</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	32	4				(36)
<b>Total Adjustments</b>	<b>(8,710)</b>	<b>372</b>	<b>(959)</b>	<b>0</b>	<b>794</b>	<b>8,503</b>

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

2013/14	Usable Reserves					Movement in Unusable Reserves £000
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000	
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement:</b>						
Charges for depreciation and impairment of non-current assets	(2,681)	(143)				2,824
Revaluation gain / (losses) on Property Plant and Equipment	(87)	(3,519)				3,606
Amortisation of intangible assets	(515)					515
Capital grants and contributions applied	3,951	36				(3,987)
Revenue expenditure funded from capital under statute	(4,269)					4,269
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(975)	(1,095)				2,070
<b>Insertion of items not debited or credited to the Comprehensive Income &amp; Expenditure Statement:</b>						
Statutory provision for the financing of capital investment	623	5				(628)
Capital expenditure charged against the General Fund and HRA balances	850	65				(915)
<b>Adjustment primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants & contributions unapplied credited to the Comprehensive Income & Expenditure Statement	38				(38)	0
Application of grants to capital financing transferred to the Capital Adjustment Account					1,469	(1,469)

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

<b>Adjustment primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of gains/loss on disposal to the Comprehensive Income & Expenditure Statement	1,348	1,917	(3,265)			0
Use of Capital Receipts Reserve to finance new capital expenditure			1,153			(1,153)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current assets disposal	(14)	(1)	15			0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(350)		350			0
Repayment of loans			(10)			10
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>						
Transfer of deferred sale proceeds credited as part of the gains/loss on disposal to the Comprehensive Income & Expenditure Statement						0
<b>Adjustments primarily involving the Major Repairs Reserve:</b>						
Reversal of Major Repairs Allowance credited to the HRA		5,635		(5,635)		0
Use of Major Repairs Reserve to finance new capital expenditure				5,635		(5,635)

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

2013/14	Usable Reserves					Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 19)	(4,068)	(633)				4,701
Employer's pensions contributions and direct payments to pensioners payable in the year	1,714	255				(1,969)
<b>Adjustment primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax & NDR income credited to the Comprehensive Income and Expenditure Statement is different from council tax & NDR income calculated for the year in accordance with statutory requirements	*(933)					933
<b>Adjustment primarily involving the Accumulated Absences Account:</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(67)	(5)				72
<b>Total Adjustments</b>	<b>(5,435)</b>	<b>2,517</b>	<b>(1,757)</b>	<b>0</b>	<b>1,431</b>	<b>3,243</b>

\*Restated for NNDR spreading adjustment.



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

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2014/15.

	Balance at 31 March 2013	Transfers Out 2013/14	Transfers In 2013/14	Balance at 31 March 2014	Transfers Out 2014/15	Transfers In 2014/15	Balance at 31 March 2015
	£000	£000	£000	£000	£000	£000	£000
<b>General Fund Reserves</b>							
Asset Maintenance Reserve	(1,244)	62	0	(1,182)	80	0	(1,102)
Capital Reserve	(2,594)	92	(7)	(2,509)	887	(416)	(2,038)
Capital Projects Reserve	(83)	46	(68)	(105)	107	(69)	(67)
New Homes Bonus Reserve	(323)	731	(408)	0	0	0	0
<b>General Fund Capital Reserves</b>	<b>(4,244)</b>	<b>931</b>	<b>(483)</b>	<b>(3,796)</b>	<b>1,074</b>	<b>(485)</b>	<b>(3,207)</b>
Business Rates Volatility Reserve	0	15	(789)	(774)	325	(620)	(1,069)
Building Control service enhancements	0	0	(69)	(69)	6	(50)	(113)
Growth Point Reserves	(253)	6	(54)	(301)	83	(31)	(249)
Homelessness Grant/Local welfare support	(53)	0	(29)	(82)	0	(20)	(102)
IT website development	0	0	0	0	0	(386)	(386)
LABGI Reserve	(246)	2	0	(244)	44	0	(200)
Local Plan Inspection Reserve	(50)	0	(93)	(143)	11	0	(132)
Localised council tax reform	(62)	0	(4)	(66)	0	(214)	(280)
New Homes Bonus Volatility Fund	(273)	0	0	(273)	0	(893)	(1,166)
Parishes Together Fund	(79)	29	(94)	(144)	120	(100)	(124)
Planning Reserve	0	0	(200)	(200)	0	(40)	(240)
Transformation Fund	(1,139)	324	(424)	(1,239)	1,278	(390)	(351)
STRATA Useable Reserves	0	0	0	0	0	(388)	(388)
Revenue Reserves less than £100k	(1,597)	663	(524)	(1,458)	589	(580)	(1,449)
<b>General Fund Revenue Reserves</b>	<b>(3,752)</b>	<b>1,039</b>	<b>(2,280)</b>	<b>(4,993)</b>	<b>2,456</b>	<b>(3,712)</b>	<b>(6,249)</b>
<b>HRA Reserves</b>							
HRA Business Plan Volatility Reserve	(1,710)	0	(1,190)	(2,900)	0	(500)	(3,400)
<b>HRA Reserves Total</b>	<b>(1,710)</b>	<b>0</b>	<b>(1,190)</b>	<b>(2,900)</b>	<b>0</b>	<b>(500)</b>	<b>(3,400)</b>
<b>Total Earmarked Reserves</b>	<b>(9,706)</b>	<b>1,970</b>	<b>(3,953)</b>	<b>(11,689)</b>	<b>3,530</b>	<b>(4,697)</b>	<b>(12,856)</b>

Further details of individual reserve movements are available in the Revenue and Capital Outturns 2014/15 Book pages 4-5 on the EDDC website at:

<http://eastdevon.gov.uk/council-and-democracy/council-business/our-finance/financial-information-201415/>

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

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

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

The **Capital Projects Reserves** are contributions from revenue underspends for Capital Project spend in 2015/16 – These are Thelma Hulbert Gallery signage and Streetscene IT projects.

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

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

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

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

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

The **IT Website Development Reserve** holds funds for spending on projects in 2015/16.

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

The **Local Plan Inspection Reserve** is to fund costs of the Local Plan inspection which have slipped to 2015/16.

The **Localised Council Tax Reform Reserve** funded by a specific government grant is to support Localised Council Tax Support scheme changes.

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

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

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

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

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

The balance of **Revenue Reserves <£100k** are various revenue reserves established from external income with no conditions attached set aside to provide specific services in future years.

**Note 9. Other Operating Expenditure**

2013/14 £000		2014/15 £000
1,965	Parish council precepts	2,102
350	Payments to the Government Housing Capital Receipts Pool	385
(1,216)	(Gains) / losses on the disposal of non-current assets	(1,164)
0	Net loss on share of STRATA assets	531
<b>1,099</b>	<b>Total</b>	<b>1,854</b>

**Note 10. Financing and Investment Income and Expenditure**

2013/14 £000		2014/15 £000
107	Interest payable and similar charges	89
2,583	Interest on loans	2,594
1,799	Net interest on the net defined benefit liability	1,723
(376)	Interest receivable and similar income	(384)
<b>4,113</b>	<b>Total</b>	<b>4,022</b>

### Note 11. Taxation and Non Specific Grant Income and Expenditure

2013/14 £000		2014/15 £000
(8,571)	Council tax income	(8,857)
184	Parish Council tax support grant	158
*(1,634)	Non domestic rates	(1,956)
(5,571)	Non-ring fenced government grants	(5,828)
(976)	Capital grants and contributions	(1,165)
<b>(16,568)</b>	<b>Total</b>	<b>(17,648)</b>

\*Restated for NNDR spreading adjustment.

### Note 12. Amounts Reported for Resource Allocation Decisions

#### 12.1 Subjective Analysis

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

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

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

## 12.1 Subjective Analysis Contd.

<b>Portfolio Income and Expenditure 2014/15</b>	<b>HRA £000</b>	<b>Total Corporate Services £000</b>	<b>Environment Car Parks £000</b>	<b>St Scene Refuse £000</b>	<b>Finance Revenues &amp; Benefits £000</b>	<b>Total Strategic Develpt &amp; P'ship £000</b>	<b>Total Sustainable Homes &amp; Comm'ties £000</b>	<b>All other Segments £000</b>	<b>Total £000</b>
Fees, charges & other service income	(18,356)	(417)	(3,139)	(1,768)	0	(2,038)	(683)	(3,122)	(29,523)
Government grants	(435)	(669)	(3)	(5)	(31,318)	(489)	(280)	(1,695)	(34,894)
Support Service Recharges Income	(440)	(3,276)	0	0	0	(635)	(222)	(6,290)	(10,863)
<b>Total Income</b>	<b>(19,231)</b>	<b>(4,362)</b>	<b>(3,142)</b>	<b>(1,773)</b>	<b>(31,318)</b>	<b>(3,162)</b>	<b>(1,185)</b>	<b>(11,107)</b>	<b>(75,280)</b>
Employee expenses	2,424	2,164	189	(29)	0	2,007	586	7,772	15,113
Other operating expenses	11,303	2,737	751	5,969	31,047	674	706	7,869	61,056
Support Service Recharges	1,667	1,265	144	0	0	1,331	425	6,031	10,863
<b>Total Expenditure</b>	<b>15,394</b>	<b>6,166</b>	<b>1,084</b>	<b>5,940</b>	<b>31,047</b>	<b>4,012</b>	<b>1,717</b>	<b>21,672</b>	<b>87,032</b>
<b>Net Expenditure</b>	<b>(3,837)</b>	<b>1,804</b>	<b>(2,058)</b>	<b>4,167</b>	<b>(271)</b>	<b>850</b>	<b>532</b>	<b>10,565</b>	<b>11,752</b>
<b>Portfolio Income and Expenditure 2013/14</b>	<b>HRA £000</b>	<b>Total Corporate Services £000</b>	<b>Environment Car Parks £000</b>	<b>St Scene Refuse £000</b>	<b>Finance Revenues &amp; Benefits £000</b>	<b>Total Strategic Develpt &amp; P'ship £000</b>	<b>Total Sustainable Homes &amp; Comm'ties £000</b>	<b>All other Segments £000</b>	<b>Total £000</b>
Fees, charges & other service income	(17,661)	(193)	(3,143)	(1,700)	0	(1,781)	(740)	(2,957)	(28,175)
Government grants	(375)	(221)	(195)	(5)	(30,997)	(353)	(257)	(1,639)	(34,042)
Support Service Recharges Income	(496)	(3,530)	0	0	0	(466)	(222)	(6,274)	(10,988)
<b>Total Income</b>	<b>(18,532)</b>	<b>(3,944)</b>	<b>(3,338)</b>	<b>(1,705)</b>	<b>(30,997)</b>	<b>(2,600)</b>	<b>(1,219)</b>	<b>(10,870)</b>	<b>(73,205)</b>
Employee expenses	2,085	2,379	453	128	0	1,909	644	7,412	15,010
Other operating expenses	10,087	1,702	795	5,399	30,827	603	793	7,966	58,172
Support Service Recharges	1,675	1,466	184	223	0	1,217	499	5,724	10,988
<b>Total Expenditure</b>	<b>13,847</b>	<b>5,547</b>	<b>1,432</b>	<b>5,750</b>	<b>30,827</b>	<b>3,729</b>	<b>1,936</b>	<b>21,102</b>	<b>84,170</b>
<b>Net Expenditure</b>	<b>(4,685)</b>	<b>1,603</b>	<b>(1,906)</b>	<b>4,045</b>	<b>(170)</b>	<b>1,129</b>	<b>717</b>	<b>10,232</b>	<b>10,965</b>

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

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

2013/14 £000		2014/15 £000
10,965	Net expenditure in the Portfolio Analysis	11,752
(4,405)	Net expenditure of services and support services not included in the Analysis	(4,849)
4,694	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	10,061
0	Amounts included in respect of Strata Service Solutions Ltd	184
11,254	<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>17,148</b>

### 12.3 Reconciliation to Subjective Analysis

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

2014/15	Portfolio Analysis £000	Services and support services not in analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Adjustments Strata Service Solutions Ltd £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(29,523)	0	0	0	(1,481)	(31,004)	0	(31,004)
Government grants and contributions	(34,894)	0	(9,395)	0	0	(44,289)	(6,993)	(51,282)
Support Service Recharges Income	(10,863)	0	0	0	0	(10,863)	0	(10,863)
Interest and investment income	0	0	0	0	0	0	(385)	(385)
Council Tax & Non-domestic rates income	0	0	0	0	0	0	(10,813)	(10,813)
<b>Total Income</b>	<b>(75,280)</b>	<b>0</b>	<b>(9,395)</b>	<b>0</b>	<b>(1,481)</b>	<b>(86,156)</b>	<b>(18,191)</b>	<b>(104,347)</b>
Employee expenses	15,113	0	(490)	0	1,160	15,783	1,723	17,506
Other service expenses	61,056	(375)	10,416	(4,849)	505	66,753	158	66,911
Support Service recharges	10,863	0	0	0	0	10,863	0	10,863
Depreciation, amortisation and impairment	0	0	9,905	0	0	9,905	0	9,905
Interest Payments	0	0	0	0	0	0	2,683	2,683
Loan repayments	0	0	0	0	0	0	0	0
Precepts & Levies	0	0	0	0	0	0	2,102	2,102
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	385	385
Gain /Loss on Disposal of Property/ plant equipt	0	0	0	0	0	0	(632)	(632)
<b>Total Expenditure</b>	<b>87,032</b>	<b>(375)</b>	<b>19,831</b>	<b>(4,849)</b>	<b>1,665</b>	<b>103,304</b>	<b>6,419</b>	<b>109,723</b>
<b>Surplus/deficit on the provision of services</b>	<b>11,752</b>	<b>(375)</b>	<b>10,436</b>	<b>(4,849)</b>	<b>184</b>	<b>17,148</b>	<b>(11,772)</b>	<b>5,376</b>

## 12.3 Reconciliation to Subjective Analysis Contd.

2013/14	Portfolio Analysis £000	Services and support services not in analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(28,175)	0	0	0	(28,175)	0	(28,175)
Government grants and contributions	(34,042)	0	(3,049)	0	(37,091)	(6,547)	(43,638)
Support Service Recharges Income	(10,988)	0	0	0	(10,988)	0	(10,988)
Interest and investment income	0	0	0	0	0	(376)	(376)
*Council Tax & Non- domestic rates income	0	0	0	0	0	*(10,205)	*(10,205)
<b>Total Income</b>	<b>(73,205)</b>	<b>0</b>	<b>(3,049)</b>	<b>0</b>	<b>(76,254)</b>	<b>*(17,128)</b>	<b>*(93,382)</b>
Employee expenses	15,010	0	1,005	0	16,015	1,799	17,814
Other service expenses	58,172	(629)	4,269	(4,405)	57,407	184	57,591
Support Service recharges	10,988	0	0	0	10,988	0	10,988
Depreciation, amortisation and impairment	0	0	3,098	0	3,098	0	3,098
Interest Payments	0	0	0	0	0	2,690	2,690
Precepts & Levies	0	0	0	0	0	1,965	1,965
Payments to Housing Capital Receipts Pool	0	0	0	0	0	350	350
Gain or Loss on Disposal of Property, plant and equipment	0	0	0	0	0	(1,216)	(1,216)
<b>Total Expenditure</b>	<b>84,170</b>	<b>(629)</b>	<b>8,372</b>	<b>(4,405)</b>	<b>87,508</b>	<b>5,772</b>	<b>93,280</b>
<b>Surplus or deficit on the provision of services</b>	<b>10,965</b>	<b>(629)</b>	<b>5,323</b>	<b>(4,405)</b>	<b>11,254</b>	<b>*(11,356)</b>	<b>*(102)</b>

\*Restated for NNDR spreading adjustment.

**Note 13. Trading**

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

2013/14 £000	2013/14 £000			2014/15 £000	2014/15 £000
(534) 475		The Council manages the <b>Building Control Service</b> . The trading objective is to break even.	Turnover Expenditure Surplus	(514) 478	(36)
	(59)				
(315) 253		The Council manages the <b>Land Charges Service</b> . The trading objective is to break even.	Turnover Expenditure Surplus	(300) 347	47
	(62)				
(235) 286		The Council lets 40 units in <b>Industrial Estates</b> located in various parts of the district. As part of the council's economic development strategy, rents can be set at less than the market rate to support small businesses.	Turnover Expenditure Surplus	(228) 613	385
	51				
(718) 670		The Council manages a <b>Homesafeguard Service</b> providing alarms and support for vulnerable residents. The trading objective is to break even.	Turnover Expenditure Surplus	(749) 656	(93)
	(48)				
	<b>(118)</b>	<b>Net Deficit on Trading Operations</b>			<b>303</b>

**Note 14. Statutory Harbour Authority – Axmouth Harbour**

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

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

2013/14 £000	2013/14 £000	Axmouth Harbour	2014/15 £000	2014/15 £000
(8)		<b>Income</b>		
		Fee and charges	(2)	
	(8)	<b>Expenditure</b>		(2)
2		Premises	2	
0		Supplies and Services	4	
3		Support Services	4	
30		Capital Charges	30	
	35	<b>Net cost of Harbour Activities as included in the Comprehensive Income and Expenditure Statement</b>		40
	<b>27</b>			<b>38</b>

**Note 15. Agency Services**

The Authority no longer provides the On Street Parking services for Devon County Council, this ceased from 01.04.2014.

<b>2013/14 £000</b>		<b>2014/15 £000</b>
365	Expenditure incurred in providing On Street Parking services to Devon County Council	0
(196)	Grant payable by Devon County Council	0
(169)	Income generated by excess parking charges	0
<b>0</b>	<b>Net (Surplus) / Deficit Arising on Agency Services</b>	<b>0</b>

**Note 16. Members' Allowances**

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

<b>2013/14 £000</b>		<b>2014/15 £000</b>
363	Allowances	362
35	Expenses	35
<b>398</b>	<b>Total</b>	<b>397</b>



**Note 17. Officers' Remuneration** - The remuneration paid to the Council's senior employees is as follows:

<b>2014-2015</b>						
<b>Post</b>	<b>Salary &amp; Car Allowances</b>	<b>Taxable Expense allowances</b>	<b>Compensation for loss of office</b>	<b>Total Remuneration</b>	<b>Pension Contributions</b>	<b>Total</b>
Chief Executive (a)	128,000	3,000	0	<b>131,000</b>	18,000	<b>149,000</b>
Deputy C. Exec (b)	22,000	0	100,000	<b>122,000</b>	3,000	<b>125,000</b>
Deputy C. Exec	88,000	0	0	<b>88,000</b>	12,000	<b>100,000</b>
Strategic Lead - Finance	78,000	0	0	<b>78,000</b>	11,000	<b>89,000</b>
Strategic Lead - OD	68,000	0	0	<b>68,000</b>	9,000	<b>77,000</b>
Strategic Lead - Legal, Licensing & Member Services	55,000	0	95,000	<b>150,000</b>	8,000	<b>158,000</b>
Strategic Lead - Housing and Environment	78,000	0	0	<b>78,000</b>	11,000	<b>89,000</b>
East of Exeter Projects Director	57,000	0	0	<b>57,000</b>	8,000	<b>65,000</b>
Corporate Manager ICT (c)	21,000	0	0	<b>21,000</b>	3,000	<b>24,000</b>
	<b>595,000</b>	<b>3,000</b>	<b>195,000</b>	<b>793,000</b>	<b>83,000</b>	<b>876,000</b>
<b>2013-2014</b>						
<b>Post</b>	<b>Salary &amp; Car Allowances</b>	<b>Taxable Expense allowances</b>	<b>Compensation for loss of office</b>	<b>Total Remuneration</b>	<b>Pension Contributions</b>	<b>Total</b>
Chief Executive	128,000	3,000	0	<b>131,000</b>	19,000	<b>150,000</b>
<b>Deputy</b> C. Exec	70,000	0	0	<b>70,000</b>	10,000	<b>80,000</b>
Deputy C. Exec	87,000	0	0	<b>87,000</b>	12,000	<b>99,000</b>
Strategic Lead - Finance	64,000	0	0	<b>64,000</b>	9,000	<b>73,000</b>
Strategic Lead - OD	60,000	0	0	<b>60,000</b>	9,000	<b>69,000</b>
Strategic Lead - Legal, Licensing & Member Services	55,000	0	0	<b>55,000</b>	8,000	<b>63,000</b>
Strategic Lead - Housing and Environment	64,000	0	0	<b>64,000</b>	8,000	<b>72,000</b>
East of Exeter Projects Director	57,000	0	0	<b>57,000</b>	9,000	<b>66,000</b>
Corporate Manager ICT and Interim COO (Strata)	62,000	0	0	<b>62,000</b>	8,000	<b>70,000</b>
<b>Totals</b>	<b>647,000</b>	<b>3,000</b>	<b>0</b>	<b>650,000</b>	<b>92,000</b>	<b>742,000</b>

(a) The Chief Executive provide services to both the council and South Somerset District Council. The Chief Executive is formally employed by this council and 50% of the salary and other remuneration is recharged.

(b) The Deputy Chief Executive left on 24.07.2014.

(c) The Corporate Manager ICT was in post between 01.08.2014 and 31.10.2014 and on 01.11.2014 TUPE'd to Strata Service Solutions Ltd.

**Note 17. Officers' Remuneration Contd.**

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

Number of Employees 2013/14	Pay Band	Number of Employees 2014/15
0	£50,000 - £54,999	1
2	£55,000 - £59,999	1
4	£60,000 - £64,999	0
1	£65,000 - £69,999	1
0	£75,000 - £79,999	2
0	£80,000 - £84,999	0
1	£85,000 - £89,999	1
0	£120,000 - £124,999	1
1	£130,000 - £134,999	1
0	£150,000 - £154,999	1
<b>9</b>		<b>9</b>

**Note 18. Termination Benefits**

Exit Package Cost Bands	Number of Compulsory Redundancies		Number of Other Departures		Total Number of Exit Packages		Total Cost of Exit Packages	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14 £000	2014/15 £000
0-£20,000	2	2	3	1	5	3	45	25
£20,001-£40,000	0	2	0	1	0	3	0	86
£40,001-£100,000	0	2	0	0	0	2	0	195
<b>Total</b>	<b>2</b>	<b>6</b>	<b>3</b>	<b>2</b>	<b>5</b>	<b>8</b>	<b>45</b>	<b>306</b>

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

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until

**19.1 Participation in Pension Schemes contd.**

employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose at the time that employees earn their future entitlement.

The Council participates in two post employment schemes:

- The Local Government Pension Scheme, administered locally by Devon County Council
  - this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.
- Arrangements for the award of discretionary post retirement benefits upon early retirement
  - this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

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

## 19.2 Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement.

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

2013/14 £000	Funded Liabilities: Local Government Pension Scheme	2014/15 £000
	<b>Comprehensive Income and Expenditure Statement</b>	
	<b>Cost of Services:</b>	
2,863	Current service cost	2,712
1	Past service costs	0
0	Settlement on transfer of staff to Strata*	155
38	Administration expense	39
	<b>Financing and Investment Income and Expenditure:</b>	
1,799	Net interest expense	1,723
<b>4,701</b>	<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>4,629</b>
	<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:</b>	
	Remeasurement of the net defined benefit liability comprising:	
(177)	Return on plan assets in excess of interest	(3,971)
109	Other actuarial (gains)/losses on assets	0
1,954	Change in financial assumptions	15,008
177	Change in demographic assumptions	0
(6,464)	Experience(gain)/loss on defined benefit obligation	26
<b>(4,401)</b>		<b>11,063</b>
<b>300</b>	<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>15,692</b>
<b>19.2 Transactions Relating to Post-employment Benefits contd.</b>		
	<b>Movement in Reserves Statement:</b>	
(4,701)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(4,629)
	<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>	
1,969	Employer's contributions payable to scheme	2,161

\*As a result of some members of staff transferring to Strata during the year, liabilities have been settled at a cost different to the accounting reserve.

## 19.3 Pensions Assets and Liabilities Recognised in the Balance Sheet

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

2013/14 £000	Local Government Pension Scheme	2014/15 £000
108,571	Present value of the defined benefit obligation	127,936
(69,523)	Fair value of plan assets	(75,421)
39,048	Sub total	52,515
1,148	Other movements in the liability (asset)	1,212
<b>40,196</b>	<b>Net liability arising from defined benefit obligation at 31 March</b>	<b>53,727</b>

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets:

2013/14 £000	Local Government Pension Scheme	2014/15 £000
<b>67,747</b>	<b>Opening balance as at 1 April</b>	<b>69,523</b>
2,955	Interest on assets	3,034
	Remeasurement gain/(loss):	
177	Return on plan assets less interest	3,971
(109)	Other actuarial gains/(losses)	0
(38)	Administration expenses	(39)
1,969	Contributions from employer	2,161
659	Contributions from employees into the scheme	710
(3,837)	Benefits paid	(3,982)
0	Settlement prices paid (Strata)	43
<b>69,523</b>	<b>Closing balance at 31 March</b>	<b>75,421</b>

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation):

2013/14 £000	Local Government Pension Scheme	2014/15 £000
<b>109,612</b>	<b>Opening balance as at 1 April</b>	<b>109,719</b>
2,863	Current service cost	2,712
4,754	Interest cost	4,757
659	Contributions from scheme participants	710
	Remeasurement (gains) and losses:	
1,954	Change in financial assumptions	15,008
177	Change in demographic assumptions	0
(6,464)	Experience loss/(gain) on defined benefit obligation	26
1	Past service costs including curtailments	0
(3,837)	Benefits paid	(3,982)
0	Liabilities extinguished on settlements (Strata)	198
<b>109,719</b>	<b>Closing balance at 31 March</b>	<b>129,148</b>

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

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £129.148m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance of £53.727m.

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

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary,
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2016 is £1.927m.

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

**19.4 Basis for Estimating Assets and Liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for Devon County Council Pension Fund being based on the latest full valuation of the scheme as at 31 March 2013.

The significant assumptions used by the actuary have been:

2013/14	Local Government Pension Scheme	2014/15
	Long-term expected rate of return on assets in the scheme:	
4.4%	Expected return (see (a) below)	3.3%
	Mortality Assumptions:	
	Longevity at 65 for current pensioners	
22.7	Men	22.8
26.0	Women	26.1
	Longevity at 65 for future pensioners (currently aged 45)	
24.9	Men	25.1
28.3	Women	28.4
3.6%	Rate of Inflation: RPI	3.2%
2.8%	Rate of Inflation: CPI	2.4%
4.6%	Rate of Increase in Salaries	4.2%
2.8%	Rate of increase in Pensions	2.4%
4.4%	Rate for discounting scheme liabilities	3.3%

**19.4 Basis for Estimating Assets and Liabilities contd.**

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

The following assumptions have been made:

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

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity for example, assume that life expectancy increases or decreases for men and women. In practice this is unlikely to occur and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, ie on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

<b>Sensitivity Analysis</b>	<b>Increase in assumption of 0.1%</b>	<b>Decrease in assumption of 0.1%</b>
	<b>£000</b>	<b>£000</b>
Adjustment to discount rate – present value of total obligation projected service cost	126,877 3,039	131,462 3,187
Adjustment to long term salary increase - present value of total obligation projected service cost	129,480 3,113	128,818 3,111
Adjustment to pension increases and deferred revaluation - present value of total obligation projected service cost	131,148 3,186	127,185 3,040
Adjustment to mortality age rating assumption – present value of total obligation projected service cost	+1 Year 124,635 3,006	-1 Year 133,702 3,219

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

<b>2013/14 %</b>	<b>Estimated Asset Allocation</b>	<b>2014/15 %</b>
60	Equity investments (UK and overseas)	59
7	Gilts	6
11	Property and infrastructure	13
15	Target Return Portfolio	15
2	Cash	2
5	Other bonds	3
0	Alternative assets	2
<b>100</b>	<b>Total</b>	<b>100</b>

**Note 20. External Audit Costs**

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

2013/14 £000		2014/15 £000
67	Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year	67
0	Fees payable to Grant Thornton with regard to Strata Project Governance review	11
15	Fees payable to Grant Thornton for the certification of grant claims and returns for the year	14
6	Fees payable in respect of other services provided by Grant Thornton and the Audit Commission during the year including National Fraud Initiative	30
(9)	Audit Commission Rebate	(6)
<b>79</b>	<b>Total</b>	<b>116</b>

**Note 21. Grant Income**

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

2013/14 £000	Grants and contributions credited to Services	2014/15 £000
	<b>Major grants</b>	
(371)	HRA – supporting people	(419)
(196)	Corporate Services – elections & electoral registration	(231)
0	Corporate Services – Devon shared IT project	(971)
(93)	Sustainable Homes & Communities – supporting people	(105)
(145)	Sustainable Homes & Communities – Local Welfare Support	(142)
(472)	Sustainable Homes & Communities – disabled facilities & home stay grants	(509)
(500)	Economy – Honiton Community Centre	0
(1,108)	Economy – Regional Growth Fund – Science Park	0
(195)	Environment – on street parking	0
(290)	Environment – AONB/Countryside projects	(245)
(887)	Environment – Cranbrook infrastructure	(8,206)
(30,821)	Finance - Housing Benefits and Council Tax Benefits	(31,173)
(176)	Finance – Discretionary housing payments	(145)
(709)	Finance - Housing Benefits admin grant	(489)
(44)	Finance – other DWP grants	(50)
(228)	Finance – NDR cost of collection	(228)
(67)	Finance – Localised Council Tax Benefit	(251)
(139)	Finance – Parishes Together Fund	(98)
(284)	Strategic Development & Partnership – Growth Point Delivery Team	(270)
(40)	Strategic Development & Partnership – Neighbourhood Planning	(90)
	<b>Other grants and contributions</b>	
(5)	HRA	(16)
(25)	Corporate Services	(18)
(20)	Sustainable Homes & Communities	(132)
(11)	Economy	(41)
(67)	Environment	(98)
(4)	Finance	(63)
(29)	Strategic Development & Partnership	(56)
(167)	Streetscene	(243)
<b>(37,093)</b>	<b>Total Grants and Contributions Credited to Services</b>	<b>(44,289)</b>

**Note 21. Grant Income contd.**

2013/14 £000	Credited to Taxation and Non Specific Grant Income	2014/15 £000	2014/15 £000
	<b>Non-ring Fenced Government grants</b>		
(3,232)	Revenue Support Grant	(2,666)	
(99)	DCLG Local Services Support grant	(99)	
(245)	DCLG Council Tax Freeze grant	(71)	
(1,196)	DCLG - New Homes Bonus	(1,831)	
(774)	DCLG – Small Business Rate Relief grant	(1,155)	
0	DCLG – Rural Services Delivery grant	(6)	
(7)	DCLG – Inspire grant	0	
(18)	DCLG – Capitalisation grant	0	
			(5,828)
	<b>Capital Grants</b>		
(100)	Environment Agency – Feniton Flood Alleviation	0	
(113)	Environment Agency – Axe Wetlands	0	
0	Environment Agency – Sidmouth Shingle Recycling	(94)	
0	Seaton Jurassic (Discovery Centre)	(501)	
	<b>Capital Contributions</b>		
(459)	S106 receipts	(147)	
0	Feniton Flood Alleviation	(100)	
(8)	Devon County Council – sports centres	0	
(133)	Seaton Jurassic (discovery centre)	(298)	
(163)	Other contributions	(25)	
			(1,165)
<b>(6,547)</b>	<b>Total Credited to Taxation and Non Specific Grant Income</b>		<b>(6,993)</b>

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that could require the monies or property to be returned to the giver. The balances at the 31 March are as follows:

31 March 2013			Grants and Contributions Receipts in Advance	31 March 2014		
Short Term £000	Long Term £000	Total £000		Short Term £000	Long Term £000	Total £000
(2,301)	0	(2,301)	Low Carbon Infrastructure Fund	0	0	0
(37)	0	(37)	Environment Agency - Axe Wetlands	(12)	0	(12)
(262)	0	(262)	Regional Growth Fund	0	0	0
(433)	(2,905)	(3,338)	Section 106 Receipts	(334)	(4,682)	(5,016)
<b>(3,033)</b>	<b>(2,905)</b>	<b>(5,938)</b>	<b>Total</b>	<b>(346)</b>	<b>(4,682)</b>	<b>(5,028)</b>

**Note 22. Related Parties**

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



## 22.1 Central Government

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 12 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2015 are also shown in the Debtors Note 29.

## 22.2 Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2014/15 is shown in Note 16.

## 22.3 Other Public Bodies and Entities

2013/14			2014/15		Net Year End (Debtor) / Creditor
Income £000	Expenditure £000	Government Departments	Income £000	Expenditure £000	£000
(6,566)	343	Department for Communities & Local Government	(7,690)	385	462
(31,751)	0	Department for Work & Pensions	(31,851)	0	(74)
(221)	0	Department for Environment, Food and Rural Affairs	(134)	0	(35)
0	0	Environment Agency	0	0	(178)
(3,024)	3,082	HMRC	(3,661)	3,000	(497)
0	2,643	PWLB	(574)	3,230	30
		<b>Other Public Bodies</b>			
(457)	627	Devon County Council	(489)	406	6,196
(87)	23	South Somerset District Council (Shared Services)	(89)	24	(21)
0	13,432	Plymouth City Council (NNDR Pool)	0	13,171	(14)
<b>(42,106)</b>	<b>20,150</b>	<b>Total</b>	<b>(44,488)</b>	<b>20,216</b>	<b>5,869</b>

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

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

## Note 23. Leases

### 23.1 Council as Lessee

#### 23.1.1 Finance Leases

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

31 March 2014 £000	Finance Leases	31 March 2015 £000
469	Vehicles, Plant, and Equipment	219
<b>469</b>	<b>Lessee Finance Leases Total</b>	<b>219</b>

### 23.1.1 Finance Leases contd

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

31 March 2014 £000	Finance Lease Liabilities (Net present value of minimum lease payments)	31 March 2015 £000
407	Current	361
361	Non-current	0
81	Finance costs payable in future years	39
<b>849</b>	<b>Lessee Minimum lease payments</b>	<b>400</b>

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

Minimum Lease Payments	Finance Lease Liabilities	Minimum Lease Payments	Minimum Lease Payments	Finance Lease Liabilities
31 March 2014 £000	31 March 2014 £000		31 March 2015 £000	31 March 2015 £000
449	407	Not later than one year	400	361
400	361	Later than one year and not later than five years	0	0
<b>849</b>	<b>768</b>	<b>Total Lessee</b>	<b>400</b>	<b>361</b>

### 23.1.2 Operating Leases

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

31 March 2014 £000	Operating Leases	31 March 2015 £000
476	Not later than one year	768
1,036	Later than one year and not later than five years	1,162
1,793	Later than five years	1,638
<b>3,305</b>	<b>Total Lessee Operating Leases</b>	<b>3,568</b>

## 23.2 EDDC as Lessor

### 23.2.1 Operating Leases

The 2013/14 accounts included a table in relation to finance leases whereby the authority was lessor. As at 31 March 2014 the lease liability and associated minimum lease payments were £17,000 and £23,000 respectively. These leases have been reassessed during 2014/15 and have now been categorised within operating leases and are reflected in the table above. The comparative figures have also been restated in this respect.

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

- for the provision of community services, such as sports facilities, tourism services and community centres
- for economic development purposes to provide suitable affordable accommodation for local businesses
- The future minimum lease payments receivable under non-cancellable leases in future years are:

### 23.2.1 Operating Leases contd

31 March 2014 £000	Restated 31 March 2014 £000	Operating Leases	31 March 2015 £000
362	367	Not later than one year	391
1,129	1,144	Later than one year and not later than five years	1,258
5,516	5,519	Later than five years	5,381
<b>7,007</b>	<b>7,030</b>	<b>Total Lessor Operating Leases</b>	<b>7,030</b>

**Note 24: Property, Plant and Equipment**

24.1 Movements in 2014/15	Council Dwellings & Land £000	Other Land & Building £000	Vehicle, Plant & Equipment £000	Infrastructur e Assets £000	Community Assets £000	Assets Under Construction £000	Total Assets £000
<b>Cost or Valuation</b>							
<b>At 1 April 2014</b>	<b>189,481</b>	<b>87,636</b>	<b>14,260</b>	<b>16,684</b>	<b>1,862</b>	<b>823</b>	<b>310,746</b>
Additions	5,635	294	469	314	65	1,885	8,662
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	(1,209)	0	0	61	0	(1,148)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(6,060)	(4,368)	0	(5)	0	0	(10,433)
Derecognition - disposals	0	(459)	(1,316)	0	0	0	(1,775)
Assets reclassified (to)/from Held for Sale	(1,648)	(3,383)	0	0	0	0	(5,031)
Other movements in cost or valuation	0	(186)	0	0	(50)	(610)	(846)
Other movements –Strata Service Solutions Ltd	0	0	550	0	0	0	550
<b>At 31 March 2015</b>	<b>187,408</b>	<b>78,325</b>	<b>13,963</b>	<b>14,741</b>	<b>1,938</b>	<b>2,098</b>	<b>300,725</b>
<b>Accumulated Depreciation &amp; Impairment</b>							
<b>At 1 April 2014</b>	<b>93</b>	<b>3,183</b>	<b>7,126</b>	<b>4,958</b>	<b>148</b>	<b>178</b>	<b>15,686</b>
Depreciation charge	1,090	897	1,493	490	0	0	3,970
Depreciation charge written out of the Revaluation Reserve	0	(334)	0	0	0	0	(334)
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	115	0	0	0	0	115
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	460	0	0	0	0	460
Derecognition - disposals	0	(437)	(993)	0	0	0	(1,430)
Other movements in depreciation and impairment	(1,090)	(47)	0	(1)	(50)	(178)	(1,366)
<b>At 31 March 2015</b>	<b>93</b>	<b>3,837</b>	<b>7,626</b>	<b>5,447</b>	<b>98</b>	<b>0</b>	<b>17,101</b>
<b>Net Book Value</b>							
<b>At 31 March 2015</b>	<b>187,315</b>	<b>74,488</b>	<b>6,337</b>	<b>11,546</b>	<b>1,840</b>	<b>2,098</b>	<b>283,624</b>
<b>At 31 March 2014</b>	<b>189,388</b>	<b>84,453</b>	<b>7,134</b>	<b>11,726</b>	<b>1,714</b>	<b>645</b>	<b>295,060</b>

**Note 24: Property, Plant and Equipment Contd.**

<b>24.2 Comparative movements in 2013/14</b>	<b>Council Dwellings &amp; Land £000</b>	<b>Other Land &amp; Buildings £000</b>	<b>Vehicle, Plant &amp; Equipment £000</b>	<b>Infrastructure Assets £000</b>	<b>Community Assets £000</b>	<b>Assets Under Construction £000</b>	<b>Total Assets £000</b>
<b>Cost or Valuation</b>							
<b>At 1 April 2013</b>	<b>187,248</b>	<b>86,444</b>	<b>14,103</b>	<b>16,100</b>	<b>745</b>	<b>137</b>	<b>304,777</b>
Additions	6,792	256	429	583	132	610	<b>8,802</b>
Revaluation increases recognised in the Revaluation Reserve	0	1,752	0	0	751	0	<b>2,503</b>
Revaluation (decreases) recognised in the Surplus/Deficit on the Provision of Services	(3,520)	(87)	0	0	0	0	<b>(3,607)</b>
Derecognition - disposals		(155)	(272)	0	0	0	<b>(427)</b>
Assets reclassified (to)/from Held for Sale	(1,039)	0	0	0	0	0	<b>(1,039)</b>
Other movements in cost or valuation	0	(574)	0	1	234	76	<b>(263)</b>
<b>At 31 March 2014</b>	<b>189,481</b>	<b>87,636</b>	<b>14,260</b>	<b>16,684</b>	<b>1,862</b>	<b>823</b>	<b>310,746</b>
<b>Accumulated Depreciation &amp; Impairment</b>							
<b>At 1 April 2013</b>	<b>93</b>	<b>2,370</b>	<b>5,866</b>	<b>4,733</b>	<b>148</b>	<b>0</b>	<b>13,210</b>
Depreciation charge	1,089	884	1,518	225	0	0	<b>3,716</b>
Depreciation charge written out of the Revaluation Reserve	0	(161)	0	0	0	0	<b>(161)</b>
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	71	0	0	0	0	<b>71</b>
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	0	197	0	0	0	0	<b>197</b>
Derecognition - disposals	0	0	(258)	0	0	0	<b>(258)</b>
Other movements in depreciation and impairment	(1,089)	(178)	0	0	0	178	<b>(1,089)</b>
<b>At 31 March 2014</b>	<b>93</b>	<b>3,183</b>	<b>7,126</b>	<b>4,958</b>	<b>148</b>	<b>178</b>	<b>15,686</b>
<b>Net Book Value</b>							
<b>At 31 March 2014</b>	<b>189,388</b>	<b>84,453</b>	<b>7,134</b>	<b>11,726</b>	<b>1,714</b>	<b>645</b>	<b>295,060</b>
<b>At 31 March 2013</b>	<b>187,155</b>	<b>84,074</b>	<b>8,237</b>	<b>11,367</b>	<b>597</b>	<b>137</b>	<b>291,567</b>

### 24.3 Depreciation

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

Council Dwellings: 23 - 60 years (includes components). Any charge is reversed as part of the annual revaluation process. Depreciation is charged in year of disposal to disposal date, and not charged in year of acquisition

Infrastructure: 5 -100 years

Other Land and Buildings: 2 - 60 years

Vehicles, Plant, & Equipment: 2 -15 years

## 24.4 Capital Commitments

The Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2015/16 and future years budgeted to cost £3.361m. Similar commitments at 31 March 2014 were £0.587m. The major commitments are:

<b>31 March 2014 £000</b>	<b>Scheme</b>	<b>31 March 2015 £000</b>
118	Housing grants	93
49	Street cleansing machinery	50
56	Grounds maintenance machinery	73
113	IT Systems	209
97	Cranbrook play equipment	108
0	HRA housing schemes	183
0	Manor Pavilion roof and windows upgrade	27
0	Seaton youth facilities	80
88	Feniton flood alleviation scheme	687
66	Public convenience Lifeboat Station, Exmouth	0
0	LED loan	1,851
<b>587</b>	<b>Total</b>	<b>3,361</b>

## 24.5 Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. The carrying amounts of assets subject to the 5 year rolling revaluation programme not revalued during the year and revalued at the beginning of the year are not materially different from their fair value.

With the exception of the Council Housing stock, which was valued by the District Valuer, Andrew Doak, (RICS), all valuations were carried out internally by Robert Harrison, (RICS). Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Valuations of vehicles, plant and equipment are based on historic cost less depreciation and residual values where there is an active second-hand market. A revaluation of the Council's dwellings using individual site visits was undertaken as at 31 March 2011 and is repeated every five years. This has been updated using beacon values to 31 March 2015. All other assets are valued as at 1 April 2014.

The significant assumptions applied in estimating the fair values are:

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

**24.5 Revaluations contd.**

	<b>Council Dwellings &amp; Land</b>	<b>Other Land &amp; Buildings</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Carried at historical cost		1,061	<b>1,061</b>
<b>Valued as at:</b>			
2014-2015	187,408	33,242	<b>220,650</b>
2013-2014		4,614	<b>4,614</b>
2012-2013		14,108	<b>14,108</b>
2011- 2012		0	<b>0</b>
2010-2011		29,338	<b>29,338</b>

**Note 25. Capital Expenditure and Capital Financing**

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

<b>2013/14 £000</b>	<b>Capital Expenditure and Capital Financing</b>	<b>2014/15 £000</b>
857	Opening Capital Financing Requirement	229
	<b>Capital investment:</b>	
8,800	Property, Plant and Equipment	8,668
89	Intangible Assets	0
305	Loan for Beer Community Land Trust and Exeter Science Park	1,755
4,269	Revenue Expenditure Funded from Capital under Statute	9,237
0	Capital Investment in STRATA	515
	<b>Sources of finance:</b>	
(1,153)	Capital receipts	(2,132)
(5,456)	Government grants and other contributions	(11,355)
	Sums set aside from revenue:	
(5,706)	Direct revenue contributions	(5,291)
(843)	Use of earmarked reserves	(814)
(305)	PWLB Loan and Self-funding	(1,247)
(628)	Minimum Revenue Payment	(1,044)
<b>229</b>	<b>Closing Capital Financing Requirement</b>	<b>(1,479)</b>

<b>2013/14 £000</b>	<b>Explanation of Movements in the Year</b>	<b>2014/15 £000</b>
(628)	Increase/(Decrease) in underlying need to borrow (unsupported by government financial assistance)	(1,708)
0	Assets acquired under finance leases	0
<b>(628)</b>	<b>Decrease in Capital Financing Requirement</b>	<b>(1,708)</b>

**Note 26. Assets Held for Sale**

As at 31 March 2014 £000		As at 31 March 2015 £000
920	Balance outstanding at start of year	60
1,039	Reclassified in year	5,031
(1,899)	Assets sold	(1,708)
<b>60</b>	<b>Total Assets Held for Sale</b>	<b>3,383</b>

**Note 27. Financial Instruments**

**27.1 Balance Sheet items**

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

Long Term	*Restated Current		Long Term	Current
31 March 2014 £000	31 March 2014 £000	Financial Instruments	31 March 2015 £000	31 March 2015 £000
		<b>Investments</b>		
0	2,466	Loans and receivables	0	8,499
0	30,860	Available-for-sale financial assets	0	30,923
231	0	Unquoted equity investment at cost	226	0
<b>231</b>	<b>33,326</b>	<b>Total Investments</b>	<b>226</b>	<b>39,422</b>
		<b>Debtors</b>		
685	*2,855	Loans and receivables	1,659	4,415
<b>685</b>	<b>*2,855</b>	<b>Total included in Debtors</b>	<b>1,659</b>	<b>4,415</b>
		<b>Borrowings</b>		
(85,116)	(2,768)	Financial liabilities at amortised cost	(84,784)	(3,306)
<b>(85,116)</b>	<b>(2,768)</b>	<b>Total Borrowings</b>	<b>(84,784)</b>	<b>(3,306)</b>
		<b>Other Long Term Liabilities</b>		
(361)	(407)	Finance liabilities at amortised cost	0	(361)
<b>(361)</b>	<b>(407)</b>	<b>Total included in Other Long Term Liabilities</b>	<b>0</b>	<b>(361)</b>
		<b>Creditors</b>		
0	*(4,085)	Financial liabilities at amortised cost	0	(7,526)
<b>0</b>	<b>*(4,085)</b>	<b>Total included in Creditors</b>	<b>0</b>	<b>(7,526)</b>

\* The current debtors and creditors have been restated for the period ended 31 March 2014 to take account of statutory items and receipts in advance previously included in this note, which have been removed in order to comply with the Code.

## 27.2 Income, Expenses, Gains and Losses

2013/14				2014/15				
Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	*Restated Financial Assets: Available for Sale £000	Total £000		Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets: Available for Sale £000	Total £000
2,644	0	0	<b>2,644</b>	Interest expense	2,638	0	0	<b>2,638</b>
0	0	0	<b>0</b>	Losses on Derecognition	0	0	0	<b>0</b>
0	0	0	<b>0</b>	Reductions in fair value	0	73	0	<b>73</b>
0	0	45	<b>45</b>	Fee expense	0	0	45	<b>45</b>
<b>2,644</b>	<b>0</b>	<b>45</b>	<b>2,689</b>	<b>Total Expense in Surplus or Deficit on the Provision of Services</b>	<b>2,638</b>	<b>73</b>	<b>45</b>	<b>2,756</b>
0	(51)	(325)	<b>(376)</b>	Interest Income	0	(83)	(302)	<b>(385)</b>
0	0	0	<b>0</b>	Gains on Derecognition	0	0	0	<b>0</b>
<b>0</b>	<b>(51)</b>	<b>(325)</b>	<b>(376)</b>	<b>Total Income in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>(83)</b>	<b>(302)</b>	<b>(385)</b>
0	0	*71	<b>*71</b>	Deficit/(surplus) arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	0	0	(63)	<b>(63)</b>
<b>2,644</b>	<b>(51)</b>	<b>*(209)</b>	<b>*2,384</b>	<b>Net (Gain)/Loss for the Year</b>	<b>2,638</b>	<b>(10)</b>	<b>(320)</b>	<b>2,308</b>

\*The restatement is to reflect the £0.071m as a deficit on revaluation. Last year this note disclosed the amount as a surplus, but this did not affect other areas of the accounts.

## 27.3 Soft Loans made by the Council

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

### Exeter Science Park Company Limited

The Council has been committed to the development of a Science Park within its district for a number of years; it is a shareholder of the Exeter Science Park Company which was created to facilitate the creation of a Science Park. This is in line with the Council's objective of the creation of jobs, specifically those which will provide an additional benefit to the wider economy including the supply chain.



### 27.3 Soft Loans made by the Council Contd.

The provision of this loan was to assist with the set up of the site infrastructure. The loan was for a period of 10 years, and is due for redemption in 2024. The interest rate chargeable is 2.55%.

<b>Exeter Science Park Company Limited</b>	<b>31 March 2014 £000</b>	<b>31 March 2015 £000</b>
Opening Balance	0	0
+ New loans granted	0	1,000
- Fair value adjustment	0	(45)
+ Increase in the discounted amount	0	0
<b>Balance carried forward</b>	<b>0</b>	<b>955</b>
<b>Nominal value carried forward</b>	<b>0</b>	<b>1,000</b>

#### Valuation Assumptions

The interest rate at which the fair value of this soft loan has been made is arrived at by taking the authority's prevailing cost of borrowing at the date the loan was issued of 2.76% and 2.78%, as the loan was issued in two tranches, and adding an allowance for the risk that the loan might not be repaid by the Exeter Science Park Company Ltd, in this case a zero rate.

#### Beer Community Land Trust

This loan was provided to support a local community housing development project. The aim of which was to provide affordable housing. The loan was issued in two tranches and will be redeemed in full during 2016.

<b>Beer Community Land Trust</b>	<b>31 March 2014 £000</b>	<b>31 March 2015 £000</b>
Opening Balance	0	305
+ New loans granted	305	755
- Loans repaid	0	(572)
<b>Balance carried forward</b>	<b>305</b>	<b>488</b>
<b>Nominal value carried forward</b>	<b>305</b>	<b>488</b>

#### Valuation Assumptions

At the year-end £0.183m of this loan has been classified as a current asset as this is the proportion of the balance which is repayable within 12 months after the balance sheet date. The fair value of this soft loan is consistent with its carrying value as the interest rates payable by the Land Trust are consistent with the authority's prevailing cost of borrowing at the date the elements of the loan were issued of 1.74% and 1.98%, and adding an allowance for the risk that the loan might not be repaid by the Beer CLT, in this case a zero rate.

#### Otterton Community Shop Limited

Otterton Community Shop Ltd is an Industrial and Provident Society for the benefit of the community. The provision of this loan was to assist with the set up of a village shop in Otterton. The loan has been provided on an interest free basis for a period of 5 years.

<b>Otterton Community Shop Limited</b>	<b>31 March 2014 £000</b>	<b>31 March 2015 £000</b>
Opening Balance	0	0
+ New loans granted	0	10
<b>Balance carried forward</b>	<b>0</b>	<b>10</b>
<b>Nominal value carried forward</b>	<b>0</b>	<b>10</b>

### 27.3 Soft Loans made by the Council Contd.

#### Valuation Assumptions

Although this is an interest free loan, the loan is being carried at its nominal value as this is not materially different to its fair value.

#### Kennaway House Trust

This loan has been in place since 2009 and is for a period of 25 years. The purpose of the loan was to assist the Trust in the restoration of this historic property. The loan was renegotiated during this year in terms of the timing of repayments. This has resulted in a fair value adjustment being required in the current year.

<b>Kennaway House</b>	<b>31 March 2014 £000</b>	<b>31 March 2015 £000</b>
Opening Balance	250	250
+ New loans granted (rolled up interest)	0	37
- Fair value adjustment	0	(25)
+ Increase in the discounted amount	0	0
<b>Balance carried forward</b>	<b>250</b>	<b>262</b>
<b>Nominal value carried forward</b>	<b>250</b>	<b>287</b>

#### Valuation Assumptions

The interest rate at which the fair value of this soft loan has been made is arrived at by taking the authority's prevailing cost of borrowing at the date the loan was previously renegotiated in 2013, of 4.19% and adding an allowance for the risk that the loan might not be repaid by Kennaway House, in this case a zero rate. The interest chargeable to Kennaway House is also 4.19% and the fair value adjustment has arisen due to the repayment schedule renegotiation this financial year.

#### Poltimore House Trust

This loan was provided to assist the Poltmore House Trust to preserve the structure of this historic grade 2\* listed building. The loan has been provided for a period of 25 years interest free and is due to be redeemed in 2034.

<b>Poltimore House Trust</b>	<b>31 March 2014 £000</b>	<b>31 March 2015 £000</b>
Opening Balance	51	48
- Loans repaid	(3)	(2)
<b>Balance carried forward</b>	<b>48</b>	<b>46</b>
<b>Nominal value carried forward</b>	<b>48</b>	<b>46</b>

#### Valuation Assumptions

Although this is an interest free loan, the loan is being carried at its nominal value as this is not materially different to its fair value.

### 27.3 Soft Loans made by the Council Contd.

#### Axminster Town Council

This interest free loan was issued to the Town Council to assist in fire escape works at the Guildhall. It is for a term of 20 years and is due for redemption in 2022.

<b>Axminster Town Council</b>	<b>31 March 2014 £000</b>	<b>31 March 2015 £000</b>
Opening Balance	10	9
- Loans repaid	(1)	(1)
<b>Balance carried forward</b>	<b>9</b>	<b>8</b>
<b>Nominal value carried forward</b>	<b>9</b>	<b>8</b>

#### Valuation Assumptions

Although this is an interest free loan, the loan is being carried at its nominal value as this is not materially different to its fair value.

#### Axminster Town Council

This interest free loan was issued to assist with the refurbishment of the Guildhall. It is for a term of 20 years and is due for redemption in 2024.

<b>Axminster Town Council</b>	<b>31 March 2014 £000</b>	<b>31 March 2015 £000</b>
Opening Balance	60	55
- Loans repaid	(5)	(5)
<b>Balance carried forward</b>	<b>55</b>	<b>50</b>
<b>Nominal value carried forward</b>	<b>55</b>	<b>50</b>

#### Valuation Assumptions

Although this is an interest free loan, the loan is being carried at its nominal value as this is not materially different to its fair value.

### 27.4 Fair Values of Assets and Liabilities

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

- estimated ranges of interest rates at 31 March 2015 from 0.99% to 5.31% for loans from the PWLB and other loans receivable and payable using new loan rates at the time the instruments were issued.
- no early repayment or impairment is recognised in these values.

#### 27.4 Fair Values of Assets and Liabilities Contd.

The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values in relation to PWLB loans compared to the carrying amounts are as follows:

31 March 2014			31 March 2015	
Carrying Amount £000	Fair value £000		Carrying amount £000	Fair Value £000
85,753	77,753	<b>Financial liabilities</b>	85,902	89,937

The fair value of the liabilities differs to the carrying amount because the Council's portfolio of loans drawn from PWLB includes a number of fixed rate loans where the interest rate payable is different to the prevailing borrowing rate at the balance sheet date.

31 March 2014			31 March 2015	
Carrying Amount £000	Fair value £000		Carrying amount £000	Fair Value £000
683	645	<b>Long-term debtors</b>	1,658	1,624

Excluded from the above table is £0.001m (£0.002m in 2013/14) in "soft loans" which, after a review of financial instruments, the Council considers to be immaterial to the Accounts. These are monies that have been previously advanced to support local village halls and sports and recreational facilities, although no new loans of this type have been made during 2014/15.

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

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

31 March 2014 £000	Financial Investments Valued at Historic Cost	31 March 2015 £000
	<b>Exeter Science Park</b>	
225	7.12% Shareholding	225
	<b>HM Treasury Stock</b>	
5	3.5% War Stock	0
1	2.5% Consolidated Stock	1
<b>231</b>		<b>226</b>

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement. There were no indications of impairment in 2014/15 (2013/14 none).

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

### 28.1 Nature of Risk

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

Credit risk	the possibility that other parties might fail to pay amounts due to the Council;
Liquidity risk	the possibility that the Council might not have funds available to meet its commitments to make payments;
Re-financing risk	the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms; and,
Market risk	the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates or stock market movements.

### 28.2 Overall Procedures for Managing Risk

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

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

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

The annual 2014/15 Treasury Management Strategy and the prudential indicators were approved by Cabinet on 5<sup>th</sup> February 2014 and ratified by Full Council on 26<sup>th</sup> February 2014 and are available on the Council's website. The key parameters within the strategy are:

## 28.2 Overall Procedures for Managing Risk Contd.

- The Authorised Limit for 2014/15 was set at £102,326m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £96,488m. This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure for borrowing were set at 100% and 20% respectively.
- The maximum amounts of fixed and variable interest rate exposure for investments were set at 40% and 100% respectively.

These policies are implemented by the Financial Services team.

## 28.3 Credit Risk

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

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

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

<b>Cash Flow/Internal Investments (Maximum duration 6 months)</b>		
<b>Organisation</b>	<b>Criteria</b>	<b>Max Amount</b>
Deposit Building Societies	Top 20 by Total Assets with over £5 billion in total assets	£3 million
Deposit Building Societies	Top 20 by Total Assets with over £1 billion in total assets	£2 million
Deposit with UK Incorporated Banks	Minimum F1, A1 or P1 short term backed up by A long term credit rating	£2 million
Deposit with Banks incorporated outside the UK but entitled to accept UK deposits	Minimum F1+, A1+ or P1+ short term backed up by AA- long term credit rating	£2 million
Money Market Funds	AAAmmf long-term rating	£3 million
UK Local, Police & Fire Authorities		£3 million
<b>External (Long Term) Investment Fund</b>		
<b>Organisation</b>	<b>Criteria</b>	<b>Max Amount</b>
Investment schemes (e.g. bond funds)	AAA long-term rating backed up with lowest volatility rating (V1/S1)	60%of External Fund total

The Council's maximum exposure to credit risk in relation to its investments in banks, building societies, and externally managed funds of £39.1m cannot be assessed generally because the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. There is an inherent risk of irrecoverability in relation to investments, which applies to all of the Council's deposits, but there was no evidence at the 31 March 2015 that this was likely to crystallise.

### 28.3 Credit Risk Contd.

No credit limits were exceeded during the period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

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

	<b>Amount at 31 March 2015 £000</b>	<b>Historical experience of Default %</b>	<b>Estimated Maximum Exposure to default &amp; uncollectability at 31 March 2015 £000</b>
<b>Customers*</b>			
Housing Benefits	1,797	18.31%	329
Rental	209	27.34%	57
Sundry Debtors	1,707	2.46%	42
<b>Total</b>	<b>3,713</b>		<b>428</b>

\*Excluding statutory debtors such as council tax, NNDR and amounts receivable from HMRC.

### 28.4 Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting of prudential indicators, and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available as needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

### 28.5 Refinancing and Maturity Risk

The council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This is more relevant to the Council in terms of longer term financial liabilities.

The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of existing debt; and,
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs.

## 28.5 Refinancing and Maturity Risk contd.

The maturity analysis of financial liabilities in relation to loans is as follows:

31 March 2014 £000	Maturity Risk	31 March 2015 £000
637	Less than one year	1,118
1,087	Between one and two years	2,610
4,881	Between two and five years	5,010
13,111	Between five and ten years	14,844
40,988	Between ten and twenty years	44,683
24,823	Between twenty and thirty years	17,438
226	Between thirty and forty years	199
<b>85,753</b>	<b>Total</b>	<b>85,902</b>

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

## 28.6 Market Risk

### 28.6.1 Interest Rate Risk

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

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

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

In addition the Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team monitors market and forecast interest rates within the year to adjust exposures accordingly. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer fixed term rate borrowing would be postponed.

According to this assessment strategy, at 31 March 2015, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

Interest Rate Risk	31 March 2015 £000
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	352
Decrease in the fair value of fixed rate investment assets	0
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>352</b>



**28.6.1 Interest Rate Risk contd.**

Due to the rates obtained on investments in the current market, in that not all investments are achieving a 1% return, the impact of a 1% fall in interest rates would reduce the return to nil from the current position of £323,000.

**28.6.2 Price Risk**

The Council does not generally invest in equity shares or marketable bonds.

However it does have investments in unquoted equity shares with a value of £224,927. This relates to a joint venture with other councils and Exeter University. This shareholding has arisen in the acquisition of a specific interest and will not be traded.

As such it is unnecessary for the Council to limit its exposure to price movements by diversifying its portfolio.

**Note 29: Debtors and Payments in Advance**

As at 31 March 2014 £000	Debtors and Payments in Advance	As at 31 March 2015 £000
	<b>Central Government Bodies:</b>	
436	Government Departments	307
781	HMRC	803
1,608	<b>Other Local Authorities</b>	1,798
	<b>Other entities and individuals:</b>	
210	Housing Tenants	209
204	Council Tax payers	210
304	Non domestic ratepayers	269
1,384	Housing Benefit Overpayments	1,797
1,173	Debts for Council Services Provided	1,808
0	Debts of Strata Service Solutions Ltd	113
180	Other	316
(494)	Less Provision for Doubtful Debts	(514)
<b>5,786</b>	<b>Total</b>	<b>7,116</b>

**Note 30. Cash and Cash Equivalents**

As at 31 March 2014 £000	Cash and Cash Equivalents	As at 31 March 2015 £000
629	Cash in transit and cash floats	556
1,837	Bank current accounts	5,138
0	Strata Services Solutions Ltd cash at bank	505
0	Short term deposit	2,300
<b>2,466</b>	<b>Cash and Cash Equivalents</b>	<b>8,499</b>
(2,132)	Bank overdraft	(2,188)
<b>334</b>	<b>Total Cash and Cash Equivalents</b>	<b>6,311</b>

**Note 31: Creditors and Receipts in Advance**

As at 31 March 2014 £000	Creditors and Receipts in Advance	As at 31 March 2015 £000
	<b>Central Government Bodies:</b>	
(151)	Government Departments	(487)
(250)	HMRC	(306)
(1,485)	<b>Other Local Authorities</b>	(3,728)
	<b>Other entities and individuals:</b>	
(65)	Housing Tenants	(70)
(146)	Council Tax Receipts in Advance	(164)
(2,052)	Council Tax Major Preceptors	(3,671)
(270)	Non domestic rates Receipts in Advance	(153)
0	Creditors of Strata Service Solutions Ltd	(122)
(3,471)	Sundry Creditors	(4,226)
<b>(7,890)</b>	<b>Total</b>	<b>(12,927)</b>

**Note 32. Contingent Liabilities**

We continue to underwrite a share of a contingency up to £0.350m of a margin on a £20m loan from DCLG to accelerate the development of Cranbrook and provide key infrastructure if required.

**Note 33. Contingent Assets****Sale of Knowle**

The potential sale of The Knowle in Sidmouth could realise a substantial capital receipt. However, this is dependent on planning permissions being granted. The Knowle is included in Note 26 Assets held for sale.

**Property Searches**

The Council has provided £0.145m during 2014/15 in relation to the property litigation case (Note 34). It is expected that Central Government will reimburse an element of this expenditure via New Burdens Funding, however at this stage it is not possible to estimate the financial effect, nor has the Council been notified of a date for settlement.

**Note 34: Provisions**

	NDR Appeals £000	Other Provisions £000	Total
Balance at 1 April 2014	(251)	0	(251)
Adjustment in respect of spreading of backdated NDR appeals	(377)	0	(377)
Amounts used in 2014/15	1,371	0	1,371
Additional provision made in 2014/15	(1,416)	(145)	(1,561)
<b>Balance at 31 March 2015</b>	<b>(673)</b>	<b>(145)</b>	<b>(818)</b>

**Non Domestic Rates Appeals**

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

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

**Note 34: Provisions Contd****Other Provisions**

The additional provision made during the year is in respect of claims for fees for personal searches of the local land charges register, interest on those search fees, and an estimate of the associated legal costs.

During 2013/14 the Council received a conditional grant from Central Government of £34,000, to offset these charges, which were less certain at that time. This grant was released to income in the current year due to the outcome of the case now being more certain. It is expected that additional Central Government funding will be received during 2015/16 to further offset the above provision, however due to the relative uncertainty in relation to this reimbursement it has been disclosed as a contingent asset, (Note 33).

**Note 35: Usable Reserves**

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

**Note 36: Unusable Reserves**

31 March 2014 Restated £000		31 March 2015 £000
225	Accumulated Absences Account	189
59	Available for Sale Financial Instruments Reserve	(4)
(193,414)	Capital Adjustment Account	(188,596)
*744	Collection Fund Adjustment Account	697
(2)	Deferred Capital Receipts Reserve	(1)
0	Financial Instrument Adjustment Reserve	73
40,196	Pensions Reserve	53,727
(17,317)	Revaluation Reserve	(14,826)
<b>(169,509)</b>	<b>Total Unusable Reserves</b>	<b>(148,741)</b>

\*Restated for NNDR spreading adjustment of £377k.

**36.1 Accumulated Absences Account**

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

2013/14 £000		2014/15 £000	2014/15
153	<b>Balance at 1 April</b>		<b>225</b>
(153)	Settlement or cancellation of accrual made at the end of the preceding year	(225)	
225	Amounts accrued at the end of the current year	189	
72	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(36)
<b>225</b>	<b>Balance at 31 March</b>		<b>189</b>

### 36.2 Available for Sale Financial Instruments Reserve

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

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

2013/14 £000	Available for Sale Financial Instruments Reserve	2014/15 £000	2014/15£000
(12)	<b>Balance at 1 April</b>		<b>59</b>
0	Upward revaluation of investments	(63)	
71	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	0	
71	Accumulated gains on assets sold and maturing		(63)
0	Assets written out to the Comprehensive Income & Expenditure Statement as part of Other Investment Income		0
<b>59</b>	<b>Balance at 31 March</b>		<b>(4)</b>

### 36.3 Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers and business ratepayers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2013/14 £000 Restated		2014/15 £000
(190)	<b>Balance at 1 April</b>	<b>744</b>
*934	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	(47)
<b>744</b>	<b>Balance at 31 March</b>	<b>697</b>

\*Restated for NNDR spreading adjustment of £377k

### 36.4 Capital Adjustment Account

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

**36.4 Capital Adjustment Account Contd.**

2013/14 £000	<b>Capital Adjustment Account</b>	2014/15 £000	2014/15 £000
(191,144)	<b>Balance at 1 April</b>		(193,414)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:		
2,824	Charges for depreciation and impairment of noncurrent assets	3,339	
3,606	Revaluation losses on Property, Plant and Equipment	10,432	
515	Amortisation of intangible assets	279	
4,269	Revenue expenditure funded from capital under Statute	8,431	
2,070	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	3,087	
0	Loss on share of value of assets donated to Strata Services Solutions Ltd	531	
13,284 (1,776)	Adjusting amounts written out of the Revaluation Reserve		26,099 (1,226)
<b>11,508</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>		<b>24,873</b>
	Capital financing applied in the year:		
(1,153)	Use of the Capital Receipts Reserve to finance new capital expenditure	(2,131)	
(5,635)	Use of the Major Repairs Reserve to finance new capital expenditure	(4,849)	
(3,987)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(10,560)	
(1,470)	Application of grants to capital financing from the Capital Grants Unapplied Account	(794)	
(628)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(1,043)	
0	Reduction in lease liabilities	0	
(905)	Capital expenditure charged against the General Fund and HRA balances	(678)	
(13,778)			(20,055)
<b>(193,414)</b>	<b>Balance at 31 March</b>		<b>(188,596)</b>

**36.5 Deferred Capital Receipts Reserve**

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2013/14 £000		2014/15 £000
(2)	<b>Balance at 1 April</b>	(2)
0	Transfer to the Capital Receipts Reserve upon receipt of cash	1
<b>(2)</b>	<b>Balance at 31 March</b>	<b>(1)</b>

### 36.6 Pensions Reserve

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

2013/14 £000	Pensions Reserve	2014/15 £000
<b>41,865</b>	<b>Balance at 1 April</b>	<b>40,196</b>
(4,401)	Remeasurement of the net defined benefit liability	11,063
4,701	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	3,370
0	Transfer of Strata Service Solution Ltd pension liability	1,218
(1,969)	Employer's pensions contributions and direct payments to pensioners payable in the year	(2,120)
<b>40,196</b>	<b>Balance at 31 March</b>	<b>53,727</b>

### 36.7 Revaluation Reserve

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

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

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

2013/14 £000	Revaluation Reserve	2014/15 £000	2014/15 £000
<b>(16,660)</b>	<b>Balance at 1 April</b>		<b>(17,317)</b>
(2,504)	Upward revaluation of assets	(6,955)	
71	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	8,220	
(2,433)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		1,265
894	Difference between fair value depreciation and historical cost depreciation	1,159	
882	Accumulated gains on assets sold or scrapped	67	
1,776	Amount written off to the Capital Adjustment Account		1,226
<b>(17,317)</b>	<b>Balance at 31 March</b>		<b>(14,826)</b>

**Note 37. Cash Flow Statement - Operating Activities**

2013/14 Restated £000		2014/15 £000
*(102)	<b>Total (surplus)/deficit on provision of services</b>	<b>5,376</b>
	<i>Adjust for items included in net surplus or deficit on provision of services that are investing and financing activities:</i>	
3,300	Proceeds from the sale of property, plant & equipment	2,464
976	Capital grants and contributions	(3,027)
	<i>Adjust net surplus or deficit on provision of services for noncash movements:</i>	
(6,945)	Depreciation, impairment & amortisation charged to revenue	(14,050)
0	Net movement of bad debt provision through CIES	(9)
(2,751)	Net adjustments made in respect of IAS19 pensions	(2,469)
(2,070)	Carrying amount of the gain /loss on disposal of property, plant and equipment	(3,087)
676	Grants applied to finance capital expenditure or received to meet principal repayments on borrowing by statute	313
*(933)	Other noncash movements	47
	<b>Movement in Noncash Assets and liabilities</b>	
(55)	(Increase) / decrease in creditors	2,891
116	Increase / (decrease) in debtors and payments in advance	3,005
0	Increase in Stock/Inventories	5
(7,686)		(13,918)
<b>(7,788)</b>	<b>Cash flows from operating activities</b>	<b>(8,542)</b>
	<i>Items included in the net cash flow from operating activities include:</i>	
(375)	Interest received	(395)
2,670	Interest paid	2,637
<b>2,295</b>	<b>Net interest</b>	<b>2,242</b>

**Note 38. Interests in Joint Operations**

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

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

- A source of expertise regarding information technology
- A resilient and reliable ICT infrastructure
- A service desk that maintains and supports devices, operating systems and core applications
- Information security and information management services

**Note 38. Interests in Joint Operations contd.**

- Developing and implementing business systems to meet Council business objectives
- A Street Name and Numbering function

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

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

<b>Adjustments to the Comprehensive Income and Expenditure Statement</b>	<b>2014/15 £000</b>
Fees	(1,481)
Cost of sales	427
Admin expenses	191
Adjust Strata Service Solutions Ltd Refcus	(628)
Transfer to Depreciation sinking fund	515
Transfer of pension scheme liability	1,160
<b>Cost of Services</b>	<b>184</b>
Loss on disposal of assets	531
Adjust Strata Service Solutions Ltd Refcus	(1,357)
Net interest on the defined benefit liability	19
Interest receivable	(1)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>(624)</b>
Remeasurement of the net defined benefit liability	258
<b>Total Comprehensive Income and Expenditure</b>	<b>(366)</b>

<b>Adjustments to the Balance Sheet</b>	<b>2014/15 £000</b>
Property, plant & equipment	550
Intangible assets	791
<b>Total Long Term Assets</b>	<b>1,341</b>
Inventories	5
Short Term Debtors	113
Cash & Cash Equivalents	505
<b>Total Current Assets</b>	<b>1,964</b>
Short Term Creditors	(122)
<b>Total Current Liabilities</b>	<b>1,842</b>
Pension Scheme Liability	(1,476)
<b>Total Long Term Liabilities</b>	<b>(1,476)</b>
<b>Net assets</b>	<b>366</b>
Financed by:	
Usable Reserves	(388)
Unusable Reserves	22
<b>Total Reserves</b>	<b>(366)</b>



**Housing Revenue Income and Expenditure Statement for the Year Ended 31 March 2015**

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

<b>2013/14 Net Expenditure £000</b>	<b>Housing Revenue Account Income and Expenditure Statement</b>	<b>2014/15 Net Expenditure £000</b>
	<b>Expenditure</b>	
3,576	Repairs and Maintenance	4,377
3,826	Supervision and Management	4,210
30	Rents, rates, taxes and other charges	36
	Depreciation and Impairment of non-current assets	
3,520	Dwellings	6,059
143	Other Assets	75
(10)	Movement in the allowance for bad debts	(28)
<b>11,085</b>	<b>Total Expenditure</b>	<b>14,729</b>
	<b>Income</b>	
(17,042)	Dwelling Rents (Gross)	(17,421)
(438)	Non dwelling rents (Gross)	(572)
(675)	Charges for services and facilities	(819)
(371)	Contribution towards expenditure	(419)
<b>(18,526)</b>	<b>Total Income</b>	<b>(19,231)</b>
<b>(7,441)</b>	<b>Net Expenditure or Income of HRA Services as included in the whole Council Comprehensive Income and Expenditure Statement</b>	<b>(4,502)</b>
827	HRA share of Corporate and Democratic Core	843
92	HRA share of other amounts included in the whole Council Net Cost of Services but not allocated to specific services	98
<b>(6,522)</b>	<b>Net Expenditure/(Income) on HRA Services</b>	<b>(3,561)</b>
	<b>HRA share of the operating income and expenditure included in the whole Council Comprehensive Income and Expenditure Statement:</b>	
(851)	(Gain) on sale of HRA non-current assets	(1,204)
(27)	HRA interest and investment income	(32)
2,564	Interest payable	2,563
244	Pensions interest cost and expected return on pensions assets	286
(36)	Capital grants and contributions receivable	0
<b>(4,628)</b>	<b>Surplus for the Year on HRA Services</b>	<b>(1,948)</b>

**Movement on the HRA Statement for the Year Ended 31 March 2015**

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

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

These adjustments are reflected in the statement shown below.

2013/14 Expenditure £000	Movement on the HRA Statement	2014/15 Expenditure £000
(2,970)	<b>Balance on the HRA as at the end of the previous year</b>	(3,891)
(4,628)	Surplus for the year on the HRA Income & Expenditure Statement	(1,948)
2,517	Adjustments between accounting basis and funding basis under statute	373
(2,111)	Net Increase in year on the HRA	(1,575)
1,190	Transfers to earmarked reserves	500
<b>(3,891)</b>	<b>Balance on the HRA as at the end of the current year</b>	<b>(4,966)</b>

**HRA Note 1. Reconciliation of Movement on HRA Balance**

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

2013/14 Expenditure £000		2014/15 Expenditure £000
	<b>Amounts included in the HRA I &amp; E Statement but required by statute to be excluded when determining the movement on the HRA Balance for the year</b>	
(3,662)	Depreciation and impairment of property, plant and equipment	(6,219)
820	Gain on sale of HRA non current assets	1,204
(5)	Accumulated absences	4
(633)	Net charges made for retirement benefits in accordance with IAS19	(724)
<b>(3,480)</b>		<b>(5,735)</b>
	<b>Amounts not included in the HRA I &amp; E Statement but required by statute to be included when determining the movement on the HRA Balance for the Year</b>	
65	Capital expenditure funded by the Housing Revenue Account	342
5,635	Transfer to Major Repairs Reserve	4,849
255	Employer's contributions payable to the DCC Pension Fund and retirement Benefits payable direct to pensioners	337
6	Minimum Revenue Provision	580
36	Capital grants & contributions	0
<b>5,997</b>		<b>6,108</b>
<b>2,517</b>	<b>Net adjustments between accounting basis and funding basis under statute</b>	<b>373</b>

**HRA Note 2. Rents**

This is the total rent income collectable for the year after allowance is made for empty properties and irrecoverable amounts. Empty properties accounted for 1.80% of the gross rents. In 2013/14 the figure was 1.40%.

The average weekly rent for dwellings was £80.02 in 2014/15 (£75.94 in 2013/14). The average weekly rent for garages was £11.72.

**HRA Note 3. Rent Arrears**

There was no increase in rent arrears in the year to 31 March 2015.

2013/14 £000	Rent Arrears	2014/15 £000
209 1.17%	Rent Arrears as at 31 <sup>st</sup> March Percentage of total rent debit	209 1.14%

**HRA Note 4. Bad Debt Provision**

2013/14 £000	Bad Debt Provision	2014/15 £000
85	Rent Payers Bad Debts Provision as at 31 <sup>st</sup> March	57

The bad debt provision has been decreased by £28,000. Former tenant arrears have increased by £7,000 to £60,000 at the 31 March 2014 (£53,000 at the 31 March 2014).

**HRA Note 5. Housing Stock**

The Council was responsible for managing on average 4,262 dwellings during 2014/15. The stock at the year end was made up as follows:

Numbers as at 31 March 2014	Housing Stock by Type	Numbers as at 31 March 2015
1,214	Flats & Maisonettes	1,215
2,069	Houses (including non-traditional)	2,036
990	Bungalows	989
1	House in multiple occupation	1
4	Other properties not used as dwellings	4
<b>4,278</b>	<b>Total</b>	<b>4,245</b>

The Housing Stock and other Housing Revenue Account Assets are included in the Balance Sheet at 31 March 2015 at a value of £192.218m (£194.750m at 1 April 2014). A full revaluation of the Council's dwellings as at 31 March 2011 was undertaken and has been updated using beacon values to 31 March 2014.

**HRA Note 5. Housing Stock Contd.**

	<b>Council Dwellings &amp; Land</b>	<b>Other Land &amp; Buildings</b>	<b>Vehicles, Plant &amp; Equipment</b>	<b>Infra-structure</b>	<b>Assets Under Construct'n</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or Valuation</b>						
<b>At 1 April 2014</b>	<b>189,481</b>	<b>5,103</b>	<b>715</b>	<b>155</b>	<b>90</b>	<b>195,544</b>
Additions	5,635	0	0	0	104	5,739
Revaluation increases recognised in the Revaluation Reserve	0	(225)	0	0	0	(225)
Revaluation (decreases) recognised in the Surplus/Deficit on the Provision of Services	(6,060)	0	0	0	0	(6,060)
Derecognition disposals	0	0	(194)	0	0	(194)
Assets reclassified (to) Held for Sale	(1,648)	0	0	0	0	(1,648)
Other movements in cost or valuation	0	(55)	194	0	(194)	(55)
<b>At 31 March 2015</b>	<b>187,408</b>	<b>4,823</b>	<b>715</b>	<b>155</b>	<b>0</b>	<b>193,101</b>
<b>Accumulated Depreciation &amp; Impairment</b>						
<b>At 1 April 2014</b>	<b>93</b>	<b>131</b>	<b>570</b>	<b>0</b>	<b>0</b>	<b>794</b>
Depreciation charge	1,090	95	65	0	0	1,250
Depreciation charge written out of the Revaluation Reserve	0	(55)	0	0	0	(55)
Other movements in depreciation & impairment	(1,090)	0	(16)	0	0	(1,106)
<b>At 31 March 2014</b>	<b>93</b>	<b>171</b>	<b>619</b>	<b>0</b>	<b>0</b>	<b>883</b>
<b>Net Book Value:</b>						
<b>At 31 March 2015</b>	<b>187,315</b>	<b>4,652</b>	<b>96</b>	<b>155</b>	<b>0</b>	<b>192,218</b>
<b>At 31 March 2014</b>	<b>189,388</b>	<b>4,972</b>	<b>145</b>	<b>155</b>	<b>90</b>	<b>194,750</b>

The actual Housing Stock figure at 31 March 2015 was 4,245 properties, of which 4 properties were not used to house tenants directly (e.g. Community Areas, offices & shop). The remaining 4,241 properties are valued at £187.315m and are included within the 31 March 2015 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 £603.686m. The difference between these two figures of £416.371m represents the cost of providing council housing at less than open market rents.

**HRA Note 6. Average Costs per Dwelling**

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

2013/14 £	Type of Expenditure/(Income)	2014/15 £
£891.88	Supervision & Management - General	£1,009.46
£827.32	Repairs & Maintenance	£965.71
(£3,981.82)	Rent un-rebated	(£4,094.19)

**HRA Note 7. Major Repairs Reserve**

In 2014/15 the sum of £1.192m, equivalent to the total HRA depreciation, was transferred into the Major Repairs Reserve along with an additional contribution of £3.657m. This sum was used in full during the year to fund major repairs on Council houses. No balance remained on the Reserve as at 31 March 2015.

2013/14 £000	Major Repairs Reserve	2014/15 £000
<b>0</b>	<b>Balance b/f</b>	<b>0</b>
(1,232)	Depreciation	(1,192)
(4,403)	Additional HRA contribution	(3,657)
5,635	Major Repairs Expenditure	4,849
<b>0</b>	<b>Balance c/f</b>	<b>0</b>

**HRA Note 8. Capital Expenditure**

Capital expenditure within the HRA for 2014/15 and how it was funded is shown below:

2013/14 £000	Capital Expenditure	2014/15 £000
	<b>Expenditure:</b>	
6,754	Council Houses - Improvements & Enhancements	5,636
90	Other HRA capital expenditure	104
<b>6,844</b>	<b>Total Capital Expenditure</b>	<b>5,740</b>
	<b>Funded by:</b>	
5,635	Major Repairs Reserve	4,849
65	Revenue Contribution	342
351	S106 receipts	25
214	Capital Receipts – for provision of new social housing	145
0	Capital Reserve	0
579	Capital Receipts – other HRA	379
<b>6,844</b>	<b>Total</b>	<b>5,740</b>

**HRA Note 9. Capital Receipts**

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

<b>2013/14 £000</b>	<b>Source of Receipt</b>	<b>2014/15 £000</b>
1,833	Council Houses – Right to Buy Sales	2,852
1	Principal on Mortgage Repayments	0
115	Miscellaneous Sales	29
(350)	Less contribution to HM Treasury	(384)
<b>1,599</b>	<b>Total HRA Capital Receipts</b>	<b>2,497</b>

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

The Council's pension fund reserve liability increased to £52.251m from £40.196m during 2014/15. It has been estimated that 16.78% of the Council's salary costs relate to the HRA, therefore the HRA's share of the overall pension deficit equates to £8.768m.

**Collection Fund for Year Ended 31 March 2015**

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

<b>Collection Fund Account</b>				
<b>2013/14 £000</b>		<b>2014/15 Business Rates £000</b>	<b>2014/15 Council Tax £000</b>	<b>2014/15 Total £000</b>
	<b>Income</b>			
(81,783)	Council Tax (net)	0	(85,149)	(85,149)
(31,532)	NDR collectable from business ratepayers	(31,510)	0	(31,510)
(172)	Transitional protection payments	(157)	0	(157)
	<b>Contributions to previous year's estimated deficit</b>			
0	Central Government	(678)	0	(678)
0	Devon County Council	(122)	0	(122)
0	East Devon District Council	(543)	0	(543)
0	Devon & Somerset Fire & Rescue Authority	(13)	0	(13)
<b>(113,487)</b>		<b>(33,023)</b>	<b>(85,149)</b>	<b>(118,172)</b>
	<b>Expenditure</b>			
	<b>Precepts</b>			
16,165	Central Government	15,807	0	15,807
62,034	Devon County Council	2,845	61,537	64,382
8,629	Devon & Cornwall Police Authority	0	8,980	8,980
21,347	East Devon District Council (including parishes)	12,646	8,684	21,330
4,316	Devon & Somerset Fire & Rescue Authority	316	4,156	4,472
	<b>Contributions to previous year's estimated surplus</b>			
527	Devon County Council	0	0	0
75	Devon & Cornwall Police Authority	0	0	0
73	East Devon District Council	0	0	0
35	Devon & Somerset Fire & Rescue Authority	0	0	0
228	Cost of Collection Allowance	228	0	228
155	Write offs	185	91	276
69	Adjustment to Bad Debt provision	17	42	59
1,571	Adjustment to Appeals provision	935	0	935
0	Backdated appeals spreading adjustment	236	0	236
0	Renewable Energy Schemes	122	0	122
<b>115,224</b>		<b>33,337</b>	<b>83,490</b>	<b>116,827</b>
<b>1,737</b>	<b>Movement on fund balance</b>	<b>314</b>	<b>(1,659)</b>	<b>(1,345)</b>

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

2013/14 £000		Devon County Council	Devon & Cornwall Police Authority	East Devon District Council	Devon & Somerset Fire Authority	2014/15 £000
(1,809)	Balance b/f	(1,928)	(281)	(272)	(130)	(2,611)
(802)	Movement	(1,224)	(179)	(173)	(83)	(1,659)
<b>(2,611)</b>	<b>Balance c/f</b>	<b>(3,152)</b>	<b>(460)</b>	<b>(445)</b>	<b>(213)</b>	<b>(4,269)</b>

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

2013/14 £000		Devon County Council	Central Government	East Devon District Council	Devon & Somerset Fire Authority	2014/15 £000
0	Balance b/f	228	1,270	1,016	25	2,539
2,539	Movement	28	157	125	3	314
<b>2,539</b>	<b>Balance c/f</b>	<b>257</b>	<b>1,427</b>	<b>1,141</b>	<b>28</b>	<b>2,853</b>

**CF Note 1. Income from Business Rates**

2013/14		2014/15
£85.193m	Total non domestic rateable value at end of year (31 March)	£85.688m
0.471	National non domestic rate multiplier for the year	0.482
0.462	Small business non domestic rating multiplier	0.471

**CF Note 2. Council Tax Base**

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

The figures for 2014/15 are:

Band	Dwellings	Adjustments	Council Tax Support discounts	Net Properties	Conversion Factor	Band D equivalent
A*	0	10	(2)	8	5/9ths	4
A	5,968	(1,041)	(1,292)	3,635	6/9ths	2,423
B	12,631	(1,629)	(2,182)	8,820	7/9ths	6,860
C	14,430	(1,401)	(1,614)	11,415	8/9ths	10,147
D	11,904	(1,036)	(693)	10,175	9/9ths	10,175
E	9,827	(739)	(265)	8,823	11/9ths	10,784
F	5,956	(350)	(92)	5,514	13/9ths	7,965
G	3,925	(264)	(23)	3,638	15/9ths	6,063
H	199	(41)	0	158	18/9ths	316
<b>Total Band D Equivalent</b>						<b>54,737</b>



**CF Note 2. Council Tax Base Contd.**

The comparative figures for 2013/14 were:

Band	Dwellings	Adjustments	2 <sup>nd</sup> Homes @ 40%	Net Properties	Conversion Factor	Band D equivalent
A*	0	10	(3)	7	5/9ths	4
A	5,841	(1,022)	(1,308)	3,511	6/9ths	2,341
B	12,501	(1,609)	(2,240)	8,652	7/9ths	6,729
C	14,162	(1,419)	(1,655)	11,088	8/9ths	9,856
D	11,799	(1,111)	(708)	9,980	9/9ths	9,980
E	9,756	(763)	(280)	8,713	11/9ths	10,650
F	5,914	(389)	(95)	5,430	13/9ths	7,843
G	3,906	(291)	(25)	3,590	15/9ths	5,983
H	197	(45)	0	152	18/9ths	304
<b>Total Band D Equivalent</b>						<b>53,690</b>

2013/14 £000	Tax Base	2014/15 £000
52,831	Collection Rates at 98.5% (98.4% in 2013/14)	53,916
131	Contribution from MOD properties	131
<b>52,962</b>	<b>Tax Base</b>	<b>54,047</b>

**CF Note 3. The major preceptors on the Collection Fund**

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

Council Tax 2013/14 £000	Non Domestic Rates 2013/14 £000	Major Preceptors	Council Tax 2014/15 £000	Non Domestic Rates 2014/15 £000
59,651	2,910	Devon County Council	61,537	2,723
8,704	0	Devon & Cornwall Police Authority	8,980	0
8,488	12,932	East Devon District Council (including parishes)	8,684	12,103
4,028	323	Devon & Somerset Fire and Rescue Authority	4,156	303
0	16,165	Central Government	0	15,129
<b>80,871</b>	<b>32,330</b>		<b>83,357</b>	<b>30,258</b>

**CF Note 4. Provision for Un-collectable Amounts**

Provision has been made within the accounts for un-collectable amounts based on guidelines. At the end of 2014/15 the accumulated provision stood at £0.417m (£0.359m for 2013/14) made up as follows:

2013/14 £000	Provision for Uncollectable Amounts	2014/15 £000
126	Non Domestic Rates	143
233	Council Tax	274
<b>359</b>	<b>Total Provision</b>	<b>417</b>

## Glossary of Terms

### Accounting Period

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

### Accruals

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

### Accumulated Compensated Absences Adjustment Account

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

### Assets

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

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

### Audit of Accounts

An independent examination of the Authority's financial affairs.

### Balances

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

### Budget

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

### Capital Adjustment Account

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

### Capital Expenditure

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

### Capital Charges

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

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

**Glossary Contd.****Capital Receipts**

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

**Carrying Amount**

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

**CIPFA**

The Chartered Institute of Public Finance and Accountancy.

**Collection Fund**

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

**Community Assets**

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

**Corporate Democratic Core**

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

**Creditors**

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

**Debtors**

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

**Depreciation**

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

**Earmarked Reserves**

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

**External Audit**

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

**Finance Lease**

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

**General Fund**

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

**Glossary Contd.****Government Grants**

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

**Glossary Contd.****Housing Revenue Account**

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

**Impairment**

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

**Income & Expenditure Account**

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

**Liquid Resources**

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

**Long Term Debtors**

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

**Net Book Value**

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

**Non-distributed Costs**

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

**Operating Lease**

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

**Precept**

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

**Provision**

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

**Reserves**

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

**Revaluation Reserve**

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

**Revenue Contributions**

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

**Revenue Expenditure**

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

**Glossary Contd.**

**Glossary contd.**

**Revenue expenditure funded from capital under statute (REFCUS)**

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

**Revenue Support Grant (RSG)**

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

**Service Reporting Code of Practice (SERCOP)**

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

Date: 24 September 2015  
Contact number: 01395 517490  
Email: sdavey@eastdevon.gov.uk  
Direct Fax:  
Reference: SD



Grant Thornton UK LLP  
Hartwell House  
55-61 Victoria Street  
Bristol  
BS1 6FT

East Devon District Council  
Knowle, Sidmouth, EX10 8HL  
DX 48705 Sidmouth  
Tel: 01395 516551  
Email: csc@eastdevon.gov.uk  
[www.facebook.com/eastdevon](http://www.facebook.com/eastdevon)  
[www.twitter.com/eastdevon](http://www.twitter.com/eastdevon)

Dear Sirs

## **East Devon District Council**

### **Financial Statements for the year ended 31 March 2015**

This representation letter is provided in connection with the audit of the financial statements of East Devon District Council for the year ended 31 March 2015 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

#### **Financial Statements**

- i We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 ("the Code"); which give a true and fair view in accordance therewith.
- ii We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- vi We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the

**East Devon – an outstanding place**

Chief Executive: Mark R Williams Deputy Chief Executive: Richard Cohen



financial statements. There are no other material judgements that need to be disclosed.

- vii Except as disclosed in the financial statements:
  - a there are no unrecorded liabilities, actual or contingent
  - b none of the assets of the Council has been assigned, pledged or mortgaged
  - c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- ix Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.
- x All events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.
- xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.
- xii We have considered the misclassification and disclosures changes schedule included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes.
- xiii We have considered the unadjusted misstatements and impact of uncorrected misstatements in prior year schedules included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- xiv We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xv We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.
- xvi We believe that the treatment of our share of the capital funds provided to Strata as income in the year and not deferred income is appropriate and in line with IFRS and the Code. We are aware that this treatment is not consistent with the other members of the joint operation.

### **Information Provided**

- xvii We have provided you with:
  - a access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - b additional information that you have requested from us for the purpose of your audit; and
  - c unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
- xviii We have communicated to you all deficiencies in internal control of which management is aware.

- xix All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xx We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xxi We have disclosed to you all our knowledge of fraud or suspected fraud affecting the Council involving:
  - a management;
  - b employees who have significant roles in internal control; or
  - c others where the fraud could have a material effect on the financial statements.
- xxii We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, regulators or others.
- xxiii We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxiv We have disclosed to you the identity of all the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxv We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

#### **Annual Governance Statement**

- xxvi We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

#### **Approval**

The approval of this letter of representation was minuted by the Audit and Governance Committee at its meeting on 24 September 2015.

Yours faithfully

Name            Simon Davey  
Position        Strategic Lead Finance (CFO/S151)  
Date             24 September 2015

Name            Cllr Mark Williamson  
Position        Chair of Audit & Governance Committee  
Date             24 September 2015

Signed on behalf of the Council



### Scheduled of unadjusted misstatements

	Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Reason for not adjusting
1	The Council has used the statutory override for the pension liabilities relating to Strata Service Solutions Limited. The Council should disclose the fact that they have agreed to provide a guarantee for their share of the pension liability which currently stands at £1.218 million. The Council have agreed to support a guarantee to the value of the pension liability at transfer and they should clearly disclose this liability in the 2014/15 accounts in order to apply the statutory override. This error is an overstatement of the general fund reserve and the unusable pension reserve of £1.218 million.	NIL	Usable reserves 1,218 Unusable reserves (1,218)	1 Pensions STRATA stat override - override - Legal advice sought by the three councils indicated that the statutory override is valid. Therefore we are not adjusting. The three Council's will look into the implications of the additional guarantee to establish whether it will work satisfactorily in a situation where there are three owners of the Company and we will seek further clarification for 2015/16.
2	The Council has not made adjustments to their accounts for changes to the Strata Service Solutions Limited accounts that have now been audited.	Expenses 126	Assets (90)  Creditors (36)  Reserves 126	These are not material
	<b>Overall impact</b>	<b>126</b>	<b>Nil</b>	

### Impact of uncorrected misstatements in the prior year

	Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Reason for not adjusting
1	In the prior year an accrual of expenses was significantly more than the actual cost paid subsequent to balance sheet date and therefore expenses and the creditor balance was overstated. This has reversed in the current year and therefore has the opposite effect on expenses. The yearend reserves for 2014/15 are correctly stated.	263	Nil	NB: This HAS been adjusted for in 2014/15 by virtue of the accrual reversal.  13/14 accrual. Was not material in 2013/14. Correct position shown over the 2 year period.
2	An asset that had been disposed of in 2004 had not been removed from the asset register at the end of the prior year when disposed of for nil consideration. The effect on the current year is that the opening gross book value balance is overstated by £0.596 million, opening accumulated amortisation is overstated by £0.273 million and other operating expenditure for the year overstated by £0.332 million deficit on the provision of services is overstated.	(332)	Nil	NB: This HAS been adjusted for in 2014/15.  Asset now removed from the Asset register by impairing and disposing of in 2014/15.
	<b>Overall impact</b>	<b>(69)</b>	<b>Nil</b>	



# The Audit Findings Addendum for East Devon District Council

---

**Year ended 31 March 2015**

23 September 2015

**Barrie Morris**

Director

T +44 (0)117 305 7708

E [barrie.morris@uk.gt.com](mailto:barrie.morris@uk.gt.com)

**Ashley J Allen**

Manager

T +44 (0)117 305 7629

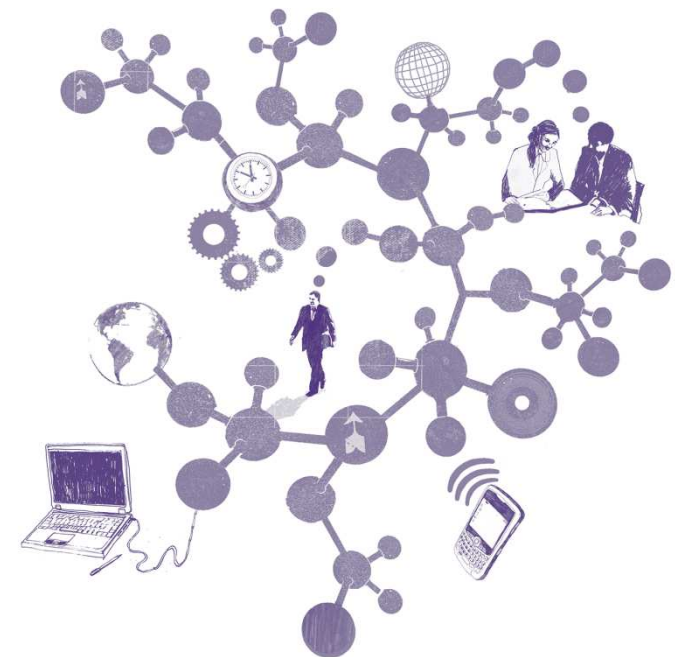
E [ashley.j.allen@uk.gt.com](mailto:ashley.j.allen@uk.gt.com)

**David Jones**

Executive

T +44 (0)117 305 7719

E [david.r.jones@uk.gt.com](mailto:david.r.jones@uk.gt.com)



## Adjusted misstatements

A number of adjustments to the draft financial statements have been identified during the audit process. We are required to report all non-trivial misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management.

### Impact of adjusted misstatements

All adjusted misstatements are set out below along with the impact on the primary statements and the reported financial position.

Detail	Comprehensive Income and Expenditure £'000	Balance Sheet £'000
1 The Council has double accounted for fixed asset additions of £1,546k under the heading of assets under construction. In note 24 there was a revaluation increase recognised which also affected the revaluation reserve. As such, assets under construction and the revaluation reserve are overstated by £1,546k on the balance sheet and the surplus on revaluation of Property, Plant and Equipment is overstated by £1,546k on the comprehensive income and expenditure statement is overstated but has no effect on (surplus) or deficit on provision of services.	Other comprehensive income and expenditure 1,546	PPE (1,546) Unusable reserves 1,546
2 The Council revalued its infrastructure assets upwards by £2,338k. As per the code 4.1.1.6 infrastructure assets are to be carried at historical cost, not fair value. As such infrastructure assets and the revaluation reserve are overstated by £2,338k on the balance sheet and the surplus on revaluation of Property, Plant and Equipment is overstated by £2,338k on the comprehensive income and expenditure statement but has no effect on (surplus) or deficit on provision of services.	Other comprehensive income and expenditure 2,338	PPE (2,338) Unusable reserves 2,338
3 The Council has incorrectly reversed depreciation out of the revaluation reserve on infrastructure assets. As per point 2 above, this treatment is incorrect. This error has no effect on the primary statements but just note 24 for PPE which has undervalued the gross book value and accumulated depreciation and impairment for infrastructure assets. The correction of the error has removed £2,252k from the other movements in cost or valuation line and from the Depreciation charge written out of the revaluation reserve.	Nil	Nil
<b>Overall impact</b>	<b>3,884</b>	<b>Nil</b>



© 2015 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton is a member firm of Grant Thornton International Ltd (Grant Thornton International). References to 'Grant Thornton' are to the brand under which the Grant Thornton member firms operate and refer to one or more member firms, as the context requires. Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered independently by member firms, which are not responsible for the services or activities of one another. Grant Thornton International does not provide services to clients.

**[grant-thornton.co.uk](http://grant-thornton.co.uk)**



# The Audit Findings for East Devon District Council

---

**Year ended 31 March 2015**

18 September 2015

**Barrie Morris**

Director

T +44 (0)117 305 7708

E [barrie.morris@uk.gt.com](mailto:barrie.morris@uk.gt.com)

**Ashley J Allen**

Manager

T +44 (0)117 305 7629

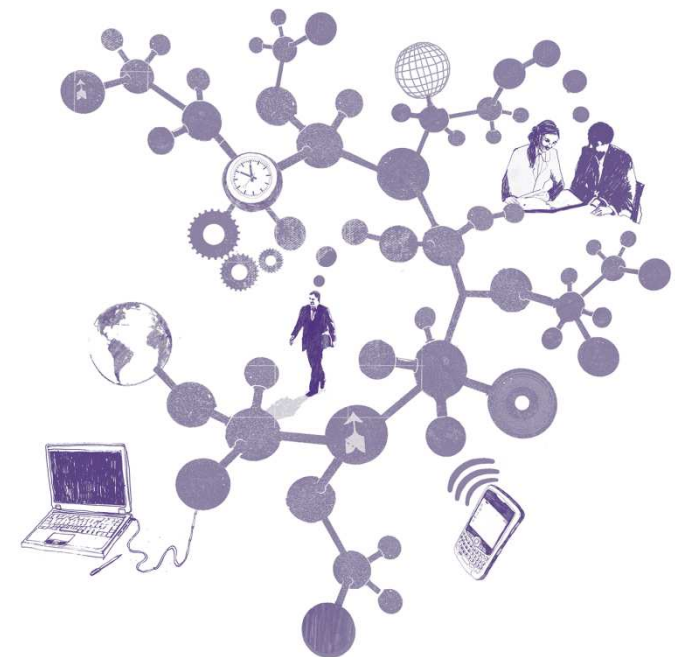
E [ashley.j.allen@uk.gt.com](mailto:ashley.j.allen@uk.gt.com)

**David Jones**

Executive

T +44 (0)117 305 7719

E [david.r.jones@uk.gt.com](mailto:david.r.jones@uk.gt.com)





Members of the Audit and Governance Committee  
East Devon District Council  
Council Offices  
Knowle  
Sidmouth  
EX10 8HL

Grant Thornton UK LLP  
Hartwell House  
55-61 Victoria Street  
Bristol BS1 6FT

T +44 (0)117 305 7600  
[www.grant-thornton.co.uk](http://www.grant-thornton.co.uk)

18 September 2015

Dear Audit and Governance Committee members

### **Audit Findings for East Devon District Council for the year ending 31 March 2015**

This Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance (in the case of East Devon District Council, the Audit and Governance Committee), as required by International Standard on Auditing (UK & Ireland) 260. Its contents will be discussed with the Audit and Governance Committee.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours sincerely

Barrie Morris  
Director

#### **Chartered Accountants**

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: Grant Thornton House, Melton Street, Euston Square, London NW1 2EP. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority.

Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions. Please see [grant-thornton.co.uk](http://grant-thornton.co.uk) for further details.

---

# Contents

<b>Section</b>	<b>Page</b>
1. Executive summary	5
2. Audit findings	8
3. Value for Money	24
4. Fees, non-audit services and independence	29
5. Communication of audit matters	31
<b>Appendices</b>	
A Action plan	33
B Audit opinion	34



---

## Section 1: Executive summary

**01. Executive summary**

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

# Executive summary

## Purpose of this report

This report highlights the key matters arising from our audit of East Devon District Council's (the Council) financial statements for the year ended 31 March 2015. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA UK&I).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Council's financial statements present a true and fair view of the financial position and expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

## Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated 29 April 2015. Our audit is substantially complete although we are finalising our work in the following areas:

- property, plant and equipment
- housing benefit testing
- obtaining the final signed version of the Strata Ltd accounts
- review of the final version of the financial statements

- obtaining and reviewing the final management letter of representation
- review of final version of the Annual Governance Statement
- updating our post balance sheet events review, to the date of signing the opinion

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable.

## Key issues arising from our audit

### Financial statements opinion

We anticipate providing an unqualified opinion in respect of the financial statements.

The key messages arising from our audit of the Council's financial statements are:

- the accounts were produced to a high standard; and
- all requests for additional information were dealt with promptly by the finance team

Further, our audit has not identified any adjustments affecting the Council's reported financial position. However, we have identified a number of adjustments to improve the presentation of the financial statements.

Further details are set out in section two of this report.

### **Value for Money conclusion**

We are pleased to report that, based on our review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VfM conclusion

Further detail of our work on Value for Money is set out in section three of this report.

### **Whole of Government Accounts (WGA)**

We have completed our work on the Whole of Government Accounts and have no issues which we wish to highlight for your

## **Controls**

### **Roles and responsibilities**

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

### **Findings**

Our work has not identified any control weaknesses which we wish to highlight for your attention.

Further details are provided within section two of this report.

### **The way forward**

Matters arising from the financial statements audit and review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Strategic lead for Finance.

We have made a recommendations, which is set out in the action plan in Appendix A. The recommendation has been discussed and agreed with the Strategic lead for Finance and the finance team.

### **Acknowledgment**

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

**Grant Thornton UK LLP**  
**September 2015**

---

## Section 2: *Audit findings*

01. Executive summary

**02. Audit findings**

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

# Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and the findings arising from our work in respect of the audit risks we identified in our audit plan dated 29 April 2015 and presented to the Audit and Governance Committee on 25 June 2015. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

## **Changes to Audit Plan**

We have not made any changes to our Audit Plan as previously communicated to you on 25 June 2015.

## **Audit opinion**

Our proposed audit opinion is set out in Appendix B.

## Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA (UK&I) 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p><b>Improper revenue recognition</b></p> <p>Under ISA (UK&amp;I) 240 there is a presumed risk that revenue may be misstated due to improper recognition</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at East Devon District Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including East Devon District Council, mean that all forms of fraud are seen as unacceptable</li> </ul>	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
2.	<p><b>Management override of controls</b></p> <p>Under ISA (UK&amp;I) 240 there is a presumed risk of management over-ride of controls</p>	<ul style="list-style-type: none"> <li>• review of prior year and current year accounting estimates, judgements and decisions made by management</li> <li>• testing of journal entries</li> <li>• review of unusual significant transactions</li> </ul>	<p>Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>

## Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<b>Operating expenses</b>	Creditors understated or not recorded in the correct period (operating expenses understated)	<ul style="list-style-type: none"> <li>• review of system documentation and walkthrough test of design and operation of controls</li> <li>• search for unrecorded liabilities by testing after period payments</li> <li>• obtain an understanding of the accruals process and determine whether our understanding identifies areas where additional procedures are required</li> <li>• will obtain written representations from management for significant assumptions used in estimates</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified.
<b>Employee remuneration</b>	Employee remuneration accrual understated (remuneration expenses not correct)	<ul style="list-style-type: none"> <li>• review system documentation and walkthrough test of design and operation of controls</li> <li>• analytical procedures over the payroll figures throughout the year to ensure that it is reasonable and complete</li> <li>• substantive testing of a sample of payroll payments</li> <li>• review reconciliation of the payroll system figures to the general ledger figures</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified.

## Significant matters discussed with management

	Significant matter	Commentary
1.	<p>The Council has made a number of financial loans (soft loans) to third parties loans at a rate that is likely to be less than market rate and accounts for them as described in note 1.13 of the accounts. As disclosed in note 27.3 of the financial statements, the Council has arrived at the fair value of the interest rate by taking the authorities own borrowing cost and adding an allowance for the risk that the loan might not be repaid of 0% on the basis that the loans are secured so there is no risk of default.</p>	<p>Whilst we agree with the authority's application of the Code paragraph 7.1.4.5:                      ‘...An acceptable approach to determining the prevailing interest rate would be to base it on the authority’s borrowing cost plus an allowance for the risk that the loan will not be fully repaid (i.e. the credit risk). Authorities may use other reasonable approaches to determining the prevailing interest rate.’</p> <p>We do not agree that the credit risk that the loan will not be fully repaid is nil as has been applied by the Council to it's soft loans. The Council should make enquires as to the rate that the borrower could borrow at from a commercial entity to use in benchmarking the fair value of the borrowing costs and to appropriately account for a soft loan.</p> <p><b>Management response</b>                      Not adjusted because:                      This matter should be put into context as a statutory override reverses all the entries out of the council's accounts.                      Beer CLT has already paid back the majority of the loan £755k out of £1,060k.                      We have undertaken an exercise to revalue the loans based on a range of 1-5%. This shows a significant variation from £88k to £361k. Given the uncertainty as to the actual commercial rate that would have been applied, we cannot justify an amendment to the figure in the accounts.</p>
2.	<p>It was identified during the 2014/15 final accounts audit that cash in transit was not reconciled on a regular basis resulting and that a large difference that has been in place for many years. The balance of cash in transit per the accounts is £548,043. The Council can currently account for £444,510 of this balance. We have verified that the amount accounted for in respect of 2014/15 is reasonably stated.</p>	<p>The Council needs to identify the difference and make correcting accounting adjustments and to introduce controls to ensure regular reconciliations are undertaken in relation to cash in transit. The coding structure for the cash in transit accounts has been in place for many years, and this needs revisiting.</p> <p><b>Management response</b>                      This error relates to prior years as we are confident the in year 2014/15 balances are correct.                      We are working to identify the brought forward error. This will take more resources and will be resolved by 2015/16. We believe the error relates to incorrect coding structure setup which will be resolved.                      EDDC have already identified the procedures to reconcile CIT on a monthly basis going forward.</p>



# Accounting for Strata Service Solutions Limited (Strata)

In this section we report on our consideration of the accounting for Strata Service Solutions Limited.

Accounting area	Comments
<b>Nature of relationship</b>	<p>We have worked closely with Exeter City Council, East Devon District Council and Teignbridge District Council regarding the accounting treatment of Strata. The Councils are of the view that the Company is a joint operation and we concur with this view. The financial statements of Strata have been included within the Councils' own single entity accounts.</p>
<b>Production of single entity accounts</b>	<p>Strata produced draft financial statements for the period 1 November 2014 to 31 March 2015. The figures within these financial statements were allocated between the three Councils on the basis of their individual shareholdings and were subsequently included within the Councils' own financial statements for the year ended 31 March 2015.</p> <p>Strata has appointed its own External Auditors and when its financial statements were audited, they were found to contain a significant error. This related to the treatment of capital payments to Strata from each of the three Councils. This was originally treated as income in Strata's draft financial statements, but this was revised to reflect the fact that it related to subsequent capital expenditure. The impact on Strata's financial statements was to reduce its turnover by approximately £1.5m. This income reduction led to a commensurate increase in the reported loss for the period and a corresponding reduction in the Company's net assets. A number of other minor revisions were also made to the Company's draft accounts.</p> <p>East Devon District Council funded this transaction with Strata through a specific grant. The Council has formed a judgement that, as the conditions of grant have been met, it should account for this wholly within the year and the Council has not adjusted its single entity accounts. This is a different approach to the two other Councils, which did not fund this transaction through such a grant. We support this judgement and currently await the final, audited financial statements for Strata.</p>
<b>Accounting for pensions</b>	<p>When Strata began trading, staff transferred to the company from the three councils which control the Company under TUPE arrangements. Strata took over the full pensions liabilities relating to these staff, which in some cases may have been built up over a number of years of Council service. In many Local Authority companies, the Councils retain the historic pensions liabilities – with the Company assuming responsibility for any post trading liabilities. Some Councils choose to retain the full liabilities.</p> <p>The way in which pensions impact on the income and expenditure account is different between companies and Local Authorities. Companies charge any payments made to the pension fund to the income and expenditure account together with any movement in the pension liability for the year. In order to avoid any short-term detrimental impact on the General Fund – and thus Council Tax payers – Local Authorities are only required to charge the payments made in the year to the pension fund to the income and expenditure account, with any movement in the pension liability being ultimately charged to the pensions reserve. This is known as the pensions statutory override.</p> <p>When the Council consolidated the figures for Strata into its own financial statements, it also applied the statutory override to its share of Strata's pensions liabilities; this amounted to £1.22 million. Our view is that was not appropriate and the Council has not been able to provide us with a compelling case for applying this override. We recommended that the Councils take legal advice about the guarantees provided by the Councils for the pension liabilities of Strata, with the ultimate aim of resolving this issue in 2015/16. Should the Council agree to support a guarantee this needs to be disclosed in the current year accounts as a liability.</p>

## Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
<b>Revenue recognition</b>	<p>Activity is accounted for in the year that it takes place, not simply when cash payments are received. In particular:</p> <ul style="list-style-type: none"> <li>• Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.</li> <li>• Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.</li> <li>• Interest receivable on investments is accounted for as income on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.</li> <li>• Where revenue has been recognised but cash has not been received, a debtor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.</li> </ul>	<p>We have reviewed the Council's recognition of revenue and found that:</p> <ul style="list-style-type: none"> <li>• Appropriate policies had been used</li> <li>• Accounting policies had been adequately disclosed</li> <li>• Revenue had been appropriately recognised</li> <li>• The policies are in accordance with proper practices as set out in the CIPFA/ LASAAC Code of Practice</li> </ul>	<p style="text-align: center;">● Green</p>

### Assessment

- Red – Marginal accounting policy which could potentially attract attention from regulators
- Amber – Accounting policy appropriate but scope for improved disclosure
- Green – Accounting policy appropriate and disclosures sufficient

## Accounting policies, estimates & judgements continued

Accounting area	Summary of policy	Comments	Assessment
<b>Estimates and judgements</b>	<p>Key estimates and judgements include:</p> <ul style="list-style-type: none"> <li>• useful life of property, plant and equipment</li> <li>• pension fund valuations and settlements</li> <li>• revaluations and impairments</li> <li>• provisions</li> <li>• Accruals</li> </ul>	<p>We have reviewed the accounting areas where the Council has exercised judgement and used estimates. We found that, other than reported elsewhere:</p> <ul style="list-style-type: none"> <li>• Appropriate policies had been used</li> <li>• Accounting policies had been adequately disclosed</li> <li>• Areas where judgement had been used were supported by the work of an expert or a third party</li> <li>• Remains to audit Doctors Surgeries NDR appeals</li> </ul>	<p>● Green</p>
<b>Estimates and judgements - group accounts / joint operation</b>	<p>Assessment of Strata Service Solutions Limited as a joint operation account for in single entity accounts.</p>	<p>We agree with the Council's assessments that Strata Service Solutions Limited (Strata) is a joint operation and that group accounts are not required for 2014/15.</p> <p>The financial statements contain an unadjusted error regarding the treatment of pensions for Strata which is detailed below.</p> <p>The Council has also not adjusted their accounts for the revised audited accounts of Strata. One adjustment of £0.576 million the Council is not adjusting as the treatment is not in line with IFRS. This treatment is different than the other two Councils involved in the joint operation.</p>	<p>● Amber</p>
<b>Going concern</b>	<p>The officers have a reasonable expectation that the services provided by the Council will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.</p>	<p>We have reviewed the assessment and are satisfied with managements' assessment that the going concern basis is appropriate for the 2014/15 financial statements.</p>	<p>● Green</p>
<b>Other accounting policies</b>	<p>We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.</p>	<p>Our review of accounting policies has not highlighted any issues which we wish to bring to your attention.</p>	<p>● Green</p>

### Assessment

- Red – Marginal accounting policy which could potentially attract attention from regulators
- Amber – Accounting policy appropriate but scope for improved disclosure
- Green – Accounting policy appropriate and disclosures sufficient

# Accounting policies, Estimates & Judgements– review of issues raised in prior year

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1.	<b>X</b>	<p><b>Estimates and judgements - Property, Plant &amp; Equipment</b></p> <p>In previous years the Council carried out a rolling programme of revaluations, with the date of the valuations varying between 31 March 2010 and 31 March 2014. This approach was similar to many other authorities and we were satisfied that you had satisfied yourselves that the carrying amount of Property, Plant and Equipment (based on these valuations) did not differ materially from the fair value at 31 March 2014.</p> <p>However, in our view this rolling programme did not meet the Code's requirement to value items within a class of property , plant and equipment simultaneously, as this Code requirement, which is based on IAS 16 Property, Plant and Equipment, only permits a class of assets to be revalued on a rolling basis provided that:</p> <ul style="list-style-type: none"> <li>• the revaluation of the class of assets is completed within a 'short period'</li> <li>• the revaluations are kept up to date.</li> </ul> <p>In our view, we would normally expect this 'short period' to be within a single financial year. This is because the purpose of simultaneous valuations is to 'avoid reporting a mixture of costs and values as at different dates'. This purpose is not met where a revaluation programme for a class of assets straddles more than one financial year.</p>	<p>The authority is still not compliant with the Codes requirement to value items within a class of property , plant and equipment simultaneously.</p> <p><b>Management response</b></p> <p>We are satisfied that there is no material difference from the value in the accounts to the value of we had actually revalued all assets. This will go in 2015/16 code.</p>
2.	<b>✓</b>	<p>In previous years the Council failed to ensure that all assets were revalued at least every 5 years inline with policies and the Code. The six assets that were noted as not having been valued in over 5 years last year should be revalued in 14/15.</p>	<p>The assets in question were revalued in 2014/15 and the Council has now taken steps to ensure that all assets are revalued every 5 years in accordance with their accounting polices.</p>

**Assessment**

- ✓ Action completed
- X Not yet addressed

## Accounting policies, Estimates & Judgements– review of issues raised in prior year

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
3.	✓	<p>In previous years accounts the note for property, plant and equipment sets out the useful lives and depreciation rates for vehicles, plant and equipment. Note 24.5 of the accounts states that valuations of vehicles, plant and equipment are based on historic cost less depreciation and residual values where there is an active second-hand market.</p> <p>The code states that for depreciated historical cost to be considered a proxy to fair value, the useful life must be a realistic reflection of the life of the assets and the depreciation method used must provide a realistic reflection of the consumption of that asset class.</p> <p>The Council did not have a complete formal process in place to ensure that the useful lives and method of depreciation provides a realistic reflection of the consumption of the assets.</p>	<p>The authority has stated that the only class of assets to which this applied was IT and this has since all been transferred to STRATA. This is a fair assessment as the depreciation method used for vehicles and other plant and equipment provides an appropriate proxy to fair value.</p>
4.	✓	<p>In previous years accounts, within the accounting policies note, the Council set out the accounting treatment for loans made to other organisations at a rate less than market value. A loss is recorded in the Comprehensive Income and Expenditure Statement for the present value of the interest that would be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.</p> <p>The Council, as set out in the note to the accounts around soft loans made by the Council, had only included soft loans made that are interest free. The Council had not included the soft loan made to Beer Community Land Trust (CLT) at below market rates in the accounts. The amount was not significant for 2013/14, but it will be once the full amount of the loan is made to Beer CLT in future years and will therefore need to be reflected appropriately in the accounts.</p>	<p>The authority has now correctly disclosures all soft loans made within note 27.3 of the financial statements. However, as referred to in the Significant matters discussed with management section above, we do not agree with the authorities assessment of market risk in relation to these loans.</p>

### Assessment

- ✓ Action completed
- X Not yet addressed

## Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	<b>Matters in relation to fraud</b>	We have previously discussed the risk of fraud with the Audit and Governance Committee and have not been made aware of any frauds that would have a material impact on the financial statements. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit.
2.	<b>Matters in relation to laws and regulations</b>	We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	<b>Written representations</b>	A letter of representation has been requested from the Council. In particular, representations will be requested from management in respect of the significant assumptions used in making accounting judgements regarding Strata and for not amending the financial statements for the items identified on page 20 of this report.
4.	<b>Disclosures</b>	Our review found no non-trivial omissions in the financial statements.
5.	<b>Matters in relation to related parties</b>	We are not aware of any related party transactions which have not been disclosed.
6.	<b>Confirmation requests from third parties</b>	We obtained direct confirmations from the PWLB for loans and requested from management permission to send confirmation requests to Lloyds, The Coventry Building Society, Santander, The Public Sector Deposit Fund and the Bank of Scotland, Royal London and Payden Global Funds Plc for bank and investment balances . This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.

## Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for Employee Remuneration and Operating Expenses as set out on page 10 above.

The controls were found to be operating effectively and we have no matters to report to the Audit and Governance Committee.

## Internal controls – review of issues raised in prior year

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1.	✓	<p>We had identified opportunities to improve the control environment for information technology , as deficiencies around:</p> <ul style="list-style-type: none"> <li>• System administration responsibilities for the Academy application</li> <li>• Data edits made directly to the application databases</li> </ul>	<p>The authority has mitigating controls in place to address these control issues as per managements responses to our prior year audit findings report.</p>

**Assessment**

- ✓ Action completed
- X Not yet addressed



## Unadjusted misstatements

The table below provides details of adjustments identified which we request be processed but which have not been made within the final set of financial statements. The Audit and Governance Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure £'000	Balance Sheet £'000	Reason for not adjusting
1 The Council has used the statutory override for the pension liabilities relating to Strata Service Solutions Limited. The Council should disclose the fact that they have agreed to provide a guarantee for their share of the pension liability which currently stands at £1.218 million. The Council have agreed to support a guarantee to the value of the pension liability at transfer and they should clearly disclose this liability in the 2014/15 accounts in order to apply the statutory override. This error is an overstatement of the general fund reserve and the unusable pension reserve of £1.218 million.	Nil	Usable reserves 1,218 Unusable reserves (1,218)	Legal advice sought by the three councils indicated that the statutory override is valid. Therefore we are not adjusting. The three Council's will look into the implications of the additional guarantee to establish whether it will work satisfactorily in a situation where there are three owners of the Company and we will seek further clarification for 2015/16.
2 The Council has not made adjustments to their accounts for changes to the Strata Service Solutions Limited accounts that have now been audited.	Expenses 126	Assets (90) Creditors (36) Reserves 126	Not material
<b>Overall impact</b>	<b>126</b>	<b>Nil</b>	

## Impact of uncorrected misstatements in the prior year

Detail	Comprehensive Income and Expenditure £'000	Balance Sheet £'000	Reason for not adjusting
1 In the prior year an accrual of expenses was significantly more than the actual cost paid subsequent to balance sheet date and therefore expenses and the creditor balance was overstated. This has reversed in the current year and therefore has the opposite effect on expenses. The year end reserves for 2014/15 are correctly stated.	263	Nil	Corrects 13/14 accrual. Was not material in 2013/14. Correct position shown over the 2 year period.
2 An asset that had been disposed of in 2004 had not been removed from the asset register at the end of the prior year when disposed of for nil consideration. The effect on the current year is that the opening gross book value balance is overstated by £0.596 million, opening accumulated amortisation is overstated by £0.273 million and other operating expenditure for the year overstated by £0.332 million deficit on the provision of services is overstated.	(332)	Nil	Asset now removed from the Asset register by impairing and disposing of in 2014/15.
<b>Overall impact</b>	<b>(69)</b>	<b>Nil</b>	

## Misclassifications & disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Disclosure	NA	Related parties	Disclosure surrounding the relationship with South West Audit Partnership was omitted from the related party note.
2 Disclosure	NA	Officers remuneration	One officer was omitted from the £50,000-£54,999 employee remuneration pay band.
3 Disclosure	NA	Termination benefits	This information entered into this note was incorrect in general and has now been re-worked to agree to the audited payroll information.
4 Disclosure	21	External audit costs	The draft accounts did not account for all external audit costs in the year including our financial modelling work and place analytics subscription as well the recharges for the Strata project governance work was included in the disclosure.
5 Disclosure and presentation	NA	Various	Whilst we acknowledge the work undertaken by the council to prepare the Annual Governance Statement and financial statements for our review, there were a number of minor disclosure and presentational adjustments that were required to be made to the drafts presented for audit.

---

## Section 3: Value for Money

01. Executive summary

02. Audit findings

**03. Value for Money**

04. Fees, non-audit services and independence

05. Communication of audit matters

# Value for Money

## Value for money conclusion

The Code of Audit Practice 2010 (the Code) describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources;
- ensure proper stewardship and governance; and
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VfM conclusion based on two criteria specified by the Audit Commission which support our reporting responsibilities under the Code.

These criteria are:

**The Council has proper arrangements in place for securing financial resilience** - the Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

**The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness** - the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

## Key findings

### Securing financial resilience

We have undertaken a review which considered the Council's arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission:

- Financial governance;
- Financial planning; and
- Financial control.

Overall our work highlighted that in a period of austerity, the Council has, to date, managed its finances effectively. The Council underspent against its budget for 2014/15 allowing it to contribute £1.079 million to the general fund reserve at year end. The Council has set a balanced budget, after the use of £0.105 million from the general fund reserves to fund one off costs for 2015/16.

Beyond 2015/16 the position becomes far more challenging. A further £2.6 million of savings will need to be identified in the period 2016/17 – 2020/21 to allow the Council to reduce budget gaps and set balanced budgets.

We have assessed the current arrangements for achieving financial reliance as adequate.

### Challenging economy, efficiency and effectiveness

We have considered the Council's arrangements to challenge economy, efficiency and effectiveness against the following themes:

- Prioritising resources
- Improving efficiency & productivity

Our work highlighted that the overall arrangements are sound at the Council. The Council continues to consider a wide range of options for developing savings and efficiency plans.

### Overall VfM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

We set out below our detailed findings against six risk areas which have been used to assess the Council's performance against the Audit Commission's criteria. We summarise our assessment of each risk area using a red, amber or green (RAG) rating, based on the following definitions:

<b>Green</b>	Adequate arrangements
<b>Amber</b>	Adequate arrangements, with areas for development
<b>Red</b>	Inadequate arrangements

The table below and overleaf summarises our overall rating for each of the themes reviewed:

Theme	Summary findings	RAG rating
<b>Key indicators of performance</b>	<ul style="list-style-type: none"> <li>The Council has underspent against its general revenue budgets for the past five years and its housing revenue budget for the past three years.</li> <li>The useable reserves for the Council overall increased this year and well above the minimum levels set by members to protect against key financial risks.</li> <li>The key ratios of the Council are similar to the previous year.</li> <li>The Council's staff sickness level for 2014/15 of 10.41 has increased by 1.97 days from last year and is currently above the Council's target of 8.5 days. Whilst the Council has taken action to address some of the issues identified, the position for the first quarter of 2015/16 continues to highlight levels are above plans.</li> </ul>	<b>Green</b>
<b>Strategic financial planning</b>	<ul style="list-style-type: none"> <li>The Council's medium term financial plan (MTFP) has a six year financial planning horizon up to 2020/21. The Council goes through a detailed process in developing its financial plans. Budget proposals are consulted on and considered at various draft stages and by various committees before going to Full Council for approval.</li> <li>For 2015/16, savings were identified but the Council needed to use £0.105 million from the general fund reserves in order to set a balanced budget for 2015/16. The Council will need to continue to find substantial savings as the updated MTFP shows a cumulative budget gap from 2016/17 onwards totalling £2.6 million by the end of 2020/21.</li> <li>The Council has a strong track record of containing its expenditure within budget. Nevertheless the local government sector faces unprecedented financial challenges over the next three years. Members will have to continue to show strong leadership in decision making to ensure the Council remains financially resilient.</li> </ul>	<b>Green</b>
<b>Financial governance</b>	<ul style="list-style-type: none"> <li>The Council has a good process for financial governance that covers the whole planning cycle, includes consultation on proposals and performance reporting, and is underpinned with effective challenge and assurance processes.</li> <li>There is a clear understanding of the financial environment of the Council.</li> <li>There is appropriate engagement with stakeholders, Members and staff.</li> <li>The Council has adequate monitoring arrangements in place at Member and officer level.</li> </ul>	<b>Green</b>

Theme	Summary findings	RAG rating
<b>Financial control</b>	<ul style="list-style-type: none"> <li>• The Council has a strong recent track record on budgetary and financial control, demonstrated by good financial outcomes, which is indicative of a robust financial control framework. The arrangements to monitor delivery of the budget are robust and there are sufficient reserves to cover any slippage in savings programmes. However, as in previous years, there are no specific arrangements to monitor the delivery of the savings plans. The Council's arrangements could therefore be enhanced by introducing monitoring and reporting against the delivery of individual savings plans, schemes and initiatives with explanations provided for any deviations from plans.</li> <li>• The Council set an ambitious capital programme for the year of over £25.1 million. The final outturn was an actual spend of £18.8 million with the majority of the underspend relating to scheme slippage and moving planned spending into the capital programme for 2015/16.</li> <li>• The Council's Internal Audit reviews key areas and has confirmed controls are satisfactory and the overall arrangements at the Council were found to be adequately controlled, with some specific improvement required in non key areas.</li> <li>• The Council continues to maintain and review risks faced by the Council.</li> </ul>	<b>Green</b>
<b>Prioritising resources</b>	<ul style="list-style-type: none"> <li>• The Council prioritises its resources based on priorities in the Council Plan.</li> <li>• The Council has demonstrated a willingness to take on innovative and financially effective solutions to service delivery demonstrating a clear strategy and rationale for the use of its financial and other resources as shown by the Council's decision to relocate the Council offices to two alternative locations.</li> </ul>	<b>Green</b>
<b>Improving efficiency &amp; productivity</b>	<ul style="list-style-type: none"> <li>• The Council continues to consider a wide range of options to improve efficiency. This is demonstrated by the formation of the shared Information and Communications Technology service provider Strata with Exeter City and Teignbridge Councils.</li> <li>• The Council can demonstrate through its performance and budget management arrangements that it continues to make improvements in efficiency and productivity. Its Council Plan demonstrates that it is considering new ways to achieve efficiencies and provide services.</li> <li>• The Council recognises that further difficult decisions will need to be made to generate additional savings to maintain the Council's sustainable financial position over the longer term.</li> </ul>	<b>Green</b>

To support our VfM conclusion against the specified criteria we performed a risk assessment against VfM risk indicators specified by the Audit Commission, and additional indicators identified by ourselves. Following completion of our work we noted the following residual risks to our VfM conclusion:

Residual risk identified	Summary findings	RAG rating
<b>Key indicators of performance</b> <i>2014/15 workforce</i>	<p>The high sickness absence at the Council produces a risk to the effective delivery of services due to insufficient resources being available at certain times and there is an associated risk of additional pressure being placed on those staff that are covering for absent colleagues. Whilst we recognise that the Council has investigated the high absence levels and has taken action to address the issues identified, the levels of absence in the first quarter of 2015/16 indicate that further action is required. The Council needs to continue to monitor and investigate the reasons for individual instances of absence to identify any trends or specific areas of concern and take appropriate actions to address the underlying issues.</p>	<b>Amber</b>
<b>Strategic financial planning</b> <i>Focus of the medium term financial plan</i>	<p>The Council's MTFP has a gap of £2.6 million over the 2016/17 to 2020/21 period. This represents a considerable challenge for the Council given the savings it has had to make in recent years. Members and officers at the Council need to continue to work to transform the way business is done within the Council to find more areas of savings to reduce the gap in the MTFP.</p>	<b>Amber</b>



---

## Section 4: Fees, non-audit services and independence

01. Executive summary

02. Audit findings

03. Value for Money

**04. Fees, non-audit services and independence**

05. Communication of audit matters

## Fees, non-audit services and independence

We confirm below our final fees charged for the audit and of non-audit services.

### Fees

	Per Audit plan £	Actual fees £
Council audit	67,761	67,761
Grant certification on behalf of Audit Commission	10,810	*10,810
<b>Total audit fees</b>	<b>78,571</b>	<b>78,571</b>

\*The indicative fee published by the Public Sector Audit Appointments for grant certification work required in 2014/15 for the Council is £10,810. As the work has not yet been completed on the grant certification, we therefore cannot confirm the final fee.

### Fees for other services

Service	Fees £
<b>Non audit related services</b>	
Place analytics subscription	5,000
Financial modelling	23,776

### Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

---

## Section 5: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

# Communication of audit matters to those charged with governance

International Standard on Auditing ISA (UK&) 260, as well as other (UK&I) ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

## Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission ([www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice (the Code) issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

# Appendices

## Appendix A: Action plan

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	The Council should ensure that all assets within the same class are valued within the same financial year to meet the Code's requirements for revaluing of Property, Plant and Equipment in paragraph 4.1.2.35.	Medium	We are satisfied that there is no material difference from the value in the accounts to the value of we had actually revalued all assets. This will go in 2015/16 code.	Not applicable
2	The Council should seek legal advice regarding the accounting for the pensions liability of Strata Service Solutions Limited and, in particular, whether a guarantee from the three Councils could remove the liability from Strata's financial statements. The Council should arrange for the guarantee to be put in place in relation to the pension liability in relation to this and account for this accordingly.	High	Legal advice sought by the three councils indicated that the statutory override is valid. Therefore we are not adjusting. The three Council's will look into the implications of the additional guarantee to establish whether it will work satisfactorily in a situation where there are three owners of the Company and we will seek further clarification for 2015/16.	Not applicable

### Priority High, Medium or Low

# Appendix B: Audit opinion

**We anticipate we will provide the Council with an unmodified audit report**

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EAST DEVON DISTRICT COUNCIL

We have audited the financial statements of East Devon District Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Income and Expenditure Statement, the Movement on the HRA Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of East Devon District Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of the Strategic Lead for Finance and auditor

As explained more fully in the Statement of Responsibilities, the Strategic Lead for Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Strategic Lead for Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of East Devon District Council as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

### Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we report by exception

We are required to report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or
- we designate under section 11 of the Audit Commission Act 1998 a recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

**Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources**

**Respective responsibilities of the Authority and the auditor**

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

**Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

**Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, East Devon District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

**Certificate**

We certify that we have completed the audit of the financial statements of East Devon District Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Barrie Morris  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Hartwell House  
55-61 Victoria Street  
Bristol  
BS1 6FT

September 2015





© 2015 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton is a member firm of Grant Thornton International Ltd (Grant Thornton International). References to 'Grant Thornton' are to the brand under which the Grant Thornton member firms operate and refer to one or more member firms, as the context requires. Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered independently by member firms, which are not responsible for the services or activities of one another. Grant Thornton International does not provide services to clients.

**[grant-thornton.co.uk](http://grant-thornton.co.uk)**